

How to Start-up an Insurance Broker Business and Become an Appointed Representative

About you

To start up an insurance broker business, we expect you to have some degree of awareness of the insurance industry, having previously been an account executive for an insurance broker, have had your own insurance brokerage or something similar. We do recommend a minimum of three years in the insurance industry before you set out on your own path or consider joining a network.

Ideally you would also have completed some [Chartered Insurance Institute \(CII\)](#) qualifications and at least hold a CERT or DIP, or even an ACII. However, we appreciate every type of experience as well as years of wisdom, so not having these are in no way a hindrance.

Starting your own business also involves an element of entrepreneurialism, self-motivation and self-reliance. It may be that you are working from home out of a back bedroom for the first two years, so it can be lonely at times. As a network, we do understand this and do have methods in place for you to communicate to other members and ask questions of others to benefit from their knowledge.

Last but not least we expect you to be motivated and committed to the cause of setting up your own insurance broker business and to put in the hard work, initially to get yourself off the ground and established in business. This will inevitably consist of a good six months to a year of seeking new business.

Your Business Plan

To seriously consider starting up your own brokerage, you need to have created a [3 - 5 year business plan](#), to outline the scope and ambitions for your business.

This will also outline your audience, competition, sales strategy, promotion and marketing strategy as well as any set up costs you may incur.

You may also want to take some legal advice if you have a restricted covenant, after leaving an employer, or taking a book of business with you, so make sure that this is built into the plan.

Register your company

To register your company, see the Companies House definitive [checklist for setting up a company](#).

Do not set up as a sole trader! LLP and LTD companies are preferred.

Becoming an Appointed Representative

There are many different options to consider how you become an approved insurance broker and we are putting together a comprehensive comparison between the Appointed Representative Route and the Directly Regulated one.

For now, we shall expand on how to become an Appointed Representative (AR) insurance broker.

How does the TEn AR model work?

As an Appointed Representative, you become an approved person or company who runs regulated activities and acts as an agent for a Principal company (like TEn Insurance Services and other insurance broker networks). The Principal company regulates you and makes sure that you comply to the FCA rules.

You will be subject to various rules, regulations, audits and checks as part of your chosen network.

As an AR, you are part of a network whom looks after the back-office operations of a traditional insurance broker (insurer relations and negotiations, regulation, accounts reconciliation, IT support) which frees you up to service the client and focus on new business.

Since TEn is not a franchise business, you are not committed to targets of figures. Do as little or as much business as you like, as long as it suits us both (within reason).

One rule we will and always stand by is the ownership of clients. Clients will forever and always belong to the broker, not TEn's, not ever. This is not always typical of other broker networks but we feel that this keeps us above the rest.

What kind of business can I do as an AR?

TEn is suited to both SME and larger amounts of business. We can cope with whatever comes but most clients pay annual premiums between £2,500 and £10,000. Historically we have handled winds farms in India and diving contractors in Iraq and all sort of other unusual stuff.

At the time of writing (Nov 2017), our Members collectively can count very many clients paying in excess of £50,000 p.a. and dozens in excess of £100,000. There is one client who exceeds £0.5m and another above £0.75m so we can accommodate a whole range of client business.

Could I become Directly Regulated after being an AR?

Yes, you could. A number of ARs use TEn and the AR model as a springboard to direct regulation when they have outgrown a network or have reached a suitable size to employ enough people to do all those things the network does for them.

In many ways, we regard this scenario as excellent marketing for our services. This has happened perhaps 10 times since we started and we do whatever we

can to help during the transition and, indeed, sometimes retain a business relationship with the departed in respect of some of their clients and risks.

However, we don't believe that it makes economic sense for any AR to think in these terms until they have reached a GWP level of at least £5m or more.

Similarly, we have some [established brokers join the network as an Appointed Representatives](#) if they are struggling to compete or want to [alleviate the pressures of direct regulation](#).

How long am I tied in for?

There is normally a minimum contract term of 18 months, this being 15 months of initial commitment followed by a 90-day notice period at any time thereafter.

We believe that the TEn AR model is going to work very well for a lot of people, in which case they will continue to support it without onerous contractual commitments of longevity being imposed.

We are however, practical people and if for some reason it doesn't suit a particular Broker, then it's completely pointless to have everybody locked into it for years.

Do I have to develop insurer relationships and talk to insurers?

In 99% of cases, the TEn Network will normally hold the relationship with the insurer, we also have our own Insurer Relationship and Placement Manager. Over the years we have developed a number of relationships with the big named insurers as well smaller niche underwriters as well as the Lloyds market.

As a small independent broker, your support of markets is spread rather thin and as an aggregator of business we can levy the buying power and can rally support from these insurers to give you higher levels of service, better quoted rates and commission levels, than you could acquire on your own.

Also, as you reach retirement and potentially sell books of business to other ARs, then there are no agency transfers required; all are covered by the TEn TOBAs.

