

THE RIGHT DIRECTION

A history of the National
Insurance Brokers Association





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A history of the National Insurance Brokers Association



Dedicated to the memory of Stuart
Leslie, whose leadership and vision made
the formation of the National Insurance
Brokers Association possible.

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National Insurance Brokers Association

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FOREWORD

BY PAUL GODDARD, PRESIDENT, NATIONAL INSURANCE BROKERS ASSOCIATION

The title of this history of NIBA's first twenty-five years – "The Right Direction" – is very apt. Formed from associations that served a number of very different broker constituencies, NIBA has lived up to the ambitions of its founders, guiding insurance brokers through some very challenging times.

The "right direction" might not have been totally clear to all of us at all times, but the record shows that NIBA has always steered the insurance broking sector forward with a steady hand and clear vision.

This association is made up of people from many different types of business – from large international companies to small suburban operations. Yet NIBA has proved time and time again that solutions can be devised to meet the needs of the entire sector.

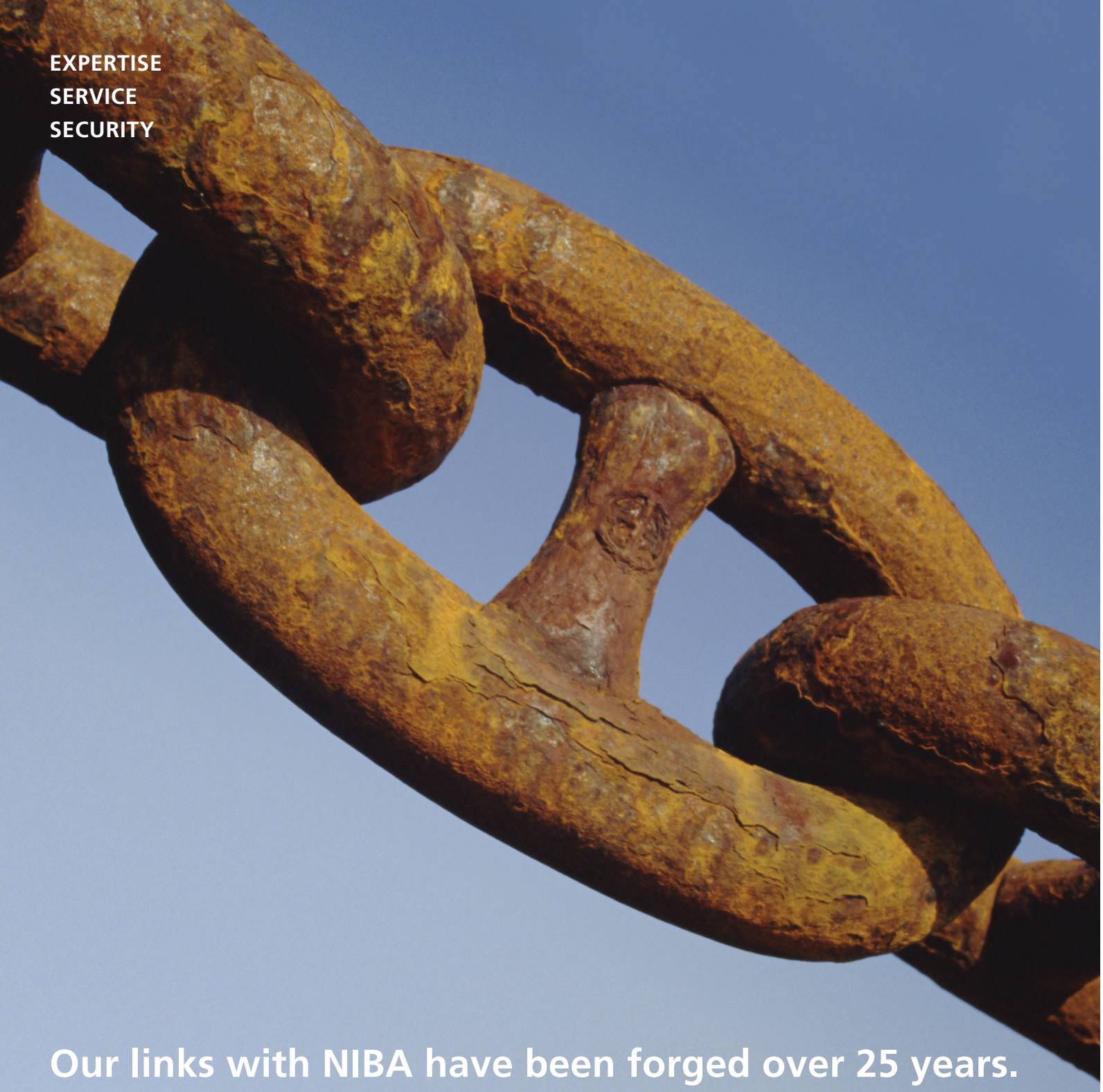
As we come to the end of our first twenty-five years, it's appropriate that we should consider NIBA's many achievements.

I was not involved in the actual formation of NIBA, but I have been privileged to see it develop into a highly professional and sophisticated organisation that is recognised everywhere as representing the interests of Australian brokers. And its decisions are made very much by members, who give up many hours of their time to work on issues and advise the management on the best way forward.

Over the past twenty-five years there has been continuous change in the financial services sector in general and insurance broking in particular. We have faced tough legislative challenges and seen the expectations of our clients intensify. Risks and products are different from twenty-five years ago, and the dynamics of the broking sector have changed enormously. Brokers today are a very sophisticated, highly trained, motivated and professional bunch.

In the midst of all that change and pressure has been the calming presence of NIBA, which through twenty-five years has proved that collective wisdom and united action are formidable weapons in a fast-changing world. Those founding fathers should be proud to know their hopes and dreams for NIBA have been met, and that we face the future with great confidence.

Paul Goddard
President, 2007-08



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ACKNOWLEDGEMENTS

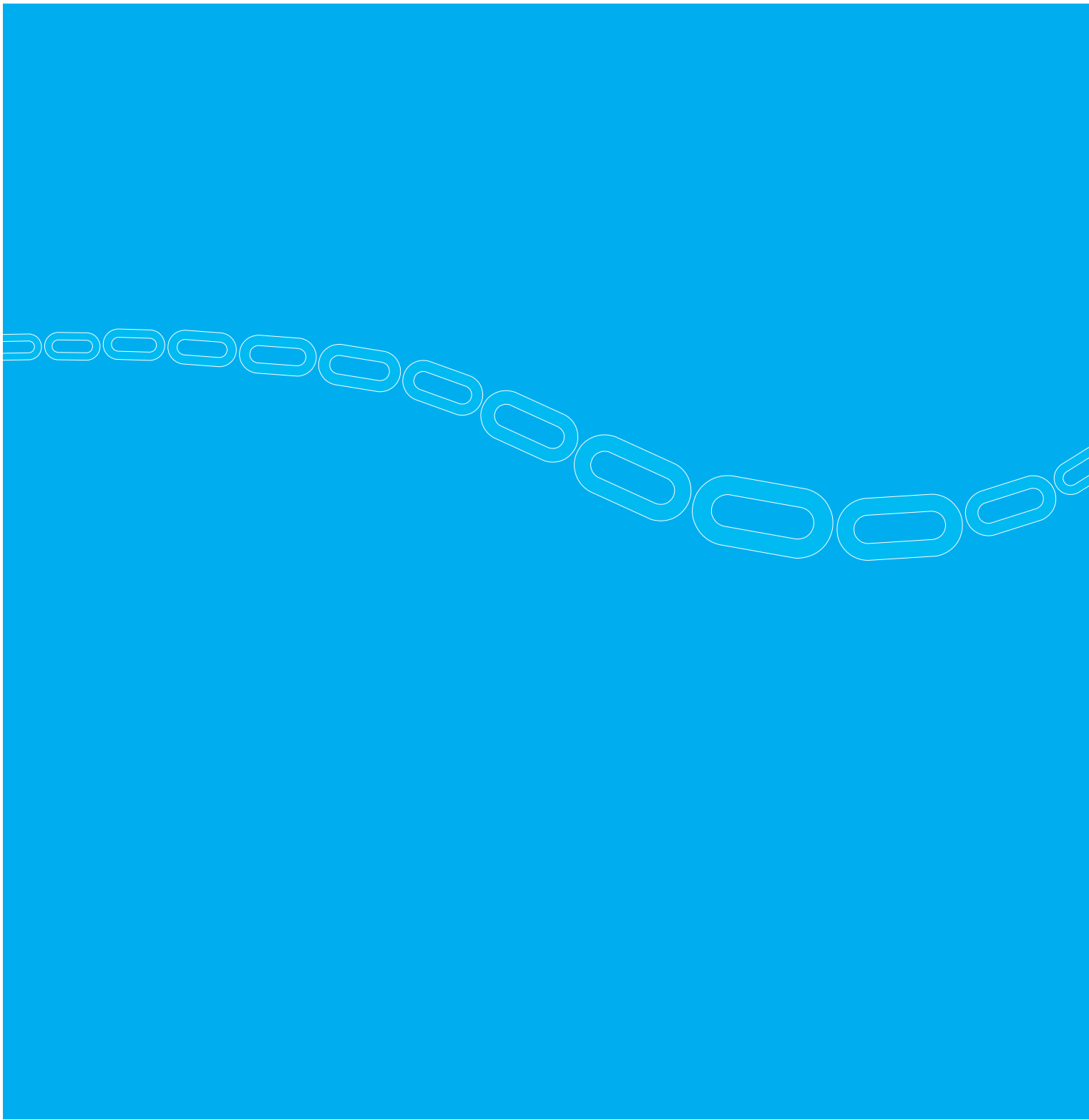
There are many people who should be thanked for their contributions to the production of this history of NIBA's first twenty-five years. It would not have been possible without the support and interest of so many members of NIBA, especially our present Board of Directors and President, Paul Goddard. Our special thanks to past Presidents and Board members who willingly shared their memories and whose views ring out as strongly in these pages as they did in the meetings that resulted first in the creation of NIBA and then its development.

Our thanks also to past NIBA staff, especially John Dawson, Murray Sainsbury, John Unkles and of course the irrepressible Ian Abell, who was in the middle of so much of the early action and whose extraordinary memory has been put to good use. Present Chief Executive Noel Pettersen and Professional Development Executive Linda Evans provided enormous support, as did consultants John Hanks and (in his role as NIBA's communications consultant) Terry McMullan.

Many people provided additional information, backed up others' memories and offered new perspectives on issues. Some will find their names in this history and others will find their comments and recollections have been included as part of the general commentary. All information was received with gratitude, and all form part of the narrative. We also thank individually (but in no particular order of importance) Lex McKeown, Ted Hogg, Paul Goddard, John Heath, Robert Kelly, Reg Mawhinney, Spyros Stathakis, Tony Hosking and Steve Markey.

Just as the memories of so many people have been essential in telling the story of NIBA, so has the economic contribution of many major insurers and other industry partners been essential in paying for this history. These companies who work with brokers have long been supportive of NIBA and its activities, and in the case of this history their willingness to advertise in its pages has allowed this history to be produced at minimal cost to the association. Their contribution and interest is gratefully acknowledged.

And lastly to the professionals who compiled this history of NIBA: Paul Howell, Terry McMullan and Naomi Conway and the production team at McMullan Conway Communications.





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Tim Ezzy
tim_ezzy@ausuw.com
(02) 9200 4009



Natalie Storer
natalie_storer@ausuw.com
(02) 9200 4034

Construction & Engineering



David Hackforth
david_hackforth@ausuw.com
(02) 9200 4019

Marketing & Operations



Roy Ellis
roy_ellis@ausuw.com
(02) 9200 4013



Gary Marshall
gary_marshall@ausuw.com
(02) 9200 4003

Aged Care, Child Care, Community Care



Jim Petdro
jim_petdro@ausuw.com
(03) 8629 8802



Frank vanRooy
frank_vanrooy@ausuw.com
(03) 8629 8801

Property, Package, Jewellers Block, Fine Art



Tony Thrift
tony_thrift@ausuw.com
(02) 9200 4011



Michael Andrews
michael_andrews@ausuw.com
(02) 9200 4038



Natalie Storer
natalie_storer@ausuw.com
(02) 9200 4034

Professional Indemnity



Roy Daly
roy_daly@ausuw.com
(02) 9200 4004



Paula Vivares
paula_vivares@ausuw.com
(08) 9225 6645

Claims



Erica Lamming
erica_lamming@ausuw.com
(02) 9200 4033



Nicole Platt
nicole_platt@ausuw.com
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NOW WE ARE

The owners of BJS have been associated with NIBA from the very beginning, and even though we're 15 years younger, we're inspired by NIBA's leadership and determination to make Australia's insurance brokers the most professional in the world. So congratulations to all at NIBA, and keep right on doing what you do so well.

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The phoenix has proved an enduring symbol of rebirth, hope for the future and a return to strength – literally 'rising from the ashes'. Similarly, NIBA has proven an enduring symbol representing brokers' interests, communicating with the industry and encouraging and assisting in the development of world-class insurance professionals.

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FORWARD thinking

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Lumley congratulates NIBA

1982 - 2007

	<i>2007/08</i>	<i>NIBA celebrates</i>
	<i>2005</i>	<i>NIBA College established</i>
	<i>2003</i>	<i>Lumley celebrates 100 years of operation</i>
	<i>2003</i>	<i>Lumley awarded Insurer of the Year</i>
	<i>1995</i>	<i>Certificate in Insurance Broking launched</i>
	<i>1994</i>	<i>Lumley acknowledged with Best Trade booth</i>
	<i>1992</i>	<i>Application of QPIB rules</i>
	<i>1984</i>	<i>Lumley General begins its support of NIBA</i>
	<i>1982</i>	<i>NIBA launched</i>



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¹Vero Claims Satisfaction Survey, Sweeney Research, November 2007.

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PROLOGUE

“Working together for the common good is what would keep them going in the right direction.”

Not everything went right on October 26, 1982. There was a delayed start, the overhead displays went missing and there were concerns some local brokers might not drag themselves away from the office for what would be the most significant presentation. Still, at least two hundred and fifty insurance broker delegates were on hand to herald in a new age of co-operation and unity.

Confederation of Insurance Brokers of Australia (CIBAAust) President Stuart Leslie's speech to the Insurance Brokers Association (IBA) Convention in Melbourne had a few hiccups but the basic message was received with overwhelming support. His announcement that the two organisations were set to merge meant brokers would finally have a single representative body to champion their industry. The new National Insurance Brokers Association (NIBA), if it could successfully manage the differences between the two groups, would provide a strong, unified voice for brokers when dealing with both Federal and State Governments and the wider insurance industry.

Jump forward to 2007 and the result has been all that and more. Over its first twenty-five years, NIBA has successfully taken insurance broking from a fairly ad-hoc trade into a well-educated and well-regulated professional industry. In doing so, it has been able to improve the conditions in which brokers operate and enhance their standing among insurance buyers. That has, in turn, helped to improve the standing of the overall insurance industry.

None of that looked possible before 1982. Then, insurance broking was both a divided industry and a lawless one. With two separate trade organisations representing a relatively small percentage of insurance intermediaries, honest brokers had difficulty promoting their services in what was a very crowded marketplace. Unification was seen as a vital step, but also a very difficult one. A deep-seeded mistrust between CIBAAust and IBA had hampered negotiations between the two since the broking organisations had first emerged.

CIBAAust's origins dated back to 1945 when the Lloyd's Insurance Brokers Representative Association (LIBRA) formed in Sydney. That relatively small, but still very corporate, organisation aimed to tie up the interests of intermediaries selling insurance in Australia on behalf of the famous London market.

A second organisation formed in 1959. The Corporation of Insurance Brokers Australia (CIBA) aimed to represent the interests of large, international brokers. Its members were required to have an office within the central business district of a major capital, something that kept out many smaller, locally started and owned brokerages. CIBA members typically placed business through the Fire and Accident Underwriters' Association and were therefore constrained by the so-called "tariff" – a standard set of policy conditions and premium rates that had operated in the Australian insurance industry since 1909.

With both organisations sharing an international base, there was very little conflict between CIBA and LIBRA. Several companies were members of both organisations and by the end of the 1970s they would have officially united to form CIBAAust. What did create some tension was the 1971 formation of IBA.



October 26, 1982, and Confederation of Insurance Brokers President Stuart Leslie steps up to the podium at the Insurance Brokers Association Convention at the Southern Cross Hotel in Melbourne. His speech announced agreement to form one association for insurance brokers, embracing small and large companies and working together for a common purpose.

IBA drew its membership from those brokerages that had been excluded from CIBA and LIBRA. These “non-tariff” brokers (placing up to 30% of their business with insurers operating outside the tariff) were typically smaller, Australian-owned businesses working primarily within the small business sector. Founder Lex McKeown says it was a natural progression that gave small brokers their first opportunity to promote their businesses and professionalism.

But while they shared similar goals, there appeared little chance of any of the three organisations joining together.

IBA member Edward Hogg remembers early calls for full broker unity were tainted by concerns about the professionalism of some smaller operations. “The mood in my opinion was too tense for that,” he said. “There were a couple of IBA members finding themselves in difficulties.”

It was certainly true that cases of poor professionalism were more prevalent in the smaller end of the broking scale. Unregulated by the tariff or international parents, smaller brokers had much greater opportunity to act dishonestly and many of the large international players were cautious of associating with them.

At the same time, IBA members were wary of working too closely with the internationals. They had a very real fear they could be crowded out and lose their independence if there was a tie-up between the three organisations.

Things changed slightly when the 1975 Trade Practices Act effectively abolished the insurance tariff. Both international and

smaller Australian-owned brokers were forced to compete on the same terms – and each had access to both local insurers and the international markets. One of the key differences between the groups had dissolved – and this created renewed calls for unity. The Federal Government push for new legislation to regulate insurance contracts only added to the list of interests brokers of all sizes had in common.

