

Better deal for customers says Discovery

In the coming year, insurer Discovery plans to focus on building a framework to help monitor and report on the fair treatment of its customers, in line with the principles of the Treasury and the Financial Services Board.

The authorities are considering a regulatory framework that will contribute to a safer financial sector and serve South Africans better. The *Treating Customers Fairly* principles are aimed at ensuring financial services companies are more transparent with the products they sell and that appropriate products and services are offered.

Although the regulatory framework is being crafted and is only due to be implemented next year, the Financial Services Board and the Treasury have hinted that they could impose penalties on companies that do not comply.

The crafting of a framework monitoring customer treatment is an important initiative for a medical insurer like Discovery, as medical costs and how medical schemes treat clients, are sensitive issues.

"During the past year we have made substantial progress in defining fairness measures across all businesses. During 2013 we will focus on embedding these measures and establishing a sound framework for monitoring and reporting," Discovery said in its corporate governance report. "We will continue working with the regulatory authorities to develop the final regulatory framework for treating customers fairly."

The *Treating Customers Fairly* framework is not the only regulatory challenge ahead for financial services companies like Discovery.

Companies also have to implement the board's financial advisory and intermediary services level-two regulatory exams.

These must be written by key individuals and representatives who give advice and offer financial services to customers.

This year and last thousands of advisers wrote level-one regulatory exams and the companies they work for had to ensure sales did not stall while their employees were preparing to sit the exams.

The other regulatory challenge that Discovery will look to address over the next year is the Solvency Assessment and Management framework, also known as SAM.

It is a supervisory regime for the prudential regulation of long-term and short-term insurers.

On the operational side, Discovery said for its medical scheme it would work on ensuring that members obtain "the richest benefits at the lowest premiums in the market", while on the other hand leveraging on mobile digital technologies to change

the way clients experience the healthcare system.

Discovery Health has 2.68m members and its 2012 annual report shows that total hospital costs for the year were R16.8bn. Commenting on trends in healthcare for the next one to five years, Discovery noted that costs would rise, but said it was confident it could manage and influence the rate of medical aid inflation.

In 2013 Discovery Life will, among other areas, explore whether it can offer a product for the low-income market.

Discovery Life is the largest contributor to group earnings. It has 674,978 policyholders and is confident this number can rise to 700,000 next year.

PruHealth, the UK operation, has 560,000 members. Discovery is looking to roll out more of the Vitality product to members in the UK. Its sister company, PruProtect, a life insurer, is looking to increase its market share as an independent financial adviser and use the Vitality wellness programme to differentiate PruProtect from other life insurance products in the UK.

Discovery plans to boost PruProtect's customer base from just under 120,000 to 200,000 in the next year.

For its South African short-term insurer, Discovery Insure, the plan is to grow distribution channels and use technology to improve the sales process. Discovery Insure has 13,343 clients with R3.3bn worth of vehicles comprehensively insured.

In China, where Discovery has a 20% share in Ping An Health Insurance, the company seeks to become the number one provider in the group high-end insurance market. At present it is the third-largest underwriter of group high-end medical insurance.

Source: *Business Day* via I-Net Bridge

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