

Light at the End of the Tunnel

The Professional Indemnity Insurance environment remains challenging for many IFAs, but it's not all bad news. Some insurers are now showing an appetite for a tripartite relationship and a willingness to build meaningful long-term relationships.

There is no doubt that arranging suitable and consistent Professional Indemnity Insurance has become somewhat of a roller-coaster ride for IFAs. One minute there appears to be a plethora of insurers willing to quote creating an environment for highly competitive premiums, whilst the next, some IFAs find they are unable to get cover at all. In the space between, IFAs are typically facing substantial increases as insurers suddenly change their underwriting criteria (and for certain risks raise minimum premium levels) often for no apparent reason. *Continued overleaf*



Nathan Sewell, CEO

"Protean are proud to be supporting the APCC Conference again this year. We look forward to bringing focus and clarity to both your own PII needs and those of your clients."

Crowdfunding Growth Outpaces Risk Knowledge

The alternative finance market in the UK is growing rapidly and by the end of 2015 it is predicted that the total funding provided will be around £4.4 billion. That's almost 20 times the level of 2012, according to a report issued by Nesta and the University of Cambridge published in November 2014.

Alternative finance covers a variety of new financing models that have emerged outside of traditional financial sources, connecting fundraisers directly with funders often via online platforms or websites and known collectively as "crowdfunding". Entrepreneurs, SMEs, charities and community organisations are obtaining much needed finance which they may not have been able to secure through traditional routes.

Nathan Sewell, CEO of Protean Risk, a specialist insurance broker to the crowdfunding sector offered "the knowledge

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20%

More IFA clients

The growth achieved by Protean Risk in Q1 2015

and understanding of risk needs to be improved to ensure that the continued growth is protected. We are seeing the creation of complex online platforms sometimes coupled with a lack of experience of operating in a regulated environment."

According to Sewell this inexperience and lack of knowledge is also mirrored in the insurance market resulting in limited choice and a generally low insurer appetite, this inevitably leads to a harsher pricing environment.

"We have invested a significant amount of time educating the insurance markets that we work with to encourage more capacity and broader terms for these platforms, particularly in key areas such as Professional Indemnity and Cyber Risk Insurance". ■

Light at the End of the Tunnel Cont.

This may seem extreme, but there is a definite and concerning trend in the PI market for IFAs. There are probably no more than half a dozen viable insurers in this space and, added to this, many clients would suggest that the typical level of expertise and service is “patchy” to say the least. Many different explanations have been touted for this changing environment, ranging from the onerous claims process, through to a general lack of insurer and broker understanding about the different types of IFAs.

“In my opinion, many IFAs suffer from a one size fits all broking approach” states Nathan Sewell, CEO of Protean Risk, a specialist broker in this sector. “We have recently seen a number of cases where we’ve been able to achieve a better result for the client through an individual broking approach. Firstly through preparing a stronger risk presentation that portrays the IFA in the best possible light and then actually investing the time to introduce the insurer to the client.”

According to Sewell, the insurer can then question the client’s compliance processes and

get more comfortable with their management of risk. Experience so far has been very positive and the aim is to provide longer term stability for the client as the insurance underwriter is directly involved in, and a part of, the relationship.

Specialist brokers can also help IFA’s understand the parts of their business that carry higher risk weightings and enable them to evaluate the actual cost / benefit of that side of their business.

Whilst Sewell believes that market conditions will remain difficult for the foreseeable future, he is equally passionate about the fact that insurers are determined to seek out the better risks and compete harder on those. “It’s very important that IFAs recognise this dynamic and work with a specialist broker that has broad market access and can provide them with the options to leverage the opportunities that are available to them.” ■

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Meet the Protean Team



Nathan Sewell, CEO

Nathan has worked in insurance for more than 20 years. He began his career as an underwriter and rapidly progressed to senior management positions in both small independent and then multinational broking houses, and led M&A teams at both Aon & Willis. He left Dual Corporate Risks to establish Protean Risk in 2008 and launch the first insurance product designed to protect investor victims of hedge fund fraud.



Jason Edwards, Director

Jason is responsible for leading the development and execution of Protean Risk’s private equity fund strategy and is project lead on the Portfolio Programmes. Prior to joining Protean, Jason helped to set up and run BVCA Insurance Services, a joint venture with the British Private Equity and Venture Capital Association and worked at Willis as a Business Development Director within the Financial & Executive Risks (FINEX) team.



James M. Wilson, Head of Transaction Solutions

James has over a decade of experience in the financial & professional lines insurance sector. Prior to joining Protean Risk, he was the lead underwriter on the largest global Transactional Insurance facility with vast experience in complex and high-value risks across the UK, Europe, Asia-Pacific and the US. He has extensive claims handling experience and an in-depth knowledge of the specific risks and insurance solutions pertinent to the sector.

Top 50 PI Questions Answered

Are the costs and expenses for FCA investigations covered? What are the main exclusions? What are the advantages of combining Professional Indemnity and Directors’ & Officers’ Liability Insurance policies? These are just three of the 50 most often asked questions by FCA regulated entities in relation to purchasing Professional Indemnity Insurance.

To help the FCA regulated firms better understand this insurance and to source the best possible terms, Protean Risk has now collated the 50 most relevant questions and answers into a useful guide.

Jason Edwards, a founding director of Protean Risk believes that “buyers are increasingly interested in understanding more about their insurance cover, especially with an ever-changing risk landscape”. This guide serves to help them by providing short and precise answers to the key questions they asked. ■

To obtain 50 facts FCA regulated firms need to know about Professional Indemnity Insurance please email
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Top 5 D&O exposures

According to a recent Director’s & Officer’s Liability guide issued by Protean Risk, 5 of the top sources of exposure by nature of loss are:

1. Regulatory & Criminal actions including investigations and proceedings brought by regulatory bodies.
2. Bankruptcy actions including claims brought by receivers for continued trading whilst insolvent, or asset stripping.
3. Company v Insured actions including claims brought by or on behalf of the company by shareholders for breach of fiduciary duty resulting in a depletion of assets.
4. Co-defendant actions including claims brought by third parties against the company for anti-competitive behaviour or misrepresentation and naming a director or officer as co-defendant.
5. M&A actions including claims brought by minority shareholders alleging unfair treatment or valuation in a sale, acquisition or merger. ■

To receive the Complete Guide to D&O Insurance email
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