Status of Skills in the Insurance Industry

Part 2: Focus on the Short-Term Insurance Sector

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INSURANCE SECTOR EDUCATION AND TRAINING AUTHORITY

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Executive Summary

This report is the second in a series of reports arising from a comprehensive study of the insurance sector. The first phase defined the context of the research. The second report is focused on the South African short-term insurance sector.

Research process

The findings in this report are based on data drawn from:

- 22 face-to-face interviews with Human Resources Directors from leading industry brokers, short-term insurers and underwriting managers and reinsurers
- 70 structured telephonic interviews with medium-sized companies with 50 or more employees

Challenges facing the short-term sector

Personal lines insurers are feeling the pinch of the economic downturn and the depressed housing market, and this is intensified by continued premium increases. Industry observers predict several fundamental changes over the next five years, including:

- Greater commoditisation
- Decreasing profitability
- Automated underwriting
- Greater use of technology
- More proactive loss control
- Disintermediation
- Multiple distribution channels

They say the commercial lines market is more stable, with growing capacity and improved risk management. However, it too is facing changes, including:

- The rise of virtual business affinity groups
- Automated underwriting
- Transformation of business models

Perceptions of transformation

Transformation difficulties appear to relate mostly to the challenge of finding Black candidates with the desire and the skills to embark upon a career in the short-term insurance market, playing either specialist or management roles. The insurance industry is not seen as a chosen career with most people arriving in the industry by default.

The pool of skills is limited, and the insurance industry must compete with other sectors for suitably qualified candidates. Insurance is generally not perceived as a desirable career choice, in part because of the tradition of commission-based remuneration. This lack of suitable candidates is slowing the process of transformation.

Medium-sized companies are more inclined to agree with general concerns regarding the transformation process than small and larger companies. This suggests that companies with fewer than 50 or more than 100 employees are less affected by transformation challenges than are companies with 50-100 employees.

Small companies are mostly dependent on skill sets derived from two or three key individuals and there is seldom a middle management structure. Transformation in these small companies is mostly at an admin level and career advancement has a ceiling with employees forced to move into a larger company to enhance or progress their career.

Success in addressing skills shortage

All respondents believe there needs to be more comprehensive exposure of learnerships to a greater variety of opportunities and skill sets within an organisation.

While extensive usage is made of learnerships offered by Inseta, employers must be encouraged to make greater use of funding available for internships to draw in graduates with potential for management positions. Inseta is not always perceived as leading growth initiatives at a higher level

In-house training, and in particular mentoring, are seen as key approaches to up skilling staff. Most respondents spoke about the crucial need for transference of skills from older experienced employees to the newer employees.

Respondents expressed a need for an industry accord to create an environment in which industry players can work together to increase the pool of skills and prevent the ongoing poaching of skills. They believe that if all companies and associations work together, such an accord could benefit the entire industry and not just those with bigger chequebooks.

Respondents also feel that the image of the industry needs to be improved, with additional focus on increased professionalism. This will make the insurance industry more attractive to EE candidates as a worthwhile career path.

Medium-sized companies interviewed telephonically do not seem greatly affected by the issues of concern to industry leaders.

All the companies in the medium range reported a shortage of strategists, specialised skills and underwriters. Actuarial skills, sales and distribution and IT skills were also areas of concern.

73% of the respondents interviewed telephonically indicated that their companies do have career paths for employees.

Key drivers predicted for next five years

Industry leaders identified six key drivers that will continue to affect the industry over the foreseeable future.

- Increasing regulation and the rising cost of compliance will put pressure on the need for qualified, skilled compliance officers.
- The emerging “buppies” and related market segments will drive a shift toward greater use of technology and social media, as well as direct selling in the personal lines market.
- As new technologies emerge and big data takes on greater significance, more innovative companies will gain a competitive edge.
- The need to develop and retain specialised professional and management skills within the industry will be an ongoing challenge.
- The revised BBBEE scorecard will intensify pressure on companies to meet the demand for social and economic transformation.
- Companies will increasingly seek opportunities to expand into Africa.

The same factors were significant to medium-sized companies interviewed telephonically. In addition, they highlighted the threatened loss of skills due to an ageing workforce, as well as increasing consumer awareness.

Organisations effective in up skilling

Respondents perceived Inseta and IISA as having the greatest impact within the industry with regard to increasing the employee skills levels and professionalism.

Sampling

- Face-to-face interviews with Human Resources Directors / CEO's: Suggested sample n=30 interviews
  - 10 largest industry brokers
  - 10 largest short-term insurers
  - 10 large underwriting managers / reinsurers

Lists of suggested industry employers were supplied by IISA and Inseta.

- Face-to-face interviews completed: 22
  - 3 unavailable to participate
  - 5 underwriting managers moved to telephonic due to the size of the company
  - 1[1]Reinsurer reallocated to study on the Life industry

- Telephonic interviews: Suggested sample n=70
- Telephonic interviews completed: 70
  - Small and Medium-sized employers
  - Underwriting managers moved from face-to-face interview samples

Respondents for telephonic interviews were drawn from:

- Financial Services Board (FSB) list of employers registered under short-term insurance
- Inseta levy-paying members listed under short-term insurance
- List of medium sized employers supplied by IISA

Web-based data collection (In Process)

  - Respondents invited to participate: 457 levy-paying Inseta members (Outcomes of web based surveys to be included in the final industry report)

Demographics

Table 1: Regional demographics where employers have offices

Telephonic n=70 Multiple mention, shown as a percentage	
Gauteng	61.4
KwaZulu Natal	48.6
Western Cape	47.1
Eastern Cape	28,6
Mpumalanga	24,3
Free State	22,9
Limpopo	15,7
North West	14,3
Northern Cape	14,3
Outside South Africa	2,9

[1]CEO would not allow discussions to go ahead
Bank Brokers did not perceive themselves to fall under INSETA
More involved in Life than short term insurance – moved to Life Sector

Table 2: Type of company

	Telephonic n=70 %	F2F n=22 #
Individual proprietorship	1,4	
Limited partnership	14,3	1
Private limited company	65,7	7
Public limited company	7,1	5
Cooperative	1,4	1
Other	10,0	3

Table 3: Areas of business

Multiple mention	Telephonic n=70 %	F2F n=22 #
Short-term personal Lines	55,7	19
Short-term commercial lines	58,6	27
Life assurance	18,6	9
Healthcare Insurance	7,1	6
Employee benefits / Pensions	4,3	9
Medical scheme business	1,4	5
Other	24,3	11

Challenges Facing the Short-Term Sector

Respondents foresee continuing change ahead of the market for both personal and commercial lines. Personal lines will be more affected by significant changes in the market environment. They say the commercial lines market is more stable and can look forward to continued growth.

Changes in the market environment

Poaching and job hopping. Employees are no longer loyal toward their employers, and readily change jobs to improve their situation in the short-term. Meanwhile, insurers respond to the skills shortage by actively poaching staff.

Lack of interest. School leavers generally have little knowledge about or interest in the insurance industry. Many job seekers land in the industry almost by accident, or switch from another financial services sector such as banking or accounting. The industry has few role models or icons, and short-term insurance remains a foreign concept to many South Africans.

Professionalization will improve industry status. Regulation will enforce a higher level of skills within the sector. Restoring the credibility of professional bodies and associations is the first step to addressing negative perceptions of the sector.

Modern technology does not encourage initiative. Increasing the industry is relying on computers to do complex work like underwriting and rating models, while call centre staff rely on scripts to tell them what to say. Some industry observers believe that because many workers no longer document how they actually do their work, there is no frame of reference for future generations to follow.

