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FIA Media Release

Advice, advisers and the FIA are crucial in ensuring good consumer outcomes

In a recorded message to the 2015 Financial Intermediaries Association of Southern Africa (FIA) Road Shows, Caroline da Silva, DEO: FAIS at the Financial Services Board (FSB), told South Africa's risk and financial advisers that advice, the adviser and the FIA were crucial factors in ensuring good outcomes for financial services consumers.

The FIA Road Show was hosted at 10 venues throughout the country beginning 25 August and ending 1 October 2015. "We hosted this year's event under the banner 'no advice, no future' in recognition of the critical role that risk and financial advisers – our members – play in delivering fair outcomes to consumers," said Justus van Pletzen, CEO of the FIA.

"The retail distribution review (RDR) places the sustainability of advice at its heart, it recognises that customers need advice and that customers therefore need advisers," said Da Silva. Her presentation offered insights into the structural changes that were taking place at the financial services regulatory authority as well as progress towards advice-specific interventions such as the RDR proposals and the FAIS continuous professional development (CPD) competency requirements.

South Africa has adopted a Twin Peaks approach to financial services regulation that will separate prudential regulation from market conduct regulation. "The Financial Sector Regulation (FSR) Bill will set out the structure, strategy, approach and powers of the future market conduct authority and in doing so will evolve the FSB from a regulator with a dual prudential and market conduct function to one that is truly market conduct-focussed," said Da Silva.

On the FAIS competency requirements Da Silva observed that the FSB had abandoned the FAIS proposal of making every key individual and representative write RE2 exams and was instead reflecting on what various levels of competency should look like and how those be best aligned with RDR.

"We are currently consulting with the industry to make sure we deliver a pragmatic solution that ensures the best possible outcomes for customers – the FSB will issue a discussion paper on our proposals re CPD and future competency requirements in the first quarter of 2016," she said.

Aside from the update on regulatory matters attendees at the 2015 FIA Road Show benefitted from a diverse programme which included presentations from executives at a number of product suppliers and an interactive risk profiling review by FAIS-expert Anton Swanepoel. There were a number of key outtakes for advisers in both the short term and life and investment disciplines.

Heard at the 2015 FIA Road Show

Marcelle Wood, head of risk improvement services at Hollard Insurance, discussed the role of sprinkler systems in reducing fire risk, particularly at corporate clients. He emphasised the need for cooperation between brokers, corporate risk managers and insurers to mitigate fire risks and used graphic video clips to show how quickly fire spreads in sprinkler-free environments. Wood also announced the imminent launch of an automated risk assessment application that would prove invaluable to insurance brokers in making on-site risk assessments.

Technology is the name of the game these days as illustrated by SHA's in-depth coverage of their SHA 'Pocket Underwriter' solution. The specialist liability underwriter developed the web-based tool to

help their brokers comply with requirements in terms of on-site risk analysis and needs assessments with their clients.

Simon Colman, executive: digital and product development at SHA observed: “The pocket underwriter is full of videos that brokers can show to their clients to illustrate why they need a particular type of cover and what the cover entails as well as model solutions for different industries – it really is like having an underwriter in your pocket.”

PG Glass’ presentation to the 2015 FIA Road Show focused on new technologies and processes in reducing one of the major contributors to motor vehicle repair costs, namely windscreen replacements. “There has been a huge creep in the cost of motor repairs over the past couple of years, driven by natural catastrophes, lack of drive skills and poor road infrastructure,” said Joy Cochran, sales director at PG Glass.

She mentioned that the country’s diverse motor pool made it difficult for parts suppliers to manufacture product locally, a real worry given that insurers were paying around R8000 per windshield for imported product. Controlling costs is important for the long term sustainability of the short term motor insurance and a focus on timely repair (rather than replacement) is crucial to keep motor premiums under control.

Life and investment brokers were enthralled by Astute’s presentation on so-called robo-advisers and the impact that computer-generated advice would have on intermediated distribution. Jacques Rossouw, MD at Astute observed that technology is changing the way that risk and financial advisers will conduct their respective businesses. He urged advisers to use technology to their advantage by leveraging it to enhance their value proposition: “The challenge will be to explain to your clients the value of your advice over the ‘one size fits all’ proposition offered by the robo-adviser.”

The final presentation at most events was made by Charles Savage, CEO of Purple Group, who discussed the Easy Equities (www.easyequities.co.za) share trading platform. This is an initiative aimed at making it fun, quick and easy to invest in the JSE using any web-enabled smart device. The solution was made possible thanks to the introduction of fractional shares – which allows investors to invest in part of a share rather than paying for the whole thing – and the part-subsidisation by the group of investors’ transaction fees.

Savage said the group had designed the product to break even once it had around 100000 accounts, an ambitious target when one considers the population of active stock market investors in South Africa. It is hoped that the solution will become a disruptor in the local investment industry and create wealth creation opportunities for South Africans regardless of age or social standing.

Swanepoel held a frank discussion about ‘cracks’ in the risk profiling practices currently undertaken by financial advisers. One of the problems is that the traditional risk profile questionnaires are influenced by individuals’ perceptions of the market at the time they are completed. It is not uncommon, therefore for investors to answer conservatively when markets are in turmoil, with the result they are inappropriately invested in cash instruments at low points in the market – missing out on subsequent growth. Swanepoel is conducting an extensive survey of advisers in attendance at the various road show events and will publish his findings later in the year.

Concluding remarks

“The FIA is ready for the long and challenging regulatory process,” concluded Van Pletzen. “We do not believe that any significant changes will be implemented in the next 12 months, unless to specifically address bad behaviour, such as the recent prohibition of sign-on bonuses.” He challenged FIA members to change the way they conducted their businesses in order to reduce costs and offer effective services to their clients.

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ABOUT THE FIA

The Financial Intermediaries Association of Southern Africa (FIA) represents, protects, promotes and furthers the common interests of its members, South Africa's risk and financial advisers. FIA members benefit from the support of an influential organisation with the necessary stature and legitimacy to represent their interests at the highest level, including at regulatory bodies, industry bodies and product suppliers.

All members of the FIA are authorised financial services providers or representatives of such providers. Members must adhere to all the requirements prescribed by the FAIS Act and its regulations. In addition, our members are bound by the FIA Code of Conduct, which further aligns the organisation with the financial services regulatory landscape.

The FIA enjoys a large and steady national membership comprising financial services intermediaries who cover the broad spectrum of financial planning. We represent more than 14000 licensed financial and risk advisers throughout Southern Africa. To find out more about the FIA visit www.fia.org.za or contact head office on 012 665 0085.

MEDIA ENQUIRIES

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