In September 1976, the newly constituted Australian Law Reform Commission (ALRC) began looking into the activities of insurance agents and brokers, with the view to proposing the country's first laws in that area. It distributed an issues paper in 1977, and began taking submissions and holding extensive talks with all industry stakeholders.

The leadership groups of IBA, CIBA and LIBRA were obviously keen to take part. All three groups had spoken publicly about the need for external regulation and welcomed the ALRC inquiry. They also spoke directly with government ministers, in both federal and state jurisdictions, about their individual visions for broker legislation.

These were often diametrically opposed but they all aimed to stop the growing practice of brokers failing to pass on money. "It was extremely bad for the consumer and extremely bad for our industry," remembers IBA member Bob Elder. His grouping also called for laws to enforce the ideal that brokers could act only in the client's interest.

There were, of course, areas of disagreement. But it was the lack of a single unifying voice that caused most delays in achieving legislation. Governments, and even the ALRC, found it difficult to deal with three separate broking bodies and often pushed those issues to the back of the agenda.

Elder recalls meeting with then NSW Consumer Affairs Minister Syd Einfeld on behalf of IBA. The appointment took place immediately after one with a prominent CIBA representative. As the two crossed paths in the hallway, the absurdity of the situation became obvious to everyone. "We just shook our heads and said 'this is crazy'," he said. Even Einfeld had agreed the organisations were not nearly as effective as a combined lobbying group could be.

The first effort at unity came with the Insurance Brokers Council of Australia (IBCA) in 1977. This umbrella committee, made up of two representatives from each body, was formed to establish a single voice for communication with the newly elected Federal Government, led by Malcolm Fraser. Still, tensions boiled just below the surface.

When, in November 1978, the ALRC began holding public hearings on its proposals, the IBCA submitted a single, unified position paper. It agreed with the basic proposals to regulate brokers but warned against any form of compulsory disclosure of brokerage or investment returns. The IBA made its own ancillary submissions fiercely opposing any laws that would allow banks into the insurance market. At the same time CIBA and LIBRA had made a proposal for self-regulation of the broking industry, which then Treasurer John Howard said he would consider but only after the ALRC inquiry had run its course.

Lloyd's representative's

LIBRA
(1945)

Large international
brokers

CIBA
(1959)

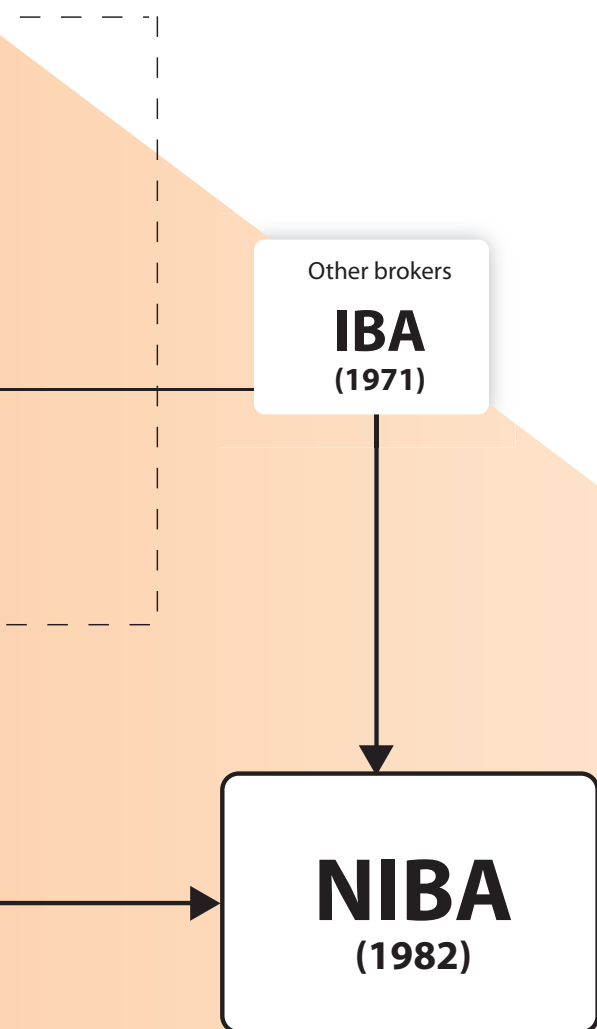
First umbrella group

IBCA
(1977)

LIBA/CIBA unite

CIBAust
(1980)

*"Negotiation is the
way to success"*



CIBA and LIBRA continued to work closely together, and formed an effective majority voting bloc on the IBCA. When the ALRC made its first report in September 1980, CIBA and LIBRA found themselves in broad agreement with the proposals. IBA however rejected any propositions apart from a small number of laws to ensure premiums were passed on to insurers. CIBA and LIBRA merged officially in 1980. The newly formed CIBAAust and IBA could not agree on how to carry on the IBCA and it effectively dissolved in December of that year.

While IBA and CIBAAust continued to trade barbs at each other, they also began pushing for very similar demands of their memberships. Both groups instituted minimum requirements that members hold separate broking accounts and expanded their professional indemnity insurance hurdles. That similarity, and a strong political push for thorough and immediate broker legislation (in response to a significant number of broker insolvencies), forced brokers to make another attempt at unity. Had they not been successful, governments around the country would have pushed through broker legislation with or without the support of those most affected.

After much debate, each organisation agreed to enter into a steering committee that would aim to create a workable union. This committee met, after some delay, at the RACV Country Club in Healesville, Victoria, in July 1982. The negotiations were intense, but after two days a basic structure for a single representative body for Australia's insurance brokers had been agreed to.

Whatever tensions had been present then, they appeared to have subsided by October that year. Leslie's speech to a filled Southern Cross Hotel ballroom was seen as the defining moment for a unified broking industry. Entitled "Negotiation (is) the way to success", it not only formally announced the creation of NIBA, it set out the basic strategy that it would use to represent brokers of all shapes and sizes.

IBA Registrar Ian Abell says the selection of the well-respected CIBAAust President as the first NIBA President guaranteed the new organisation a positive start. "Under the guidance of Stuart Leslie, it was bound to be a success," he said, noting his ability to find and work with the common ground between the two organisations. Marsh & McLennan's Terry Paradine agreed. "Leslie convinced the major brokers that they had to accept that it was their responsibility to set an example," he said. "They would only get one vote (each) but through influence and leadership should still exercise the right sort of leadership. Working together for the common good is what would keep NIBA going in the right direction."

And, as this history shows, that's exactly what happened. As well as keeping its diverse membership engaged, NIBA's willingness to engage other stakeholders in the insurance industry has been a pivotal part of its success. The unending dialogues it shares with governments, insurers and consumer bodies has given it several lobbying "wins" over its first twenty-five years. And it is that same philosophy that leaves it well placed to deal with future insurance industry issues – and maintain the strong professional standing that today's brokers have in both the industry and the communities they serve.

NIBA has had only four chief executives in its twenty-five year history.

John Dawson, the Executive Director of the Confederation of Insurance Brokers of Australia, was appointed by inaugural President Stuart Leslie to steer NIBA through its first year. The former managing director of a major Australian financial services group, he resigned to return to the commercial side of the industry. After a distinguished career in business and as a lecturer and consultant on insurance matters, he established a well-known consultancy in Melbourne.

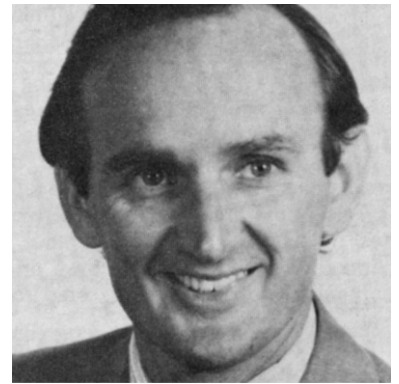
His successor, Murray Sainsbury, was a former member of Federal Parliament who had served three terms in the so-called bellwether seat of Eden-Monaro. He lost the seat in the 1983 election, but his Canberra contacts were to prove valuable to NIBA as it tackled issues raised by the Australian Law Reform Commission and then the implementation of the 1984 Insurance (Agents & Brokers) Act.

Former Confederation of Insurance Brokers and NIBA research officer John Unkles was appointed Assistant Executive Director, and succeeded Sainsbury as Executive Director in 1985.

Unkles is credited with establishing NIBA as a stable and focused organisation with strong links to its membership. He resigned in 1991 to work in the industry, and later became the Executive General Manager of the Financial Services Institute of Australasia and Chairman of the Melbourne Centre for Financial Studies.

He was succeeded by Noel Pettersen, who came to NIBA with a background in government and political administration and a successful period as Executive Director of the Boating Industry Association of New South Wales. Prior to that he had been Business Relations Manager of the state's Motor Traders Association.

Under Pettersen NIBA has maintained its high profile with governments and the industry, and has been successfully managed through a series of major challenges, including the rise of consumer activism, new approaches to broking that have completely changed the face of the industry, the introduction of the Financial Services Reform Act in 2001 and the repercussions of the collapse of major insurer HIH.



John Dawson 1982-1983



Murray Sainsbury 1983-1985



John Unkles 1985-1991



Noel Pettersen 1991-

REGULATION AND BROKER PROFESSIONALISM



“Brokers could argue they didn’t need to be regulated. But we weren’t able to isolate ourselves from other financial services.”

It doesn't matter what you do these days. Whether you're a financial adviser, a journalist or a truck driver, the chances are there is a set of federal and state government regulations that apply to your profession.

It's certainly the same with insurance brokers. The latest rules place a wide range of caveats on all their operations. Brokers not only need to have official approval to run a financial service, they also need to provide full product disclosure statements – up to fifty pages long – for all their retail clients. But it hasn't always been like that. Indeed, in 1982 as NIBA was coming into being, the sum total of broker regulation was close to zero. While legislation placed a limited amount of prudential responsibility on insurers themselves, there were very few laws to regulate the activities of brokers or agents selling their policies.

That may have seemed a boon for insurance brokers but for many it was having the opposite effect. NIBA members in particular were concerned about losing business amid the thousands of “broking” businesses pitching insurance services to what had become a very confused market.

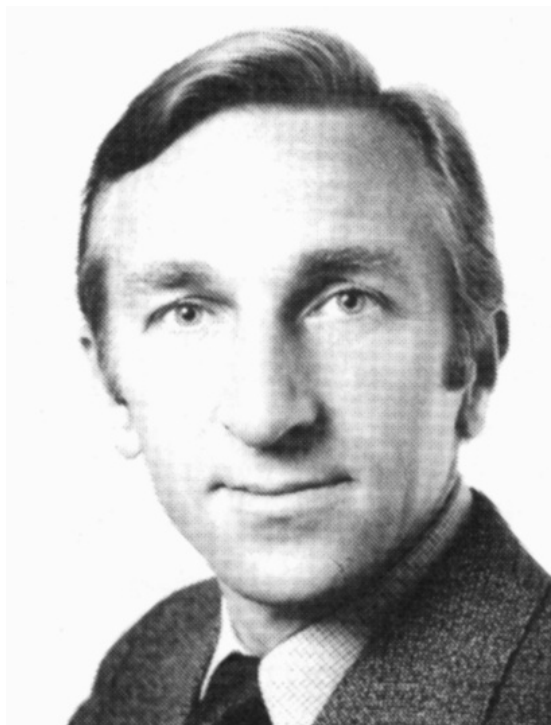
“Everyone was called a broker,” inaugural NIBA Registrar Ian Abell said. Businesses that these days would be called insurance agencies or marketers used the title. Even financial advisers and wealth managers would add “insurance broking” to the list of services they offered. Genuine client-focused brokers therefore needed a way of differentiating themselves.

That was not just for their own market share but also for the reputation of their industry. The lawless nature of insurance in the 1970s and early 1980s created numerous temptations for insurance intermediaries and more than a few businesses succumbed. There were several recorded examples of “brokers” failing to pass money on to underwriters, effectively stealing premiums from both the insurer and client. While some businesses were getting rich under – to say the least – suspicious circumstances, the situation was often temporary. A number of broking companies collapsed after unfunded insurance claims revealed their previous wayward accounting.

Membership requirements

Most NIBA members were therefore actually clamouring for the Government to take a greater role in their industry. They hoped official regulation would help differentiate them from agents spruiking for specific insurers and instil a minimum level of professionalism throughout the remaining industry. Regulation necessarily comes with time and monetary costs for businesses in any industry but brokers already priding themselves on their professional standards would have a much easier integration than their less reputable competition.

Indeed, NIBA was already subjecting its members to a tough set of self-regulating criteria. From the very beginning, inaugural President Stuart Leslie was adamant NIBA brokers would be seen as the most professional intermediaries in the insurance industry. Each member business was required to hold professional indemnity insurance with at least \$250,000 worth of cover.



Warren Tickle was an extraordinary figure in the insurance industry. A former senior executive in the industry – he served 20 years with the Sun Alliance group – Tickle studied throughout his career and gained degrees in arts, law and administration. After leaving Sun Alliance he became the principal lecturer and then the inaugural head of the department of insurance at Victoria College in Melbourne. He also became a passionate advocate of continuing education for the insurance industry.

But it was as an administrator he made his greatest mark on the industry. Appointed by the Federal Government as Insurance Commissioner, he guided the industry through the introduction in 1984 of two pieces of major legislation – the Insurance (Agents & Brokers) Act and the Insurance Contracts Act.

Tickle died in 1988, and NIBA Executive Director John Unkles noted that he had always been available to speak at conferences and seminars. “As an association we owe much to him.”

His contribution to broker education and the pursuit of professional excellence has been commemorated each year since 1990 at the NIBA Convention, when a Young Professional broker is presented with the Warren Tickle Memorial Award.

This would be used to guarantee clients against negligent acts or broker errors. They were also required to have \$100,000 worth of fidelity guarantee insurance, protecting clients from fraudulent or dishonest brokerage staff.

Importantly, NIBA brokers were to clearly separate client money from their own. Their distinct insurance broking accounts would be subject to annual audit on behalf of the organisation. Abell says the effect was to create a clear divide between insurer and broker monies. And that encouraged underwriters in their dealings with NIBA brokers.

Every member also selected one senior manager to act as a complaints officer, so that both the organisation and the public had a single, visible and responsible individual to address any concerns. As Registrar, Abell says all complaints regarding member companies went through his office. He then went directly to the relevant complaints officer to ensure a speedy conclusion. “Ninety per cent were resolved when the representative was contacted,” he said. “It was usually just some bloke down the line trying to cover his backside – not wanting to admit he’d made a mistake and not wanting to give in.”

The first legislation

NIBA’s professional requirements ensured its members were doing the right thing but there was still a strong demand for government intervention in the industry.

Negotiations had extended back to the 1970s when each of the three major representative bodies had lobbied the Federal Government for legislation. It wasn’t that the country’s leaders were against uniform laws for insurance brokers; then Prime Minister Malcolm Fraser had indicated a desire for just that. Rather, there was a significant political fear that broker regulation would naturally favour larger, typically foreign-owned businesses. There had also been clear differences in the types of legislation sought by both IBA and CIB Aust.

Having a single organisation representing brokers certainly helped the cause, as did the election of a new Federal Government – led by Bob Hawke – in 1983. Hawke had alluded to broker regulation in one of his pre-election policy speeches but it wasn’t until well into the first year that new legislation was tabled. Even then, Treasurer Paul Keating offered an extended public consultation period and it wasn’t until June 1984 – sixteen months after the election – that it finally passed the Parliament. The Insurance (Agents & Brokers) Bill received royal ascent on June 25.

It differed significantly from the version first mooted by the Australian Law Reform Commission in 1980. Importantly, the new laws created a legal definition of the word “broker”. Then Insurance and Superannuation Commissioner Warren Tickle said that was an important “first principle” for the Act and for all future legislation. “The Act itself defines brokers as agents of the insured,” he said. It also demanded all businesses using the term be federally registered. Non-registered individuals and businesses purporting to be insurance brokers faced fines of up

to \$5000. The industry was placed under the control of Tickle's office and NIBA was recognised as the official trade association for insurance brokers.

Then Executive Director Murray Sainsbury says brokers lobbied hard on several points achieving both hits and misses in the process. "NIBA was extremely active in pressing the government to substantially amend its 1983 Bill so that the Act could be workable in a practical sense," he told the *Insurance Broker Journal* after the 1984 version was passed. NIBA, with the Insurance Council of Australia onside, succeeded in ensuring compulsory registration while also avoiding the compulsory commission disclosure provisions that had been suggested (brokers were required to disclose commissions only when specifically asked). However it was unable to convince the Government to leave out maximum credit terms for delivering premiums to insurers.

Sainsbury said that the ninety-day maximum was better than some of the ideas considered. "We still believe that the Government has absolutely no right to interfere in the regulation of credit terms," he told the *Insurance Broker Journal*. "We had lengthy negotiations (to ensure) the regulations are at least workable in the marketplace."

But while NIBA may have not received everything it asked for, most members were more than happy with the legislation. Ian Abell says it was an important first step that recognised and rewarded honest brokers. "Once the government introduced the legislation, things started to move in the right direction."

Going further

NIBA's member businesses, having already subscribed to the organisation's tough entry standards, had relatively few changes to make. As a result, NIBA's membership remained reasonably steady throughout the implementation of the new regime. As the registration process weeded out all but the most genuine "brokers", NIBA came to be the brand name for professional broking businesses.

But NIBA wasn't satisfied with simply being in touch with the legislation. It was always keen to lead the way in broker professionalism to ensure its members' clients received world's best-practice service. Within a few years of the Act taking hold, NIBA was looking at ways to develop formal education and direct qualifications in insurance broking. Professional Development Executive Linda Evans was recruited to do just that from 1991.

She recalls that the NIBA membership showed a strong willingness to expand professional requirements; a 1990 survey found over 90% of members were in favour of stricter criteria. Foreseeing possible challenges from other intermediaries, and the direct distribution of underwriters themselves, professional brokers – now clearly identifiable in the market – wanted to maintain their strong reputation among insurance clients.

