

Houston Mariners 21st September 2005

I am delighted to have been asked to speak to you today. When I heard that Mariners had also asked my Boss, Dennis Mahoney to speak, I thought that two representatives from one firm was probably enough, and asked to be excused. As you can see I have been moved to the second day, which means I now have two hang-overs to overcome, but with luck, and your patience, I hope we may be able to enjoy this session. If we do not take all of the topic completely seriously, it doesn't mean that any of us here do not care passionately about our profession and where it is headed.

Firstly a health check. I was asked by Pete to speak in a personal capacity. So this is what I'm doing and I am not giving any opinions on behalf of anyone else, and particularly from my employers, who like Calvin Coolidge take the view, 'I never bother to defend something I never said'

I contemplated the state of our business, and came to the conclusion there is a lot that we have to think about, in terms of the development of the business, the state of markets, clients expectations and needs, and perhaps some predictions for the future.

Yes, folks, there is a future out there for broking, no matter what you hear, but as the saying goes, 'the future isn't what it used to be'. So the trick is to try to make some informed guesses about what the future really might look like, so we can be on the winning side. Don't worry, by the time I'm proven wrong, I will have retired.

My topic is Brokers, Who needs them, Like the curate's egg, it is in two halves. The first part addresses the evolution of the brokers role, and makes some predictions for the future. The second half, for those who have endured the first part, is a wide ranging selection of comments on broking issues associated with energy, underwriters and clients. At question time I will probably run away rather than face a barrage of outraged questions.

So, what is a broker? (pictures)

A salesman, a professional advisor, or an unnecessary middle man trading off both clients and underwriters. The public image of brokers (Pictures) varies hugely, and it was not that long ago that retail broking was still banned in some countries. Indeed they are just commencing to establish themselves in China and India, and lets just pause for a moment to contemplate the expansion available in those territories. Over a quarter of the world's population and fast growth in both economies.

The purpose of my talk is to briefly review our history and evolution and then discuss brokers present roles and predict some changes. We keep hearing about all the business going direct, and I aim to show how the specialty broker will continue to prosper. You can see, I am a believer in the trade. Dennis dealt with the question of Regulation in his own forthright way, so my comments regarding broking matters, with special emphasis on the energy sector, are aimed at what I call the 'working level'. I was asked to express my views on a number of broking issues, which affect clients and underwriters as well. I'm going to discuss, what I call some 'home truths with you. Like the great Harry Truman, said, 'I never give them hell. I just tell them the truth, and they think its hell'.

If I had to sum up what the essence of a broker really is, if he is any good, in a single word, I would say, 'Competitive'. I am speaking to you as a broker based in London, which is not

quite the same as being a 'London Broker', since dealing internationally I have tried to see our business from both ends of the telescope. We are fortunate to not just be next to the largest insurance market, but with the geographical luck to be at the cross roads of the worlds insurance industry. The demise of London has been predicted, as much by the Brits as anyone else, almost since it started. But isn't it heartening to see such symbols of confidence as the new Swiss Re building, right in the heart of the City, near Lloyd's.

But I am addressing an audience in Houston, so I am probably talking to the most competitive, hardest nosed collection of brokers there is, fiercely competitive and also very knowledgeable of the London scene. But London brokers are often accused of being too close to the underwriting community and too protective of them. In the past there was some truth in this, and it still may occur, often when there are old established portfolios to preserve. But since I have been in the market, the broad base of brokers and underwriters have traded at arms length. Those who have not worked within the London market have always found this hard to understand, and no amount of words appears to persuade them otherwise. When pinstripes were the fashion, and one was taking a visitor round the market, it was even worse, since we all looked the same as well. But the truth is, the best results are when we work in harmony, and blend our skills for the clients benefit.

Firstly a brief history lesson, to prove there are some training points actually worth recording in this speech. It is also to remind us how the fundamentals have evolved

Broking as a skill is almost as old as insurance itself, but as a service it really took off in London as a result of the expansion of world trade from the 1600's onwards. In the early days, brokers worked for ship owners to complete the policies by walking between all the

coffee houses where underwriters worked. We think of Lloyd's as being the only one, but there were many, such as Garraway's and Johnsons. So, we have the development of a specialist skill which supplanted the first method of doing business, which was to deal direct. The brokers role went from completing the risk, to creating competition between underwriters for the business.. A good point about the very early days was that the slip was the policy itself, so contract certainty occurred at inception. Wouldn't that be wonderful now. The business expanded but became so spread it was chaotic. Then in 1773 John Angerstein



John Julius Angerstein

rented rooms in the Royal Exchange, the building that now looks like a mini acropolis, next to Bank Station (now a shopping Mall) (which burnt down in 1883, as a result of a fire from an underwriters box)



The Royal Exchange

and most underwriters eventually moved in, grumbling about the rent. So what's changed? Well Angerstein was a broker, not an underwriter. He knew that the business would prosper if there was a single venue. You see, it takes a broker to make things happen.