Skills transfer essential. Industry observers say there is a need to reward those with expertise for transferring their knowledge and sharing their skills. They advocate:

- Establishing forums for young future leaders to develop and share their expertise and skills
- Importing experienced personnel from developed economies to transfer skills and knowledge to South African employees, in a process that involves and rigorous succession planning

Personal lines

Competition tough but premiums keep rising. Personal lines insurers remain locked in an increasingly intense battle for market share. Auto and homeowner carriers have felt the bite of the economic downturn and depressed housing market, but a need to offset high catastrophe losses, rather than increased demand for coverage, has driven premium increases.

Significant changes ahead. Industry observers predict several fundamental changes over the next five years. When analysing these changes it’s important to understand the environment, such as a country’s rate of growth, the maturity of its insurance sector, and the strategies and capabilities of insurance carriers.

- **Greater commoditisation.** This will lead to price transparency and (bulk) direct purchases led by social communities. Over the short term good margins will be possible in emerging and under-developed markets, but with globalisation these margins will vanish. Competition will be increasingly price-based.

- **Decreasing profitability.** Megacities growing in areas prone to natural disaster will increase the potential for catastrophic loss. Limited opportunities for diversification could lead to volatile earnings and reduced profitability.
- **Automated underwriting.** As insurers expand globally, aging underwriting resources in the developed world and a lack of underwriting skills in emerging markets will lead to a talent shortage. Insurers who can recruit or retain top underwriters and build sophisticated predictive modelling will have a competitive advantage. Automated underwriting, more common in the developed world, will be increasingly adopted in emerging markets.
- **Greater use of technology.** Most carriers are reassessing their marketing, sales and service systems to adapt to changes in consumer behaviour and preferences, which are driven primarily by advances in web and mobile technologies. More people are spending more time in the virtual world, whether through their laptop, tablet or smart phone, and they expect their insurers to be there with them. These consumers are surfing the web over wi-fi-enabled devices to learn about products and services, to price-shop and to exchange customer experiences. Many buy policies and file claims online.
- **More proactive loss control.** Insurers will switch from using advances in telematics to price mileage-based insurance, and will seek proactive control of losses and risk management. Over time, competitive advantage will disappear as vehicle safety features and advanced analytics become common.
- **Disintermediation.** Direct sales of personal auto insurance over the web has been a viable distribution platform for years. This has kept the heat on agents and brokers to demonstrate their added value if they want to retain or expand their market share. Now, research indicates that carriers are seriously exploring the potential to reach buyers via a one-stop, web- or mobile-based transaction. This is a significant threat to intermediaries serving the personal lines and small-commercial markets, as well as to those insurers who depend heavily on intermediaries to distribute their products.[2]
- **Multiple distribution channels.** Many consumers still prefer a human connection when buying personal lines, choosing to establish a trusted relationship with an insurance professional who can help them shop for a policy, sometimes for more than one type of coverage, as well as show them how to navigate the claims process and be their advocate in case of a loss. For this reason, fewer companies are dedicated to distributing through any one channel. Many are looking to reach prospects and more regularly communicate with policyholders over multiple platforms, both to take business away from competitors and improve retention of their own customers.

Navigating a changing environment. In this new and changing environment, the challenge is to determine what makes personal lines insurance buyers tick. What motivates them to choose and remain with a particular carrier or channel? And what might prompt a personal lines consumer to switch carriers, and perhaps channels as well?

Commercial lines

Stable market. The insurance markets for commercial businesses look relatively stable for each line of business.

Capacity high and growing. Market capacity is at an all-time high for most major lines of business as market surplus is at record levels. The insurance-linked securities market for catastrophe perils such as wind and earthquake has grown by 16% annually over the past three years. Hedge funds and other capital market investors find these vehicles attractive as an uncorrelated area of risk with generally superior returns. If this rate of growth continues, alternative capacity could reach a global market share of about 25% by 2020.[3]

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[2] Insurance 2020 PwC Turning change into Opportunity
[3] Wells Fargo 2014 Insurance Market Outlook

Risk management improving. The commercial insurance industry is getting better at managing identified risks, but the landscape continues to change rapidly as the industry seeks new and better solutions. Recognised risk concerns include:

- Regulatory change
- Political uncertainty
- Cyber security and privacy risks
- Volatility of global financial markets
- Slow recovery or double-dip recession
- Reputation damage
- Limited availability of top talent
- Emerging technologies
- Terrorism

Significant changes ahead. Industry observers have identified several trends that will affect the commercial lines market.

- **Virtual business affinity groups.** Social networking among small business owners will create virtual business affinity groups, which will pool their risks and retain more predictable layers of risk. Greater availability of information and increased price transparency will facilitate this trend.
- **Automated underwriting.** Trends in automation of quotes will continue. Commercial insurance will be more affected than personal by the general lack of underwriting talent.
- **Business model transformation.** Real-time data from sensors and devices will continue to transform the commercial insurance model. Commercial insurance will focus on providing standardised products and value-added services, working proactively with clients to avoid or reduce loss and manage risk. Risks, meanwhile, are becoming more complex, driving a need for improved data analytics to develop new risk transfer options.

Perceptions of Transformation

Transformation difficulties appear to relate mostly to the challenge of finding skilled Black candidates with management or specialised skills needed within the industry. And the pressure to conform to expectations of social and financial transformation is intensifying.

Results of face-to-face interviews

Challenges of transformation large employers

Lack of human resources slowing industry transformation. The short-term insurance sector, along with the rest of the private sector, has come under fire for its slow adoption of employment equity. But members of the industry say the problem starts with a too-small recruitment pool. There is an acute need for skills preservation and development within South Africa's short-term insurance industry. Respondents agreed that a lack of suitable candidates was the biggest challenge facing short-term insurers today

Transference of skills. Many older employees leaving the industry on retirement, are doing so without employers ensuring the transfer of skills and knowledge to suitable candidates within the organisation. For some there is a resistance to transference as they perceive the opportunity to return to the industry in a consultancy capacity Employers need to find ways to incentivise these employees to transfer and mentor younger employees before they leave the organisations.

Traditional training grounds have largely disappeared. Industry consolidation has eliminated many of the traditional large multi-line insurers that gave previous generations an apprenticeship opportunity. In the new environment, skills development is largely the responsibility of partially-trained managers with limited experience and with large gaps in knowledge. This problem is exacerbated by a culture of entitlement among job seekers who expect high salaries, luxury cars, rapid promotion and status.

Senior staff is often ill-equipped. In common with most South African industries, short-term insurers are dealing with the shortage of needed skill sets and socio-political pressure for transformation by promoting employees much more rapidly than their peers in developed economies. This results in managers who lack the experience and life skills to handle their responsibilities well. Many lack the strategic management and decision-making skills that are crucial to a good manager.

Lack of quality management prospects. Respondents report great difficulty in finding suitable candidates for middle and senior management positions. In some instances it is easier to find a suitable candidate for a senior directorship position than it is to find a candidate with suitable qualifications and skill sets for middle or senior management. People are often placed in these positions before they are ready to assume the responsibilities attached to the role.

High cost of training. Internal company training programmes are expensive and time-consuming, and trained candidates are very likely to be poached by competitors at the end of the process. More internal training programmes should also be recognised as INSETA approved trainers given the level of training provided and the skill sets provided to candidates that complete the in house training.

Impact on company morale. Headhunting throughout the industry results in remuneration that is out of line with other employees in similar categories. This can cause dissatisfaction among other members of staff.

Needed mix not available. The desired mix of qualifications and job experience may not be available in one candidate. Someone with the right qualifications may come from a different industry sector, while others may have the right skills and work experience without the required qualification.

