

Bells and whistles are not always the answer

SA's insurance industry has been challenged by regulation over the past few years, particularly independent intermediaries, many of whom run small businesses.

Pieter Bester, GM Sanlam Broker Distribution, says: "We have seen a number of people leaving the industry, possibly as a result of regulation, while many others who are experiencing harsh economic conditions are seeking alternative employment and focusing on business opportunities in these areas.

"This year Sanlam's net position is again stable and we have been fortunate in that we have not lost many intermediaries. A contingent of independent brokers has preferred to join reputable corporate insurance companies, many of whom have alternative distribution models in place, including franchise options.

"This represents a bid to keep financial advisers in business. With the need for a savings culture in SA, especially given the negative growth rate in domestic savings, we cannot afford to run out of intermediaries.

"Research has shown that clients are keen to seek out financial options and we've seen an increase in internet usage, along with the entry of more financial publications in the market. Another source of information is employee retirement funds."

Bester says this is largely driven by the need among clients for more unbiased information.

"People are prepared to source information from alternative channels, but once the decision is made the financial adviser is invariably contacted. So the role of the intermediary is still critical."

He says that intermediaries are also responsible for the delivery of intermediary services.

"Many intermediaries over time have downscaled the number of company contracts they have with financial institutions. It's becoming increasingly complex to deal with all the options. There is also a time issue, given that intermediaries need to attend training sessions and functions and are also



Pieter Bester ... a need for advisers.

responsible for compliance risk."

Bester's view of the future engagement of intermediaries is that fewer will be fully "open market" and be able to do business with all product providers across all businesses in the industry.

"Increasingly, the solid intermediary is likely to work through reputable brands. It's a competitive industry and client-centricity will be the key for businesses wanting to survive in future. I still believe there is solid value for money in the industry for customers."

He says there is a large industry focus on innovation, which is sometimes evaluated on the basis of the bells and whistles

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attached to a financial solution.

"Bells and whistles cost money for companies and individual customers often don't meet the qualifying criteria. This sometimes results in huge disappointment for both client and intermediary because the value promise is not met.

"Although some of these bells and whistles options may appeal to the high end of the market, the popular options for the traditional middle market remain value for money for their simplicity and transparency, as well as good and understandable communication. Satisfying these market needs may in itself be seen as innovation."

Bester says it is important to try to balance cost containment with the need for adequate insurance cover in tough economic times.

"People have the right to shop around, but we have seen many instances where cheaper is not always better. Consumers should rather have some cover than no cover at all — especially in SA."

He says recent statistics indicate a shortage of trillions of rands in the desired levels of disability and life cover in SA, with about a R7-trillion shortage in life cover and about R11-trillion in disability cover.

"In the area of business assurance, especially in the small and medium enterprise environment, we've developed professional tools for brokers to help business owners evaluate their financial and risk positions, among other aspects.

"There is huge opportunity within the South African industry for the good, solid financial intermediary. There are regulatory, cost and complexity challenges but the intermediaries who stick to their guns — whether as specialists or general financial planners — will be well placed to capitalise on these opportunities.

"This is typically so in the lower end of the market where there are huge financial gaps in policy planning and where we don't see many new entrants into this market sector at present," Bester points out.