

Insurance Broking Solutions for Property and Construction Professionals

September 2011

howden

Preferred Partner



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Professional Indemnity Insurance Market Update

- The Bad News

- A recent survey conducted by Howden showed that 12% of respondents pay more than 10% of fee income for PI Insurance and 62% of respondent's premiums rose at last renewal
- Primary layer of surveyors insurance is worth c. £50m to insurers. Notifications currently total in excess of £500m and 60% of notifications progressing to claim
- Primary area of concern to insurers is claims relating to property valuations for lending purposes carried out pre August 2007
- Given a six year primary limitation period insurers expect claims arising from valuations to continue materialising until 2013
- Excesses have increased and limits of cover have reduced
- Sole practitioners and smaller firms hardest hit by rising premiums
- Uncertainty about the impact the spate of natural disasters will have on re-insurance rates and the impact this will have on PI rates.

Source: Howden PI Survey April 2011

Professional Indemnity Insurance Market Update

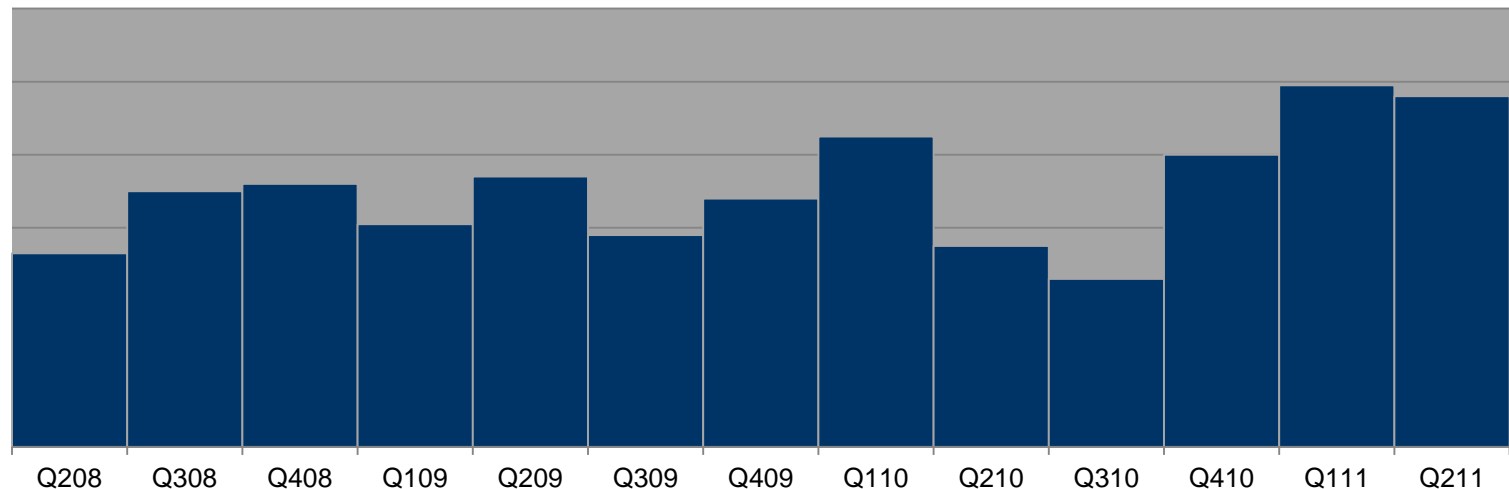
- The Good News

- Reinsurance renewal rates are falling but this may not continue given spate of natural disasters
- Premiums remain competitive for non S&V activity i.e. agency, project management & landlord and tenant
- We are now 4 years past the peak of the property market and moving closer to the limit imposed by the Statute of Limitations (6 years) for bringing claims
- Rates for valuations for lending purposes, when carried out by firms with a fee income of £500k+ and good claims records are beginning to stabilise
- New insurers have entered the market who will provide competitively priced cover for firms that do S&V but, they are very selective about the risks they will write.