The next revolution to affect broking was when Cuthbert Heath



Cuthbert Heath

started to write non-marine insurance in Lloyd's, in competition with the company market which wrote fire risks only. The trouble Heath had was that Lloyd's was a marine only market, so there was no non-marine broker expertise, and so he started his own firm of brokers. Soon he was underwriting excess of loss, which he invented, motor, aviation and even war damage risks on London in the First World War. So departments were established

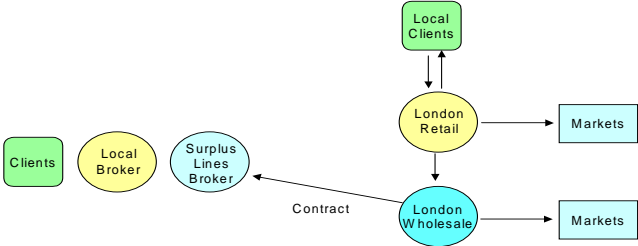
to service the specialty areas. Soon other brokers followed and so the pattern of specialisation which largely exists today was started. Heath was a genius. His business skill was lateral thinking and working with new concepts, but his most endearing quality was courtesy and good manners, especially to juniors. This is a style which has largely faded away in the stark reality of today's money obsessed culture.

How has our business evolved over recent years?

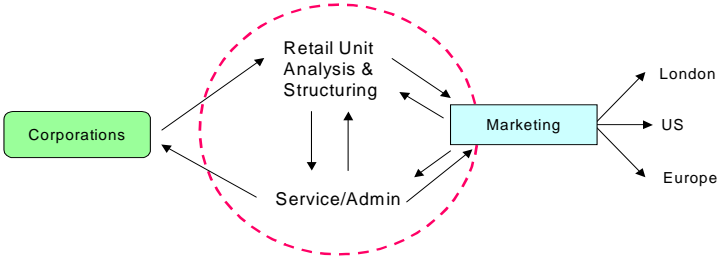
Across the business world, and before the advent of computer driven communications, the competition between brokers and the need to expand and acquire growth has changed the whole face of the broking industry. On the one hand we have had the growth of the US alphabet houses fueled by the size of their home market economy, and on the other we did have UK based networks, fueled by their London Market revenues also competing for world networks. In the old days a client could switch local brokers, or the local broker could choose between a series of competing wholesale brokers, and then the London brokers would compete for the business either from the wholesaler, or eventually from the local retailer. The advent of global networks greatly simplifies the clients task, since the decision comes down to local service and of course cost, rather than following a complicated and expensive transactional chain, halfway round the world.

So how has our business evolved over recent years? Lets see how this looks diagrammatically, and then consider what will happen in the future.

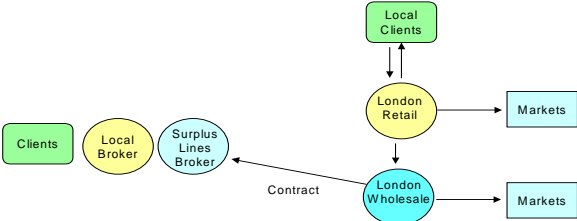
Original US/London Broking Business Model



