

27 September 2016

A review of the 2016 FIA Roadshow



Introducing the “Dynamic Days” concept

The 2016 FIA Roadshow took place at nine venues throughout South Africa, beginning in Nelspruit on 30 August 2016 and culminating in Cape Town on 27 September. This year we decided to get members of the FIA more involved in the programme with FIA Regional Directors or Branch Chairs handling the welcoming address and FIA staff taking responsibility for the Master of Ceremonies role at each event. FIA President, Jay Ramsunder, presented the closing address countrywide.

The new format was well received and it was great to see active members of the FIA sharing their passion for the association, the industry and for the value of financial advice. “Dynamic Days” was chosen as the theme for the 2016 FIA Roadshow with emphasis on the word dynamic.

The dictionary defines the word dynamic as “a process or system characterised by constant change, activity, or progress” – which is an accurate description of the intermediated distribution environment that each FIA member practices in today. Dynamic also refers to “a person positive in attitude and full of energy and new ideas” – the exact character traits needed to succeed in a competitive environment, especially during tough economic times.

With Dynamic Days as our theme we then challenged each of our presenters to deliver a powerful message specifically tailored for the intermediary. We asked that they address industry-related issues and, where possible, offer strategic advice on how advisers and brokers could best position their advice practices for the future. This review includes some of the key outtakes from each of their presentations.

A word of thanks to our sponsors

It is expensive to take a roadshow to nine venues countrywide and it is only thanks to the generous support from our sponsors that the FIA was able to offer this quality programme ‘free of charge’ to FIA members and non-members alike. A special word of thanks therefore goes to our main sponsors –

Liberty and Santam – and to our support sponsors Astute, Fuclrum, PG Glass and Tracker. Your support is truly appreciated.



Jacques Rossouw, CEO of Astute presenting to the 2016 FIA Roadshow, Nelspruit



Sustainable advice is crucial for positive customer outcomes

~ A presentation by the FSB to the 2016 FIA Roadshow: Extracts from the Insurance Conference, Sun City, 2016



Ms Caroline da Silva with MC, Alec Hogg

It is tradition for the FIA Roadshow to include feedback from the regulator. Full diaries made it impossible for representative from the Financial Services Board (FSB) to attend each of the nine events so a decision was taken to feature a short but powerful recorded message instead.

This took the form of excerpts from Ms. Caroline da Silva’s (DEO: FAIS at the FSB) address to the Insurance Conference, held at Sun City, 24-27 July 2016.

Ms. Da Silva started her address by commenting on the regulatory process. She noted that responsible regulators considered a range of economic factors before drafting a new law. “The regulator will not pass regulations that go against the consumers’ will or that put somebody out of business simply because they are innovative and are able to provide competitive pricing,” she said.

Strategic drivers of regulation

There are a number of strategic drivers – each with an impact on business and financial markets – that the regulator must respond to. On the economic front the 2008 Global Financial Crisis (GFC) has redefined how regulators view banks and insurers. “The GFC taught us that the world is interconnected – that markets are interconnected – and that where you have concentration risk the impact is more systemic on the market than can be tolerated,” said Ms. Da Silva.

South Africa’s move towards a twin peaks model of financial market regulation – made up of a market conduct authority and a prudential authority – was triggered by the GFC. Those in attendance at the FIA Roadshow were informed that the main body of legislation to create the necessary twin peaks

structures – the Financial Sector Regulation Bill (or FSR Bill) – was already in parliament and expected to be in force by January or April 2017.

On the prudential regulation side we await the introduction of the Solvency Assessment and Management (SAM) regime which will be in force once the Insurance Bill is passed. This Bill is also in parliament and is expected to 'go live' soon after the FSR Bill.

“Once the FSR Bill is assented the FSB will close its doors and reopen as the Financial Sector Conduct Authority (FSCA) which will focus purely on market conduct across the entire financial sector,” said Ms. Da Silva. At present the FSB only regulates the conduct of role players in the non-banking sector; banks will be added to its mandate under twin peaks. Aside from adding to the sectors that fall under the market conduct authority's control, the FSR Bill changes the approach the regulator will have to take.