Evans recalls that the first major task was to identify what exactly a broking professional should be. More than simply the ability to register as one, NIBA wanted to consider the education

Ian Abell (top right) worked in key roles in NIBA from its inception until his retirement from the association in 1992. He went on working in the industry until he retired in 2005 at the age of eighty.

Abell ran the secretariat for the Insurance Brokers Association from about 1976, after retiring from Commercial Union after thirty-four years' service. He became Secretary/Registrar of NIBA, later dropping the secretarial role to concentrate on registrar duties and convening the annual NIBA Convention.

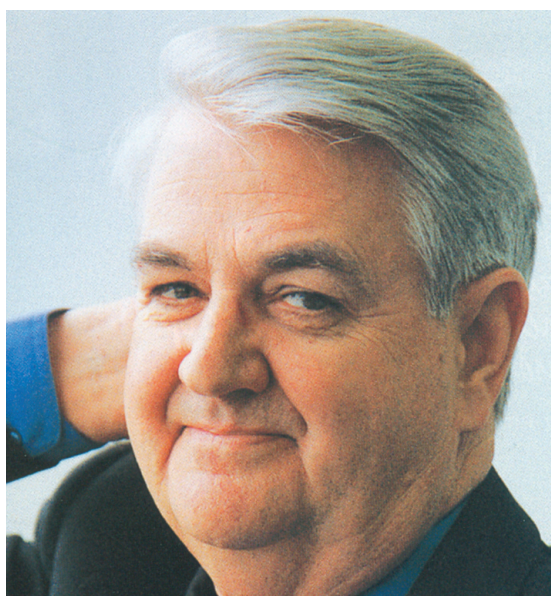
He counts among his proudest achievements his chairmanship of the committee that introduced the Qualified Practising Insurance Broker (QPIB) designation to the industry.

When it came to technical expertise and an extraordinary knowledge of the intricacies of insurance broking, Roger Becker (centre right) was without equal. In 1989 he replaced the original Technical Services Manager, Mike McShane (who remains an active broker in Melbourne).

Becker first came temporarily to Australia in 1958 to set up a new operation for a UK broker, returning on a permanent basis in 1963. After working in senior roles for several mainstream brokers, he became a financial adviser in 1986.

The breadth of his technical knowledge was remarkable, and he became a valued adviser and confidant to NIBA members over the years. He was also a keen participant in technical training, bringing original approaches to difficult subjects at industry seminars and conferences. Members remember Becker as a man whose quiet-spoken manner hid a particularly sharp sense of humour. He retired from NIBA in 2001 and died shortly thereafter.

Peter Michell (right) was another senior broker who gravitated to a full-time position in NIBA and used his knowledge to benefit the wider broker community. He had been a member of the NIBA Board since 1983 when he was appointed in 1991 to the Melbourne-based position of Manager – Southern Region, with responsibility for registrar activities, administration and liaison with various state and regional sub-committees. His influence on the association's activities was considerable. Michell retired from NIBA in 2001. When he died two years later of a brain tumour, NIBA Chief Executive Noel Pettersen noted: "If there is a more genuine man on this earth, then I am yet to meet him."



and experience levels of brokers – as well as their reputation for customer service. Evans, through the newly formed National Education Committee, found three things were required to really make NIBA brokers stand out. As well as a broking-specific academic qualification, the committee resolved to develop an industry Code of Conduct for all members to follow. These would be combined with ongoing professional development education for NIBA brokers across the country.

It was an ambitious recipe that sought to further develop a strong NIBA brand of knowledge, honesty and integrity. It would also help further differentiate brokers from other intermediaries. While the 1984 Act did this for all legal purposes, the message hadn't necessarily got through to the insurance buying public. Executive Director Noel Pettersen said in 1992 that sixty-three per cent of the population still could not differentiate between brokers and agents. "The insurance broker (has) become the only intermediary who, by law is independent and impartial," he told the *Insurance Broker Journal* magazine. "But who knows it?" Having the law on the brokers' side provided a "golden opportunity" to develop their collective reputation.

The earliest edition of the NIBA Code of Conduct took effect from 1992. The ten-point Code called on members to seek growth through enhanced reputations among insurance clients. Specifically, it directed brokers to: provide full and accurate advice to both client and insurer; ensure the validity and accuracy of all documentation; take every step to ensure prompt and fair settlement of claims; make available all relevant documentation and calculations; and work toward maintaining and enhancing the reputation of NIBA and its members.

Pettersen says copies of the Code were displayed in all member offices, making a clear distinction between NIBA members and less professional brokers. "It was our reminder to the public of NIBA members' recognition of consumers' needs for protection," he said. "It also established consistency in our identification to avoid confusion with other insurance intermediaries." The Code applied to all members and staff. Failure to comply with its provisions could earn the wayward broker fines of up to \$10,000 or, at worst, expulsion from the organisation.

In addition to the Code of Conduct, NIBA also introduced a Code of Practice for its members. While the first is administered purely within the organisation itself, the Code of Practice was created in consultation with regulatory bodies and is administered independently by the non-profit organisation, Insurance Brokers Disputes. It also offered greater guidance on the way brokers should interact with each other, particularly in the growing company market.

After serving NIBA members well for ten years, the Code of Conduct was updated in 2006. The new regulations, which applied from January 1, 2007, brought the Code up to date with the latest legislation and regulatory environment. NIBA consultant John Hanks says the new Code, written in plain, concise English, gives broking clients an added confidence in all of their insurance transactions.

QPIB

The Qualified Practising Insurance Broker (QPIB) program was first launched in late 1991, its rules applying from October 1992. It demanded NIBA brokers hold appropriate educational qualifications as well as significant field experience. Ian Abell recalls there was significant support for the rules, despite the implications for some well-heeled broking professionals. "The original idea was that everyone would be required to have an educational qualification," he said. "And that went down like a lead balloon."

The rumblings were quickly defused when NIBA added a "grandfather clause" to its QPIB rules. This allowed members with several years' broking experience to avoid the academic requirements. But less experienced brokers and all new professionals entering the industry would need to have successfully completed an insurance study program before beginning practice.

The QPIB program also demands brokers – no matter what their level of experience – continue training throughout their career. These days they need to undertake a minimum of twenty-four hours of formal classes, workshops and education seminars every year. That ensured NIBA members not originally required to obtain qualifications, completed them within a few years of the program's inception. These days, the law requires brokers to have minimum educational qualification levels and ongoing training but NIBA's requirements continue to be higher.

Noel Pettersen says the focus on education has helped define brokers in the public eye. As he told the *Insurance Broker Journal* back in 1992: "Dealing with a QPIB member of NIBA, bound by the Code of Conduct, will serve as the public's guarantee of professionalism and help strengthen (our) message."

Reforming all financial services

The Insurance (Agents & Brokers) Act of 1984 remained the primary piece of Federal broker regulation for nearly twenty years. But changing times required new approaches. After the election of a new coalition leadership, the Federal Government looked at further ways to streamline regulation of the insurance and financial services industries. The answer was the Financial Services Reform Bill of 2001. Once again, NIBA representatives played a significant role in the law's development.

One of newly elected Treasurer Peter Costello's first decisions in 1996 was to initiate an inquiry into the state of the financial services industry. The report by prominent businessman Stan Wallis looked into everything from superannuation to banking and investment markets. The final draft was released in March the following year. Wallis did not concentrate his efforts on the insurance industry – and mentioned insurance brokers only four times in the extensive report – but he did advise that all financial services, including insurance, should be brought into the same regulatory system.



You have nothing to worry about from financial services reforms, brokers were told in the late 1990s. But their reaction to the Federal Government's Corporate Law and Economic Reform Program, better known as CLERP, was summarised quite accurately by this 1998 cartoon in NIBA's Insurance & Risk Professional magazine.

The CLERP program led to enormous change for insurance brokers, who were quite happy to make their concern obvious. At the 1999 NIBA Convention on the Gold Coast, Financial Services Minister Joe Hockey (right) stirred unprecedented scenes when he argued with angry brokers in the audience after speaking about the changes they could expect.

Hockey said the results of the CLERP program would lead to "new rewards for the small as well as the big operators – all those who can recognise opportunities that exist, even on a small scale"

"The financial services providers who will be best-placed to capitalise on the opportunities of the new millennium will be those who can offer superior products and services, those who can quickly respond to changing consumer demands, and those who can harness the power of new technologies."

The resulting Financial Services Reform Act came into effect on June 11, 2001. Designed to increase intermediaries' professionalism and enhance consumer protection, its compliance regime proved to be complex and time-consuming for brokers.

NIBA was kept busy for the next few years negotiating compromise solutions and procedural changes. Most brokers agree now that the financial services reform regime has further increased their professionalism and enhanced customer service.



"Brokers could argue they didn't need to be regulated," Pettersen said. "But we weren't able to isolate ourselves (from other financial services)."

And so the long and difficult journey into sector-wide reform began. Noel Pettersen, together with a committed board and specialist regulation consultant John Hanks, spent the next five years going over the details with politicians, regulatory authorities and other industry bodies. NIBA Board Member (and President during the initial talks) Alan Bishop describes the negotiations as painfully difficult, with the two sides of the FSRA showing clearly conflicting needs from the regulation. "As long as you have investment tied up with risk there will be issues," he said. "Paying a premium for risk is not the same as trusting your life savings with one company."

The legislation took several years to complete. Beginning with the 1997 Wallis Report, the Federal Treasury went on to release a discussion document in the same year. This was followed by draft legislation and, eventually, the final bill was presented to Parliament in 2001. Negotiations continued during a lengthy transition period and all financial services players were required to be in compliance by March 11, 2004.

Throughout that entire development, NIBA stayed at the forefront. John Hanks says it had an effective strategy to ensure the bureaucrats and politicians drafting the bill were always aware of the potential impact on brokers. "It's a special industry and it's our job to make sure any regulation reflects that," he said.

The key sticking points revolved around the concept of disclosure, particularly commissions paid to product suppliers. Consumer groups had actively lobbied for full disclosure of the way brokers earned their income. Where they charged an insurer a fee or commission, that cost should all but appear as a separate line item on the customer's policy. But brokers warned the figures could be misread and imply a closer relationship with insurers than may have existed. NIBA argued compulsory disclosure would create more questions than it would answer. At the same time, it represented a significant and unpassable cost for complying brokers.

"There was no driven need or market distortion to justify it," Pettersen said. "It was highly unlikely to make the consumer better off."

Bishop says the push for full disclosure was a product of the wide scope of regulation being considered. The issue was extremely relevant for the financial planning and life insurance sectors – which had struggled to justify some of the commissions earned on purportedly independent advice. Those sectors had had very little regulation and there was a perception that many practitioners were simply "churning" their clients – switching them between products with the highest commissions. Given the amounts of money involved with every transaction, there was significant demand for government action on this practice.

But insurance brokers, whose client priorities were already outlined in the 1984 Act, had received no complaints. Their status – as well as some fierce lobbying from NIBA's leadership – did win them some privileges in the final FSRA legislation.



INSURANCE BROKERS DISPUTES LIMITED

Since its formation NIBA had always played a behind-the-scenes role sorting out occasional disputes between members and their clients. But the rise of the consumer movement in the 1990s made it clear a more formal approach was needed for consumer complaints.

On January 1, 1996 the Insurance Brokers Disputes Facility (IBDF) came into operation. Working within NIBA's Melbourne office with former insurance underwriting manager Daniela Kirchlinde as Complaints Officer, it offered a free resolution service for clients. Melbourne insurance law expert David Letcher was appointed Referee to arbitrate over the few disputes that Kirchlinde could not resolve informally.

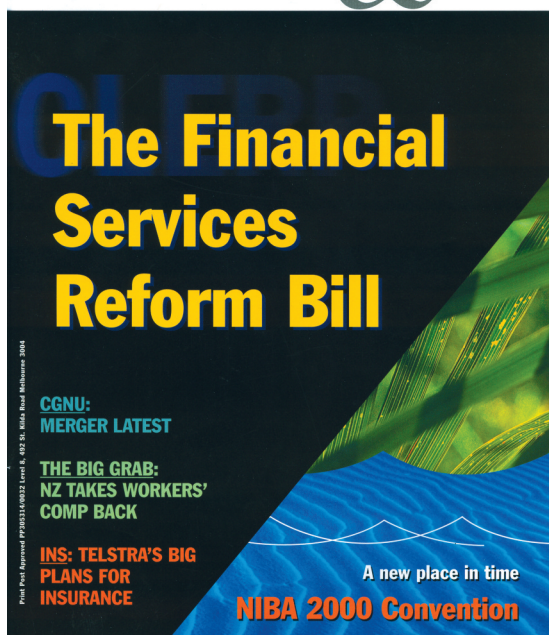
The facility was initially restricted to NIBA members, who automatically became IBDF members, but in July 1998 the Australian Securities Commission made membership of a complaints facility compulsory for all brokers. A tripartite council to oversee the facility's work comprised Deputy Insurance Commissioner Richard Smith, NIBA Chief Executive Noel Pettersen representing brokers, and Kate Hammond representing consumers.

From the start the facility established a reputation for an uncompromising approach to dispute resolution, with the results published each year revealing that most disputes were quickly resolved and Letcher often identifying systemic problems in the small number of cases that could not be resolved informally.

As formal disputes resolution systems became more established in the financial services sector, NIBA was encouraged by the new Australian Securities and Investments Commission to provide a more demonstrably independent service. On November 15, 2002 the facility was approved by ASIC as an independent entity and was renamed Insurance Brokers Disputes Limited (IBD) operating as a public company limited by guarantee from January 1, 2003. Richard Smith became the inaugural Chairman, and Kirchlinde stayed on as General Manager, initially working out of rented offices at Letcher's law firm. IBD was now overseen by a formal board of five directors – two industry and two consumer representatives with an independent chairman.

In 2004 IBD rented space at the office of the Financial Industry Complaints Service before striking an agreement with the Banking and Financial Services Ombudsman to share offices and personnel. Smith retired as Chairman in June 2007, and was replaced by well-known businessman Richard Viney.

Throughout its history the disputes facility has reported a comparatively low number of disputes, with the trend showing a gradual reduction in annual figures. In 2001 there were one hundred and ninety-five written complaints, and in 2007 the number had fallen to one hundred and eight.



Throughout the years of new challenges and changes, NIBA has used its publications to good effect keeping members informed. In its April/May 2000 edition, Insurance & Risk Professional brought early news of what brokers could expect from reforms which would within a few years transform their businesses and their methods.

That five hundred-page document calls for full product disclosure statements (PDS) to be provided for all retail investment and risk products. These need to include every detail of the product and the way its cost is structured. It must show the buyer the full taxation implications, the risks associated with the policy and any commissions being paid. As a result, the statements can run to sixty pages or more – with much of the important detail lost in the wordy legalese. Research has shown that relatively few clients of either risk or investment products have been prepared to read the full document and only a small percentage of these can claim to have fully grasped its contents.

Brokers have found the statements particularly difficult to deal with. Bishop says they are “blindingly inappropriate” and come with very little guidance on what they need to contain. “You’ve got to go to the nth degree to not be open to delicensing.”

But things could have been a lot worse. NIBA’s negotiation team had worked to ensure brokers and the wider insurance industry didn’t lose too many of the successful provisions of earlier legislation. It secured a much narrower definition of retail risk products than has been applied to the investment sphere. In this way, only personal insurance lines – like car and home policies – and a smattering of small business insurance products attract the most onerous disclosure regime. “While these conditions were stringent and difficult, they didn’t apply to the majority of insurance business,” Hanks said.

After some particularly hard lobbying from NIBA, most commercial business was classed as “wholesale” insurance for the purposes of FSRA. Where other sectors used a monetary value to determine the difference between retail and wholesale clients, insurers were allowed to use policy-type as the distinguishing factor.

There were other wins for the broking industry. Despite a strong push to effectively dismantle the 1984 legislation, most of its licensing provisions were maintained. NIBA was able to use its strong focus on education and professionalism to argue for a system that was as close to the status quo as possible. Thus broker credit terms were maintained, and brokers were able to avoid the heavy capital requirements placed on other sectors.

Hanks says the overall effect of the FSRA has been a positive one for brokers. It has helped to further professionalise the industry, improving its reputation among both insurance customers and potential staff, he said. The use of a single financial services licence for all industry players also means brokers can easily diversify into other areas, providing a wider range of products and services for their clients. Noel Pettersen says the positive effects for consumers have flow-on benefits for the insurance industry itself. “The consumer is better protected now,” he said. “And the industry is better off for it.” More formalised education, obligations and complaints procedures have given buyers more confidence to take out appropriate insurance at appropriate levels.

But the FSRA remains a very complex and demanding system. Even brokers dealing only with “wholesale” products have

found themselves bogged down in compliance. This has led to increased consolidation as brokers merge together to spread the regulatory workload over a broader level of business. It's a case of good points and bad, but most of those negotiating on behalf of NIBA say the end result has more of the former.

Current regulation issues

The Financial Services Reform Act remains a work in progress to this day. While the vast majority of rules and obligations are now in place, authorities are still ironing out some of the related detail and offering new guidelines on best practice for all sectors of the financial services industry. John Hanks believes it is an ongoing dialogue that won't stop with the final conclusion of FSRA. "The issues of regulation just keep going on and on," he said.

In recent years, for example, insurance brokers have come under the direct eye of regulators. The Australian Securities and Investments Commission took great interest in the anti-competitive bid-rigging allegations being made in the United States. There, New York Attorney-General Eliot Spitzer had taken a microscope to the entire insurance industry and had begun prosecuting several significant insurer and broking groups. There were fears Australian brokers were also colluding and taking contingent commissions for recommending particular insurance products.

ASIC launched its investigation in November 2004. NIBA obviously took a strong interest and helped brokers to co-operate with its officers. Hanks remembers brokers were confident, but obviously concerned about the vigour with which ASIC undertook its inquiries. After six months it was clear: NIBA members in particular had nothing to hide. The ASIC probe found some instances of conflicts of interest but no widespread abuse of commissions or undisclosed payments.

