

UNIVERSITY OF KWAZULU-NATAL

**The Impact of Regulatory Changes in the Insurance Industry on Financial
Planners in KwaZulu-Natal**

By: Elaivani Naidoo

Student Number: 203518009

**A dissertation submitted in partial fulfilment of the requirements for the
degree of**

Master of Business Administration

University of KwaZulu-Natal

Graduate School of Business & Leadership

College of Law and Management Studies

Supervisor: Alec Bozas

Year of submission

2012

SUPERVISORS PERMISSION TO SUBMIT FOR EXAMINATION

Date:	June 2012
Student Name:	Elaivani Naidoo
Student no.:	203518009
Dissertation Title:	The Impact of Regulatory Changes in the Insurance Industry on Financial Planners in KwaZulu-Natal.

As the candidate's supervisor,

I AGREE to the submission of this dissertation for examination

I DO NOT AGREE to the submission of this dissertation for examination

The above student has satisfied the requirements of English language competency.

Name of Supervisor: Alec Bozas

Signature: _____

Date: _____

DECLARATION

I, Elaivani Naidoo, declare that

- (i) The research reported in this dissertation, except where otherwise indicated, and is my original research.
- (ii) This dissertation has not been submitted for any degree or examination at any other university.
- (iii) This dissertation does not contain other persons' data, pictures, graphs or other information, unless specifically acknowledged as being sourced from other persons.
- (iv) This dissertation does not contain other persons' writing, unless specifically acknowledged as being sourced from other researchers. Where other written sources have been quoted, then:
 - a) their words have been re-written but the general information attributed to them has been referenced:
 - b) Where their exact words have been used, their writing has been placed inside quotation marks, and referenced.
- (v) This dissertation does not contain text, graphics or tables copied and pasted from the Internet, unless specifically acknowledged, and the source being detailed in the dissertation/thesis and in the References sections.

Signature:

ACKNOWLEDGEMENTS

An undertaking of this nature would not have been possible without various contributors to its success. I have been blessed with the generosity of various people assisting me in getting through this process. To each of you, my sincere gratitude for your contribution.

- God, who is a constant presence in my life and who has granted me strength when I faltered in this process. None of this would have been possible without your ministration and direction, YOU are my strength and the voice in my head propelling me forward in life and who inspires me to strive for excellence in all aspects of my life.
- My spouse Leslie, my heartfelt gratitude to you for allowing me the opportunity to fulfil my academic aspirations and for your continuous encouragement and support.
- My supervisor, Alec Bozas, thank you for your motivation, guidance and for making this difficult experience, fun. I can truly say without your direction and commitment this dissertation would not have been possible.
- My family, thank you for playing a significant role in my life.
- Mrs. Wendy Clarke for your administrative assistance and encouragement.
- The many lecturers who have challenged me to think laterally and guided me to the completion of my studies.
- To the respondents and colleagues who took the time to interact with me, answer my questions and complete questionnaires over the past six months, thank you for your time, assistance and valuable contributions.
- Lastly, a heartfelt thank you to Kajal, Elaine, Midge and Tammy for your constant support, I owe you a huge debt of gratitude.

ABSTRACT

Prior to the FAIS Act there was limited legislation that governed the conduct of Financial Planners (FPs), especially with regard to the furnishing of advice. This meant that anyone, irrespective of qualifications, knowledge or skills was able to give advice. Considering the complex nature of financial products and the lack of financial literacy amongst the public, this situation on occasion resulted in irregular business practice.

FP's who lacked the requisite knowledge and skills were giving advice to clients that often did not constitute "best" advice for the client. This led to clients being advised on and sold inappropriate products that did not meet their financial needs and sometimes resulted in clients suffering financial hardships.

The purpose of the study is to provide leaders of industry with insight into how regulatory changes are impacting the FP's and the industry and how Financial Planners are adapting to this evolving regulatory landscape. Armed with the findings of the survey Financial Planners will be better equipped to propose changes to the regulator if such are necessary.

A quantitative research approach was adopted. Primary data was collected by means of a structured questionnaire consisting of twenty-two close ended questions. Eighty respondents were approached using the drop and collect method of data collection with sixty seven respondents choosing to respond.

The literature review revealed that regulation should be an evolving process and responsive to changes in the environment. In a rapidly changing market environment traditional views about financial regulation should be subject to scrutiny and challenge.

It should never be taken as axiomatic that regulation is always efficient and effective and precisely related to its alleged objectives. If the ultimate purpose of regulation is to protect the consumer and serve systematic interests then it should be subjected to the test of whether it does so effectively and cost efficiently.

The study has revealed that regulatory changes have impacted Financial Planners in a positive manner. The image of the Insurance Industry in South Africa has improved because of regulatory changes and client confidence in Financial Planners has increased. Regulatory changes have succeeded in professionalising the Insurance Industry in South Africa.

GLOSSARY OF TERMS

ACCC	- Australian Competition and Consumer Commission.
AFP	- Associated Financial Planner
APRA	- Australian Prudential Regulation Authority.
ASISA	- Association for Savings and Investment SA.
CFP	- Certified Financial Planner
CPA	- Consumer Protection Act
EU	- European Union.
FAIS Act	- Financial Advisory and Intermediary Services Act No. [37 of 2002].
FIA	- Financial Intermediaries Association of Southern Africa.
FICA	- Financial Intelligence Centre Act [No. 37 of 2001].
FP	- Financial Planner
FPI	- Financial Planning Institute of Southern Africa
FPSB	- Financial Planning Standards Board
FSA	- Financial Services Authority.
FSB	- Financial Services Board
FSP	- Financial Services Provider
GCC	- General Code of Conduct
NCA	- National Credit Act
OECD	- Organisation for Economic Co-operation and Development.
POCA	- Prevention of Organised Crime Act [No. 121 of 1998].
PPR	- Policy Holders Protection Rules.
PWC	- Price Waterhouse Coopers
RE	- Regulatory Exam
RFP	- Registered Financial Planner
SEC	- Securities and Exchange Commission
UK	- United Kingdom.
US	- Unites States of America.

Table of Contents

ACKNOWLEDGEMENTS.....	IV
CHAPTER ONE	1
1.1 INTRODUCTION.....	1
1.2 BACKGROUND.....	1
1.3 PROBLEM STATEMENT.....	3
1.4 MOTIVATION FOR AND THE SIGNIFICANCE OF THE STUDY	3
1.5 OBJECTIVES AND METHODOLOGY	3
1.6 RESEARCH QUESTIONS.....	4
1.7 LIMITATIONS OF THE STUDY	4
1.8 OVERVIEW AND SUMMARY	5
Chapter One – Introduction.....	5
Chapter Two – Literature Review	5
Chapter Three – Research Methodology.....	6
Chapter Four – Presentation of Data.....	6
Chapter Five – Interpretation of Data.....	6
Chapter six – Conclusions and Recommendations.....	6
2.1 INTRODUCTION.....	8
2.2 BACKGROUND.....	8
2.3 LIMITATIONS OF THE THEORY BASE	9

2.4	SELECTED INSURANCE INDUSTRY TERMINOLOGY	10
2.4.1	Financial Planning	11
2.4.2	Financial Planner	11
2.4.3	Long Term Insurance.....	12
2.4.4	Compliance	12
2.4.5	Regulation	12
2.4.6	The Financial Advisory and intermediary Services Act	13
2.4.7	Regulatory Exam (RE).....	14
2.4.8	Regulatory Bodies	14
2.4.9	Professional Membership Bodies	14
2.5	THE REGULATORY ENVIRONMENT	16
2.5.1	The Global Perspective	16
2.5.2	A South African Perspective.....	18
2.5.3	The rationale behind regulating the Insurance Industry in South Africa	19
2.6	CHALLENGES OF REGULATORY CHANGES	22
2.6.1	United Kingdom	22
2.6.2	South Africa.....	23
2.7	THE IMAGE OF THE INSURANCE INDUSTRY IN SOUTH AFRICA	25
2.7.1	Consumers	25
2.7.2	Ethics	32
2.7.2.1	The importance of Ethical Behaviour	32
2.7.2.2	The perception of unethical behaviour in the Insurance Industry	35
2.7.2.3	Ethical issues in the Insurance Industry	35
2.7.3	Competency	36

2.7.3.1 Purpose of the Regulatory Examinations	40
2.7.4 Professionalism	42
2.7.4.1 Definition of a profession	43
2.7.4.2 Characteristics of a Profession	43
2.8 CONCLUSION	45
3.1 INTRODUCTION.....	47
3.2 QUANTITATIVE VERSUS QUALITATIVE.....	47
3.4 RESPONDENTS IN THE STUDY	49
3.5 PRIMARY VERSUS SECONDARY DATA	49
3.6 DATA COLLECTION STRATEGIES.....	50
3.7 RESEARCH DESIGN AND METHODS	51
3.7.1 QUALITATIVE METHODS	51
3.7.2 QUANTITATIVE METHODS	51
3.7.3 TARGET RESPONDENTS.....	52
3.7.4 PROBABILITY SAMPLING	52
3.7.5 NON-PROBABILITY SAMPLING	53
3.7.6 UNIT OF ANALYSIS.....	53
3.7.7 PRETESTING, VALIDITY AND RELIABILITY	54
3.7.8 ADMINISTRATION AND RESEARCH INSTRUMENT	54
3.8 DATA ANALYSIS	55
3.9 RESEARCH LIMITATIONS	55
3.10 FIELDWORK	56

3.11 SUMMARY	57
4.1 INTRODUCTION	58
4.2 THE SAMPLE	59
4.3 PRESENTATION OF DEMOGRAPHIC DISTRIBUTION	59
4.3.1 Gender distribution.....	60
4.3.2 Age distribution.....	61
4.3.3 Race Distribution.....	62
4.3.4 Qualification Distribution.....	64
4.3.5 Number of years as a Financial Planner Distribution.	65
4.3.7 Number of direct support staff in your practice distribution.....	68
4.3.8 Compliance to regulation has resulted in Financial Planners acquiring new skills and competencies Distribution.....	70
4.3.9 Financial Planners conduct their business in a more professional manner since the introduction of regulation to the Insurance Industry Distribution.....	72
4.3.10 Financial Planners view regulatory changes as opportunities to grow their business Distribution.	74
4.3.11 The introduction of FAIS and other regulatory changes is a positive step towards transforming the Insurance Industry Distribution.....	76
4.3.12 The current regulations are successfully regulating the advice and services that Financial Planners provide to their clients Distribution.	78
4.3.14 There is a need for further regulatory changes to be implemented Distribution.	81
4.3.15 Compliance to regulations has led to Financial Planners rendering an improved quality of service to their clients Distribution of Respondents.	83
4.3.16 Compliance to regulatory changes has resulted in an increase in the Financial Planners work load Distribution of Respondents.....	85
4.3.17 Regulatory changes have an adverse impact on the Financial Planners' income Distribution of Respondents.....	87

4.3.18 Compliance to regulations has resulted in inefficiencies of time and costs for the Financial Planners Distribution.	88
4.3.19 Regulatory changes has rid the Insurance Industry of unscrupulous Financial Planners.	90
4.3.21 Clients are more willing to deal with Financial Planners now that the Insurance Industry is regulated distribution.	94
4.4 PEARSON CORRELATION.....	98
4.5 VALIDITY AND RELIABILITY	106
CHAPTER FIVE	107
DISCUSSION OF DATA	107
5.1 INTRODUCTION.....	107
5.2 ANALYSIS OF RESEARCH OBJECTIVES.....	108
5.2.1 Objective 1: To determine the views of Financial Planners on regulatory changes in the Insurance Industry.	108
5.2.2 Objective 2: To determine whether Financial Planners view the Insurance Industry as being over regulated.	110
5.2.3 Objective 3: To investigate how regulatory changes have impacted Financial Planners	111
5.2.4 Objective 4: To determine whether Financial Planners view regulation as the key contributor to improving the image of the Insurance Industry in South Africa.....	114
5.3 CONCLUSION.....	116
6.2 IMPLICATIONS OF THE RESEARCH	117
6.3 SUMMARY OF RESEARCH FINDINGS.....	118
6.3.1 Objective 1: To determine the views of Financial Planners on regulatory changes in the Insurance Industry.	118

6.3.2 Objective 2: To determine whether Financial Planners view the Insurance Industry as being over regulated	119
6.3.3 Objective 3: To investigate how regulatory changes have impacted Financial Planners.	119
6.3.4 Objective 4: To determine whether Financial Planners view regulation as the key contributor to improving the image of the Insurance Industry in South Africa.....	120
6.4 SUGGESTIONS FOR FUTURE RESEARCH.....	121
6.5 CONCLUSION.....	121
REFERENCES.....	124
APPENDIX 1 – SURVEY INSTRUMENT	131
APPENDIX 2 – ETHICAL CLEARANCE.....	135

FINANCIAL SERVICES INDUSTRY: REGULATORY STRUCTURE	10
FIGURE 3.1: OPPOSITE APPROACHES TO MAIN RESEARCH PARADIGMS	48
FIGURE 4.1: GENDER DISTRIBUTION OF RESPONDENTS	60
FIGURE 4.2: AGE DISTRIBUTION OF RESPONDENTS.	61
FIGURE 4.3: RACE DISTRIBUTION OF RESPONDENTS	63
FIGURE 4.4: QUALIFICATION DISTRIBUTION OF RESPONDENTS	64
FIGURE 4.5: NUMBER OF YEARS AS A FINANCIAL PLANNER DISTRIBUTION OF RESPONDENTS.	66
FIGURE 4.6: NUMBER OF EXISTING CLIENTS DISTRIBUTION OF RESPONDENTS	67
FIGURE 4.7: NUMBER OF DIRECT SUPPORT STAFF IN YOUR PRACTICE DISTRIBUTION OF RESPONDENTS.	69
FIGURE 4.8: COMPLIANCE TO REGULATION HAS RESULTED IN FINANCIAL PLANNERS ACQUIRING NEW SKILLS AND COMPETENCIES DISTRIBUTION OF RESPONDENTS	71
FIGURE 4.9: FINANCIAL PLANNERS CONDUCT THEIR BUSINESS IN A MORE PROFESSIONAL MANNER SINCE THE INTRODUCTION OF REGULATION TO THE INSURANCE INDUSTRY DISTRIBUTION OF RESPONDENTS.	73
FIGURE 4.10: FINANCIAL PLANNERS VIEW REGULATORY CHANGES AS OPPORTUNITIES TO GROW THEIR BUSINESS DISTRIBUTION OF RESPONDENTS.	75
FIGURE 4.11: THE INTRODUCTION OF FAIS AND OTHER REGULATORY CHANGES IS A POSITIVE STEP TOWARDS TRANSFORMING THE INSURANCE INDUSTRY DISTRIBUTION OF RESPONDENTS	77
FIGURE 4.12: THE CURRENT REGULATIONS ARE SUCCESSFULLY REGULATING THE ADVICE AND SERVICES THAT FINANCIAL PLANNERS PROVIDE TO THEIR CLIENTS DISTRIBUTION OF RESPONDENTS.	79
FIGURE 4.13: THE CURRENT REGULATIONS ARE NOT COMPREHENSIVE DISTRIBUTION OF RESPONDENTS	80
FIGURE 4.14: THERE IS A NEED FOR FURTHER REGULATORY CHANGES TO BE IMPLEMENTED	82

FIGURE 4.15: COMPLIANCE TO REGULATIONS HAS LED TO FINANCIAL PLANNERS RENDERING AN IMPROVED QUALITY OF SERVICE TO THEIR CLIENTS DISTRIBUTION OF RESPONDENTS.....	84
FIGURE 4.16: COMPLIANCE TO REGULATORY CHANGES HAS RESULTED IN AN INCREASE IN THE FINANCIAL PLANNERS WORD LOAD DISTRIBUTION OF RESPONDENTS.....	86
FIGURE 4.17: REGULATORY CHANGES HAVE AN ADVERSE IMPACT ON THE FINANCIAL PLANNERS ' INCOME DISTRIBUTION OF RESPONDENTS.....	87
FIGURE 4.18: COMPLIANCE TO REGULATIONS HAVE RESULTED IN INEFFICIENCIES OF TIME AND COSTS FOR THE FINANCIAL PLANNERS DISTRIBUTION OF RESPONDENTS.....	89
FIGURE 4.19: REGULATORY CHANGES HAS RID THE INSURANCE INDUSTRY OF UNSCRUPULOUS FINANCIAL PLANNERS DISTRIBUTION OF RESPONDENTS.....	91
FIGURE 4.20: REGULATION HAS IMPROVED THE IMAGE OF THE INSURANCE INDUSTRY DISTRIBUTION OF RESPONDENTS.	93
FIGURE 4.21: CLIENTS ARE MORE WILLING TO DEAL WITH FINANCIAL PLANNERS NOW THAT THE INSURANCE INDUSTRY IS REGULATED DISTRIBUTION OF RESPONDENTS.	95
FIGURE 4.22: FINANCIAL PLANNERS ARE VIEWED AS PROFESSIONALS SINCE THE INTRODUCTION OF REGULATION TO THE INSURANCE INDUSTRY DISTRIBUTION OF RESPONDENTS.	97

TABLE 2.1: WHAT PRODUCTS PEOPLE COMPLAIN ABOUT	27
TABLE 2.2: ORIGIN OF COMPLAINTS	28
TABLE 2.3: TRENDS IN NEW COMPLAINTS.....	29
TABLE 2.4: APPENDICES OF FAIS CASES	30
TABLE 4.1: GENDER DISTRIBUTION OF RESPONDENTS.....	60
TABLE 4.2: AGE DISTRIBUTION OF RESPONDENTS.	61
TABLE 4.3: RACE DISTRIBUTION OF RESPONDENTS.....	62
TABLE 4.4: QUALIFICATION DISTRIBUTION OF RESPONDENTS.	64
TABLE 4.5: NUMBER OF YEARS AS A FINANCIAL PLANNER DISTRIBUTION OF RESPONDENTS.	65
TABLE 4.6: NUMBER OF EXISTING CLIENT DISTRIBUTION OF RESPONDENTS.....	67
TABLE 4.7: NUMBER OF DIRECT SUPPORT STAFF IN YOUR PRACTICE DISTRIBUTION OF RESPONDENTS.	68
TABLE 4.8: COMPLIANCE TO REGULATION HAS RESULTED IN FINANCIAL PLANNERS ACQUIRING NEW SKILLS AND COMPETENCIES DISTRIBUTION OF RESPONDENTS.....	70
TABLE 4.9: FINANCIAL PLANNERS CONDUCT THEIR BUSINESS IN A MORE PROFESSIONAL MANNER SINCE THE INTRODUCTION OF REGULATION TO THE INSURANCE INDUSTRY DISTRIBUTION OF RESPONDENTS.	72
TABLE 4.10: FINANCIAL PLANNERS VIEW REGULATORY CHANGES AS OPPORTUNITIES TO GROW THEIR BUSINESS DISTRIBUTION OF RESPONDENTS.	74
TABLE 4.11: THE INTRODUCTION OF FAIS AND OTHER REGULATORY CHANGES IS A POSITIVE STEP TOWARDS TRANSFORMING THE INSURANCE INDUSTRY DISTRIBUTION OF RESPONDENTS.....	76
TABLE 4.12: THE CURRENT REGULATIONS ARE SUCCESSFULLY REGULATING THE ADVICE AND SERVICES THAT FINANCIAL PLANNERS PROVIDE TO THEIR CLIENTS DISTRIBUTION OF RESPONDENTS.	78
TABLE 4.13: THE CURRENT REGULATIONS ARE NOT COMPREHENSIVE DISTRIBUTION OF RESPONDENTS.	80

TABLE 4.14: THERE IS A NEED FOR FURTHER REGULATORY CHANGES TO BE IMPLEMENTED DISTRIBUTION OF RESPONDENTS.	81
TABLE 4.15: COMPLIANCE TO REGULATIONS HAS LED TO FINANCIAL PLANNERS RENDERING AN IMPROVED QUALITY OF SERVICE TO THEIR CLIENTS DISTRIBUTION OF RESPONDENTS.....	83
TABLE 4.16: COMPLIANCE TO REGULATORY CHANGES HAS RESULTED IN AN INCREASE IN THE FINANCIAL PLANNERS WORK LOAD DISTRIBUTION OF RESPONDENTS.	85
TABLE 4.18: COMPLIANCE TO REGULATIONS HAS RESULTED IN INEFFICIENCIES OF TIME AND COSTS FOR THE FINANCIAL PLANNERS DISTRIBUTION OF RESPONDENTS.....	88
TABLE 4.19: REGULATORY CHANGES HAS RID THE INSURANCE INDUSTRY OF UNSCRUPULOUS FINANCIAL PLANNERS DISTRIBUTION OF RESPONDENTS.....	90
TABLE 4.20: REGULATION HAS IMPROVED THE IMAGE OF THE INSURANCE INDUSTRY DISTRIBUTION OF RESPONDENTS.	92
TABLE 4.21: CLIENTS ARE MORE WILLING TO DEAL WITH FINANCIAL PLANNERS NOW THAT THE INSURANCE INDUSTRY IS REGULATED DISTRIBUTION OF RESPONDENTS.	94
TABLE 4.22: FINANCIAL PLANNERS ARE VIEWED AS PROFESSIONALS SINCE THE INTRODUCTION OF REGULATION TO THE INSURANCE INDUSTRY DISTRIBUTION OF RESPONDENTS.	96
TABLE 4.23: CORRELATION BETWEEN STATEMENTS EIGHT AND NINE.....	98
TABLE 4.24: CORRELATION BETWEEN STATEMENTS TEN AND ELEVEN.....	99
TABLE 4.25: CORRELATION BETWEEN STATEMENTS TWELVE AND THIRTEEN	100
TABLE 4.26: CORRELATION BETWEEN STATEMENTS THIRTEEN AND FOURTEEN.....	101
TABLE 4.27: CORRELATION BETWEEN STATEMENTS FIFTEEN AND SIXTEEN.	102
TABLE 4.28: CORRELATION BETWEEN STATEMENTS SEVENTEEN AND EIGHTEEN.	103
TABLE 4.29: CORRELATION BETWEEN STATEMENTS NINETEEN AND TWENTY.	104
TABLE 4.30: CORRELATION BETWEEN STATEMENTS TWENTY ONE AND TWENTY TWO.	105
TABLE 4.31: CASE PROCESSING SUMMARY	106
TABLE 4.32: RELIABILITY STATISTICS	106

CHAPTER ONE

INTRODUCTION TO RESEARCH

1.1 INTRODUCTION

This chapter provides an introduction to the research topic and a brief background to the subject of interest. The research problem is discussed and the objectives of the research are stated.

1.2 BACKGROUND

The National Treasury Policy document (2011) “A Safer Financial Sector to Serve South Africa Better states that, “the global economy is emerging from the economic crisis of 2007. At its roots were the twin problems of global macro-economic imbalances and inadequate financial sector regulation. It is imperative that the South African financial system is made safer through regulation that follows global best practice, yet bearing in mind the specific circumstances of the South African economy.”

According to the document, internationally the need for regulation is well recognised and many countries have well-entrenched legislation in place in order to protect the consumer. In a developing economy such as in South Africa, it is imperative to have a regulatory framework in place to protect consumers.

According to statistics released by The International Monetary Fund in The National Treasury Policy document (2011:10) “A Safer Financial Sector to Serve South Africa Better”, the financial sector in South Africa comprises of over six trillion rand in assets, contributing 10.5 percent of the gross domestic product of the economy annually, employing 3.9 percent of the employed, and contributing at least 15 percent of corporate income tax, making it a critical player in South Africa’s economy.

The Minister of Finance in his foreword in the above document stated that the financial services sector touches the life of each and every South African. It enables economic growth, job creation, the building of vital infrastructure and sustainable

development for South Africa and her people. According to Gordhan (2011:1) “it is, therefore, crucial that the sector is well-regulated and stable”.

The adoption and implementation of the Financial Advisory and Intermediary Services Act 37 of 2002 (FAIS Act), brought about a mind shift in the financial services industry. Prior to the FAIS Act there was limited legislation that governed the conduct of Financial Planners (FP’s), especially with regard to the furnishing of advice. This meant that anyone, irrespective of qualifications, knowledge or skills was able to give advice. Considering the complex nature of financial products and the lack of financial literacy amongst the public, this situation on occasion resulted in irregular business practice. FP’s who lacked the requisite knowledge and skills were giving advice to clients that often did not constitute “best” advice for the client.

This, according to Botha, Rossini, Geach, Goodall, Du Preez and Rabenowitz (2012:79), leads to clients being advised on and sold inappropriate products that did not meet their financial needs and sometimes resulted in clients suffering financial hardships. According to the FAIS Ombud Annual Report (2011:9) complaints in the insurance sector were on the increase as has been the case over the years. A total of 7944 complaints were received during the 2011 financial year. By setting entry standards and requirements, the government introduced a system of rules based compliance legislation to regulate the financial services environment.

Botha et al (2012:79) describe the FAIS Act as the “legislative framework that impacts all legal personas rendering or intending to render financial advice to client(s). Failure to comply with the FAIS Act results in the suspension of the license of the FP. The Act and regulations have systemised the previously fragmented regulation of certain activities in the financial services industry”. It is important however to look beyond the regulations of FAIS compliance and understand the practical difficulties and benefits of regulatory changes on Financial Planners’ in KwaZulu-Natal (KZN).

1.3 PROBLEM STATEMENT

Although there is a considerable body of evidence justifying the need for regulatory changes in the Insurance Industry and describing the benefits to both the financial planner and the consumer of financial products alike, Hattingh and Millard (viii) state that “there still remains a reluctance amongst certain role players in the financial services industry to embrace these regulatory changes”, considering the above scenario though, this reluctance is clearly not a viable option.

The purpose of this study is to investigate and understand the impact of these regulatory changes in the Insurance Industry on Financial Planners in KwaZulu-Natal.

1.4 MOTIVATION FOR AND THE SIGNIFICANCE OF THE STUDY

Benfield (2009:3) states that “regulation has had an enormous impact on the businesses of Financial Planners within the Insurance Industry”. The study assesses this impact on Financial Planners in KZN.

The study is significant in that it will better inform Financial Planners and leaders in the industry of how regulatory changes are affecting the FP’s and the industry. Armed with this knowledge Financial Planners will potentially benefit from the knowledge derived from this study and will be able to ensure better compliance, and management will be better equipped to propose changes to regulation if such are necessary.

1.5 OBJECTIVES AND METHODOLOGY

The focus of this study is concentrated on investigating the impact of regulatory changes in the Insurance Industry on Financial Planners in KwaZulu-Natal. The study has been designed to examine regulation and regulatory changes and identify factors affecting the regulation of the Insurance Industry in South Africa and how these factors impact on Financial Planners. The following objectives have been identified as steps to achieving the goals of the research:

- To determine the views of Financial Planners on regulation in the Insurance Industry.
- To determine whether Financial Planners view the Insurance Industry as being over regulated?
- To investigate how regulatory changes have impacted Financial Planners.
- To determine whether Financial Planners view regulation as the key contributor to improving the image of the Insurance Industry in South Africa.

1.6 RESEARCH QUESTIONS

The following research questions were constructed and applied in the questionnaire in order to meet the objectives of the study:

- What are the key benefits of regulatory changes for Financial Planners?
- What are the key challenges of regulatory changes for Financial Planners?
- Do Financial Planners believe that the regulator has succeeded in achieving the initial objectives of the regulatory framework that is in place currently?