Difficult to attract suitable candidates. The insurance industry is not perceived as attractive. Most senior executives interviewed had entered the industry via other financial services sectors or had landed in the industry "almost by accident". Some respondents called for the reinstatement of an Insurance college. It was felt that this would give the industry a much more professional image and attract a larger number of suitable candidates who could provide the needed foundation for the various required skill sets needed within the industry.

Commission not an attractive option. Commission-based payment is not attractive to up-and-coming Black male candidates. At middle and senior management level, employees want a more secure remuneration package.

Call centres an ineffective entry point to industry. Personal lines call centres tend to attract a high percentage of young Black school leavers. However, there appears to be a gap between skills at this level and those needed in other career fields within the industry. Many potentially suitable candidates seem to lack interest in studying further to qualify for positions in more skilled areas.

Culture of entitlement. Some human resources (HR) directors see a culture of entitlement as a limiting factor affecting the potential to fast track a suitable candidate through the ranks. In many instances, the fact of having being identified as a suitable candidate creates an expectation of frequent salary increases and other perks, while these candidates may not be diligent in acquiring the qualifications they need.

Regulatory restrictions. Promotion within the insurance industry often depends on a candidate having the qualification required by regulations. The South African education system does not reliably produce school leavers with the capacity to achieve higher qualifications.

Financial limitations. The cost of acquiring a qualification can be prohibitive for many employees who wish to further their careers

Needs of UMAs

Specialised niche markets. UMAs normally operate in niche market segments where there is a need for specialised knowledge and expertise. Most of this knowledge and experience is vested mostly in white males, and the available pool of talent and experience is limited.

Stable, but limited career path. Most UMAs have a small staff complement, with low staff turnover at middle to senior management level. There is also a limited career pathway for employees within the company, and the more senior specialised employees are often unwilling to pass on their knowledge and skill sets.

Limited training resources. UMAs often cannot undertake expensive internal training programmes to develop the skills crucial to their specialised market focus. However it is also very expensive to headhunt the required skills from larger industry players, and many UMAs cannot afford qualified candidates.

Possible solutions to HR supply challenges

Plan human resources development. Identifying potential candidates for promotion needs to go hand-in-hand with defining a career pathway, supporting them through internships or scholarships, and ongoing mentoring within an organisation.

Use internships to provide broad-based exposure. Graduates may have qualifications but usually lack relevant employment experience. Some respondents suggest employers should use internships to rotate them through as many departments as possible. This would reveal their strengths and interests, making it possible to establish them on a rewarding career path within the organisation. At the same time, it will equip them with a good understanding of the entire business, and how each section relates to the others.

Industry based transformational strategies. Companies need to look for strategies that will jointly engineer big transformational change that will be more representative of the country's population. These strategies must be industry motivated to grow the required skills and in so doing eliminate the need for poaching.

Respondent comment face to face interviews

We made note of comments and observations about transformation that respondents made during face-to-face interviews. The comments below are representative of views most frequently expressed.

- Transformation is more than employment equity. Poaching is an issue but organisations have to put the time into [training].
- In the UMA space there is not a lot of transformation. We have very specialised people and most of them are also older.
- A UMA can't chase BEE candidates – it is too expensive.
- With the skills shortage everyone is doing more than one person's job so there is a lack of time to mentor people as in the past.
- Young people nowadays don't want to start at the bottom and work their way up. They want promotions and advancement faster
- We Implemented BEE incorrectly. Whites lost their jobs and were replaced by inexperience before being able to pass on their skills acquired over many years.
- Managing White fears and Black expectations is unrealistic. Went a route to educate all staff. Focused on skills development. Finding suitable people for senior manager level is a struggle.
- People have the paper qualifications but practical experience is lacking. [Finding people to handle] finance and admin is easy, but claims specialists are hard to replace.
- Getting people (especially African) into a commissions-only role is not easy. Commission is a hard ask. Many EE candidates don't want to take the risk.
- Intermediary and short-term industry not seen as a sexy career.
- Regulatory Exams (R/E) exams are a barrier. Many people had to rewrite many times to get the qualification.
- The preferred route is to grow talent from internal sources, driving transformation through skills development.
- People don't aspire to become an insurance person.
- People come in at a younger age to do call centre work. The target of 2016 where we need to have transformed at all levels will not happen at the present pace. We're struggling to find people who want to be in the insurance industry.
- Each company does their own interpretation. We need to get the industry to work together to create jobs aligned to the same criteria. Inseta does crowd projects. Each company has different requirements on skills needs at a particular time.
- Need to make insurance hip. People just want senior positions without experience.
- BEE candidates come at a price and in some cases receive a sign-on bonus in excess of R300 000. People with minimum credits secure their future employment but there is no incentive for higher qualifications.
- When people retire they remain on as consultants, therefore they don't share and transfer skills. Lots of poaching happening.

- The Financial Advisory and Intermediary Services Act (FAIS) created a glass ceiling. The people at the high end have years of experience and the junior staff is FAIS compliant, and there is a huge gap in-between.
- We experience a shortage in staff and specifically actuarial students. The standard of qualifications of actuarial students is poor compared to a few years ago.

Results of telephonic interviews

Question: I am going to read you a list of statements made by various people with regard to transformation within the industry. On a scale of 1 – 10 please rate these comments where 1 = totally disagree and 5 = neutral and 10 = totally agree.

Table 4: Transformation perceptions within the short-term insurance industry

Transformation statements	Rating by company size			
	Overall	<50 n = 28	50-100 n = 16	>100 n = 26
Industry role-players need to work together to promote skills development and eliminate discrimination	8,4	7,9	8,8	8,8
Companies increasingly need people with a wide range of skills	7,9	6,9	9,1	8,1
African representation at the professionally qualified level needs to be greatly improved	7,8	7,5	8,4	7,6
Skills shortage is a serious concern in the increasingly complex and interrelated financial services operating environment	7,8	7,5	8,6	7,5
Every sector of the insurance industry needs to make an effort to recruit, train and promote qualified Black people to senior and top management positions	7,7	6,9	8,3	8,3
The poor standard of school education is a key underlying cause of skills shortages	7,6	6,9	8,3	8,0
Job-hopping is a serious challenge facing the industry	7,4	6,6	8,4	7,6
South Africa still has a long way to go to achieve workplace parity	7,1	7.0	7,3	7,0
Within the financial services sector the process of change is led by the larger institutions	7,0	7,0	7,8	6,4
There is a massive skills shortage in the short-term insurance industry	7,0	6,9	7,7	6,8
Smaller enterprises and Black entrepreneurs are underrepresented in the insurance industry	6,7	6,4	8,0	6,2
Companies think because they are compliant that they have employment equity	5,2	4,8	6,1	5,0
Total average score	**7,3**	**6,8**	**8**	**7,3**
Median score	**7,5**	**6,9**	**8,3**	**7,6**

Comment. Medium-sized companies place a much higher rating on the various aspects of transformation than small and large companies. Small companies give lower ratings across all the transformation statements, indicating their lesser needs with regard to both training and transformation. Large companies' ratings of transformation are 10% lower than medium companies, and small companies ratings are transformation are 15% lower than medium companies.