Even more recently, issues of direct offshore foreign insurers and discretionary mutual funds have also been demanding NIBA's attention. But no matter what the issue, NIBA will always take a similar strategy in its representations to government and its key regulatory agencies. "You don't always try to take things head-on," Hanks said. "It's about working within the system to achieve the best results."

Noel Pettersen agrees. He says NIBA's key value to its members is its ability to work with government in a co-operative, not adversarial, manner. That has been the organisation's *modus operandi* from day one. Whether it was the early implementation of the 1984 Insurance (Agents & Brokers) Act, the dealings with state governments over workers' compensation arrangements or the latest all-encompassing legislation, NIBA has always prided itself on its ability to effectively represent broker interests at the highest levels.

Together with its own internal measures to promote positive broker behaviour among its members, this has helped create a national insurance broking industry that is among the best educated and most professional in the world. This in turn has helped maintain confidence in brokers when other parts of the insurance market find themselves in hot water.

Chapter Two

BROKER EDUCATION



“From the time you enter the industry to the time you leave as a senior manager, there should be a NIBA College course to complement your work and advance your career.”



If professionalism is what separates a NIBA broker from the remaining industry, education is the vital tool that helps create and maintain that identity. Like in any industry, professionalism doesn't just happen. Good intentions are important but they can't replace experience and knowledge when it comes to delivering customer value with regularity. So when NIBA first set out its professionalism agenda, demands for a broker education system were never far behind. Indeed, the same member survey that identified the need for QPIB found a significant majority of NIBA brokers were looking to the association to provide educational opportunities for all career levels. The organisation was quick to respond and its specialist education and training arm has continued to develop over the last fifteen years. These days it is a nationally recognised provider of a range of courses, from certificate-level to postgraduate tertiary programs.

Qualifying brokers

The QPIB program demanded NIBA brokers complete an "appropriate" qualification. But in 1992, when it was first introduced, no broking-specific course existed. Instead, most NIBA members studied for broader insurance qualifications through the Australian Insurance Institute. Successful graduates became "Associates" of the Institute and were deemed to have fulfilled the qualification hurdles for QPIB recognition. Linda Evans says NIBA's arrangements with the Institute worked both ways. The flood of broker students helped raise the Institute's profile while its courses provided NIBA with the first building blocks of a broker-specific qualification.

Those early days involved a steep learning curve for all stakeholders. For the broker students, there was a course that had been designed, written and implemented with insurers in mind. It bore only a passing relevance to the client focus of NIBA members and several dropped out before completing. Faced with the prospect of otherwise strong and ethical brokers being unable to obtain qualifications matched to the needs of QPIB practitioners, NIBA was forced to fast-track its education goals.

It started by introducing broking-specific modules to the Institute's standard programs. These bolt-on subjects – all designed and written through NIBA's Education Committee – could be taken as alternative electives in the course program. They included material on broking customer service, claims handling and commercial business. The so-called "Brokers' Endorsement" course became the standard educational qualification for NIBA brokers. Many members continued working through the Institute and served on many of its specialist committees.

Continuing professional development program

As new brokers entered the industry seeking to earn their QPIB stripes, NIBA began looking at the other side of the education coin. The continuing professional development of all NIBA members was seen as a vital part of Linda Evans' role and she



The Qualified Practising Insurance Broker (QPIB) designation was introduced by NIBA in October 1992. It set NIBA brokers apart as professional intermediaries dedicated to high standards of service and continuous education. It has evolved as an easily recognised – and highly respected – sign of excellence.



Linda Evans, NIBA's Professional Development Executive, has guided the association's education strategies since 1991, when she joined the association executive in Sydney as Professional Development Consultant. She had previously worked at the Capita Finance Group, where she had managed its marketing development functions.

Armed with degrees in education and marketing, Ms Evans built NIBA's broker education arm from scratch, and in 2006 launched NIBA College of Insurance & Risk Professionals, a full training service that provides a massive range of programs for brokers and their staff at all levels.

invested plenty of energy in making it happen.

Both the qualification and continued professional development were necessary requirements of the QPIB program, which meant brokers needed to have completed twenty-four hours of formal training in the eighteen months prior to the program taking effect. Thus it was from as early as 1991 that NIBA encouraged outside interests to present seminars for its broking members. Once again the arrangement was a two-way street. Presenting companies, most often insurers, were able to speak directly to brokers about their products and services. But without the very necessary education component, few members were ever likely to attend. “Brokers turned up because we were running it,” Evans said. “They therefore knew it would be educational.” Sponsoring companies, meanwhile, received important access to NIBA brokers and had their name associated with a quality program.

She recalls one of the first workshops was on the emerging directors’ and officers’ class of insurance. Presented by staff of FAI Insurance, the sessions were held in centres throughout Australia with strong attendances and positive early feedback. Brokers were able to hear directly from one of the market’s leading insurers and learn about an important new opportunity for business growth. Past NIBA President Robert Owen also ran a session on that first seminar day, focusing on customer service strategies. In the following years Owen continued to take an active role in the continuing professional development program. His influential sessions on broker management are still recalled by senior brokers today.

Other subjects covered in the early years included professional liability and business interruption policies and the theories behind successful risk management. Most insurers were happy to get behind the program. Some of the biggest supporters included Mercantile Mutual and Commercial Union – which conducted a series of workshops on dealing with major losses. Both programs were so successful they had to be repeated over several years to allow for the demand.

The training program continues to this day and is the source of most of the formal training necessary under QPIB. Evans says it has gone “from strength to strength” with a “fantastic” group of sponsors that continue to develop innovative and informative sessions for NIBA brokers. As well as providing continuing professional development for members, it helps to promote brokers and the issues in the wider community.

The broker’s diploma

The arrangements with the Institute worked well, particularly with the addition of NIBA’s broking-specific subjects. But with brokers enjoying ongoing training and development tailored to their changing professional needs, the need for a stand-alone broking qualification became more and more apparent.

Linda Evans says creating a whole new diploma is no easy task. “We had to write all of the material ourselves,” she said. It then needed to be approved by national training authorities to



NIBA always took a close interest in broker education, but the development of brokers and their staff became a central focus of the association in 1991. Seminars of all sizes and subjects continue to be held around the country as NIBA fulfills its obligation to build, maintain and enhance the professional and business skills of its members and their employees.



From small groups to large audiences, NIBA's education program encompasses all aspects of the broking spectrum. Students working alone using NIBA's online courses, working with experienced mentors and keeping in contact with their peers is a vital part of the program. So is the annual NIBA Convention, where large audiences of brokers gain valuable information on the best ways to manage the changing world of insurance.

ensure the qualification was recognised and transferable. And by the end of 1995 that was exactly what she and NIBA had achieved.

The Certificate in Insurance Broking was the first such qualification in the world. Even today its current incarnation, the Diploma in Financial Services (Insurance Broking) stands alone as one of the only dedicated courses for the thousands of broking professionals worldwide. Evans says industry bodies in Southeast Asia and the United Kingdom have looked closely at the QPIB program – particularly the idea of an industry-run education program – and have adapted several of its key tenets over the years.

The twelve-month course was originally distributed through the Institute. But its core components focused on the needs of professional brokers. They included material on claims handling, negotiating cover and the day-to-day administration of a broking business. The qualification was transferable across the broking profession and also held important stock within the wider financial services sector.

The Certificate course was unique, not just in its subject matter. It was also largely workplace-based making it clearly distinct from the traditional academic style of other insurance courses. “What we’re offering is complementary rather than competitive,” Evans said. “The lack of formal examinations simply constitutes a different style of learning. It takes a little longer to complete but students receive more feedback and support throughout the course.”

The broker’s college

The broking diploma remains NIBA’s flagship educational product offered and both member brokers and many other financial services professionals have taken advantage. But a single course can often create more demand than it satisfies. As the graduates began to roll out, there became a clear need for higher-level courses to allow brokers to continue their studies. NIBA also identified the need for a broader range of programs with potential students seeking qualifications in financial planning and underwriting as well as insurance broking. In 2000, it launched a complete education service, these days known as NIBA College. It now distributes all of its programs directly to students.

Today, the FSRA legislation demands brokers have at least a Tier 2 qualification, the equivalent of a Certificate III in Financial Services for entry-level staff. But the QPIB program demands NIBA brokers have higher qualifications still. The Diploma of Financial Services (Insurance Broking) incorporates the Tier 1 compliance training standards and is the minimum educational requirement for broking account executives.

But NIBA College hasn’t stopped at providing the bare minimum. Its growing course list offers a wide range of options for broking staff at all levels of the food chain. At the basic end, it offers the education component of structured



NIBA College of Insurance & Risk Professionals came into existence in 2005. Described by Linda Evans as “evolutionary rather than revolutionary” the rebrand from NIBA Education provided a better description of the broad range of educational services NIBA was providing by that time.

Run by education professionals under the guidance of senior broking practitioners, the college stated its intention to match the quality expectations of the industry with affordable and relevant courses.

traineeships for those entering the financial services industries – insurance broking in particular – for the first time. These recruits enjoy access to sophisticated training materials at the same time as gaining valuable work experience in their chosen field.

At the other end of the scale, NIBA College is also working with the most senior leaders of Australian broking companies. It offers an Advanced Diploma in Financial Services with content that switches from pure broking skills to brokerage management. Evans says the course is designed for specialist brokers and business unit managers with executive responsibilities. Beyond that, NIBA College has designed a tertiary-level Graduate Diploma course featuring core management subjects as well as the opportunity to specialise in particular fields. While there were no students enrolled in this course as this history was being compiled, Evans noted that a number of executives were now completing subjects that will eventually count towards the Graduate Diploma. As brokers rise through the academic ranks, NIBA College promises to keep up.

“We aim to close the whole loop,” Evans said. “From the time you enter the industry to the time you leave as a senior manager, there should be a NIBA College course to complement your work and advance your career.”

Through NIBA College, NIBA has achieved constant renewal of members’ skills. Where once brokers were plagued with expertise and succession issues, today member companies are able to look to the future with much greater confidence. The rise in expertise and professionalism associated with NIBA College and the QPIB program has had a similar effect on broking clients. They are able to place greater reliance on their broker to assess their insurance needs, find the most appropriate cover, and handle any claims with efficiency and professionalism.

A large, stylized blue leaf graphic is positioned in the top right corner of the page, extending from the top edge and partially overlapping the title area.

Chapter Three

COMMUNICATIONS

For a relatively small organisation, representing just one branch of the financial services tree, NIBA has a very strong voice.

It's often said that a trade organisation can only ever be as good as the members it represents. That's certainly true and, as this history shows, member brokers have played an invaluable role in the ongoing success of NIBA. But there is a second contributing factor that such a simple adage invariably relegates to a lower tier. The development of communication channels – between members and the organisation, and beyond that to the general public – is an essential component of any not-for-profit group. After all, it is only through the effective and efficient sharing of ideas that a body like NIBA can harness the full potential of its membership. Communication is the glue that holds these otherwise disparate members together, creating a whole that is far greater than the simple sum of its parts.

NIBA's early leadership was quick to recognise the importance of member interaction. It carried on two important traditions of IBA and helped develop them further. Today, NIBA's magazine and annual convention are held in the highest regard throughout the insurance industry. Both are able to showcase the strength and expertise of NIBA brokers while keeping those same members up to date with what their representative organisation is doing. They also keep brokers in touch with ideas and events taking place throughout the international insurance market.

To these, NIBA has added a number of publications that aim to keep brokers and their clients well informed. The Client Bulletin and NIBA Gazette periodicals are just two of these. The organisation's executives and consultants have also led brokers on a number of public awareness campaigns to highlight the expertise and money-saving knowledge that brokers have to offer Australian businesses.

Magazine

The Insurance Broker Journal began life in July 1977, as the official mouthpiece of the Insurance Brokers Association. The first issues were written and produced by a committee of the IBA board – with each of the three member organisations taking a role. They consisted of sixteen black and white pages (with a green masthead) filled with both editorial and advertising from local insurer groups. The magazine featured news and comment on issues like the law reform process, broker business handling and the state of insurance markets both here and around the world.

Still, those early issues were not achieving all that IBA's leadership had planned for. Its original charters for the magazine were for a twenty-four page publication released at least six times a year. But the reality of the board's competing demands meant the *Insurance Broker Journal* was produced only four or five times a year, often haphazardly. By 1979, there was a clear need for an outside specialist to take control.

John Heath was that man. He joined IBA in 1979, charged with producing the *Insurance Broker Journal* to the standards originally conceived. "I guaranteed the original charter," he said. "But that was just a minimum output." Indeed, over his editor-

ship, the *Insurance Broker Journal* only ever produced a minimum twenty-four page issue twice, the magazine quickly growing to have regular issues of twenty-eight and thirty-two pages. With a more-or-less full-time (Heath also provided public relations services to IBA and, later, NIBA) editor on board, the magazine increased in both size and popularity.

Heath says that when NIBA was formed, the magazine was considered one of the key assets that would help carry the new combined organisation forward. At a time when insurers (and brokers by default) were suffering criticism in the mainstream press, the *Insurance Broker Journal* provided important insight into the many positive achievements that NIBA members were involved in. "We felt the industry paper should be a constructive one," Heath said. He remembers several occasions when the magazine came under attack but its defence of brokers always stood firm. "It's a big bad world out there and it's ready to attack insurance whenever there's a perceived problem." But when the client focus and professionalism of NIBA brokers was fully explained, even the most strident insurance industry critics could be placated.

Over nineteen years in John Heath's stewardship, the *Insurance Broker Journal* grew from its humble pre-NIBA beginnings to a professional quality magazine that commanded loyalty and respect throughout the insurance and financial services industries. Its reach spread much further than the small business membership of the IBA. By 1998, when Heath handed over the reins to present managers Terry McMullan and Naomi Conway, the *Insurance Broker Journal* was providing a vital news medium for brokers of all sizes in both Australia and New Zealand.

Part of that success can also be attributed to Executive Director John Unkles, who recognised the potential in the magazine. "He really got the *Insurance Broker Journal* going," Ian Abell recalls. Unkles worked to bring in additional advertising and also gave the magazine a harder edge. Where once it had shied away from controversy, Unkles encouraged Heath to deliberately seek out interesting and often provocative articles.

The magazine has continued to grow to this day. As editor from 1998, McMullan was quick to institute a number of changes, not least of which was a new name. "*Insurance & Risk Professional*" was chosen to reflect the growing importance the magazine had outside of broking circles. With a strong circulation among loss adjusters, actuaries and the underwriters themselves, McMullan says *Insurance & Risk Professional* was becoming a magazine for the entire insurance industry. "The name needed to be inclusive of all our readers," he said.

The magazine remains a bi-monthly affair. But the content of each issue has been significantly expanded over the past ten years. A typical edition now runs to one hundred and forty pages, with distinct sections on news, technical advice and the legal side of the insurance industry. McMullan says the emphasis is on hard news and analysis that lets readers appreciate all sides of an event or issue.

He remembers reporting directly from the ground in Wollongong after flash floods devastated parts of the city in

THE INSURANCE BROKER

Official Journal of the National Insurance Brokers Association of Australia			
VOL. 6 NO. 5	VIB 4563	ISSN 0314-3236	OCT/NOV 1983

**BROKING IN THE 80s ...
AND BEYOND
COMPUTERISATION —
THE MEANS TO SURVIVAL**

LIFE! —

Shape up for
something better.