A combination of a comprehensive literature search and a self-administered questionnaire distributed to sixty seven Financial Planners in the Insurance Industry practicing in KwaZulu-Natal were utilized in order to research the objectives of the study.

1.7 LIMITATIONS OF THE STUDY

- One of the key limitations of this study is the sample size of the respondents.
- Eighty Financial Planners were targeted with an objective of obtaining their perceptions on the subject matter.
- A comprehensive research proposal aimed at a large sample of the population was limited by the time available and a paucity of resources.
- The study focused on the impact of regulatory changes on the financial planner and no other aspects of financial planning; as such this is a limitation of the study.

- Sekaran and Bougie (2009:296) proposes the following rules of thumb for determining the sample size: “sample sizes larger than 30 and less than 500 are appropriate for most research”. Even though the statistical minimum of thirty respondents was exceeded and as such the results are generalisable one should take care when implementing the recommendation.

This study is a small scale study and any recommendations that are implemented should be carefully monitored. This would ensure that any deviation from the expected outcome is detected in the infancy stage of implementation and the necessary corrective measures may be taken.

- A further limitation of the study is that regulation impacting the Financial Planners was limited to the Financial Advisory and Intermediary Services Act 37 of 2002 (FAIS), as the FAIS Act is the legislative framework that impacts all legal personas rendering or intending to render financial advice to client(s). Failure to comply with the FAIS Act results in the suspension of the license of the FP. Other regulations and legislation were not taken into account, except to indicate the importance and impact of regulation on the FP.
- The research was confined to Financial Planners that work in the long-term Insurance Industry.

1.8 OVERVIEW AND SUMMARY

Chapter One – Introduction

This chapter provides a framework for the study and presents, an introduction to the study, a background to the changing regulatory landscape of the Insurance Industry in South Africa, discusses the research problem, research objectives, research questions, limitations and significance of the study.

Chapter Two – Literature Review

This chapter delves into the literature pertaining to the South African Insurance Industry and the regulatory environment that Financial Planners conduct their business in. The enactment of regulations pertaining specifically to FAIS is

discussed and a broad background is provided regarding different views on the regulation. The cost of compliance to these regulations is described and the benefits obtained from compliance to the regulations are discussed. The role of Financial Planners in the Insurance Industry is also explained. A comprehensive study of literature pertinent to the financial planner and his environment was conducted with specific attention to the impact of regulatory changes on the skills and competencies, ethics and professional conduct of Financial Planners.

The chapter will also present the experiences of some of the other global insurance industries together with the concerns of the local industry with a view to understanding the ambit of these Financial Planners, practising in an evolving regulatory environment. The experiences and perceptions of the effect of regulation on the global Insurance Industry will provide an insight into the possible challenges and opportunities that South African Financial Planners may experience.

Chapter Three – Research Methodology

This chapter presents the research aim and objectives. A discussion on the research methodology used in carrying out the study is presented. The type of data needed, the research instrument and data collection strategies are described and defended. The research limitations are noted.

Chapter Four – Presentation of Data

This chapter presents the findings of the research and the data analysis according to the items of the questionnaires.

Chapter Five – Interpretation of Data

The information gathered by means of the questionnaires is interpreted and discussed.

Chapter six – Conclusions and Recommendations

The chapter presents conclusions from this study and makes recommendations on how identified problem areas may be addressed and for future areas of study.

1.9 CONCLUSION

The chapter sketched the background to the changing regulatory environment that Financial Planners practice in. Set against this backdrop the aim of the study was discussed and the research objectives and questions formulated. The significance of the study to the industry and Financial Planners that operate in this environment is explained. The highlights of the remaining chapters were outlined.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter provides a synopsis of the literature that was reviewed in order to investigate and understand the impact of regulatory changes on the Insurance Industry with specific reference to Financial Planners practicing in the long term insurance in KwaZulu-Natal. Literature pertinent to the financial planner and the insurance environment was consulted. There was a specific focus on the impact of regulatory changes in terms of the skills, competencies, ethics and professional conduct of Financial Planners.

The experiences and perceptions of the effect of regulation on the global Insurance Industry provide an insight into the possible challenges and opportunities that South African Financial Planners may experience.

2.2 BACKGROUND

Botha, Rossini, Geach, Goodall, Du Preez and Rabenowitz (2012:6) state that Financial Planners perform an important role in an economy in ensuring that solutions are provided for the financial needs of individuals and legal entities. Botha et al (2012:7) further states that South Africans are known for their low savings and wealth creation levels. Families are often inadequately provided for when there is a loss of breadwinners in families and in retirement.

According to Hawkins (2003:43) Financial Planners perform a vital function, in advising people concerning planning for their wealth creation and retirement. Hawkins further states that should “over regulation occur, this would result in a decline in the number of financial planning professionals in the industry and this could severely affect the national goals of wealth creation”. Melzer (2006:10) elaborates further by stating that the lack of sound advice by these professionals could result in inadequate risk provision for death, retirement, disability and ultimately a lower savings level in an economy. Melzer further explains that the

sustainability of a country's social security system is dependent on the premise that individuals plan for and save for their old age and that the state's burden of caring for the needy is reduced. Botha et al (2012:8) comment that, the individuals that structure their finances for a future planned or unplanned event utilise the services of professional Financial Planners. These individuals normally do not rely on the state for the provision of finances. Hawkins (2003:44) is of the opinion that the financial planner is an integral element in this chain, hence the risk of these professionals exiting the industry would result in inadequate financial planning being accessible to society or financial planning will be available only to those individuals that are prepared to pay for these services, as the cost of providing such advice increases.

Melzer (2006:13) follows on this by stating that, the repercussions of this would manifest itself through an economy and would eventually drain the resources of the State. According to Hawkins (2003:45) South Africa is a developing nation and cannot continually afford to be the provider of social security benefits. Citizens must eventually be empowered to earn money and cater for their own financial planning needs.

2.3 LIMITATIONS OF THE THEORY BASE

Although a body of literature from syndicated sources supports the need for financial sector reform and the actual reform that has been implemented by the developed economies, according to Cull (2009:1) financial planning in South Africa is still relatively new and little research has been conducted in this area. Black, Ciccotello and Skipper (2002) suggest that both the theory base and the required research necessary to provide guidance on how the theory base be applied is lacking in depth. The literature review is evident of the same limitations, as the theoretical framework is developed around the research objectives. The paucity of Master's dissertations and Doctoral theses that are specific to financial planning, lends support to this view.

2.4 SELECTED INSURANCE INDUSTRY TERMINOLOGY

Terminology pertaining to the Insurance Industry is clarified in this chapter. Some of these terms are explained with reference to the diagram below, which illustrates an overview of role-players relating to the Insurance Industry.

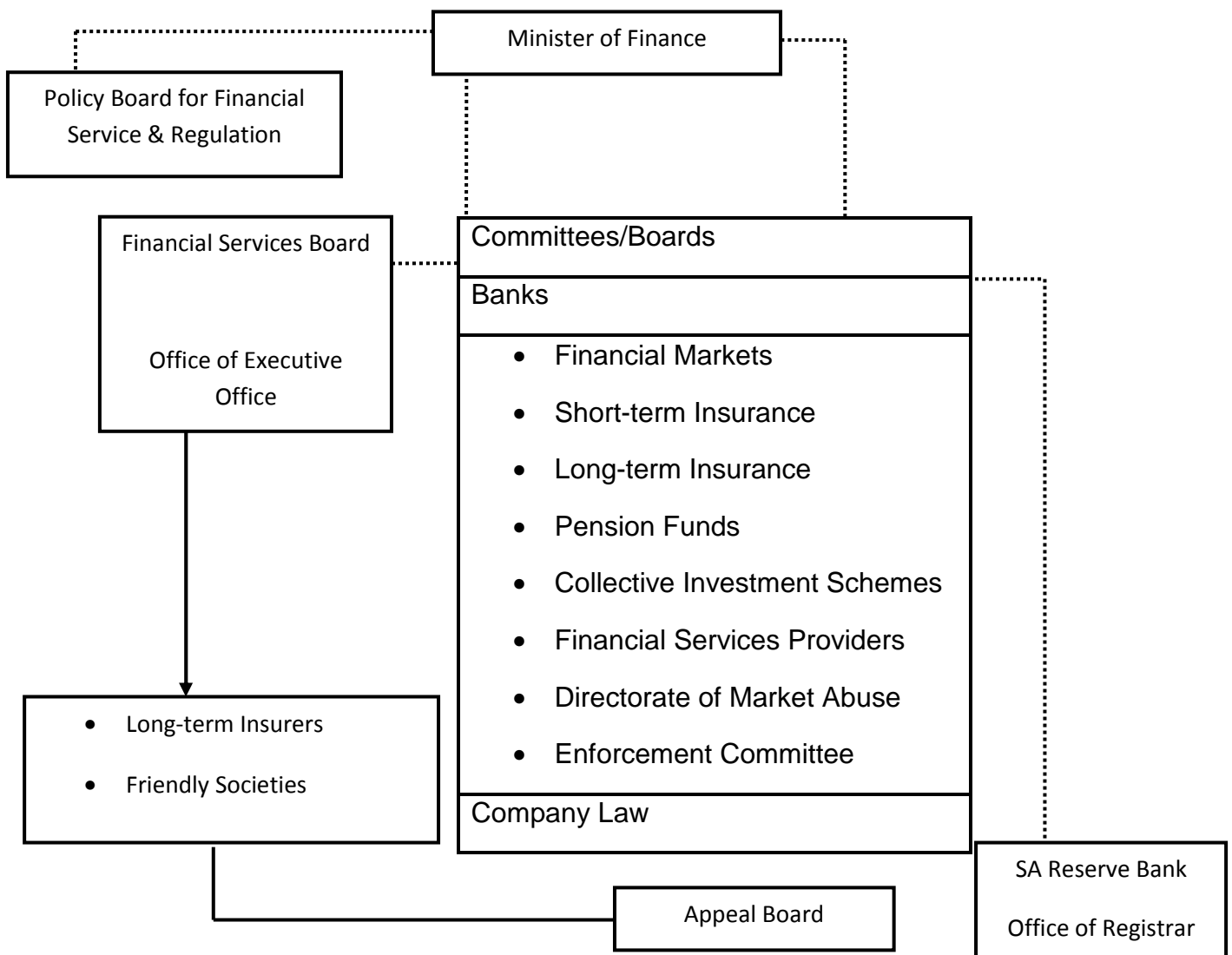
FINANCIAL SERVICES INDUSTRY: REGULATORY STRUCTURE

Source: FSB Bulletin first quarter (2008:10-11)

Figure 2.1

..... Indicates advisory functions

———— Indicates regulatory functions



2.4.1 Financial Planning

The Financial Planning Standards Board (FPSB) defines financial planning as the process of developing strategies to assist clients in managing their financial affairs to meet life goals (2011:2). The Financial Planning Institute of Southern Africa (FPI) describes financial planning as the process of determining whether and how an individual can meet life goals through the proper management of financial resources (www.fpi.co.za).

According to the Securities and Exchange Commission (SEC) “financial planning involves the preparation of a financial programme for a client based on the client’s financial circumstances and objectives,” Botha et al (2012:7).

Although there are many different definitions of the term “financial planning”, it is clear that financial planning is a process whereby clients are continuously identifying and meeting their life goals and objectives through the proper management of their finances.

2.4.2 Financial Planner

According to the Financial Planning Standards Board (FPSB) (2011:3) the term financial planner is used very loosely in the financial services industry. The FPI defines a financial planner as “a professional member who engages in financial planning, using the approved financial planning process for working with clients.” The FPSB defines a financial planner as a “professional who uses the financial planning process to provide a client with integrated strategies to achieve financial and life goals and who has demonstrated the abilities, skills and knowledge outlined in the FPSB’s Financial Planner Competency Profile.”

The SEC defines a financial planner, as a person who provides advisory services regarding the management of financial resources. Botha et al (2012:7) are of the opinion that the most appropriate definition is that “the role of the financial planner is to facilitate the process of assisting clients to identify and achieve their life goals and objectives through the planning of their finances”. This definition is most appropriate for this research study.

2.4.3 Long Term Insurance

The Financial Planning Institute of Southern Africa (FPI) (2011) explains that the term, “ long term insurance” covers a fairly diverse range of insurance products, including life, disability, dread disease, income protection policies, endowments, retirement annuity funds, living annuities and compulsory annuities. This study refers only to Financial Planners that practice in the Long term sector of the Insurance Industry.

2.4.4 Compliance

In the context of the financial services industry, “compliance” refers to conforming to or meeting the requirements of the laws, rules, codes and standards that have been clearly defined and are relevant to a particular business sector, Falkena, Bamber, Llewelyn and Store (2001:11).

2.4.5 Regulation

Following years of little regulation, governments worldwide began regulating the financial services sector especially the insurance sector. South Africa, being a member of this global industry also promulgated laws that regulated the financial planning industry. According to The Financial Services Intermediary Services Act (FAIS), [No. 37 of 2002]; (2002:15), all legal personas, whether natural and juristic, are subjected to the legislation that has been promulgated by the South African departments of Finance.

These individuals and corporates are registered as Financial Service Providers (FSP's). Hattingh and Millard (2010:36) that since 2001, the South African government promulgated sets of legislation that governs and regulates the activities of financial services companies and intermediaries. The following are some of the key Acts that were promulgated which regulate the activities of the financial service industries viz:

The Financial Services Intermediary Services Act (FAIS), [No. 37 of 2002];

The Financial Intelligence Centre Act (FICA), [No. 37 of 2001];

The Prevention of Organised Crime Act (POCA) [No. 121 of 1998];

Fit and Proper Requirements for Financial Services Providers (RE), [No.106 of 2008].

This study is limited to a discussion on FAIS.

2.4.6 The Financial Advisory and intermediary Services Act

In order to regulate the nature of the advice and services provided to clients, the Financial Advisory and Intermediary Services Act 37 of 2002 (FAIS ACT) was introduced, which became effective on 30 September 2004.

According to Hattingh and Millard (2010:29), the FAIS Act is the most comprehensive law which most other legislations in the Insurance Industry are borne from. “The FAIS Act impacts on all legal personas rendering or intending to render financial advice to client(s). Failure to comply with the FAIS results in the suspension of the licence of the FSP.”

Botha et al comment (2012:79) that prior to the FAIS Act, there was limited legislation that governed the conduct of Financial Planners, especially with regard to the furnishing of advice on financial products. Hawkins (2003:7) explains that the aim of FAIS is to establish a new, properly regulated financial services industry. “The Act and regulations have systemized and rationalised the previously fragmented regulation of certain activities in the financial services industry”.

The FAIS Act –Understanding the Practicalities - (Financial Services Board: 2011) document the main objectives of the FAIS Act to be:

- Protection of consumers;
- Education of consumers in order for them to make well-informed decisions;
- Promotion of appropriate advice;
- Prescription of the manner in which Financial Planners conducted their business;
- Promotion of the implementation of products that will ensure that clients’ needs are appropriately and suitably satisfied;

- Enhancement of the integrity of the financial services industry by promoting financial and investment planning as a profession.

2.4.7 Regulatory Exam (RE)

The Determination of Fit and Proper Requirements for Financial Services Providers (Board Notice 106 of 2008) has introduced the “regulatory examinations”. These examinations form part of the competency requirements for Financial Planners and is discussed in depth further in the Chapter.

2.4.8 Regulatory Bodies

The main regulatory body concerned with administration and enforcement of regulation in the financial services industry is the Financial Services Board (FSB). The FSB was created, and is governed, by the Financial Services Board Act 97 of 1990.

It is a statutory body that is financed by the industry itself; in other words, it receives no funding from the government (www.fsb.co.za). Botha et al (2012:63) further explain that the FSB is an independent institution established by statute to oversee the South African Non-Banking Financial Services Industry in the public interest. According to the FSB (www.fsb.co.za) it is “committed to promote and maintain a sound financial investment environment in South Africa”.

To maintain the objectivity of the FSB at all times there is a separate appeals board that can be approached by anybody aggrieved by a decision of the FSB or its executive officers. The appeals board is an independent tribunal comprising members who are neither employees of the FSB nor active participants in the financial services industry. Its chairman and the members are appointed by the Minister of Finance (www.fsb.co.za).

2.4.9 Professional Membership Bodies

According to Hattingh and Millard (2010:34) all professions have professionals’ membership bodies to which their members belong. “These bodies are responsible for setting the required standards of conduct and for ensuring that all persons belonging to that membership body adhere to these standards”. In South Africa there two main professional membership bodies viz:

1. The Financial Planning Institute of Southern Africa (FPI) is a professional standard-setting membership body representing the interests of financial planning professionals and the financial planning industry in South Africa. The FPI has three levels of membership, namely:
 - The Certified Financial Planner (CFP) designation is a professional certification mark for Financial Planners conferred by the Certified Financial Planner Board of Standards in twenty-four organizations affiliated with Financial Planning Standards Board (FPSB) the international owner of the CFP mark outside of the United States. To receive authorization to use the designation, the candidate must meet education, examination, experience and ethics requirements, and pay an ongoing certification fee.
 - Associated Financial Planner (AFP) The AFP mark is a professional designation mark that is awarded to students who have successfully completed Module 1 of the CFP Certification Programme. AFP practitioners and individuals are competent to recommend general financial planning strategies.
 - Registered Financial Planner (RFP) is a professional designation awarded by the FPI to those Financial Planners who meet the necessary prescribed standards of education, experience and integrity.

The FPI is affiliated to the Financial Planning Standards Board Ltd (www.fpi.co.za).

2. Financial Planning Standards Board Ltd. (FPSB) is a non-profit association that manages, develops and operates certification, education and related programs for financial planning organizations so that they may benefit the global community by establishing, upholding and promoting worldwide professional standards in financial planning. The FPSB owns the CFP certification and service marks outside the United States (www.fpsb.co.za).

2.5 THE REGULATORY ENVIRONMENT

According to Marcus (2001:iii) cited in a paper for the Financial Regulation in South Africa, financial regulation is a topic that does not enjoy a widespread or thorough understanding. Marcus further explains that the importance of designing and maintaining an efficient and effective system to regulate the Insurance Industry lies at the very core of the nation's economic wellbeing.

Marcus further comments that the recent economic crisis is perhaps the most dramatic recent example of how important the implementation of efficient and effective financial regulation is. Falkena et al (2001:1), further states that "the financial services industry and the insurance sector in particular, have experienced regulatory changes since the 1980's. One of the main challenges for Financial Planners has been to keep up and adapt to these changes".

2.5.1 The Global Perspective

Freshfields, Bruckhaus and Deringer (2005:1) state that, "regulatory issues are a major concern for the insurance sector in the European Union (EU) and they are having an impact on the industry worldwide".

According to Freshfields et al (2005:2) the main function of the financial services sector is to persuade people to entrust their money into the financial sector care. There are, therefore, professional issues relating to ethics, competencies and costs. They add that globally, the financial services sector contributes significantly to the gross domestic product of individual countries.

Canada

According to the Canadian Department of Finance report (2009), "Reforming Canada's Financial Services Sector – A Framework for the Future," the financial services sector of Canada is significantly integrated. Different players offer similar services and "financial groups" or conglomerates offer a variety of financial products and services that cut across what was known as the four "pillars" (banks, trust companies, insurers and securities dealers).

The report further states that “this integration trend is particularly prevalent in the banking, life and health insurance sectors, where companies have established specialized subsidiaries to provide many different financial service products”.

The contribution that this sector makes to the economy is illustrated by the following excerpt contained in the report, “the financial services sector is a significant contributor to Canada’s economic growth, employing over 600,000 Canadians in 2009 and has a yearly payroll of over thirty- five billion Canadian dollars”.

The report further adds that this sector represented six percent of Canada’s gross domestic product in 2009 and contributed close to thirteen billion Canadian dollars in taxes to all levels of government. According to the report (2009), this changing business environment has necessitated the introduction of legislation by the authorities in the respective countries to regulate the conduct of this industry.

United Kingdom

According to Benfield (2009:4), “the United Kingdom (UK) and Australia have regulated their respective financial planning industries and this has impacted greatly on Financial Planners and financial service companies globally”.

Briault (2005) states that, the world over, changing economic environment with characteristics such as globalisation, deregulation, and consolidation are throwing new challenges to UK insurers and Financial Planners. UK with the third largest Insurance Industry in the world and nine percent of global premium income is also impacted. The events in the UK Insurance Industry have been littered with scandals and failures, which has eroded consumer confidence. Briault (2005) further states that this has resulted in the British Government initiating reform in the regulatory structure, which has led to the creation of the Financial Services Authority (FSA) on 01 December 2001.

Australia

According to the Organisation for Economic Co-operation and Development (OECD) (2011) report, the Australian Government announced, in 1998, a comprehensive set of financial services reforms. The report, explains that the intention of the reform package was to provide safety and stability to the financial system of Australia. The other intended aims of the legislation were to minimise restraints on entry and competition and to ensure harmonised financial products and consumer protection. Hence the establishment of two financial services regulatory bodies in Australia viz the Australian Prudential Regulation Authority (APRA) and the Australian Competition and Consumer Commission (ACCC).

Benfield (2009:3) comments further that, “since the regulation of the financial services sector in the developed countries such as Canada, United Kingdom (UK) and Australia, the insurance sectors experienced many turbulent changes. The greatest impact has been on the Financial Planners and the sustainability of their practises”.

2.5.2 A South African Perspective

According to statistics released by The International Monetary Fund in The National Treasury Policy document (2011:10) “A Safer Financial Sector to Serve South Africa Better”, the financial sector in South Africa comprises of over six trillion rand in assets, contributing 10.5 percent of the gross domestic product of the economy annually, employing 3.9 percent of the employed, and contributing at least 15 percent of corporate income tax, making it a critical player in South Africa’s economy.

In South Africa, the South African regulator, the Financial Services Board (FSB) in conjunction with the South African Treasury, introduced FAIS. This Act, according to Hattingh and Millard (2010:3) has transformed the South African Insurance Industry with certain positive and negative effects.

Benfield (2009:4) adds that prior to the introduction of these comprehensive regulations, the financial service companies and the Financial Planners formed associations in their respective countries; the Association for Savings and

Investment SA (ASISA). Financial Intermediaries Association of Southern Africa (FIA), Financial Planning Institute of Southern Africa (FPI) and the Life Assurance Underwriters of South Africa, in South Africa are the membership bodies that represent the interests of the Insurance Industry. Benfield (2009:3) is of the view that these bodies were unable to fully enforce their rules of conduct and with the worldwide trend of increasing consumerism, fraud, high costs and commission structures, insufficient formal education and the collapse of certain investment and life companies, the authorities, enacted several sets of legislation. The most significant legislation promulgated in South Africa, as alluded to earlier, is FAIS.

Hattingh and Millard (2010:43) state that numerous legislative requirements came into effect, all of which resulted in a change in the consulting process and the advice given to clients by Financial Planners. Swanepoel, (2008:18) notes that compliance to regulatory requirements has increased the overall costs that Financial Planners and their related practises have to incur. Swanepoel further comments that “regulations govern the consulting process, the requirements to operate an insurance practise, the licensing of Financial Planners, the procedures to be followed during the advice process, compliance and other aspects”.

Benfield, (2009:3) draws a comparison with similar legislations that were introduced in the United Kingdom and Australia which has had a profound effect on the number of Financial Planners that remained or entered the financial planning sector in these countries.

Benfield (2009:4) is of the view that the effect of the legislation in these countries was profound, as the maximum commissions were lowered, the licensing and continuous education requirements were vigorously implemented resulting in the profit margins for Financial Planners being drastically reduced.

2.5.3 The rationale behind regulating the Insurance Industry in South Africa

According to Malherbe and Morojele, (2001:1) regulation only has a place where market imperfections are present that inhibit the efficient allocation of resources. Malherbe and Morojele further state that the market for financial planning displays the following characteristics that weaken market discipline:

- Client illiteracy – the client knows virtually nothing first-hand of the product being offered, the nature of the organisation offering it, and often, the financial planner advising the client to buy it. This lack of knowledge makes it difficult for clients to distinguish between good and bad products, particularly when the latter offers a high pay-off.
- An incentive to ‘promise and obfuscate’. Unscrupulous operators therefore have an incentive to hide as much information as possible while promising high returns. This serves to weaken market discipline at the instant where it is most needed.
- Low sunk costs of market entry – the provision of both financial products and advice services can often be entered into at fairly low cost. This contrasts with other industries.

Malherbe and Morojele (2001:3) are of the view that these factors explain why repeated abuse of clients can occur in the provision of financial services. Malherbe and Morojele add that regulation can address these market imperfections by firstly ensuring that the client is better informed, secondly, that product suppliers and Financial Planners are honest, competent and financially sound, and thirdly by increasing market competition by reducing the reputational barrier to entry.

The main benefits of regulatory changes as described by Falkena et al (2001:11) are:

- Improved disclosure and appropriate selling requirements should reduce the incidence of Masterbond-type large-scale ‘financial disasters’. The R650 million Masterbond scandal that rocked the financial market in the early 1990s was the biggest corporate collapse in South African history, in which thousands of elderly investors lost their lifelong savings to a participation bond scam. According to Gomes (2011:7) in the Annual FAIS Ombud Report 2011, “one of the most valuable lessons learned from the Masterbond debacle was that the investor needed greater protection by the law”.

- Creates a complaints resolution mechanism for consumers, with clear grounds for complaints, obligations on Financial Planners and financial services providers (FSPs) and an Ombud office to handle and resolve complaints.
- The 'fit and proper' requirement in the FAIS Act and the obligations for Financial Planners created by these legislations is the start of a process of professionalism in the industry.

The FAIS Act is the pre-eminent legislation in South Africa that regulates and prescribes every facet of the financial advice arena. Falkena et al (2011:1) state that financial regulation can be approached from three different perspectives viz. General philosophy, objectives and principle. The FAIS Act –Understanding the Practicalities – (Financial Services Board:2011) explain that FSPs would be subjected to various market conduct rules, of which the most important are:

- Minimum Fit and Proper standards for professional advisers.
- The minimum quality standards for suppliers of financial products and their representatives.
- The subjection of the industry to a code of business conduct.
- The reporting and disclosure requirements.
- A Complaints and compensation procedure.
- Dispute resolution by an ombudsman.

Hattingh and Millard (2010:29) further state that the objectives of regulation should be to achieve a high degree of economic efficiency and consumer protection. Swanepoel (2008:14) is of the view that there are hazards with regulation viz; the danger of regulators losing their independence, the impairment of free market enterprise and competition and the danger that regulation may have counter objective effects.

2.6 CHALLENGES OF REGULATORY CHANGES

2.6.1 United Kingdom

The findings of a survey by Mazar's (2011), an independent British Insurance body, is used to illustrate the experiences and perceptions of the effect of regulation on the UK Insurance Industry with a view to providing insight into the possible challenges and opportunities that South African Financial Planners may experience.

The survey (2011) found the following opinions of Financial Planners in the UK viz:

- The regulations are extremely costly and fail to add value to clients,
- Interests in mergers and acquisitions increase sharply,
- Support for mandatory qualifications rises, as number of new graduate hires remains the same.
- Information technology is critical to maintaining future profitably but suppliers are failing to deliver the goods.

The survey has further found that majority of Financial Planners to be increasingly critical of the Financial Services Authority (FSA) of the UK. Respondents see the new regulations as burdensome, damaging to profitability and failing to deliver value to clients.