Question: **On a 10 point scale where 1 = not very successful, 5 = quite successful and 10 = very successful, please rate your personal experience within your own organisation with regard to how successful you have been in each of these areas.**

Table 5: Internal Employer Experience within their organisation

Transformation statements	Rating by company size Overall	<50 n = 28	50-100 n = 16	>100 n = 26
We are active in effecting change within our own organisation	7,0	7,1	6,6	7,2
As an organisation we are looking for people with a wide range of skills	7,0	6,7	7,2	7,1
Our organisation has achieved an acceptable level of employment equity across all employee levels as well as being compliant.	6,7	7,2	5,9	6,7
The poor standard of school education affects our ability to recruit the skill sets that we need.	6,6	6,0	6,6	7,3
Our organisation works with industry players to promote skills development and eliminate discrimination	6,6	6,5	6,2	6,9
Success in addressing the skills shortage within our own organisation	6,6	6,4	7,2	6,4
We encourage the use of SME companies and Black entrepreneurs	6,5	6,8	6,8	6,1
Our organisation recruits, trains and promotes qualified Black people to senior and top management positions	6,4	6,1	6,1	6,8
Looking ahead the skills shortage is a serious concern for our organisation, given the increasingly complex and interrelated financial services operating environment	6,4	5,8	7,1	6,7
Our organisation has managed to control job hopping	5,8	6,7	5,9	4,8
We have good African representation at the professionally qualified level within our organisation	5,8	5,6	5,4	6,2
Our company still has a long way to go to achieve workplace parity	5,4	4,0	6,8	5,9

Comment. No organisation has been particularly effective at addressing its internal transformation needs.

Success in Addressing Skills Shortage

Skills development is the broad term used for the training and development the employer provides to employees, whether this takes place in-house, through an outside training provider, or on the job. It includes workspace skills planning, succession planning and learnerships.

Results of face-to-face interviews

Learnerships benefit both employer and candidate. Respondents define learnerships as essentially the same as apprenticeships, but with a more focused, tightly controlled approach to training. Effectively managed learnerships offer financial and other advantages to an organisation. Respondents perceive a need for learnerships to offer more practical application and hands-on implementation.

Offer learnership candidates practical support. When a company identifies a candidate with potential to move into a permanent position within the company, it should offer financial assistance, such as a bursary, to encourage the candidate to earn the desired qualifications.

Approaches to in-house training

In-house training has strong advantages. Most respondents favour growing needed skill sets using internal resources, for several reasons.

- On-the-job training that enhances an employee's skills and prepares them for the next promotion is generally far superior to a public seminar. This approach ensures more natural, lasting knowledge transfer for trainees, while the employee providing the training cements their own learning in the process.
- Internal training and development leaps the huge barriers that encumber external training. Internal training reflects a solid knowledge of the organizations culture. Internal training uses real life examples, problems and challenges that participants encounter every day at work. Successful internal training identifies the exact skills and knowledge that participants need to succeed in their jobs.
- Locking in learners and exposing them to as many different scenarios within an organisation for maximum job exposure. While this is not as easy for medium sized companies with an industry accord it could be possible to work with other companies where they could gain exposure to a wider skills set.- If everyone is doing it then there would be less need for poaching (job hopping)

E-learning offers value to insurance industry. Younger employees tend to be competent in the use of technology, and e-learning programmes are a proven way to develop skills such as leadership, time management, and communications, team work and client care. Effective e-learning is tailored to users' needs, and focuses on the learning experience rather than on the technology. It does not replace traditional learning techniques, but is a complementary tool, alongside on-the-job training, coaching and mentoring. It is especially suited to self-motivated learners, because it enables individuals to choose programmes that fit their specific continuous professional development needs.

Rapid learning is key to an organisation's success. In a knowledge-based economy, people's ability to absorb and process new information, and adapt quickly to new realities are critical to the continued success of an organisation. This creates a need for an innovative approach to training both teams and individuals.

Efficient use of limited training resources is essential. With the demand for training most likely exceeding capacity, resources must be focused on the most important initiatives to maximize training investment and demonstrate value. In the highly regulated short-term insurance industry, it is essential to align skills development capacity with the industry qualifications, to prevent duplication and maximise success.

Tracking learners' progress. Talent management identifies both employees' current skills and the gaps in skills that may be preventing them from moving up the corporate ladder. Many learners and interns move through training or acquire qualifications, with no clear record of how the process has advanced their career or added value to their organisation. Respondents' suggest that forward-looking learning management could suggest training opportunities and recommend external resources specific to an employee's needs. This should comprise of a longitudinal national process to tract learners and their development over a set number of years.

Key role of skills transfer

Encourage skills transfer. Employers need to develop ways for experienced employees to transfer knowledge. After new employees assimilate the basic facts about their job, their next learning stage should be on-the-job coaching, and peer-to-peer coaching has proved to be the most effective way to introduce a trainee into the actual work environment.

Shadowing, observation, mentoring. Respondents believe trainees should start by shadowing their coach, with no responsibilities except to observe and link what they have been taught during preliminary training to the real process. Next, they should perform the tasks under direct supervision of the coach, who should be relieved of their normal work or performance targets for this period. As the trainee's skills progress, they should move into a mentoring relationship.

Importance of mentoring. Respondents agreed that it was important for senior executives within an organisation to serve as mentors. This level of mentoring plays an important role in developing loyalty to the company. Regular evaluation and a focus on addressing the weak points identified by an assessment process are central to effective mentoring.

Productivity paradox. For people to perform at their optimal level, they need to follow a structured learning process. But the most urgent need of business is output, which puts pressure on investing more in production and less on getting employees to a level where they can consistently perform as required. This paradox can result in undermining employee mentoring and coaching programmes, because these don't contribute directly to the bottom line.

Industry accord to tackle poaching

Members of the industry must work together. Respondents agree that, given the limited pool of suitable middle to senior management candidates available, there needs to be an industry accord between CEO's to encourage skills development and adopt a non-poaching philosophy. By forcing trainees to lock in more firmly with an employer, this will ensure that companies receive a reasonable return on the time and funds they invest in training and fast-tracking suitable candidates.

Proactive strategy needed to retain key employees. This means identifying employees that contribute the most to the bottom line and developing programs that will satisfy them, providing, compensation programs that provide the types of rewards that are important to each employee or taking a closer look at the overall organizations culture.

Companies and representative bodies should work together. Respondents called for greater cooperation between employers and Inseta, IISA, FSB and other representative bodies to develop a pro-training, anti-poaching accord. While these organisations do interact effectively, the perception within the industry is that they operate largely in isolation.

Training challenges raised by regulations

Regulations benefit consumers. An array of regulations protects consumers and enhances the professionalism of the industry. FAIS regulates financial advisor and intermediaries. With the Policyholder Protection Rules (PPR), it protects consumers from miss-selling and over-selling of financial products. The Financial Intelligence Centre Act (FICA), Prevention of Organised Crime Act (POCA), Consumer Protection Act (CPA) Protection of Personal Information Act (POPI) and the Companies Act also help regulate the industry.

Two levels of intermediary. In South Africa there are two levels of insurance intermediary:

- Sophisticated teams and individuals who usually use modern technology and can benefit from economies of scale
- Less sophisticated members of the emerging sector, generally less endowed with technology and increasingly dependent on loans from micro-lenders

Regulations put pressure on intermediaries. The plethora of regulations has significant implications for intermediaries' business. Requirements for intermediaries to be "Fit and Proper" can be challenging for brokers serving the lower income market. Smaller operators face challenges, from a regulatory perspective, regarding the advice they are giving.

Industry's role in supporting broker education. Respondents believe members of the industry should commit to understand regulatory requirements. They identified a need to create a learning platform to enable brokers to achieve the required qualifications and knowledge and to be able to operate effectively and responsibly.

Shortage of brokers increasing. Many experienced brokers are leaving the industry because they feel their extra legal responsibilities take them away from their core business as brokers. At the same time, potential candidates are not entering the industry because of their perception that there are prohibitive barriers to entry.

