

Special Projects

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SA's Leading Insurance Brokers

COMMERCIAL businesses have particularly strong reasons for using brokers, including the advent of two new Acts, according to Steve Legge general manager: Business Development and Sales for Mutual & Federal, a member of the Old Mutual Group.

He says, following global trends, South African consumers are accessing short-term insurance products via the channel that best suits them, with the industry adapting accordingly. Most short-term insurers have now adopted a multi-channel approach, including brokers, call centres and online interaction. However, when it comes to the complex needs of commercial clients, the traditional broker channel is best.

"There is such a plethora of issues for businesses to consider, including business interruption and loss of profits, and the correct cover can be challenging to calculate. Only

skilled brokers can properly advise on the right cover for a particular risk profile," he cautions.

Legge adds that South Africa is also entering a new, more litigious era. "Frequent legislative changes mean regular new challenges for businesses and brokers are well-positioned to guide them in this area as well."

He points to the Consumer Protection Act, which will impact all businesses from April this year. It fundamentally changes the rights of consumers who will be able to sue almost anyone in the value chain, should their rights be impinged on.

"In the past, a shopkeeper could escape liability, advising the consumer to sue the manufacturer in the event of a problem," says Legge. "Those days are gone. Very soon even shop assistants could come under fire for giving the wrong information or advice."

There is also the new Com-

Complexity of commercial sector calls for broker expertise

Steve Legge General Manager: Business Development and Sales for Mutual & Federal, a member of the Old Mutual Group.



panies Act, which holds directors and officers more accountable for their actions than ever before. This calls for appropriate liability as they are likely to face an increase in actions against them when it becomes effective at the begin-

ning of April.

While welcoming the greater consumer protection Legge says, "It does, however, put pressure on businesses and they need to understand how they will be affected. Seeking the advice of a broker on appro-

priate cover for changing business risks and the various products available in the market is becoming increasingly important."

Brokers, he adds, also play an essential role in keeping up to date with product changes

and enhancements and Mutual & Federal is committed to providing product training and updates to its brokers.

Choosing the correct broker is important and businesses should do their homework. "A good place to start is to ask sim-

ilar businesses about their experiences. Many brokers specialise in particular areas, such as agriculture, or leisure and entertainment. Find out which ones within your area of business have the best reputation and meet with them to ensure they are right for your particular business portfolio," he advises.

"Brokers are the lifeblood of our business. Our entire branch infrastructure is set up to support our broker network, and we have made the strategic decision to provide branches with point-of-sale-decision-making capabilities on commercial business to suit broker needs.

"Strong, local representation and mandate is a real value-add for our brokers," he explains.

Mutual & Federal has also set up a personal business online capability for brokers, enabling them to interact quickly and efficiently with the insurer. By the end of last year 30 per-

cent of all personal business underwriting transactions were performed online. The company is also in the process of centralising some of its personal lines offerings to ensure a more rapid delivery for brokers.

"We have therefore introduced a mixed business model to suit our client and broker needs," says Legge.

Last year the company also segmented its broker network, understanding that different brokers need different types of interaction and tools. As a result, they can now be serviced in the manner most suited to their business. Mutual & Federal also introduced a best practice model of portfolio management to drive meaningful broker engagement in terms of understanding and helping them reach their growth and profit targets.

"These initiatives are all forcing our sales force to agree performance targets with our brokers in order to really add value," he concludes.

Schemes need to be properly structured

GROUP insurance schemes are sometimes looked at askance as being blunt instruments in the corporate human resources equation. Too often, it is alleged, they are too generic and can be viewed by employees as an imposition rather than a benefit which is clearly the role they should play.

The solution according to Mandy Barrett, Manager Marketing and Sales, Personal Product Solutions at insurance brokers Glenrand M.I.B. is to see each group scheme's client as having unique requirements.

"A generic approach in this respect is flawed and brings with it possible negative connotations which, quite bluntly, can do more harm than good for the employer. The danger is that employers seize upon group insurance schemes as a quick fix value add in the context of their overall employee benefits offering and that's where it goes wrong."

She adds that there is no doubt that group insurance schemes of this nature have a very real place in the overall portfolio of employee benefits in the modern corporate environment.

"Those companies that ignore the need to provide them to employees, do so at their peril from the perspective of attracting and retaining key staff in an environment where skills shortage continue to prevail and where the cost of recruitment and training is rising exponentially," she warns.

However in order to fulfil its true potential group insurance schemes have to be correctly scoped and correctly marketed to staff.

"The fundamental key is an analysis of employees' insurance needs. While the basic approach of a needs analysis is nothing new in the market



Mandy Barrett, Manager Marketing and Sales, Personal Product Solutions at insurance brokers Glenrand M.I.B.

into account for employees. For example the advent of toll roads in Gauteng inner cities next year will undoubtedly create the need for lift clubs but therein lies considerable risk for individual members of staff who provide a lift club service or who indeed those who are passengers in such vehicles.

"Exposures in this respect are potentially huge, notably now that the Road Accident Fund has put a very low cap on its claim ceilings, thus leaving passengers and drivers at enormous risk and in need of additional cover."

A sensitive issue for employees participating in group insurance schemes is that of containing insurance costs and there are numerous ways of doing so which the providers of such schemes should convey.

"Then too repudiation of insurance claims is becoming more of an issue and this, in turn, has to do with good disclosures, correct insurance profiling for the employee and avoiding under insurance, among other factors," Barrett adds.