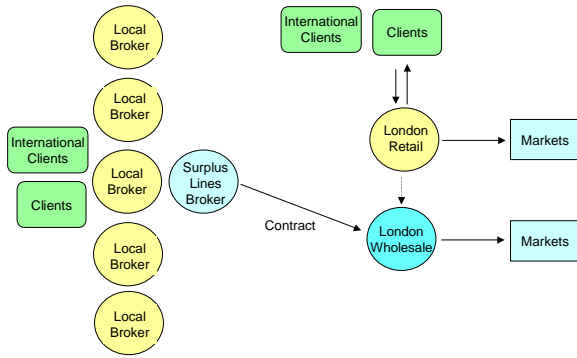
Today's Global Broker Business Model



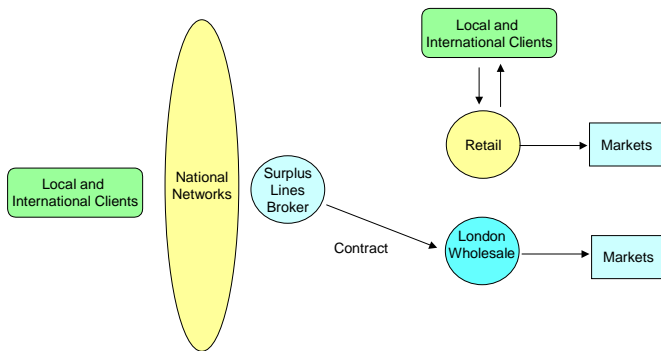
Change Through Growth



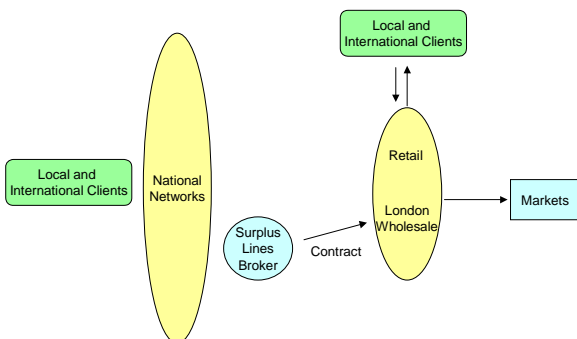
Change Through Growth



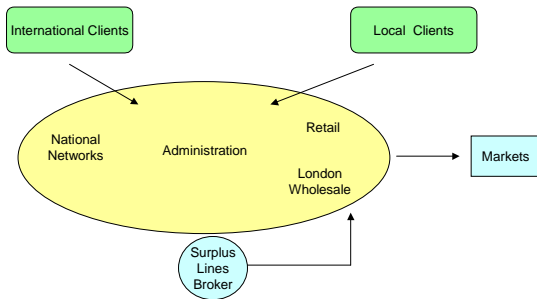
Consolidation Through US Growth



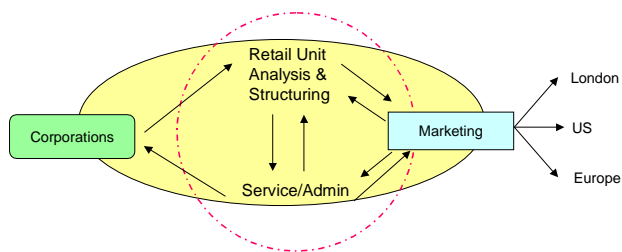
Consolidation Through International/UK Growth



Rationalisation/ Centralisation in all Spheres



Global Broker Business Model



The result is a surprising concentration which has flowed to the bigger battalions. In 2002, global brokerage revenues were about 27 billion, with over 50 % being shared by two firms, and over 75% of the global reinsurance brokerage of 3 billion being shared by just 4 firms.

Interestingly, whereas Cuthbert Heath established a broking firm, today brokers have played an active role in creating new markets, especially in Bermuda. Ace, XL, Mid Ocean, Axis, Global Capital, La Salle, Endurance, Montpellier were all broker sponsored.

Brokers are now evolving faster than ever from transactional business into providing a wide range of services. The original transactional work, matching insurance needs to markets has had to change for a number of reasons.

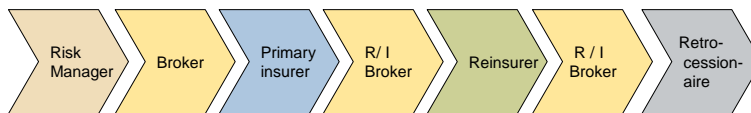
Excess capacity in the 1990's enabled clients to buy direct, and brokers therefor added services like risk management enabling them to enhance earnings.

Increased scales of operation permit more sophisticated services to be offered, giving an edge over smaller rivals.

The cost of technology, spread over ever larger networks, provides ever more sophisticated risk management technologies, again being reflected in fee income.

Before looking at future opportunities, it is worth briefly reminding ourselves where brokers add value in the present transactional process.

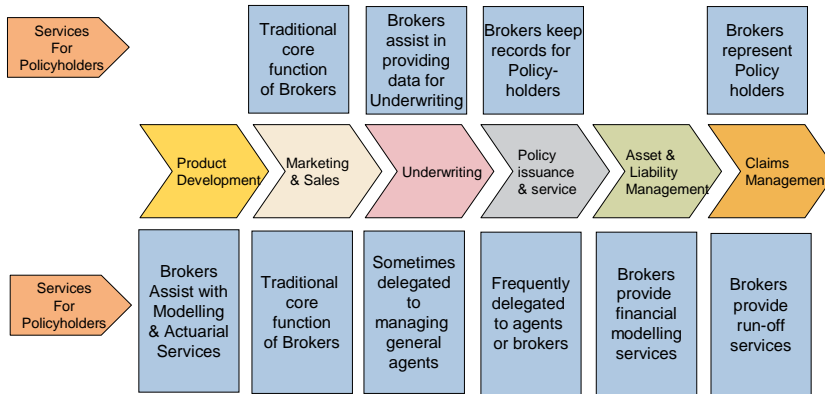
Brokers in the Risk Chain



Value Added by Broker in the Risk Chain



Brokers involvement in the Insurers Value Chain



So, who does need a broker? Clearly, many of those indicted by the diagrams we have just seen. Or more importantly for all of us here, who will need a broker? First I will give you an overall view, and then I will take a look at two specific areas of expertise, which is close to all of us here, the Global Client and the Energy Sector

Global View

As the scale and complexity of clients operations increase, and business creates new demands for coverage, we will see a greater need for professional broking skills than ever before.