Changing the image of the industry

Not recognised as an option by graduates and school leavers. School leavers and university graduates do not generally perceive the insurance industry as a desirable career choice. Respondents believe this can be changed if members of the industry engage with schools and universities, for example by offering scholarships and other programmes.

Complacent attitude toward image. Respondents believe the industry has become complacent about managing its market image, in part because it has been more focused on increased regulatory and legislative requirements and the effects of climate change and economic changes. Despite intensive product advertising, the industry has not addressed the stigma attached to the industry by disappointed customers.

Respondent comment face to face interviews

We made note of comments and observations about skills development that respondents made during face-to-face interviews. The comments below are representative of views most frequently expressed.

General comments on training

- Learnerships play an important role but out of 2000 applications only 15 are appointed.
- Have a problem with African male. Maybe because it is a service industry
- Employers have to really develop a learning culture focussing on professional, technical and soft skills. We also focus on role rotation and exposure to executives of juniors with potential.
- Industry only provide learning material. Very little available to understand the reasons or roles and the responsibilities. E-learning will be a key driver to call centre staff.
- Most people learn insurance on the job.
- The people and existing leadership are dying on the job or preserving their jobs and don't want to transform.
- There is no broker qualification to go into from school. Higher Certificate does not help you to be a broker.
- We have a decentralised training approach and facilitated through external partners
- There need to be a business bridging course before and after a learnership.

Mentoring

- Learnership most important. Mentoring on the job, develop the talent from within. If everyone is doing it then there would be no poaching or job hopping.
- We take 10 students, mostly Black actuarial, offer a 2 year contract, and rotate through all the company departments. Mentoring young talent all the time using executives in the company.
- Started a mentoring program to force the mature staff to transfer skills.

Role of industry bodies and regulators

- There has been work done and some level of success. Could be better collaboration between industry associations / Inseta / FSB. These relationships need to improve
- If Inseta / FSB / professional bodies come together then there will be better transactions.
- There is a disconnection between industry bodies. FSB wrote weird credit based and nothing was coordinated. Inseta should have come to the party and let us agree on a qualification.
- Should coincide a two year deadline to get a qualification to remain fit and proper.
- FSB had good intentions with the FAISA. Intentions were good, but roll out not good.
- Professionalize the industry implementation not good.
- There are qualifications, different FAIS credits and RE exams, but it does not translate into a change of daily activities.RE and FAIS allow people to keep their job but no one came and said well now we need to change X Y or Z.
- Although regulation has noble intentions it also leads to people being exited that have the experience, perform well have no comebacks from clients that can just not pass the exam due to exam conditions and not that they don't know the subject matter.

Skills needed

- We need skills especially in the area of underwriting. Happy that now there are underwriting learners.
- High qualification claims people like specialists and loss adjustors needed.
- We have no internal pool to promote from so have no alternative but to look outside of the company. Talent in the market is also limited.

- Skills gaps primarily in the actuarial or professional level. Funding from Inseta can assist but the focus of Inseta is more on entry level positions with little to no focus on actuarial levels. Quality from the universities is also deteriorating and students have an image of knowledge but when interviewed their basic business, and language skills are lacking.
- One has to market the industry. There are attempts but it does not translate into hard core skills. The Insurance industry is still not a professional industry.

Staff retention and developing an industry accord

- Industry must work together to stop poaching and grow the needed skills.
- Industry needs to have a system to maintain and track learners.
- Struggle to keep staff and make long-term insurance specialists.

Telephonic interviews

Question: I am going to read you a list of reasons given by employers as to the challenges faced in implementing employment equity? Please indicate which of these issues you have faced within your own organisation and on a scale of 1 to 10 where 1 = very little impact, 5 = some impact and 10 = significant impact - rate the impact that it has had on your ability to correctly match individuals to jobs, with the appropriate skills set and technical competence to master their work requirements and advance their careers.

Table 6: Challenges faced in finding EE skills

		Rating by company size		
	Overall	< 50 n = 28	50-100 n = 16	> 100 n = 26
Poor maths and science outcomes of school leavers	6,7	6,1	7,1	7,1
Overall lack of Black candidates in certain areas, particularly risk management, investment management, governance, and regulation and compliance.	6,3	5,4	6,8	7,0
Lack of qualifications	6,3	5,8	6,9	6,4
Poaching / job hopping. No loyalty, go to the highest bidder	6,2	5,4	7,6	6,2
Climbing the ladder too soon. Not as well groomed or experienced to take on the positions	5,9	5,9	6,3	5,5
Fewer large players that used to incubate and train people.	5,8	5,7	6,6	5,4
Lack of apprenticeship –culture of entitlement	5,7	5,7	5,6	5,7
Negative perception of the industry – people not attracted to the industry	5,7	5,5	6,3	5,7
IT staff difficult to attract and retain	5,6	5,0	5,7	6,0
IT skills so short in South Africa that many employment options available	5,2	5,0	5,3	5,3
Modern technology. People no longer think for themselves – no initiative	5,2	5,3	5,3	5,0
People overpaid for the qualifications that they have due to shortages.	50	5,6	4,3	4,9
Total Average score	5,8	5,5	6,15	5,85
Median score	5,75	5,6	6,3	5,7

Comment. Most of the options rated in this table reflect issues raised in the face-to-face interviews. The ratings indicate that, in real day-to-day experience, these issues have little or no effect as perceived by this group of respondents.

Question: In which areas does your company experience the greatest skills shortages?

Table 7: Skills shortages

	Overall	Rating by company size < 50 n = 28	50-100 n = 16	> 100 n = 26
Strategists / specialised skills	35,7	39,3	18,8	42,3
Actuarial skills	25,7	25	6,3	38,5
Underwriters	22,9	25	18,8	23,1
Sales & distribution	21,4	3,6	31,3	34,6
Middle and senior management	20	7,1	12,5	38,5
IT skills	15,7	21,4	18,8	7,7
Specialist quantitative, mathematical and investment skills	14,3	14,3	6,3	19,2
Claims	12,9	14,3	12,5	11,5
CRM managers	11,4	10,7	18,8	7,7
Statisticians and data analysis skills	10	14,3	6,3	7,7
Accounting experts	10	10,7	12,5	7,7
Risk surveyors and accessor	10	10,7	12,5	7,7
Legal experts	7,1	10,7		7,7
Credit risk specialists	5,7	3,6	6,3	7,7
Regulation and compliance skills	5,7	7,1	6,3	3,8
Tax specialists	3,7	3,6		3,8

Comment: All companies reported a shortage of strategists, specialised skills and underwriters. In addition:

- Larger companies reported a shortage of actuarial skills, sales & distribution, and middle and senior management
- Medium-sized companies reported a shortage of sales & distribution, IT skills and CRM managers
- Small companies reported a shortage of actuarial and IT skills

Question: Does your company have a career pathway / progression plan for your employees?

Table 8: Company career paths for employees

	Overall	Company size <50 n = 28	Company size 50-100 n = 16	Company size >100 n = 26
Yes we have a career path or progression path for employees	72,9	57,1	75,0	88,5
No we do not have a career path or progression path for employees	27,1	42,9	25,0	11,5

Comment: It would appear from comments recorded below, that most organisations have a different understanding of career paths. It could be of value for the industry / INSETA to write a spec of what should be developed so all industry players are working in the same direction.

Respondent comment

We made note of additional comments and observations about career pathways that respondents made during telephonic interviews. The comments below are representative of views most frequently expressed.

