The Insurance Institute

Commercial General Insurance

CIP-04 KEY POINTS

Advancing *Your* Career.

CHAPTER 1

BUILDING RELATIONSHIPS

The adviser must also take the time to develop a good relationship with the client.

While the nature of the relationship will differ according to the size and complexity of the risk, it is vitally important to have good lines of communication between the client and adviser.

For the client, the benefits of long term relationships include:

- Convenience
- Confidence
- Bespoke/tailored professional advice
- Ensuring value for money.

Long-term relationships also bring important benefits to the adviser, including:

- Extra business opportunities
- Better retention rates
- Fast and efficient problem-solving
- Client industry insight.

In cases of large or complex businesses that require particular or specialist services, there may be a service level agreement (SLA) between the adviser and the client which outlines the extent and nature of the services provided by the adviser.

GATHERING INFORMATION

Gathering information enables the adviser to:

- act in the best interest of the client
- identify and understand the risks the client has to manage
- describe the risk fully and accurately to current and potential insurers
- provide product options that meet the client’s wants and needs
- help the client with the risk management process.

In gathering information from the client, the adviser will wish to:

- comply with the requirements of the CPC
- comply with anti-money laundering and data protection requirements
- note and record the key individual in the company's contact information
- understand the nature and scope of the business
- establish if the client has other business interests
- obtain specific data relating to the business
- confirm the client's insurance and claims history
- discuss the client's expectations
- discuss the reasons for the client's choice of adviser.

Considering the client's wants and needs

The client will bring certain 'wants' which represent the client's ideal perspective.

However, there can be a big difference between a client's wants and 'needs'. The client's needs exist, whether the client is aware of them or not and these relate to the client's potential exposures and insurance requirements.

Considering the client's attitude to risk

Each client has a particular risk appetite, ranging somewhere between the two extremes of 'risk averse' and 'risk seeking'.

The client's appetite for risk will influence how they view their insurance needs and how much importance they give to them. When considering an appropriate product and insurer for a client, the adviser must therefore understand that client's attitude to risk:

- Risk averse
- Risk neutral
- Risk seeking.

What information do we need from the client?

Business description

It is very important to gain a comprehensive understanding of the client's business description, as it is the first thing a potential insurer will consider before offering a quote. When making a commercial risk presentation or submission to the insurance market, the adviser needs to ensure the business description is as clear as possible so there will be no ambiguity at quotation stage.

- Client (including current and any previous trading names)
- Address of business (including all trading locations and Eircodes)
- Accurate business description (including all trading activities and property ownership)
- Trading history (including date of establishment)
- Claims experience
- Forward plans
- Date of visit/contact
- Reason for visit
- Person(s) seen (position, contact information)
- Inception/renewal date
- Current insurer and premium details'

PRESENTING INFORMATION TO INSURERS

Once the adviser has gathered the risk information from their client, they can begin the process of seeking quotations from insurers and preparing a submission for presentation to the insurance market.

When presenting the risk to insurers, the adviser should pay special attention to the following:

- Comprehensive business description
- Details and analysis of claims experience (history)
- Risk management and safety statements.

Holistic approach

Clients tend to view matters very much from their own perspective without necessarily appreciating any wider implications.

A key part of the adviser’s role is to take a holistic approach when acquiring information and to recognise the implications for other insurance covers and risk areas.

CONSIDERING INSURERS AND INSURANCE PRODUCTS

The CPC requires the adviser to offer the most suitable product to meet the consumer’s (client’s) needs.

To comply with this, the adviser must:

- fully understand the client’s wants and needs
- understand the client’s attitude to risk
- have an up-to-date knowledge of the products available in the market.

If the adviser is a tied agent to a single insurer, this is fairly straightforward. However, for advisers working in intermediary firms, the process is more complex, as they must give advice based on either a fair analysis of the market or a limited analysis of the market.

Basis for insurer and product recommendations

While price is an important factor, the adviser must ensure that the client considers all the relevant factors before making a decision:

- Price
- Levels of service (including claims service)
- Breadth of cover
- Insurer capacity
- Insurer experience
- Continuity.

Breadth of cover – a cover comparison chart lists some of the key elements to consider when making a comparison between different insurers’ policies and the breadth of cover offered.

Adviser's experience and judgement

It is essential that advisers take a disciplined and proactive approach to updating their market knowledge. The adviser should, at all times, be up to date with any new developments or industry trends, many of which do not make the national media. Continuing Professional Development (CPD) activities for example are vital for maintaining existing qualifications, updating knowledge, and networking with colleagues.

PRESENTING THE RECOMMENDATION TO THE CLIENT

The CPC requires that, before providing a product or service to a consumer, a regulated entity must prepare a written statement setting out the reasons why:

- a product or service offered to a consumer is considered to be suitable to that consumer
- each of a selection of product options offered to a consumer are considered to be suitable
- a recommended product is considered to be the most suitable product for that consumer.

The principles governing this statement of suitability are as follows:

- The adviser must offer the most suitable option from those available.
- The adviser must offer a product that meets more of the client's needs than any other product, even if it is not the adviser's preference.
- If there are genuine reasons for offering options, the adviser must highlight all relevant differences in cover levels, terms and conditions.

The form of the statement of suitability

The statement can be set out in a number of ways. However, in all cases a prescribed notice must appear at the beginning.

Important notice – statement of suitability This is an important document which sets out the reasons why the product(s) or service(s) offered or recommended is/are considered suitable, or the most suitable, for your particular needs, objectives and circumstances.

For personal consumer insurances, the statement of suitability may be in a standard format. However, for commercial enterprises of any size, each statement of suitability must be client-specific.

The most straightforward way of presenting this information is to record both the client's wants and needs and show how the recommended product(s) meets them.

When preparing a statement of suitability, the adviser must take account of the client's background and their understanding of insurance terms.


Gathering Information
Client's wants and needs
Client's attitude to risk
What information do we need from the client?
Presenting information to insurers
Seek quotation for a commercial risk
Prepare submission to present to the insurance market
Considering insurance providers and products
Cover comparison chart
Consideration of providers
Presenting the recommendation to the client
Market knowledge
Regulatory principles
The form of the statement of suitability