

FROM THE DESK OF THE CEO



Manie Booyesen
CEO

FIA NEWSBREAKER ITEMS

The FIA NEWSBREAKER is used to convey information to members as events unfold, regarding important industry matters, which will have an effect on intermediaries.

[Click here](#) to view the NEWSBREAKER items for July 2010.

UPCOMING EVENTS

Please visit our [website](#) for information on all of the upcoming FIA events.

Communication is essential to the work that the FIA does. In an ever-evolving industry we need to constantly communicate with both our members and the public regarding changes taking place and how this may affect them. As a result, the FIA recently took the decision to strengthen and expand our methods of communication. We believe that this is a key strategic decision in our efforts to building the image of the intermediary in the eyes of the general public and members.

Firstly, we identified the FIA website as being in need of a makeover. We refreshed the design and the layout and included the latest technology to turn our website into an effective conduit of information for the general public, as well as our members. The site is now fully interactive, including information on where to find a broker, relevant legislation and regulation, radio and video communication by members, training material and our latest media releases.

We also decided to focus our attention on electronic newsletters as a means of communicating with members, as well as an effective channel in distributing relevant information to the public. In addition we created our **Newsbreaker** newsletter to alert members to urgent news as and when it happens.

Finally, we also appointed Epic Communications, a specialised financial services public relations agency, to handle our PR requirements. We look forward to utilising these new tools at our disposal and encourage any feedback from you as to how else you would like us to communicate with you.

Manie Booyesen
Chief Executive Officer

1. New Recruits and FAIS requirements

Being registered FSP's (Financial Services Providers) employers appear to be insistent that *new recruits* must have a minimum of 30 or 60 credits before they are considered for employment, and job seekers without these skills programmes or credits, are struggling to find employment. The 30/60 credit requirement was a transitional arrangement the FSB allowed for those in the market during the drafting and implementation period of the FAIS requirements, and we have now passed that transitional period. [More](#)

2. A glimmer of hope on the economic horizon

May's liquidation statistics as released by Stats SA recently reveal a 35.7% year-on-year jump, bringing the year-to-date total to 1686 or 2.8% above the level seen in the first five months of 2009. This provides ample evidence of the severity of the economic crisis experienced last year. [More](#)

3. Mobile has huge potential for insurance, but key downsides too

A key change has happened in the mobile computing world and it's a trend that is barely one year old. Consumers - including a lot of business employees - have embraced smart phones as a primary communication method. That means that the email, instant messages, and other core communication points of the day are happening on that cell phone more of the day, with the laptop/PC accounting for a rapidly decreasing percent. [More](#)

4. Unravelling FAIS Financial Soundness Requirements for FSP's

The Fit and Proper requirement referred to as "Financial Soundness" was expanded in Board Notice 106, and affects all FSPs, from Cat I to IV. Although it only comes into effect on 1 January 2011, you may want to make sure that your record keeping is in place. [More](#)

5. Logistics for the FAIS Regulatory Exams

As the hours count down to the launch of the exams, this article looks at some of the practical aspects, such as exam venues, registration and exam format options. [More](#)

6. Binder agreements and independent intermediaries

Although certain parts of the Insurance Laws Amendment Act No 27 of 2008 are already effective, there are a few sections that the legislator had deemed necessary to defer the operation of to a later date. One such section relates to the provisions dealing with binder agreements in terms of both the Long and Short Term Insurance Acts. The main reason for this is that appropriate subordinate legislation in the form of regulations has to be in place in order to ensure that there are clear practical rules that govern the application of the relevant provisions. [More](#)

7. Deloitte Survey ranks CFO's concerns

The Deloitte 2010 CFO Survey covered the full industry, turnover and experience spectrum of 200 of South Africa's top organisations nationally, including listed and unlisted entities in the private sector as well as major state-owned enterprises. This enabled the firm to examine the economic outlook of South Africa's corporate landscape through the eyes of CFOs. [More](#)

8. Risk is Personal

There is no doubt that a million years from now our individual lives and actions will prove to be of little lasting significance. Nevertheless, we are destined to promote our immediate personal interests to the best of our abilities. Have you dwelt on what the best way to achieve this is? There are many solutions of course. [More](#)