Yes we do have a career path

- As a rule, any vacancy that we have, we look internally before we advertise to people outside. We encourage staff to acquire knowledge so that when the time comes, they are offered the positions. We pay for that schooling, we encourage and support our staff to be ready for higher responsibilities.
- Currently we have one for the core areas of our business (claims and underwriting) but not for supporting staff (marketing, HR and clerical divisions).
- During the performance one needs to study in order to progress. You look at the existing growth opportunities in the company, and decide on what the employee needs to study in order to progress to those positions.
- Every person has a development plan. Most staff are graduates.
- Extensive training programmes. We train people that have no experience and help them to move into various positions.
- From recruitment stage we keep their development in mind. We do assessments then put them on various courses.
- It is up to the individual to carry it through and participate so that they become responsible for their own development. Each person develops their own plan and works together with their managers to further develop their division plan and carry it through.
- If our staff shows initiative we give opportunities to improve skills. If they grow their skills, they are considered first.
- It is in place for senior staff members and nothing for others. There is a succession plan for them across the company.
- It is not set in stone, but management identifies people and send them to do whatever courses they are interested in and they are given the opportunity to move up if there are positions available.
- On paper yes we have it. We would like to recruit people and say they can work their way to the top but it is not possible, our company is very small. People have to leave or die to give others the opportunity to move up.
- Promotions, transfers. We pinpoint people for specific leadership programmes.
- Provide training and we have a mentoring program.
- Though not formal, we have something in place, but there is no space for people to grow. We have a lady that started off as a cleaner and she worked her way up until she now does our admin and has learned quite a bit.
- Training - they are taken through the associate level - NQF level training. The training is intensive, the first two years they are under supervision, and then they start interacting with / even get their own client, move to managing their branch and region.
- We upskill people to move those people into positions internally before we go outside.
- We conduct appraisals twice a year which makes us aware of possible movements or growth opportunities for the staff members, which we then address.
- We are working on a programme for new learners. We also have a programme we call a family tree where we look at employees that have been working for the company for about five years to make sure they don't remain stagnant.
- We have entry level for learners then we have internships and then exposure to brokers or customer service levels.
- We have some for scarce skills and none for common ones like call centre. People have bi-annual performance meetings with their managers even though there is no formal progression plan mapped out.

- We send them to training at Damelin and some of them move up when there is a vacancy.
- We work at different levels with each individual depending on where they want to go within the company."
- Preferred route is to grow talent from internal sources, driving transformation through skills development.

No career pathway in place

- It depends on the managers. Some have and some don't have. I don't know if they lack the skills to develop one but none of them seems to bother.
- We are a small company with very little room to grow, we don't have older people. Our boss is only 51 and still have a lot of time before retirement.
- Not a formal process in place. We are a small place only 30 people.
- We are working on this now as it is essential for us to do this.
- There is no manpower, it is time-consuming and we don't have the time.
- No fixed plan as it is a small company, but if staff members want to move into other positions we help them with that.
- Once they in a position they tend to stay in the positions for a long time.
- Flat organisation, but we do try to give opportunities, if they arise.

Key Drivers Predicted for Next Five Years

Industry leaders foresee a number of key changes, which they believe will have a significant effect on the industry in the foreseeable future. However, while smaller players recognise these changes, they are generally less inclined to view them as relevant to their day-to-day operations.

Results of face-to-face interviews

Regulation

More regulations coming. Respondents were aware that the Treasury, in collaboration with the FSB, is:

- Developing a stronger regulatory framework
- Strengthening the effective supervision of the FSB
- Introducing crisis resolution
- Addressing systemic institutions
- Conducting international assessments
- Benchmarking South African principles and assessments against international norms

Costs of compliance large and increasing. With the plethora of new laws and regulations and the creation of the FSB enforcement committee, there has been a sharp increase in the number and value of penalties for non-compliance. Analysts say compliance with legislation of the insurance sector could prove so complex and costly that many smaller insurers could be forced out of the market. In its South African Insurance Industry Survey 2012, KPMG says companies' differing abilities to keep up with regulatory changes could alter the local insurance landscape.

Compliance officer a crucial role. The role of the compliance officer has become even more important, and the ability to hire and retain skilled and qualified individuals in this space is crucial. Almost every financial transaction cuts across three, four or five pieces of major legislation.

Shape of the emerging market

Black upwardly-mobile professionals. “Buppies” dominate the emerging consumer market. They are young Black professionals who earn a minimum monthly salary of R8 000, own their own vehicles, do not live in Black townships, and are employed in white collar positions. This group may also be defined as young Black professionals between 25 and 39 years old, employed full-time or part-time, who have some tertiary qualifications and fall within the living standards measure (LSM) of 7 or higher.

Market growth extends beyond buppies. The surge across most markets in the past two years has been too strong to be accounted for by just the "buppies". There are about 2,6-million self-employed Black South Africans, of which 25% are in LSM 6 or higher. This suggests that the emerging market may be more than one million. Popular status symbols include cars, designer clothing, property, the latest cell phones and mobile gadgets. Wealth creation is not a priority for this market.

High-cost purchases introduce market to insurance. The first encounter with insurance in this market can be the ticking of a box to get cell phone cover or the need to take out insurance on the purchase of a motor vehicle. There is little exposure to dealing with intermediaries. The direct or online route is easy and popular within this market. They are comfortable with technology, cost-sensitive, and tend to be active in social media forums.

Effect of technology

Innovation focused on direct sales and distribution. Participants believe smart phones and tablets will present the most important opportunities for technological innovation over the next five years. Most important applications of the new technologies will centre on direct insurance and online distribution, real-time data mining and new actuarial systems.

Technology gives a competitive edge. New technologies will provide the most innovative and technologically savvy insurers with a competitive advantage.

Non-traditional players exploiting the market. Mobile phone companies, retailers and vehicle dealers have already obtained insurance licences from the FSB or are operating in liaison with insurers to exploit the new opportunities in the insurance market. Given their huge technology and customer bases, mobile operators and retail companies could become formidable competitors as the use of technology increases within the personal lines market.

Skills needs

Specialist skills. There is a greater demand within the corporate environment for high levels of professional skills. In 2012 the most sought-after executive professional positions were specialist underwriters and actuaries, followed by capital management and risk management professionals. Non-executive directors and audit committee members were also in high demand.

Risk modelling need rising. The frequency of natural and manmade catastrophic events has been increasing over the past 20 years. Managing these types of risks will not only demand more sophisticated risk modelling and innovation, but highly specialised skills.

Range of other skills needed. Engineers, already in short supply within their own industry sector, are among the scarce skills within the insurance industry. Other skills listed by respondents include actuarial, mathematics, economics, general underwriting, death and loss adjusters, and technical accounting for insurance and reinsurers.

Retention of actuarial skills. The number of actuaries qualifying has risen, but this skill set is not necessarily feeding into the insurance industry. Needed skills are moving into consultancy companies or non-insurance industries.

Social transformation

Changing B-BBEE scorecard. In October 2013 the Department of Trade & Industry released the revised **B-BBEE**Codes of Good Practice. These will become fully applicable in October 2014. The new code requires more points for each contributor level, and imposes a new sub-minimum threshold for companies with an annual turnover of more than R50-million. This legislation is perceived as a stick to beat nonconforming companies and to do away with fronting.

Status will decline for many companies. Changes to laws governing black economic empowerment will be highly beneficial for small, black-owned companies but not for underperforming larger companies. The change will see thousands of companies in the country dropping a B-BBEE status level. A new sub-minimum threshold will be applied in three areas of the B-BBEE score card for companies with an annual turnover of more than

R50-million. Companies that do not reach the minimum levels for all three areas will automatically be dropped down one status level.

Companies will be required to score a minimum of 40% in specified areas of black ownership, skills development and supplier development in order to maintain their levels. It will also require organisations to put significantly more focus on these three areas in order to achieve the same levels that they did previously.

