

PROFESSIONAL BROKING

# PB

Business intelligence for broker managers

From the magazine article | May 2008



## Partners in property

In a sea of consolidation in Manchester,  
Reich is a growing island of independence

# Independent thinking

Andrew Tjaardstra meets Simon Taylor and Danny Lopian, the partners behind one of the few remaining Manchester brokers that is determined to grow independently rather than sell.

## Taylor and Lopian - Independent thinking

After years of abstinence, Manchester has become a playground for the broker consolidators over recent months; Manson sold to Jelf, Chambers and Newman to Axa-owned Venture Preference, Greystone to Bollington and, last October, Cobra Holdings bought construction specialist UK and Ireland. Meanwhile, the CBG Group has grown into one of the largest brokers in the area after completing a flurry of acquisitions, although not all in Manchester.

This activity has forced the hand of the independents that remain in the capital of the North-West such as Bridge and Reich Insurance, which have both made acquisitions to maintain scale and, in part, to assert their businesses as the saying "buy or be

bought" no doubt rings loudly in their ears. Bridge bought Warrington-based Chartwell Insurance in January and Reich has completed the acquisition of W B Tidey. As with most local markets in broking, everybody seems to know everybody and there is a friendly, healthy rivalry among the companies.

Simon Taylor, a former loss adjuster and a board director at McLarens, and Danny Lopian, who has been at the business since 1986, are both in their mid-forties and have worked together closely as Partners since May 2002. Taylor and Lopian take a hands-on approach to visiting major clients and Reich is unusual as it is a Partnership. All of the firm's business decisions are made by

"We think the changes in the goodwill regulations and capital gains tax have contributed to consolidation activity."

Lopian, Reich Insurance



the two of them, quickly: the chemistry, teamwork and respect for each other are evident in their body language, a factor that is extremely important because Partnerships are liable for all the debts of a business, though they can also share the profits and gain from beneficial tax status.

Speaking from their new boardroom, Taylor and Lopian are excited after buying Tidey, their next-door neighbour, and incorporating its 15 staff into Reich's existing offices. This, Reich's largest deal to date, saw the company acquire Tidey's premises, which they are now refurbishing to incorporate more brokers. The accountants situated between the two brokers are probably now feeling the squeeze, with Reich eager to expand further and integrate more acquisitions.

Reich is located in a prime area of Manchester, near the Lowry Hotel and the celebrated architecture of the Court of Justices. Showing off their boardroom, Taylor and Lopian are preoccupied initially with making sure the heating is working properly; the new unit looks expensive and signifies a company that is looking to expand rather than to sell.

Lopian remarks: "We think the changes in the goodwill regulations and capital gains tax have contributed to consolidation activity. In fact, the goodwill issue was one of the reasons we bought Tidey."

## Priority

After 65 years of business, Reich today achieves close on £50m of gross written premium and has doubled its books in the last five years. Tidey has lit an acquisition touch-paper that shows Reich is keen to complete further, ideally within the Greater Manchester area, though unlike many of its peers it is eager not to saddle itself with a target; it wants to be known simply as the best broker for service.

Reich has made acquisitions in the past but Tidey, at £6m GWP, is the largest to date. Taylor says: "We have a bit of an appetite for it now. So far it is going well. We would like to buy brokers whose back offices we can move here. We have more money available, however, it has to be the right fit."

Reich Insurance is outward looking and insures Property Owners across Europe. In fact, the duo had just returned from MIPIM, a major property conference in Cannes, where they were helping out on the Associate of Manchester stand. However, attempting to insure properties abroad was not without its challenges. According to Taylor, it was a "nightmare" to insure an office block in Berlin or Axa in Paris, as he reflects: "The insurers almost said 'give it up'. They wanted us to approach a broker in Paris to insure an office there. We said that this wasn't good enough. Now, we write €2m directly out of the UK. The policy is issued in German and English." Although moving into Europe has proved successful overall, the global credit crisis has dampened growth.

"The credit crunch has affected us in Europe because it is hard to borrow money to buy properties there; they are not selling. On the plus side, the policies are in euros, which is now one of the strongest currencies in the world. The commission, fees, premiums and claims are based in euros. We and our insurer partners can place business from abroad, whereas 95% of brokers can't."



In the UK, despite its dramatic connotations, the credit crunch has not necessarily impacted Reich's business. Lopian comments: "It doesn't affect us in commercial (Property Owners). Some clients see it as a good opportunity and are buying more, whereas in 2007 clients were selling. This is a buyer's market with some funds desperate to sell. There is the potential to make 7.5% to 8% yields. Clients have been waiting (for this) to get back into the market." Clients can be fund managers, private individuals or huge, multinational property developers, on which Lopian comments: "These are sophisticated clients and we can insure the land and the construction sites, though most of it is completed buildings and the tenants within them." Showing once again just how small the broking community is, an insurance broker in the South-east is mentioned, for which Lopian says that Reich insures the firm's building. Lopian adds: "We do offices, industrial, shopping centres to major distribution centres. We cover buildings from very big to very small."