From 'rules focussed' to pre-emptive

The country's insurers and financial services providers (FSPs) should expect a shift from backward looking, compliance based and rules focused market conduct regulation to one that is proactive, pre-emptive and outcomes focused. “We have to get close enough to business to understand what the risks are and in that way we will be more intrusive,” she said. This will be a significant change from the way things are currently done and the FSCA will have to both reskill existing staff and hire in new skills where necessary.

Technology emerged as a major theme at the 2016 FIA Roadshow and it became clear that the regulator was wrestling with this trend too. To fulfil its new proactive and pre-emptive role the market conduct authority will have to understand the market. “In order to track the market we have to have data and in order to anticipate trends we have to have data analytics capability,” said Ms. Da Silva.

A second strategic driver for domestic regulators is the socio-economic and political environment. Both the FSB and National Treasury are painfully aware of the growing divide between rich and poor, the unemployment statistics and the crisis in education, among other social ills. From a financial markets' perspective the solution to these social ills begins with wider access to financial services.

Interventions toward inclusivity

The micro-insurance framework, which proposes a new dispensation for micro-insurers; the FSR Bill requirement for law to be proportional; revisiting of competency standards; and proposed amendments to the Conflict of Interest Codes under FAIS were all held up as possible regulatory responses to ensure greater inclusivity in the sector.

The consumer remains at the heart of everything that the financial sector regulators do. “The future FSCA will be about making sure the industry is sustainable and treats its customers fairly – because an industry that a customer has confidence in is an industry that grows,” said Ms. Da Silva. Regulation such as Treating Customers Fairly (TCF) and the requirement for advisers to sit Regulatory Exams were the first steps towards achieving a sustainable industry. The next step is the Retail Distribution Review (RDR) which will get underway again once the FSR Bill and Insurance Bill are finalised.

A pertinent fact shared by Ms. Da Silva is that consumerism is a central objective of the RDR. “We believe that consumers need advice – and if the advice market is not sustainable we believe that we

Intermediated Distribution at Santam, who shared the presenting duties at the 2016 FIA Roadshow with the insurer's Executive Head: Commercial and Personal, Edward Gibbens.

"This combination of customer centricity and technology has been bundled in the insurance world through a concept called Insure-Tech, while the banks refer to it as Fin-Tech," said Coutts. He added that Insure-Tech was being driven by the customers' desire for connectivity, simplification and personalisation. Santam singled out five examples of technology's influence on the insurance landscape.

Five technology buzzwords

Peer-to-peer insurance: This is a development wherein the traditional insurance carrier is left out of the value chain. "You almost become a provider of re-insurance because customers are turning to 'crowd sourcing' to insure and protect one another," he said.

New data sources: The Internet of Things (world of connected devices), smart phones and social media were all singled out as new sources of data. Coutts said that the volume and availability of data would result in an unprecedented shift towards personalised risk ratings. Behavioural-based ratings will be built around predictive data based on how the insured lives his or her life. "If you download an application and you do not pay for it, then you are the product that they are downloading," he warned.

Data modelling: The world of 'big data' introduces challenges with regards how this data is beneficially used. Insurers such as Santam believe there will be a greater focus on predictive modelling wherein the geyser is replaced "just before it fails" to prevent consequential loss.

Turn-on, turn-off insurance: The market is already seeing pay-as-you-go insurance products and it is entirely likely that drivers will soon be able to purchase insurance cover for a single trip. The unit cost of insurance will be much higher; but the ease of transacting will be attractive to tech-savvy consumers.

Block-chain: Concerns over data security remain one of the major obstacles to transacting over the Internet. "In a world where the Internet becomes a secure place to transact thanks to algorithms similar to those that secure Bitcoin then the dynamic changes," said Coutts. Block-chain could be the precursor for self-fulfilment of insurance policies as claims information could be automatically and independently verified online.

Relevance in a dynamic world

How do financial services providers thrive in this world? And how can we take these changes in our stride and remain relevant in the new world? Santam answered these questions by considering the role of the industry, the intermediary and the insurer.

To understand the future role of the short term insurance intermediary requires some context. Coutts explained that intermediated insurers and their distribution networks had missed a trick or two when direct insurers entered the marketplace some 15 years ago. "The direct guys entered the market with new technology platforms and new ways of interacting with the customer and the insurers were slow to provide the intermediary with the services necessary to keep up," he explained.