**ACCIDENT
COMPENSATION**
Look at New Zealand's problems ...

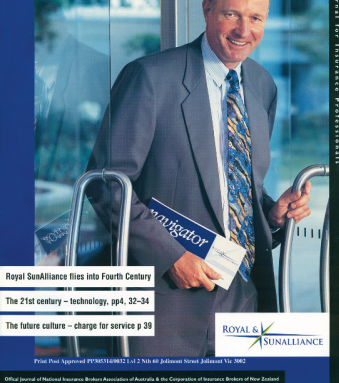
THE INSURANCE BROKER

June/July 1990



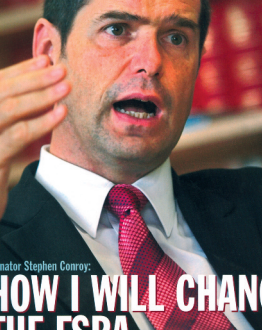
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INSURANCE & Professional

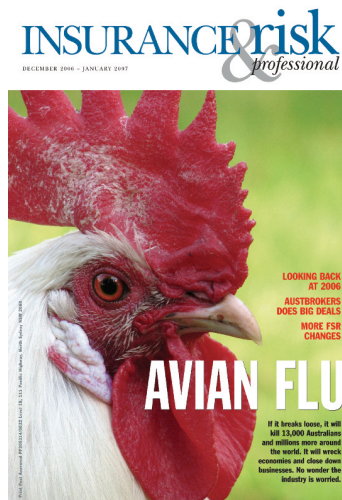
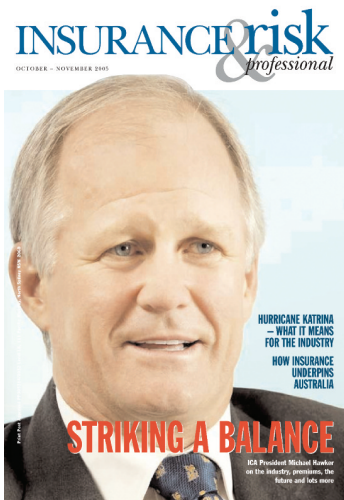
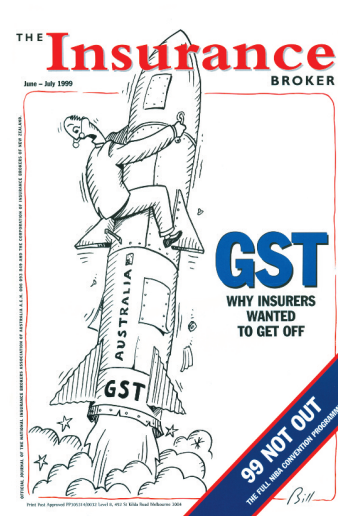
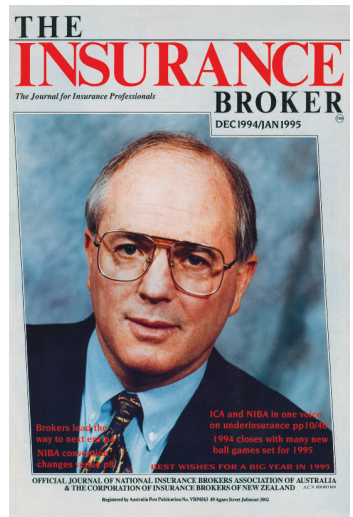
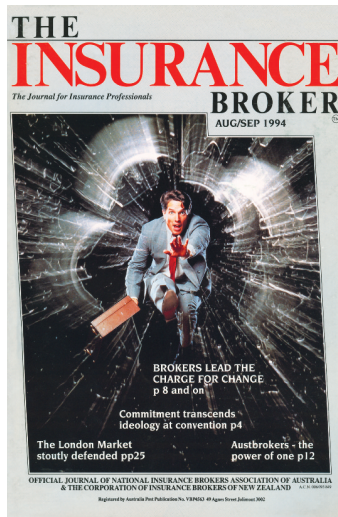
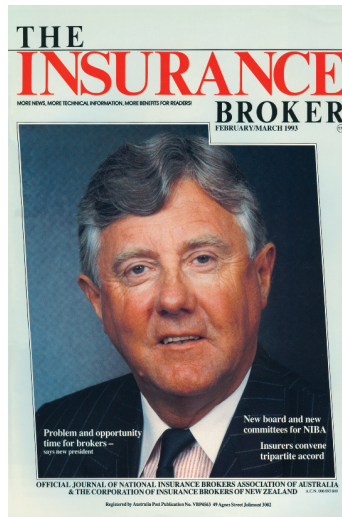
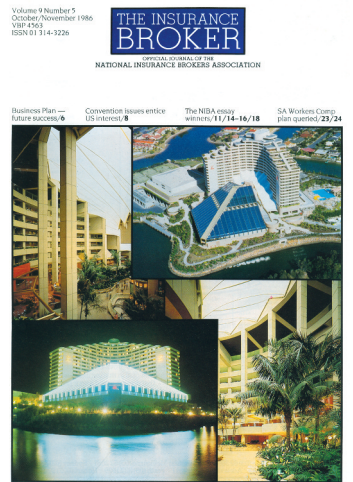
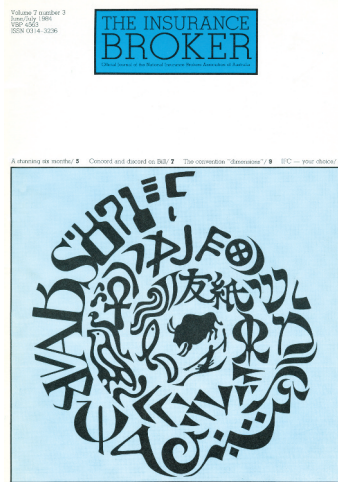
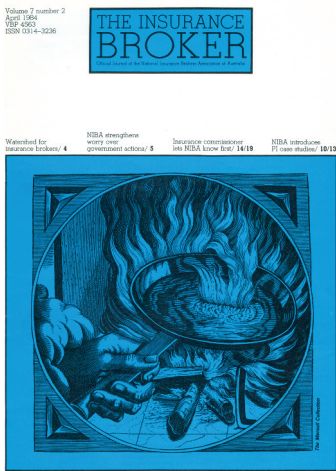
APRIL - MAY 2006



Senator Stephen Conroy: **HOW I WILL CHANGE THE FSRA**

Photo: Paul Thompson/PHOTOGRAPH BY THE HILL. HILL PHOTOGRAPHY. PHOTO: JAMES M. HARRIS

In October 1999 it was renamed Insurance & Risk Professional to reflect its wider industry readership with a more news-oriented approach. In thirty-one years the magazine's size has grown from a standard twenty-four pages to one hundred and forty pages.



August 1999. *Insurance & Risk Professional* was the only business media outlet speaking directly to brokers and insurers involved in the aftermath. “We revealed not just the bare facts of the disaster – but also the ways people and companies responded to it,” he said. “That helps create a situation where the industry can learn from mistakes and improve their disaster response strategies.”

The magazine also aims to explore the insurance angles of events affecting the wider economy. Ongoing issues such as climate change, skills shortages and corporate governance all impact on the insurance industry in different ways and *Insurance & Risk Professional* provides a rare outlet for direct discussion of these.

Regular updates

As well as the magazine, NIBA’s monthly *Gazette* newsletter also keeps member brokers in touch with their association and industry. It has been delivered “to all locations where members trade” since NIBA first formed.

A similar tool was created in 1990 to keep the clients of NIBA brokers fully abreast of changes in the industry and issues that may affect their cover. The *Client Bulletin* is released four times a year, with copies delivered to brokers’ clients. Mastheads and contact details are personalised for the various brokers. McMullan says the consumer-focused publication has helped brokers grow their businesses and ensure their client base remains as knowledgeable and informed as possible.

But most important for NIBA since the late 1990s has been its website, www.niba.com.au. Providing a vast amount and variety of information to members, the website is continually updated and upgraded – work that takes on additional significance as the world moves increasingly online.

Getting together

As a national organisation, NIBA’s membership stretches across the full expanse of the Australian continent. While there is obviously a concentration of brokers in the key metropolitan areas, there are also plenty of NIBA members based in regional centres. Their influence extends far into the rural areas of each state as well as the outback communities of central, northern and western Australia.

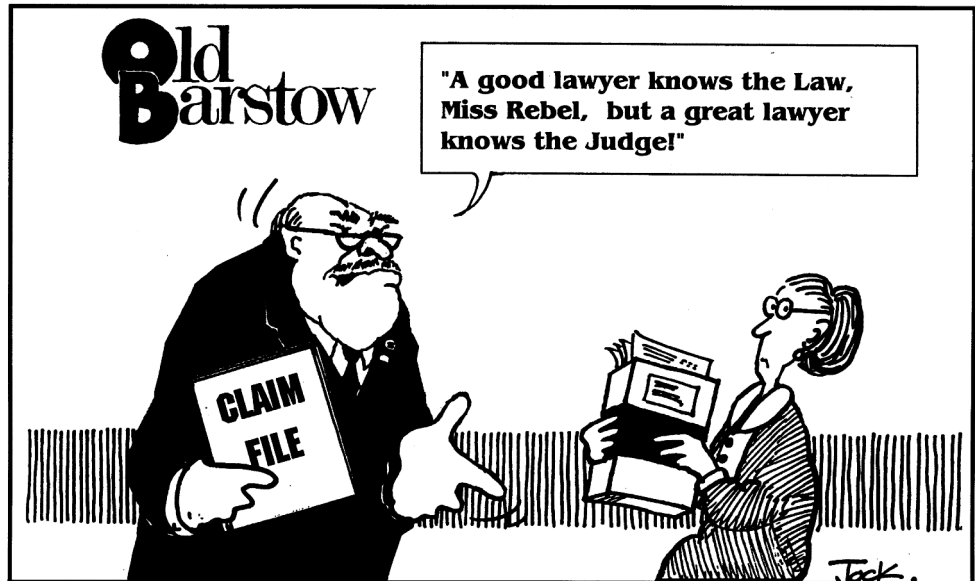
Given such geographic disparity, NIBA’s various publications have always offered an important communication channel between the organisation and its members – wherever they are located. But it also recognises the importance of getting together to discuss ideas in a face-to-face setting. NIBA’s annual convention helps fill that important gap.

Ian Abell, who chaired the NIBA Convention Committee for the first years of its existence, says the event is one of the most important benefits of NIBA membership. Executive Director John Unkles agreed. He says it has long been one of the only events that brings “all sectors of the industry” together. The



The NIBA Gazette has always acted as the association’s monthly newsletter to members. Short, concise reports keep members up to date on all emerging and ongoing issues.

Just as the insurance broking industry has evolved, so have NIBA publications' approaches to humour. "Old Barstow" ran for many years in the NIBA Gazette, being supplanted in 2004 by a more sophisticated and issues-driven approach.



January 2001



"No you can't have the keys to the petty cash and your father's car. And no matter what he told you before he went on his business trip, this is not how succession planning works."

September 2006

annual NIBA Convention delegate list features chief executives of underwriters, insurance lawyers, accountants, loss adjusters and actuaries. That's not to mention the wide range of member brokers and their staff that attend each year. "By having them all together in one place it means the networking is just fantastic," Unkles said. "It's a great way of creating and cementing extraordinary relationships and networks."

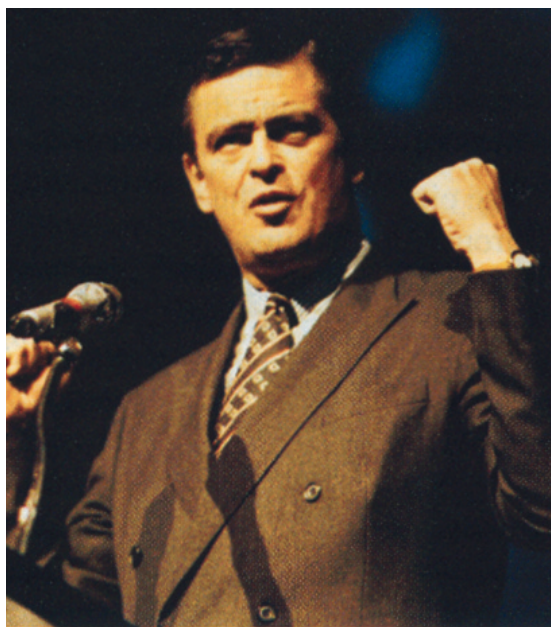
The tradition began with the Insurance Brokers Association, which held its first event in 1979. More than one hundred delegates travelled to the Lakeside Hotel in Canberra. Then IBA President Bill Smith says the organisation was pleasantly surprised by the turnout. "We didn't know if we'd get ten people,"



The very first NIBA Convention at the Chevron Paradise Hotel in Surfers Paradise, October 1983. The theme of the conference was "Harder markets product better brokers". Recognisable figures in the picture are (from left) Brian Crowe, unknown, Board member (and later NIBA executive) Peter Michell, Melbourne broker Terry Lane, Insurance Commissioner Warren Tickle, and NIBA Executive Director Murray Sainsbury. The three people to the right have not been identified. Terry Lane, a NIBA Board member, was presented with the inaugural President's Award for services to broking at the 1983 convention. He has attended every NIBA Convention.



The NIBA Convention has always featured industry, business, commercial and political leaders as keynote speakers. They have included former Prime Minister Gough Whitlam (above) and Sydney Olympic Games strategist Rod McGeogh.



he said. The single national general insurance convention was an untried concept at the time. Whereas these days the insurance industry boasts a wide range of gatherings hosted by all sorts of companies and organisations, the insurance world of the 1970s was far more segregated and disparate. Smith says the success of the first and subsequent IBA conventions helped pave the way for unity among the major broking bodies just a few years later.

After the 1982 amalgamation, the newly formed NIBA continued to host the event annually. The inclusion of corporate members on the invitation list saw the National Convention grow in stature and within just a few years, the attendance was regularly exceeding three hundred. It was something that gave organisers the confidence to expand even further. Rudimentary speakers gave way to high-profile industry leaders and more extravagant entertainment. From lion-tamers and acrobats to Australia's premier rock music acts, NIBA brokers have never had a problem letting their hair down. But ask any broker their convention highlights over the past twenty-five years and the list will undoubtedly include some insightful and industry-changing events focusing on the business of insurance broking.

Ian Abell recalls a unique "hypothetical" panel discussion in 1991. When the doyen of such scenarios Geoffrey Robinson proved prohibitively expensive, three people on the Convention Committee scripted the event themselves. "We had (Peter) Claringbold's innovative nature, Roger Becker's tremendous technical knowledge and my bit of spoofing," Abell recalls. He and his team managed to create a scenario eerily similar to the very real collapse of HIH less than ten years later. Complete with a newspaper handout headlined "Brokers Run for Cover", the panel discussed all of the issues relating to the collapse of a major underwriter. "It was just so true to what (eventually) happened," Abell said.

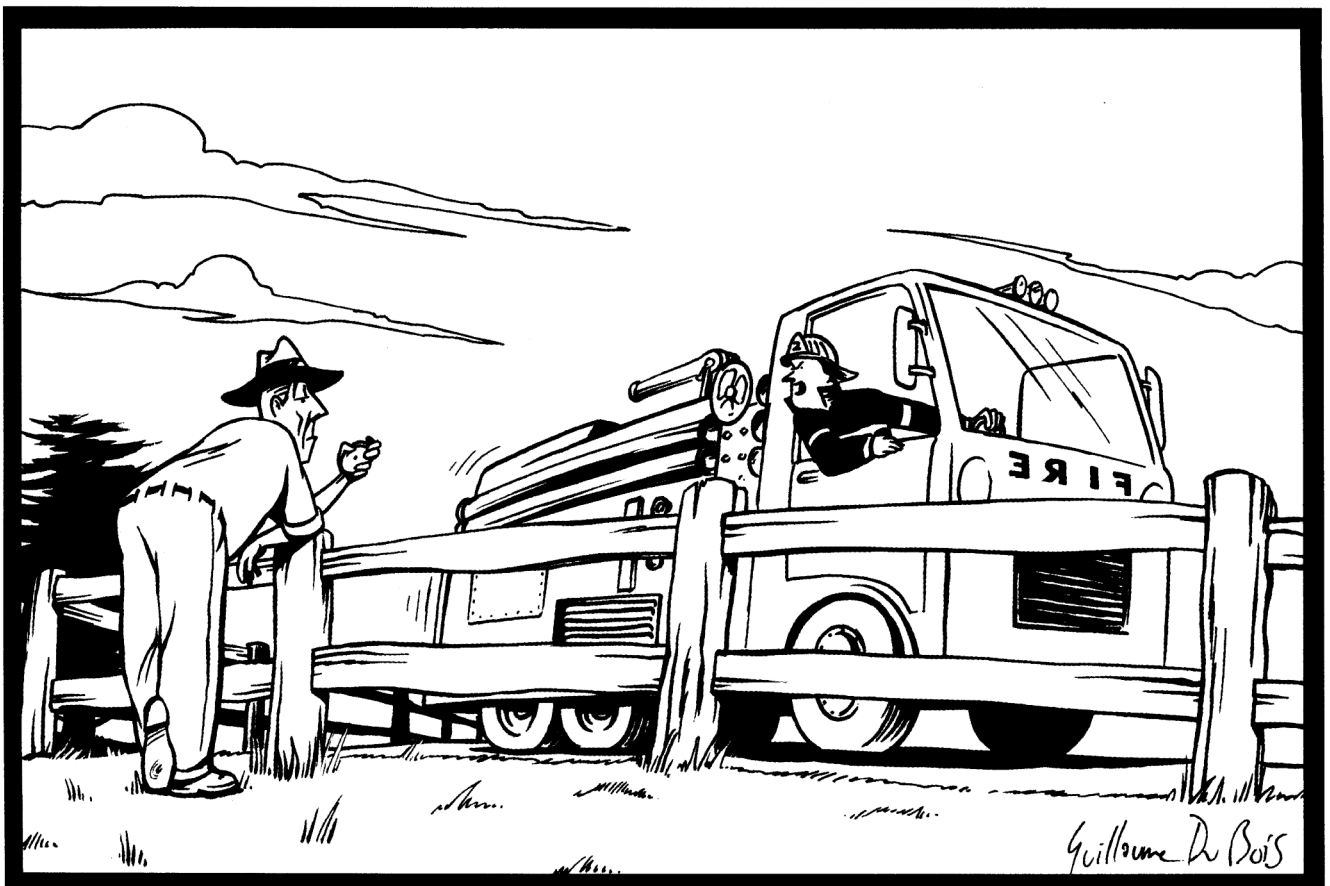
Other highlights from nearly thirty years of conventions include the appearance of renowned impersonator Campbell McComas

and a presentation from lateral-thinking guru Edward De Bono.

While numbers at the latest conventions have fallen from their peak of eleven hundred, NIBA's national convention remains the key event for brokers looking for the most accurate picture of the changing insurance industry. NIBA's strong access to government, regulatory and business leaders means its delegates always leave the three-day event with an impressive list of contacts and plenty of fresh ideas for growing their businesses. For Midland Insurance Brokers Managing Director Terry Lane – who has attended all twenty-five of NIBA's conventions to date – says the events offer an invaluable chance to network and develop for him and his staff. "It's a very good investment," he said. "It offers a wonderful learning opportunity for the young ones."

Taking it to the street

Over the years, NIBA has often sought to bring important insurance issues into the general public domain. Far from simply speaking to government and underwriters about problems like underinsurance and excessive compliance costs, the representative body has also run campaigns through the mainstream media.



"Just because your broker told you about the fire services levy doesn't entitle you to keep calling us out so we can practise getting here faster!"

NIBA makes regular releases to the Australian and industry media on issues of importance. It also uses its own publications to explain its views. This cartoon from 2002 makes light of the important fact that rural property-owners pay a substantial levy for fire services that in many cases would not be able to reach them in time to extinguish any blaze.



"The cheque's in the mail"

WHY TRY MAKING AN INSURANCE CLAIM WITHOUT A BROKER?

Ever get the feeling nobody wants to know you? Sometimes it seems you're very much on your own when it comes to making an insurance claim.

What you need is the help of an independent insurance broker, a Qualified Practising Insurance Broker.

Insurance brokers are legally required to act on your behalf in claims matters rather than in the interests of the underwriting insurance company.

As a member of the National Insurance Brokers Association, your QPIB is a highly trained, formally qualified and experienced insurance professional.