Professional Indemnity Insurance Market Update

- Claims trends

- Steep rise in notifications against surveyors in the past two years and an estimated 60% of matters are reaching settlement
- The chart below shows new claims across Howden Professional Risks' clients*

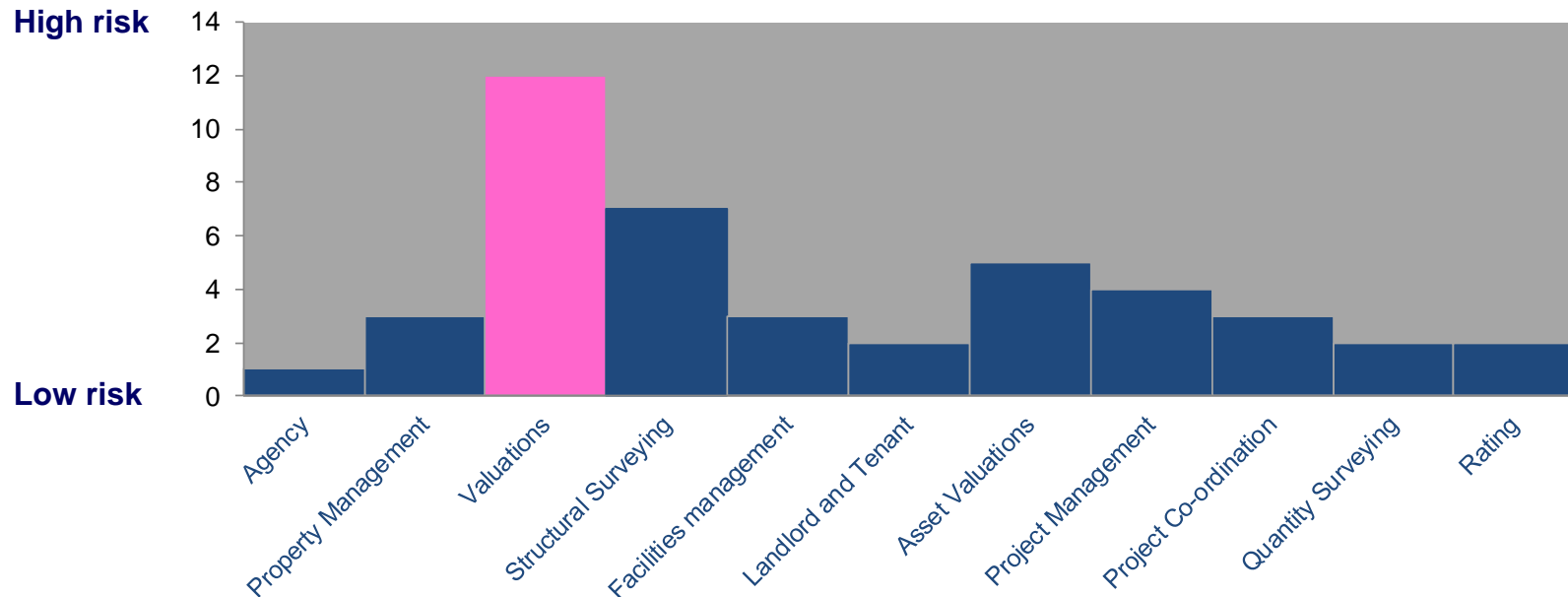


*Howden internal data as at 1 July 2011

Professional Indemnity Insurance Market Update

Perceptions of different surveying disciplines

(As at August 2011)



Ratings are indicative only, insurers' actual ratings will be impacted by a number of factors including claims history.

Professional Indemnity Insurance Market Update

- An Insurer's view...

- If rates are going to harden which surveying disciplines are likely to be hardest hit?
“Valuations may see further hardening if the banks fulfil their potential and continue to pursue valuers for perceived overvaluations. Investment and development agencies may also see increases due to the underlying nature of the businesses they advise.”

- What can surveying firms do to improve premiums?

“Demonstrate to underwriters a sound understanding and implementation of a robust risk management system. Many claims arise from innocuous situations which simple procedures such as peer review can help eliminate.

“Secondly, stick to the areas of expertise. Most underwriters will give credit to insureds who develop their business steadily, demonstrating expertise and diligence in specific areas. This credit rapidly falls away when there is an appearance of ‘dabbling’ in new sectors or one-off large contracts (or valuations) begin to be conducted.”

James McPartland
Barbican Insurance Group

Efficient Insurance Buying

- Start the process early – at least six weeks ahead of renewal.
- Make sure your broker understands what you do and how you do it.
- If your premium is over £20,000 don't ask more than three brokers to quote as insurers can be discouraged from quoting if they see your proposal form more than once.
- Ensure the person in charge of buying insurance understands how to run the process.
- Ask your broker for tips on presenting your risk to insurers.
- Your proposal form represents your business; does it represent it well?
- Submit additional information with your proposal form; terms of engagement, brochures etc.
- If your premium is in excess of £50,000 ask to meet insurers.
- Concentrate on improving risk management and ensure that risk management policies are reflected in your proposal form.
- Ensure your broker and insurer have a strong claims team – it's not just about premium.
- Ensure you understand what your policy covers.