<p>1. Lloyd’s report: Globalisation tidal wave creates new risk pathways</p> <p>Globalisation over the past two decades has surged like a tidal wave. Whilst it has made the majority of us healthier, wealthier and wiser about our planet, the financial crisis has shown it also leaves society exposed to systemic risks that, if the wave breaks, require international co-operation to predict and prevent rather than react and solve. More</p>	<p>2. Regulations to set the tone for fair treatment of customers</p> <p>The market conduct objectives as set out in the Financial Services Board’s (FSB) discussion paper on Treating Customers Fairly (TCF) provides valuable insight into how South African firms can ensure that consumers gain a better understanding of the product/s they buy. More</p>	<p>3. Consumerism, is it Ayoba?</p> <p>Over the past couple of months the South African Insurance Association (SAIA) has been focusing on consumer related issues and keeping a close eye on the Consumer Protection Act (CPA), the Protection of Personal Information (PPI) Bill and more recently, the principle of Treating Customers Fairly (TCF) which is a Financial Services Board (FSB) initiative. More</p>	<p>4. Mutual & Federal enhances SME and Commercial Business insurance offering</p> <p>Small to medium-sized enterprises (SMEs) account for more than half of South Africa’s economic output and whilst there are a number of short-term insurance products tailored to meet their needs, not all provide comprehensive indemnity with high indemnity limits for liability exposures. More</p>
<p>5. Severe SA weather patterns lead to spike in insurance claims</p> <p>Increasing weather-related damage to property as a result of severe weather conditions over the past year, has led to a sharp rise in insurance claims by homeowners in South Africa. As a result, homeowners are being urged to review their home insurance policies ahead of further expected cold spells and rainfall in the coming months. More</p>	<p>6. Is Credit Insurance at point-of-sale in jeopardy?</p> <p>Given South Africa’s legal framework which is based largely on the UK’s common law and our propensity to follow the UK’s trends in regulation, South African insurance industry role players may be concerned about the United Kingdom’s Competition Commission’s plans to ban point-of-sale credit insurance products in their country. More</p>	<p>7. Chartis SA welcomes Fitch’s AAA rating, stable outlook</p> <p>Chartis South Africa has welcomed rating agency Fitch’s affirmation of its ‘AAA(zaf)’ rating and the upgrading of its negative outlook to stable. More</p>	<p>8. Santam to purchase remaining shares in Indwe</p> <p>In a move to protect its interests, Santam has announced a resolution to purchase the remaining shares in Indwe Broker Holdings (Indwe) for a consideration of R263 million to become the 100% shareholder of Indwe. More</p>
<p>9. Disclaimers – good or bad?</p> <p>The whole question of disclaimers and indemnities, so beloved of the aviation industry, has been called into question following the introduction of the Consumer Protection Act which hits our pockets in about October this year. More</p>	<p>10. Compulsory vehicle insurance will lower premiums for SA’s motorists</p> <p>The government’s plans to make third party vehicle insurance compulsory for all South African drivers is likely to lead to a reduction in motor insurance premiums for those motorists who are already paying to insure their vehicles. More</p>	<p>11. Reviewing Risk Management preparations and lessons learned from the World Cup</p> <p>Hats off to the Institute of Risk Management of South Africa for arranging two very stimulating breakfast seminars on the risk management issues surrounding the World Cup. Although the event has come and gone, the knowledge and insights shared during these seminars will stand any Risk Manager or Intermediary in good stead. More</p>	

