



## **Activities Industry Mutual Limited**

*August 2005 Newsletter*

### ***Benefits of the CTBS Industry-Wide Risk Assessment Survey.***

It is probably no coincidence that, following the very well supported CTBS Insurance Solutions (CTBS) survey of AALA licensed activities providers of 2003/04, there has been a detectable change in some insurers' perception of the sector. A few commercial insurers that abandoned activities providers or imposed punitive premium increases and restrictions in cover just a few years ago are now back and looking at the sector with interest once more.

Insurance companies and Lloyd's syndicates, are by their nature opportunistic and short term, looking to exploit market anomalies. They will charge what the market can bear and drive the cycle from a hard market (scarcity of cover, high premiums and profits) to a soft market (low premiums and losses) then back again to the hard market.

### ***New Insurance Schemes - short term panacea or long term solution?***

Independent insurance brokers CTBS and Charles Taylor Consulting plc (CTC), a professional firm of mutual managers, have teamed up and initiated a radical and long term resolution in the formation of the Activities Industry Mutual Limited (AIM), a mutual specifically for the outdoor sector, for liability and property insurance.

A mutual is a non profit making organisation whose members pool risks of a similar nature to achieve long term and stable insurance protection at cost – a form of insurance with antecedents going back many hundreds of years. The key distinguishing feature of a mutual is the alignment of its interests with those of its members, for example:

- Profits or surpluses are utilised for the benefit of its members, either as increased reserves or distributions back to members.
- The mutual pays no commissions or payments to third party brokers or "business introducers" nor does it pay dividends to shareholders.
- Alignment of the mutual's and the reinsurer's interests by means of a long term partnership commitment and a profit sharing agreement in favour of the mutual.

### ***Membership Invitation***

Enclosed is an invitation to become an Associate Member of AIM and also to attend a regional meeting scheduled for October. No cost or obligation is involved. Prior to your insurance renewal date, we will be in touch with you in order to provide you with a new and alternative insurance quotation. Initially AIM will be targeting providers with a turnover in excess of £75,000 until we have built up sufficient premium to be able to broaden the criteria to include a wider range of prospective members. However, also from the outset, we will be welcoming Associate Members with a turnover below the £75,000 initial threshold.



## ***How to take greater control of your insurances***

*By Andrew Gardiner, Chairman of Acorn Venture Limited and Chairman of AIM.*

***Insurance is not what we do but it can be a serious impediment to our business.***

Public and Employers' Liability insurance has become an issue for activity centre operators. The costs, the service and the unpredictability, and even the availability of cover can cause headaches. There are often many tiers between the insured customer and the ultimate underwriter and this is expensive and inefficient. Brokers and certainly underwriters don't always understand the nature of our business. Are they exaggerating the risks and premiums?

If you have found insurance an issue in your business then I'm certain that you will want to know more about the formation of this mutual for the outdoor sector. I think it is worth taking time to calculate the benefits from immediate participation and for the longer term.

The outdoor sector is not considered by insurers as a "mainstream" class nor is it well understood. When insurance market conditions are "difficult", for example post September 2001, specialist accounts like ours, despite not being responsible for the losses, are among the first to be dropped, as insurers retrench to what they consider to be their mainstream or core business. Now, with insurers' profitability more or less restored post 2001 following substantial premium increases, our sector is once more becoming of interest. However, this is only likely to be the case until the next loss cycle occurs, when premiums will again soar or cover won't be offered.

A radical and new response to this scenario is the formation of the **Activities Industry Mutual Limited (AIM)** for liability and property insurance. It is the result of 18 months of work by CTBS Insurance Solutions (CTBS), who conducted the 2003 / 2004 industry-wide risk analysis survey of AALA licensed activity providers, and Charles Taylor Consulting plc (CTC), long established managers of mutuals – they manage or are consultants to fourteen other mutuals. I am very pleased and excited to be the chairman of an initial AIM board consisting of a wide range of representatives from our industry.

### **Board of Directors**

My co-directors have been appointed from a working group, which has been instrumental in bringing about the mutual company's formation and taking it forward towards to FSA registration.

<b>Chris Bayliss</b>	<b>Finance Director, Field Studies Council</b>
<b>Peter Churchus</b>	<b>Finance Director, PGL Ltd</b>
<b>Bob Edwards</b>	<b>Centre Manager, Stubbers Adventure Centre</b>
<b>Val Khambatta</b>	<b>Centre Manager, The Horstead Centre</b>
<b>Tricia Rawlinson Plant</b>	<b>Director, Mill on the Brue Outdoor Pursuits Centre</b>

AIM can have a Board of up to nine directors.

