



Peter Dempsey, who was appointed **Managing Director of Masthead Distribution Services** in place of Rose Keanly at the beginning of the year (see *January p77*), talked to David Alston about the progress of the company and the priorities it is now focusing on.

A lot of water has flowed under the bridge since Masthead was set up last year (see *July p5*), and with some 2 400 brokers having joined the network to date, its value proposition of assisting them to maintain their independence is clearly attractive, although Dempsey freely admits that not everything that was promised at the launch has been achieved. "We identified five areas where Masthead could assist intermediaries at the time," he says, "which can be summed up as 'keep your independence, manage your risks, make you more money, simplify your business and help you build capital value'.

"I'd say the first two can be 'ticked'," he continues, "while the remaining three are in the 'still being done' basket. Essentially, with the Financial Advisory and Intermediary Services Act now in its compliance stage, we aim to minimise brokers' administrative workload, offer them certain specific support services, and free them up to do what they should be doing which is marketing and

Masthead – a work in progress

Delivered to date

Elaborating on where Masthead is at present, Dempsey points to some specifics which have helped to boost its membership since inception. "As part of the compliance requirements," he states, "we assist our brokers with practice management by regular audits of their processes, train them to become 'fit and

proper', procure certain specifics for them, like access to Astute and fpi corporate membership, stage various events to promote the cul-

ture of the Masthead Financial Advisors Association – of which they are all automatically members – and offer IT support. They can also make use of an internal dispute resolution process if they wish to."

During the course of building up the network, Masthead has also produced some interesting statistics. The average age of its brokers is 46, which is positive; they have been in the business for an average of 15 years; they only average nine appointments a week, due to inefficient administration (15 should be the norm); the majority of their income is from new business, 75% of which is recurring premium; 60% require financial planning software training; and 56% still do paper-based planning. "Pulling all this together," says Dempsey, "we believe that our service-orientated offering is the route a network should be following, and apart from what we are doing for the broker, it also takes away non-core business from the product provider, who can then focus on essentials such as relationship building, managing service delivery, and product positioning."

More product providers

Key to Masthead's long-term sustainability is, of course, the addition of more life companies to the network with a view to ensuring an arms-length relationship with Old Mutual, which originally funded the company with a loan, and still holds 75% of its shares, as well as paying it an overrider as a product provider. As an initial move in this regard, Masthead has recently signed a Heads of Agreement with

the upper income market), to enable the network's brokers to distribute Odyssey's products. "We will continue to engage with other product providers," stresses Dempsey, "in the conviction that they will recognise the value of our proposition to the independent broker in due course."

At present, Masthead Financial Advisors Association continues to hold the re-

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remaining 25% of Masthead's shares, and with further take-up by members and other product providers – although in Metropolitan's case

this aspect is not part of the transaction – Dempsey says he anticipates that Old Mutual's shareholding will gradually be diluted, and that the Association will eventually become the majority shareholder.

Structure and perceptions

Masthead currently has a total staff of 77, only six of which are at its Head Office in Mowbray, Cape, and the remainder, consisting of 50 'product neutral member consultants' – who support the brokers in the field – and 14 administrative staff, are spread across its service centres in Bloemfontein, Cape Town, Durban, Johannesburg, Port Elizabeth and Pretoria. The company also has an agreement with Celestis to provide compliance services.

One of the criticisms levelled at Masthead at the time of its launch was the lack of prior consultation with other major players in the life industry, and Dempsey concedes that only history will record whether this was the right tactical move. "We believed at the time," he says, "that had we approached all the other companies, it could have led to protracted negotiations – like many other efforts to reach industry agreements – and the initiative might never have got off the ground. I reiterate my belief however, that the Masthead model will eventually attract support from others once we dispel the misconceptions currently surrounding it."

Only time will tell whether this vitally important element in the Masthead offering's mix will come to fruition, but the tie-up with Metropolitan is certainly