

# **BROKER MANUAL.**

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for general insurance brokers

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## **ABOUT THE BROKER MANUAL & COMPANION**

The Broker Manual contains an outline of the insurance broking process. It briefly describes each step in the process and incorporates professional, compliance and risk management obligations into each step. You may wish to customise it to reflect the way you provide advice.

It has been written as a guide and you can customise it to develop internal policies and procedures to create a set of standards for the manner in which you service your clients and to assist you to operate consistently and efficiently. Take care not to delete any of the legal requirements.

The detailed Companion to the Broker Manual provides comprehensive information on key topics.

It is advisable to make compliance with your policies and procedures (and management directions) a condition of employment for all staff. This emphasizes how important it is for your advisers to comply. It also enables you to reward staff who do adhere to them, and manage those who do not!

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(Replacing the Sections B and C of the Gold Book – Business Operations Manual for Professional Insurance Intermediaries).

- + Composition of assets and property and how they are used in the business;
- + Number of employees and any contractor workforce;
- + Whether they regularly enter into contracts and leases;
- + Competitors;
- + Current insurances;
- + Previous experience with the insurance industry;
- + Whether previous applications for insurance have been declined;
- + Previous events causing damage or loss to the client's assets or people; and
- + Past claims including the nature of those claims; and
- + Preferred payment options – credit card, premium funding, cash etc.

**TIP**

Take every opportunity to get to know your client better at every interaction with them. Good relationships build rapport and promote good client service. They also help to avoid the chances of a complaint or a PI claim.

Invite retail clients to tell you about their personal circumstances which are relevant to the insurance they are seeking including information about:

- + Details of their home, car or other assets to be insured;
- + Value of those assets;
- + Location of the assets;
- + Use of the assets;
- + Family and dependents;
- + Income and expenses;
- + Any investments which require insurance – i.e. investment property etc.;
- + Prior claims history and track record with insurers; and
- + Preferred payment options – credit card, premium funding, cash etc.

Use a Fact Find/Needs Analysis to guide you as to the information required to assess the client's insurance needs. If this includes personal or sensitive information, give the client a copy of our Privacy Policy and your Privacy Collection Statement (if not already given in the FSG).

See the Companion to the Broker Manual for more details of about privacy and the use of Privacy Collection Statements.

## 10 **CAN YOU ACT?**

Before proceeding further, consider whether the services you offer and your competencies will meet the client's requirements. Also identify if there are any impediments to you acting as the client's broker.

Consider:

- + Do you have the appropriate abilities, skills and knowledge to meet the client's expectations? Can you or some else in your office provide the services they need? If you can't, you may need to refer them to another broker or the FSA for assistance in finding a suitable broker.
- + Do you have any conflicts of interest that could affect your ability to look after the client's best interests? For example, are there circumstances or relationships that mean that your personal interests will conflict with the client's interests. Tell the client about any such conflicts of interest (e.g. if you will wish to refer them to related parties, premium funding commissions/relationships, etc.) and only proceed if they are comfortable with them.  
See the section on Conflicts of Interest in the Companion to the Broker Manual for more information.
- + Is the client foreign owned or controlled by a foreign entity? Is the client or their parent company is a 'sanctioned' person? You cannot act if the person is or is controlled by an entity that is subject to UN sanctions.  
See the section on Restrictions on Acting for Foreign Clients in the Companion to the Broker Manual for more information.

## 11 **YOUR DUTIES TO THE CLIENT**

Regardless of whether your client is an individual, small business or a large business, you have a duty to:

- + Provide your broking service honestly, efficiently and fairly;
- + Exercise reasonable care and skill in the provision of your services; and
- + Act in the client's best interests.

If you fail to do so, your licensee may be liable for any loss suffered by the client because of your failure.

You and your licensee are liable for errors of judgement, if the error is a lapse from the standard of care and skill expected of a reasonably qualified and competent insurance broker in the circumstances. Not all errors of judgement will amount to a breach of your professional duty of care. This is why you need to fully appreciate your client's requirements and understand the insurance you're advising on and arranging and deal with the client's policies in a professional and prudent manner.

If you follow the procedures and guidance in this Manual, you will be able to discharge your professional duties to the client and comply with the law.

For more details about your duty, see the Companion to the Broker Manual on Duties to the Client.

The next sections look more closely at the different requirements for servicing retail clients and servicing wholesale clients.

## **12 SERVICING RETAIL CLIENTS**



### **12.1 CLIENT ENGAGEMENT/FSG**

Send a Letter of Engagement and/or FSG before your meeting or before you provide an insurance quotation. If you use a Letter of Engagement for retail clients, this should be signed by the client and returned to you.

Use the Letter of Engagement to describe the scope of your engagement – i.e. whether you're engaged to advise on only one type of insurance or whether you're engaged to advise on all of the client's insurance needs. This is particularly important if the FSG offers to provide a broad range of insurance broking services to the client.

Advise the client if there are any limitations on your services or the type of advice that you will provide to the client – e.g. "we only provide general advice on renewal of retail/personal insurances unless you ask us for personal advice".

See the Companion to the Broker Manual on Client Engagement and Financial Services Guides.

### **12.2 QUOTATIONS**

Sometimes people are simply 'shopping around' for quotes - so decide whether you are willing to provide quotes to people who phone around for them or whether you will only do this if you are first engaged as the person's broker.

Remember, providing a quotation can be a financial service - if you decide which policies and insurers you will seek quotes from. This usually requires you to give the FSG before or at the same time that you supply the quote.