Eighty one percent (81%) of the respondents felt that regulations had no impact on client confidence in the industry. Fifty Seven percent (57%) of the Financial Planners surveyed believed that the FSA's principles of treating clients fairly did not add value to their customer service. Fifty three percent (53%) believed that regulations actually have a negative impact on their clients.

The survey further found that increased regulation has directly impacted the bottom line; nineteen percent (19%) said that it had an impact of more than ten percent (10%) on profits. Eighty one percent (81%) of the respondents believed that there was too much work required to satisfy the regulatory requirements.

Twenty five percent (25%) of the respondents, in 2011, believed that the FSA has had a positive impact upon the industry compared with thirty seven percent (37%) in

2010. Financial Services Authority (FSA) of the UK states that its statutory objectives are:

- To maintain market confidence.
- Promote public awareness of financial services.
- Protect consumers.
- Reduce financial crime.

The survey further indicated that, fifty four percent (54%) of the respondents of Financial Planners felt that prior to the regulation in the UK taking effect; that regulations would have a negative effect on profits. Sixty seven percent (67%) of the respondents felt the work to satisfy regulation to be too onerous. Although some of these respondents felt that regulation to be too onerous, they believe that they are seeing value in regulation – would have a positive effect on the UK industry.

The survey (2011) explains that the UK financial planner dynamics have remained largely unchanged with direct insurers posing greater threat to the financial planner. Yet despite these threats, there is reluctance by Financial Planners to join networks. The research has further found that investing in technology, staff and investing in customer needs have all grown in importance.

2.6.2 South Africa

“There is no doubt that FAIS has introduced winds of change in the financial planning practises all across South Africa. This legislation probably represents the strongest force ever in financial planning in South Africa and will affect every financial planning business for decades to come”, Swanepoel (2006:10). Benfield (2009:5) further draws comparison to similar legislation introduced in the UK and Australia that forced some forty percent (40%) of Financial Planners out of the financial services industry.

Looking ahead, the Insurance Industry in South Africa can expect many more challenges, as economic conditions remain volatile, consumerism continues and the regulatory environment keeps evolving,” Muguto (2011) as cited in the PWC Survey.

According to a survey conducted by Price Waterhouse Coopers (PWC) (2011), the two most pressing issues that affected Financial Planners in 2011 were regulation and retaining customers.

Almost three quarters of the respondents that participated in the survey believed that regulation would “increase substantially” over the next three years. In 2010, the National Credit Act (NCA) was a key concern whilst in 2011, the focus and concern was over the implementation and alignment of the Consumer Protection Act (CPA). The survey further investigated that there was a wide acceptance from the Insurance Industry that the regulator would continue to “monitor and impose new controls across different parts of their operations”. The survey documents the weaknesses of the South African Insurance Industry as being:

- Over Regulation
- Poor market practice
- Weak client service
- An aging financial planner’s workforce and an inability to attract committed and competent replacements for the aging workforce.

The survey indicated that whilst a demand for graduates had increased in other sectors across the economy, nearly seventy percent (70%) of respondents did not employ any new graduates, underlining fears of future skills shortage. The survey further points out that fifty percent (50%) of the respondents believed that standards were falling and that in an industry that is largely dependent upon attracting and retaining talent, competition for skilled staff had risen with some respondents threatening legal action against competitors who poached staff.

According to the survey consolidation continues to be a key issue in the industry with eighty seven percent (87%) of the respondents expecting the number of Financial Planners in the Insurance Industry to decline over the next twelve to eighteen months. The survey further explains that as a result of new regulation, Financial Planners remain particularly vulnerable. Challenged by new regulation, the rise of direct insurers and customer empowerment, it is anticipated that the intermediary

market will contract, through to 2015, by some 9%, either through consolidation or closure.

The respondents interviewed provided average estimates that the cost of regulatory change implementation would be between R50-million and R100-million over the next three years. However, respondents largely agreed that regulation was a necessary evil and would improve, among other things, market conduct, financial integrity, financial stability and consumer protection. This is offset by reduced growth opportunities and a dampening of the insurance market's risk appetite.

2.7 THE IMAGE OF THE INSURANCE INDUSTRY IN SOUTH AFRICA

2.7.1 Consumers

According to Hawkins (2003:13), there have been several driving forces globally for regulation, the most important being the quality of the advice given to clients and the recourse that clients have in the event of complaints. Melzer (2006:23) further explains that should a complaint not be settled to the satisfaction of the consumer, the consumer will be able to further pursue the complaint in writing with the FAIS Ombud or the FSB.

According to Hattingh and Millard (2012:64) the establishment of the office of the FAIS Ombud eight years ago was aimed at creating an independent and impartial forum for resolving complaints lodged by consumers who, without the forum, might not have had the option of going to court.

The Annual FAIS Ombud Report 2011 (2011:8) states that "the increase in the number of complaints resolved, indicates that consumers are becoming increasingly aware of the work the Ombud's office does. Another way of looking at the increased numbers would be that cowboy tactics are still being practised, despite efforts to combat these. Scamsters continue to find their way into consumers' savings, in particular the savings of the aged, notwithstanding the efforts to educate the consumer". According to Gordhan (2011:5) in the Annual FAIS Ombud Report 2011, the case of *Dudley v Lifesure Financial Services CC*, which was the very first

pronouncement by the FAIS Ombud that involved property syndications, conveyed to the public a very important message: consumers must not take anything at face value. Much has been written about risks associated with property syndication since then, notwithstanding the giant steps taken in legislative measures, this area continues to be plagued by stories of investors having been defrauded of their investments. Though avenues of exploiting the investor are still prevalent, the requirements set out in the FAIS Act go a considerable way in addressing the much publicised gaps in public property syndications, namely:

- Excessive costs;
- Lack of visibility of enforcement mechanisms;
- Subsidisation of investors' expectations with loans;
- Poor governance and lack of transparency.

The fact that Financial Planners claim to be licensed to sell a particular product must be verified with the appropriate licensing authorities. "The battle of protecting the consumer and fostering integrity of the financial services industry is being made more difficult when licensed providers, instead of dispensing proper advice to clients, opt for short cuts to claiming commission".

According to Sithole (2011:2) in the Annual FAIS Ombud Report 2011, "the work of regulatory bodies to carry out their mandates of protecting the rights of consumers by enforcing compliance with the law continues to be undermined by those whose aims are focused on exploiting or downright stealing from them through misinformation or disingenuous schemes".

Sithole adds that it was thus important to appreciate the regulation aimed at protecting consumers as not meant to be paternalistic or to eliminate every possible risk there is in financial products and services. Regulation cannot anticipate future wrongdoing, nor can it know the specifics of all products and services. The maxim of "buyers beware" remains the first line of defence.

Sithole (2011:2) also adds that the determination of *Dudley v Lifesure Financial Services CC* had highlighted the fact that the FAIS Ombud continues to play a key role in educating the consumer about the inherent risks involved in financial products and services. Sithole is of the view that the examples cited above are only a small fraction of the complaints received regularly by the ombudsman and consumer forums about Financial Planners and long term insurers.

To place this in perspective, statistics from the Annual FAIS Ombud Report 2011 is cited.

Table 2.1: WHAT PRODUCTS PEOPLE COMPLAIN ABOUT

Source: FAIS Ombud Report, 2011: 27.

PRODUCT	PERCENTAGE (%)	NUMBER
Long term	33.33	2648
Short term	24.28	1929
Investment	16.34	1298
Retirement	4.23	336
Medical	2.23	177
Non FAIS	19.59	1556
Total	100	7944

Table 2.1 indicates that 33.33% of the complaints received by the office of the FAIS Ombud come from the long term sector which is the sector that the study is concerned with and that the population of relevance operates in. This illustrates that this sector received the most complaints in 2011 as compared to the other sectors of the Insurance Industry.

Table 2.2: ORIGIN OF COMPLAINTS

Source: FAIS Ombud Report, 2011: 27.

PROVINCE	PERCENTAGE	NUMBER
Eastern Cape	8%	631
Free State	6%	461
Gauteng	32%	2533
KwaZulu-Natal	15%	1232
Limpopo	3%	254
Mpumalanga	5%	362
North West	5%	391
Northern Cape	2%	158
Western Cape	11%	863
Unknown	13%	1059
TOTAL	100%	7944

Table 2.2 illustrates that sixteen percent (15%) of all the complaints received by the office of the FAIS Ombud comes from KwaZulu-Natal which is the geographical area that the study is investigating and that the population of relevance operates in. This indicates that KwaZulu-Natal received the second highest number of complaints in 2011 compared to the other Provinces in South Africa.

Table 2.3: TRENDS IN NEW COMPLAINTS

Source: FAIS Ombud Report, 2011: 28.

FINANCIAL YEAR	NO. OF NEW COMPLAINTS	JUSTICIABLE	GROWTH
2005/2006	3806	666	
2006/2007	4484	1320	17.81
2007/2008	5720	1133	27.56
2008/2009	7416	2124	29.65
2009/2010	7647	2653	3.11
2010/2011	7944	2764	3.88

Table 2.3 illustrates that complaints from 2005 to 2011 has increased exponentially. The FAIS Ombud's office received 7944 complaints during the 2011-2012 financial years, of which 5180 were resolved with 91 being determinations and 988 resolved "without prejudice."

According to the FAIS Ombud Report (2011:13) vast sums of money had once again been stolen from consumers by what the Honourable Justice Nel described as, "incompetent and astute Financial Planners who play fast and loose with investors money while deceiving investors and obfuscating facts on the one hand and on the other enriching themselves."

The report further confirmed that this pattern has remained the same over the years. "Both the licence holder and Financial Planners were merely paying lip service to compliance. As a result of a flawed understanding of the financial products, Financial Planners transmitted incorrect information to their clients in their description of these investments as safe investment vehicles for capital growth and income. Most investments were said to be achieving way beyond what the markets were achieving in terms of their performance.

Due to a lack of skill and an interest only in the lucrative commission that carries no claw backs, the financial planner failed to ask obvious and relevant questions of the product providers”. The report adds that all of this has led to losses suffered by consumers and the providers who render financial services in such a reckless manner need to be accountable.

The report goes on to draw comparisons to the principle of piercing the corporate veil in the case of Naidoo vs Swanepoel, Van Zyl and Lamprecht hold those responsible for perpetrating the fraud liable. The report concluded by stating, “The Financial Planners knew that what they were doing was deceitful. What they were doing was stealing money from unsuspecting investors”.

According to Sithole (2011:2) in the Annual FAIS Ombud Report 2011 “against the backdrop of the above scenarios, it appears that the Insurance Industry still has a long way to go to regain the confidence of their prospective clients”.

Table 2.4 lends further credence to Sithole’s comments, in addition to the various other cases discussed in this study.

Table 2.4: APPENDICES OF FAIS CASES

Source: FAIS Ombud Report, 2011: 13.

CASE	FAIS ISSUE	DETERMINATION
P v O	Failure to adhere to the client’s instruction	Settlement in favour of complainant
M v O	Failure to adhere to instruction of client	Settlement in favour of complainant
L v A	Failure to act with due skill, care and diligence	Settlement in favour of complainant
E v O	Failure to provide concise details of any waiting periods in which benefits will not be provided	Settlement in favour of complainant
C v N	Failure to disclose all fees, penalties and	Settlement in favour of

CASE	FAIS ISSUE	DETERMINATION
	charges in specific monetary terms	complainant
M v S	Failure to disclose material term of policy	Settlement in favour of complainant
C v S	Failure to act on instruction of client and to act in the interest of client	Settlement in favour of complainant
K v A	Appropriateness of advice and failure to conduct a needs analysis	Settlement in favour of complainant
B v L	Failure to render financial services with due skill, care and diligence in the interests of the client	Settlement in favour of complainant
S v I	Failure to ensure that client was adequately insured	Settlement in favour of complainant
M v F	Failure to adhere to instruction of the client	Settlement in favour of complainant
T v O	Failure to render financial services honestly and in the client's interest	Settlement in favour of complainant
M v N	Advisor acting negligently	Settlement in favour of complainant
Z v G	Failure to disclose fees in specific monetary terms	Settlement in favour of complainant
B v A	Failure to disclose material information	Settlement in favour of complainant

2.7.2 Ethics

According to Smith (2010:39) ethical issues in the financial services industry affects nearly everyone in society, either as a consumer of financial products and services or as an industry participant. Smith further states that unethical behaviour ultimately results in consumers losing funds, often their life savings, while the industry suffers from a reputation of being unethical which leads to consumers viewing the industry with suspicion and distrust. Melzer (2006:19) is of the view that in order to maintain the trust of the public, it is in the interests of stakeholders to maintain high levels of ethical behaviour.

Regulation alone can never fully eliminate the losses suffered by clients as there will always be individuals who will try to circumvent the rules. According to Botha et al (2012:35) only strong ethical principles at an individual, business and Insurance Industry level will limit the cases of unethical behaviour. Smith further explains that knowing the rules and regulations is not sufficient to ensure ethical decision-making.

Individuals within the Insurance Industry must have a sound understanding and sense of ethical standards in order to recognise ethical dilemmas and to identify circumstances and influences that may impair ethical judgement. Smith believes that sometimes it is difficult to identify ethical dilemmas and as a general rule if, in any particular scenario, the financial planner needs to check if something is ethical or could be construed as being unethical, then it usually means that there is a problem to identify and resolve.

2.7.2.1 The importance of Ethical Behaviour

The need to focus on both personal and business ethics can be summed up in one word - reputation! According to Smith (2010:11), in financial services, reputation is everything. Smith explains further that building a sound reputation based on ethical behaviour underpins the success of a financial planning professional. Smith is of the view that, the more ethical the financial planner's behaviour, the more clients will be willing to trust the financial planner and the Financial Planners' reputation improves.

Melzer (2006:19) believes that this means that existing clients remain loyal and new clients will be referred to the financial planner by satisfied clients.

According to Melzer (2006:19), this translates into a healthy and sustainable bottom line for a financial services business. "Think about reputation in terms of the medical professional. If a friend tells you about a certain doctor who carries out unnecessary procedures, what does this do to his reputation?"

It sullies his reputation and will have a profound impact on patients remaining with him and new patients seeking out his services".

According to Botha et al (2012:35), it is the same with financial planning: if a financial planner develops a reputation for only being interested in selling products to clients, it damages his reputation. As a result, he will lose clients and find it difficult to gain new clients.

Botha et al (2012:36) further illustrates that given the collapse of companies (both locally and internationally) due to unethical management practices; there is an increasing focus on the role of ethics in business the world over. According to Smith (2010:15), this is true especially in the financial services sector, as a result of unethical conduct and scandals in companies such as Enron and Worldcom. This is true locally as well, as the Supreme group of companies, Leader Guard and, more recently, the decisions involving Blue Zone and Sharemax dealt with by the Office of the FAIS Ombud.

Meltzer (2006:45) is of the view that there is a great need to improve the perception of the financial services industry generally. To achieve this, there must be a collective desire on the part of individuals to raise the ethical standards within the industry. This, Melzer states, will have a positive effect on the reputation of the industry as well as the reputation of individuals within the industry.

According to Botha et al (2012:36), besides building and maintaining a sound reputation, there are other reasons why ethical behaviour is important within the Insurance Industry:

- The increase in reported cases in the media has increased the client awareness of unethical behaviour,

- The loss of clients' money increases the burden on the state as more members of society have to be supported; therefore, the state has a stake in regulating the industry in order to better protect the consumer ,
- Unethical behaviour by Financial Planners has a negative impact on the public's perception of the financial planning profession. As a result, the public may fail to see the value in the services offered by Financial Planners.
- High standards of ethical behaviour will promote the integrity and reputation of the industry. Members of the public will feel more confident about the industry as a whole.

The FPSB report (2009), *The State of the Financial Planning Profession in the "Post-Trust" Era* adds that the issue of diversity has also brought the question of ethics more to the fore in that people have differing views on what constitutes ethical behaviour. Issues such as these need to be managed in order to prevent an increase in conflict in the work place and amongst stakeholders. Botha et al (2012:38) are of the view that there is a worldwide trend towards more ethical behaviour in the work place. In South Africa, the FAIS General Code of Conduct (GCC) is an example of an ethical framework that has been implemented in order to ensure ethical behaviour (www.fsb.co.za).

Smith (2010:44) states that an ethical financial services industry is less likely to attract negative consumer perception. This can be achieved by encouraging personal responsibility and a sense of involvement of all the role-players in the industry. Smith (2010:44) is interested to note that "more and more Financial Planners realise that good ethics equals good business. The business case for business ethics is powerful as the benefits are unquestionable. There is no doubt that a strong ethical framework results in a sound reputation that has a positive impact on client confidence".

This according to the FPSB report (2009), *The State of the Financial Planning Profession in the "Post-Trust" Era*, "in turn leads to excellent financial performance".

2.7.2.2 The perception of unethical behaviour in the Insurance Industry

According to Melzer (2006:45) although lapses of ethical behaviour happen in all aspects of society, the financial services industry is perceived to be more unethical than any other area of business.

The FPSB report (2009), *The State of the Financial Planning Profession in the “Post-Trust” Era*, explains that there may be a number of reasons for this perception.

Firstly, the financial services industry is very large and encompasses many different aspects of financial services, including banks, insurance companies, assets management companies, pension funds, basically any business which operates in the financial services industry. This means that the industry tends to gather many more headlines with regards to ethical lapses than many other industries. Botha et al (2012:42) further justifies this by stating that, “because of the size of the industry, although the number of ethical lapses may be small given the number of transactions that take place every day, the losses in terms of numbers can be huge”.

According to Hattingh and Millard (2010:45), the financial services industry is also highly regulated so it is likely that a higher number of ethical lapses are identified and reported on, probably far more than in less regulated industries. Botha et al (2012:46) conclude by commenting that even though the number of ethical lapses may be relatively small given the size of the industry and the number of transactions taking place every day, the impact of ethical transgressions on the industry itself and the reputation of the industry are huge.

2.7.2.3 Ethical issues in the Insurance Industry

FPSB report (2009), *The State of the Financial Planning Profession in the “Post-Trust” Era*, explains that in “addition to the challenge of the perception of unethical behaviour in the financial services sector, unlike an industry in which the product or service being bought and sold can be seen and thereby assessed, the intangible nature of financial products and services presents the financial services industry with many different ethical challenges. One of the biggest challenges is the method of commission-based remuneration as it can be difficult for Financial Planners to act in the best interests of the client when the financial planner’s livelihood is dependent on the sale of a financial product”.

The report clarifies this by stating that there will be times when the financial planner will be confronted by ethical questions and it would be easy for the FP to make a “wrong” ethical choice unless the FP is working from a sound personal ethical base from which to make decisions. According to the report (2009) this process of making ethical choices is also supported through the existence of codes of conduct and codes of ethical practice that are in place in the Insurance Industry. The report further emphasises that importance must continually be placed on ethical practises and the consequences of unethical decision-making. This will, according to the FPSB (2009) report go a long way to establish a strong ethical culture within the Insurance Industry.

2.7.3 Competency

“Being a true professional means continually developing competencies and skills that are associated with being called a professional”, Maister (2000:7). Botha et al (2012:8), explain that in order to practice as an effective financial planner, there are certain competency and skills that is required to carry out financial planning effectively in daily interactions with clients and other stakeholders. Smith (2010:4) states that professionalism consists of knowledge and skills, as well as a certain attitude and behaviour that need to be consistently displayed in the Financial Planners work.

Hattingh and Millard (2010:118) explain that the legal and technical competency required by Financial Planners will depend on the nature and level of the services provided, as well as the category and subcategory of the FAIS license that has been authorised. According to Hattingh and Millard (2010:119), in keeping with the nature of the authorised license, the fit and proper requirements spell out minimum qualifications and experience, necessary to render financial services to clients in a competent manner.

Maister (2000:12) is of the view that, clients must be able to rely on the legal and technical competency of a financial planner to provide them with appropriate and sound advice, especially during periods of economic instability. Botha et al (2012:8) explains that an important aspect of being a competent financial planner is the ability

to know when the financial planner does not have the necessary legal and technical competency to advise a client appropriately.

According to the FAIS Ombud Report (2011:9), the FAIS Ombud has ruled in many determinations in which the financial planner has engaged with a client on the basis of having the necessary knowledge and skills to advise them, but this is not the case at all. The report (2011:10) further states that in the important case of Durr v ABSA, the judge stated the financial planner was not entitled to venture into a field in which he professed skills which he did not have, and give the client assurances about the soundness of the investments which he was not properly qualified to give.

The judge added that the principal to be taken from this case was that Financial Planners should not give advice in an area in which the financial planner does not have the required knowledge, skills and expertise. In this regard, the judge also commented that “it is not negligent not to be a lawyer. But those who undertake to advise clients on matters that include important legal components do so at their peril if they have not informed themselves sufficiently on the law.”

According to The Financial Services Intermediary Services Act (FAIS), [No. 37 of 2002]; (2002) one of the key regulatory prescriptions of the FAIS Act is that all FSPs are required to meet specific competence requirements. The FSB (2011) Information Circular: Regulatory Examinations states that at the time of promulgation, this requirement consisted of qualification and experience. The circular added that in order to assist industry participants, the initial qualification requirements required to obtain a license to act as a financial planner were “reduced” from full qualification requirements to skills programmes (or credit requirements).

This was done to assist those in the industry that did not have any formal qualification and who had to commence with studies as a result of the promulgation of the FAIS Act. However, according to the FSB (2011) Information Circular: Regulatory Examinations the intention was always to gradually increase the qualification requirement to the requirement that providers must have full qualifications. As a result thereof, the Determination for Fit and Proper Requirements for Financial Services Providers, 2003, had to be reviewed; the existing Fit and Proper requirements were set aside completely.

Early in 2008, the Advisory Committee on Financial Services Providers (FAIS Advisory Committee) proposed the following competency requirements:

- “Experience – the experience required must fit the financial product, i.e. The more complex the product the more experience would be required.
- Qualification - based on the principle of fairness, a distinction should be made between persons that have been in the industry for a long time (“existing providers”) and new entrants to the industry. The existing providers must only meet the credit requirements, and should not be required to complete a full qualification. This means that a skills programme of 30 or 60 credits should be seen as sufficient. All new entrants into the industry must obtain a “full” qualification.
- Regulatory Examination- it is accepted international practice and standards to set professional examinations for professions”.

Hattingh and Millard state that the purpose of the regulatory examinations is to set a minimum standard in terms of the following:

- Knowledge and understanding regarding the role and responsibilities of a financial planner under the FAIS Act. Although the FAIS Act has been in operation since 2004, it was generally accepted that the level of knowledge, awareness and understanding of the responsibilities imposed by FAIS Financial Planners was lacking. This led to non-compliance with the provisions of FAIS for example; providers did not furnish clients with the necessary information as required by the FAIS Act.
- Financial Planners are further under the misconception that ensuring compliance with the legislation is the responsibility of the compliance officer. This is not the case – the financial planner is responsible to ensure compliance with the FAIS Act.

The FSB (2011) Information Circular : Regulatory Examination further states that it was agreed that a once-off regulatory examination should address the problems referred to above, and would ensure that all Financial Planners had a proper understanding of their specific regulatory roles. The exams would be compulsory for everyone rendering financial services to clients. This was also seen as part of the objective to professionalise stakeholders in the industry and to have confidence that providers know and understand the legislation that governs their industry.

According to the FPSB (2011) Financial Planning Practice Standards paper there are many inconsistencies where qualifications were concerned. Some qualifications included an in-depth learning of financial products, and others did not. The paper further states that skills programmes also did not include the same volume and standard of information than that of full qualifications. Therefore a “second” level of examination was required that focused specifically on financial products.

The FSB (2011) Information Circular: Regulatory Examination adds that agreement was reached that exemption from this examination would be possible if the qualification that a person had already acquired covered the financial product information in depth. In addition, existing Financial Planners who did not want to obtain a full qualification would then not be required. It was therefore the choice of each existing financial planner whether he/ she wanted to complete a full qualification, or a skills programme with the relevant examination(s).

According to Hattingh and Millard (2010:34) the Fit and Proper requirements were extensively consulted on and debated with industry before promulgation. Subsequent to the process followed above the Fit and Proper requirements were published on 15 October 2008 in the Notice on the Determination of Fit and Proper Requirements for Financial Services Providers (Board Notice 106).

The FSB (2011) Information Circular: Regulatory Examination further states that at the time that the competency requirements were published in 2008, and specifically the requirement that Financial Planners must write certain exams, concerns regarding the examinations were raised.

The circular adds that now that the examinations have become a reality, allegations are being made that the consultation process was not adequate. This however is refuted by the FSB as it has kept record of all the meetings and workshops with industry stakeholders during the 2 year consultation period.

2.7.3.1 Purpose of the Regulatory Examinations

According to Botha et al (2012:95) there are many Financial Planners in the financial services industry with a significant number of years of experience. Botha et al are of the view that experience is valuable however, past lessons having indicated that Financial Planners who have been in the industry for an extended time, do not necessarily know what the FAIS Act requires of them.

The FAIS Ombud Report (2011) explains that the FSB has encountered countless examples where Financial Planners do not understand their regulatory roles and responsibilities. Regulatory examinations (RE) are not unique to South Africa. Hattingh and Millard (2010:35) state that should Financial Planners be in breach of the FAIS Act, the excuse of lack of knowledge regarding the requirements of FAIS and the Financial Planners compliance obligations, will not be valid.

In view of the above, experience, therefore, does not equate to sufficient knowledge regarding the FAIS Act and its requirements. According to Botha et al, (2012:97), as such, all Financial Planners are mandated to complete the level 1 RE, regardless of the number of years experience gained in the industry.

The regulatory level 2 examinations are product specific. A Financial Planners experience in dealing with the relevant financial product may be of assistance in successfully completing these examinations. In addition, should a financial planner hold a “specifically” recognised qualification, and then such qualification can exempt the financial planner from having to write level 2 RE.

Table 2.5: Regulation Exam statistics: 2012

	RE 1 (Key Individual for category I,II,IIA,III AND IV)	% for RE 1	RE 5 (Representatives of Categories I,II,IIA, III and IV excluding representatives for subcategories 1.1 and 1.19)	% for RE 5
Total Number that must write the regulatory examinations	13 839	N/A	107 428	N/A
Total Number of candidates that have written the regulatory examinations	9 150	66 %	63 368	58.98 %
Total Number of candidates that have passed the regulatory examinations	6 734	73 %	41 318	65.20 %
Total Number of candidates that must still write the regulatory examinations in order to meet the 30 June 2012 deadline	4 689	33 %	44 060	41.02 %

Source: FSB Media Release, 2012.

Table 2.4 illustrates that of the 13 839 licensed Key individual Financial Planners in South Africa, which is the population of relevance that this study is concerned with. Sixty six percent (66%) have already complied with regulatory requirements by writing the appropriate competency exam.

Of this 66%, seventy-three percent (73%) have passed. There still remains thirty three percent (33%) of the population of relevance in South Africa that still need to comply with the competency requirement before the June 2012 deadline; this could further impact on the number of Financial Planners that remain in the Insurance Industry.

2.7.4 Professionalism

According to the FPSB report (2011), The Global Practice of Financial Planning, the main objective of the regulatory framework that governs the financial services industry is to protect consumers by setting standards to encourage professionalism within the financial services industry.