Burdensome requirement. Many respondents believe the change in the BBBEE legislation imposes a heavy burden, especially on medium and larger employers that are already battling to meet required standards.

Offshore expansion

African opportunities most attractive. Respondents identified Africa as the most desired destination for geographic expansion, followed to a much lesser extent by Asia. Interest in South America has declined significantly. The top three considerations for South African insurers moving into sub-Saharan Africa are low penetration rates, higher margins and profitability, and the quality of local management. The three main barriers to entry are regulatory restrictions, cultural conflicts, and lack of local insurance skills.

Higher returns from Africa. Some insurers believe margins in sub-Saharan markets are more attractive than in South Africa. This may change as numerous different players implement their pan-African expansion plans.

Vast untapped market. Only 3,5% of the African market is insured, indicating a vast opportunity for insurance firms. However, an absence of information about this market is a concern for insurance firms considering expansion.

Respondent comment

We made note of comments and observations about the key drivers expected in the next five years that respondents made during telephonic interviews. The comments below are representative of views most frequently expressed.

Changing face of the consumer

- The customer is changing and staff needs to respond to changing clients' needs immediately
- The consumer is changing. Age is not really the driver but the multiple manners in which consumers want to do business. Consumers no longer seek insurance packages but want to have choice on cover.
- Black people will deal direct as there are very few Black brokers. Use of social media and online tools will drive disintermediation.
- Shifted demographics and growth in emerging market. A typical Black clients in their 20s is comfortable with technology and happy to deal direct.
- Black middle class is still growing. It is the market of the future. Need to understand the local market
- Customer centricity: Do we understand our customer, do we know the services they require? Middle market will use internet and will also use face-to-face interaction.

Marketing trends

- Telematics will be a key driver in the future.
- Direct insurers will annex a specific market segment and own it.
- Bottom of the pile and is where the opportunity is. The uninsured!
- Need to leverage technology / distribution

Changing role of the broker

- Disintermediation of brokers will continue. Young people are more likely to go direct.
- Many brokers are old and retiring and they are not passing on their skills and there are not enough Black brokers.
- Disintermediation may happen initially but people will still need advice. Some like face to face

Skills needs

- Corporate and commercial insurance is demanding lots of professional standards. E.g. risk managers are more qualified than a broker, and that is a problem
- People don't want to come into the insurance industry. They do not see it as a legitimate career like banking for example
- In the commercial space there has to be more risk underwriting – here the Broker will play a big role
- Human Resources in the intermediate area will become a problem as the older whites start retiring
- Employment equity score card – battling to meet the criteria. Always applied on a junior level not senior level
- Business competence: Skills to be able to make business decisions and not merely task focussed.
- Innovation: Pockets of excellence but innovation quite lacking in the industry.
- Engagement: young actuaries get bored quickly and looking for challenges at other companies.

Environmental changes

- Regulation requirements: there are five times more people employed to manage the compliance role.
- Growing profit is going to be a challenge. Growth diversity in Africa and lots of opportunity but the Skill needed – skills from SA is difficult to go to other countries
- Legislation place a huge burden on companies to absorb impact and to comply. In this the playing field for brokerages are more onerous than for direct insurers and the FSB also not able to clamp down quick enough on inferior products.
- Technology and the ability and cost to cope with changing client's needs and being able to communicate on different platforms. Technology will also change the insured and the insurable event.
- The economy and social conditions, poor driving skills, strikes and job losses huge impact on claims.
- Climate change and maybe a return to insurance per specific event instead of all risks.
- Ability to maintain infrastructure and the ability to be able to assess impact of a deteriorating infrastructure with new insurance needs.
- Legislation and the ability to keep up to date and reduce risk exposure
- The workforce structure and accommodate generation gaps and the use of technology
- Biggest competitors are the cell phone industry – commercial and individual
- Business competence, innovation. Compliance and engagement will be the key drivers.
- Compliance: To comply with new regulations like SAM does not increase productivity but requires reassignment of skills and different skills. This also detracts from transformation focus.
- Regulatory bodies a necessary evil. Lots of Red tape where the substance of improving skills are lacking. The spirit is right but complex.

Impact of key drivers on skills needs

We asked Human Resources Directors to comment on what the impact of identified Key Drivers would have on the skills development requirements. The comments below are representative of views most frequently expressed.

Effect of key drivers on skills development needs

- Employee adaptability: Employees need a wider skill set that will enable them to be both more adaptable and more solution-focused.
- More innovative delivery systems for consumers will lead to greater harnessing of technology and social media in product delivery.
- Earlier intervention is needed at school level to improve outcomes of science and mathematics.
- More graduates need to be brought in to companies on internships. This will provide a system to improve the supply of suitable Black candidates for the industry, and overcome the shortage of Black actuarial, reinsurance, technical underwriting, operations and IT skills.
- Segmenting the training strategy: stream employees to where their strengths lie for example in management development – technical development – sales and customer relationship to maximise fast tracking of stable candidates to the right level.
- Job shadowing and coaching will become more important as part of the skills development training. Learners come with theoretical knowledge but greater need for workplace experience programmes to bridge the gap between theory and experience.
- Keeping actuaries interested and providing a sense of adding value and growth opportunities to retain them within the industry and prevent the trend of moving out into consultancies.
- Learners need to be tracked and set on a career path.
- Insurance is not seen as a profession or a career. People land in the industry by chance. More needs to be done to professionalise the industry.
- Skills are needed to help to get products more efficiently into the market. Employees will need the skills and aptitude to adapt rapidly to change. Understanding of clients and interpersonal skills will become more needed than mere technical skills. Solutions and communication needs to be both factually correct and crisp, quick and to the point.
- Clients want immediate solutions. December is not a quiet month any more, evenings are not closed for business any more, Sundays are no longer a rest day. Clients expect to do business when they want and on the terms they want.
- Learnership is difficult and all staff are working to capacity, but if well-structured it can add enormous value.
- It is very difficult to a 45-year-old who has not had the academic grounding to be able to qualify and become FAIS-compliant. More needs to be done to accommodate older employees with the right skills set to obtain the right qualification.
- There is a good supply of Black candidates for marketing, HR, finance and Investment, but shortage of Black skills for actuarial, reinsurance, technical underwriters, operations and IT.
- It must become sexy to be a Fellow of the Insurance Institute. To get a person to management level is a huge investment in time and money.

Results of telephonic interviews

Question: I am going to read you some of the key drivers that industry experts say will impact the local industry in the next five years. On a scale of 1 to 10 where 1 = very little impact, 5 = some impact and 10 = significant impact, rate the impact you believe each of these key drivers will have on the industry

Table 9: Key drivers in the next 5 years

		Ratings by company size		
	Overall	**<50 n = 28**	**50-100 n = 16**	**>100 n = 26**
Impact of changing and new regulations	**8,4**	8,3	8,9	8,2
Increased regulation and reporting requirements	**8,0**	7,8	8,9	7,7
Debt and inflation	**7,7**	7,1	8,2	7,9
Technology revolution: fast-pace of change	**7,6**	7,3	7,7	7,8
Client-centricity: broader consumer awareness, education and protection	**7,5**	7,1	7,6	7,8
Solvency Assessment and Management framework (SAM)	**7,5**	7,3	7,8	7,4
Cost of compliance	**7,5**	7,3	8,3	7,3
Emerging markets – growth in Africa	**7,4**	7,4	7,8	7,3
Ageing workforce loss of skills	**7,2**	7,4	7,8	6,5
Trends in digital technology	**7,2**	7,0	6,9	7,7
Globalisation and interconnected risks	**7,1**	6,8	7,1	7,3
Political trends	**7,1**	6,8	8,2	6,6
Rise of smart machines and systems	**7,1**	7,3	7,2	7,2
Social media: effective integration with corporate strategy	**7,0**	6,4	7,5	7,4
Saturated markets: growth potential limited in some local market sectors	**6,8**	6,3	7,8	6,6
Longevity	**6,7**	5,9	7,5	6,9
Challenges of big data	**6,7**	6,3	8,3	6,3
Geopolitical instability: worldwide resource scarcity	**6,6**	6,6	7,7	6,0
Cost of climate change	**6,6**	6,7	6,6	6,4
Pressure on solvency of social security and welfare programmes	**6,5**	6,2	7,6	6,3
Building analytical capabilities for the information economy	**6,4**	5,8	6,7	6,8
Superstructed organisations	**6,3**	6,4	6,8	5,9
Green Agenda: the changing landscape	**6,2**	5,6	7,4	6,2
Cross-cultural competency	**6,2**	5,8	6,8	6,3
Social instability and terrorism	**6,1**	5,8	7,0	5,8
IFRS 10 and 3rd party cell captive arrangements	**6,1**	6,0	5,9	6,3

Comment.