The QPIB provides you with valuable advice and specific recommendations on how to best capitalise on the enormous range of insurance options which are currently available.

This ensures you always get the best protection at the most reasonable rate. And you will never be on your own with a QPIB to take care of the details.

As a result, your cheque will be in the mail a whole lot quicker.

If you don't use a QPIB yet, call now for the name of the one nearest you on 008 325 2558.

QPIB. ALWAYS YOUR BEST POLICY.




"He would say that wouldn't he!"

WHY LISTEN TO AGENTS WHEN YOU CAN TALK TO A BROKER?

When you talk to insurance brokers, Qualified Practising Insurance Brokers, they listen. Unlike agents, they work for you, not for the insurance companies.

In today's sophisticated market, you need analytical advice and objective recommendations to capitalise on the choice of insurance policies and options available. Service and expertise of this calibre are only available from a QPIB. These initials identify experienced insurance professionals.

Each one is a highly trained, formally qualified member of the National Insurance Brokers Association.

An experienced insurance professional, the QPIB serves your interests, rather than those of any particular insurance company or its agents.

This independence allows a QPIB to review competitive policy terms, conditions, options and premiums, and to tailor the insurance cover appropriate to your requirements. This ensures you always get the best protection at the most reasonable rate.

When you can talk to a broker, why listen to anyone else!

If you don't use one yet, call now for the name of your nearest QPIB on 008 325 2558.

QPIB. ALWAYS YOUR BEST POLICY.



In 1993 NIBA launched a series of print advertisements designed to "win the hearts and minds of business" with the advantages of using brokers using the QPIB designation. The \$400,000 campaign was targeted at readers of "authoritative" metropolitan newspapers.

WHAT HAPPENS WHEN
THINGS GO WRONG?

Every business needs an insurance broker

needabroker.com.au

eye



thousands of jobs >
millions of opportunities

seek.com.au

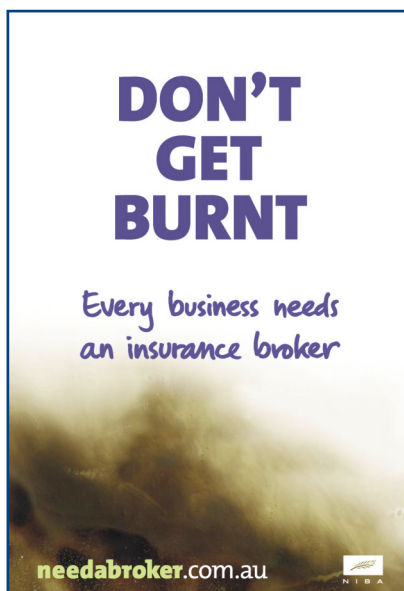
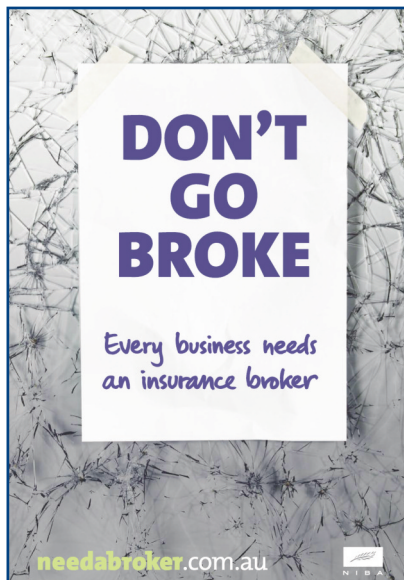
ST KILDA RD
NEPEAN HWY

Frankston

PUNT RD

KEEP CLEAR

In 2006 NIBA unrolled a completely new advertising campaign, using "supersites" like the one pictured here being set up at Melbourne's St Kilda Junction.



A variety of posters, billboards, taxi-top signs and radio advertisements were used around Australia to raise recognition of a new website, www.needabroker.com.au, which lists all NIBA member brokerages, their specialties and their locations.

One of the key fights has been NIBA's efforts to reduce the tax burden on Australian insurance buyers. The combination of state-based stamp duties and, most recently, the federal goods and services tax, adds a significant cost to every policy written in Australia – which can deter people from taking out appropriate cover. But it is the fire services levies of some states that have earned the most ire from NIBA, its member brokers and their customers.

Hangovers from the days of privately funded fire brigades (which worked on behalf of individual insurance companies), the levies apply to property and business interruption policies within the relevant jurisdictions. They create a tied funding stream for the public fire and emergency services facilities in the relevant state. The rates differ in each of the three remaining states that apply the levies but the effect is similarly discouraging for potential insurance buyers.

Noel Pettersen says it leaves insurance buyers funding the vital emergency services on behalf of those that avoid cover or underinsure their risks. Adding to the cost of insurance policies naturally reduces the number of people able or willing to take out full insurance, further increasing the burden on those that do.

Since its inception, NIBA has rallied against the fire services levies, which once funded services in all states. Through a combination of political lobbying, media campaigns and client information, NIBA has maintained significant pressure on states applying the tax. This contributed to Queensland abandoning its levy system in stages during the mid-1980s. South Australia altered its emergency services funding arrangements in 1999 and Western Australia fell into line in 2003.

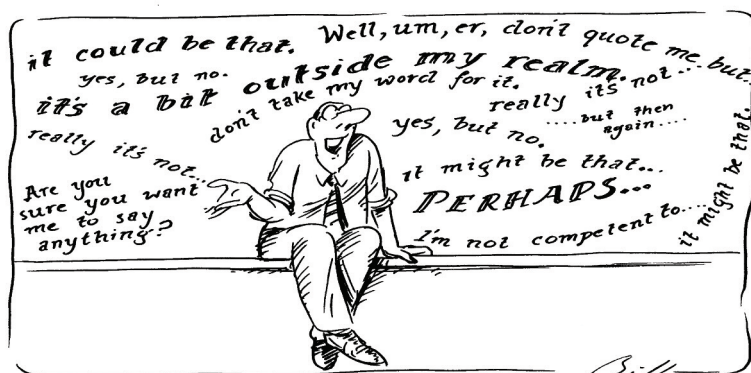
New South Wales, Victoria and Tasmania have held onto their levy regimes but Pettersen says the fight is not over yet. NIBA and other industry groups are continuing to pressure the two mainland governments in particular. "We're talking with both sides of politics in all three states," he said. "And we're continuing to update our members and their clients on the campaign."

Over the years, NIBA has also run several other successful campaigns. These include initiatives on combating underinsurance, and an intense advertising regime highlighting the advantages brokers can offer businesses of all sizes.

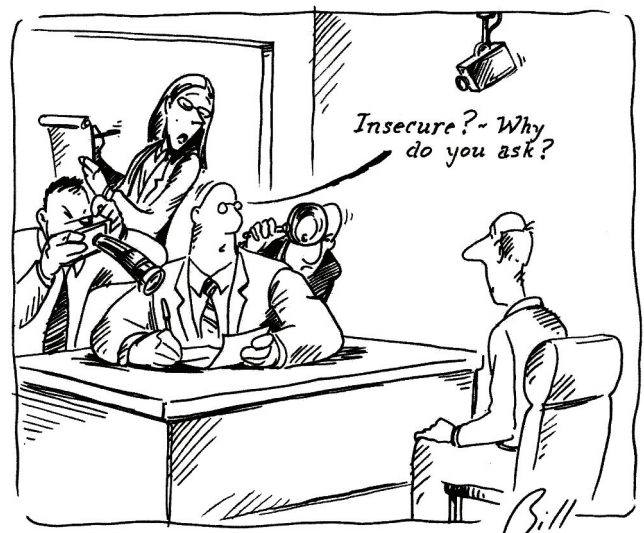
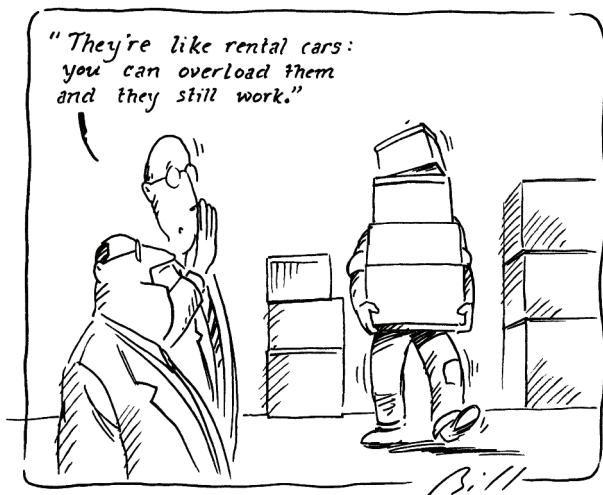
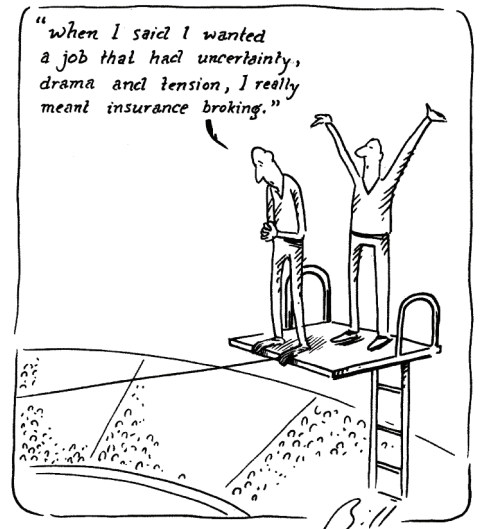
Communicating for the future

For a relatively small organisation – representing just one branch of the financial services tree, NIBA has a very strong voice. Its enthusiasm for policy and its energy in its interactions with government has meant positive outcomes for brokers time and time again. In the same way, NIBA's advocacy has also kicked goals on behalf of the wider insurance industry and its customers in particular. It is difficult to underestimate the role its communication strategies have played in these achievements.

At its very heart is a policy of openness and accountability to the membership. Noel Pettersen says the five hundred-odd companies that make up the organisation have always provided strong interest and support for their representative body. "And that's given it a strength few other professional bodies can boast."



A cautious consultant.



Da NIBA code.



Silver lining

Cartoons in Insurance & Risk Professional are drawn by Melbourne artist Bill Wood. His hundreds of contributions have covered a vast field of subjects, taking a quirky – and sometimes very pointed – view.

THE CLAIMS BROKERS REMEMBER

“The broker’s role is to be there for their client and assure their loss is restored quickly and effectively. When disasters occur is when a broker’s skill comes to the fore.”



Buy a new toaster and you can generally decide if you're happy with the purchase as soon as you plug it in. It's the same with almost all goods and services – there's always something tangible for you to evaluate more or less as the money changes hands. But insurance by its very nature is different. You can take out a policy every year for the next century and may never know the difference between it and another offering. It's only when you make a claim that the true value of insurance becomes apparent.

With their legislated focus on the client interest, brokers play a significant role in the claims process. They advocate on behalf of their customers, creating an important bridge between them and their insurers. Their expertise particularly shines through during a complicated claim – when having a properly qualified and professional broker can mean a substantial difference in the eventual settlement. They offer important peace of mind at what can often be an anxious time.

Were it just one claim at a time, life would be easy for the humble insurance broker. But given that a single event can bring in several thousand claims across the local industry, it pays to know what you're doing. When catastrophic events like the 1989 earthquake in Newcastle or the more recent storms across Victoria and New South Wales take place, the value of a NIBA-endorsed insurance broker cannot be understated.

While NIBA itself takes a less active role in the flood of claims that typically follow, it is nonetheless a major player. Chief Executive Noel Pettersen says prior training, support and representation of member brokers ensure they are well placed to do their work when it is most needed. "The brokers' role is to be there for their client and assure their loss is restored quickly and effectively," he said. "When disasters occur this is when a broker's skill comes to the fore."

Over the last twenty-five years, there have been numerous examples of exactly that. From catastrophic natural events to large-scale business interruptions, the insurance industry makes its mark when it's most needed. NIBA brokers play an important role in keeping their clients – and the local and national economies – in business.

1989: Newcastle earthquake

Natural disasters in Australia take a variety of forms, but rarely do they take the form of an earthquake. Australia's position far from the edges of major tectonic plates means it suffers relatively few earthquakes but they are far from impossible. Few earthquakes large enough to cause significant damage have struck the island continent, but one that will forever linger in the minds of insurance brokers offers a good example of the way brokers respond to disaster.

Measuring 5.6 on the Richter scale, the Newcastle earthquake struck on Thursday morning, December 28, 1989. The social and economic impact was devastating with the quake claiming thirteen lives and causing an estimated \$4 billion in damages. That's the equivalent of \$6.42 billion in 2007. It was the first recorded earthquake in Australia to claim any lives.



The Newcastle earthquake in 1989 shook up local brokers and loaded them with plenty of extra work as businesses around the city reported extensive damage and loss. Image: News Ltd

Insurable losses were, at the time, the highest on record in Australia at \$856.5 million, or \$1.374 billion in 2007. Damage to buildings was spread across an area of nine square kilometres, while tremors were felt for nearly two hundred square kilometres. The earthquake now ranks as the second most costly event for the Australian insurance industry behind the 1999 Sydney hailstorms.

Insurance claims came thick and fast; 69,564 claims, the vast majority of them residential, were received. The industry had to react quickly – and overcome significant obstacles – to process them all effectively and efficiently.

Local broker Reg Mawhinney was on holidays when news of the earthquake forced him to return to Newcastle. “I was in Forster having a few days off. Next thing I knew people were coming to me saying ‘Have you heard about the earthquake?’” Mawhinney said. “I told the wife we had better get back to help handle this.”

Mawhinney returned home to find Newcastle in ruins. Access to the central business district had been cut off, while phone lines were still down, making claims difficult to process. “Within about twenty-one hours we were taking calls. After that we were working from 5am to 8pm at night, every day.”

Mawhinney said the insurance industry’s response was mostly effective, despite attempts by some policyholders to push the



The 1999 Sydney hailstorm remains Australia's largest civil disaster in terms of property damage. It's also one of the proudest achievements of the insurance industry that it worked closely with government authorities to ensure all damage was dealt with expediently. For brokers the workload involved in dealing with businesses and homes devastated by the hailstorm meant months of long hours.

envelope. With such a major event, the temptation to exaggerate claims or file for pre-existing damage increases. While brokers' first duty is to their clients, they also have a responsibility to protect their underwriting partners from blatant fraud. Mawhinney remembers one client tried his luck amid the chaos but brokers are trained to recognise potentially illegal conduct early.

"He told me he wanted to sue his insurance company, but he hadn't even been to see his accountant yet," he said. "It turned out, he had nothing to substantiate his claim.

"Overall, I think the insurance industry did very well. The earlier ones in the piece, the brokers and insurers that put the oil on the squeaky wheels, did well," he said. "It was very, very dramatic, but different to the storms. The storms were a bit more personal because people had time to get out in the earthquake."

1999: Sydney hailstorm

The storm clouds that gathered over Sydney's eastern suburbs on April 14, 1999 looked like delivering a downpour, but no one could have anticipated the destruction that would ensue.

The heavens opened with hailstones the size of golf balls, destroying cars, homes, boats and everything else in their path, and creating Australia's most costly natural disaster.

The 1999 Sydney hailstorm was a vicious example of why hail rates among the most costly of storm-related events for insurers; 111,463 claims were lodged with insurers in the weeks and months after the event at a cost of more than

\$1.7 billion to the industry.

The majority of claims were for motor vehicles (61,682) and residential properties (43,896), while twenty-five aircraft at Sydney Airport were also damaged.

The hailstorm was unusual in both its timing and severity. Meteorologists say April is historically associated with a lull in hailstorm activity in Australia. But the storm that hit Sydney that day defied that convention in the most explosive way. The most destructive of the hailstones measured nine centimetres in diameter – bigger than Rubik's Cubes – and are among the largest officially recorded in Australia.

Damage was most severe between Bundeena and Darling Point in the North and Sydenham to Bondi Junction in the east. Kensington and Eastlakes were among the hardest hit suburbs, with few streets escaping significant damage.

Warren Saunders Insurance Brokers Director Spyros Stathakis remembers being "completely overloaded" in the days following the hailstorm. "We got in just under three hundred claims in a few days," he said. His company received claims for at least six months after the event.

"The assessors were totally overloaded, the insurers were quite responsive although they got a bit harder towards the end," he said. "Everyone bands in together and really helps in times of such catastrophe."

A shortage of vital materials – particularly for repairing roofs – hampered the clean-up. But brokers and insurers worked together to ensure homes could be inhabitable as soon as possible, with permanent repair a close second on the agenda.

"The hardest part was getting tarps on damaged roofs because there was such a shortage," he said. "There was a sea of tarps every time you drove along the expressway to go into the city for a good twelve months."

With significant training and education under his belt, Stathakis says there was little that could have been done to better prepare for the crisis. "It's so hard to prepare for it unless the weather bureau is telling you it's going to happen," he said. "But when it happens everyone just pitches in."

It's something that both insurers and policyholders appreciate when the time comes. "Our clients were particular patient. They knew we were doing everything we could."

2006: Cyclone Larry

Australia has a long and fraught history with cyclones. While few of the six a year that make landfall cause significant damage, those close enough to populated centres can be devastating.

Cyclone Tracy destroyed almost eighty per cent of Darwin when it swept across the Northern Territory capital on Christmas Eve in 1974, while Cyclone Mahina destroyed an entire pearl fishing fleet at Bathurst Bay when it moved through Queensland in 1899.

In more recent times, Larry delivered a devastating blow to the Queensland town of Innisfail, in the state's northeast. Narrowly missing Cairns to the north, Cyclone Larry crossed the

coast near Innisfail at 6.20pm on March 20, 2006, with wind speeds of nearly 290 kilometres an hour. Larry had been downgraded to a Category 4 cyclone by the time it reached Innisfail, but was still packing wind speeds of 240 kilometres an hour.

The scope and scale of the destruction was humbling. Entire sections of the town were flattened, the nation's banana crop wiped out and basic essentials like running water and electricity became luxuries for local residents.

