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1

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Source Page: 2

# Insights Financial Intermediaries Association Awards

David Jackson

## Impressive record for FIA

THE FIA celebrates its fifth anniversary this year, having secured industry recognition in an era characterised by the tough regulatory and economic environment.

The realisation that all financial services intermediaries — irrespective of their size or the discipline practised — have common interests was integral to the formation of the association, says Brian van Flymen, president of the FIA for the 2011-13 term of office.

"Our strength has been to create unity from this diversity and to manage these common interests, particularly with the regulators," he says.

The FIA, formed in January 2008, is the culmination of the dream for a unified voice to represent intermediary interests to all stakeholders: "Our association prides itself on its transparency and willingness to work with industry stakeholders who share the vision of protecting our interests and promoting to consumers the value of the advice we offer," Van Flymen says.

He says that financial products can only fulfil the purposes for which they were intended appropriately "if accompanied with relevant explanation, clarification and appropriate advice.

"This aligns itself with the both the stipulations in the Financial

Advisory and Intermediary Services (FAIS) Act and the intentions of the pending treating customers fairly regime.

"The rendering of such advice has the dual effect of ensuring our continued existence and, equally as important, protecting consumer interests. The importance that the value of advice plays needs to be broadcast as widely as possible to achieve this aim."

To this end, says Van Flymen, the FIA has involved itself in a number of activities.

"Specifically, we will continue to support our members with ongoing professional development. We also soften the effect of overarching consumer protection legislation by interacting with many stakeholders on their behalf."

He says that the FIA can boast many successes over the past five years, including:

- The introduction of the FIA Code of Conduct to offer members a professional framework for conducting business with their clients in line with the provisions of the FAIS Act;
- Representing its members' concerns to Parliament in 2008 with regards to the then-proposed Insurance Laws Amendment Bill, with the result that the implementation date was pushed out;
- Being instrumental in securing

income streams for brokers prior to the introduction of new Binder Agreements;

- Providing member support for the thousands of key individuals and representatives within the FIA's structures who had to sit the level 1 regulatory examinations;
- Making direct and successful representations to the health minister to have broker healthcare fees reviewed;

- Successfully petitioning Sasria to review its broker commission structures, achieving an increase for its members from 7.5% to 10% of premium last year — and to 11% from July this year; and
- Ensuring that its larger members continued to receive section 156 interest on premium when regulators proposed the practice be abandoned.

The FIA is also involved in a joint venture known as the human capital project.

It will work with other representative bodies such as South African Insurance Association and the Insurance Institute of SA, as well as the Financial Services Board, to create an industry road map for new entrants to the insurance industry.

Van Flymen says that the annual FIA awards enjoy wide recognition and represent the benchmark for excellence in the offerings of product providers, as rated by intermediaries.

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1

ID: 04158429-02

Source Page: 2

## Advisers crucial for sound advice

INDEPENDENT financial advisers play a vital role in helping investors to make choices and to navigate through the maze of investment options from which they often have to select.

Director of distribution and client services for Cape Town-based Allan Gray, Jeanette Marais, says: "If you have close on a thousand investment options, including unit trusts, to choose from, it's difficult for clients to make informed choices. The financial intermediaries play an important role in helping clients make the right choices and to assure them that the investment they are making represents a good, long-term option."

Allan Gray was this year's FIA award winner in the category: "Product supplier of the year. Investment products: single premium."

Marais says that in the present climate of regulatory change, Allan Gray is concerned at the burden being placed on independent financial advisers and their ability to lobby on their own behalf.

"The FIA can play — and is playing — a massively important role as the lobbying body that can provide expert advice to financial intermediaries.

It is also able to interact with the regulator on issues such as the nature and cost of professional advice, for example, which directly affects the way these advisers operate and their ability to survive in a tough market.

"It would be a sad day for SA if large numbers of independent financial advisers were to stop providing services, because they can't afford to work in this industry anymore. That could lead to independent financial advice

becoming almost unaffordable or unobtainable to the man and woman on the street.

