

A Luncheon Address by Mr. David Palmer

I have always been convinced that in the period running up to my arrival in this world my Mother was severely frightened by an expert. What he was an expert in I cannot say but I do know that I have always had a nervous reaction when confronted with an expert be he an ornithologist, a seismologist, a schoolmaster or even a lawyer.

To be in your midst today is thus for me a rather nerve-racking experience!

At least I can comfort myself with the thought that you are for a few moments a captive audience. Unlike the Bishop who turned up to preach in the parish church and found a congregation of five. After the service he said to the vicar: "Didn't you tell them I was coming?", to which the vicar replied "No, my Lord, I promise I didn't but I'm going to find out who did".

Your Chairman, my friend and partner Edward Gumbel, has enjoined me to be brief. I will.

At this moment the most floodlit issue of interest and concern to the insurance community must, of course, be the Fisher Bill. It is a cliché to refer to this as the "era of change". Of course, change seems to be gathering pace around us at a bewildering speed and might I claim that the great institution of Lloyd's, quite wrongly seen by some as an anachronism with some of the characteristics of a dinosaur, has always in fact been a pace setter in adaptability and innovation. That Lloyd's needs to change its method of supervision is self-evident. The very commissioning of the Fisher Report showed an early awareness by the Committee of Lloyd's of this need.

The need arises in considerable measure from a change of scale but also, sad but true, because of a change in standards.

When I came to Lloyds 30 years ago there was no need for a Fisher Bill. The prestige of the office of the Chairman of Lloyd's was sufficient to regulate the market. The word of the Chairman of Lloyd's was the law for the community.

You gentlemen would know better than I that you cannot legislate for standards, you cannot legislate for ethics, you cannot legislate for morality.

You can however legislate in such a way that the community has the best possible machinery for regulating itself - for setting and applying its own standards. This the Fisher Bill enables, and I put it to you again that by recognising the need for such change Lloyd's has once more put itself to the forefront of the industry with a constructive and realistic approach.

Everything I have said is I believe broadly common ground inside and outside the insurance industry, in the press and in Parliament.

There remain, however, two issues - crystallised as "divestment" and "divorce".

Based on history or market practice the divestment by broking groups of their managing agencies - and vice versa - is not justified. However, the community at large has now, albeit reluctantly, accepted that in this consumerist era the fact that a theoretical conflict of interest or potential for abuse exists is in and of itself sufficient grounds for enforcing change.

I had personally hoped, as had many others, that Parliament would accept an intent to ensure separation backed up by appropriate supervision and controls. However, the weight of opinion has clearly prevailed in favour of complete divestment of managing agencies and as I best read the situation this is now generally accepted.

The other remaining issue is that of divorce between Managing Agencies and Names Agencies. As a personal view, given on this private occasion, I would state quite clearly that I do not believe that the issue is properly understood. I do not believe that it is in the interests of either the market or the Names to enforce this change. Why should we legislate for two links in the chain where only one is needed? There is no element of public interest in this matter. The same is not true of the divestment issue which is perceived at least in theory to affect the insuring public.

I do not think I can do better than repeat a remark I made to a journalist a couple of weeks ago and which was fairly widely reported - "if it ain't broke don't fix it".

In what I am sure are the interests of this great institution I hope Parliament will accept this point of view and have the courage - and it takes courage - to admit the mistake and change its mind.

I would like to take advantage of my layman status in this distinguished gathering by uttering a heresy. I am a Lloyd's broker; I have been one for over 30 years and I am very proud of it. One of the things I am proud of is that I have never taken too literally the legal concept that the broker solely represents the client. When I first came to the market maybe the broker was 60% for the client and 40% looking after the market and the underwriter. Maybe the percentages have changed and the proportion today under consumerism, fair trading and the pressures of competition have slipped to something nearer 75%/25% but regardless of the legal position I will personally never accept that the broker is 100% for the policyholder alone.

I have said this is an era of change. It is fashionable to look to the future. However, it is sometimes more fun to look back than to look forward. Mr. Reagan and Mr. Brezhnev when they meet might enjoy looking back. Mr. Reagan might ruminare in discussion with Mr. Brezhnev how history would have been changed if instead of his predecessor, Mr. Kennedy, being assassinated, this fate had befallen Mr. Kruschev. After thought Mr. Brezhnev might reply, "Well of one thing I am very certain that Mr. Onassis would not have married Mrs. Kruschev".