

## Special Report - Insurance

# NEW INSURANCE GROUP WILL OFFER LONG-TERM FINANCIAL PLANNING AS WELL AS POLICIES

## Start-up company kicks off with a 6,000-strong customer base

Peter Jones of the Yorkshire Insurance Group (centre) chats to Finance Centre director at the recent launch of the European Financial Planning Group. Tom Fraser, the new company's main shareholder and CEO is on the left.



The miss-selling scandals which have rocked Britain's insurance industry in recent years – and in some instances seemed to justify the widely-held belief that insurance salesmen are interested only in snapping up their commission and, that pocketed, have little concern for the needs or well-being of the customer – left Gibraltar relatively unscathed.

But the damaging image of the brash and grasping insurance salesman is changing and, particularly in the areas of pensions and life cover, the need for “after sales service” is recognised by insurers and their agents as increasingly important. And this could change the current pattern of rewards within the industry – with an annual ‘fee’ paid by the client, rather than the current system of commissions and renewals paid by the insurers, some analysts believe.

### Filling Governments' gaps

The fact is that governments are finding it harder to fund state aid for the steadily growing sectors of populations with ever-stretching longevity. In recent years more and more western leaders have stressed that people will have to learn to look after their own futures, warning that because populations are living longer the state will not be able to afford to keep them... or certainly not at the levels of comfort and care that most have come to expect.

And many experts argue that insurers will not only have to structure pensions which will plug the gap which govern-

ments cannot but will have to advise the elderly of the future how best to plan their finances for retirement. This is stressed by both men behind the establishment of the European Financial Planning Group – the latest newcomer to Gibraltar's insurance sector. Peter Jones founder of the Yorkshire Insurance Group (YIG) which holds 49 per cent of the new Gibraltar company, and Tom Fraser its CEO and major shareholder, both subscribe to a distinctive set of values around which one successful independent financial advisory and wealth management company has already been built.

Founded 18 years ago and based in Leeds and Pontefract, Jones' company now employs 100 staff and has some £500 million of clients' funds under management.

“From the outset our policy has been to provide people with the tools and services to allow them – with our help – to look after their own futures, rather than selling them a product and walking away,” Jones explains.

His YIG has a 49 per cent shareholding in the European Financial Planning Group whose CEO, Tom Fraser, is also non-executive chairman of the Yorkshire-based company. Five of YIG's senior staff are on loan to European Financial Planning “to help sort out business controls and that sort of thing,” says Fraser. “Both Peter and I share a similar business philosophy and have worked closely together for many years,” he adds.

Fraser – an accountant by profession and a former managing director of Norwich Union International – also shares the view that “a long-term relationship with customers is in everyone's best interest”.

“I think that many operators have underestimated the potential for growth both in Gibraltar and among the expatriate markets in Spain and Portugal,” Fraser told Gibraltar International Finance & Business. “Though there are advisers and operators on the Costas, it seemed to us that no-one was serving their financial needs in the sense of providing long-term financial planning to what is a

strong and growing customer base.

"And, as a start-up business we are almost unique," he adds. "What other start-up business kicks off with a big client bank like ours?"

### Substantial local stake

EFPG has not only acquired local insurance fund Ian Prescott's Prescott Ltd's life insurance portfolio for an undisclosed sum but has also bought the "salvageable" components of Savignon Financial Services - excluding the company's unfortunate TEP scheme which is still the subject of an FSC investigation - and, with some 6,000 customers, the combined Savignon client bank and Prescott life portfolios give the newcomer an immediate substantial stake in this part of the insurance market.

It has also taken on the remaining Savignon staff "who have good local knowledge as well as knowledge of product," according to Fraser who owns a 51 per cent stake in the company.

Though Gibraltar's ability to passport insurance services into the European Union continues to bolster this sector of our finance industry, the plethora of

insurance-related regulations and directives generated by Brussels in recent years seem likely to squeeze smaller players out of the game - not only on the Rock but across the Continent. A decade ago - before the inexorable wheels of EU bureaucracy began to grind at this sector - independent insurance representatives and agents for the big insurers were unencumbered by the heavy costs of compliance and licence and regulatory fees. Today these factors - and the extra staff needed to meet the demands of the EU and regulators - can cost even a relatively small independent agency as much as £75,000 a year.

"When the EU began introducing new measures relating to the insurance market these were heralded as moves which would provide a greater choice for the client and, to some extent they have," says local insurance expert Ian Prescott. "But there also needs to be a balance, and the regulatory measures which accompanied the moves - and which seem to be tightening all the time - lead to almost prohibitive costs, particularly for those agents whose sole income is from commissions."

For the independents, this has created an almost "Catch 22" situation from which the most logical escape appears to be to shed the more work intensive and less profitable aspects of their business. Others are likely to go under or may be forced to merge - as already has been the case with some Gibraltar accountancy and management firms which have found the costs of meeting KYC and other compliance regulations too heavy to carry on their own.

### Preserving continuity

"EFPG's link with the Yorkshire group and its plans for expansion both in Gibraltar and to serve the expatriate communities on the Costas will be a quantum leap in compliance standards from what is happening at present," says Paul Garner employee who is head of sales for the new company.

"We are keen to preserve continuity and therefore are pleased that Prescott's advisers and the remaining Savignon advisers has joined us," Garner adds. "Ian is a director of the new company and we will also be retain links with Prescotts in doing non-life business." The company

plans to consolidate its business in Gibraltar and then expand strongly into southern Spain he tells me.

The deal with Prescott was completed at the end of December, and the Savignon deal – for which there were two other bidders – was only recently finalised. However, the due diligence regime of the Financial Services Commission had to be carried out...not only on Fraser's background – which proved impeccable! – but on those of the directors of the Yorkshire group. With a "clean bill of health" EFPG has been licenced by the FSC – as have all its professional advisors.

All of the insurance companies for which Savignons acted have agreed to the deal, as have those with links to Prescott Ltd.

#### FSC imposes conditions

Before the sale could go through Savignons Financial Services applied successfully to the Supreme Court for a declaration that it would be legal to sell the company's assets. And in November last year the Financial Services Commissioner imposed a number of conditions on SFS relating to the protection of investors in Traded Endowment Policy (TEP) plans.

"These conditions are connected with the proposed sale of the business of SFS to another company and are aimed at ensuring that the proceeds from such a sale are available for compensation to be paid to TEP plan holders," a statement from the FSC said at the time. "They require that ... the proceeds of any sale are transferred to a custodian appointed by the Commissioner."

"Our aim was to safeguard as much as possible for the plan holders," says Commissioner Marcus Killick. And the FSC hopes that any proceeds will be paid to out to plan holders "as the Court may consider appropriate".

The arrangements agreed on for EFPG to take over the Savignon client bank were complex but hinge on an agreement by Fraser's company to cede renewal commissions on all policies held under the Savignon agencies at the time of the deal going through. This meant that payments of commissions from Norwich Union, Clerical & Medical and other insurers were waived in favour of a trust set up for the benefit of TEP plan holders.

"When EFPG bought SFS we gave an undertaking to assist TEP plan holders as far as it was economically viable to do so," Ian Prescott adds. •