- Small companies' rate 14 of the key drivers listed 0,3 or more below the overall industry average. They do not rate any above the industry average. The leading drivers for small companies are:
    - The impact of changing and new regulations
    - Increased regulation and reporting requirements
    - Emerging markets – growth in Africa
    - Ageing workforce loss of skills
- Medium-sized companies rate 19 key drivers 0,3 or more above the overall industry average, and only one 0,3 or more below the industry average. The leading drivers for medium-sized companies are:
    - The impact of changing and new regulations
    - Increased regulation and reporting requirements
    - Cost of compliance
    - Challenges of big data
- Large companies rate four of the key drivers 0,3 or more above the overall industry average, and seven 0.3 or more below the industry average. The leading drivers for large companies are:
    - The impact of changing and new regulations
    - Increased regulation and reporting requirements
    - Technology revolution: fast-pace of change
    - Client-centricity: broader consumer awareness, education and protection

Organisations Effective in Upskilling

Results of face-to-face interviews

Organisation	Mentions
Inseta – Insurance Sector Education & Training Association	**50%**
IISA – Insurance Institute of SA	**31%**
Internal Company Programmes	**31%**
FSB – Financials Services Board	**19%**
None that come to mind	**19%**
FIA – Financial Intermediaries Association	**6%**
SAIA – SA Insurance Association	**6%**
ASISA – Association of Savings and Investment SA	**6%**
SAUMA – SA Underwriting Managers Association	**6%**

Respondent comment

- Not really. Companies have to rather take ownership of this.
- Life insurers do great. Learnerships are great and we have for the past 5 years had 15 learnerships per year on the short term side
- Learnerships at higher levels middle and senior management level could be considered and can work well in larger organisations such as Big insurers. They also make use of Millpark at middle management level.

Inseta

- Qualifications at higher levels should also be supported by Inseta, and not only entry-level learnerships.
- Inseta does lots of courses but not structured into clear qualifications.
- IISA, Inseta and SAIA have done the most.
- Inseta – Despite budget constraints
- Inseta became distracted with FAIS via FSB
- SAUMA, IISA, Inseta and the FSB Have had a positive impact on the improvement of skills upgrade.
- Inseta should be the central custodian for FSB – R/E
- Inseta: Little done – can do better
- Inseta Great CPD ongoing - Associates certified.
- Inseta should sit with FSB, Employers, Education training providers and professional organisations and lead what is needed and how to provide.
- Inseta provide little to no funding to actuaries.
- Inseta best but overload of info not useful to employees.

IISA

- IISA has proved to be the most involved in professionalising the industry.
- IISA is working hard with the FSB.
- IISA, Inseta and SAA have done the most.
- SAUMA, IISA, Inseta and the FSB have had a positive impact on the improvement of skills upgrade.
- IISA - the move to better structure around qualifications.
- RE Training IISA (RE is done but not exempted)
- IISA Most effective and successful - REP – AFP – CEP - Registered Financial Plannerr
- IISA and FPI set up breakfast sessions with CPD points. Not seen much from Inseta on this front or FSB.

- Very little turnover of staff but UNISA, IISA and Academy of Learning. Training complex with little focus and clarity on specialisation areas.

FSB

- SAUMA, IISA, Inseta and the FSB Have had a positive impact on the improvement of skills upgrade.
- The FSB has made a great impact to get people to write exams and then has to work under supervisor.
- FSB - Created framework to enforce certain things needed to take place.
- The FSB has done a lot of work and the implementation has not been good. Keep on changing deadlines around R/E. Now there is a deadline R/E2

SAIA

- IISA, Inseta and SAIA have done the most.

ASISA

- ASISA is funding a large number of projects.
- ASISA a bit of support to underwriting - However the Actuarial Society and definitely the Black Actuarial Society provide valuable support

SAUMA

- SAUMA, IISA, Inseta and the FSB Have had a positive impact on the improvement of skills upgrade.

Results of telephonic interviews

Organisation	Mentions
None that come to mind	23,2%
Inseta – Insurance Sector Education and Training association	40,0%
IISA – Insurance Institute of SA	12,9%
FSB – Financials Services Board	10,0%
Internal company programmes	8,9%
FIA – Financial Intermediaries Association	2,9%
Other SETAs	2,9%
SAIA – SA Insurance Association	1,4%
ASISA – Association of Savings and Investment SA	-
SAUMA – SA Underwriting Managers Association	-

Respondent comment

Inseta

- Inseta - the funds they make available for training is very helpful.
- Inseta. I am a member of SAUMA and they have never offered me anything. Inseta helped with paying for training that was done previously.
- Inseta - I am sure they are doing a lot in terms of training.
- Learnership and internship programmes offered through the Inseta help to alleviate unemployment, as a lot of candidates who participate here gain experience and are able to be employable.
- Inseta - lots of communication from them, lots of feedback, they are very active in all the projects that they provide.
- Inseta - offering a lot of opportunities, support funding, which is necessary for people.

- Inseta - The programmes they run have been successful, they are funding training and providing and assisting with internships.
- Inseta - their learnerships are very good.
- Inseta - They are on top of it in terms of learnerships and the process is very inclusive. They also make sure that people are qualified.
- Inseta - They are very helpful, they help us to get staff qualified and provide grants.
- Inseta - They have been good in making funds available for training, upliftment projects or any shortage that they can identify.
- Inseta - they haven’t been completely successful but they are the organization that addresses the issue.
- Inseta - They offer funding and grants for learnerships, internships, and make sure that there is growth in the industry skills.
- Inseta - They provide bursaries and learnerships.
- Inseta - Through the learnerships that they have provided they do that very well. We currently work with them.
- We use Inseta’s core business skills development.
- Inseta - we use them for all our training.

IISA

- IISA - Their study material is excellent.
- IISA - they cover more than Inseta.
- IISA - They feature in every meeting at board level and I think they should be taken seriously. The government should be more serious in implementing what is submitted to them - I don't know if they are making use of that.
- IISA - They have workshops to explain the requirements that have to be met and they have the insurance program through UNISA.
- IISA - They just offer training.
- IISA - they sort of force you to do the right thing.

FSB

- FSB - all regulatory measures put in place.
- FSB - The regulatory exams.
- FSB - they are active but i don’t know how much.
- FSB - they have been going around making sure people have been trained accordingly.
- FSB - They have very good quality aspects as far as training and development are concerned.
- FSB – Their programmes promote people.

SAUMA

- Inseta. I am a member of SAUMA and they have never offered me anything. Inseta helped with paying for training that was done previously.