In the past clients had limited know-how of their risk landscape, so brokers filled the gap by providing information and analysis. Although this information has become much more accessible through new technology, it has led to increased information requirements, and this provides an opportunity for brokers to market advisory and additional services.

Globalisation is increasing the demand for the services of global brokers. International trade continues to outpace the growth in world output, as countries import and export more goods and services.. Fortune 500 companies have been a driving force behind this increased globalisation and need global solutions for their risk management. Foreign markets are changing rapidly and it requires expertise to select and manage local coverage. This is where the broker with a world foot print has a distinct competitive advantage, making it increasingly difficult for smaller players to participate.

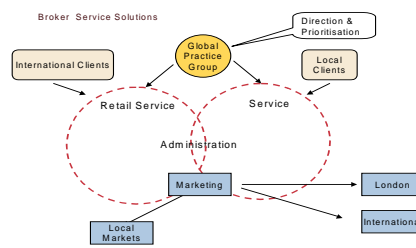
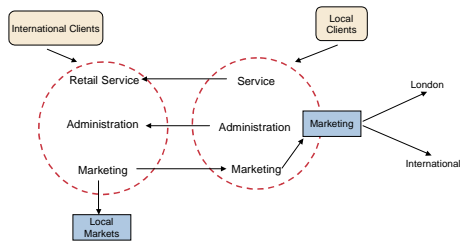
Companies are facing a shifting risk landscape through changes in local economies, the legal environment, and the emergence of new risk classes due to new technologies. For example cyber risks and terrorism and D&O following recent difficulties are just three examples. These all require growing amounts of information and expertise, and a growing rise in demand for risk management services is predicted.

Lastly, emerging markets following de-regulation and privatisation, being unfamiliar with international competition, increasingly need the input from brokers for advice and know how.

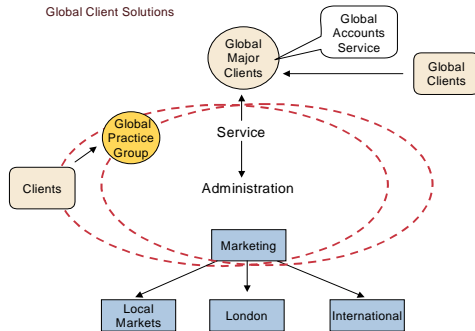
Future Broking Developments.

Like many firms Aon has been working hard to create cohesion between all the different aspects of the marketing and servicing of large scale business. It is well known that there is tension in all companies associated with the demands of local and international clients and matching these needs to the resources available. The next slides discuss this issue and show how, at Aon, at least, we have found ways to manage and improve our services across the board. Lastly I will explain our latest initiative, aimed at providing a truly cohesive and joined-up service for the top global clients.

Global Broker Services Status



Global Client Solutions



In conclusion, size does matter. Not for its own sake, but because scale will inevitably win out.

