

*Regulatory implementation will continue to dominate management agendas next year, says Michael Blain, CEO of Centriq Insurance...*

Role players within the South African insurance sector had to manage and overcome many challenges this year. “Firstly, consumer wallets were tight. Hence, we saw an increase in recycled business and a decrease in new growth as people shopped around for lower insurance premiums and brokers moved books of business because of price pressures. This situation, however, is expected to improve as consumer confidence picks up, the economy continues to stabilise and low interest rates and inflation start filtering through to the insurance sector,” says Michael Blain, CEO of Centriq Insurance.

He adds that consumers can also expect to see direct insurers and broker distribution models battling it out on the playing field with enough competition between industry role players to keep insurance premiums keen.

“Furthermore, I expect insurers to mostly maintain discipline in the way they deploy capital and seek return on investment next year. I will, however, not be surprised if the very large, traditional insurers struggle to grow or even retain market share as more and more market participants eat away at it. Whether it is going to be the year of the direct underwriter, however, we’ll have to wait and see, as business models are in a state of flux,” says Blain. He adds that the big traditional underwriters are currently better positioned to absorb regulatory changes while niche players will have more growth prospects if they can get their business and distribution models right.

Re-alignments, mergers, acquisitions and changes in business models to accommodate binder regulations and distribution channels, among others, will also be the order of the day while the anticipated radical change in accounting standards for insurance and the introduction of SAM (Solvency Assessment and Management) will have a huge impact on all involved.

“That said, role players can anticipate a struggle for resources and an increase in costs. No matter the size of the insurance company, resources and budgets will be stretched as more regulations become visible and role players start to absorb and respond to these,” he says.

Overall, Blain foresees that the provision of affordable products to the underinsured sectors of society will continue to play a role in both life and short-term insurance sectors. “Hopefully we’ll also see what the micro-insurance framework looks like and find out how to level the playing field as far as health insurance demarcation is concerned,” he says.

Going forward, a lot of unglamorous, internal work needs to be done. “We can only hope that the regulator will take his foot off the regulatory accelerator and give insurers some space to implement the numerous regulatory changes. That said, next year is certainly going to be a case of getting to grips with the reality that has been thrust upon us,” he concludes.