

# Crucial to provide sound advice

WHEN the world economy is under pressure businessmen become insecure and are prone to panic-driven decisions to downsize that could have devastating effects in the longer term.

Arnold van der Linde, president of the Financial Intermediaries Association of Southern Africa (FIA), says consumers can save money without lowering their quality of life or increasing financial risks.

"Indiscriminately reducing insurance when the economy is tight is probably the worst decision to make. For example, if you cannot afford your monthly insurance premiums you should ask yourself whether you will be able to replace your car in the event it is written off or stolen."

He says there are a number of ways people can save on insurance premiums.

One is to carry certain personal risks by voluntarily increasing the excess amount. Another approach is to lock away high-value specified items such as jewellery at a bank until finances improve.

"It is crucial to consult your intermediary regularly to find innovative, tailor-made

downsizing solutions.

"This will ensure that you are in the best position to manage your finances in troubled times."

Patrick Bracher, director at Deneys Reitz, says every insured person will want to pay particular attention to managing their insurable risks, and a good insurance intermediary is the key to doing so.

"The more efficiently an insurance broker manages a client's portfolio, the lower the premium and the lower the broker's commission.

"However, in times like these brokers who give effective advice will thrive in the short and long term."

He says the Financial Advisory and Intermediary Services (Fais) Act requires insurance intermediaries to seek from their clients appropriate and available information regarding their financial situation, insurance experience and insurance objectives so that the broker can give the client appropriate advice.

Bracher says the information regarding most clients' current financial situation is likely to be less encouraging than a year ago.

It is, therefore, not easy to give the appropriate advice.

"The easy option, namely to look for the lowest premium, is not necessarily appropriate advice. Brokers must ensure the insurer company is financially sound. In addition, now is the time claims need to be handled efficiently and generously by insurers.

"It is a mistake in that context to terminate a long-standing relationship between an insured and an insurance company simply for the sake of cutting premiums," Bracher says.

**“ If you cannot afford your monthly insurance premiums you should ask yourself whether you will ever be in a financial position to be able to replace your car if it is written off or stolen.**

He says an insurance policy has to be appropriate to the client's risk profile and financial needs and will take far more careful analysis than it did a year ago, despite the fact that the broker is likely to end up with less commission this year.

An advantage that South African insured persons have over the rest of the world is that the insurance market in SA is strongly broker driven.

"We have a tradition of brokers being actively involved in designing products to fit their insuring clients and keeping the insurers mindful of the need to provide affordable products.

"There is healthy competition in the insurance industry among many competent insurers.

"If you are reviewing your insurance portfolio make sure that you get advice from a trusted broker with experience who takes the duty to give appropriate advice seriously.

"Every cent has to be well spent in 2009 and there are people qualified to help you do so, both in the broking industry and among the insurers themselves," Bracher says.