### **What is a mutual?**

A mutual is a company owned by and operating for the benefit of its members. It is a group of organisations sharing a similar risk and an expected loss profile. Claims management, which I believe can be done much better by a mutual, and routine losses are retained within the mutual, while possible unpredictable catastrophe losses are reinsured by a commercial insurer. The mutual is run by its directors, who represent and are elected by the membership,

## Benefits you can expect from being a member of AIM

The reasons for establishing a mutual are many, but the main ones are to save cost, to provide relevant and continuous cover and to have the enterprise controlled by its members. It is a long term exercise with long term benefits. Quotations will be competitive but prudent. If there is a surplus (profit), the board can authorise a distribution to the membership or it can be held in reserves. It will not be paid away as a dividend to third party shareholders, as is the case with a commercial insurer.

## Interested?

If you are interested in what AIM can offer, please apply to become an Associate Member. This free membership category is for centres or providers that wish to register their interest and support for the project. Associate Members will receive a quotation when their insurance renewal falls due, although initially AIM is focussing on activities providers with an annual turnover above £75,000 until a sufficient level of premium has been achieved. Thereafter its appeal can be broadened.

I believe that AIM will become a significant presence in our industry and I hope you will give membership consideration. In response to a recent newsletter sent to those who had previously shown an interest, we have received 80 applications. I hope that you will join us.



*Andrew Gardiner, Chairman, AIM.*

## Other Mutuals managed by Charles Taylor Consulting plc

Mutuals protect groups as diverse as the nuclear industry, ship owners, universities, the oil industry, professional bodies such as accountants, doctors, solicitors and various groups of employers in respect of their Employers' Liability exposures. The common factor is that those involved wish to control their own insurance affairs and to obtain maximum protection at the minimum cost.

CTC, established in the 1850's, is quoted on the London Stock Exchange. For further information on CTC, please visit [www.charlestaylorconsulting.com](http://www.charlestaylorconsulting.com). A significant part of its operation revolves around the management of mutuals, being consultants to or managing directly 14 mutuals around the world, including:

### *The Standard Group of Protection & Indemnity (P & I) Clubs.*

Founded in 1885 and managed by CTC for 120 years, the Standard insures approximately 67 million gross tons of shipping representing a wide variety of shipping activity world wide. There are several insurance mutuals within this group.

### *The Signal Mutual Indemnity Association Limited.*

Established June 1986, Signal is now the largest provider of longshore benefits – workers' compensation insurance (employers' liability as we know it) in the stevedoring / shipbuilding / waterfront industry – in the USA.

*The Livery Companies Mutual Limited* provides cover for the venerable City of London Livery Companies. Established in 1999, it protects members' property assets in excess of £1 billion.

### *The National Federation of Retail Newsagents Limited.*

Established in 1999, this mutual has over 4,000 members across the UK.

*Unimutual Limited.* Established in 1990, Unimutual provides cover for universities in Australia and New Zealand and has 33 members with assets in excess of A\$14 billion.

*Capricorn Mutual Limited.* Established in 2003 to provide cover for auto workshops and service stations in Australia and New Zealand, Capricorn Mutual has over 3,300 members.

## ***Arch – AIM's Insurance Partner***

AIM's "reinsurer", Arch Insurance Company (Europe) Ltd (Arch Europe) is initially providing ground up cover for each participating member until such time as the mutual has achieved critical mass. Thereafter Arch is providing a comprehensive programme of excess of loss insurance above the mutual's retention, to cover the possibility of catastrophe loss(es), plus aggregate cover should there be a greater than expected frequency of losses falling within AIM's risk retention.

### ***about the Arch Group***

Arch Capital Group Ltd (Arch Group) is a Bermuda based plc with over US\$2.5 billion in capital, and insurance and reinsurance operations in Bermuda, the United States and Europe. Arch Group shares are quoted on the US NASDAQ stock exchange and the group is regulated by the Securities and Exchange Commission (SEC). Gross written premiums for the year 2003 were US\$3.2 billion.

### ***about Arch Europe***

Arch (Europe) is a wholly owned subsidiary of Arch Group and, along with other members of Arch Group, has an A-(Excellent) rating for financial strength from AM Best, the leading independent insurance rating agency.

*For more information on Arch, please visit [www.archcapgroup.com](http://www.archcapgroup.com)*

### ***ask an AIM director or a founder member.***

"AIM can transform the insurance picture for the outdoor sector by providing stability at cost and consign the "roller coaster" insurance market that we have all been experiencing to the past."

*DT "Sam" Richards, Sealyham Activities Centre.*

"I firmly believe that it is in our best interests to give 100% support for this mutual initiative, to provide us with relevant insurance cover at cost – now and, as importantly, over the longer term."

*JH "Brummie" Stokes, MBE, BEM, Taste for Adventure Centre.*

***Call us on: 01732 860567***



***Activities Industry Mutual Limited***

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