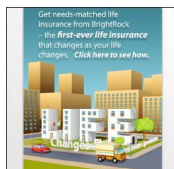


## Fair Treatment Is Not A Given As Insurance Industry Struggles To Evolve

Written by Australian Business

---



( [PRLEAP.COM](http://PRLEAP.COM) ) January 31, 2014 - Johannesburg, South Africa – Open any newspaper or magazine and you'll discover the numerous problems facing the insurance industry – globally – today. Headlines hammer home the fact that customers in many instances continue to overpay for cover, while not always realising the full value of the premiums they've paid.

It's an issue that we have given much thought to and one that I addressed at a Munich conference in Germany this month. The seminar offered the opportunity to compare developments in the South African insurance market with our global peers. And while many of the regulatory challenges are similar, how we address them is often quite different. In many developed insurance markets, for example, the response to such challenges is typically a process-driven one, which can add levels of bureaucracy. In South Africa, by contrast, our insurance market is known for its responsiveness and product innovation – and our industry has been a successful exporter to markets like the UK, US, Canada and Australia of its product advances.

Following moves by the UK's Financial Services Authority, our own FSB is introducing Treating Customer Fairly rules to ensure transparency and fairness in every aspect of companies' interaction with customers. A self-assessment project completed by 20 different financial services companies in South Africa – including banks and insurers with over 200 different FSB licenses – shows that most companies don't fully understand the concept of TCF.

Insurance has become a largely commoditised product, with product factories churning out mass produced products that don't always meet the true needs of customers. And customers, often baffled by insurance jargon, don't always understand exactly what they are committing to.

To my mind, insurers in many markets around the globe – ours included – are so bogged down by the growing raft of regulations that they have little capacity for improvement and innovation. Product structures in the market today are, at their core, little different from those predating TCF.

This is something we have tried to address in the architecture of the products we have designed and introduced to the South African market and my message to delegates focused on how consumer-centric product design can influence life insurance sales patterns, using a

## Fair Treatment Is Not A Given As Insurance Industry Struggles To Evolve

Written by Australian Business

---

needs-matched product approach. By creating a clear link in consumers' minds between their underlying financial needs and the life insurance cover they're buying, BrightRock's needs-matched product design aims to improve consumer understanding of their insurance needs. Once clients are more engaged with their specific financial needs, they fully understand extent of the financial needs they need to cover. We have seen examples where, once a client has been exposed to this needs-oriented thinking, they have come to the realisation that they are underinsured and then bought additional cover to close the gaps, resulting in increased premium spend – often more than double to what they spent previously.

Product innovation is nothing new to South Africa. We are faced with a unique set of circumstances that have challenged companies to design products that meet the needs of South African consumers. Critical illness cover and risk-only life insurance structures are examples of local innovations that have since been exported to other markets. Yet over the past decade, little new product thinking has emerged.

One of the problems with our life insurance industry is that clients pay today for cover that they may not be able to afford in later years. There is also uncertainty regarding claims assessment methodologies. As it stands, current lump-sum risk products cluster all long-, medium- and short-term needs into one lump sum – which is priced for maximum term with a single capital amount paid out. And typically, premium increases exceed cover increases.

Our needs-matched cover removes this premium waste. By charging only for the cover clients need, we remove premium waste. This efficiency not only creates cost savings, but it also presents information to clients in a way that's more understandable, creating a clear link in their minds between their everyday financial concerns and the cover they have bought to protect them.

Treating customers fairly should be central to every insurance company's culture. Products must be designed to meet clients' needs, with clear and appropriate information provided. Products have to be easy to service or change.

While other insurers present at the Munich Re conference responded positively to the innovation of our model, whether they can adapt their own depends on changing their entrenched systems and product structures, and whether they want do more than simply pay lip service to the Treating Customers Fairly ethos.

## Fair Treatment Is Not A Given As Insurance Industry Struggles To Evolve

Written by Australian Business

---

About BrightRock [BrightRock was started with the goal of creating insurance products that truly meet consumers' and financial advisers' needs](#). It offers truly individualised life insurance cover that's built around client's specific needs at the outset, and is specially designed to change as client's needs change. Because this cover is flexible and changes appropriately, it's more efficient. This means both the cover and the premiums remain relevant, and more affordable, throughout a person's life. BrightRock received the 2013 Cover Excellence Award in the category "Life – Current" in recognition of its product innovation. BrightRock (Pty) Ltd is an authorised financial services provider, underwritten by Lombard Life Ltd. For more information, go to <http://www.brightrock.co.za/>