

Insurance broker urges income code

By Christopher Adams,
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One of the world's biggest commercial insurance brokers is urging the industry to draw up a global code of practice that would provide a consistent set of rules for how companies are remunerated.

US-based Aon Group believes such a move would reassure corporate buyers of insurance, who pay brokers for representing their interests in dealings with insurers, that pricing was transparent.

Risk managers responsible for buying insurance at some of the world's biggest companies have expressed concern over the payment of incentives to brokers by insurance underwriters. Because these sums do not come from customers, they could conflict with the brokers' interest in getting the best deal.

Ron Forrest, a senior executive at Aon, suggested that regulations which govern the disclosure of broker remuneration, and which vary from country to country, should be reviewed.

"It would be helpful to have a code of practice that meant there was a consistent approach worldwide," he said yesterday.

His comments came ahead of an annual conference of risk managers in California this week, where payment practices are likely to come under renewed attack. Many

risk managers have said they find it difficult to obtain details of remuneration.

The UK government, meanwhile, is reviewing the regulation of general insurance broking.

A global code of practice would recognise that brokers received payment for work they carried out for insurers, said Mr Forrest. It could also suggest that the level of remuneration stay within appropriate limits. He added that 2 per cent of Aon's \$3.2bn (£1.9bn) overall broking revenue comprised payments made by insurers.

However, Mr Forrest said it was not practical to disclose every incentive agreement it had with insurance underwriters when dealing with clients. The incentives related to books of business placed with insurers, and not specific transactions.

His views contrasted with those of some brokers. Berry Palmer & Lyle, the specialist Lloyd's broker, has sent letters to its customers saying it does not accept incentive payments from insurers despite being offered them on several occasions.

The British Insurance and Investment Brokers Association, a broking trade body, said it was also in favour of a global code of practice for the industry. The Association of Insurance and Risk Managers expressed support, saying it would lead to greater disclosure.