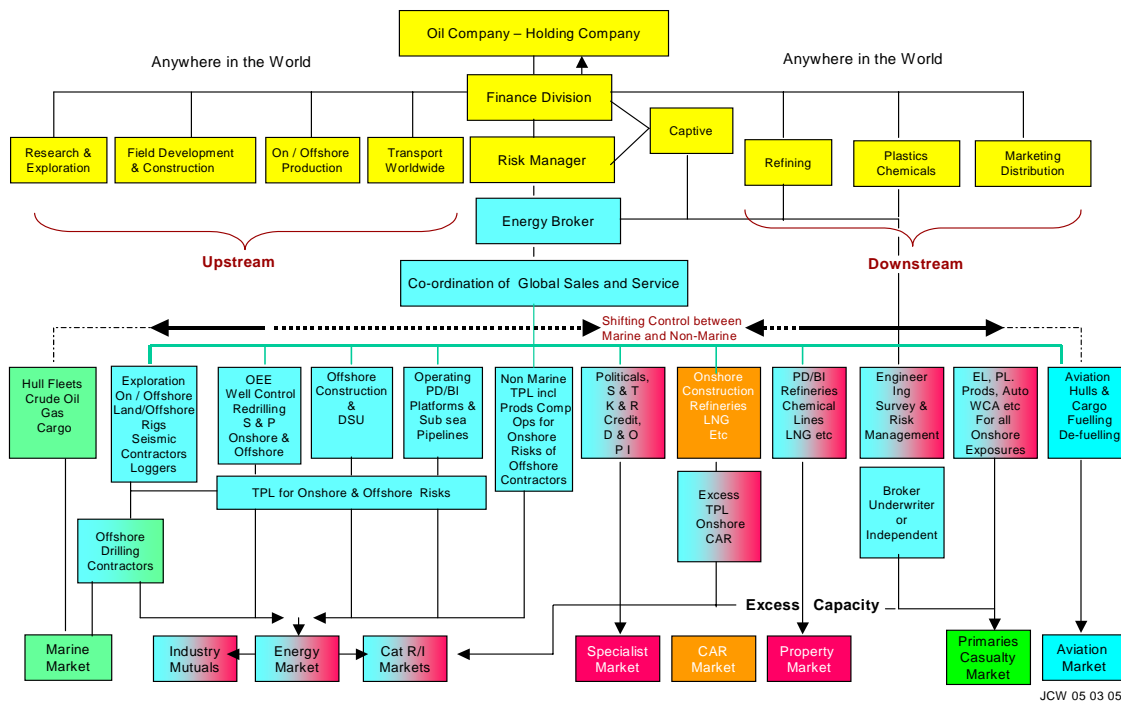
The Energy Sector

One firm prediction for the future is that the energy sector will require detailed broking input and expertise. This isn't because I happen to work in it, but when one stands back and examines all the factors involved, energy presents a wider and more complex spread than any sector I can think of. I have drawn a diagram to demonstrate this, since I have found that when people not associated with our sector talk about energy, they tend to dismiss this, since they are just not aware of the whole spectrum.

The other reason I drew this diagram was because energy brokers share a common problem.

As soon as we open our mouths to discuss how we do our jobs, those from other specialist areas think we are a bunch of prima donnas. Maybe they're right. Lets see.

Typical Energy Company Risk Profile, Segmentation, Servicing and Broking



Construction

One of the areas within Energy which has changed dramatically recently is Offshore Construction. This is clearly an area where brokers will always be involved, and this has become a more rarified skill sector since the business itself has matured and the number of projects has diminished. However, the size of the projects and their complexity have not, and nowhere is the market harder than for Offshore CAR risks. But why?

After the wild days of 1997 to 2001, there was a realisation by everyone except some enthusiastic underwriters, that if the market gave everything in the wording and charged almost nothing, the wheels would soon come off. And they did, comprehensively. In the midst

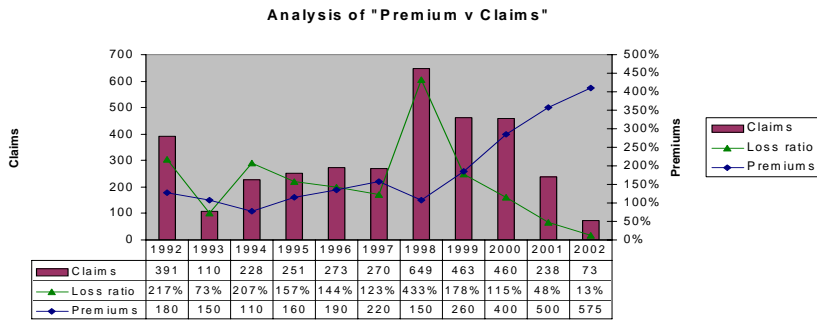
of the rubble that was left of the offshore market Wellington stood up to the plate and Welcar was born.

And I congratulate them for their initiative. As we all know, CAR business gives lots of opportunity for back-biting between underwriters over price and conditions, and the correction on both price and coverage has remained dramatic. What concerns me is three things. Firstly, it surprised me to learn that there is no separate risk classification for CAR offshore, so the market does not have collective numbers on premiums or claims. Of course individual underwriters keep their own records, but across the market there are no commonalities. So a lot of assumptions are being made from little data, which seems odd in this day and age.

Secondly, the removal of substantial parts of the coverage, like Faulty design, is beginning to tempt more self insurance. So, broader, comprehensible coverage should be purchasable. A point here, about Faulty Design. Oil companies spend lots of money on the best engineering available. The designers cannot indemnify the clients for errors, since the values are so great. So, Faulty Design etc coverage has in the past been 'packaged' with the normal CAR risks, and this is one of the key areas of coverage clients need. But so often, the market sees every new project as revolutionary, when in fact it is really evolutionary. Its like buying a car. No-one goes into the showroom and asks for a brand new version of the car they have just driven for 5 years (sorry, I'm in Houston, so make that one year). They ask for the latest model. Clients are exercising their best brains and money to buy the best engineering, and so coverage for when this fails is what is needed in CAR risks.

The next slide deals with losses and premiums, and points to some changes in the future.