The report (2011) further explains that although financial planning is not officially recognised as a profession, the nature of the financial planning process, the high standards of ethical behaviour required as well as the degree of knowledge and skills needed, means that financial planning as a discipline has characteristics similar to those characteristics of other more well-known professions such as doctors, lawyers or accountants.

Metcalfe (2010:14) in the Emerging Trends and Strategic Issues in South African Insurance 2010 survey indicate that there are four major trends that are driving and shaping the emergence of a financial planning profession:

- Consumer demand - as pensions and savings shrink, and as life spans increase.
- Planning for the future - has become more urgent due to the increased risk of poor outcomes from bad decisions and a loss of confidence in the financial services industry.
- Focusing on relationship rather than transactions - there has been a shift away from supplying financial products to embracing a financial planning approach. Research indicates that there is a need for client-centric service-based models that result in long-term relationships based on trust to clients.
- Regulatory changes - due to the crises and failures in the financial services sector all over the world, regulators have focused on implementing standards with regard to the delivery of comprehensive financial planning to clients.
- Globalisation - increased globalisation has led to an increase in the demand for the services of qualified Financial Planners.

The FPSB report (2011), *The Global Practice of Financial Planning*, states that the need and opportunity for qualified, competent, and ethical Financial Planners is clear. However, certain questions are raised around what constitutes a financial planner, what is the actual practice of financial planning and does financial planning qualify as a profession.

2.7.4.1 Definition of a profession

Smith (2010:40) explains that a profession refers to an occupation that requires extensive training and the study and mastery of specialised knowledge. Melzer (2006:31) further defines a profession as usually being a vocation or high-status career and involves commitment to prolonged academic training, formal qualifications as well as membership of a professional body. The professional body sets examinations of competency and expects their members to maintain high standards of ethical conduct by enforcing adherence to an ethical code of conduct.

According to Hattingh and Millard (2010:35) by extension from the above definition of “profession” a “professional” is referred to as “belonging to or connected with a profession , having or showing the skill of a professional, competent “and “professionalism” refers to “the qualities or typically features of a profession or professionals especially competence and skill”.

2.7.4.2 Characteristics of a Profession

It is useful to look at what characteristics define a profession in order to see why financial planning is so closely aligned with other professions. According to the FPSB report (2009), *The State of the Financial Planning Profession in the “Post-Trust” Era*, thinking of financial planning as a profession requires a mind-set change by many of the role players in the financial services industry. In order to be called a profession, the following characteristics apply:

- The skills of a professional are based on theoretical knowledge- professionals are assumed to have extensive theoretical knowledge and to possess the skills necessary to apply the knowledge in practice.
- Professional association- most professions usually have professional membership bodies organised by their members, which are intended to enhance the status of their members. These professional bodies usually have carefully controlled entrance requirements, which mean that only those who meet the requirements may join as a member.
- Period of education- most professions require some form of education.
- Testing of competence – before being admitted to membership of a professional body, there is a requirement to pass prescribed examinations that are based mainly on the application of theoretical knowledge.
- Continuous upgrading of skills- through Continuous Professional Development (CPD) programmes.
- Licenses – professions usually require that only those registered with a professional body or holding the requisite licences are recognised as professionals.
- Codes of ethics or conduct – professional bodies usually have codes of conduct or ethics for their members as well as disciplinary procedures for those who infringe the rules.
- Public service and altruism- the work of some professionals is regarded as being in the realm of public service, as the work they do contributes to the financial health of individuals, which in turn impacts on the economic health of the society.
- Mobility – the knowledge and skills of professionals belong to them as individuals and not to the organisations for which they work.

Many of the characteristics of a professional mentioned above have now been included in the Financial Advisory and Intermediary Services Act 37 of 2002 (FAIS Act) in the form of the “fit and proper” requirements as well as the standards required by the relevant codes of conduct.

According to Botha et al (2012:40), both internationally and locally, the professional membership bodies representing Financial Planners are engaged in creating a professional status for Financial Planners through setting high educational and ethical standards. These bodies are also focusing on educating the public with regard to the level of professionalism expected from their members.

2.8 CONCLUSION

The literature review created a framework to validate the aim and objectives of the study. Certain critical terminology was defined in order to create an understanding of the financial planner’s environment. Findings and views from various surveys and research was drawn on to further consolidate the key issues within the financial planning ambit.

The literature research found that “financial planning in South Africa is evolving from being a sales-orientated industry into a profession. This evolution which gained momentum with the introduction of the regulatory framework of the Financial Advisory and Intermediary Services Act 37 of 2002 (FAIS), is steadily increasing as the financial services industry recognises the urgent need to protect the rights of the consumers, Botha et al (2012:3).

These regulatory changes are impacting on the Financial Planners operating in this environment in various ways – many of the stakeholders in this environment are reluctant to embrace the spirit of these changes and instead see it as a regulatory burden. Previous research is used to present the experiences of some of the other global insurance industries together with the concerns of the local industry. These experiences and perceptions of the effect of regulation on the global Insurance Industry provided an insight into the possible challenges and opportunities that South African Financial Planners may experience or are currently experiencing. The

financial planning arena is complex and issues like ethics, competency and professionalism is discussed in order to illustrate this complexity and illustrate the effect of these issues on the financial planning environment and the ripple impact on Financial Planners.

Chapter Three discusses the research methodology which was selected to answer the research problem.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter discusses the research methodology which was selected to answer the research problem. Each component of research methodology and design offer various critical choices. Sekaran and Bougie (2011:102) state that the “extent of scientific rigor in a research study depends on how carefully the researcher chooses the appropriate alternatives, taking into consideration its specific purpose”.

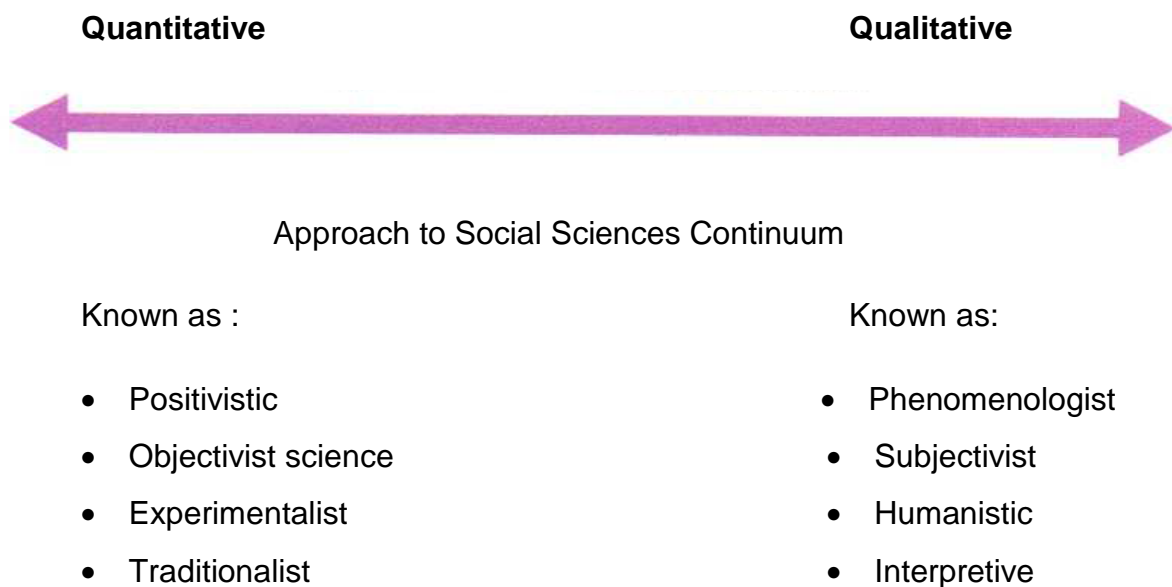
There is no one best way for undertaking research; rather it is all about choices that will have to be made and how these choices will impact upon the objective of the study. The most appropriate approaches, strategies and methods for this study was selected and justified after having consulted various texts on research methodology.

This chapter presents the research aim and objectives and a discussion on the research methodology used in carrying out the study is presented. The type of data needed, the research instrument and data collection strategies are described and defended. The research limitations are noted.

3.2 QUANTITATIVE VERSUS QUALITATIVE

According to Sekaran and Bougie (2009:303) the two paradigms of research methodology are the quantitative paradigm and qualitative paradigm and different terms are used to indicate them. These are listed in Figure 3.1.

Figure 3.1: Opposite approaches to main research paradigms



Source: Adapted from Hussey and Hussey (1997:54)

According to Blumberg and Cooper (2005:124) research may be approached from either a qualitative or a quantitative perspective, or alternatively a mixed approach, which is a hybrid of both techniques”. Blumberg and Cooper further suggest that “the distinction between a qualitative and quantitative study is based mainly on the kind of information used to study a phenomenon”. Blumberg and Cooper further explains that as the names suggest, “quantitative studies rely on quantitative information, such as numbers and figures and qualitative studies base their accounts on qualitative information that includes words, sentences and narratives”.

In deciding on whether to adopt a qualitative or quantitative research approach for this study, consideration was given to the objective of the research, and the different research methodologies.

3.3 POPULATION

“The population refers to the entire group of people; events or things of interest that the researcher is interested to investigate and make inferences” Sekaran and Bougie (2009:262).

The population for this study is all Financial Planners (FPs) conducting business in KwaZulu-Natal (KZN). Financial Planners range from independent one-man brokerages to the persons who work for Financial Service Providers (FSPs), either as employees or under a mandate. The Financial Services Board (FSB) determines the estimate of licensed key individual FPs in KZN to be three thousand and nine hundred (3 900) www.fsb.co.za

3.4 RESPONDENTS IN THE STUDY

Due to the size of the population and nature of the research, this study focused on a minimum of thirty Financial Planners in KwaZulu-Natal as this would be within the scope and resources available for this study.

3.5 PRIMARY VERSUS SECONDARY DATA

“Data can be obtained from primary or secondary sources. Primary data refer to information obtained first –hand by the researcher on the variables of interest for the specific purpose of the study. Secondary data refer to information gathered from sources that already exist”, Sekaran and Bougie (2009:180).

Polonsky and Waller (2011:131) states that “the value of secondary data is significant in that it is able to assist in addressing the research problem in a more cost-effective or timely manner. The downside to this is that the secondary data may not always address the problem at hand or may be outdated in its accuracy”.

The sources of secondary data that was utilised to identify current literature pertaining to the subject of regulatory changes in South Africa was government publications relevant to the financial sector, online sources and syndicated sources of data. In order to gain primary data on the research objectives, an initial number of eighty questionnaires were distributed electronically to the population of relevance. Due to the low response rate a self-administered survey was further conducted.

“Principles of survey design were followed and took into account the order and flow of questions so that they would be logical to the respondent, ensure ease of answering, have visual appeal, be simple, have clear and concise instructions and not appear to be too long, Saunders et al (2003:310). Enclosed with the questionnaire was a letter of consent, and an option to remain anonymous should the respondent so wish. The questionnaire contained twenty two closed ended questions.

3.6 DATA COLLECTION STRATEGIES

Saunders, Lewis and Thornhill's (2003:281) advice, is, to evaluate all possible data collection methods and to choose those most appropriate to the research questions and objectives.

There are various strategies to collect data, each strategy has advantages and disadvantages. The data collection strategy that is best suited for the research objective is the survey method utilising a structured self-administered questionnaire containing twenty two close-ended questions.

According to Saunders et al (2003:281) the questionnaire is one of the most widely used survey data collection techniques. This technique works best with standardised questions that will be interpreted the same way by all respondents. Questionnaires can therefore be used for descriptive or exploratory research.

3.7 RESEARCH DESIGN AND METHODS

3.7.1 QUALITATIVE METHODS

“Should the study wish to explain why a particular event happened, or why this particular phenomenon is the case, then the study should make use of Qualitative Research. The primary aim of Qualitative Research is to provide a complete, detailed description of the research topic. Qualitative Research generates non-numerical data. It focuses on the gathering of mainly verbal data rather than measurements. Gathered information is then analysed in an interpretative manner, subjective, impressionistic or even diagnostic.

Qualitative Research is primarily subjective in approach as it seeks to understand human behaviour and reasons that govern such behaviour. Researchers have the tendency to become subjectively immersed in the subject matter in this type of research method. The presentation of data in a Qualitative Research is in the form of words (from interviews) and images (videos) or objects (such as artefacts). Figures in the form of graphs will most likely appear in a qualitative research discussion”, (Experiment-Resources.com (2009). Comparing Quantitative and Qualitative Research, (Retrieved 10 Jun. 2012 from Experiment Resources: <http://www.experiment-resources.com/quantitative-and-qualitative-research.html>).

Thereafter analysis of the data is undertaken through the use of conceptualization. According to Sekaran and Bougie (2009:370) one of the problems with the qualitative research process is that the study group may not be representative of the larger population.

3.7.2 QUANTITATIVE METHODS

“In Quantitative Research, researchers tend to remain objectively separated from the subject matter. This is because Quantitative Research is objective in approach in the sense that it only seeks precise measurements and analysis of target concepts to answer his inquiry. Quantitative Research focuses more in counting and classifying features and constructing statistical models and figures to explain what is observed.

Quantitative Research provides the researcher a clear picture of what to expect in the research. It makes use of tools such as questionnaires, surveys and other equipment to collect numerical or measurable data. Tables will most likely appear in the research discussion”, (Retrieved 10 Jun. 2012 from Experiment Resources: <http://www.experiment-resources.com/quantitative-and-qualitative-research.html>).

The study aims to determine the impact of regulatory changes in the Insurance Industry on Financial Planners through numerical evidence; therefore the Quantitative Research Approach was adopted. The determining factor of this decision was the limitations of the existing theory base, which has been discussed in Chapter Two. This limitation would have made it difficult to categorise qualitative findings in a purposeful manner.

The research has followed the approach of a structured questionnaire self-administered to sixty seven Financial Planners in KZN, - (appendix 1).

3.7.3 TARGET RESPONDENTS

According to Sekaran and Bougie (2009:274) the “population” in statistics includes all members of a defined group that are being studied. They further explain that a part of the population is called a sample. A sample is a scientifically drawn group that actually possesses the same characteristics as the population – if it is drawn randomly. The target respondents were recruited off the Financial Services Board website and questionnaires were distributed randomly to them based on their geographical location. Sekaran and Bougie (2009:266) further state that there are two types of sampling methods, namely probability sampling and non-probability sampling.

3.7.4 PROBABILITY SAMPLING

According to Saunders et al, (2003:151) probability sampling is most commonly associated with survey-based research where there is a need to make inferences from the sample about a population in order to answer the research questions or to meet the objectives. Due to the nature of the study being conducted this sampling technique was not chosen.

3.7.5 NON-PROBABILITY SAMPLING

According to Saunders et al (2003:151) the research questions, objectives and choice of research strategy may dictate non-probability sampling. Limited resources or the inability to specify a sampling frame may also dictate the use of one or more non-probability sampling techniques.

Sekaran and Bougie (1992:235) state that “in non-probability sampling designs, there are no probabilities attached to elements of the population being chosen as sampling subjects”. Due to this, the findings from this study cannot be confidently generalized to that of the population.

Saunders et al (2003:171) state that “a range of non-probability sampling techniques is available. Techniques based on the need to obtain a sample as quickly as possible where there is little control over the content; include convenience and self-selection sampling techniques”.

Saunders et al, further state that, “in judgement or purposive sampling the issue of sample size is ambiguous”. According to Polonsky and Waller (2011:140) “the benefits of such a technique is that it is convenient and consumes low time and costs. A weakness of judgment sampling is that it is subjective and does not allow for generalisation in the population group”.

Whilst Mugo (2011:3) explains that convenience sampling is used in exploratory research where the researcher is interested in getting an inexpensive approximation of the truth. Samples are used because they are convenient.

Participants in the study were recruited through the use of non-probability sampling, utilising a combination of judgement and convenience sampling.

3.7.6 UNIT OF ANALYSIS

Regulation by large seeks to regulate the behaviour of individuals providing financial advice or certain other services, whether the individual is an independent financial planner, works for a large ‘corporate’ brokerage, affiliates with one particular insurer only as a ‘tied agent’, sells financial products from a call centre, or works for a bank. The unit of analysis chosen for this study is the independent individual financial planner.

3.7.7 PRETESTING, VALIDITY AND RELIABILITY

Validity according to Saunders et al, “is concerned with whether the findings are really about what they appear to be about,” (2003:101). On the other hand, reliability, according to Yin (1994:39), “means that a result from a study should be consistent over time if similar research is conducted using the same procedure by another researcher.

Yin further explains that reliability focuses on the authenticity and reuse of the data collection techniques as well as the analysis procedures to produce the same result if the research is conducted all over again. According to Blumberg and Cooper (2008:455) a research study is considered as having a higher reliability if it gives the same results repeatedly, while low reliability gives a different result each time the study is conducted.

In this study, validity was tested by having a panel of seven professionals in the financial planning field to assess the questionnaire against the objectives. A few suggestions were made, which were adopted and the revised questionnaire thus had, face validity. Face validity as defined by Sekaran and Bougie (2009:159) indicates that the items that are intended to measure a concept, do, on the face of it, look like they measure the concept. Validity was thus confirmed.

The questionnaire was further submitted to an academic for comment on suitability and appropriateness and to a statistics student to pre-test the questions constructed against the objectives desired using the Cronbach Alpha test. The questionnaire was further refined to better address the objectives.

The revised questionnaire was used in a pilot study in which five respondents from the financial planning field participated in. Based on their feedback minor changes were made to address the issue of vagueness in two questions and the format of the questionnaire. Neither of the group that assessed validity nor the pilot study respondents formed part of the sample.

3.7.8 ADMINISTRATION AND RESEARCH INSTRUMENT

In order to gain primary data on the research objectives, an initial number of eighty questionnaires were distributed electronically to the population of relevance.

Due to the low response rate a self-administered survey was further conducted. This was possible due to the accessible geographical locations of respondents.

“Principles of survey design were followed and took into account the order and flow of questions so that they would be logical to the respondent, ensure ease of answering, have visual appeal, be simple, have clear and concise instructions and not appear to be too long, Saunders et al, (2003:310).

Enclosed with the questionnaire was a letter of consent, and an option to remain anonymous should the respondent so wish. The questionnaire distributed to the respondents - is presented as appendix 1.

3.8 DATA ANALYSIS

The primary data collected from the representative sample of the population was coded so that they could be processed statistically using Statistical Programs for the Social Sciences (SPSS) (version 20). The goodness of the data was tested using Cronbach's Alpha and Pearson's Product Moment Correlation Coefficient (PMCC).

Sekaran and Bougie (2009:324) explain that Cronbach's alpha is a reliability coefficient that indicates how well the items in a set are positively correlated to one another. They further explain that Cronbach's alpha is computed in terms of the average inter-correlations among the items measuring the concept. This supported the quantitative approach of the study.

3.9 RESEARCH LIMITATIONS

The following research limitations were identified in the course of this research:

- The lack of previous academic research and theory meant that the research was exploratory in nature and used quantitative methods to establish a hypothesis.
- The sample size was limited to sixty-seven respondents who encompass an extensive background, knowledge and experience on the subject of financial planning. Whilst the respondents are highly knowledgeable in their respective fields, the answers provided are their personal views and do not

necessarily reflect the views of all Financial Planners in KwaZulu-Natal. Questionnaires were distributed to these sixty seven respondents in lieu of a large, costly sample of the population of Financial Planners in KwaZulu-Natal to reach conclusions which may be broadly applied to the impact of regulatory changes in the Insurance Industry on Financial Planners in KwaZulu-Natal.

- The sample size chosen may not be large enough given the overall size of the industry and the number of Financial Planners currently practicing in KwaZulu-Natal.

3.10 FIELDWORK

A major difficulty of this survey was the availability of Financial Planners to complete the survey questionnaires.

Initially questionnaires were distributed to eighty Financial Planners through electronic mail. Due to the time constraints and the poor response rate, a decision was made to engage in a delivery and collection method of administering the questionnaire. The questionnaires were delivered with a letter indicating the date that it would be collected.

The respondents were then contacted electronically or by telephone to arrange a convenient time to collect the completed questionnaire. This choice proved to be more difficult and costly but the result was that the respondents were more willing to complete the questionnaire because of the face to face contact than they were willing to respond to an electronic survey. This ensured that the response rate was acceptable to the survey criteria, with sixty-seven questionnaires being returned.

This also posed further time restraints as respondents entered into a discussion for which the survey was not equipped to accommodate. Valuable “thick” data could have been extracted from respondents had there been the sufficient resources available.

3.11 SUMMARY

Chapter three seeks to outline the aims and objectives of the study, the participants and location of the study, data collection strategies and research design methods. The data collection strategy used was a structured questionnaire consisting of twenty two close-ended questions. Eighty respondents were approached using the drop and collect method of data collection with sixty seven respondents choosing to respond. The data gathered as a result of the returned survey questionnaires will be presented in chapter four.

CHAPTER FOUR

PRESENTATION OF DATA

4.1 INTRODUCTION

This chapter contains the statement of results of the data obtained from the survey. The results are presented in a manner congruent to the test item in the research instrument. The findings seek to answer the research questions in order to achieve the objectives of the study.

Graphical and descriptive statistics were carried out. Bar graphs and frequency tables have been calculated using SPSS (version 20). This is followed by an excerpt explaining the results. The letters of informed consent were signed by all respondents and are available on request together with the completed survey questionnaires.

Gliem and Gliem (2003) state that inferential statistics deals with drawing conclusions and, in some cases, making predictions about the properties of a population based on information obtained from a sample. While descriptive statistics provide information about the central tendency, dispersion, skew, and kurtosis of data, inferential statistics allows broader statements about the relationships between data to be made.

Inferential statistics are frequently used to answer cause-and-effect questions and make predictions. They are also used to investigate differences between and among groups. Pearson's Product Moment Correlation Coefficient (PMCC) and Cronbach alpha were used for this study in order to test validity and reliability.

The format of the analysis followed a similar sequence of how respondents were asked to complete the research instrument. The sequence was as follows:

The sample is described and the response rate for the survey is calculated. The first part of the survey was analysed by reviewing the demographic distribution of the respondents and the relationships between the demographics.

The second part of the survey was analysed by reviewing the responses to the statements on the impact of regulatory changes on Financial Planners in KwaZulu-Natal. Quantitative analysis is used to test the degree to which the respondent agreed with the statements.

4.2 THE SAMPLE

Questionnaires were distributed to eighty Financial Planners and a total of sixty seven (67) were returned of which it was possible to use all 65 questionnaires in the analysis. Two questionnaires were considered invalid. The response rate achieved for this survey was eighty one percent (81%).

4.3 PRESENTATION OF DEMOGRAPHIC DISTRIBUTION

The demographic distribution of the respondents included gender, age, and qualification, number of years as a financial planner, number of existing clients and number of direct support staff in the practice. The analysis of each of the demographic categories follows below.

4.3.1 Gender distribution

Table 4.1: Gender Distribution of Respondents.

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	51	76.1	76.1	76.1
	Female	16	23.9	23.9	100.0
	Total	67	100.0	100.0	

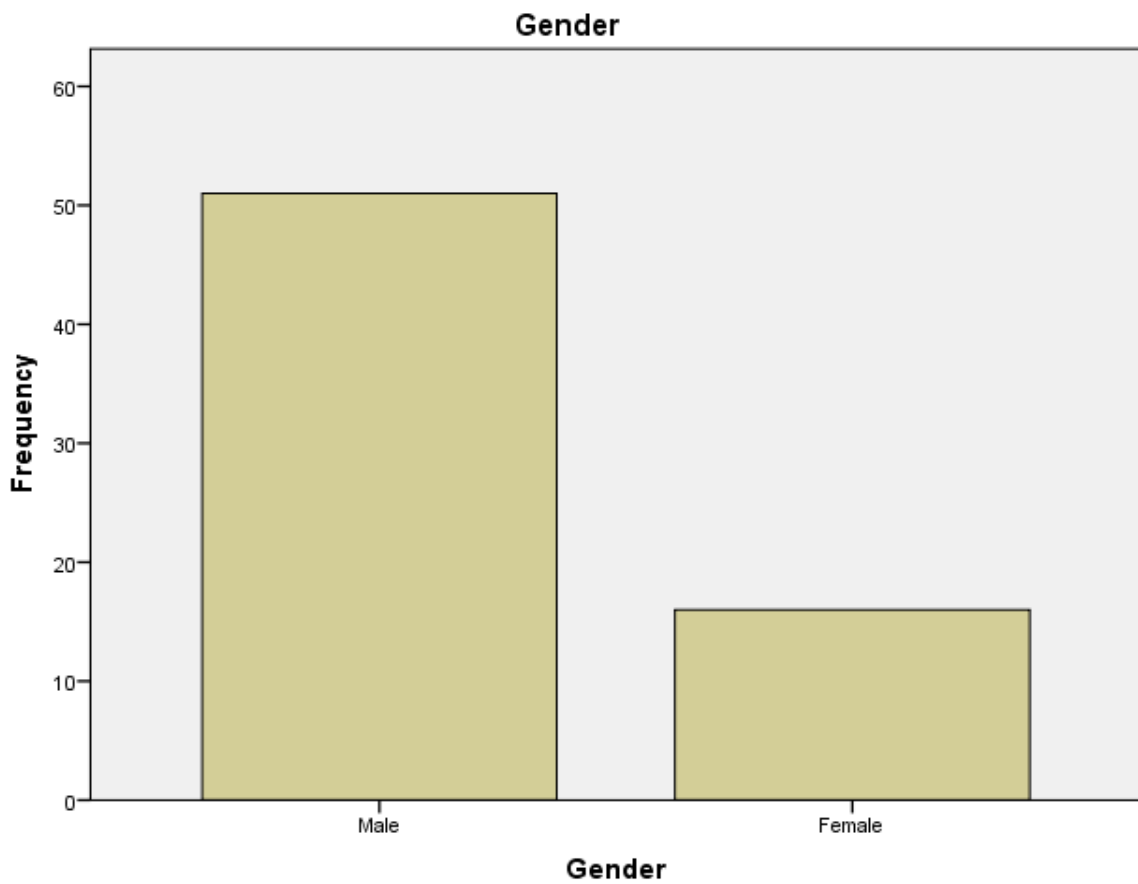


Figure 4.1: Gender Distribution of Respondents.

Table 4.1 and Figure 4.2 Reveal Gender distribution of respondents in this research. The largest percentage of the respondents fell in the Male group with (76.1%), followed by the Female group at (23.9%).

4.3.2 Age distribution

Table 4.2: Age Distribution of Respondents.

