



Risk management tips for insurance brokers

The importance of good risk management shouldn't be underestimated. Dealing with a professional indemnity claim can be costly and time consuming and most insurers will require you to be actively involved in the process. If a claim goes to mediation or trial you could be looking at hundreds of working hours being lost, not to mention the loss of a client and the potential damage to your reputation.

There are many factors for insurance brokers to consider when improving risk management, but here are some key suggestions for reducing your exposure to professional indemnity claims.

1. Regulation, regulation, regulation. Ensure that you are aware of, and comply with, all of your regulatory requirements when conducting business.
2. Ensure you ask enough questions to really understand what your customer is asking for and what insurance cover they need to consider. If you think there are covers that the customer should consider, suggest them.
3. Ensure that you have a clear understanding of what your customer does, how they do it, where they do it and who they do it for; this is particularly important for commercial customers. If you think something could be material, ask about it, don't just act on what you're told.
4. After your demands and needs assessment ensure that an appropriate demands and needs statement has been issued. This document is a vital part of the process of ensuring that you and your customer understand how and why they're purchasing an appropriate product.
5. If you have a binding/underwriting authority do not deviate from the terms of that authority. Breaching a binding authority could result in an extremely expensive claim.
6. Ensure that the customer knows what cover they're buying and what cover they are not. Explain the key elements of cover and provide clear details of any onerous or unusual policy terms.
7. Ensure that cover is both adequate and appropriate for the needs of a client. Is the sum insured adequate? Has all material information been disclosed to insurers?
8. Keep up to date with trends and developments in your area of expertise.
9. Ensure that there are adequate financial controls in place.
10. Keep clear notes of all key meetings and conversations. If a client rings to advise of any change in their circumstances, make a note of it. Many claims arise out of a failure to keep accurate records.
11. Don't advise on subjects you are not familiar with. If a client is enquiring about a type of cover which doesn't fall within your area of expertise then seek assistance.
12. Carry out regular file audits and peer reviews. This should happen for any member of staff dealing with clients no matter what their level of seniority.
13. Have a clear procedure for dealing with conflicts of interest.
14. Have clearly defined IT and document management policies. Ask yourself: Do I have adequate security measures in place? Is there an internet use policy? Are electronic files and memory sticks protected against unauthorised access?
15. Know your professional indemnity policy. It is surprising how many insurance brokers don't. Be aware of your claims reporting obligations under the policy and make sure all staff are aware of their duty to report potential claims and circumstances which may give rise to a claim.
16. Ensure that the activities you carry out are covered by your professional indemnity policy. If you are engaging in different areas of business e.g. providing financial advice or dealing with clients in foreign jurisdictions make sure that your professional indemnity policy will respond if a claim is made against you.

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