CAR Data



Provided by Marsh for "Contract Risk Management in Upstream Oil & Gas" Aberdeen, April 2004

Aon Energy

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So thirdly, if you look at the graph, you can see that CAR is potentially now very profitable. Nothing wrong with profit, but what clients want is reliable risk transfer and contract certainty. Competition for this class of business should produce broader coverage, but it will most likely arrive in the hands of those who do not know how to price it, and the downwards spiral will start again. I'm not arguing for the maintenance of certain pricing levels, but none of us wants to witness another collapse, even if we inadvertently benefit by contributing to its reoccurrence. This is why I believe that the older style 'broader coverage' should be made available, so the extra cover can be properly costed. Everyone will then know where they stand.

Comments on Issues for Brokers, Clients and Underwriters

If a broker can be labelled as 'competitive', what other qualities are necessary for success? One of the most over used, but under appreciated words is 'professionalism'. There is no doubt that there are many true professionals in our business, and I can see many of them here today, but we are still an industry which does not insist on professional qualifications. Yes, we employ graduates, but as a whole there are surprisingly few who take the Insurance

exams. I was told, when I started, that soon no-one would be a director unless they were qualified. I often wonder how much better the whole business would have been, especially on the underwriting side, if we had demanded professional insurance exams from all senior staff. So, I applaud the Houston Mariners for sponsoring a professional approach to the business, and am therefore, perhaps, a little flattered to be here.

I mentioned that broking used to be illegal in some countries. This was true of 'personal lines' type business in Sweden, and some other countries until quite recently. I recall A Swedish insurer sending over a delegation to review the London broking scene, and they approached brokers with great caution. (doesn't necessarily make them wrong, even now, I guess) I was delegated to give them a talk, and was asked what minimum qualifications we demanded. In truth, I told them that although we aimed for qualified people, we would not refuse promotion to anyone with talent who could shine, qualifications or not. I told them the true story of the school leaver whose father was a bus conductor. He said, 'son, the people on my bus route who seem to be doing the best are round Leadenhall Street, why not hop off there and see what you can find'. The boy did, and worked in a brokers post room. But he was so smart and witty he was soon sent broking and rose to be a senior in his firm. Should we deny people these chances, and stop ourselves from seeing real talent when it's in front of us. I regret to say, we will increasingly do so, as regulations and rules bite ever deeper into our working practices. The solution to this is 'on the job training' and I am a believer in getting people to study for the insurance exams, and I think many firms should do much more to encourage staff to do so. This will enable people with talent but perhaps no degree to improve themselves and benefit our business

Brokers Bids and Clients behaviour

There is almost nothing new to be said about this process. It has evolved into a norm. The bidding process is like four guys in a taxi cab. The underwriter is at the wheel, blindfolded, with his foot on the brake. The broker is sitting next to him, with his foot flat on the accelerator, having taken the wheel from the underwriter, and the actuary is looking in the mirror, telling them where they are headed. Sitting in the back, having negotiated the lowest fare, the client expects a smooth journey, whilst offering as little as possible to vehicle maintenance. The question is, who survives the crash?

We still see bids being awarded, with apparently no sanctions on failure to perform. I am not arguing for performance bonds, but a rational approach to be taken as to what happens when someone is clearly 'low balling'. We've all heard the moaning from clients, 'So what if the new broker aimed a bit low, (he means suicidal) at least they undercut the expiring terms'. It can also be really difficult for professional risk managers faced with this situation, since they know what's going on, but the finance boys they report to can only judge on numbers. And we know how often the accountants get it right in our business, don't we?

We saw a bid recently where all those invited were offered a fee to submit their report. Very refreshing. But too often the broker has to put down all their best ideas, and then get judged on price only. And you can't tell me that cherry picking advice on bids doesn't take place. To offer payment for a bid submission is an intelligent and healthy approach. And it makes it much more valid to apply some sanctions for failure to deliver.

In bids, it's the brokers credibility which is at risk, and his pocket if he is stupid enough to guarantee it. In many ways, bids work against the knowledgeable broker. If a major risk has just been completed at a rock bottom price, the broker has to argue with his conscience if he is to bid lower on a new similar opportunity. He has to take part in what I describe as

'creative destruction'. For the inexperienced, there are no problems. They just to have a go, and hope to get lucky.

From the clients perspective the hard won knowledge of having survived in the roller coaster life led in the energy industry, should remind us brokers that while we moan about our lot in life, insurance managers give us wry smiles , since they have held onto their jobs by hard work and luck, while many employees in the energy business have had to pack their bags, and in US parlance 'start over' So, lets remind ourselves that we are lucky, in comparison (at the moment) But what can this hard won knowledge do for us? Has it made clients more responsible, more receptive? For some yes, but for many the hard fact is that they are being pulled into more diverse parts of their organisations than ever before, but with tighter budgets, restricted resources and potentially overwhelming amounts of data to absorb.