Age	Frequency	Percent	Valid Percent	Cumulative Percent
26-35	11	16.4	16.7	16.7
36-45	17	25.4	25.8	42.4
46-55	22	32.8	33.3	75.8
56+	16	23.9	24.2	100.0
Total	66	98.5	100.0	
Missing System	1	1.5		
Total	67	100.0		

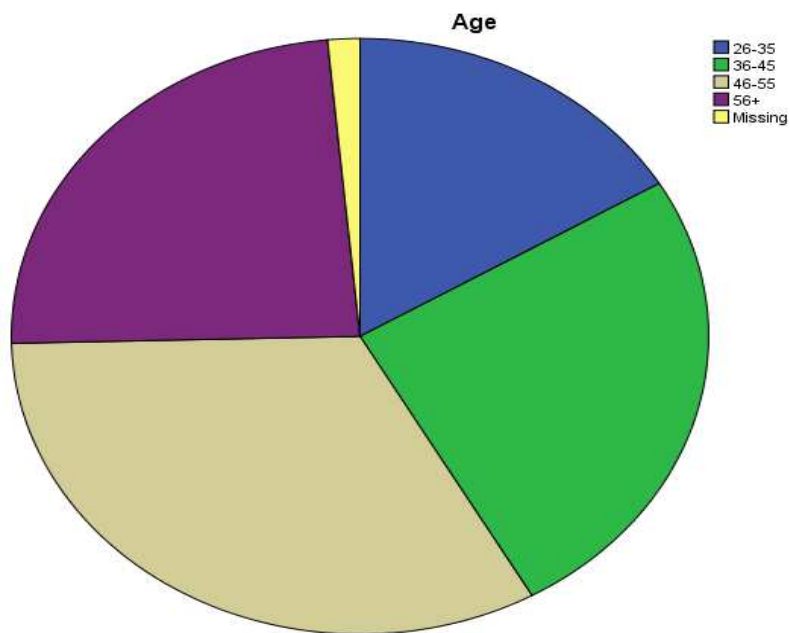


Figure 4.2: Age Distribution of Respondents.

Table 4.2 and Figure 4.2 reveal Age distribution of respondents in this research. The largest percentage of the respondents fell in the 45-55 years of age group with (32.8%), followed by the 36-45 years of age group at (25.4%), 56+ years of age group at (23.9%), 26-35 years of age group at (16.4%) and there was an unanswered percentage of (1.5%).

4.3.3 Race Distribution

Table 4.3: Race Distribution of Respondents.

Race	Frequency	Percent	Valid Percent	Cumulative Percent
Black	5	7.5	7.5	7.5
Indian	56	83.6	83.6	91.0
White	6	9.0	9.0	100.0
Total	67	100.0	100.0	

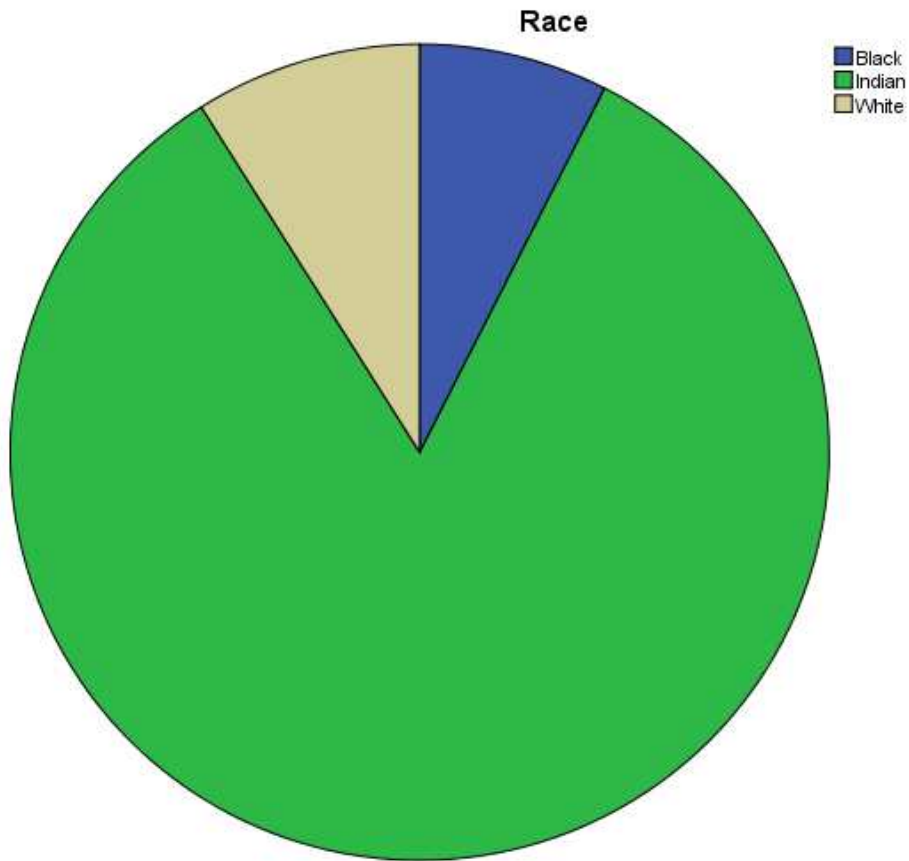


Figure 4.3: Race Distribution of Respondents.

Table 4.3 and Figure 4.3 reveal Race distribution of respondents in this research. The largest percentage of the respondents fell in the Indian group with (83.6%), followed by the White group at (9.0%) and the Black group at (7.5%).

4.3.4 Qualification Distribution

Table 4.4: Qualification Distribution of Respondents.

Qualification	Frequency	Percent	Valid Percent	Cumulative Percent
Registered Financial Planner	26	38.8	38.8	38.8
Certified Financial Planner	4	6.0	6.0	44.8
Advanced Certified Financial Planner	1	1.5	1.5	46.3
Regulatory Exam	15	22.4	22.4	68.7
Tertiary Qualification	21	31.3	31.3	100.0
Total	67	100.0	100.0	

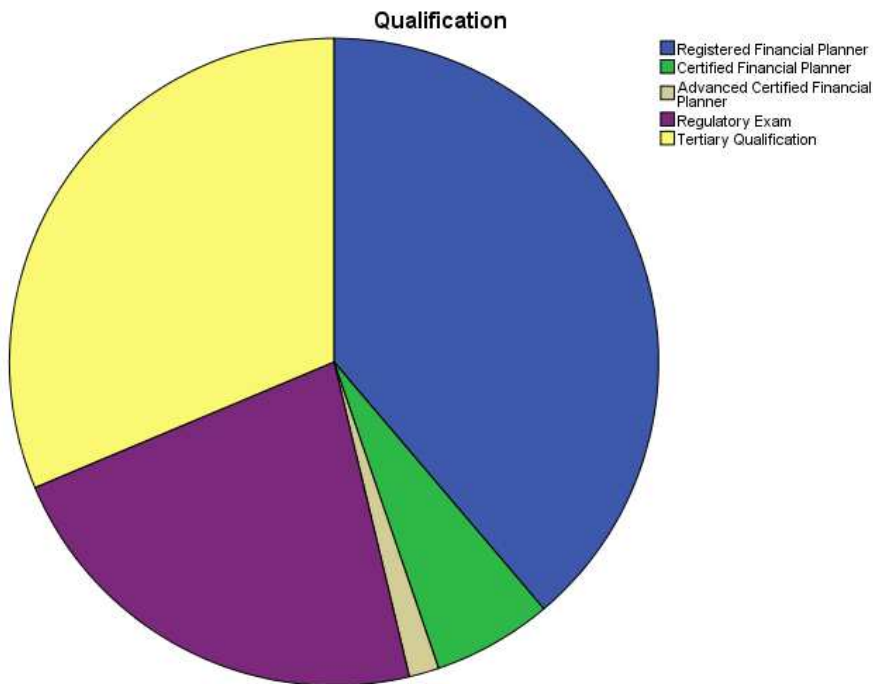


Figure 4.4: Qualification Distribution of Respondents.

Table 4.4 and Figure 4.4 reveal qualification distribution of respondents in this research. The largest percentage of the respondents fell in the registered financial planner with (38.8%), followed by the Tertiary qualification at (31.3%), Regulatory exam at (22.4%), certified financial planner at (6.0%) and advanced certified financial planner at (1.5%).

4.3.5 Number of years as a Financial Planner Distribution.

Table 4.5: Number of years as a Financial Planner Distribution of Respondents.

Number of years as a financial planner	Frequency	Percent	Valid Percent	Cumulative Percent
1 – 5 Yrs.	11	16.4	16.7	16.7
6 – 10 Yrs.	14	20.9	21.2	37.9
11 – 15 Yrs.	8	11.9	12.1	50.0
16 – 20 Yrs.	15	22.4	22.7	72.7
25 + Yrs.	18	26.9	27.3	100.0
Total	66	98.5	100.0	
Missing System	1	1.5		
Total	67	100.0		

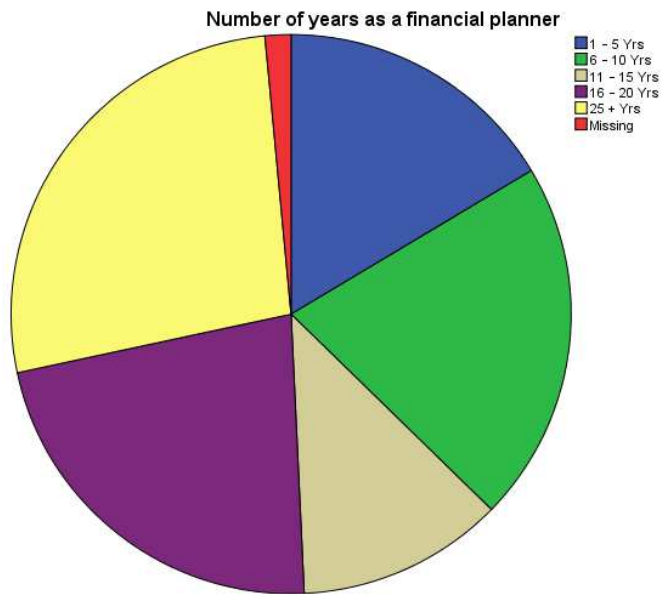


Figure 4.5: Number of years as a Financial Planner Distribution of Respondents.

Table 4.5 and Figure 4.5 reveal the Number of years as a financial planner distribution of respondents in this research. The largest percentage of the respondents fell in the 25+ years with (26.9%), followed by the 16-20 years at (22.4%), 6-10 years at (20.9%), 1-5 years at (16.4%), 11-15 years at (11.9%) and an unanswered percentage of (1.5%).

4.3.6 Number of existing client distribution.

Table 4.6: Number of existing client distribution of Respondents

Number of Existing Clients	Frequency	Percent	Valid Percent	Cumulative Percent
1 - 199	16	23.9	24.2	24.2
200 - 399	19	28.4	28.8	53.0
400 - 599	11	16.4	16.7	69.7
600 - 799	11	16.4	16.7	86.4
1000 +	9	13.4	13.6	100.0
Total	66	98.5	100.0	
Missing System	1	1.5		
Total	67	100.0		

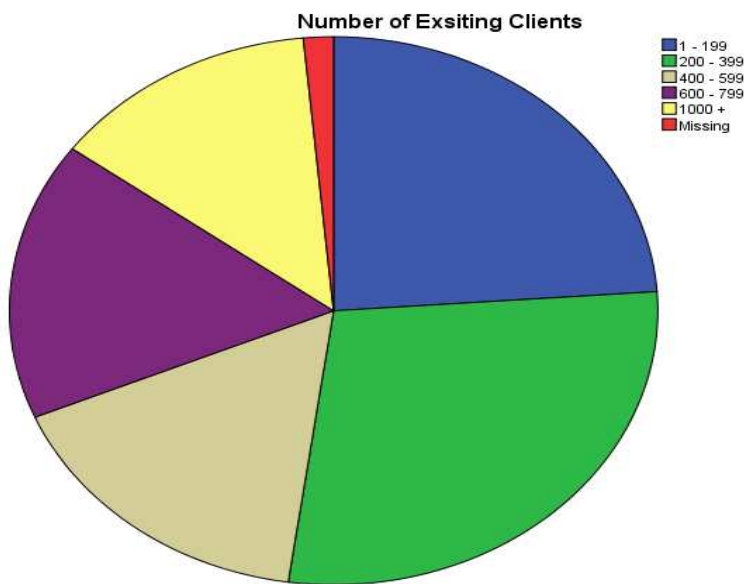


Figure 4.6: Number of existing clients Distribution of Respondents.

Table 4.6 and Figure 4.5 reveal the Number of existing clients Distribution of respondents in this research. The largest percentage of the respondents fell in the 200-399 with (28.4%), followed by 1-199 at (23.9%), 400-599 at (16.4%), 600-799 also at (16.4%), 1000+ at (13.4%) and an unanswered percentage of (1.5%).

4.3.7 Number of direct support staff in your practice distribution.

Table 4.7: Number of direct support staff in your practice Distribution of Respondents.

Number of Direct Support staff in your practice	Frequency	Percent	Valid Percent	Cumulative Percent
0	10	14.9	15.2	15.2
1	22	32.8	33.3	48.5
2	14	20.9	21.2	69.7
3	10	14.9	15.2	84.8
4 +	10	14.9	15.2	100.0
Total	66	98.5	100.0	
Missing System	1	1.5		
Total	67	100.0		

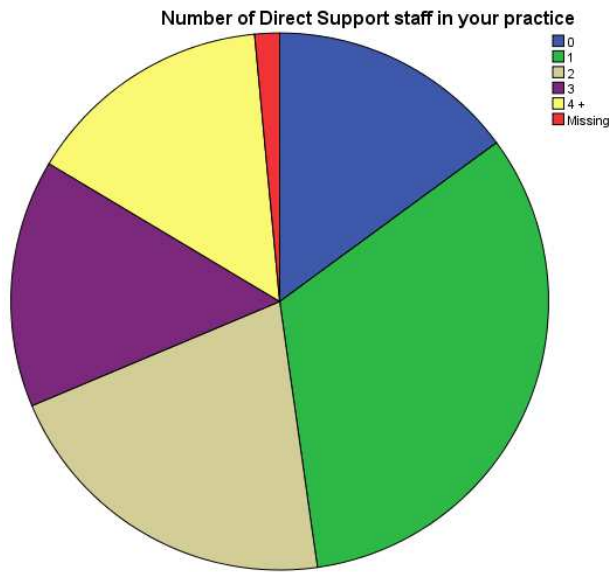


Figure 4.7: Number of direct support staff in your practice Distribution of Respondents.

Table 4.7 and Figure 4.7 reveal the Number of direct support staff in your practice distribution of respondents in this research. The largest percentage of the respondents fell in the 1 with (32.8%), followed by 2 at (20.9%), 0 at (14.9%), 3 at (14.9%), 4+ at (14.9%), then an unanswered percentage of (1.5%).

4.3.8 Compliance to regulation has resulted in Financial Planners acquiring new skills and competencies Distribution.

Table 4.8: Compliance to regulation has resulted in Financial Planners acquiring new skills and competencies Distribution of Respondents.

Compliance to regulation has resulted in Financial Planners acquiring new skills and competencies	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	5	7.5	7.5	7.5
Disagree	5	7.5	7.5	14.9
Unsure	1	1.5	1.5	16.4
Agree	31	46.3	46.3	62.7
Strongly Agree	25	37.3	37.3	100.0
Total	67	100.0	100.0	

Compliance to regulation has resulted in financial planners acquiring new skills and competencies



Figure 4.8: Compliance to regulation has resulted in Financial Planners acquiring new skills and competencies Distribution of Respondents.

Table 4.8 and Figure 4.8 reveal Compliance to regulation has resulted in Financial Planners acquiring new skills and competencies distribution of respondents in this research. The largest percentage of the respondents fell in the Agreed with (46.3%), followed by the strongly agree at (37.3%), strongly disagree at (7.5%) and disagree at (7.5%) then last were those unsure at (1.5%).

4.3.9 Financial Planners conduct their business in a more professional manner since the introduction of regulation to the Insurance Industry Distribution.

Table 4.9: Financial Planners conduct their business in a more professional manner since the introduction of regulation to the Insurance Industry Distribution of Respondents.

Financial Planners conduct their business in a more professional manner since the introduction of regulation to the Insurance Industry	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	3	4.5	4.5	4.5
Disagree	9	13.4	13.4	17.9
Agree	33	49.3	49.3	67.2
Strongly Agree	22	32.8	32.8	100.0
Total	67	100.0	100.0	

Financial planners conduct their business in a more professional manner since the introduction of regulation to the insurance industry

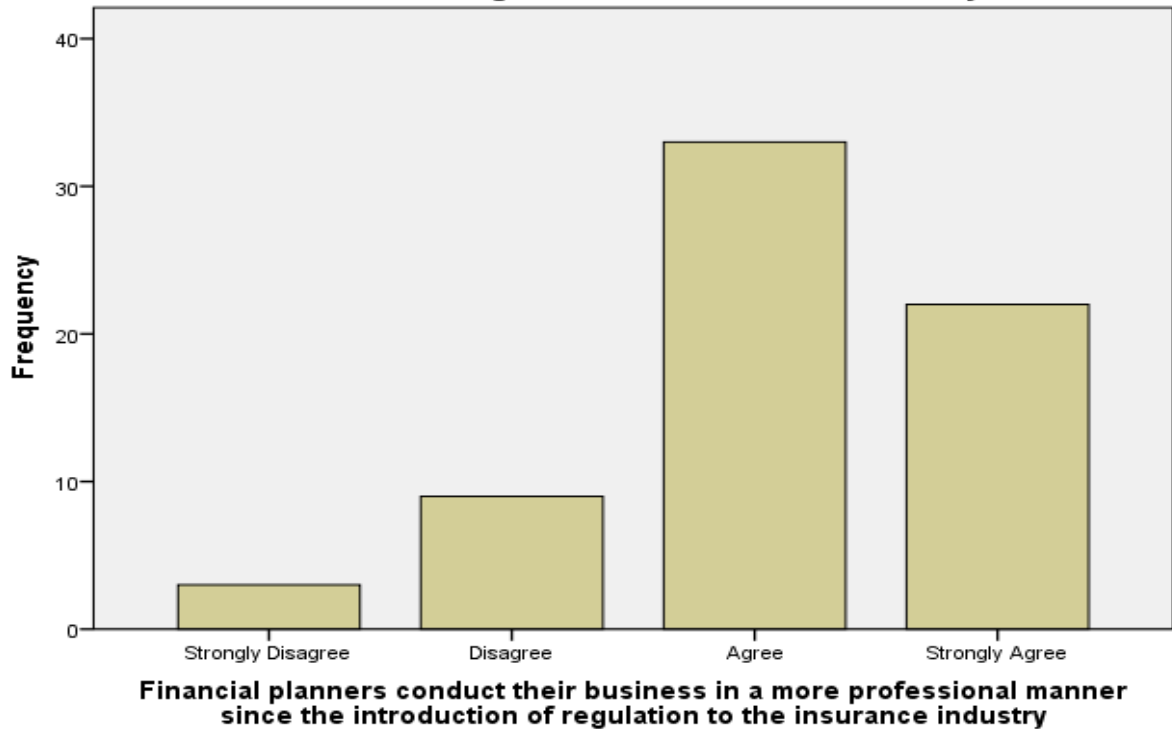


Figure 4.9: Financial Planners conduct their business in a more professional manner since the introduction of regulation to the Insurance Industry Distribution of Respondents.

Table 4.9 and Figure 4.9 reveal Financial Planners conduct their business in a more professional manner since the introduction of regulation to the Insurance Industry distribution of respondents in this research. The largest percentage of the respondents Agreed with (49.3%), followed by strongly agree at (32.8%), disagree at (13.4%), and strongly disagree at (4.5%).

4.3.10 Financial Planners view regulatory changes as opportunities to grow their business Distribution.

Table 4.10: Financial Planners view regulatory changes as opportunities to grow their business Distribution of Respondents.

Financial Planners view regulatory changes as opportunities to grow their business	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	3	4.5	4.5	4.5
Disagree	17	25.4	25.4	29.9
Unsure	1	1.5	1.5	31.3
Agree	33	49.3	49.3	80.6
Strongly Agree	13	19.4	19.4	100.0
Total	67	100.0	100.0	

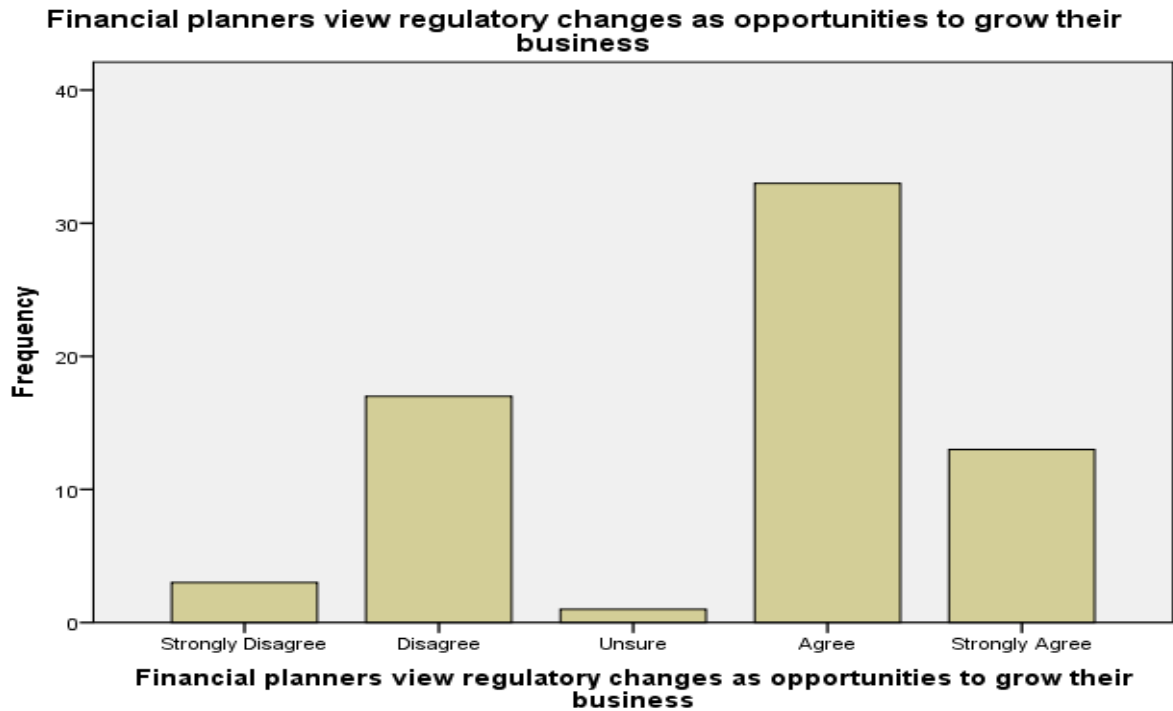


Figure 4.10: Financial Planners view regulatory changes as opportunities to grow their business Distribution of Respondents.

Table 4.10 and Figure 4.10 reveal Financial Planners view regulatory changes as opportunities to grow their business distribution of respondents in this research. The largest percentage of the respondents fell in the Agreed with (49.3%), followed by disagree at (25.4%), strongly agree at (19.4%), strongly disagree at (4.5%), and last unsure with (1.5%).

4.3.11 The introduction of FAIS and other regulatory changes is a positive step towards transforming the Insurance Industry Distribution.

Table 4.11: The introduction of FAIS and other regulatory changes is a positive step towards transforming the Insurance Industry Distribution of Respondents.

The introduction of FAIS and other regulatory changes is a positive step towards transforming the Insurance Industry

	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	5	7.5	7.5	7.5
Agree	38	56.7	56.7	64.2
Strongly Agree	24	35.8	35.8	100.0
Total	67	100.0	100.0	

The introduction of FAIS and other regulatory changes is a positive step towards transforming the insurance industry

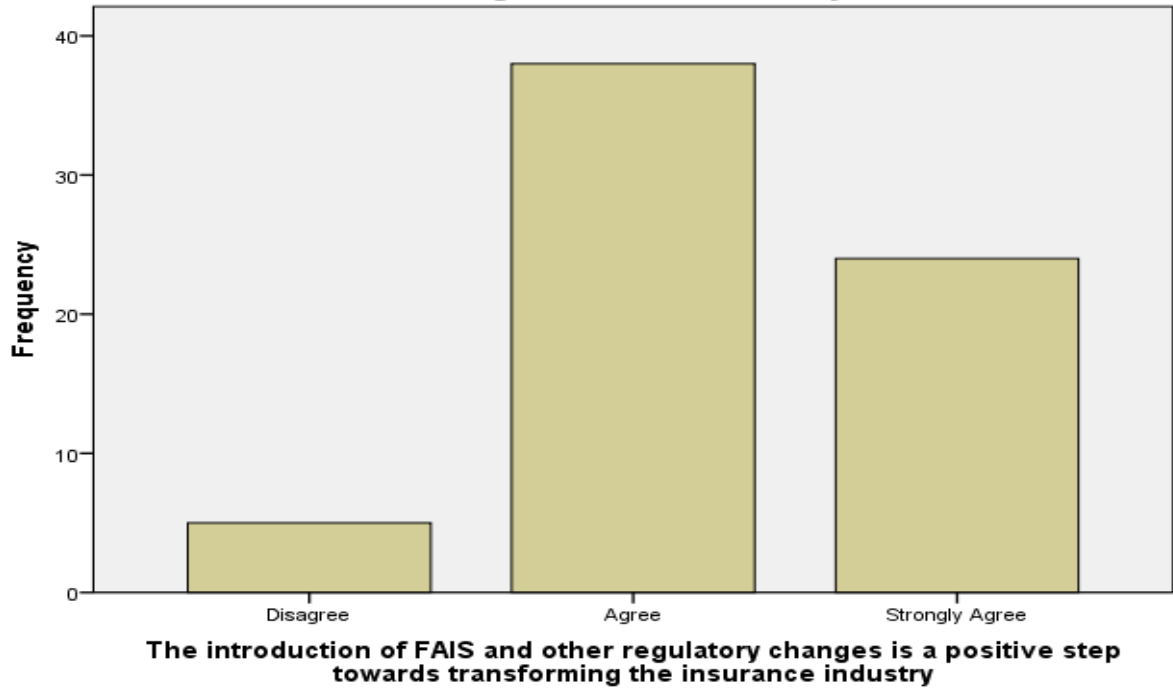


Figure 4.11: The introduction of FAIS and other regulatory changes is a positive step towards transforming the Insurance Industry Distribution of Respondents.

Table 4.11 and Figure 4.11 reveal the introduction of FAIS and other regulatory changes is a positive step towards transforming the Insurance Industry distribution of respondents in this research. The largest percentage of the respondents fell in the Agreed with (56.7%), followed by strongly agree at (35.8%) and disagree at (7.5%).

4.3.12 The current regulations are successfully regulating the advice and services that Financial Planners provide to their clients Distribution.

Table 4.12: The current regulations are successfully regulating the advice and services that Financial Planners provide to their clients Distribution of Respondents.

