

success will be the intermediaries' ability to conduct himself in a manner which puts the clients interests before our own; a belief in the concept of an honest broker. We stand at a crossroads where a decision will have to be made. The question remains as to whether intermediaries should be rewarded solely for the sale of a product or whether they are to be rewarded for the professional services rendered as an integral part of the sale.

Those who elect the former are condemning themselves to a model which will come under increasing pressure as certain products become more and more commoditised and price is the only determining factor - those who choose to add value to the process have a justifiable reason for existence. As Warren Buffet says, "Price is what you pay – value is what you get."

In order to plan a way forward, it is valuable to examine where we are right now. It is easy to grow despondent given the threats we are currently facing, but intermediaries still remain the dominant player in both the short- and long-term insurance markets.

Currently, the short-term insurance spend is calculated at approx R70 billion per annum. Of this, a paltry 10% is taken by those who believe insurance is a commodity relegated to sale by direct advertising and call centres. A similar amount is accounted for by affinity type business and alternative risk transfer placed directly with carriers. The remainder, an excess of R55 billion, or a whopping 80% or more, is per the intermediary channel.

Our influence in the long-term market is no less impressive. The major life assurers income is marginally in excess of R100 billion per annum, almost all of which is channelled through intermediaries, being split almost equally between tied agents and brokers. Likewise, the unit trust industry continues to be overwhelmingly dependant on intermediation via business directed through Linked Investment Service Providers (LISPs).

This dominance is under challenge.

Direct Insurers

One has to question the value a call centre adds to an existing or potential client's purchase and whether their staff are adequately trained to give this advice. Some of the call centres are not even based in South Africa. Contrast this with a qualified intermediary who has the best interests of his client at heart, personal contact, a relationship with the

supplier which smoothes the transaction and it becomes clear who is able to offer after-sales service. This should not be a difficult decision for the client.

I have been told that for every Rand spent, only 50c is returned by way of claim. Contrast this with the traditional underwriters who return almost 70c. Let us recognise that the so-called direct operators are not the real enemy but rather weak competitors.

Traditional Insurers

Product houses who traditionally utilise the intermediary channel are investigating other methods of acquisition. We need to convince them that their best hope of a successful business model still lies mainly with the intermediary. We do this by supporting them with our business wherever possible – vote with your feet, Intermediaries. Do not support those who do not champion our cause.

Pricing

Assurer and insurer alike are under pressure to deliver their offering at reduced pricing as a consequence of all the advertising, which emphasises only cost and excludes the benefit of advice and service. It is worth noting that a service in the UK now offers advice as to which is the best of the direct marketers. We must as intermediaries assist the traditional suppliers to maximise efficiencies as well as volubly advise our clients of the benefits of doing business with them, in particular when it comes to claims settlement.

Legislation

Consumer protection legislation, whilst both necessary and desirable, is forcing experienced intermediaries into earlier retirement and discouraging new entrants to the industry as the regulatory examinations take their toll. This trend needs to be reversed and will require an initiative which encompasses all interested parties. At the FIA, we recognise that much of the existing and proposed legislation needs to be ameliorated and refined so that it may become fair, unambiguous and user friendly.

So, fellow intermediaries, shrug off the insults and insinuations of product houses who do not use our services and who are, in fact, constantly in the forefront of consumer complaints. Let us be proud of ourselves and what we do.