

2020... The start of a new decade

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DIGITAL TRANSFORMATION IN HEALTHCARE



2020 THE START OF A NEW DECADE

About the new consumer and innovation in the life, disability and dread disease space...

Over the next decade we will see a dynamic change in the way life, dread and disability products are structured and sold. There is a shift in the way in which consumers view insurance and this, as well as industry innovations, will set the tone for this shift.

Twenty years back, a massive gap in insurance education existed. However, today South Africans have become more insurance savvy – they are more calculated when making purchase decisions, ensuring that they are educated around what is available and their needs are satisfied.

As clients become more empowered around their insurance decisions, insurers will need to innovate to tap into the 'new consumer' - providing products that can be accurately tailored to clients' needs, life stages and their pockets. Clients will dictate the type of cover they want and the benefits that are most relevant to them – be that on product structure or value-added options. We are also likely to see a strong shift in payment frequency. 'As and when' payments, fuelled by the on-demand insurance trend, will become more common and new models of payment will need to be developed – putting the flexibility of cover and payment into the hands of the consumer.

The insurance industry's competitive landscape has evolved rapidly since 2002. Today we are faced with cross pollination of various industries, with mobile operators now selling long term insurance and banks placing strong emphasis on insurance products within a client's portfolio, for example. The insurance sector is up against some tough competition and innovation is going to be critical for success.

This means devising new ways of doing business that places the customer at the centre, as well as developing more flexible actuarial models to manage this shift.

In South Africa, we are in the very early stages of self-fulfilment, and we expect to see this grow as consumers get increasingly comfortable engaging digitally. This will increase the mix of distribution channels available to the consumer. Over the next 10 years the financial advice distribution models (face to face and direct) will still be a significant contributor to insurance sales, and while self-fulfilment may grow significantly, with clients demanding options for engagement, insurers need to ensure they are poised to respond.

Kobus Wentzel
Executive Head of Direct Sales
& Distribution
| Life



About retirement, diseases and investments...

If you look at modern-day retirement savings, the biggest focus is on how to make it tax efficient. Currently, employees get what their employers give them. In the future, products will cater more towards their needs. Instead of just a retirement savings product, they would instead invest in a bundle of products that maximises the benefit to them, including getting the best out of all their possible benefits, such as tax-free savings and other investment options. We will also continue to see development in the trend of people retiring later and later.

With genetic testing, the ability to predict the probability of someone contracting certain diseases has increased exponentially. We may, in the near future, see a legal challenge to what life insurers are allowed to test for and how these tests affect premiums. At the same time, this knowledge could help prevent clients from contracting serious diseases in the first place. While the ability to treat diseases is becoming increasingly advanced, medical affordability is becoming a greater issue. In addition, as the population continues to get older, more people are living long enough to contract conditions such as dementia. It is important to know that their cover will be sufficient to get adequate treatment in old age.

There is a concern that the latest technological advances, such as machine learning and IoT are going to reduce the need for workers and even put entire companies out of business. However, businesses exist to sell things to consumers. Therefore, to continue to operate, businesses will always need a consumer base. It is therefore in their best interest to keep people employed (employee benefits), otherwise there will be no demand for the supply created.

Less and less, people are trying to time the market to make returns. This strategy has not worked for individuals or even fund managers. We have seen an emerging trend where people are still concerned with earning a good return but are increasing their focus on what their investments are actually achieving for the world around them.

Given the persistent local challenges, many people are also looking for offshore opportunities. At the same time, the line between onshore and offshore is becoming increasingly blurred. Many companies are now listed on secondary exchanges and cryptocurrency is also playing its part.

This abundance of choice means that there will be increased pressure on the pricing offered by financial services providers. The pressure will therefore be on them to increase efficiencies to be able to compete on price. Or they would have to use technology to add additional benefits.

Grant Field
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