As the direct insurers ate into the intermediaries' share of personal lines business, brokers were forced to take on work that they did not necessarily want to perform in order to respond to their clients' service needs. The mistake made by the stakeholders in the intermediated distribution environment was to allow innovation to happen outside of their control – the challenge is not to repeat this mistake as Insure-Tech unfolds.

The world is volatile and uncertain and firms face more risks today than ever before. In this environment the value of intermediation cannot be underestimated. "It is critical that we recognise that advice is an important part of the product offering and that it is not something that you give away for free," said Coutts. He observed that mid-tier firms had two choices when seeking risk management advice – they can either pay a global consulting firm or appoint a good broker.

The value in advice services

A good broker will do a complete risk analysis, identify the risks that the firm faces, advise on ways to mitigate those risks and put in place the necessary insurance covers. Brokers that are professional and recognise the value in the advice services they perform will find new revenue streams opening up to them. There are also many opportunities beyond the traditional market.

"We have to realise there is a black middle market out there that is three times the size of the white middle market and yet we are not in that space," said Coutts. By way of example MiWay – a wholly owned direct insurer within the Santam group – writes 96% motor standalone business of which 75% is in the black market.

There are a number of ways in which smaller advice practices can ready their businesses for today's dynamic world. Top among these is to utilise technology to save time... Another is to ensure that you employ the right people with the skills to move your practice into the tech space. "If you are not geared up to understand the benefits of technology then employ people around you who are capable in that area," he said.

Brokers must also learn to differentiate their services from those of the direct players and other competing brokers. Once these differentiators are clearly defined it is important to incorporate them in every business decision taken.

Distribution channel of choice

Coutts closed his presentation with words of encouragement for short term insurance brokers and intermediaries in general. "The intermediary is and will always be Santam's channel of choice – not because we are loyal to broker – not because brokers built our business – but because brokers will be fundamental to the success of our future business," concluded Coutts. "The future of intermediation has never been brighter".



The dynamic world of employee benefits

~ A presentation by Liberty Corporate to the 2016 FIA Roadshow

Liberty Corporate joined the 2016 FIA Roadshow as a 'first time' sponsor of the event and allocated two of their employee benefits specialists to the roster. Their presentation, titled "The Dynamic Word

of Employee Benefits” was delivered by Arno Loots, Head of Umbrella Fund Solutions or John Taylor, investment marketing actuary.

Liberty Corporate started off with a whirlwind tour of the changing regulatory environment, having identified no fewer than 13 legislative acronyms that the country’s financial advisers and insurance brokers should be aware of. These varied from laws that FIA members are quite familiar with – such as FAIS, TCF, RDR, Twin Peaks and SAM – to those specific to the retirement funding environment – like Regulation 28, EAC and Defaults.

Introducing defaults in retirement

“Treasury is proposing three defaults in the retirement space including default investment strategies in pension funds and RAs, default annuities (once a member retires they default into an annuity) and default preservation (when people change jobs to try and keep money in the retirement fund rather than people taking the cash),” said Loots. He mentioned that life and investment firms faced huge challenges when the T-Day changes were pushed out to 2018 instead of going live in March 2016.



Arno Loots, Head of Umbrella Fund Solutions at Liberty Corporate presenting to the 2016 FIA Roadshow, Johannesburg



According to Loots the regulators – both National Treasury and the Financial Services Board – are focused on clearer advice disclosures. They want to make sure that customers understand what they are buying; that product suppliers reduce costs on their risk and investment products; and that the right advice is given. In particular the retirement fund reforms are documented in Treasury’s red book, titled “A safer financial sector to serve South Africa better”.

What can advisers expect from the remainder of 2016? It seems FIA members can look forward to playing a waiting game. The next paper dealing with Treasury’s national social security scheme (NSSS) is long overdue and seems to be a sticking point, because the unions are refusing to engage on retirement reforms until more is known about social security. The next draft of the defaults paper is expected in the final quarter of this year. The conclusion from this section of the presentation was that regulation is here to stay!