All too often the only word on the clients lips is the four letter word, "cost". In the end, all clients would like the the long term graph of their insurance costs to be flat line. The only argument being the level of the line.

But how do we as brokers view this dilemma? For years brokers and markets have talked about continuity, but this has seldom been achieved and we have been through two eras (well, I have) when this was virtually impossible. How much can professional buyers afford to invest in continuity, and if the programme is properly placed, is a valid claim less collectible just because it's a new placing? Of course not. The risk of moving placings is also supposed to induce a lack of consideration when markets harden. But if you have just moved from a secure but relatively expensive market, to a secure but cheaper market, isn't the second placing likely to stay more competitive, when the tide turns? Of course, the lessons of the past have taught all of us that the key to all this is security.

We used to hear clients saying, "I told my management, I've seen the brokers vetting systems, I know they'll stand by them!" And wouldn't we have liked to. But clients who push for cost benefits at the risk of security are fundamentally missing the point of the exercise. Today, more than ever clients know we as brokers aren't underwriters. They know where the buck stops. Those clients who find brokers they can force into a corner on these issues deserve the results they get. They are shutting their eyes to two issues at once.

Clients

A client, briefing us for a renewal said, 'Remember, the dollar saved in premium is just as valuable to us as the dollar earned at the pump.' True, but the ratios are incomparably different. But because premiums can be so volatile in our market, it behoves risk managers to keep their management informed. It's all very well being a hero with reductions every year, when the market is in decline, but if it has not been made clear it's because the whole sector has moved, the same manager could have an impossible task when the tide turns.

An old friend and client said to me, 'When markets soften, first go for coverage, then limit and lastly premium. It's easier to trade them back in that order'. He said 'I never knew a risk manager get rewarded for price reductions, but I know three that got canned for coming back with unacceptable increases!'

It's difficult being a buyer. They are often in a limbo, being a cost centre and only getting recognition when there is a disaster to sort out. Safe reliable work is applauded by all, but seldom recognised. So how should a client keep track of all these issues and stay friends with everyone? The latter is probably the hardest. May I make some suggestions.

Firstly, set a company standard and stick to it. If you expect high standards from your servants, which is what brokers and underwriters ultimately are, you must set high standards

yourself. When you are wrong, admit it. It will give you the moral right to correct others, not just because its you that's paying.

Secondly, be clear in your instructions. Brokers are so paranoid about competition, it is unnecessary to get them any more wound up. If you are satisfied with the situation, say so. How often have brokers forced all sorts of changes on a programme because the client has not told the broker what he really expects from the renewal. Agony for nothing, with no realisation of the long term effects it could have.

Thirdly, as clients, don't think you have a better relationship with underwriters than the broker. Of course, certain underwriters will become personal friends. Personal contact is to be encouraged, it's the 'in' thing to do. And it is always better for them to have met before any difficulties arise. But beware. Always remember it's the brokers job to to be the negotiator for the long haul. Its his job to deal with the big issues and attend to the smaller ones, which make up the majority of the effort. If goodwill is to be preserved, it's the broker who has to handle client requirements which are less popular with underwriters, and use the good will built up for the occasion when it really matters. The client who starts to tell the broker what will or not get agreed is in for a nasty shock. And he will demotivate the broker. As the saying goes, 'Don't buy a dog, and bark yourself'.

Information and Technology.

Information is the life blood of any policy. It is the transfer of information which creates an offer and a valid acceptance of risk. It is also the vital broking tool, which in the right hands can be used to benefit underwriters and clients alike.. As the trading environment becomes tougher it becomes ever more difficult to get people to concentrate on fine details. This weakness is invariably underwriter led. This can stem from over confidence, but usually in weak markets it is because they are fearful the detail will prove how cheap it is, and they will

expose themselves to scrutiny. What they really want to do is grab the premium and shut their eyes. If the broker is put under an insufficient test for information, he won't bother asking the client. Finally, the client is lulled into the thought that detail does not provide a benefit. Clearly this issue becomes less critical as clients take ever larger retentions, and for some this therefore is not the key issue. But for the broad majority, the real risk is that internal systems to capture the information become defunct, and when the market suddenly starts to demand information again, there is little chance to collect it. The other danger with insufficient detail is deciding what changes during the year are really reportable. I'm a great believer in getting the whole story together in one pack, and maintaining that format throughout, so every one knows where they stand.

The ultimate risk for the client is when a subdivision takes the approach that they will get a better job by telling the the broker as little as possible. You know the sort. As the saying goes 'you can always tell a bad client, but you can't tell them much'. You can hear them, 'They're just insurance people, technical detail will confuse them!'. Or 'If they can't tell it's a revolutionary pipe-lay process from the trade press, who are we to tell them?' Or, 'so what if the storage is underground, makes it a better Terrorist risk, right?'