"Ultimately in terms of Group insurance schemes, it all comes back to the detailed needs analysis process of the employees needs, the provider of the group scheme remaining at the forefront of changing market and the employer remaining aware of the true value that group insurance brings to the table.

"The bottom line is that a satisfied, financially secure member of staff with sound short term insurance in place, courtesy of a good group insurance scheme, is a productive member of staff and that ultimately is what a properly scoped group insurance scheme should deliver," she concludes.

and accepted that today's short term insurance needs are far more complex and have to take into account what the insurers describe as asset 'bracket creep' where a typical employee's asset base is today financially far greater than, say, a mere ten years ago, due essentially to inflation.

She continues, "Account has to be taken of all manner of current trends in the marketplace as well. Some of the issues for example have to do with crime, motor covers, home values, all risks and specific lifestyle changes where, for example, extended families now live under one roof."

"There are also bigger macro-economic issues to take

FOR the majority of people, the financial and emotional benefits of consulting an independent financial advisor could far outweigh the consequences of not consulting one.

So says Ian Middleton, managing director of Masthead, South Africa's largest independent advisor organisation, who adds, "It is obvious financial advice can result in financial advantage, as with an advisor you are likely to plan instead of leaving things to fate."

An advisor would draw up a unique financial plan for the client in line with personal needs and objectives, taking into account factors such as age, current and expected future income, number of dependents, state of health and occupational risk. The advisor would also outline realistic and achievable actions required to make the financial goals attainable.

"A long-term relationship with an advisor also makes it easier to stick to a financial plan than to a few New Year resolutions," says Middleton. "Regular advisor communication and feedback on financial progress go a long way to encourage one to continue on the right track."

He continues, "Some people are convinced they can draw up their own financial plans, based on what was discussed at last week's braai. However, you may never be certain if your risk is sufficiently covered or if you really will have adequate income during retirement, until you reach claim stage or retirement."

"Sadly, some people with these great intentions go through life without ever writing the first line of their financial plan and simply drift from one financial product to the next."

Another challenge is to make sense of the financial environment, says Middleton. There are hundreds if not thousands of investment and insurance options available to

Brokers bring financial and emotional benefits



Ian Middleton, Managing Director of Masthead, South Africa's largest independent advisor organisation

ship with a financial advisor. "They don't fully understand what advisors do and what value they can add. They also don't appreciate the intricacies and complexities of the issues they face and the solutions or advice they can get."

In other instances, the constant bombardment of information through various media confuses people into inactivity, while others procrastinate and "just don't get around to it." There is also the misconception that advisors are simply there to make a quick buck and are not to be trusted.

These days, financial advice is highly regulated by legislation, says Middleton. There are minimum competency and operational requirements in place. In addition, people have recourse to statutory dispute resolution mechanisms if they are unhappy with the advice given.

He warns that, while the internet enables one to conduct research and monitor investments to some extent, it cannot replace an advisor. "People need help to make sense of the product complexity."

He adds, "Some people choose not to see an advisor because they believe it is costly." While there is no standard fee for advice, advisors charge for their advice and related services in different ways with commission being the most common form."

Legislation regulates commission on insurance related products, says Middleton. "In deciding what amount is reasonable, consider the relationship between the value added and the cost charged."

The fee charged therefore is not just for once-off work, but takes into account future responsibilities.

"Fees can be negotiated," he adds. "A key part of your discussion with an advisor should be the service to be delivered and the cost of that service. In addition, you should agree on an amount and how it should be paid."

customers; new products are launched daily and the legal environment is changing. Furthermore, government is looking to introduce changes in the areas of retirement and medical aid.

"It is daunting to make financial choices and decisions without professional advice," he says. "Think of the technicalities attached to a life assurance policy that promises to pay on disability. There can be many exclusions and/or subtle interpretations and these need to be explained before you sign up online without a 'middleman's involvement'. An advisor can help you to avoid mak-

ing mistakes and bad decisions that may be costly over the long term."

The value of advice extends beyond a purely financial benefit, according to Middleton. "People who have a relationship with a financial advisor are likely to be happier with their investments than unadvised people, know more about their financial affairs and enjoy greater peace of mind because they have an expert assisting them to make major financial decisions."

He says people who have never received advice are not aware of these benefits and the value of a long-term relation-

Brokers need to be clear on their unique value proposition

THE most successful brokers are those who understand exactly what it is they are good at, their unique value proposition, and use this to the advantage of their clients. This is particularly evident within the competitive personal lines insurance market says Christelle Fourie, Managing Director of MUA Insurance Acceptances, the executive home and motor insurance underwriter.

"It has become increasingly important for brokers to identify a chosen niche in which they are comfortable and use these skills and expertise to grow their portfolio. Effective segmentation of a client base also translates directly into improved sales figures and a higher retention of clients," she elaborates.

"By segmenting clients and maintaining a focus on a specific niche, brokers can extract the maximum benefit out of their network, establishing themselves and their business as experts in a particular field. As they attract a similar breed of clients revenue increases."

Fourie says that establishing this niche market not only means that marketing and sales efforts are more focused and ultimately more successful, clients are far less likely to move their business if they feel their needs are properly understood.

"We see this frequently with brokers who specialise in a particular service offering. For example, a broker who focuses on thatch insurance will be far more equipped to understand the risks and advise appropriately."

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