TEn enjoys very high service levels with our insurer partners, indeed for some we are part of the Executive club, e.g. Aviva Club 110.

As of now (2017), the number of TEn Agencies/TOBAs stands at about 200. That said, approx. 75% of our business is with 25 and 75% of the balance is with another 25, which leaves the balance of +5% with about 150! This means that if you have clients needing anything especially specialist insuring, we probably already have the insurer to do so. Titanium fishing rods for example.

However, depending on the type of deal you have with us, we do allow *some* brokers to speak to insurers, which is something we know other networks do fight against.

How am I regulated as an AR?

As an appointed representative, the principal firm (that's TEn) regulates all its ARs in the network, we also pay any FCA fees as well as carrying out free audits by our compliance officers. However, there are some costs associated with online learning which you must pay for yourself and achieve a certain number of hours per year.

You do not have to pay FSCS fees either, or worry about solvency margins.

The FCA has put the AR model in the spotlight of late, with its 2016 Thematic Review of [Principals and their appointed representatives in the general insurance sector](#).

So, during your time with us you will be subject to various checks to make sure you are continually fit for purpose and doing the right thing to remain compliant.

On that note, TEn is NOT an "easy" option for those individuals or firms who have had difficulties with direct regulation in the past. TEn is concerned as anybody else should be about TCF, Contract Certainty and everything else. We do a full range of Experian checks before anybody is appointed and, arguably, our ears are closer to the ground in some respects than the FCA and we believe that are much more likely to spot a 'bad apple' early.

Accounts Reconciliation

You will be responsible for chasing your own clients for outstanding payments, since you are best placed to threaten them with cancelled policies if they don't pay up. We provide all the right reports and paperwork so you can do this on a monthly basis.

You will also be rightfully responsible for all the proper accounting of your own business. The Ten Network does all the client and insurer reconciliation in our dedicated accounts department.

What IT systems will I need?

It is an absolute necessity that every broker uses a prescribed broking system, depending on your type of business we will recommend either [Acturis](#) for commercial business or [CDL Strata](#) for personal business.

The system is a significant part of our ability to fulfil our FCA mandated role of oversight and, on a practical level, it is absolutely essential for day to day operation as an AR.

As the system is set up as a branch, each broker can see their own data on their system, but TEn has oversight of all branches.

You can connect to the central system using a simple broadband connection... i.e. an ADSL line, preferably something fibre, such as Infinity. The size/speed of

the connection will vary depending upon the number of people using it, but in any event, we are talking about a monthly line cost of between £15 and £45 plus VAT.

A start-up broker can, like many new brokers did in the 1970s, quite literally establish their businesses from a back-bedroom, using a pre-installed home broadband connection. Business broadband connections are more reliable and less contended than are Home ones, reflecting the higher prices charged; but, theoretically, just about anything should do.

In terms of hardware, in most cases, servers are not required and any decent business/home PCs (or laptop) of less than a couple of years old will do very nicely.

Printers and scanners can be a little bit trickier to get right. Laser printers are definitely preferable to Inkjet and scanners MUST be capable of converting a multi-page document into one single PDF.

Some multi-function machines are pretty much idea, although a FAX element to the multi-functionality is generally unnecessary these days.

Insurance requirements

As a start-up insurance broker, you'll need to make sure you have all the adequate legal commercial business insurance requirement in place when you set up your insurance broker business.

You must also be prepared to take out an adequate Cyber insurance policy in preparation for the GDPR which comes into force in May 2018. We have put together a very [handy guide on how to prepare for the GDPR for insurance brokers] (LINK TO BE CONFIRMED). TEn has a tailored cyber policy for TEn Appointed Representatives from as little as £9.00+IPT per month from a trusted insurance partner.

Marketing

Once you have a name you may want to [register a URL](#) so to start thinking about creating a logo and website.

Contact a local designer to get a logo created for your business, however we do have tried and tested designers we can introduce you to as well.

You could engage a local web designer, however we do offer a marketing support service and, for as little as £500 (including VAT), we can do this for you using a pre-designed template, which is optimised to Google. You would normally expect to pay into the thousands for a website these days.

As of May 2017, we have started promoting our ARs business to the wider web to any prospective clients wanting to find an independent insurance broker in

their area, using our [own Find Broker website](#), so this should start packing a punch on the Google rankings before too long.

If you want help setting up or exploring how to promote your business through social media then we can help you there too.

Costs

Apart from some initial systems costs and any marketing costs, the start-up costs are fairly minimal. However, we will be happy to talk you through any more details costs which you might incur in an initial meeting with you.

Need more information?

You can use these useful links below for further reading and if you have any other questions about starting up your insurance broker business and becoming an appointed representative, make an enquiry today and one of our directors will get in touch.

Useful links

<https://www.fca.org.uk/firms/appointed-representatives-principals>

https://www.fca.org.uk/search-results?search_term=Principals%20and%20their%20appointed%20representatives%20in%20the%20general%20insurance%20sector