The Howden Service Proposal

- We aim to provide a tailored service facilitated by technically able employees with a specialist knowledge of the sector you operate in.
- We offer the following services:
 - RiskSurv specifically designed for surveying firms, town planners and estate agents with a fee income of under £750,000
 - PI, Directors' and Officers' and Commercial Insurance broking services incorporating:
 - Insurance programme consultancy
 - Assistance in developing and managing relationships with insurers
 - Insurance programme structure and design with a specialist expertise in unusual risks
 - Management of the quoting and placement process and premium negotiation
 - Claims negotiation and advice
 - Provision of insurance and market intelligence through regular e-shots and web updates
 - Collateral warranty and contract reviews
 - Review of liabilities and insurance policies during mergers and acquisitions.

The Howden Service Proposal

- Our relationships with insurers
 - We believe in developing long term relationships with a narrow range of insurers all of whom must demonstrate a:
 - long-term commitment to the surveying industry demonstrated through recent investment in experienced staff
 - willingness to develop a firm understanding of a business as opposed to applying a blanket underwriting approach across a sector
 - claims philosophy that is pragmatic, commercially orientated and displays an empathy with the commercial needs of the policyholder
 - strong London presence with a significant proportion of their staff being insurance experts and not lawyers, as lawyers tend to take a more litigious view that can inflame the claimant.
 - All insurers that Howden place business with must meet our minimum financial rating criteria as set by the Howden Compliance and Security Committee.

The Howden Service Proposal

- Complementary legal and risk management services
 - Service Agreement/Contract/ Terms of Engagement/ Collateral Warranty Reviews
 - Legal Helpline - available for any professional liability-related legal matter where detailed consideration of papers is not necessary.
 - Services are provided by the following firms; you can work with whichever firm best suits your requirements

B E A L E
AND COMPANY



Reynolds
Porter
Chamberlain LLP

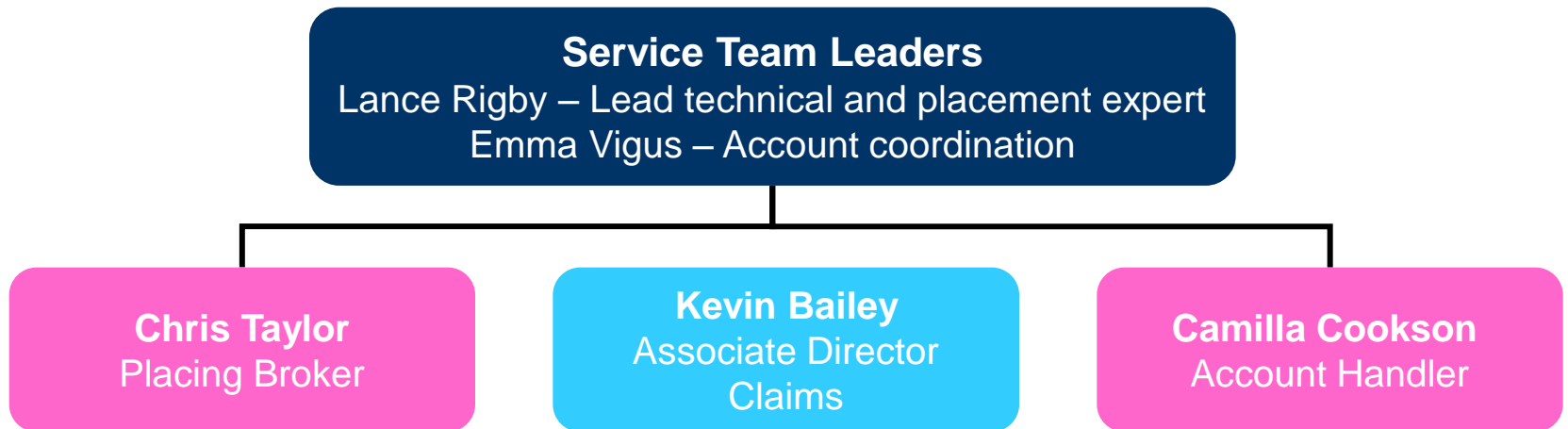


C/M/S/ Cameron McKenna

- Legal Assistance Direct which provides free of charge legal advice, over the phone, on General Law, Employment Law, Family Law and Tax Law
- Risk management training for management and employees available upon request
- Regular e-shots on case law and risk management.