In Larry's wake, one of Australia's largest recovery operations was mounted. Retired Army Chief General Peter Cosgrove was chosen to lead the relief effort, directing resources across an area of land nearly two-thirds the size of Tasmania.

Insurers, brokers and loss adjusters also worked feverishly to handle claims and restore losses. OAMPS Cairns Manager Tony Hosking says there was a mixed response from the affected insurers with plenty of lessons for future events.

"A lot didn't seem to be able to initially handle a catastrophe of this type," he said. "The initial response was very good, but they didn't realise the enormity of the problem and the claims departments were overworked and understaffed."

Hosking described the immediate aftermath as horrendous, with a deluge of claims matching a heightened emotional toll. Brokers found themselves working to restore both financial losses and the overall confidence of affected policyholders. "We had a much bigger workload and one of the biggest things we had to do was deal with emotional people," he said. "People were phoning up quite distressed. One of the obvious things that came out was the dramatic level of underinsurance."

That's something the broking industry – and NIBA in particular – has worked hard to reverse in the eighteen months since it was exposed in Queensland. Noel Pettersen says state taxes still present a significant impediment to improving insurance rates but the lessons of Larry are sinking in. The insurance-buying public has proved more willing to invest in insurance – and to use brokers to get the most effective cover.

That uptake was reflected in the higher-than-expected number of claims that resulted from the next major disaster to hit the insurance industry – in New South Wales the following year.

2007: New South Wales floods

Years of drought gave way to widespread flooding on the Queen's Birthday weekend in 2007 leaving large swathes of the New South Wales Central Coast and Hunter Valley regions underwater. More than 300mm fell in the Hunter Valley and 200mm across the Central Coast, turning the regions into a quagmire, flooding homes, businesses and cars.

The New South Wales floods – dovetailed by widespread flooding in Victoria's Gippsland region just weeks later – are Australia's third-most costly natural disaster, with insurance losses of more than \$750 million and 63,000 claims. The widespread nature of the flooding hindered the efforts of insurers, brokers and underwriters in assessing claims, with some properties unreachable for weeks after the disaster.





In April 1990 the New South Wales town of Nyngan experienced a statistically unlikely but very real flood which brought into sharp detail the industry's uncertain attitude to flood insurance. A major weather system that swept through three states resulted in the loss of thousands of head of sheep and cattle, thousands of hectares of crops, wrecked towns, destroyed bridges and wrecked roads. The twenty-five hundred people of Nyngan were evacuated by helicopter to the town of Dubbo, some one hundred and sixty kilometres away.

After any major flood event the work of brokers in representing their clients' interests to insurers has always required weeks and even months of hard work. Part of the problem in dealing with flood has been most insurers' understandable reluctance to offer meaningful cover in a country prone to extremes of weather. The issue has been researched and widely debated among interest groups, and in recent years hopes have risen that a solution to the impasse can be found.

NIBA has always played an active role in the flood debate, working alongside such groups as the Insurance Council of Australia to encourage solutions to the problem and representing members' views and concerns. Image: News Ltd



Bushfire remains one of Australia's greatest hazards, with climate change possibly leading to a great incidence. The Canberra bushfire of 2003, and other bushfires around Sydney and Melbourne have sharpened the public's consciousness of the danger. Image: News Ltd

Markey Insurance Brokers principal Steve Markey was one broker working with clients in less-than-ideal conditions. But the fact that his company's offices were flooded as well meant he had a good first-hand knowledge of what his clients were going through. "The roof leaked, water was running through the light fittings," he said. "It wasn't very safe, so we sent everyone home. We came back on the Saturday morning and the place was trashed.

"We just went into claims registration mode and tried to tell the clients what to do while not really knowing what to do as we didn't know what stance the underwriters were going to take." While most property policies do not cover flood damage, insurers eventually agreed to classify the majority of damage as "storm-related".

But no matter which way they went – and almost all damage claims were eventually treated as storm-related – Markey's company had prepared for the deluge of claims that would follow. It ended up handling more than two thousand claims, mostly from commercial policies. "Tuesday was the big day when the claims all started to come through. We had a suite of new documentation made up and thirty people to deal with it," he said. "Each person had two phones: one to sit on waiting and one for incoming calls."

And while he says the insurance companies weren't immediately ready, they soon came to the party. The result was a successful one in terms of client satisfaction. While the industry will continue to debate the validity of the storm damage classification, brokers succeeded in ensuring their clients' losses were effectively restored. The event was a strong advertisement for their expertise and the insurance industry as a whole.

The next big event

Natural disasters and man-made catastrophes are the challenges that can make or break an insurance industry – at least in public perception terms. The way brokers handle themselves, the deluge of claims and their customers gets noticed, if not on a

The most costly insured events in the past 25 years

\$4.3 billion Newcastle earthquake – December 28, 1989

\$3.3 billion Sydney hailstorm – April 14, 1999

\$1.7 billion Brisbane hailstorm – January 18, 1985

\$1.4 billion Newcastle storms – June 9, 2007

\$1.3 billion Victorian bushfires – February 16, 1983

* In 2007 adjusted dollars

Source: Insurance Council of Australia

national scale then at least in terms of the affected communities. NIBA aims to play a liaison role during such events, maintaining constant communication with relevant members and other key players. Noel Pettersen says that low-key formula continues to assist brokers in their busiest and most anxious hours. The result, particularly in recent catastrophes, has been one of cool-under-pressure professionalism from those in the frontline. That has helped both insurers and their customers deal with claims – even when there is a “queue” of thousands – efficiently, fairly and transparently.

“The last one (New South Wales floods) was handled very effectively,” Pettersen said. “The insurance industry to its credit showed how important and customer-focused it can be.”



Traffic in Melbourne comes to a standstill as power cuts across the city in January 2007 demonstrate the knock-on effect of such “rural” hazards as bushfire. In this case, businesses especially were affected as bushfires in Gippsland, Victoria, cut power from the Latrobe Valley power stations. Image: News Ltd

CONSOLIDATION AND CLUSTERING



Businesses have always looked at their competition not just as rivals but also as potential sources of growth.

The economics of scale are simple to understand. Essentially, the bigger the output of a company or organisation, the cheaper every unit of that output is to produce. This is because the fixed costs of production – the price of setting up business, for example – are spread over a larger number of saleable items. Over the years, the world economy has seen many businesses take full advantage of this economic truth – with manufacturing, agriculture and many service industries working on larger and larger scales.

But the various sectors of the financial services industry have proved to be some of the keenest embracers. The cost to a bank of operating one account, for example, is very nearly the same as operating thousands. The theory is even sounder in general insurance, where the more policyholders an underwriter can garner premiums from, the better situated it is when the claims start rolling in.

With the “bigger is better” maxim so well established, the question that remains is how to make it so. The answer for many companies has been industry consolidation: mergers, partnerships, acquisitions and takeovers. Call it what you will – businesses have always looked at their competition not just as rivals but also as potential sources of growth. By directly buying or merging with another company a business can effectively double its book of customers. The synergies created when two become one reduce costs while increasing the scope of demand.

Consolidating brokers

Take nearly any Australian insurance broking business from the early 1980s. Each one has its own consolidation story that shows how it morphed from an independent entity into a relatively small part of a much larger whole.

Income and Protection General, for example, operated in Sydney for several years before the larger Associated Insurance Brokers Australia (AIBA) took a 50% stake in its operations. It followed up that 1990 transaction with a full across-the-board buy-out in 1992. Just three years later, AIBA was acquired by Alexander & Alexander – itself a conglomerate of merged broking companies and acquisitions. In March 1996, Aon bought full ownership of Alexander & Alexander. It was just one of many acquisitions for its Australian arm and today Aon remains one of the largest and most successful insurance brokers in the local market.

At the time of its formation, NIBA boasted eight hundred and ninety individual company members. Between the large international members and those that came across from IBA, the new group represented business employing around four thousand two hundred staff. The employment figure has more than doubled in the past twenty-five years, indicating a much larger broking industry today. But at the same time the number of companies employing those staff has shrunk dramatically.

NIBA's most recent membership renewal statistics show there were four hundred and fifty company members in October 2007. They declared a total of seven thousand eight hundred staff, including nearly two thousand five hundred QPIBs.

The numbers have definitely changed but it hasn't necessari-



Over the past fifteen years or so, brokerages have clustered together to gain buying power. Each tends to follow its own individual business plan. OAMPS, for example, while no longer technically a cluster group – it was acquired by Wesfarmers in 2006 – grew by acquiring small brokerages and leveraging off the expertise of their former owners. At this point, only one of the groups – Austbrokers – is a listed company, although it is likely that others will follow suit in the future.

ly been a gradual process. As well as the natural economic incentives that have pushed broking businesses together, there have been a number of other factors that have sparked further consolidation in the industry. Issues of generational change and new compliance costs, for example, have helped create distinct surges of consolidation over the past twenty-five years.

John Hanks says the FSRA legislation in particular sparked a good deal of movement in the company market. “Every time you have increased regulation, it becomes more effective to have a larger brokerage,” he said. Then, it was the simple threat of significant compliance costs that caused many smaller brokers to consider their situation – even before the legislation was enacted. The product disclosure statements had the effect of dramatically increasing the fixed costs, and the risks of non-compliance, for a single business. “Compliance was much more complex, particularly at the retail end of insurance,” he said. “Individual and small brokers struggled with that change.”

NIBA had long foreseen and prepared for increased consolidation among its members. While other organisations may have tried to influence the transactions that took place, NIBA had the confidence to let its members decide on the best courses of action. “It’s never had an ideal number of brokerages in mind,” Hanks said. Rather, NIBA has worked with and for its members throughout the changes in ownership. It has also worked to ensure broking clients are informed and unaffected by the transactions.

Noel Pettersen says consolidation has provided strong benefits for consumers. “The market is still very competitive,” he said. “But expertise and service levels are increasing for broker clients.”

Clustering

Even when they’re not merging or making one hundred per cent acquisitions of one another, brokers are still tending to stick together. Since the mid-1990s, the concept of broker cluster groups has taken off, making a significant impact on the industry landscape. These strong networks have turned many smaller businesses into capital-backed franchises, boasting strong market power with insurers while (ideally) maintaining local identity with clients.

Groups such as Austbrokers, Steadfast and the Insurance Brokers Network of Australia (IBNA) began operating on a small scale around 1994. They represented a handy alternative for small brokers facing the cost and competition pressures of a consolidating industry. They also provide an important succession strategy for business owners looking to cash in the value of brokerages built up over several decades.

Steadfast Chairman Robert Kelly says there is a good level of co-operation between his company and NIBA. He says Steadfast, and each of the other cluster groups, continue to benefit from NIBA’s strong lobbying capabilities. They also maintain access to its education and dispute resolution arms.

One of the biggest challenges facing NIBA has been the rapid development of cluster group conventions. Where once NIBA (and IBA before it) had an effective monopoly on the multi-day

insurance industry conference, these days each of the major groups hosts its own annual event. They now compete for the best speakers, exhibitors and entertainment, each organisation knowing that the average broker is unable to attend every event.

But NIBA's event still provides the only forum for dealing with industry-wide issues. One of its strongest supporters over the years, Terry Lane, says its strength lies in its ability to bring all sectors of the industry together – alongside some of the most important regulatory leaders.

Future issues

It's not just brokers interested in buying brokers. With many of the larger companies and clusters now floating on the Australian Stock Exchange, virtually any company or individual is able to invest in their continued growth. Even the insurers whose products they distribute are able to take an equity stake. In recent years, the Australian industry has seen Wesfarmers take full control of OAMPS and QBE and Allianz take a "defensive" stakes in the Austbrokers network. This follows on from much larger broker acquisitions by insurers in the British market.

Former NIBA President Terry Paradine says this sort of vertical integration creates new challenges for the organisation representing Australian brokers. "Watch this space closely," he said. While insurers have vowed to maintain the integrity of their distribution systems, he says some regulation may be required to keep brokers acting only in the client's interest. "I'm not sure where that all ends up (but) there needs to be some debate." NIBA is watching the developments closely and is well placed to represent brokers if and when the stakes increase.

NIBA and the small broker

With all of the consolidation that has taken place over the past twenty-five years, it could appear that there is little place left for the small independent insurance broker. What chance do they have when competing against massive listed groupings like OAMPS and Aon? The answer, according to past and present NIBA leaders, is more positive than some might expect.

Former Executive Director John Unkles says that while size can help reduce costs, there are far more important things that help make a brokerage successful. "Brokers, no matter what size they are, will always survive as long as they understand the most important thing is their clients and the service they can provide their clients," he said.

Indeed, he argues increased consolidation actually works to the advantage of the smaller brokers that are able to stick around. "The more consolidation the better for the small insurance broker who sticks around and provides extraordinary service."

Noel Pettersen says the range of educational and professionalism tools that NIBA provides ensures smaller brokers have every opportunity to grow their business organically. "Everything from the annual convention to the QPIB program is designed to give equal access to brokers of all sizes," he said.

Chapter Six

INDUSTRY UPHEAVAL



Working in an industry that is so often the bearer (and sometimes scapegoat) of bad news... NIBA's proactive approach has often buffered brokers from these crises.

The basic tenet of insurance is to spread risk fairly and evenly throughout the community and economy in question. At its most extreme ideal, a perfectly operating insurance industry might result in a completely smooth stream of economic development – no extreme ups and certainly no downs.

But that perfect world scenario is inevitably peppered by the nature of the insurance companies' interactions with their clients, with government and between each other. Indeed, competition and regulation issues have often combined to create a rockier than usual road for the risk industry. While it aims to ease the risk burden on other industries, insurance has often found itself at the sticky end of the equation.

Unlike most goods and services, insurers do not know the full cost of their product at the point of sale. Underwriters can have access to the best actuaries, the most authoritative statistics, even a new-age Nostradamus – but they'll never have a one hundred per cent accurate picture of what claims they might expect from a certain set of policies. The minimum "technical pricing" level they aspire to is, at best, a blurred line.

This, together with the competitive nature of most developed markets, leads to a clear cycle in insurance pricing. In good times, insurers compete for the market share of their rivals, while also defending their own customer base. This drives down the prices of insurance policies and often expands the conditions under which claims will be paid. Excesses may also fall as insurers try to muscle out their competitors.

The problem obviously occurs when a major claims event takes place – anything to give insurers the chance to reassess the perceived costs of the risks they have taken on. These companies are forced to increase their premium rates to make up for the shortfall incurred during the downward or "soft" market. Market share becomes less important than total premium income and rates rise accordingly.

Until, of course, insurers become sufficiently confident their reserves have more than covered their upcoming claims liabilities. They will then quite naturally look to again grow their portfolios at the expense of their rivals' market share. For that, they will need to discount their cover enough to tempt policyholders to make the switch. And so the typically four to six year insurance price cycle begins again.

Were it a simple case of overbidding and corrections there would be no problems for brokers and their clients. But over the twenty-five years since NIBA was formed, they have seen the very negative and real impacts that can take place at the extremes of this fluctuation. High prices have threatened to wipe out an entire class of insurance while the collapse of (at the time) one of Australia's largest insurers can in part be attributed to the poor prices received at the low end of the cycle.

In addition, NIBA has helped guide professional brokers through the fallout that results when less honest competitors are caught with their hands in the till.

Whatever the issue, the organisation has always sought to develop and maintain brokers' images as professional intermediaries with their clients' best interests in mind. Working in an industry that is so often the bearer (and sometimes the scape-

INSURANCE & risk
professional
AUGUST - SEPTEMBER 2000



Profit takes over as insurers abandon the battle for market share

What goes up must eventually come down is as true in the insurance industry as it is in physics. These covers from the August/September editions of 2000 (above) and 2005 (below) highlight the erratic course of insurance premium values.

INSURANCE & risk
professional
AUGUST - SEPTEMBER 2005



AFTER 5 TOUGH YEARS, THE INSURANCE CYCLE HAS TURNED

goat) of bad news, it has often been easier said than done. But NIBA's proactive approach has helped buffer brokers from these crises – leaving them well placed to continue serving their clients in otherwise trying conditions.

Collapsing brokerages

NIBA was formed, in part, to give honest brokers a professional branding that distinguished them from their less reputable competition. It faced its first critical moments early in life as many brokers collapsed beneath the weight of their financial misdeeds. These businesses weren't necessarily NIBA members but their actions – and the repercussions of those actions – stained the wider broking industry. NIBA was forced to battle the public perception that brokers were all crooked and that paying premiums to them was no guarantee of cover.

The temptations typically arose from brokers having only one banking account. Premiums were paid into it but there was little guidance as to when or how those funds needed to be passed on to the insurer. Many intermediaries chose to delay this vital part of the process, sometimes indefinitely. Instead, the money filtered through to personal accounts and contributed to the big-spending, high-flying lifestyle many less reputable brokers enjoyed, if only temporarily.

The practice would reach its climax when a client attempted to claim on the insurance he had every reason to believe was in his name. There were several ways this scenario could end but one of the most common was for an insurer to call in a large amount of debt at once. Some brokers were not sufficiently leveraged and collapsed as a result.

John Unkles says the problem was rife during the early 1980s. "There were million dollar losses," he said. "Quite a lot more than one." There were also several criminal prosecutions with some insurance intermediaries jailed over lost monies.

The formation of NIBA, and then the 1984 Insurance (Agents & Brokers) Act helped address the decay. The legislation in particular demanded brokers have separate accounts for premiums and dictated maximum credit terms for passing that money on. By the time the laws were enacted the several thousand businesses purporting to be brokers had been whittled down to just 1065 official registrations.

Not everyone was happy of course. "There were some people who had particular problems with some of the requirements that were in the draft legislation," Unkles recalled. These did include some NIBA members and there was debate at the organisation's board level on whether to fully endorse the 1984 Act. But supporters easily outweighed critics and NIBA embraced the legislation as the key to industry-wide reform.