The current regulations are successfully regulating the advice and services that Financial Planners provide to their clients

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	1	1.5	1.5	1.5
Disagree	15	22.4	22.4	23.9
Unsure	2	3.0	3.0	26.9
Agree	34	50.7	50.7	77.6
Strongly Agree	15	22.4	22.4	100.0
Total	67	100.0	100.0	

The current regulations are successfully regulating the advice and services that financial planners provide to their clients

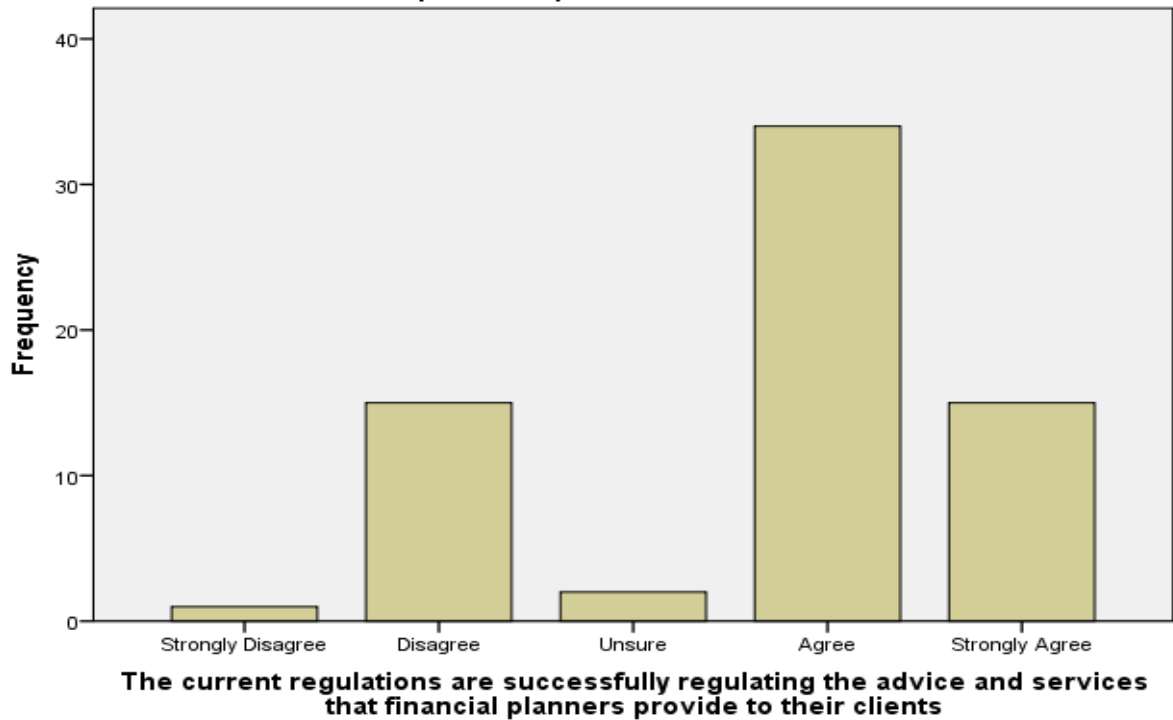


Figure 4.12: The current regulations are successfully regulating the advice and services that Financial Planners provide to their clients Distribution of Respondents.

Table 4.12 and Figure 4.12 reveal the current regulations are successfully regulating the advice and services that Financial Planners provide to their clients distribution of respondents in this research. The largest percentage of the respondents fell in the Agreed with (50.7%), followed by strongly agree at (22.4%) and disagree at (22.4%), unsure at (3.0%) and strongly disagree at (1.5%).

4.3.13 The current regulations are not comprehensive Distribution.

Table 4.13: The current regulations are not comprehensive Distribution of Respondents.

The current regulations are not comprehensive	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	17	25.4	25.4	25.4
Disagree	40	59.7	59.7	85.1
Unsure	1	1.5	1.5	86.6
Agree	6	9.0	9.0	95.5
Strongly Agree	3	4.5	4.5	100.0
Total	67	100.0	100.0	

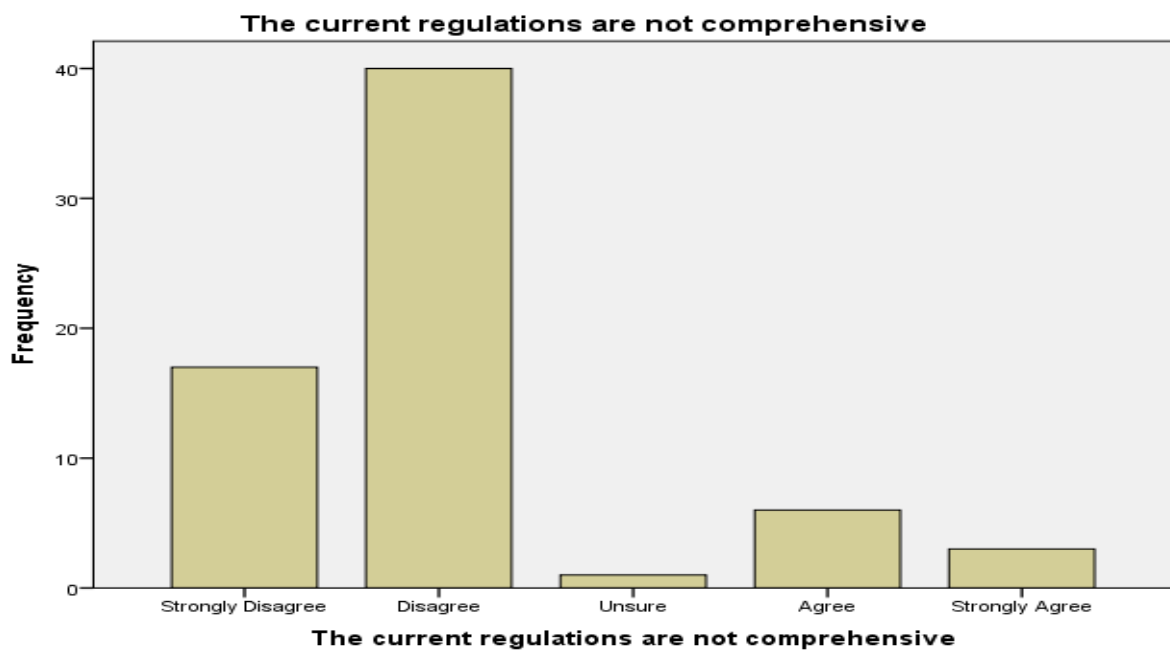


Figure 4.13: The current regulations are not comprehensive Distribution of Respondents

Table 4.13 and Figure 4.13 reveal the current regulations are not comprehensive distribution of respondents in this research. The largest percentage of the respondents fell in the disagreed with (59.7%), followed by the strongly disagree at (25.4%), strongly agree at (4.5%), agree at (9.0%) and unsure at (1.5%).

4.3.14 There is a need for further regulatory changes to be implemented Distribution.

Table 4.14: There is a need for further regulatory changes to be implemented Distribution of Respondents.

There is a need for further regulatory changes to be implemented	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	25	37.3	37.3	37.3
Disagree	21	31.3	31.3	68.7
Unsure	2	3.0	3.0	71.6
Agree	14	20.9	20.9	92.5
Strongly Agree	5	7.5	7.5	100.0
Total	67	100.0	100.0	

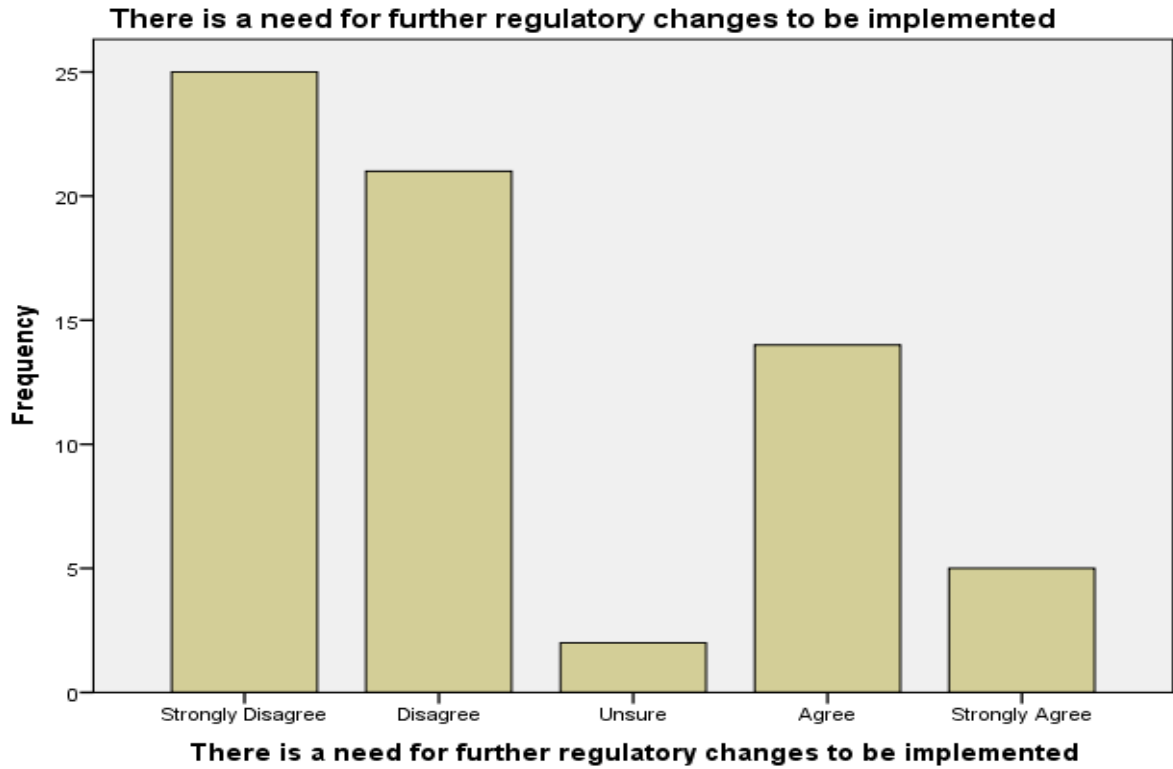


Figure 4.14: There is a need for further regulatory changes to be implemented

Distribution of Respondents.

Table 4.14 and Figure 4.14 reveal There is a need for further regulatory changes to be implemented distribution of respondents in this research. The largest percentage of the respondents fell in the strongly disagreed with (37.3%), followed by disagree at (31.3%), agree at (20.9%), strongly agree at (7.5%) and unsure at (3.0%).

4.3.15 Compliance to regulations has led to Financial Planners rendering an improved quality of service to their clients Distribution of Respondents.

Table 4.15: Compliance to regulations has led to Financial Planners rendering an improved quality of service to their clients Distribution of Respondents.

Compliance to regulations has led to Financial Planners rendering an improved quality of service to their clients	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	9	13.4	13.4	13.4
Unsure	1	1.5	1.5	14.9
Agree	43	64.2	64.2	79.1
Strongly Agree	14	20.9	20.9	100.0
Total	67	100.0	100.0	

Compliance to regulations has led to financial planners rendering an improved quality of service to their clients

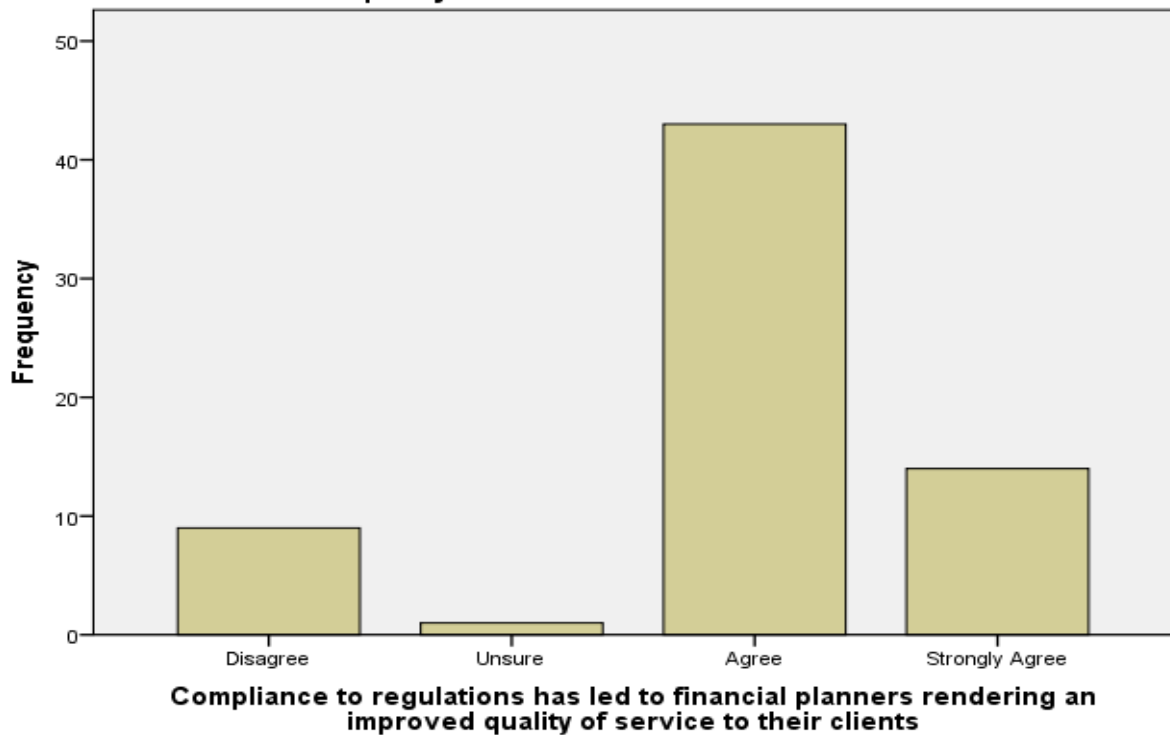


Figure 4.15: Compliance to regulations has led to Financial Planners rendering an improved quality of service to their clients Distribution of Respondents.

Table 4.15 and Figure 4.15 reveal the compliance to regulations has led to Financial Planners rendering an improved quality of service to their clients' distribution of respondents in this research. The largest percentage of the respondents fell in the agreed with (64.2%), followed by strongly agree at (20.9%), disagree at (13.4%), and unsure at (1.5%).

4.3.16 Compliance to regulatory changes has resulted in an increase in the Financial Planners work load Distribution of Respondents.

Table 4.16: Compliance to regulatory changes has resulted in an increase in the Financial Planners work load Distribution of Respondents.

Compliance to regulations has led to Financial Planners rendering an improved quality of service to their clients	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	2	3.0	3.0	3.0
Disagree	1	1.5	1.5	4.5
Agree	21	31.3	31.3	35.8
Strongly Agree	43	64.2	64.2	100.0
Total	67	100.0	100.0	

Compliance to regulatory changes has resulted in an increase in the financial planners work load.

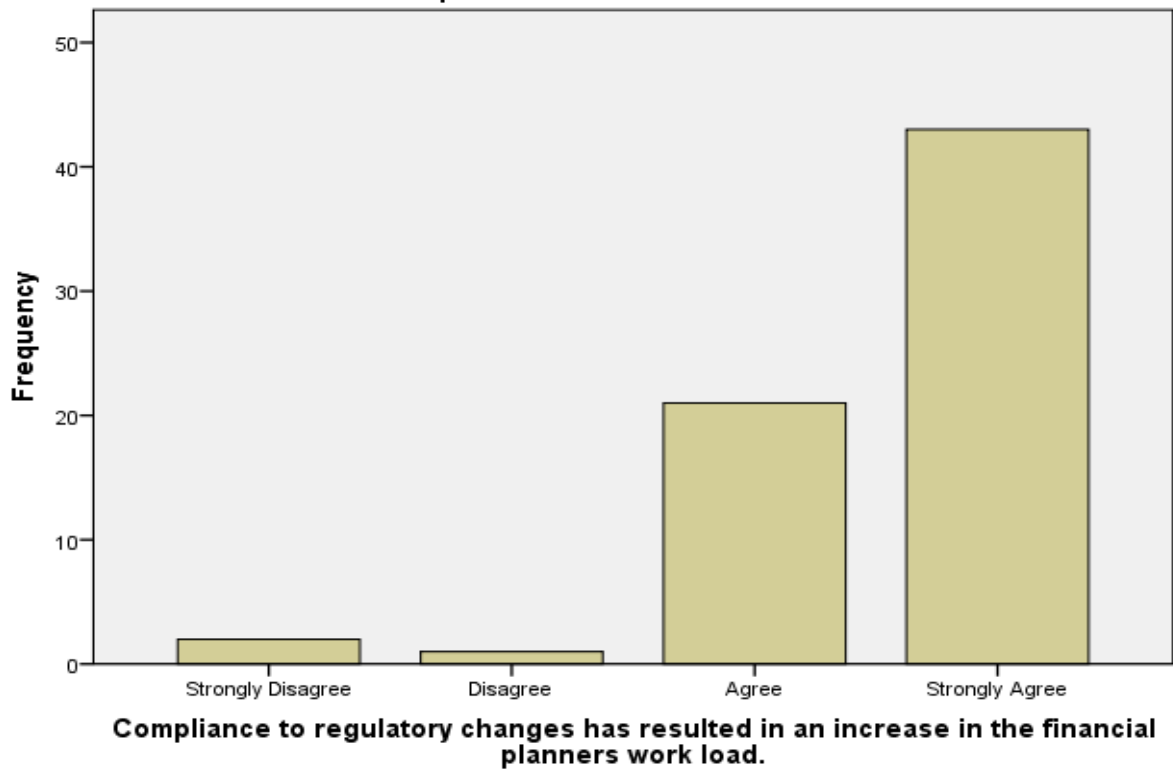


Figure 4.16:Compliance to regulatory changes has resulted in an increase in the Financial Planners word load Distribution of Respondents.

Table 4.16 and Figure 4.16 reveal compliance to regulatory changes has resulted in an increase in the Financial Planners ' word load distribution of respondents in this research. The largest percentage of the respondents fell in the strongly agree with (64.2%), followed by agree at (31.3%), strongly disagree at (3.0%), and disagree at (1.5%).

4.3.17 Regulatory changes have an adverse impact on the Financial Planners' income Distribution of Respondents.

Table 4.17: Regulatory changes have an adverse impact on the Financial Planners' income Distribution of Respondents.

Regulatory changes have an adverse impact on the Financial Planners income	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	1	1.5	1.5	1.5
Disagree	10	14.9	14.9	16.4
Agree	24	35.8	35.8	52.2
Strongly Agree	32	47.8	47.8	100.0
Total	67	100.0	100.0	

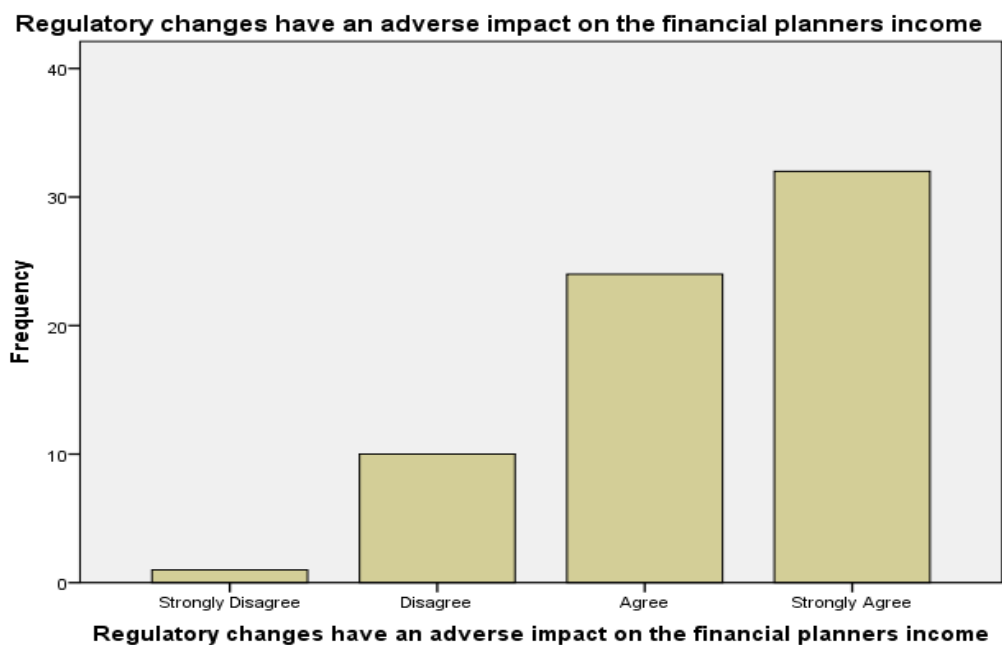


Figure 4.17: Regulatory changes have an adverse impact on the Financial Planners' income Distribution of Respondents.

Table 4.17 and Figure 4.17 reveal the regulatory changes have an adverse impact on the Financial Planners' income distribution of respondents in this research. The largest percentage of the respondents fell in the strongly agree with (47.8%), followed by agree at (35.8%), disagree at (14.9%), and strongly disagree at (1.5%).

4.3.18 Compliance to regulations has resulted in inefficiencies of time and costs for the Financial Planners Distribution.

Table 4.18: Compliance to regulations has resulted in inefficiencies of time and costs for the Financial Planners Distribution of Respondents.

Compliance to regulations have resulted in inefficiencies of time and costs for the Financial Planners

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	7	10.4	10.4	10.4
Disagree	23	34.3	34.3	44.8
Unsure	1	1.5	1.5	46.3
Agree	29	43.3	43.3	89.6
Strongly Agree	7	10.4	10.4	100.0
Total	67	100.0	100.0	

Compliance to regulations have resulted in efficiencies of time and costs for the financial planners

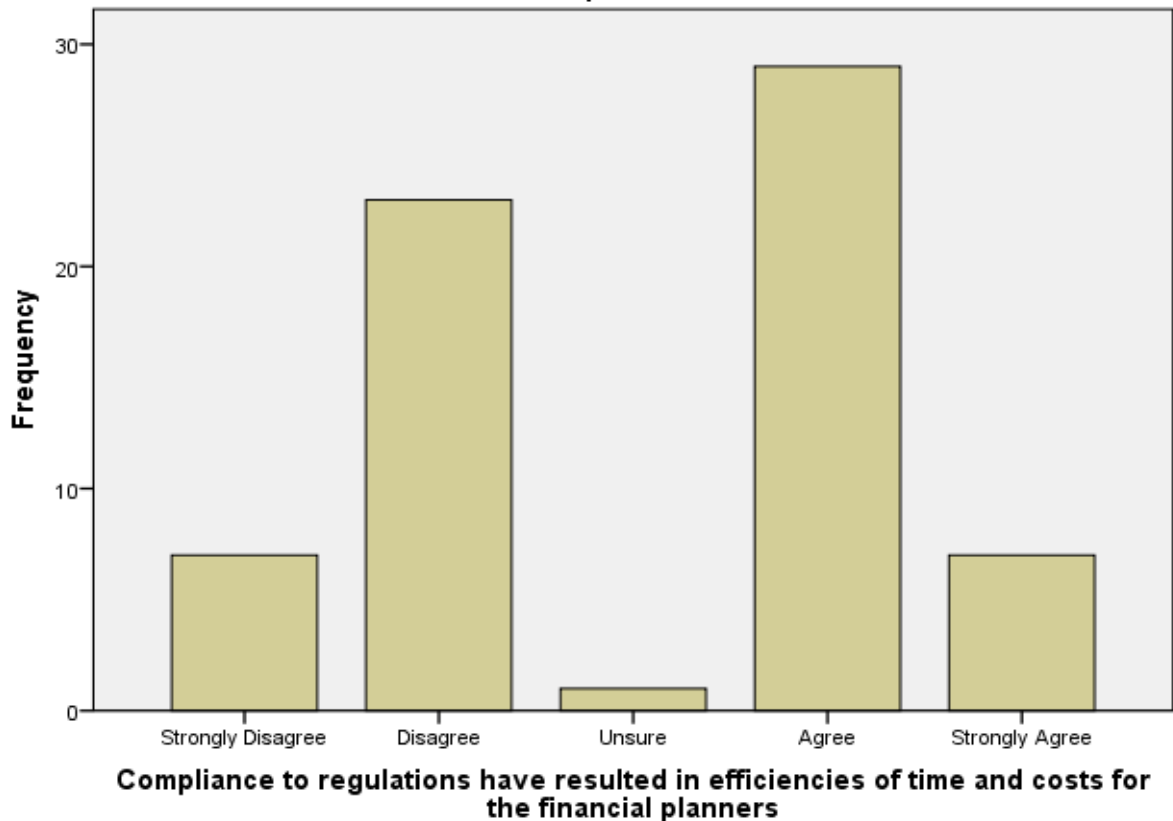


Figure 4.18: Compliance to regulations have resulted in inefficiencies of time and costs for the Financial Planners Distribution of Respondents.

Table 4.18 and Figure 4.18 reveal the compliance to regulations have resulted in efficiencies of time and costs for the Financial Planners' distribution of respondents in this research. The largest percentage of the respondents fell in the agreed with (43.3%), followed by disagree at (34.3%), strongly agree at (10.4%) and strongly disagree at (10.4%) then unsure last at (1.5%).

4.3.19 Regulatory changes has rid the Insurance Industry of unscrupulous Financial Planners.

Table 4.19: Regulatory changes has rid the Insurance Industry of unscrupulous Financial Planners Distribution of Respondents.

Regulatory changes has rid the Insurance Industry of unscrupulous Financial Planners	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	5	7.5	7.6	7.6
Disagree	17	25.4	25.8	33.3
Unsure	1	1.5	1.5	34.8
Agree	24	35.8	36.4	71.2
Strongly Agree	19	28.4	28.8	100.0
Total	66	98.5	100.0	
Missing System	1	1.5		
Total	67	100.0		

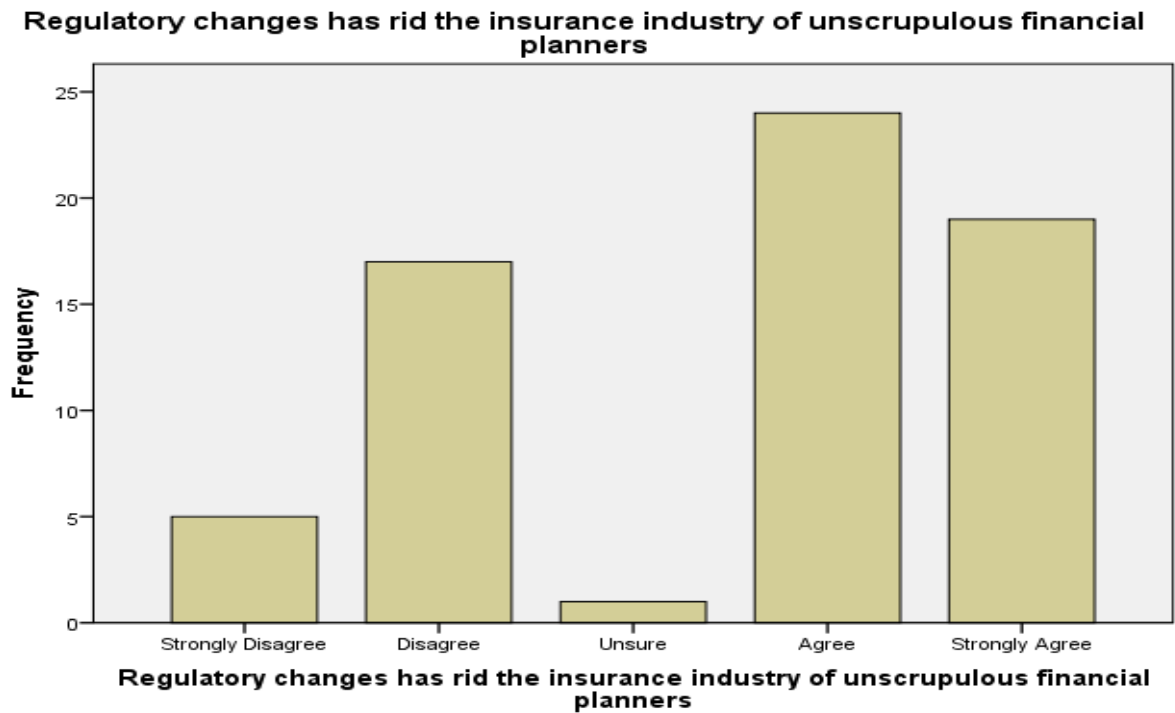


Figure 4.19: Regulatory changes has rid the Insurance Industry of unscrupulous Financial Planners Distribution of Respondents.

