

Improving the IFA PI profile

Protean's underwriter survey reveals risk management investments that deliver the best return

As 2015 drew to a close and 2016 begun, Protean Risk completed a survey of the professional indemnity (PI) insurance market for Independent Financial Advisers (IFAs). It is estimated that less than 10 insurers underwrite 90% of IFA PI risk. Senior underwriters from six of these insurers were among those that responded to the questionnaire with feedback managed by an independent marketing consultancy to ensure anonymity and promote frankness.

As Nathan Sewell, CEO of Protean Risk explained "We wanted to help IFAs understand how they can better protect their business from professional indemnity claims, make more informed risk management investment decisions and secure the most competitive insurance premiums."

It is clear from the results that insurers remain concerned about claims frequency, with more than two thirds of those surveyed expecting claim notifications to increase in the next 12 months. When considering the top three concerns, perhaps unsurprisingly, the majority of respondents focused on pension transfers (especially DBTs), tax schemes, and unregulated collective investment schemes, with insistent clients emerging as a key underwriting factor in each of these areas.

It is against this backdrop that all the insurers have, at some point, decided against offering renewal terms to an existing client. This fits with Protean Risk's experience during 2015 with an increasing number of IFAs becoming new clients after finding themselves without a renewal option from their existing broker and running out of time to find one.

Among the reasons for non-renewal are pension transfer/high risk activities and a change in scheme underwriting parameters. Many brokers specialising in the IFA PI sector offer a single insurer market option, usually by way of a tied arrangement (commonly known as a scheme or facility). *Continued overleaf*



Meet Julian Brincat

We are delighted that Julian Brincat has joined Protean as head of our IFA practice. Julian brings with him an in-depth knowledge of the specific risks and insurance solutions pertinent to the IFA market along with technical expertise in assessing contract wordings and the associated implications.

Julian commented "I am really pleased to be joining Protean Risk. Having worked with firms affected by a diverse range of issues, as well as seeing a number of insurers withdraw from the sector, I believe that now, more than ever, the role of an expert independent broker is vital in providing appropriate solutions to safeguard financial advisory firms. I very much look forward to continuing to provide market leading solutions to our clients." ■

You can contact Julian at JulianBrincat@proteanrisk.com

Protean launch 'Insurance Health Check' for equity crowdfunding platforms

The growth in equity crowdfunding as a source of funding for smaller business has been remarkable. However, much of this growth has come without proper due diligence – a component that most investors would normally view as vital.

As the sector continues to develop at a pace, there is a sense that there would be benefits in strengthening due diligence processes. Some might even suggest that this could become a key differentiator and 'sales' proposition to motivate both investors and businesses to use their platform.

Protean Risk has developed an Insurance Health Check specifically for equity crowdfunding platforms. The objective of this is to ensure that the investee companies have the appropriate level and quality of insurance cover in place.

The Health Check is completely free and confidential, supports good corporate governance and provides a benchmark without impacting existing broker or insurer relationships. All too often policy deficiencies are only recognised when a claim occurs and this process is structured to identify headline omissions from the outset.

The Health Check service is designed to benefit all stakeholders, notably the platform itself, investors and also the investee company. ■

For more information, please contact RushmeeSugunasingha@proteanrisk.com

Get fit in a bit

For your chance to win the must have gadget of 2016 - a fitbit Charge, go to the Protean stand and leave your business card to enter the prize draw.

Get motivated to move more with Charge, by tracking all-day activity like steps taken, distance travelled, calories burned, floors climbed and active minutes.



87%

said Pension Transfer Risk was a top 3 risk concern.

Protean Risk IFA PI Insurer Risk Survey 2016

Improving the IFA PI profile *Continued*

We would urge IFAs using single-market insurance brokers to consider seeking early alternative options, especially if they are undertaking those activities which insurers perceive to be in the higher risk category. Through taking the time to build relationships and perhaps meet a potential new insurer, IFAs will be able to ensure that they have credible options, if required.