<p>1. Life insurers prevent record number of fraudulent and dishonest claims</p> <p>South African life insurers last year detected a record number of 4 514 attempts by policyholders and beneficiaries to access policy benefits through fraudulent and dishonest means, saving the industry and ultimately the policyholders R745.4-million in 2009. More</p>	<p>2. New living annuity standards to protect pensioners</p> <p>South African life companies have three months left in which to implement a number of provisions designed by the Association for Savings and Investment South Africa (ASISA) to mitigate the risk of pensioners exhausting their capital invested in investment linked living annuities. More</p>	<p>3. Retiring with dignity</p> <p>The risk of capital loss is a concept that is, without a doubt, well-known and feared by virtually every investor. It continues to dominate investment decisions and investors seem to be blissfully unaware of other, equally important, risks involved in making decisions surrounding their retirement. More</p>
<p>4. How much does it take to retire?</p> <p>While consumers should always have their financial needs assessed by a qualified financial adviser when deciding on a savings and investment strategy, actuarial models show that a good rule of thumb is that 12 times your annual salary is likely to buy you a financially comfortable retirement. This is assuming that you are debt free by the time you retire. More</p>	<p>5. Barriers to entry in the investment industry; impact on fund performance</p> <p>Barriers to entry are the source of an industry or business's pricing power - the ability to raise prices without losing customers. The primary driver is to restrict competition in a market. The investment industry, like any other industry, has created and maintained "barriers to entry". These are apparent in many forms; some beneficial to the investor and others potentially not. More</p>	<p>6. Small and mid-caps show their mettle</p> <p>It is unlikely that most investors in South Africa can name a good company outside the Top 40 Index. This is because most investors regard an investment in mid-cap and smaller companies as too risky. This misconception stems from a behavioural finance concept called familiarity bias. More</p>
<p>7. Overview of unit trust returns for the quarter ended 30 June 2010</p> <p>The best domestic categories for the three-months ended June 2010 Gold and Precious Metals and Foreign - Fixed Interest - Bond Gold with 8,24% and 3,28% respectively. This was due to a weakening in the rand accompanied by a strong increase in the gold price. More</p>	<p>8. Growth stocks don't grow</p> <p>Whilst some companies carry the title "growth stocks", the evidence shows that, despite this name, these firms don't grow their earnings faster than the market. More</p>	<p>9. Heightened risk aversion has not dampened foreign investors' interest in SA markets</p> <p>South African bonds and equities experienced the largest weekly foreign net inflows since April 2008 and October 2009 respectively in the week of the 2010 FIFA World Cup™ final. More</p>
<p>10. Reflections on a new decade – will the sharp fall in interest rates lead to a repeat of last decade's bull run?</p> <p>Investors now face the question of what to expect for the next 10 years, or at least five – the generally accepted period for "long term investing". Is it reasonable to assume we will achieve a similar level of prosperity and wealth creation as experienced in the present decade, going forward? More</p>	<p>11. Investors remain uncertain of long term equities performance</p> <p>Results from the July 2010 Sanlam Investment Management (SIM) Investor Confidence Index - a monthly survey conducted by the Institute of Behavioural Finance (IBF) among institutional investors and financial advisors. More</p>	<p>12. FSB to host 'world cup' of securities regulators</p> <p>The Financial Services Board (FSB) will be hosting the 36th annual conference of the International Organisation of Securities Commissions ("IOSCO") from 17 to 21 April 2011 at the Cape Town International Convention Centre (CTICC). This will be the first time that this conference is hosted in South Africa and only the second time in Africa. More</p>

EMPLOYEE BENEFITS

1. FSB appoints trustees for electrical contracting industry's retirement and provident funds

The Financial Services Board (FSB) has taken regulatory action by appointing a board of trustees for the Electrical Contracting Industry Pension Fund and the Electrical Contracting Industry Provident Fund. [More](#)

2. FSB plans e-learning for retirement fund trustees

The Financial Services Board (FSB) is considering establishing an e-learning retirement funds trustee training tool to assist trustees in fulfilling their fiduciary duties and responsibilities with greater confidence. [More](#)

HEALTHCARE

1. Fedhealth maintains AA- GRC rating

Global Credit Rating, an independent international ratings company, has maintained Fedhealth's AA- rating for the current year. [More](#)

2. Strong vote of confidence in Momentum Health paves way for untrammelled growth

Global Credit Ratings "GCR", an independent agency that rates medical schemes' claims paying ability, has for the sixth consecutive year afforded Momentum Health an A+ rating, denoting the scheme's high claims-paying ability. [More](#)

3. Epilepsy is a prescribed minimum benefit

This issue of CMScript the Council for Medical Scheme's e-newsletter dedicated to prescribed minimum benefits (PMB's), addresses epilepsy and how this condition is covered by PMB legislation. [More](#)

CONCLUSION

We hope you have found this edition of Inform useful and would welcome any feedback you may have. We would also welcome any input with regard to topics you would like covered.

Yours sincerely

FIA Secretariat

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