

Strapping out the small print

Moves to offer understandable finance products

PENDING consumer-orientated legislation and similar initiatives ought to level the playing fields between financial intermediaries and product sellers — and provide a “new deal” for hard-pressed consumers in the choice of products and services.

Barry Taylor, an FIA director and chairman of the organisation’s short-term executive committee, says there has been much emphasis on forging relationships at FIA and senior insurance executive level to ensure fair and transparent dealing with insurance customers.

To date the pressure has been on intermediaries, particularly in terms of the regulations in the Financial Advisory and Intermediary Services Act (FAIS).

“That to a large extent dictated the behaviour of intermediaries, but did not equally apply to insurers and other service providers where there was little control or regulation over the products offered or the methods by which they were sold.

“The Consumer Protection Act and the forthcoming proposed “Treating Customers Fairly” initiative of the Financial Services Board will apply equally to intermediaries and insurers. Insurers will have to make certain that the products and services they offer are fair and equitable and that the manner in which they promote and sell these is also fair.

“Benefits will have to be quantifiable and ensure that customers understand what they are buying and that the product meets their reasonable expectations.”

Taylor says that the FIA has a good working relationship with a number of the major product providers where a culture of consultation at the time of introducing new and innovative initiatives ensures that the end product will have benefits for the consumer.

“It is going to make a difference if the insurer in future sees the FIA and its constituency as a business partner which it can approach to share ideas and concepts to the benefit of the consumer.

“What the insurer will receive from us is fair comment, but with the intermediary still maintaining its position as the ‘champion’ of its customers and their needs.”

Taylor says it is important that practitioners have proper knowledge of the products and services they are selling. In terms of FAIS as well as FSB require-



ALL REPORTS BY **DAVID JACKSON**

SET OUT CLEARLY: Barry Taylor, FIA director and chairman of the organisation’s short-term executive committee. Picture: JEREMY GLYN

ments, all intermediaries and salesmen dealing with customers would have to be aware of the legislative and statutory requirements of their business by way of a mandatory examination (known as RE 1). The deadline for this is the end of 2011.

known as RE 2. The deadline for this is 2012. “This is going to bring about greater professionalism within the industry,” says Taylor, “and, hopefully, people who are selling to consumers will have an understanding of the legislative requirements, their products as well as the needs of their customers.”

Taylor says that study material is being provided by the Insurance Institute of SA (among others) to assist in the examinations.

He says there is a growing concern in the short-term industry that the standards of knowledge, education and development are below par and that it is essential for the future sustainability of the industry

that the major role players, including the FIA, South African Insurance Association and the Insurance Institute of Southern Africa, take the initiative in developing a sustainable and workable solution. The FIA is committed to the ideals of a more professional and well-educated industry and is prepared to take a lead in such an initiative, says Taylor.

Contracts customers comprehend

THE main aim of pending consumer-protection legislation is to improve the standards of information passed on to consumers — and this brings with it a front-line role for financial intermediaries.

Intermediaries should ensure that consumers understand what they are buying and paying for, and that contracts are in plain language. The legislation promotes fair business practices and protects consumers’ rights — specifically guarding against unfair marketing or pressure selling. Pieter Cronje, an FIA director who chairs the employee benefits executive committee, says FIA focus primarily on financial advisers’ or intermediaries’ direct dealings with individuals.

Cronje says that at first glance it appears that the Consumer Protection Act has ushered in many changes to the old legislation. However, several of these are covered by existing legislation in the pension funds environment, and in the general code of FAIS (the Financial Advisory and Intermediary Services Act).

“But what will have to be taken into account from an intermediary perspective is specifically where brokers are direct sellers of umbrella or retirement annuity products. They will obviously have to examine their marketing processes, to ensure that they are fair and do not involve pressure selling and they will need to ensure that the people to whom they sell the product understand what they are purchasing.

“That in itself is a challenge because employee benefit products can be very complex. The onus will be on intermediaries to prove that they have unpacked the product in a manner that consumers will understand. The CPA also adds a new level of record keeping in the sense that intermediaries will have to keep records showing that they have drilled down to a level that consumers have understood.

Among the issues on which intermediaries will also have to focus is that of fees disclosure. Cronje says the new legislation goes beyond FAIS on the disclosure of fees — intermediaries would be required to disclose the actual amount that the consumer will be paying.

And specifically with retirement annuity funds, the intermediary would have to disclose that the customer will not be able to make an early withdrawal before the age of 55. He says the FSB’s “Treating Customers Fairly” initiative would probably have a bigger impact on product suppliers than intermediaries since

intermediaries already treat customers’ fairly. “There may be new requirements for product suppliers to ensure that from the development stage of the product, customers needs are taken into account.”

Reviewing the pending legislation as a whole, Cronje said: “There is no radical change in the manner of doing business, for those who are already doing business correctly.”

Goal is healthy understanding

AMONG issues of concern to healthcare consumers are issues of medical practitioners or specialists charging above medical scheme tariffs, along with the spiralling costs of healthcare treatment and medicines.

FIA healthcare intermediaries can assist consumers to choose the best options through the expert industry advice they are able to offer.

“We actually found a specialist during the course of last year who charged up to 80% more than a specific medical scheme rate, which is ludicrous. Such instances are of definite concern to consumers,” says Linza van Aswegen, an FIA director and chairman of the association’s healthcare exco.

“The only solution is to educate our members and consumers and this is the important role that the healthcare intermediary can play. The healthcare industry is very dynamic but unfortunately it is also very complex. To give consumers a medical scheme brochure and leave it with them without offering advice or explanations serves no purpose.

“The terminology is such that the medical scheme intermediaries themselves frequently need to update themselves, so the consumer is often unaware of what the implications are.

“We need to educate our customers and by doing so, we are also treating them fairly. With regard to FIA intermediaries, this is something we have been doing since we first opened our office doors. Without the consumer, we can’t run a business.

“The role of the intermediary is not only an administrative one and about signing up a member on a medical scheme and then disappearing,” says Van Aswegen. “The healthcare intermediary has the most administrative and intensive task compared to any other pillar of insurance.”

Van Aswegen says that treating the consumer fairly is a fundamental principle of the FIA’s healthcare intermediary services mandate.

A fund that works just as hard as your employees.

When you employ someone, you want the best person for the job. The same goes for choosing a retirement fund to help your employees take control of their financial future. Momentum is ecstatic that FundsAtWork has won the prestigious FIA Employee Benefits Product Supplier of the Year award. What it means is that we’ve succeeded in providing the market with an umbrella retirement fund that is innovative, flexible, easy to use and transparent. In short: a fund that will continue working for your employees long after they’ve stopped working for you. Contact your financial adviser or Momentum financial planner to find out how Momentum can help you and your employees make a success of life.

making a success of life
momentum

insurance | investments | retirement | health

Momentum is an authorised financial services and credit provider.

Playing the sitar requires exceptional skill. Stirring the heart demands true passion.

Traditionally, a long period of apprenticeship under the tutelage of a master is vital to learn the intricacies of the sitar. But truly mastering this ancient instrument also requires fine-tuned intuition.



Glenrand MHB’s extensive experience enables us to think intuitively. This powerful formula culminates in the passion that drives us to create your ideal risk solution. And we always push ourselves further to deliver service beyond expectation.

To find out how a partnership with us can benefit you, call 011 329 1111 or email info@glenrandmhb.co.za

www.glenrandmhb.co.za
Insurance Brokers & Risk Advisory Consultants
Glenrand MHB is an authorised financial services provider.