One of the keys to success is the communication of risk management processes. Our survey revealed the Top 10 risk management initiatives, but in our experience three aspects in particular stand out:

- 1. Investing in the compliance structure** – being able to demonstrate that there are robust systems in place, including a diary system for all staff, puts across a strong message to insurers. Investing in the services of an external compliance provider also serves to strengthen and support the structure in place.
- 2. Increasing adviser oversight and file checking** – there should be appropriate supervisory controls in place that also extend to any partners or directors in the business.
- 3. Being more selective about the type of business and clients** – a clear direction should be taken, especially when advising on higher risk investments. IFAs should consider:
 - Is there enough experience in the firm?
 - Do relevant advisors have the appropriate qualifications and permissions?
 - What are the Professional Indemnity Insurance implications (increased excesses, exclusions, special conditions imposed)?
 - Are clients suitable for the type of investments which they are being recommended?

"I believe many IFAs are suffering from a 'one size fits' all broking approach" states Julian Brincat, Head of IFA Practice at Protean Risk. "We continue to experience cases where we achieve a better result for the client through taking an individual broking approach." ■

Top reasons why IFAs do not get offered PI Renewal

1. Poor claims record
2. Pension transfer exposures
3. Non-disclosure of material information
4. Lack of underwriting information
5. Continued involvement in high risk activities
6. Change of IFA business blend
7. Falling out of scheme parameters
8. Unable to demonstrate adequate procedures in place when conducting certain high risk activities.

For more information, please contact JulianBrincat@proteanrisk.com

Bridging the FinTech gap

Advances in technology continue to change the way financial institutions operate and, in recent years, the UK has seen a rapid increase in the number of 'FinTech' companies; a term which is often applied to technology companies that are disrupting financial sectors, such as mobile payments, money transfers, loans, fundraising and even asset management. These companies will often require authorisation and subsequent regulation by the FCA.

The combination of financial and technology aspects to a business brings together risks such as failure of technology, data breaches and breach of contract, typically most associated with technology companies and combines them with risks associated with FCA regulated businesses. These exposures would range from breach of professional duty, causing financial loss to a third party and alleged breach of regulations. Insuring FinTech companies brings with it its own nuances as there can be policy 'gaps' between traditional financial institution (FI) insurance wordings and

those of traditional technology policies. A good example of this is that an FI policy will often have exclusions related to aspects such as 'mechanical breakdown' and might not have the bolt-ons that would be desirable in the data breach/advisory area. On the flipside, a 'Tech' policy would not have the cover that is provided by today's Financial Services industry specific policies.

According to Nathan Sewell, CEO of Protean Risk, "Obtaining adequate insurance advice at the outset is key to mitigating many of the operational risks that FinTech's may have exposure to. It is vital that the broker understands the distinct differences between traditional financial and technology insurance policies and can provide an FCA compliant solution (where required) through a combined policy without any gaps in coverage."

New FinTech companies starting the FCA journey can find out more by speaking with JasonEdwards@proteanrisk.com ■

Lloyd's Broker status for Protean Risk

Protean Risk recently announced it had been approved as a Lloyd's Registered Broker.

The ability to access Lloyd's directly will benefit Protean Risk's clients through increased choice and access to a broader range of specialist insurance markets.

Nathan Sewell, CEO, said "Having gone through the approval process, we are extremely proud to have achieved the high standards that allow us to become a Broker at Lloyd's and the milestone this represents in the development of Protean Risk. We are very excited about the new opportunities our direct access to Lloyd's will bring." ■

For more information, please email JasonEdwards@proteanrisk.com

Broker at **LLOYD'S**

Meet the Protean Team

Nathan Sewell, CEO

Nathan has worked in insurance for more than 25 years. He began his career as an underwriter and rapidly progressed to senior management positions in both small independent and then multinational broking houses, and led M&A teams at both Aon & Willis. He left Dual Corporate Risks to establish Protean Risk in 2008 and launched the first insurance product designed to protect investor victims of hedge fund fraud.



Julian Brincat, Head of Independent Financial Adviser Practice

Julian Brincat, Head of Independent Financial Adviser Practice Julian has an in-depth knowledge of the specific risks and insurance solutions pertinent to the IFA market along with a technical expertise in assessing contract wordings and their associated implications. Prior to joining Protean Risk, Julian was a Senior Account Executive at Howden Insurance.



PROTEAN RISK

About Protean

Protean Investment Risks Limited is a specialist Lloyd's insurance broker advising firms and individuals in the investment industry, financial services and technology sectors with dedicated M&A/Transaction Solutions insurance and specialist Private Client practices.

Underpinning our values as a company is an overarching focus on customer service and satisfaction, borne out by extensive client testimonials and client retention rate.

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