

Money Marketing

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PI mutual gets FSA go-ahead

By Corey Boles

The FSA has given its official blessing to a new professional indemnity mutual insurer for IFAs, the first new entrant to come to market since the PI crisis escalated last year.

It stems from underwriting agency PI Direct buying rival Maglan and

launching Maglan Mutual which will only sell to IFAs.

In its first year, it plans to underwrite premium income of £15m, increasing to £25m by year three.

FSA head of investment firms David Kemm said it is a good move for the marketplace that will create much needed capacity.

Maglan had been in the

IFA market for six years, but withdrew when its capacity expired in January.

The existing Maglan book of 750 IFA firms will see their coverage continued.

IFAs will face a strict underwriting process before being offered cover in a bid to limit claims. They will pay premiums as well as a levy to Maglan for under-

writing companies. Any excess profits will be returned to members but they will have to make up any losses which may develop.

Maglan mutual spokesman Bruce Heasman says: "IFAs accepted into the mutual will face a very tight underwriting process. They will have to pay a levy towards the admini-

stration of the scheme. Ultimately, any profits will be returned to IFAs but we will also go back to them if there is a loss."

Kemm said: "This week, the FSA authorised a new PI provider for IFAs. This new provider is a good opportunity for the rest of us to have a little easier time throughout the summer."

Aifa director general Paul Smee says: "The increase in capacity is welcome because it shows there is some interest in offering cover to IFAs. However, this is not the whole answer to the PI crisis, there is still a need for industry support and regulatory imagination for a long-term solution."

Brown keeps the crown of power

Chancellor Gordon Brown takes the top spot in this year's Money Marketing Power & Influence in retail financial services list for the second year.

Brown, the architect of the FSA, claims the crown ahead of outgoing FSA chairman and chief executive Howard Davies and Bank of England Governor Sir Eddie George in second and third respectively.

The second annual list provides an in-depth analysis of the people who have shaped today's financial services market and who will be calling the shots in the future.

Former Guardian economics writer now Treasury Financial Secretary Ruth Kelly is the highest-placed woman at number five. Aifa director general Paul Smee loses 80 places to 10th following success over the menu payment systems.

One of the more controversial inclusions by *MM*'s panel of experts is the consumer, who sits at unlucky spot number 13.

The highest-placed executive among product providers for positive reasons is HBOS's James Crasby at number 14. New FSA chairman Callum McCarthy just makes it into the list in 100th position.

See supplement in this issue



Live Issues Pension guru Stewart Ritchie put the plight of final-salary pensioners in the spotlight at the Money Marketing Live exhibition and seminars in London this week. See full story on p72 and more coverage on p3

Policyholders' interests under threat after AMP bonus warning

By Sonia Speedy

IFAs are calling for the FSA to ensure that policyholders' interests are protected following AMP's revelation that future bonuses will be zero for many UK with-profits fund policyholders.

Hargreaves Lansdown head of pension research Tom McPhail says it would be constructive for the industry to see the FSA taking a strong and early lead on any issues concerning policyholder payouts.

Sydney Financial Planning principal Robert Reid says the regulator has been conspicuous by its silence and should be making an effort to give the industry some comfort.

AMP's move has prompted McPhail to call for policyholders to act now to hold on to future bonuses.

He says he is unsure whether there is a legal case for policyholders to force AMP to leave more

capital in the UK to meet future bonuses but is urging them to contact pension lawyers to find out.

He believes policyholders may have a case under the legal concept of "reasonable expectations", the idea that it is reasonable to expect a level of future payout based on past actions, including payouts, marketing material and statements to policyholders.

McPhail says: "If I were a policyholder, I would be getting a pensions lawyer to look over my policy now."

Reid says: "It would have been helpful if the FSA could have given an overall view of whether what is happening is acceptable or not. They have not done anything to give the industry any comfort at all."

The FSA declines to comment, saying it cannot speak about individual companies.

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Critical axe falls on three at Pru

By Corey Boles

The axe has fallen at the Prudential, with three senior members of staff losing their jobs following the storm of controversy which greeted its fateful decision over critical-illness cover last month.

Director of product development Richard Field, director pensions & protection Richard Taylor and senior protection product manager Keith Bevan all left last week.

A statement from the Pru confirms their resignations. Sources close to the company

say they were considered to be associated with the protection problems.

All three worked in PruLab, the product development unit that was launched with a fanfare in September 2001 when the Pru scrapped the Scottish Amicable brand.

IFAs say the three may be scapegoats for decisions made at the highest levels of the Pru, with some repeating their calls for UK chief executive Mark Wood's resignation.

Pru spokesman Daragh Leeson says: "Prudential UK & Europe can confirm that

a number of individuals have resigned from the organisation. The three individuals worked for PruLab, the company's product development unit. Prudential does not comment publicly on the personal details of employees."

Michael Phillip proprietor Michael Booth says: "I still do not think that the buck has stopped high enough. Firing one's minions for decisions that must have been made at the top is beneath contempt. At the very least, Mark Wood's bonus should be severely affected."

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Chad Helck started his career with US tractor giant John Deere but now is plunging into the UK as president of Raymond James Financial with a wealth management service for IFAs

40-41 ARE IFAS PAST THEIR SELL-BY DATE?

Once it looked as if product providers would be eagerly snapping up adviser companies to ensure product distribution but market conditions have seen them moving on to the sidelines

45-48 SPECIAL REPORT HEALTHCARE

Bruce Love surveys the healthcare market, focusing on the fallout from the Prudential critical cover debacle, the hidden costs of regulation of general insurance and the potential of the buoyant cash plan sector



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