The Howden Service Proposal

- The Howden team
 - We offer all of our clients a depth of expertise that many brokers cannot rival. This extends across new business, technical insurance support, broking and claims handling
 - The people that talk to you and present to you are the same people that will present your risk to insurers, manage your files and design your products.



An example of a Howden client service team

Howden Claims Handling

- How we work with you
 - Our claims team will form a core part of your Howden client service team
 - They work on the same floor of our London office as your Account Handlers and Brokers ensuring that we provide a comprehensive, joined up service that fully utilises your Howden team's 145 years combined insurance industry experience
 - We view our claims service as adding significant value to clients, and we will work very closely with you to establish how best to present claims to insurers in order to ensure maximum cover is received from the policy
 - The absence of separate broking and technical teams in the Claims Department means that relationships between clients and their insurers dovetail and the team is better motivated to find solutions for clients
 - The representatives from the claims team that present to you will be the same people who handle your claims on an on-going basis. Problems will not be lost behind a 'faceless' team whom you've never met.

The Need for Strong Claims Handling

The Need

- Litigation is increasing
- Even with strong policy wordings the potential for coverage disputes cannot be eradicated – when they do arise, your brokers must demonstrate the ability to solve the toughest problems through tough advocacy technical expertise and speed of response
- You buy PI insurance to protect profitability so you need the strongest team defending your bottom line

The Howden Response

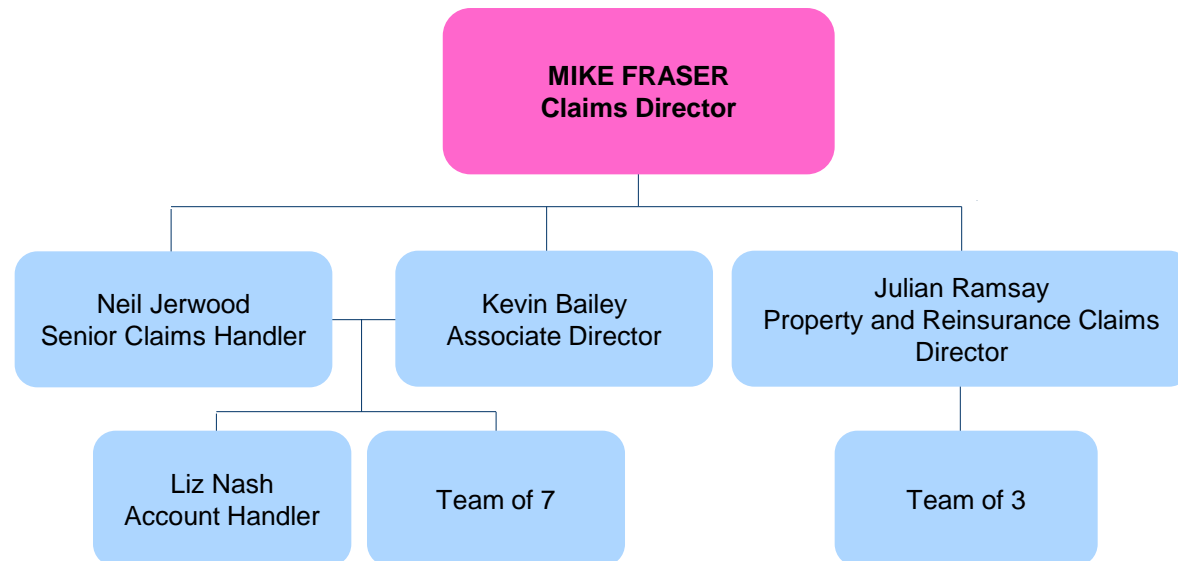
- Tough advocacy
- Technical expertise
- Speed of response

The Evidence

- Demonstrable expertise in persuading insurers to settle where the initial response has been to decline the claim
- Your Howden claims handling team will have combined claims handling experience of in excess of 90 years
- All new claims are reviewed on the day of receipt and any urgent matters actioned immediately. Acknowledgements will be sent within 48 hours together with requests for any additional info or comments/advice on how best to present the claim to underwriters

Howden Claims Handling

- A team of 15 professionals all with significant expertise in handling large, complex claims
- Strong, long term relationships with major insurers
- Structure of team allows for escalation of matters where required



