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The New Companies Act opens opportunity for Financial Advisors

The New Companies Act, due to be promulgated in 2010, is changing the face of corporate business in South Africa. The aim of the act is to modernise and streamline current outdated legislation as well as promoting good corporate governance in association with King III which is now applicable to all entities.

The New Act also places a very strong emphasis on continuity planning and liquidity of a company as well as allowing stakeholder scrutiny for the extraction of capital from a company. This places a much larger emphasis on company insurances and company investments.

Insurance: Traditionally people insure tangible items a lot easier than the intangible ones. Although the act does not radically change the role of directors it does bring to the forefront the roles and responsibilities. "New" needs that will be more evident to directors will for example be Key Man insurance, Litigation Insurance and Contingent Liability Insurance. Business Rescue will also make directors view Credit Insurance with a much more positive view.

Investments: Traditional investment products will now also play a much stronger role in the mind of the smaller business owners as items like deferred compensation for key management and staff as well as capitalisation plans will be taken a lot more seriously.

Whilst The Consumer Protection Act will place more pressure on brokers and insurers the New Companies Act opens up a more responsible client to the insurance broker.

To read more visit www.jfogwell.blogspot.com

To learn more about the New Companies Act and King III visit www.sinkorswim.co.za

