

# Insurance brokers confident for coming year

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A new survey on insurance brokers has revealed high confidence levels of retaining and attracting new business even though SA's economic and political uncertainty remains high.

The brokers were concerned about the wave of regulations which are affecting insurance companies as regulators tighten oversight of the financial services sector.

The latest CIB Broker Confidence Index (BCI) showed that confidence levels among insurance brokers had risen on renewed optimism among companies and consumers who were unlikely to cut back on their insurance needs despite the current economic challenges.

The survey is based on responses from 335 brokers in both large and small companies.

The survey says broker confidence about business conditions had increased by four percentage points in the third quarter compared with the preceding period.

The survey also revealed that confidence in attracting new business over the next 12 months had risen by nine percentage points in the third quarter.

Insurance normally suffers during economic downturns as consumers cut budgets, resulting in higher lapse rates, when policies are no longer paid or are cancelled.

Douglas Donnelly, the chief executive of CIB Insurance Administrators, said the high confidence levels among brokers was a positive sign that the sector would not be affected by low demand.

Ian Kirk, the chief executive of Santam, SA's largest short-term insurer by market share, warned in a recent interview that insurers were under pressure to raise premiums in order to protect margins.

Donnelly said brokers were confident about both retaining and attracting new clients during the next year.

"It is very pleasing to note that brokers are growing increasingly confident in their own businesses despite the myriad signs that the economy is weakening," Donnelly said.

But uncertainty about the economy was still a concern, he said.

"There remains some unease among brokers about the impact of the economy and the current political situation on their businesses," Donnelly said.

At least 7.5% of the brokers said political issues were the biggest challenge in 2013, up from just 2.8% previously.

"While this is still a relatively small percentage of those surveyed, it should be noted that this is also the highest level for this answer since the survey began in the first quarter of 2011, indicating that brokers are growing increasingly concerned about the long-term impact of the current political turmoil," said Donnelly.

"We hope that some of these fears may be allayed," he said.

Donnelly said it was crucial that the government noted the effect of civil unrest, labour disputes and continuing political infighting on the business confidence of consumers and insurance companies.

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