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It's time to go the extra mile

Intermediaries who provide top-class service will survive in a volatile financial climate, writes DAVID JACKSON

SHORT-term insurance intermediaries face a challenging year, given the ongoing implementation of regulation and legislation, increasing competition from direct insurers and the volatile state of the global economy.

But for the intermediary who stays ahead of the game there is still value to be had in terms of business potential, says Barry Taylor, director and chairman of the short-term exco at the Financial Intermediaries Association of Southern Africa (FIA).

"It will be a tough year trying to find the right balance between selling and servicing, but those intermediaries with suitable skills and a good approach to building and maintaining a client base will come out on top," says Taylor.

"The market has become saturated with direct players, which can only lead to confusion among those consumers who are no longer receiving advice and instead are buying a commoditised product without knowing whether it is right for them. It is those financial intermediaries who go the extra mile for their clients who will reap the benefits."

Taylor adds that in addition to the challenge of competing with a multitude of direct products, intermediaries will need to get to grips with the implementation of numerous regulatory requirements, including the early phases of the Financial Services Board's (FSB) Treating Customers Fairly initiative and ongoing regulatory examinations. Completing the examinations is likely to remain a concern for many intermediaries.

"While ongoing regulation is a given — and with the FSB now stepping up their enforcement efforts — the precarious state of the global economy is likely to continue to have an impact on the financial services industry, whether we experience another dip or just stay depressed. In SA especially it is the middle income market that is under increasing pressure, mainly from rising utility and transport costs, food prices and inflation, without an equivalent income increase and with property prices remaining static.

"It is here where the skills of an innovative and service-driven intermediary will find the balance between offering an alternative solution for clients rather than facing cancellation of cover."

Taylor predicts that 2012 will also bring another set of challenges in the form of new world delivery and communication methodologies.

"Electronic interfacing with insurers and clients, as well as the increased use of social mediums of communication, may present some challenges for those advisers who do not stay abreast of technological advancement or simply do not have the resources.

Barry Taylor ... finding a balance between selling and servicing.

"The large industry players will have the resources for these technological developments. However, there are still opportunities for the small intermediary where good service versus system-driven service is involved.

"Critical for intermediaries is the need to continue honing skills, understanding clients' requirements and offering a range of innovative and cost-effective products backed up by good service," says Taylor.

"The value of the short-term insurance intermediary must be felt by their clients and this will no doubt be the determining factor in distinguishing between those who fail and those who survive the challenges to be faced."

Gavin Came, chairman of the FIA's Financial Planning Committee, says that the outlook for professional financial planners is as rosy as ever, for a number of reasons.

"The implementation of FAIS (Financial Advisory and Intermediary Services Act) has led to a rapidly maturing industry where the financial adviser who grasps the reality of a global financial services world and its related regulatory load will ultimately be the winner."

Came says that while not obvious at the time the road to FAIS and the raft of financial protection measures that began with SA's readmission to the global stage in the mid-1990s contributed to a positive future for the financial intermediary.

He believes that 2012 will see a steadily stabilising environment where financial advisers will begin to realise the benefits of implementing appropriate systems that recognise and respond to regulatory oversight. In turn, consumers will gradually realise that the increased cost of this oversight is for their account, he says.

"Unfortunately, one of the repercussions of this steadily increasing oversight is the fact that intermediated advice is simply not financially possible at the lower income levels. Consumers with less than about R1 000 a month to save or to deploy to protect their loved ones will not benefit as they are sold direct products with self-generated, unanalysed needs being met.

"These consumers will never be offered a choice of financial products as they respond to 'single need' advertising thrust at them. They will be subject to the skill of the advertising agency rather than the skill of the financial adviser."

At the other end of the scale, says Came, a trend towards sophisticated family offices will start emerging as ultra high net-worth clients demand more value than merely broking risk.

"This value-add will be delivered by multidisciplined teams who look after every aspect of such a client's financial life, from short-term insurance to sophisticated asset management to bookkeeping and tax advice. This will represent the convergence of the conventional professions of law and accounting with the emerging professional financial adviser," he says.

■ The FIA represents more than 15 000 licensed financial services advisers throughout southern Africa. The organisation recently evolved into a single national body representing the bulk of active licensed intermediaries in SA's financial services industry.