Table 4.19 and Figure 4.19 reveal regulatory changes have rid the Insurance Industry of unscrupulous Financial Planners' distribution of respondents in this research. The largest percentage of the respondents fell in the agreed with (35.8%), followed by strongly agree at (28.4%), disagree at (25.4%), strongly disagree at (7.5%), then unsure at (1.5%) and an unanswered percentage of (1.5%).

4.3.20 Regulation has improved the image of the Insurance Industry Distribution.

Table 4.20: Regulation has improved the image of the Insurance Industry Distribution of Respondents.

Regulation has improved the image of the Insurance Industry	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	3	4.5	4.5	4.5
Disagree	9	13.4	13.4	17.9
Unsure	1	1.5	1.5	19.4
Agree	35	52.2	52.2	71.6
Strongly Agree	19	28.4	28.4	100.0
Total	67	100.0	100.0	

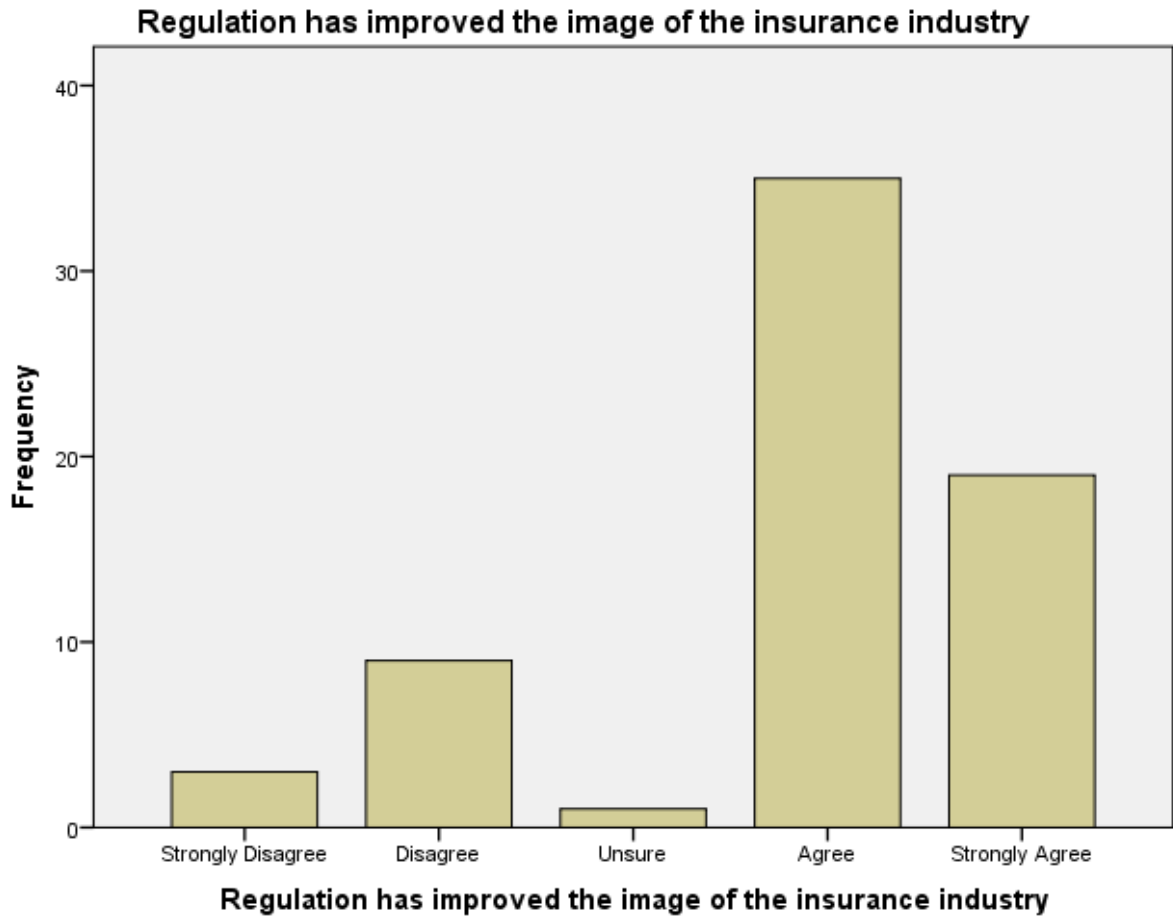


Figure 4.20: Regulation has improved the image of the Insurance Industry distribution of Respondents.

Table 4.20 and Figure 4.20 reveal regulation has improved the image of the Insurance Industry distribution of respondents in this research. The largest percentage of the respondents fell in the agreed with (52.2%), followed by strongly agree at (28.4%), disagree at (13.4%), strongly disagree at (4.5%) and unsure at (1.5%).

4.3.21 Clients are more willing to deal with Financial Planners now that the Insurance Industry is regulated distribution.

Table 4.21: Clients are more willing to deal with Financial Planners now that the Insurance Industry is regulated distribution of Respondents.

Clients are more willing to deal with Financial Planners now that the Insurance Industry is regulated	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	4	6.0	6.1	6.1
Disagree	13	19.4	19.7	25.8
Unsure	2	3.0	3.0	28.8
Agree	38	56.7	57.6	86.4
Strongly Agree	9	13.4	13.6	100.0
Total	66	98.5	100.0	
Missing System	1	1.5		
Total	67	100.0		

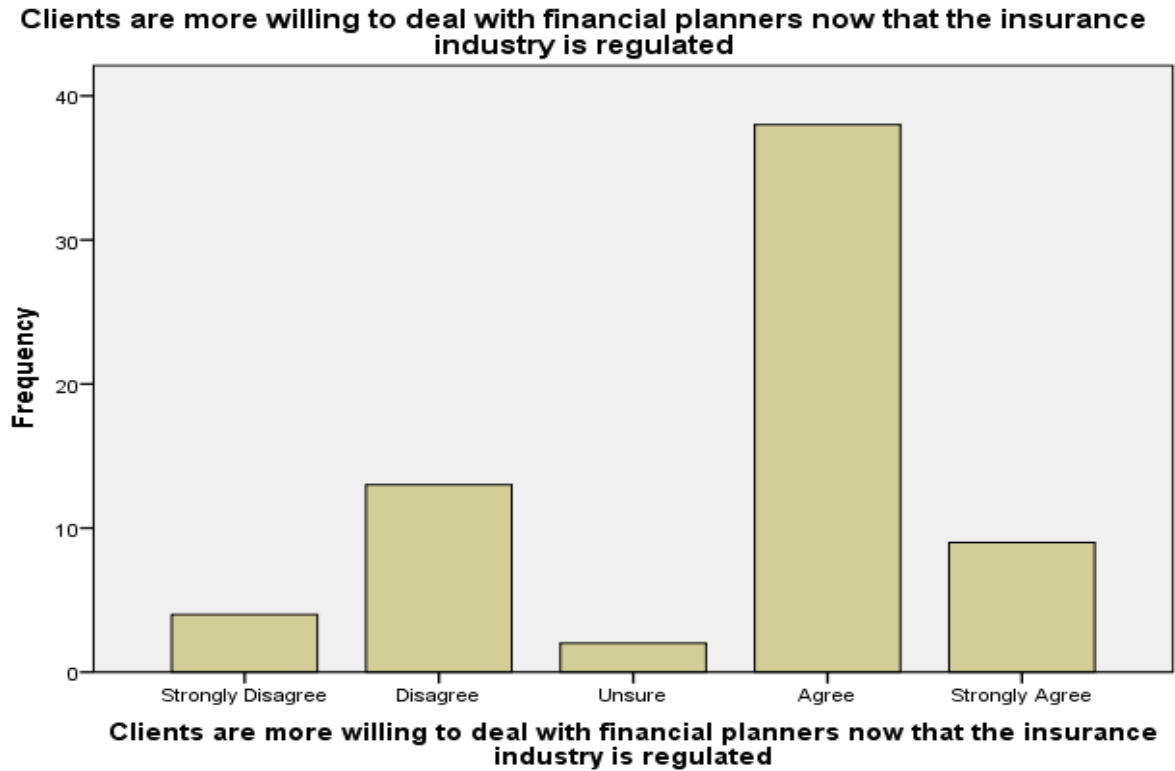


Figure 4.21: Clients are more willing to deal with Financial Planners now that the Insurance Industry is regulated Distribution of Respondents.

Table 4.21 and Figure 4.21 reveal the Clients are more willing to deal with Financial Planners now that the Insurance Industry is regulated distribution of respondents in this research. The largest percentage of the respondents fell in the agreed with (56.7%), followed by disagree at (19.4%), strongly agree at (13.4%), strongly disagree at (6.0%), unsure at (3.0%) and an unanswered percentage of (1.5%).

4.3.22 Financial Planners are viewed as professionals since the introduction of regulation to the Insurance Industry Distribution.

Table 4.22: Financial Planners are viewed as professionals since the introduction of regulation to the Insurance Industry Distribution of Respondents.

Financial Planners are viewed as professionals since the introduction of regulation to the Insurance Industry	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	4	6.0	6.0	6.0
Disagree	15	22.4	22.4	28.4
Unsure	1	1.5	1.5	29.9
Agree	36	53.7	53.7	83.6
Strongly Agree	11	16.4	16.4	100.0
Total	67	100.0	100.0	

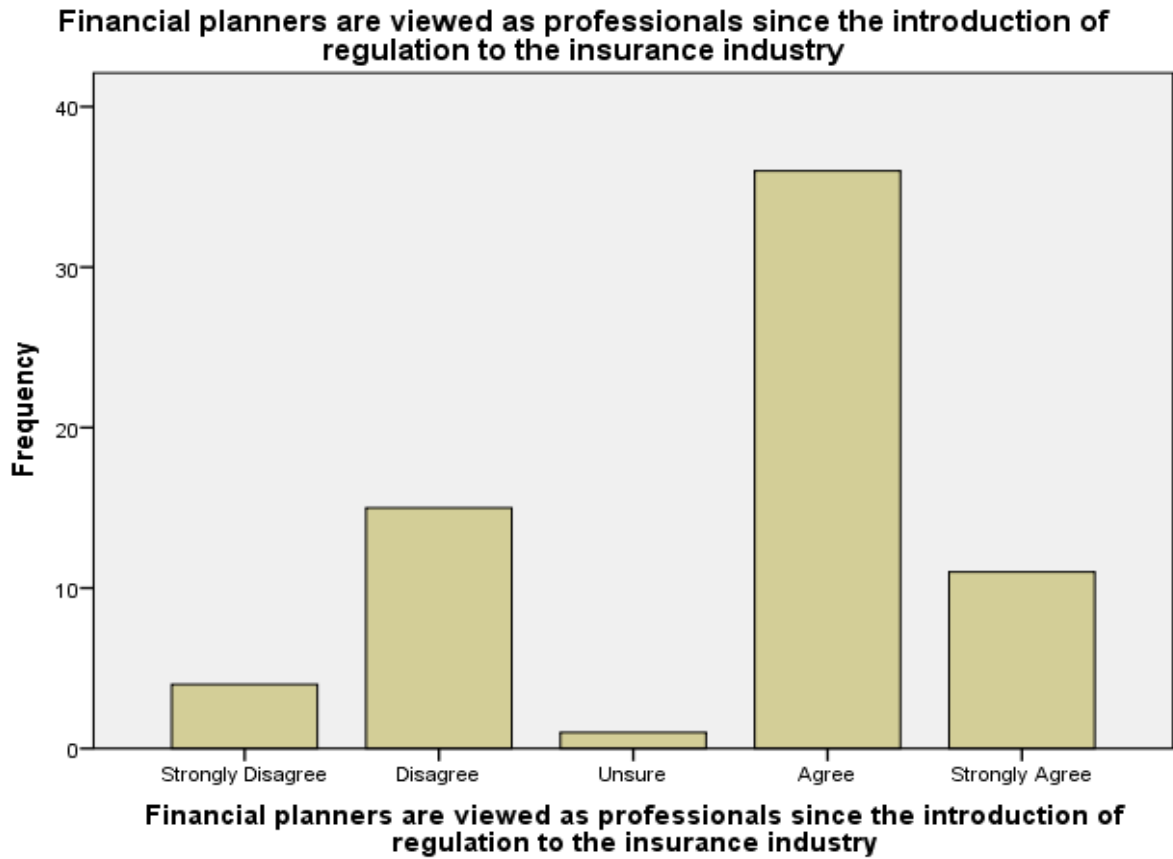


Figure 4.22: Financial Planners are viewed as professionals since the introduction of regulation to the Insurance Industry Distribution of Respondents.

Table 4.22 and Figure 4.22 reveal the Clients are more willing to deal with Financial Planners now that the Insurance Industry is regulated distribution of respondents in this research. The largest percentage of the respondents fell in the agreed with (53.7%), followed by disagree at (22.4%), strongly agree at (16.4%), strongly disagree at (6.0%) and unsure last at (1.5%).

4.4 PEARSON CORRELATION

Table 4.23: Correlation between statements eight and nine.

Correlations

		Compliance to regulation has resulted in Financial Planners acquiring new skills and competencies.	Financial Planners conduct their business in a more professional manner since the introduction of regulation to the Insurance Industry.
Compliance to regulation has resulted in Financial Planners acquiring new skills and competencies.	Pearson Correlation	1	.649**
	Sig. (2-tailed)		.000
	N	67	67
Financial Planners conduct their business in a more professional manner since the introduction of regulation to the Insurance Industry.	Pearson Correlation	.649**	1
	Sig. (2-tailed)	.000	
	N	67	67

** Correlation is significant at the 0.01 level (2-tailed).

The correlation (r) between compliance to regulation has resulted in Financial Planners acquiring new skills and competencies and Financial Planners conduct their business in a more professional manner since the introduction of regulation to the Insurance Industry is 0.649. This coefficient shows that there is a medium strength and positive relationship between compliance to regulation has resulted in Financial Planners acquiring new skills and competencies and Financial Planners conduct their business in a more professional manner since the introduction of regulation to the Insurance Industry. The probability (p) of this correlation coefficient which is 0.000 is less than 0.05 thus implying that there is a statistically significant relationship between compliance to regulation has resulted in Financial Planners acquiring new skills and competencies and Financial Planners conduct their business in a more professional manner since the introduction of regulation to the Insurance Industry (r=0.649, p<0.05).

Table 4.24: Correlation between statements ten and eleven.

Correlations

		Financial Planners view regulatory changes as opportunities to grow their business.	The introduction of FAIS and other regulatory changes is a positive step towards transforming the Insurance Industry.
Financial Planners view regulatory changes as opportunities to grow their business.	Pearson Correlation	1	.393**
	Sig. (2-tailed)		.001
	N	67	67
The introduction of FAIS and other regulatory changes is a positive step towards transforming the Insurance Industry.	Pearson Correlation	.393**	1
	Sig. (2-tailed)	.001	
	N	67	67

** . Correlation is significant at the 0.01 level (2-tailed).

The correlation (r) between the Financial Planners view regulatory changes as opportunities to grow their business g and the introduction of FAIS and other regulatory changes is a positive step towards transforming the Insurance Industry is 0.393. This coefficient shows that there is a medium strength and positive relationship between the importance of marketing and level of knowledge. The probability (p) of this correlation coefficient which is 0.001 is less than 0.05 thus implying that there is a statistically significant relationship between the importance of marketing and level of knowledge when one started the business (r=-0.393, p>0.05).

Table 4.25: Correlation between statements twelve and thirteen

Correlations

		The current regulations are successfully regulating the advice and services that Financial Planners provide to their clients.	The current regulations are not comprehensive.
The current regulations are successfully regulating the advice and services that Financial Planners provide to their clients.	Pearson Correlation	1	-.034
	Sig. (2-tailed)		.786
	N	67	67
The current regulations are not comprehensive.	Pearson Correlation	-.034	1
	Sig. (2-tailed)	.786	
	N	67	67

The correlations (r) between the current regulations are successfully regulating the advice and a service that Financial Planners provide to their clients and the current regulations are not comprehensive is -0.034. This coefficient shows that there is a weak but positive relationship between the importance of strategy and level of knowledge. The probability (p) of this correlation coefficient which is 0.786 is greater than 0.05 thus implying that there is no statistically significant relationship between the importance of strategy and level of knowledge ($r=-0.034, p>0.05$)

Table 4.26: Correlation between statements thirteen and fourteen.

Correlations

		The current regulations are not comprehensive.	There is a need for further regulatory changes to be implemented.
The current regulations are not comprehensive.	Pearson Correlation	1	.421**
	Sig. (2-tailed)		.000
	N	67	67
There is a need for further regulatory changes to be implemented.	Pearson Correlation	.421**	1
	Sig. (2-tailed)	.000	
	N	67	67

** . Correlation is significant at the 0.01 level (2-tailed).

The correlation (r) between the current regulations is not comprehensive and there is a need for further regulatory changes to be implemented is 0.421. This coefficient shows that there is a medium strength and positive relationship between the current regulations are not comprehensive and there is a need for further regulatory changes to be implemented. The probability (p) of this correlation coefficient which is 0.000 is less than 0.05 thus implying that there is a statistically significant relationship between the current regulations are not comprehensive and there is a need for further regulatory changes to be implemented (r=0.421, p<0.05).

Table 4.27: Correlation between statements fifteen and sixteen.

Correlations

		Compliance to regulations has led to Financial Planners rendering an improved quality of service to their clients.	Compliance to regulatory changes has resulted in an increase in the Financial Planners work load.
Compliance to regulations has led to Financial Planners rendering an improved quality of service to their clients.	Pearson Correlation	1	-.008
	Sig. (2-tailed)		.949
	N	67	67
Compliance to regulatory changes has resulted in an increase in the Financial Planners work load.	Pearson Correlation	-.008	1
	Sig. (2-tailed)	.949	
	N	67	67

The correlation (r) between compliance to regulations has led to Financial Planners rendering an improved quality of service to their clients and compliance to regulatory changes has resulted in an increase in the Financial Planners work load is -0.008. This coefficient shows that there is a weak relationship between the compliance to regulations has led to Financial Planners rendering an improved quality of service to their clients and compliance to regulatory changes has resulted in an increase in the Financial Planners work load. The probability (p) of this correlation coefficient which is 0.949 is greater than 0.05 thus implying that there is no statistically significant relationship between the compliance to regulations has led to Financial Planners rendering an improved quality of service to their clients and compliance to regulatory changes has resulted in an increase in the Financial Planners work load (r=-0.949, p>0.05).

Table 4.28: Correlation between statements seventeen and eighteen.

Correlations

		Regulatory changes have an adverse impact on the Financial Planners' income.	Compliance to regulations has resulted in inefficiencies of time and costs for the Financial Planners.
Regulatory changes have an adverse impact on the Financial Planners' income.	Pearson Correlation	1	-.225
	Sig. (2-tailed)		.068
	N	67	67
Compliance to regulations has resulted in inefficiencies of time and costs for the Financial Planners.	Pearson Correlation	-.225	1
	Sig. (2-tailed)	.068	
	N	67	67

The correlation (r) between the regulatory changes has an adverse impact on the Financial Planners' income and compliance to regulations has resulted in inefficiencies of time and costs for the Financial Planners is -0.225. This coefficient shows that there is weak relationships between the regulatory changes have an adverse impact on the Financial Planners income and compliance to regulations have resulted in inefficiencies of time and costs for the Financial Planners. The probability (p) of this correlation coefficient which is 0.68 is greater than 0.05 thus implying that there is no statistically significant relationship between regulatory changes have an adverse impact on the Financial Planners income and compliance to regulations have resulted in inefficiencies of time and costs for the Financial Planners (r=-0.225, p>0.05).

Table 4.29: Correlation between statements nineteen and twenty.

Correlations

		Regulatory changes have rid the Insurance Industry of unscrupulous Financial Planners.	Regulation has improved the image of the Insurance Industry.
A regulatory change has rid the Insurance Industry of unscrupulous Financial Planners.	Pearson Correlation	1	.516**
	Sig. (2-tailed)		.000
	N	66	66
Regulation has improved the image of the Insurance Industry.	Pearson Correlation	.516**	1
	Sig. (2-tailed)	.000	
	N	66	67

** . Correlation is significant at the 0.01 level (2-tailed).

The correlation (r) between regulatory changes has rid the Insurance Industry of unscrupulous Financial Planners and regulation has improved the image of the Insurance Industry is 0.516. This coefficient shows that there is a strong strength and positive relationship between the regulatory changes has rid the Insurance Industry of unscrupulous Financial Planners and regulation has improved the image of the Insurance Industry. The probability (p) of this correlation coefficient which is 0.000 is less than 0.05 thus implying that there is a statistically significant relationship between the regulatory changes has rid the Insurance Industry of unscrupulous Financial Planners and regulation has improved the image of the Insurance Industry (r=0.516, p<0.05).

Table 4.30: Correlation between statements twenty one and twenty two.

Correlations

		Clients are more willing to deal with Financial Planners now that the Insurance Industry is regulated.	Financial Planners are viewed as professionals since the introduction of regulation to the Insurance Industry.
Clients are more willing to deal with Financial Planners now that the Insurance Industry is regulated.	Pearson Correlation	1	.735**
	Sig. (2-tailed)		.000
	N	66	66
Financial Planners are viewed as professionals since the introduction of regulation to the Insurance Industry.	Pearson Correlation	.735**	1
	Sig. (2-tailed)	.000	
	N	66	67

** . Correlation is significant at the 0.01 level (2-tailed).

The correlation (r) between clients are more willing to deal with Financial Planners now that the Insurance Industry is regulated and Financial Planners are viewed as professionals since the introduction of regulation to the Insurance Industry is 0.735. This coefficient shows that there is a strong strength and positive relationship between clients are more willing to deal with Financial Planners now that the Insurance Industry is regulated and Financial Planners are viewed as professionals since the introduction of regulation to the Insurance Industry. The probability (p) of this correlation coefficient which is 0.000 is less than 0.05 thus implying that there is a statistically significant relationship between clients are more willing to deal with Financial Planners now that the Insurance Industry is regulated and Financial Planners are viewed as professionals since the introduction of regulation to the Insurance Industry (r=0.735, p>0.05).

4.5 VALIDITY AND RELIABILITY

When using Likert-type scales it is imperative to calculate and report Cronbach's alpha coefficient for internal consistency reliability for any scales or subscales one may be using. The analysis of the data then must use these summated scales or subscales and not individual items. If one does otherwise, the reliability of the items is at best probably low and at worst unknown. Cronbach's alpha does not provide reliability estimates for single items, Gliem and Gliem (2003).

Table 4.31: CASE PROCESSING SUMMARY

Case Processing Summary

	N	%
Valid	65	97.0
Cases Excluded ^a	2	3.0
Total	67	100.0

a. List wise deletion based on all variables in the procedure.

Table 4.32: RELIABILITY STATISTICS

Reliability Statistics

Cronbach's Alpha	N of Items
.816	15

The questions in the questionnaires have been drawn from a review of the literature, conceptual framework, existing valid and reliable scales. In this study Cronbach's Alpha is used to evaluate the internal consistency. Cronbach's Alpha was calculated at 0.816 which is above 0.7, so the scale can be considered reliable for this study.

George and Mallery (2003) provide the following rules of thumb: “_ > .9 – Excellent, _ > .8 – Good, _ > .7 – Acceptable, _ > .6 – Questionable, _ > .5 – Poor and _ < .5 – Unacceptable”.

CHAPTER FIVE

DISCUSSION OF DATA

5.1 INTRODUCTION

This chapter discusses the results of the primary data collected using the research objectives presented in Chapter One as the major themes. The aim of this chapter is to integrate the research findings and the literature review to establish whether the research objectives have been met. In order to identify the impact of regulatory changes in the Insurance Industry on Financial Planners in KwaZulu-Natal, a comprehensive review of literature surrounding regulatory changes in the Insurance Industry in South Africa has been conducted. A structured questionnaire was used to collect primary data with the results presented in chapter four. The purpose of the questionnaire was to gather an understanding of the respondents experience and understanding on the subject matter and research topic in question.

The Research Objectives being:

- To determine the views of Financial Planners on regulatory changes in the Insurance Industry.
- To determine whether Financial Planners view the Insurance Industry as being over regulated.
- To investigate how regulatory changes have impacted Financial Planners.
- To determine whether Financial Planners view regulatory changes as the key contributor to improving the image of the Insurance Industry in S.A.

5.2 ANALYSIS OF RESEARCH OBJECTIVES

5.2.1 Objective 1: To determine the views of Financial Planners on regulatory changes in the Insurance Industry.

Literature sources have: revealed that the FAIS Act has transformed the South African Insurance Industry with certain positive and negative effects, Hattingh and Millard (2010:3).

- The FAIS Act –Understanding the Practicalities - (Financial Services Board:2011) document the main objectives of FAIS to be:
- Protection of consumers,
- Education of consumers in order for them to make well-informed decisions;
- Promotion of appropriate advice
- Prescription of the manner in which Financial Planners conducted their business
- Promotion of the implementation of products that will ensure that clients' needs are appropriately and suitably satisfied;
- Enhancement of the integrity of the financial services industry by promoting financial and investment planning as a profession.

There are certain stakeholders in the Insurance Industry who are reluctant to embrace the spirit of regulatory changes, Hattingh and Millard (2010:viii) and are of the view that:

- Regulatory changes impair free enterprise and competition
- Regulations are extremely costly and fail to add value to clients
- Regulations are burdensome, damaging to profitability and failing to deliver value to clients.
- Regulations had no impact on client confidence in the industry.

- Regulations actually have a negative impact on clients.
- There was too much work required to satisfy the regulatory requirements.
- The work to satisfy regulation is too onerous, Mazars (2011).

The Findings: indicate that 84% of the respondents are of the view that compliance to regulation has resulted in Financial Planners acquiring new skills and competencies. Whilst 82% agree that Financial Planners conduct their business in a more professional manner since the introduction of regulation to the Insurance Industry.

Some 69% of the respondents view regulatory changes as opportunities for Financial Planners to grow their business and 92% of the respondents agree that reveal the introduction of FAIS and other regulatory changes is a positive step towards transforming the Insurance Industry.

Conclusion: Although the literature review revealed that there were are negative perceptions to regulatory changes as well as the positive aspects contained in the main objectives of the FAIS Act. The survey findings indicated that there is value in regulation and it does have a positive impact on the Insurance Industry.

5.2.2 Objective 2: To determine whether Financial Planners view the Insurance Industry as being over regulated.

Literature Sources have: revealed over regulation as being one of the weakness of the South African Insurance Industry, Price Waterhouse Coopers (PWC) (2011). Continuous new regulation, has also contributed to the contraction of the number of Financial Planners in the Insurance Industry either through consolidation or closure of practices.

Comparison to similar legislation introduced in the UK and Australia indicates that forty percent (40%) of Financial Planners were forced out of the financial services industry due to regulatory changes, Benfield (2009:5).

Looking ahead, the Insurance Industry in South Africa can expect many more challenges, as economic conditions remain volatile, consumerism continues and the regulatory environment keeps evolving, Muguto (2010:3).