"At Allan Gray, we encourage independent financial advisers to join a body such as the FIA, even if it's only to give them a voice through which they can be heard."

On Allan Gray's winning of an FIA award, she says: "It's a particular honour for us to receive a service award. We have a relentless focus on providing quality service to our clients.

"Most of our individual clients rely on independent financial advisers and we take the view that the best advice is good independent advice."

She says the firm accepts that there will be times when its investment funds, or funds across the market spectrum generally, will yield disappointing short-term returns.

## Umbrella funds to play crucial role in state's savings drive

Liberty Corporate gains recognition for small business enterprise and larger corporate businesses funds

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1

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THE government drive to reform the employee benefits industry — in consultation with the private sector and other stakeholders — is largely the result of SA's traditionally poor savings culture.

"Reform is aimed at creating a higher level of individual savings to ensure that more South Africans can retire with retirement provisions in place," says Seelan Gobalsamy, CEO of Liberty Corporate. In this scenario, he says umbrella funds are crucial.

Liberty Corporate was a winner at last night's annual FIA Awards ceremony in Johannesburg in the category: "Product supplier of the year: employee benefits"

The company gained the accolade for its umbrella fund solutions for small business enterprises as well as larger corporate businesses.

Gobalsamy says Liberty Corporate's research indicates that by 2010, there were about 600,000 small businesses operating in SA. Of these, Liberty Corporate estimates between 10% and 12% make use of umbrella funds, providing access to employee benefits for their employees.

Conversely, close to 90% of these businesses do not have formal structures in place to provide death, disability or

savings benefits for employees.

He points out that umbrella funds typically have groups of companies — small and large — within their ranks (up to 8,000 in the case of Liberty's umbrella fund), who derive the cost saving benefits of shared administration, information technology and governance costs, among others. These funds are usually administered by a large insurer or similar responsible institution.

Liberty Corporate designs umbrella fund solutions to provide administration, investment and risk benefits for the employees of small,

medium and large corporates by considering customer needs.

"Key for us," says Gobalsamy, "is that employees should be given proper financial advice in choosing their options."

Without astute advice, he argues, employees will find it difficult to assess how much they will need to save during their working lives, or how much life and disability cover they will need, depending on their individual circumstances.

"Our relationship with financial intermediaries and advisers is important, because they undertake the face-to-face

discussions with the companies, employees and individuals that buy our products. We need to ensure that we are linked to an organisation such as the FIA, that provides professional and relevant advice to our customers."

Already under way as part of the new era of change within the employee benefits sector, Gobalsamy notes, is reform of the tax structure of savings vehicles. Tax legislation has been amended to ensure consistency in the taxation of savings vehicles.

The government has also signalled its intention to introduce some level of compulsory preservation of savings, in instances where individuals move from one company to another.

Another dimension to savings reform is cost efficiency.

"Umbrella funds have another important part to play in this," says Gobalsamy, "in that they create cost-effective benefits for companies, given that government would obviously like service providers to keep costs as low as possible, to encourage individuals to save more."

A wider "savings net" is envisaged for lower income earners, with a national savings-type fund being

mooted to enable low or non-income earners to have money for retirement.

Against this backdrop, Gobalsamy says Liberty Corporate's focus is on enabling customers to create "financial freedom," through providing products and services for company employees, ranging from savings vehicles to group life and disability policies.

"There has been a massive migration towards umbrella funds," says Gobalsamy, "and many service providers are moving away from the traditional stand-alone funds."

"Liberty Corporate has focused an enormous amount of time, resources and effort on corporates — from small businesses to large corporations. Our products are continually being changed and enhanced, to create more value for our customers."

"We listen to what customers need and want and then create solutions that are specifically suited to them."

Acknowledging the role of the FIA within the financial and intermediary services sector, Gobalsamy says: "Any industry association that can ultimately create more value for customers — as the FIA does — is good for our industry and for the wider economy to which we all contribute."