So, to the buyers here I would say two things. Firstly, maintain the information gathering systems through thick and thin. Insist all subdivisions that report to you not only sign off on their detail and updates to you, but have known criteria against which to report changes. Secondly, I would insist in seeing the information supplied to the market. Its format may be different, that's broking, but the price of some directly misleading information (albeit, inadvertantly) could cause real grief in the face of claims and damage your company for years to come.

Technology.

The pitfall today for the underwriters is the reverse of too little information, it is to know what to do with too much. Data is not 'information', and one of the myths of E-mail and CD ROM technology is the belief that everyone should receive everything. I suppose that sending a CD packed with data cannot in principal be wrong. It cannot be denied that everything is there. But how does one assess it all?

So brokers. Don't hide behind technology. You may well have discharged your responsibility for disclosure by sending something which when printed is thicker than Houston Yellow pages, but the real test is to provide clear summaries of the salient facts which also hit the button on presenting the risk in the best comparative light. That's what broking is.

The other point about technology, and this has been proven absolutely in London, is that computers and what I call screen broking, will never beat human contact. I never met a computer screen which can demonstrate confidence, tell a joke, answer back, or close itself when if it sees the viewer has had a longer than average lunch.

Brokers Remuneration

This has been a sore topic recently, but my comments really relate to clients as much as they do to brokers. On the one hand, professional buyers are supposed to protect the company they serve against 'all odds' , while on the other, they are supposed to pay the least possible sum for the service. Its like learning your wife needs a major operation, and searching through yellow pages to see who is the cheapest surgeon. The question must always be:- 'Who is best?' and 'Can I afford them?'. We all know what the answer should be.

The brokers fundamental problem stems from their historical transactional role, ie being paid by underwriters in return for bringing the business. The value of their work is thus inextricably linked to the cost of the insurance, rather to the skill and advice associated with its handling.

In London, and maybe elsewhere, brokers perform significant services to the underwriting community, as per the charts we viewed, and these should be paid for by underwriters or contracted to someone else. It is valid these services should be paid for by fee or by discounts, and this made clear to the client

Lawyers have never had this dilemma, and the sooner we move into a fee based business for our client services, the better for all of us. But, unlike lawyers, brokers are very poor at knowing how to determine fees, and because the proof of their skill and advice may not be evident for years, find it hard to quantify the value of quality advice. I remember a renewal when we were offering a 30% reduction to a client. As an alternative, we could achieve a 10% reduction but extend the BI out onto a three year indemnity basis. 'What should I go for?' was the question from the risk manager.

I recommended the extended BI opportunity. 'If you go back with a 30% reduction, your management will just say its because the markets falling. But if you go back with some saving but much better coverage, that must be the right 'deal'. For once, a happy ending. The client made the right decision, and three months later that decision saved the company. Brokers are well trained at arguing our clients premiums down, but often weak when negotiating their own fees. I believe, in the new era of welcomed transparency clients must be prepared to respect harder nosed negotiations with brokers on fees. Also, if the client wants his broker to be a tiger when negotiating for him in the market, why should he expect the same broker to be a pussy cat when he has to negotiate his earnings?

So, to conclude, what of the future?

The fundamental truth about our business is that we are always dealing with the unknown. Alfred Hitchcock said, 'Fear doesn't come from not knowing what's going to happen, but from not knowing when its going to happen'.The problem with insurance is that we can't predict

either of these. There has always been an attitude of 'there's nothing new in insurance', when in fact, insurance has always been dealing with just that - the unexpected. The public, which includes all of us here, are used to direct purchasing of cover. The internet and credit cards are converting everything from Auto to homeowners and medical insurance into a huge market place, which eventually may become global. This will actually remove expertise from the marketplace as small broking operations are squeezed out of the volume business. But the standardisation of product lines, even in the personal lines environment, will create a need for a different broking expertise, albeit for a smaller volume, for the cases which don't fit the IT man's standard offer. So broking skill will not be extinguished, even in this arena. As the client's world gains complexity so do the solutions to their risk management. As we have seen, Risk Management technology is increasingly sophisticated, and a good broker has access to the best available. It is the cornerstone in delivering innovative and efficient solutions. So, as in the past, expertise is the foundation of effective broking, but advocacy, putting the client first, is the key to success.

Lastly, if the single definition of a broker is 'competitive' how will they make use of this skill in the future, in tighter markets and with harder nosed clients?

The answer as always, lies in wisdom from the past. I will end with three quotes:-

'The ability to learn faster than your competitor may be your only sustainable competitive advantage' David Packard. (Hewlett Packard)

'To understand the future, you have to create it' Bill Gates

Lastly,

'When praying no longer works, insurance does help' Berthold Brecht.