A significant shift to the customer

“Customers know more and they want to know more, but they still want face-to-face interaction when transacting for financial products,” said Loots. Recent surveys conducted by the insurer suggest that price is not necessarily the most important factor driving customer decisions, but rather ease of doing

business; professionalism of advice; the right credentials and trust. It is also important that the product lives up to its promise. “In our environment we are seeing that business-to-business is evolving to business-to-business-to-customer,” he said.

A major customer-centric trend is the growing impact of the so-called millennials – those born after 1980 – on the business sector. This subset of the market will make up around 75% of the workforce by 2030. The challenge to advice practices is to analyse the demographic data, work out who they will be conducting business with in five or 10 years and put plans in place to service them appropriately. “Liberty is building our entire strategy around customers – we have restructured the entire group to focus on what the customer needs – and that is easier said than done,” he said.

Huge potential among SMEs

Liberty Corporate shared some of their estimates for the domestic small and medium enterprise (SME) sector. There are three factors contributing to the importance of this sector. First, Treasury favours EB solutions as a vehicle for a safe retirement – second, government is trying to generate growth through SMEs – and finally government is thinking of enforcing mandatory savings for retirement. The potential is clear for all to see.

“We are sitting with in excess of half-a-million SME businesses without retirement solutions – a massive number – and remember a company consists of many individuals,” said Loots. There are many areas where advice practices can get involved to assist these companies. Advisers can leverage on the relationship that they have with the SME owners – with assistance from partners – to offer a range of services that go way beyond short term or financial planning services only.

The cornerstone of business

The most important question that financial advice practices should answer is: “How are you using technology in your environment”. Loots pointed out that technology is the cornerstone of doing business and a ticket for entry to the modern financial services sector. He added that Liberty Corporate spends as much as 25% of its operating budget on information technology.

There will be exponential change in the financial services sector as technology such as cloud services make it possible for firms to buy ‘off the shelf’ solutions for data and transaction management instead of building expensive systems in-house. “Why would every insurance company build their own premium collection system when they can buy one from a UK-based software developer?” he asked.

Bedtime reading to stay informed

To stay ahead of the game advisers must stay up to date with regulation and innovation, because customers trust those who are ‘in the know’. People trust advisers with their lives – they trust their advisers to make sure that their financial objectives are met – and this trust goes way beyond the immediate need for a product.

“There is a great opportunity for financial advice practices to start building employee benefits books as by doing so they can expand their product offering,” concluded Loots. “And remember employee benefits solutions offer a gateway to the individuals within the SME”.



The Fin-Tech revolution is upon us

~ A presentation by Astute FSE to the 2016 FIA Roadshow



Jacques Rossouw, CEO of Astute

Technology was a central theme at the 2016 FIA Roadshow with Astute's CEO, Jacques Rossouw, presenting on the changing dynamic arising from the Fin-Tech revolution.

Fin-Tech refers to the technology-based innovation that is pervasive across the financial sector, including at banks and insurers. "Companies outside our industry will disrupt traditional institutional businesses," said Rossouw. He added that the country's large traditional insurers were actually better-placed than these outsiders to lead the disruption.

A technology presentation is incomplete without a comment on big data. There will be more than a trillion connected devices – cars, fridges, houses, phones and many others – by 2030, generating more data than mankind can comprehend. "The 'Internet of Things' is fundamentally changing the way that the insurance industry should think about serving customers – it is called a revolution – it is not if it is going to happen – it is happening already," he said.

'Bits and bytes' currency

The key outtakes from Rossouw's presentation tied in with the major themes that emerged from the 2016 World Economic Forum held in Davos, Switzerland. These include the digitisation of money; unprecedented reach of mobile telephony; a data explosion; the blurring of lines between industries; and the threat of data breaches.

How should firms respond? Consumer behaviour is forever changing the way that insurance companies do business. They must understand what the customer needs and redefine how to interact with them. The result is that product design begins with the question: 'What does the customer want?' The solution is then designed from the top down based on the answer.

"We are in the midst of a technology revolution and we all need to embrace the change that is coming and adapt to it," concluded Rossouw. Even traditional insurers and insurance brokers with hundred-plus year histories have realised that they need to reintroduce excitement to the world of insurance. They are changing the way they do business – shouldn't you?



