

# SBA comfortable playing the middleman

**SBA**

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Arthur J Gallagher owns 40 per cent of SBA.

Specialised Broking Associates has topped a competitive field in this year's Rising Stars Awards.

 Jonathan Barrett  
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SPECIAL REPORT

THE Perth offices of Specialised Broking Associates (SBA) look decidedly different to those of the major insurers. If the reception is unattended, guests are invited to squeeze the hand of a bright red Elmo toy that dances on the reception counter in response.

A line of liquor bottles stands next to a coffee machine, in full view of reception, and loud paintings contrast with the otherwise serious business demeanor of The Esplanade address.

A conference room, with mounted flat screen, boasts a handful of impressive lawn bowling trophies, which commemorate past bowl-offs between staff from SBA and insurance giant AIG.

In years past the social event has been paid for by American-headquartered AIG, which last year suffered a multi-million dollar implosion.

Should the need arise, however, SBA will have no problem covering the cost of a day of lawn bowls on its own.

The Perth company, which lists miners Fortescue Metals Group, Alcoa, Paladin Energy and Inika Resources on its client list, has been profitable since day one, when founders Steve McWhirter, Bill Grierson and



**IN CHARGE:** Andrew Godden (front), Bill Grierson (left), Steve McWhirter (rear) and Peter Searson are the driving force behind SBA's success in recent years. Photo: Grant Currell

Andrew Godden placed \$11 million in premiums on July 1 2003. Profits have steadily increased ever since.

SBA is an intentional acronym both of its founders (Steve, Bill and Andrew) as well as a description of the business. The Perth business largely insures resource and energy companies, covering everything from travel and emergency evacuations to offshore oilrigs and mining assets.

The insurance industry was still

reeling from the collapse of HIH and aftermath of September 11 when SBA opened its doors in Perth's financial district six years ago.

Merger and acquisition activity was rampant among the insurers, cutting the number of players and insurance options for the mining, energy and construction sectors, among others.

Default insurance packages were fast becoming the norm, creating an opportunity for brokers that

could work outside the boilerplate, or standardised, approach, and particularly for those able to tap into the mining boom.

Mr Godden said the abundance of work during the boom was obviously a good thing, but also a potential threat to the company's ethos of refusing to overtrade.

"We've consistently not been greedy in the boom," Mr Godden said. "We could have filled our boots with income."

Instead, SBA kept its key clients happy, and maintained a ratio of about 16 clients to each broker.

SBA acts as a middleman by sitting between its clients and major underwriters, which carry the risk of a payout, making it a low-capital intensive business. In exchange for its cut, SBA provides specialised insurance packages for the complex needs of large companies.

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By limiting client numbers, SBA attempts to take on the major insurers by offering greater client focus to a select number of successful companies. On the flip-side, SBA only employs highly experienced brokers in a bid to set itself apart from smaller broking houses which may lack niche expertise.

"The fact we have 80 clients isn't an accident," Mr Grierson said. "We could have 140."

While mineral companies may have plans to explore and develop potential gold mines – both figuratively and literally – far fewer actually realise those goals.

"We just look to pick the ones that will get through that process and make it to production," Mr Grierson said.

Last year, one of the world's big-

gest brokers, Arthur J Gallagher, took a 40 per cent stake in SBA, which Mr Grierson described at the time as a sign of things to come for the industry.

"The financial services market is changing globally and we believe that smaller firms partnering with major internationals will lead the way as a market trend over the next few years," he said.

A decision last year to rebrand the company to SBA Gallagher has been shelved.

Mr Grierson said the transaction aided SBA's goals of diversifying its client base into areas such as government, health and education.

He described the broker's staff retention as extraordinarily high, to the extent that the one senior staff member who did leave last year returned to work at SBA some months later, dissatisfied with her other employer.

Mr Godden said the company did little things to create an enjoyable workplace, like making sure there was always a bottle of champagne on hand to celebrate a staff member's birthday.

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SBA also sponsors one African child on behalf of every support staff.

The broker aims to improve the image of the insurance industry by raising or donating an amount equal to 1 per cent of its turnover to charities, which has equated to more than \$200,000 since inception.

Relationships among business partners are also important, particularly in the insurance industry where business is often conducted over a glass of wine.

One east-coast insurance underwriter that had worked with SBA recalled a positive, spontaneous display of how important the Perth-based broker viewed relationships.

While dining at a Perth restaurant during a business trip, the underwriter noticed some of the SBA principals

were dining nearby and was subsequently invited to taste the red wine the brokers had on their table.

Moments after commenting positively on the full-bodied taste of the wine, a complementary bottle arrived at the underwriter's table.

From bottles of red wine to red Elmo receptionists, SBA appears to be enjoying itself in the competitive world of insurance broking.

However, Mr Grierson warns that Elmo wouldn't be there to greet all visitors to The Esplanade offices, as the broker rotates its receptionists. There is also a bear that sings, "It's beginning to look a lot like Christmas" and a dancing flower that recites, "You are my sunshine".

Mr Grierson said the receptionists were among SBA's best employees. "They never ask for a pay rise," he said.