By resisting any internal pressure to waiver, NIBA gave important credence to the new regulatory regime. With both the industry association and the law against them, those players too used to the old practices (but not necessarily taking criminal advantage of them) were left with nowhere to hide. They either changed their ways, or got out of the business.

Professional indemnity insurance

“How do you think you’d go selling insurance to insurance brokers?”

John Unkles recalls that question became an important talking point for NIBA after the introduction of the 1984 Insurance (Agents & Brokers) Act. Its requirement for brokers to have their own professional indemnity cover created a new market for insurers willing to accept the risk of brokers making deliberate or unintentional errors in their advice and duties.

By the late 1980s, effective professional indemnity insurance for brokers was becoming scarce. And correspondingly expensive. “There was still some residual dislike about the risk that insurance brokers posed to insurers.” Unkles says NIBA resolved to use its collective strength to help secure a new, more sustainable, deal for its members. Its tender was won by Bailleau Baring Marsh McLennan, one of the larger insurance brokers operating in the Australian market at that time. Led by former NIBA President Terry Paradine, that company secured a broad panel of insurers to undertake the aggregate professional indemnity risk for NIBA members. As well as delivering cheaper, and importantly, more secure premiums for the majority of brokers, the scheme also delivered a small amount of commission income for NIBA itself.

NIBA used that revenue stream to create a range of educational tools and programs for its subscribing members. These videos, seminars and brochures helped brokers to improve their risk management strategies, which in turn reduced their vulnerability to professional indemnity claims. It was a win-win situation for all concerned; brokers obtained the cover they required by both law and NIBA membership, the insurers were able to significantly increase their books without a taking on excessive risk, and NIBA was able to positively promote the professionalism of its members.

Unkles says the program proved to be extremely successful. While a number of smaller professional indemnity schemes ran in competition to NIBA’s, most brokers moved quickly to insure with their trade association. That loyalty has continued to translate into tighter risk management among brokers which has ultimately improved the confidence of insurance consumers throughout the country.

HIH

On Thursday March 15, 2001, Australia’s second-largest insurer went into provisional liquidation. Within a month, HIH’s liquidator had declared all of the relevant companies insolvent – with between \$2.7 billion and \$4 billion in excess liabilities. After years of examination, the final shortfall was found to be \$5.3 billion. The news came as a complete shock to the insurance industry and indeed the general public. HIH had possessed an “A” credit rating and its last annual report had showed a healthy balance sheet. HIH’s share price had fallen over the months leading up to the collapse but not significantly

NEW HORIZONS - THE DIGITAL CAMERA

Pictures have always played an important role in our lives, they motivate, captivate, educate and inform. Digital cameras produce high quality pictures not on film, but on a charge coupled device, or CCD. This is a group of 'photo-collectors' which convert light energy or photons into electrons. They capture the light via a traditional camera lens and store it as red, green and blue pixels creating an image which can be viewed on a TV or downloaded to a computer for viewing editing or printing. CCD's were developed by Bell Labs in the early 70's. They were first used for photographic work by NASA not long after as part of the space exploration program in their newly developed 'travelling CCD camera system'.

It wasn't till the late 80's that camera manufacturers became interested in developing a 'digital' camera for the mass consumer market. It was then that the first 'megapixel' sensor was developed, which meant that a digital camera could produce a 'near film quality' image. Unfortunately they were very expensive and few were sold. Now widely accepted by consumers, digital cameras compete on quality and price against traditional film cameras. Quality and price have always been important to HIH Insurance.

This, along with our dynamism and innovative approach, has positioned HIH as one of Australia's foremost general insurers for over 30 years and built an enviable portfolio that includes the majority of Australia's top 100 companies. With offices around Australia and the world and an annual premium of around \$3 billion, the HIH Group have the resources, service philosophy and global vision to help protect your clients success, as well as your own. Now and into the future. Get the picture, call HIH today.

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Up to the day it finally collapsed in March 2001 owing \$5.3 billion, HIH maintained the fiction that all was well. This is an advertisement from Insurance & Risk Professional in December 2000.

enough to offer a warning.

It took a full-scale royal commission to uncover what went wrong. Its three-volume report, released in April 2003, painted a picture of overpaced expansion, underpricing, reckless management, poor regulatory supervision, and outright fraud during the company's final years. Since then, five former HIH executives have been imprisoned and one is carrying out community service. The Australian Securities and Investments Commission and the Australian Prudential Regulation Authority have also moved to ban several managers from serving as company directors or executives in the future.

But that will be cold comfort for the thousands of people affected by the collapse. It wasn't just the shareholders and official creditors. Policyholders suffered alongside them as the cover they had paid for, in most cases, disappeared. The fallout from this reverberated throughout the economy. Builders, for example, required significant insurance backing before they could carry on working. Similar issues occurred with lawyers and doctors that lost their professional indemnity cover.



When the public liability market rose abruptly in 2001 as a result of the HIH crisis, the September 11 terrorist attacks in the United States and drops in equity earnings, brokers found some hard-to-place risks were just that. Small businesses with significant risks like horse-riding schools were particularly hard hit, creating a crisis that forced governments to bring public liability lawsuits under control.

Brokers had been fooled as much as anyone. They had been recommending HIH products right up until the collapse was announced. It was then up to them to source alternative cover for their clients. "It was a frantic time for the industry, and for NIBA," Noel Pettersen remembers. "Brokers had to scramble to get cover for their clients from the remaining market."

There was a major surge in demand for insurance in what was a largely unprepared market. NIBA took a hands-on role in negotiations with insurers, urging them to accept more policies – but still, much of the shortfall went on to overseas markets. "We were certainly involved in trying to replace policies," he said. "But at the same time we had to rectify a tarnished image."

While brokers had not contributed to the collapse, they couldn't help but get caught up in the public scathing that followed. Much of NIBA's energy went on ensuring their members could distinguish themselves from those that had actually been in charge of the failed company. Given the continuing impact on the national economy, that wasn't always easy. But Pettersen says the organisation made significant gains – which brokers were able to capitalise on after the initial hysteria had worn off.

“Everyone can be wise in hindsight,” he said. “But HIIH was a corporate collapse that none of us had ever seen before.”

Public liability insurance

One of the starkest repercussions from the HIIH collapse took several months to become apparent. The company had been one of the largest providers of public liability insurance, covering businesses and not-for-profit organisations against the risk of third-party legal claims for death, injury or property damage. When it withdrew from the market, it took with it much of the industry’s financial capability in a very long-tailed class.

A number of other factors also contributed to public liability premiums rising above a level many could afford to pay. Australia’s propensity to sue had increased significantly over the second half of the 1990s, that increase in court traffic being further enhanced by some record public liability awards. Australians had also been enjoying a wider range of “high-risk” activities, like hang-gliding, rock climbing and whitewater rafting. There were few restrictions in place to ensure inexperienced or unprepared people did not take on these risks.

Add to all that was the global impact of the massive terrorist attacks in New York City and Washington DC on September 11, 2001. This caused significant drops in equity markets and insurers across the world nervously tightened their capacity. In Australia, it was yet another supply-choking event that meant the normally gradual hardening of the local insurance market took place with rapid and painful force.

Those insurers still willing to provide public liability insurance were forced to increase premiums – a lot. Depending on the client, rates went up by as much as four hundred and fifty per cent between the 2000 and 2002 financial years. Even at these prices, cover was difficult to obtain and some brokers would spend several weeks searching and negotiating for a single policy. Others missed out altogether and their clients were forced to stand down their activities. With everything from amateur sporting clubs to hotels and caravan parks threatened, it took a significant amount of negotiation, patience and command to turn the situation around.

Once again, NIBA took a direct role in developing a solution. It worked closely with the federal and state governments to fast track legislation to reduce the number and veracity of public liability lawsuits. This was against significant lobbying by the legal fraternity who had blamed the premium rises on the greed of insurers. Noel Pettersen says the successful introduction of “tort” reforms to the legal systems of each state was a significant effort, given the industry’s public image at the time.

“With HIIH still simmering, the arguments of the lawyers would have looked quite reasonable,” he said. “But we were able to state our case and convince lawmakers that action was needed.”

Beginning with New South Wales in May 2002, state governments passed legislation restricting both the types of damages people could sue for and the amounts they could attempt to claim. The legal industry fought the caps tooth and nail, but its

arguments were weakened when premiums did start to fall again. NIBA, alongside the Insurance Council of Australia, played a significant role in solving the crisis. At the same time, its member brokers worked tirelessly to ensure their clients could find appropriate, albeit expensive, cover.

Preparing for the future

The fallout from HIH and the super-tightening of insurance markets that followed is now well and truly behind NIBA. Indeed, premiums have long since peaked and are spiralling down again as the organisation celebrates its silver anniversary. The current soft market shows the insurance industry is still slave to the cycle of premium rises and falls – but brokers are at least well prepared for any future crises that may bring.

NIBA itself is also ready to lend a hand. Its strength lies in its powerful voice and an ability to liaise closely with both industry and government. With the fortunes of the insurance broking market tied so closely to those two institutions, brokers appreciate the need for a strong, vocal and cooperative trade association. When the next insurance industry crisis comes about, they know NIBA will be fighting alongside them for the interests of them and their clients.

Epilogue

THE ROAD AHEAD

“A viable organisation twenty-five years down the track can give itself a pretty big tick. I don’t think we’d have done it any differently, even with the benefit of hindsight.”



NIBA faces the future with confidence, an attitude exemplified by these Young Professional brokers at a convention function in 2007 hosted by Pacific Premium Funding. These future leaders will have many unique issues to grapple with as they progress through their careers. But the work done by the people who originally built and developed NIBA will ensure the association remains a viable and vital representative resource for all insurance intermediaries.

Looking back to 1982, many brokers would have been forgiven for thinking the newly merged National Insurance Brokers Association would have a short lifespan. All previous efforts of bringing brokers of all size and parentage into a single representative body had failed and there was little to demonstratively distinguish this latest attempt from those that preceded it. A life expectancy of even just a few years might have appeared optimistic.

But the brokers involved didn't see it that way. Perhaps it was the strong leadership shown by the steering committee (including eventual NIBA presidents Stuart Leslie, Max Bismire and Robert Owen and staff members Ian Abell and John Dawson) or the fact that the political environment of the time made broker unity more important than it had ever been. But the early expectations of brokers in the field were decidedly confident.

Lifelong NIBA member Edward Hogg remembers each of the merging groups also had a separate focus that created some important synergies during the early development of the combined organisation. "IBA was looking towards creating an educational value. CIBAust was looking toward having a lot more meat to negotiate with government over issues affecting brokers," he said. "Together they would become quite a powerful lobby group."

Twenty-five years later, that early optimism has proved overwhelmingly deserved. NIBA has helped steer brokers, and the wider insurance industry, through a number of significant issues and events. From natural disasters and insurer collapses to new court rulings and legislation – NIBA has always kept its members well informed and represented.

Former President Terry Paradine says it is one of the most



successful examples of a proactive industry body within the financial services sector. Its continued strength leaves it well placed to deal with the challenges of the future. "A viable organisation twenty-five years down the track should give itself a pretty big tick," he said. "I don't think we'd have done it any differently even with the benefit of hindsight."

Another ex-President Robert Harrison agrees. He says the way the organisation continues to manage the differences between small, medium and large broking businesses has had positive benefits for all concerned. "In most countries, the big brokers think they don't benefit from the association," he said. "(But) because the NIBA offering is so broad, they have a reason to participate." And that means added knowledge and experience that can be used to benefit the entire industry.

As NIBA sets its sights on the next twenty-five years, those advantages will become all the more necessary. Increasing consolidation and encroachment from other financial services providers are set to create significant challenges for NIBA in the near future, as will new regulatory regimes surrounding offshore insurers and discretionary mutual funds. But through the same simple strategy that helped form NIBA back in 1982, and the same strategy that has helped it grow since that day, the organisation is willing and able to face each new challenge with strength and confidence.

Negotiation is still the way to success, according to current President Paul Goddard. With a strong leadership and strong membership, NIBA is better prepared than ever to provide representation and services to Australian brokers.

APPENDIX

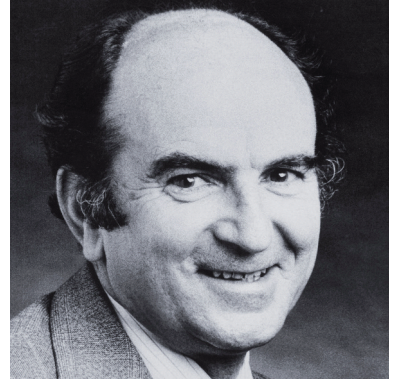




Stuart Leslie
1982-1983



Robert Owen
1983-1985



Max Bismire
1985-1986



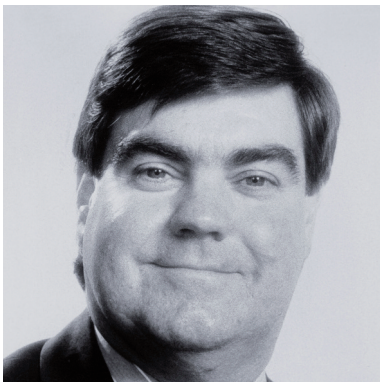
Bob Piper
1986-1988



Peter Thompson
1988-1989



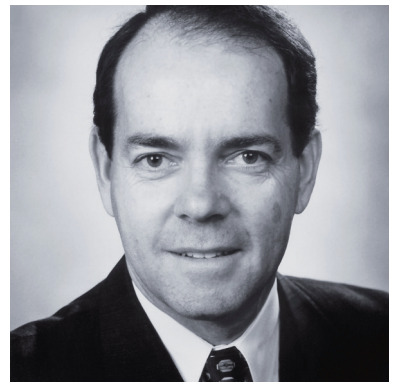
Terry Paradine
1989-1990



Alan Bishop
1996-1998



Alastair Mitchell
1998-2000



David Harris
2000-2002

Presidents of the National Insurance Brokers Association

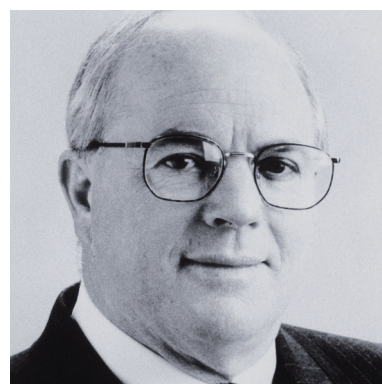
Nobody ever became the President of NIBA and regretted it. In the course of their term, presidents get to meet the extraordinary variety of professionals who work as brokers all over Australia. Their participation in the decision-making process, working with the chief executive and Board, has to be framed with the interests of the wider membership in mind. It's often highly involving and time-consuming work for people who are already heavily committed to the demands of their own business. But each president says at the end of two hectic years that the experience has been a highlight of their career and they have gained great value from it.



Robert Elder
1990-1992



Robert Harrison
1992-1994



David Farrell
1994-1996



Frank Earl
2002-2004



Stephen Ball
2004-2006



Paul Goddard
2007-2008

Warren Tickle Memorial Award

1990	Greg Johnson	Minet Australia Ltd
1991	Rhett Hann	Hann Insurance Brokers
1992	Chris Murfin	Sedgwick James Limited
1993	Ted Hodgkinson	Hogg Robinson Australia Ltd
1994	Mark Finn	Finn Foster & Associates Pty Ltd
1995	Maria Clowes	Austcover Pty Ltd
1996	Bradley Robson	Harvey Robson (Insurance Brokers) Pty Ltd
1997	Johanna Wendt	Austcover Pty Ltd
1998	Karl Tester	Lowndes Lambert
1999	Caroline Edwards	Wilburtins
2000	Jason Rosendahl	Bryson Insurance Brokers
2001	Steve De Luc	Marsh Pty Ltd
2002	Ben Goodall	Griffiths Goodall
2003	Andrew Bendeich	Mawhinney Insurance Brokers
2004	Amanda Smith	Philp Newby Owen
2005	Clint Jeuring	Jardine Lloyd Thompson
2006	Laura Sinnott	Your Insurance Broker
2007	Ward Dedman	EBM Insurance Brokers

General Insurer of the Year

1999	Chubb Insurance
2000	Chubb Insurance
2001	Lumley General Insurance
2002	QBE Insurance (Australia)
2003	QBE Insurance (Australia)
2004	QBE Insurance (Australia)
2005	QBE Insurance (Australia)
2006	QBE Insurance (Australia)
2007	QBE Insurance (Australia)

Lex McKeown Trophy

1983	Peter Thompson	Allied Insurance Brokers Pty Ltd
1984	Simon McKeown	Elkington Bishop & Molineaux Pty Ltd
1985	Clive Fulcher	Sedgwick Benefit Consultants
1986	Michael Bidey	Stewart Wrightson Australia Limited
1987	John Wymond	Wymond Brothers Limited
1988	John Green	Hogg Robinson Australia Limited
1989	Lyn Parnell	Parnell Cranston Pty Ltd
1990	Peter Michell	VGL Insurance Brokers Pty Ltd
1991	Trevor McWhirter	CE McDonald (Aust) Pty Ltd
1992	Gerry Phillips	GL Phillips & Co
1993	Ray Willis	Wilburtins
1994	Peter Brown	Peter L Brown & Associates Pty Ltd
1995	Maria Dwyer	Oceanic Insurance Brokers Pty Ltd
1996	John Newton	Willis Corroon Richard Oliver Pty Ltd
1997	Darryl Walker	Port Melbourne Insurance Brokers Pty Ltd
1998	David Harris	Premier Insurance Brokers Pty Ltd
1999	Frank Hoffman	Hoffman Consulting
2000	David Squire	Apogee Consulting
2001	David Newton	Westminster Broking House
2002	Alastair Mitchell	Marsh Pty Ltd
2003	David Farrell	Aon Risk Services
2004	Alan Bishop	EBM Insurance Brokers
2005	Michael Donnelly	Donnelly Insurance Brokers
2006	John Hanks	Insurance and Regulation Consulting
2007	Frank Earl	AHL Insurance Brokers Pty Ltd