The insurance industry is ripe for ‘Big Bang’ disruption

~ A presentation by Tracker to the 2016 FIA Roadshow



A full auditorium at the Atterbury Theater, 2016 FIA Roadshow, Pretoria

In their presentation “Changing customer needs – How to add value” Tracker provided insight into using big data to position firms to take advantage of the ‘millennial’ client. The pervasiveness of smart tracking devices places Tracker in a unique position to analyse big data. Two examples were discussed at the 2106 FIA Roadshow, the first focusing on information created by a single user and the second by the behaviour of a large subset of users.

Tracker is privy to masses of behavioural information from a single users’ vehicle data. They can observe long term trip trends that signal changes in address, employment status, preferred shopping destinations and a range of other factors. In real time they can pick up in-trip incidents such as breakdown or accident. This information can assist brokers in following up on clients who have failed to update their risk profiles as well as offer value-add services such as despatching emergency vehicles or tow-in services.

Shopping mall statistics

The recent opening of the Mall of Africa provides an interesting glimpse into the future of big data. Tracker compiled a report comprising data from 14611 vehicles with its smart devices fitted. “We could identify which suburbs these clients were coming from, what brand of vehicle they were driving, the number of mall visits in the day and at what time of day the mall had the most visitors,” said Henry Steyn, regional manager at Tracker. In closing, Tracker suggested that future insurers and insurance brokers would either be completely focused on a single product or truly diversified. “We can assist by analysing and understanding big data and empowering firms to add value to their clients – those who anticipate the unpredictable are assured success,” concluded Steyn.



Flying in the face of adversity

~ A presentation by Fulcrum to the 2016 FIA Roadshow



Left: Vaughan Jones, CEO, Fulcrum with Priscilla (Santam) following his presentation in Bloemfontein
Right: Fulcrum team in attendance at the 2016 FIA Roadshow, Johannesburg

“Nobody wants to try and do good things with bad tools; but our initial instincts are often wrong and we need to gain an appreciation for the unexpected advantages that come out of adversity,” said Vaughan Jones, CEO of Fulcrum, at the 2016 FIA Roadshow. His “Flying in the face of adversity” theme provided examples from the world of cognitive psychology, entrepreneurship, football and big business on how success can be achieved from “a bit of a mess”. Psychology professor Daniel Oppenheimer found that the examination results of a group of students whose study notes were in an almost illegible font had better results than those with an easy font. “The more difficult fonts forced the students to slow down, work a bit harder, think a bit more about what they were reading – and so they learned more,” said Jones.

From weakness to strength

In 2015 Forbes estimated Virgin founder, Richard Branson’s net worth at US\$5.2 billion. Few know that Branson suffers from severe dyslexia which forced him to leave school at age 16. He attributes his success to ‘strengths’ developed to overcome his reading difficulties including an ability to simplify complex business problems and becoming an amazing delegator. “Entrepreneurs should surround themselves with good people and play to their respective strengths and weaknesses,” said Jones.

Turning to Leicester City’s 5000-1 triumph in the 2014-15 British Premier League Jones observed that the right balance in the team and strong management were crucial factors for success. “The Leicester players’ varied experiences of overcoming adversity and coping with rejection really shaped the team’s mind set – and they had the right manager,” he said. The adversity faced by his father upon retirement inspired Sir Donald Gordon to establish Liberty.

“He saw an opportunity to change other people’s lives around his own experience,” said Jones. And he turned a R100000 investment in 1958 into R40 billion when he sold his share of the business in 1999. “Advisers are faced with a lot of bureaucracy and red tape,” concluded Jones. “My message is not to be afraid of a bit of adversity – slow down, think a bit more – and you will go on to create your own fantastic stories”.



Excellence in motion

~ A presentation by PG Glass to the 2016 FIA Roadshow



PG Glass has a long association with the insurance and insurance broking industry. Their contribution to the 2016 FIA Roadshow included free window ‘chip’ repairs for attendees as well as a ‘luck draw’ for a Mecer tablet for those who downloaded the company’s new windscreen application

Joy Cochran, sales director and Bernice Bailey, marketing director shared presentation duties at the events with Iain Banks taking to the podium in Nelspruit. Their “Excellence in motion” presentation focused on the importance of the consumer in the modern business world and was relevant to the advisers and brokers in attendance. “Customer service is rated as the most important factor when deciding to do business with a company, which means that traditional competitive advantages such as price, location and product are rapidly disappearing,” said Cochran.

