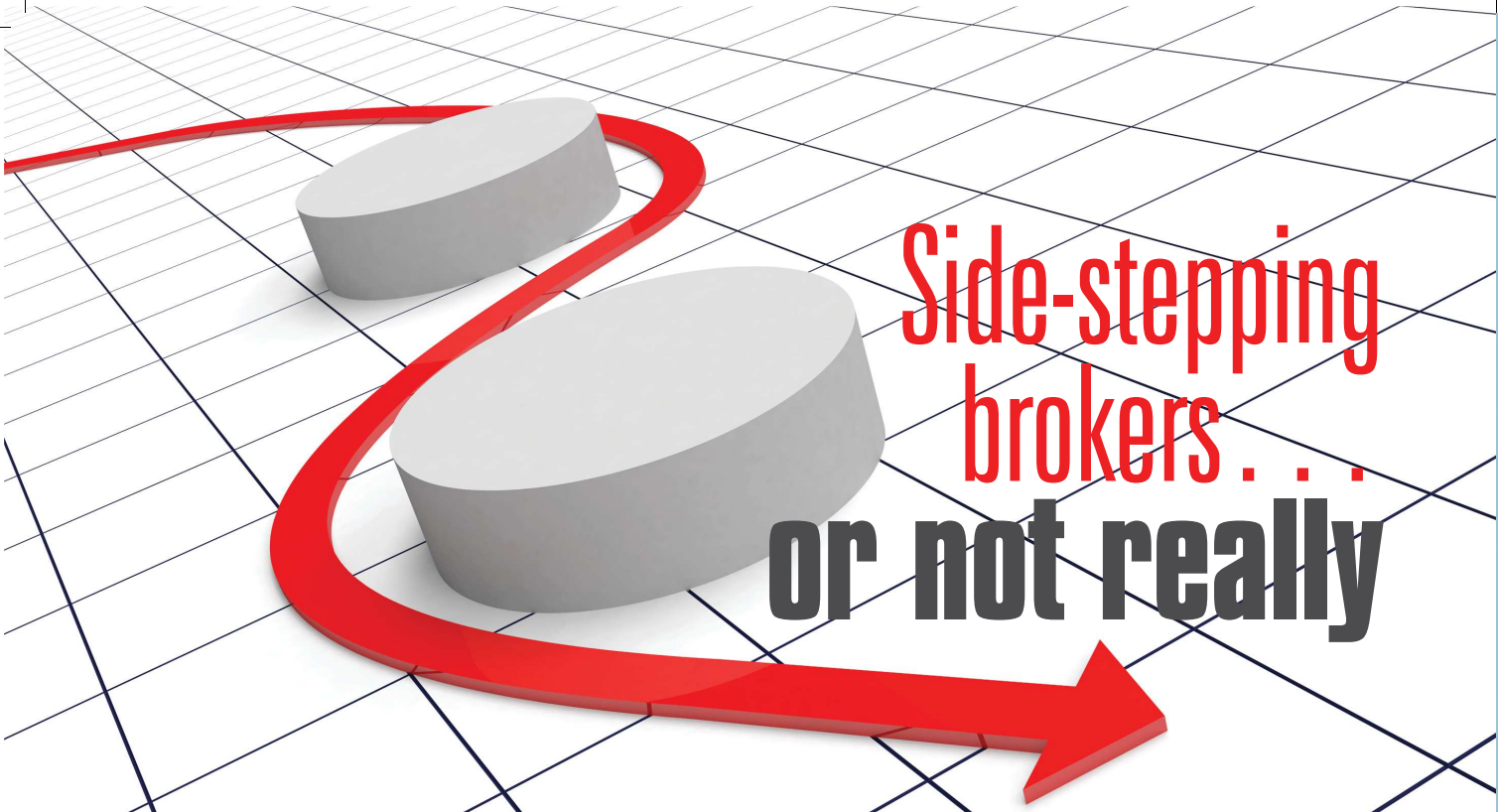




Side-stepping brokers... or not really

In terms of current legislation the client is the client of the insurer. The insurer has to make sure that the client is treated fairly, both in respect of the information provided and the premium charged at inception and renewal of the client's policy, and at claims stage.

Even if the day to day handling of the client's business is outsourced to an intermediary, be it a broker or an underwriting manager, the insurer has to obtain and hold information regarding the client with discretion. Most policy wordings include waivers in respect of the Protection of Personal Information Act (POPI) that governs the use of information. The waiver enables insurers to analyse claims, assess profitability and contact a client directly.

A broker in the equation

In the eyes of many clients, the broker is their 'insurer'. The relationship between the broker and the client is sacrosanct. Clients who wish to deal directly with insurers place their business with a direct player. Those who do not, value the advice of their brokers and utilise the expertise they themselves do not have. They want brokers to look after their interests.

The broker also has an obligation towards his or her client. The broker needs to ensure that the client is given all the options, to meet all of the client's needs and to offer the best advice possible. If the Retail Distribution Review (RDR) review paper is passed in its current format, a broker will charge his or her client directly for this advice. If an insurer bypasses the broker and offers a product directly to the client, the entire needs analysis and the value of the broker to the client will be seen as a mockery.

Risky behaviour

Add-on products are valuable to a certain segment of the insured population, so there is a big danger that the client, without the sound advice of his or her broker, will buy a product he or she does not really need.

There is also a risk to the insurer in contacting a client directly in respect of anything, including selling a top-up or add-on product. If a

client is contacted directly by an insurer and that contact results in a sale that is followed up by an e-mail, there is a strong possibility that the next time the client wishes to add something to his or her policy, he or she will contact the insurer directly.

Sharing responsibility

Therefore the question is whether insurers, except for those who have chosen to deal directly with clients, are really equipped to give clients the level of service and advice which is in their best interests. It is assumed not.

The problem lies in where the responsibility sits to ensure that the amendment is carried out correctly. The broker might be advised of the change, but where does his or her responsibility start and end? Does the broker then contact the client? Does the broker accept that the insurer has acted in the best interests of the client? Whose Professional Indemnity Policy will respond if there is a mistake? Is the insurer's employee who takes the call registered in terms of the Financial Advisory and Intermediary Services (FAIS) Act to give advice?

Insurers have the legal right to contact any client to upsell any product to them, but they should think very carefully of the implications of doing so, unless the broker specifically agrees and knows that the product will be both relevant to and used by their mutual client base.

If I were a broker, would I support an insurer that contacts my clients directly? I think not.

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