The two most pressing issues that affected Financial Planners in 2011 were regulation and retaining customers.

The regulator will continue to monitor and impose new controls across different parts of financial planning operations, survey conducted by Price Waterhouse Coopers (PWC) (2011).

The Literature also revealed that the financial planning arena is complex and an evolving regulatory framework was a necessary evil in order to ensure, among other things, good market conduct, financial integrity, financial stability and consumer protection, survey conducted by Price Waterhouse Coopers (PWC) (2011).

The Findings: indicate that 73% of the respondents agree that the current regulations are successfully regulating the advice and services that Financial Planners provide to their clients. Whilst 85% agree that the current regulations are comprehensive enough. A total of 69% of the survey respondents are of the view that the implementation of further regulatory changes is not required.

Conclusion: Based on the literature review and survey findings, Financial Planners view the current regulation as comprehensive and that further regulatory change would be viewed as unnecessary and therefore deemed as over regulation.

5.2.3 Objective 3: To investigate how regulatory changes have impacted Financial Planners

The Literature: revealed that regulations govern the consulting process, the requirements to operate an insurance practise, the licensing of Financial Planners, the procedures to be followed during the advice process, compliance and other aspects thereby increasing the work load of the financial planner, Swanepoel (2008).

Compliance to regulatory requirements has increased the overall costs that Financial Planners and their related practises have to incur, survey conducted by Price Waterhouse Coopers (PWC) (2011).

In the UK and Canada the impact of regulatory changes were the lowering of maximum commissions and the licensing and continuous education requirements were vigorously implemented resulting in the profit margins for Financial Planners being drastically reduced, Benfield (2009:4).

One of the biggest challenges of regulation is the method of commission-based remuneration as it can be difficult for Financial Planners to act in the best interests of the client when the financial planner's livelihood is dependent on the sale of a financial product, FPSB report (2009), The State of the Financial Planning

Profession in the “Post-Trust” Era.

The regulatory changes have systemized and rationalised the previously fragmented regulation of certain activities in the financial services industry, The FAIS Act –Understanding the Practicalities - (Financial Services Board:2011).

The establishment of the office of the FAIS Ombud eight years ago has created an independent and impartial forum for resolving complaints lodged by consumers who, without the forum, might not have had the option of going to court, Hattingh and Millard (2012:64).

The FAIS General Code of Conduct (GCC) was implemented to provide the Insurance Industry with an ethical frameworks order to ensure ethical behaviour (www.fsb.co.za). This has helped establish a sound reputation for the Insurance Industry that has a positive impact on client confidence. This according to the FPSB report (2009), The State of the Financial Planning Profession in the “Post-Trust” Era, “in turn leads to excellent financial performance”.

The main objective of the regulatory framework that governs the financial services industry is to protect consumers by setting standards to encourage professionalism within the financial services industry, FPSB report (2011), The Global Practice of Financial Planning. Many of the characteristics of a professional have now been included in the Financial Advisory and Intermediary Services Act 37 of 2002 (FAIS Act) in the form of the “fit and proper” requirements as well as the standards required by the relevant codes of conduct.

The FPSB report (2011), The Global Practice of Financial Planning, states that the need and opportunity for professional, competent, and ethical Financial Planners is evident.

The Survey: indicates that 85% of the respondents agree that compliance to regulations has led to Financial Planners rendering an improved quality of service to their clients whilst 95 % of the respondents are of the view that compliance to regulatory changes has resulted in an increase in the Financial Planners word

load. 84% of Financial Planners view regulatory changes as having an adverse impact on the Financial Planners' income. 54% of respondents agree that compliance to regulations have resulted in inefficiencies of time and costs for the Financial Planners.

Conclusion: Whilst compliance to regulations has improved the quality of service rendered to clients by Financial Planners it has also significantly increased the work load and decreased the Financial Planners' income. Both the literature review and survey finding confirm this.

5.2.4 Objective 4: To determine whether Financial Planners view regulation as the key contributor to improving the image of the Insurance Industry in South Africa.

The Literature: revealed that complaints received by the FAIS Ombud's office from 2005 to 2011 have increased exponentially. This increased numbers indicated that "cowboy tactics" are still being practised, despite efforts to combat these. Scammers continue to find their way into consumers' savings, in particular the savings of the aged, notwithstanding the efforts to educate the consumer, Gordhan (2011:5) in the Annual FAIS Ombud Report 2011.

The industry suffers from a reputation of being unethical which leads to consumers viewing Financial Planners with suspicion and distrust, Smith (2010:39).

Given the collapse of companies (both locally and internationally) due to unethical management practices; there is an increasing focus on the role of ethics in business the world over, Smith (2010:15).

There is a general need to improve the image of the financial services industry; this will have a positive effect on the reputation of the industry as well as the reputation of individuals within the industry, Meltzer (2006:45).

Although lapses of ethical behaviour happen in all aspects of society, the financial services industry is perceived to be more unethical than any other area of business,

As the financial services industry is highly regulated, it is likely that a higher number of ethical lapses are identified and reported on, probably far more than in less regulated industries, Melzer (2006:45).

Unethical behaviour by Financial Planners has a negative impact on the public's perception of the financial planning profession. As a result, the public may fail to see the value in the services offered by Financial Planners, Botha et al (2012:36).

The main objective of the regulatory framework that governs the financial services industry is to protect consumers by setting standards to encourage professionalism within the financial services industry, FPSB report (2011), The Global Practice of Financial Planning.

Many of the characteristics of a professional have now been included in the Financial Advisory and Intermediary Services Act 37 of 2002 (FAIS Act) in the form of the “fit and proper” requirements as well as the standards required by the relevant codes of conduct. Regulation alone can never fully eliminate the losses suffered by clients as there will always be individuals who will try to circumvent the rules.

Findings from Survey: revealed that 64.2% of respondents are of the view that regulatory changes have rid the Insurance Industry of unscrupulous Financial Planners. A total of 81% of the respondents agreed that regulation has improved the image of the Insurance Industry. Some 63% of respondents are of the view that clients are more willing to deal with Financial Planners now that the Insurance Industry is regulated. In total 70% of respondents agree that Financial Planners are viewed as professionals since the introduction of regulation to the Insurance Industry.

Conclusion: The literature review indicated that regulation has improved the image of the Insurance Industry. The literature review also revealed evidence that the Insurance Industry still has a long way to go to regain the confidence of their prospective clients.

The survey findings confirmed that regulatory changes have improved the image of the Insurance Industry.

5.3 CONCLUSION

Chapter five discussed the findings from the research in relation to the research objectives. The findings indicated that most of the respondents viewed regulatory changes in the Insurance Industry in a positive manner. Financial Planners are of the opinion that the current regulatory framework is comprehensive and all-encompassing and that there is no further need for more regulation to be implemented.

Whilst compliance to regulations has improved the quality of service rendered to clients by Financial Planners it has also significantly increased the work load and adversely impacted the Financial Planners' income. Regulatory changes have been the catalyst in improving the image of the Insurance Industry in South Africa. Client confidence has improved since the implementation of regulatory changes and certain unscrupulous elements have been eradicated.

Chapter six discusses the conclusions that emerged from the findings and offers areas for future research and recommendations.

CHAPTER SIX

CONCLUSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

This chapter presents the conclusions from the findings of the research and the recommendations drawn from the investigation into the impact of regulatory changes in the Insurance Industry on Financial Planners in KwaZulu-Natal. It also suggests areas for future study, followed by the chapter conclusion. The conclusions drawn from the research findings in Chapter Five addresses the research objectives of the study. Recommendations are offered based on the findings.

6.2 IMPLICATIONS OF THE RESEARCH

Various industry stakeholders have expressed a keen interest in the results of this study; the main purpose of this research was to increase the existing body of knowledge available, regarding regulatory changes concerning the role of Financial Planners.

The study is significant in that it provides leaders of industry with insight into how regulatory changes are impacting the Financial Planner's and the industry. It also provides insights on how Financial Planners are adapting to this evolving regulatory landscape. Armed with the findings of the survey Financial Planners will be better equipped to propose changes to the regulator where such are necessary.

6.3 SUMMARY OF RESEARCH FINDINGS

The summary of the research findings is based on the following research objectives:

- To determine the views of Financial Planners on regulatory changes in the Insurance Industry.
- To determine whether Financial Planners view the Insurance Industry as being over regulated.
- To investigate how regulatory changes have impacted Financial Planners.
- To determine whether Financial Planners view regulatory changes as the key contributor to improving the image of the Insurance Industry in S.A.

6.3.1 Objective 1: To determine the views of Financial Planners on regulatory changes in the Insurance Industry.

Conclusion

Although the literature review revealed that there were are negative perceptions to regulatory changes as well as the positive aspects contained in the main objectives of the FAIS Act. The survey findings indicated that there is value in regulation and it does have a positive impact on the Insurance Industry. Majority of the Financial Planners who have managed to embrace the spirit of the FAIS Act and not see it only as a prescriptive, non-negotiable monitoring tool, have experienced significant benefits from regulatory changes.

Recommendation

Financial Planners should work with government to develop financial planning regulations and financial planner assessment frameworks that facilitate cooperation, fairness and transparency whilst supporting the interests of the consumer.

The regulator should demonstrate and implement models that highlight regulatory changes as business enhancement tools.

6.3.2 Objective 2: To determine whether Financial Planners view the Insurance Industry as being over regulated

Conclusion

Based on the literature review and survey findings, Financial Planners view the current regulation as comprehensive and that further regulatory change would be viewed as unnecessary and therefore deemed as over regulation.

Recommendation

Regulation is an evolving process and responsive to changes in the environment. Financial Planners should be able to subject traditional views about financial regulation to scrutiny and challenge.

It is recommended that a collaborative effort among government and professional bodies is achieved, where government sets the regulatory expectations of practice, market integrity and consumer protection aspects whilst professional bodies determine professional norms, conduct expectations, education and certification requirements that foster consumer and government confidence in the profession.

6.3.3 Objective 3: To investigate how regulatory changes have impacted Financial Planners.

Conclusion

Whilst compliance to regulations has improved the quality of service rendered to clients by Financial Planners it has also significantly increased the work load and adversely impacted the Financial Planners' income. Both the literature review and survey finding confirm this.

Recommendation

Compliance to regulations governs all aspects of the financial planning process and allows little room for free enterprise. One of the challenges of regulation is the adverse impact on Financial Planners' income. It can be difficult for Financial Planners to act in the best interests of the clients when the financial planner's livelihood is dependent on the sale of a financial product. An equitable remuneration model will need to be developed in order to encourage regulatory compliance.

6.3.4 Objective 4: To determine whether Financial Planners view regulation as the key contributor to improving the image of the Insurance Industry in South Africa.

Conclusion

The literature review indicated that regulation has improved the image of the Insurance Industry. The literature review also revealed evidence that the Insurance Industry still has a long way to go to regain the confidence of their prospective clients.

The survey findings confirmed that regulatory changes have improved the image of the Insurance Industry.

Recommendation

Financial literacy campaigns highlighting the Financial Planners' roles and responsibilities as well as the benefits of Financial Planners should be regularly featured in the syndicated media and endorsed by the regulatory bodies. The incidents of malpractice that litters the industry on occasion should not be the only public presentation to the consumer.

6.4 SUGGESTIONS FOR FUTURE RESEARCH

Based on the outcomes of this study the following areas are recommended for future research regarding the impact of regulatory changes on Financial Planners. It is recommended that a qualitative study be undertaken to determine whether there are other factors that affect Financial Planners and if so how they may be addressed.

A larger study over a larger geographical area is suggested as that would be more statistically sound than this small scale study.

The research on the impact of regulatory changes in the Insurance Industry on Financial Planners is largely theoretical in nature. It is recommended that research be done that examines the practicalities of Financial Planners applying the principles of legislation. This may link the theory and the implementation and provide insight as to how effective the theory is.

Future research may benefit from a qualitative study using a larger sample size. This will enable thick data to be extracted from respondents that may be valuable to regulators when implementing future legislation.

6.5 CONCLUSION

The study has revealed that regulatory changes have impacted on Financial Planners in a positive manner. The image of the Insurance Industry in South Africa has improved because of regulatory changes and client confidence in Financial Planners has increased. Regulatory changes have succeeded in professionalising the Insurance Industry in South Africa.

There are several practical difficulties relating to regulatory changes that impact on Financial Planners. This may explain why there is reluctance among certain Financial Planners to embrace the spirit of regulatory changes.

One of the challenges of regulation is the adverse impact on the Financial Planners' income. It can be difficult for Financial Planners to act in the best interests of the clients when the financial planner's livelihood is dependent on the

sale of a financial product, however to be professional and to comply with legislation it is imperative that such planners only sell clients what is in their best interests.

The financial planning environment is a complex one and the many requirements that Financial Planners have to meet, creates further complexity. Financial Planners in the past often approached the financial planning process in an unstructured manner, resulting in inconsistent service delivery to consumers of financial products and services.

This necessitated regulatory changes in order to create a uniform framework for all Financial Planners to adhere to, including being qualified to conduct such business. Though this need for qualification may limit free enterprise for example, in instances where unqualified yet good and honest Financial Planners end up exiting the industry, the regulations minimise the risk of untrained and unsupervised Financial Planners causing more harm than good.

In conclusion, this research having looked into issues pertaining to the impact of regulatory changes on Financial Planners in KwaZulu-Natal. The research has identified that Financial Planners need to adapt and change to regulatory requirements and retain clients simultaneously in order to survive in the Insurance Industry.

More to the point good, honest service which is in the best interests of the client will enhance the reputation of the planner. There is no doubt that the Insurance Industry in South Africa will experience more challenges, as economic and legal conditions change and as consumers become more sophisticated in their financial planning and resulting requirements.

The recommendations made are appropriate and if heeded will be of use to Financial Planners as there will always be a need and opportunity for professional, competent and ethical Financial Planners in the Insurance Industry in South Africa to serve the public.

REFERENCES

Annual Report: The office of Ombud for Financial Services: (2010-2011).
<http://www.faisombud.co.za> Accessed: 22 March 2012.

Benfield, B., (2009). Paper presented to The Development Group of Southern Africa: Insurance legislation and the demise of the industry.
www.freemarketfoundation.com Accessed: 09 April 2012.

Biddulph, B., (2010). Where have all the FA's gone? Article based on comments by Biddulph, B of Astute South Africa. Risk S.A., February 2010.

Black, K., Ciccotello, C. and Skipper, H. (2002). Issues in Comprehensive Personal Financial Planning. Financial Services Review, Spring 2002. Eleventh Edition.

Blumberg, B. And Cooper, D. (2008). Business Research Methods Second European Edition. New York: Mcgraw Hill.

Botha, M., Rossini, L., Geach, W., Goodall, B., du Preez, L. and Rabenowitz, P.(2012). The South African Financial Planning Handbook 2012. South Africa : Lexis Nexis.

Briault, C. (2005). General Insurance Regulation – “FSA View from the Top”.
http://www.fsa.gov.uk/library/communication/speeches/2005/0923_cb.shtml
Accessed: 18 January 2012.

Comparing Quantitative and Qualitative Research. 2009. <http://www.experiment-resources.com/quantitative-and-qualitative-research.html> Accessed: 10 June 2012.

Crankshaw, H. (2006). Personal Financial Planning: Strategies for successful Practice Management. Research project for the degree of Master of Business Administration, University of Pretoria.

Cull, M. (2009). The Rise of the Financial Planning Industry – Australasian Accounting Business and Finance Journal. Volume 3. Issue 1. University of Western Sydney.

<http://ro.uow.edu.au/aabfj/vol3/iss1/4> Accessed: 27 February 2012.

Darley, W. (2011). Measures to Improve Household Savings in South Africa. Research project for the degree of Master of Business Administration, University of KwaZulu-Natal.

De Ruyter, D. and Scholl, N., (1998). Positioning Qualitative Market Research: Reflections from Theory and Practise. Qualitative Market Research: An International Journal, Vol. 1, Iss: 1, p.7-14.

The Determination of Fit and Proper Requirements for Financial Services Providers (Board Notice 106 of 2008). www.fpi.co.za Accessed: 4 April 2012.

Falkena, F. , Bamber, R. ,Llewellyn, D. and Store, T.,(2001). Financial Regulation in South Africa. South Africa : SA Financial Sector Forum.

Financial Services Board, (2011). Information Circular: Regulatory Examinations. South Africa : Financial Services Board.

Financial Services Board (FSB). 2008. First Quarter – 2008. South Africa : Financial Services Board.

Financial Services Board, (2011). Understanding the Practicalities – 2011. South Africa : Financial Services Board.

Financial Planning Institute of Southern Africa, website, www.fpi.co.za – See consumers section.

Financial Planning Standards Board website, www.fpsb.org.

Financial Planning Standards Board, (2011). Financial Planning Practice Standards. South Africa : Financial Planning Standards Board.

Financial Planning Standards Board, (2011). Financial Planner Code of Ethics and Professional Responsibility. South Africa : Financial Planning Standards Board.

Financial Planning Standards Board, (2009). The State of the Financial Planning Profession in the “Post-Trust” Era. South Africa : Financial Planning Standards Board.

Financial Planning Standards Board, (2011). The Global Practice of Financial Planning. South Africa : Financial Planning Standards Board.

George, D., and Mallery, P. (2003). SPSS for Windows step by step: A simple guide and reference. 11.0 update (4th ed.). Boston: Allyn and Bacon

Gliem, J. A. and Gliem, R. R. (2003). Calculating, Interpreting, and Reporting Cronbach’s Alpha Reliability Coefficient for Likert-Type Scales. Presented at the Midwest Research-to-Practice Conference in Adult, Continuing, and Community Education, The Ohio State University, Columbus, OH, October 8-10, 2003.

Hattingh, W. and Millard, D. (2010). The FAIS Act Explained 1st Edition. South Africa : Lexis Nexis.

Hawkins, P. (2003). South Africa’s financial sector ten years on: the performance of the financial sector since democracy. South Africa : Feasibility (Pty) Ltd.

Healey, M.J. and Rawlinson, M.B; Interviewing techniques in business and management research (1994), in Wass, V.J. and Wells, P.E., Principles and Practice in Business and Management Research, Aldershot, Dartsmouth, pp.123-45. As found under references in the book of Research Methods for business students, P378, by Saunders Lewis and Thornhill.

Hussey, J. and Hussey, R. (1997). Business Research. New York : Palgrave Ltd

Maister, D. (2000). True Professionalism. South Africa : Lexis Nexis.

Malherbe, S. and Morojele, M. (2001). The Costs and Benefits of the Financial Advisory and Intermediary Services (FAIS) Bill. On the instruction of the Financial Services Board (FSB).

Maylor, H. & Blackmon, K. (2005). Researching Business and Management, New York, USA : Palmgrave Macmillan.

Melzer, I. (2006). Consumer trust in the Life Industry: Is the glass half empty or half full? South Africa : Eighty20 Consulting.

Metcalf, B., PricewaterhouseCoopers. (2010). Emerging Trends and Strategic Issues in South African Insurance 2010. South Africa: PricewaterhouseCoopers Inc.

Mouton, J. (2008), How to succeed in your master's & doctoral Studies, Pretoria: Van Schaik publishers.

Mugo, F. (n.d). Sampling in Research.

<http://www.socialresearchmethods.net/tutorial/Mugo/tutorial.htm> Accessed 15 February 2012.

National Treasury Policy Document. (2011). A safer financial sector to serve South Africa better. Pretoria: South African Reserve Bank.

Newton, A. (2002). The Handbook of Compliance, "Mind into Matter". MN Global Knowledge Solutions Ltd.

Organisation for Economic Co-operation and Development

http://www.oecd.org/pages/0,3417,en_36734052_36734103_1_1_1_1_1,00.html

Accessed 12 June 2012.

Polonsky, M.J. and Waller, D.S. (2011). Designing and Managing a Research Project: A Business Students Guide. Second Edition. Thousand Oaks, California, USA, Sage.

Reforming Canada's Financial Services Sector.

A Framework for the Future. (2009). Canada: Department of Finance Canada. www.fin.gc.ca/finserv/docs/finservrept_e.pdf Accessed 9 June 2012.

Saunders, M., Lewis, P. and Thornhill, A. (2003). Research Methods for Business Students, Essex, England, Prentis-Hall.

School, R.B. (2010). A Guide to Dissertation Writing. South Africa : Regent Business School.

Sekaran, U. and Bougie, R. (2009) Research Methods for Business. A Skill Building Approach. Fifth Edition. Wiley.

Skeels, S. and Grice, M. (2009). Mazar's insurance Broker Survey : Are broker's insulated from the credit crunch. www.mazars.co.uk Accessed: 09 June 2012.

Smith, J. (2010). Ethics and Financial Advice: The Final Frontier. Victoria University. Argyle Lawyers Pty Ltd. <http://www.businessandlaw.vu.edu.au/>
Accessed: 13 March 2012.

Survey Methods. (n.d).

<http://www.ischool.utexas.edu/~palmquis/courses/courses/survey.html> Accessed:
15 February 2012.

Survey Sampling Methods. (n.d). <http://www.statpac.com/surveys/sampling.htm>
Accessed: 15 February 2012.

Swanepoel, A. (2008). The fundamentals of FAIS compliance. Pretoria: Cruxprop
2008.

Wisker, G.(2001). The Post Graduate Research Handbook: Succeed with your
MA, MPhil, EdD, Basingstoke, Palgrave.

Wiid, J and Diggins,C (2009). Marketing Research. Johannesburg : Juta.

Yin, R. K. (1994). Case Study Research Design and Methods. Beverley Hills:
Sage Publications California.

Zikmund, W.G. (2003). Business Research Methods. South Western, Ohio :
Prentis-Hall.

APPENDIX 1 – SURVEY INSTRUMENT

An MBA Research Project Survey

The Impact of Regulatory changes in the Insurance Industry on Financial Planners in KwaZulu-Natal

Dear respondent,

This survey assesses your views of regulatory changes in the Insurance Industry as a Financial planner. As part of my studies towards completion of my Masters in Business Administration, I am conducting research on the impact of regulatory changes in the Insurance Industry on Financial Planners in KwaZulu-Natal. I humbly request that you complete the questionnaire below to allow me to gather the information for my research.

Please indicate your response by placing a cross (X) in the appropriate box.

1. Gender

Male	Female
------	--------

2. Age

<25	26-35	36-45	46-55	56+
-----	-------	-------	-------	-----

3. Race

Black	Coloured	Indian	White	Other, specify
-------	----------	--------	-------	-------------------

4. Qualification

Registered FP	Certified FP	Advanced FP	Regulatory Exams	Other
------------------	-----------------	----------------	---------------------	-------

5. Number of Years as a Financial Planner

1 – 5 Yrs	6 – 10 Yrs	11 – 15 Yrs	16 – 20 Yrs	25 + Yrs
-----------	------------	----------------	----------------	----------

6. Number of existing clients.

1 – 199	200 – 399	400 – 599	600 -799	1000+
---------	-----------	-----------	----------	-------

7. Number of direct support staff in your practice.

0	1	2	3	4+
---	---	---	---	----

8. Compliance to regulations has resulted in financial planner acquiring new skills and competencies.

Strongly Disagree	Disagree	Unsure	Agree	Strongly Agree
----------------------	----------	--------	-------	-------------------

9. Financial Planners conduct their business in a more professional manner since the introduction of regulation to the Insurance Industry.

Strongly Disagree	Disagree	Unsure	Agree	Strongly Agree
----------------------	----------	--------	-------	-------------------

10. Financial Planners view regulatory changes as opportunities to grow their business.

Strongly Disagree	Disagree	Unsure	Agree	Strongly Agree
----------------------	----------	--------	-------	-------------------

11. The introduction of FAIS and other regulatory changes is a positive step towards transforming the Insurance Industry.

Strongly Disagree	Disagree	Unsure	Agree	Strongly Agree
-------------------	----------	--------	-------	----------------

12. The current regulations are successfully regulating the advice and services that Financial Planners provide to their clients.

Strongly Disagree	Disagree	Unsure	Agree	Strongly Agree
-------------------	----------	--------	-------	----------------

13. The current regulations are not comprehensive.

Strongly Disagree	Disagree	Unsure	Agree	Strongly Agree
-------------------	----------	--------	-------	----------------

14. There is a need for further regulatory changes to be implemented.

Strongly Disagree	Disagree	Unsure	Agree	Strongly Agree
-------------------	----------	--------	-------	----------------

15. Compliance to regulations has led to Financial Planners rendering an improved quality of service to their clients.

Strongly Disagree	Disagree	Unsure	Agree	Strongly Agree
-------------------	----------	--------	-------	----------------

16. Compliance to regulatory changes has resulted in an increase in the Financial Planners work load.

Strongly Disagree	Disagree	Unsure	Agree	Strongly Agree
-------------------	----------	--------	-------	----------------

17. Regulatory changes have an adverse impact on the Financial Planners income.

Strongly Disagree	Disagree	Unsure	Agree	Strongly Agree
-------------------	----------	--------	-------	----------------

18. Compliance to regulations have resulted in inefficiencies of time and costs for the Financial Planners.

Strongly Disagree	Disagree	Unsure	Agree	Strongly Agree
-------------------	----------	--------	-------	----------------

19. Regulatory changes has rid the Insurance Industry of unscrupulous Financial Planners.

Strongly Disagree	Disagree	Unsure	Agree	Strongly Agree
-------------------	----------	--------	-------	----------------

20. Regulation has improved the image of the Insurance Industry.

Strongly Disagree	Disagree	Unsure	Agree	Strongly Agree
-------------------	----------	--------	-------	----------------

21. Clients are more willing to deal with Financial Planners now that the Insurance Industry is regulated.

Strongly Disagree	Disagree	Unsure	Agree	Strongly Agree
-------------------	----------	--------	-------	----------------

22. Financial Planners are viewed as professionals since the introduction of regulation to the Insurance Industry.

Strongly Disagree	Disagree	Unsure	Agree	Strongly Agree
-------------------	----------	--------	-------	----------------

APPENDIX 2 – ETHICAL CLEARANCE



18 June 2012

Mrs Elaivani Naidoo 203518009
Graduate School of Business and Leadership

Dear Mrs Naidoo

Protocol Reference Number: HSS/0366/012M
Project Title: The Impact of regulatory changes in the insurance industry on financial planners in KwaZulu-Natal.

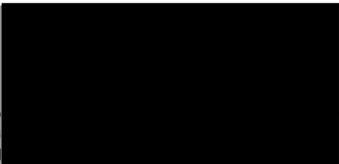
In response to your application dated 8 June 2012, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and the protocol has been granted **FULL APPROVAL**.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment /modification prior to its implementation. In case you have further queries, please quote the above reference number. Please note: Research data should be securely stored in the school/department for a period of 5 years.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully

...
Pr
/pl



cc Supervisor Dr Mihalís Chasomeris
cc Co Supervisor Mr Alec Bozas
cc Ms Wendy Clarke

Professor S Collings (Chair)
Humanities & Social SC Research Ethics Committee
Westville Campus, Govan Mbeki Building
Postal Address: Private Bag X54001, Durban, 4000, South Africa
Telephone: +27 (0)31 260 3587/8350 Facsimile: +27 (0)31 260 4609 Email: ximbap@ukzn.ac.za / snymanm@ukzn.ac.za
Founding Campuses: ■ Edgewood ■ Howard College ■ Medical School ■ Pietermaritzburg ■ Westville

Inspiring Greatness