Importance of product suppliers

Clients of advice practices also experience those practices through third party suppliers such as PG Glass. While the broker deals with a client briefly at policy inception, annually and at claims stage the team at a glass fitment centre deal with that client intensively over a three-day to two-week period. “Our touchpoint and involvement with your customer is quite considerable – meaning that PG Glass is actually a brand ambassador for the broker,” she said.

To ensure exemplary customer service PG Glass has reassessed and reworked every touchpoint with the client. They subsequently developed a customer application that can be downloaded by both customer and broker to streamline the claims reporting, claims management and windscreen repair processes. The app elevates their claims process into the 24/7 digital world, real-time.

PG Glass’ ‘repair rather than replace’ initiative resulted in ‘savings’ to the insurance industry of approximately R23.5 million over the past year. Cochran concluded with a comment on the ‘PG way’ – striving to ensure that glass is replaced the right way, with the perfect fit and that customers are treated with absolute empathy and care.



The FIA – A brand ambassador for good financial advice

~ Mr. Jay Ramsunder, President of the FIA



We took great care to choose a theme for the 2016 FIA Roadshow. After much deliberation we came up with Dynamic Days with the emphasis on the word “dynamic”. The dictionary defines the word as “a process or system characterised by constant change, activity, or progress” and I am sure you will agree this is an accurate description of the intermediated distribution environment that each of us practices in today.

Dynamic also refers to “a person positive in attitude and full of energy and new ideas” – the exact character traits needed to succeed in a competitive environment, especially during tough economic times. With Dynamic Days as our theme we challenged each of our presenters to deliver a powerful message specifically tailored for the intermediary. We asked them to address industry-related issues and, where possible, offer strategic advice on how advisers and brokers could best position their advice practices for the future.

Changing the status quo

The consensus from the intermediaries who have attended the Roadshow to date is that the presenters exceeded all expectations. They encouraged the audience to challenge the status quo; to think outside the box; to turn adversity into opportunity and to always value the advice that they provide to the financial services consumer. I certainly took something from each presentation that I can apply in my practice!

The Roadshow is an opportunity for the FIA to interact with both our members and the financial advisers and insurance brokers who are potential members of our fine association. The FIA is the only trade association representing the intermediary’s interest. More importantly – we have strong executive committees dedicated to each of the advice disciplines. This means that employee benefits consultants, financial advisers and planners, healthcare brokers and short term insurance brokers all benefit from our activities.

When National Treasury, the Financial Services Board or the Council for Medical Schemes need to consult on intermediary matters, they turn to the FIA. And there is good reason for this. They realise that our committees are made up of FIA members who are active in the industry and understand how things happen in the real world. You will thus find that FIA representatives often dominate the technical discussions around aspects of regulation – making sure that the theory matches the practice.

The ‘go to’ association

When other associations need guidance on distribution in the financial services environment, they too turn to the FIA. This explains why thousands of FIA members trust us to represent their interests to all stakeholders throughout the industry. We can proudly say that we are the ‘go to’ association for consultation on financial intermediation.

We are a dynamic association that seizes opportunities as they arise. We started by incorporating the Forum for Assistance Business into the FIA structures in recognition of the role that this segment will play going forward. More recently, on 24 August 2016, we launched an Investment sub-committee within our Financial Planning committee to better represent Category II advisers. We have also established a transformation and development committee with a direct reporting line to the FIA Board.

Brand ambassador for the FIA

As FIA members we have a collective responsibility to spread the word around the value of good financial advice, become brand ambassadors for the FIA and concentrate on building truly great financial services practices. My message to non-members is that if you generate your income from giving financial advice you need to be part of the FIA. I therefore invite every non-member to contribute to the industry by joining us and strengthening our already impressive and unified voice. We look forward to welcoming you to the FIA fold soon.



“Thank you” to our 2016 FIA Roadshow sponsors



“A review of the 2016 FIA Roadshow” is a special report produced by the FIA & FIA Insight magazine. This report was written and edited by Gareth Stokes, FIA Communications Manager. Any questions or comments can be sent by email to gareth@fia.org.za.