Howden Claims Handling



Mike Fraser - Claims Director

- Personally oversees and reviews all claims for our most important UK and International clients
- Joined Howden in 2000 and has 19 years' experience of UK and International PI, D&O and Financial Institutions claims
- Currently handling numerous large and complex claims from the UK, Iceland, Scandinavia, Eastern Europe and Latin America



Kevin Bailey - Associate Director

- Responsible for the pro-active management of claims including negotiation with underwriters and the provision of claims advice
- 30 years' London Market experience. Specialises in handling claims for Surveyors, Architects and Engineers
- Previously with RICS Insurance Services

Howden Claims Handling



Neil Jerwood - Senior Claims Handler

- Over 15 years' experience of PI, D&O and Financial Institutions claims
- Previously with Guy Carpenter



Liz Nash - Account Handler

- Almost 10 years' experience of handling PI claims
- Joined Howden in 2010 from HSBC Insurance Brokers
- Responsible for handling UK PI claims including surveyors

Why Howden?

- Howden is the RICS' preferred UK Professional Indemnity broker, and the recommended broker to RICS members in the Middle East
- Our commitment to customer service means that we retain 95% of our surveying clients year on year
- We look after a broad range of surveyors, architects and engineers from Sole Practitioners to some of the UK's largest property consultancies
- We are a rapidly growing profitable business with a strong commitment to the surveying sector, and with a stable support team, our clients get a consistently high level of service
- We are committed to constantly developing our service offering for surveyors as evidenced by the introduction of the Howden Legal Panel
- Howden is recognised as one of the UK's leading liability brokers, with access to an international network of retail offices which enables us to deal with the global insurance requirements of our clients
- Named Insurance Broker of the Year at the 2011 British Insurance Awards

Why Howden?

- Corporate background
 - Howden Insurance Brokers Limited is a wholly owned subsidiary of the Hyperion Insurance Group
 - Established in 1994, Hyperion is now an international insurance and reinsurance group with more than 45 offices operating in 20 countries across the world, employing more than 700 people
 - The Group's commitment to delivering a high quality service has produced a compound annual growth rate of over 30% in the last 15 years, with turnover growing from under £10m in 2002 to in excess of £70m in 2010
 - Howden specialises in the provision of insurance and reinsurance broking services, generating in excess of £40m revenue per annum and deriving approximately 61% of income from the provision of Property, Directors and Officers and Professional Indemnity Insurance broking
 - Howden's main operation is based in London where we employ 145 people

Testimonials

Thank you very much for handling our Professional Indemnity insurance renewal again this year. I was delighted with the result, obtaining for us a sector leading two year deal, and at a price that compares more than favourably with market rates. I am sure that market conditions will present us with a challenge at next renewal and am grateful to you for your advice in this regard.

I would also like you to convey our thanks to your claims handling team, who continue to deal extremely effectively with any matters that arise. We are appreciative of the continuity of underwriting and the sustained high levels of service and support that Howden provide for us.

Susan Wilson

LLP Secretary

[Montagu Evans Chartered Surveyors](#)

Testimonials

Thank you very much for dealing with our professional indemnity insurance renewal this year. Your professional approach was welcome; our previous insurer's subsequent offer to reduce their quote by a half to match yours was not. All in all a pain free process that I will no longer dread.

Chris Dennis

Partner

[Harper Dennis Hobbs](#)

Testimonials

From the outset we were impressed by the speed of Howden's response and the knowledge they have of our sector. Throughout the process they displayed a confident and constructive approach and the meetings they set up with potential insurers enabled us to fully explain our risk management procedures. The client service team were extremely helpful and we have no doubt that they will be fully supportive if we need their assistance. Howden eased us through what has in the past sometimes been an anxious period and the premium reduction was an excellent outcome.

Rob Bower

Director

[Taylors Business Surveyors and Valuers](#)

Hyperion Insurance Group Awards



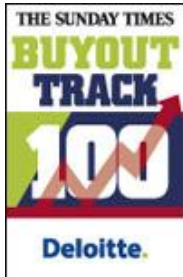
- 2007: Awarded a Queen's Award for Enterprise in International Trade



- 2010: Post Magazine Top 25 City (EC3) Brokers – ranked 6th



- 2008: Recognised for the second year running by the Sunday Times Deloitte Buyout Track 100 as one of the UK's fastest growing companies



- 2010: CFC Underwriting winners of Underwriter of the Year at The British Insurance Awards



- 2011: Howden Broking Group winners of Insurance Broker of the Year at The British Insurance Awards

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