## Built up

Residential property is a different story, however, with the crunch and subsequent unavailability of attractive mortgage deals creating problems in attracting buyers, though renting has become more attractive conversely. Personal Lines are also on the agenda, as is cross-selling to senior managers.

Although they bought an office in London about ten years ago, Reich decided to close it down in December 2004 because it was hard to manage from Manchester. Instead, Lopian and Taylor travel to London once a month to meet all of their key clients. The broker has developed key wordings with six insurers and can even help companies that forget to insure their properties as a standard part of each policy.

The occupancy of the tenants, Taylor stresses, is key to the risk-assessing process. Intriguingly, there is little need to visit clients and insurers will often not visit for six months, though a survey is imposed as a condition. A claim within this first half year is, therefore, especially problematic.

Commercial lines forms 80% of Reich's business, of which 80% is commercial property. Around ten years ago, Reich made a conscious decision to go niche. Although Tidey has brought a more general commercial book to the table, property is still the favoured business.

Despite reducing its agency base in the last few years by removing insurers that have not provided good service, Reich has plenty of insurer friends. Zurich and Axa are the largest accounts, with RSA, Allianz and Tokio Marine also figuring heavily.

Taylor remarks on how service-poor agencies continue to exist: "I think that some companies have supported agencies blindly and won't stop dealing with them. We are not bothered about stopping agencies and starting new ones." Taylor also makes clear the kind of company that Reich will not deal with: "Where the service is so appalling, especially if they can't reform. We are prepared to bring them in and hassle them. However, we are very willing to start new agencies and build books with the likes of Brit and CNA. All insurers are clamouring for transferred business." In this prolonged soft-market period, volume has seemingly become king for the UK's largest insurers, on which Taylor comments: "They all come to us and ask for more business but we are not easy to pressurise and where we place our business is down to the service and the coverage facilities we can get rather than commission. The likes of Zurich, Axa and RSA will go out of their way to provide us with great service. They are attentive, responsive and we have our own branded wording with these companies; they have their own teams that deal only with Reich as well. We give them so much business that they can justify having a group just dealing with us and our policy wording."

The broker deals primarily with the insurers' offices in Manchester and has five departments: commercial, property, claims, accounts and personal.

Lopian adds that it is not just service and policies that are on the agenda: "Loss ratios are very important to us." Like a well-drilled double act, Taylor chimes in: "We want our accounts to be profitable and will turn away business. A number of our insurance people are ex-adjusters and they have a lot of authority from the insurers. They come to us for assistance and we get very closely involved in claims and act as a bridge between insurer and client."

Reich has also been technologically innovative in creating a paperless office; everything is scanned and documents can be faxed straight from computers. Lopian says: "We have the INVU scanning system and removed 80 filing cabinets. We also record all phone calls, which is great for training. If we have any complaints or are making appraisals then it is extremely useful."

Regarding the Financial Service Authority's ongoing review of commission disclosure, the brokers are upset by the lengthy process. Taylor says: "I am surprised they are still reviewing it, as there are more pressing things to consider. It is all about the premium for customers." The regulator has no doubt heard this all before; the hope is that it reaches a conclusion sooner rather than later and that there are no dramatic revelations that will undermine brokers.

Costs are also controlled tightly, as is evidenced by the low number of staff and high turnover of premium. Lopian is especially proud of this achievement: "You would be hard pressed to find another broker with as small a number of staff for each million of premium; it is almost a ratio of 1:1." Educating staff is also high on the agenda: "We have just applied for Chartered Status from the CI; training is very important."

The Reich Partners last appeared in PB in February 2004's Broking Success. It will be interesting to see when they next feature and by how much the brokerage has grown. As the £50m premium mark approaches, up from £19m in 2002, the boardroom is likely to become a hive of activity over the coming years. The heating should also be finely tuned.

## Put your money where your mouth is

Taylor and Lopian are aware of the need to not only be good, specialist insurance brokers but also of the need to tell the world and in particular their market. After settling on a logo and developing a marketing campaign with Norwich-based Brand Experience, Reich takes out regular adverts in Estates Gazette and Property Week, which are expensive but, according to Lopian, "worth the money". Reich also produces client newsletters, its latest edition including a focus on the floods with the bold claim 'Reich - the best flood defence in the broking market'. Their marketing campaign is equally strident: "Impossible is a concept that will never feature in our philosophy. At Reich, we thrive on possibility."

Call Simon Taylor or Danny Lopian at Reich  
on +44 (0)161 834 8877 or email [propertyinvestors@reichinsurance.co.uk](mailto:propertyinvestors@reichinsurance.co.uk)

**Manchester base**  **Worldwide Reach**

[www.reichinsurance.co.uk](http://www.reichinsurance.co.uk)

Reich Insurance Medal House 197 Chapel Street Manchester M3 5EQ Authorised and Regulated by the Financial Services Authority