

Technology fuels convergence in financial services

In the early 1990s, convergence between insurance and banking activities was not a new topic, and investigations were undertaken to assess what was necessary to achieve a level playing field for the nation's savings.

There was a strong focus on the inequality between taxation and insurance products, and changes implemented at this time led to the dramatic revealing of the sixth schedule.

This set the scene for convergence at a much faster pace.

It is a feature of the South African financial landscape

that we have banking and insurance groupings. I come from an environment in which the insurer is in control. There are other local models, however, where full-blown insurance and banking activities operate in a single group, and there are others still where the relationship is not clear.

Technology has lent itself well to financial services. It places a wider range of options in the hands of the consumer and has contributed greatly to unbundling in financial services. Out of the strategic planning undertaken at Nedcor

FROM THE CHAIR



GORDON INSTITUTE
OF BUSINESS SCIENCE
University of Pretoria

came the view that in bank insurance there were two different market segments, in which two different approaches were appropriate.

The classic bancassurance model works when you are

using a banking network to distribute insurance products, and it is best suited to offering simple products that complement credit or traditional banking products.

The use of technology in the delivery of those products is vital because it makes the process efficient and, therefore, viable. As a financial tool it has the potential to reach markets where literacy would be a major constraint if one were to use a paper-based approach.

In the upper end of the market, the major development is the growth of personal finan-

cial planners and the increasing professionalism in the industry, resulting in customers owning products from a number of different service providers. The consumer choice and the comparability of products is made possible by the use of technology, married with increasingly commoditised products.

□ *This is an edited version of a presentation given to the Gibs Forum by Rick Tudhope, the general manager of strategic and corporate initiatives at Nedcor. For further forum details visit www.gibs.co.za*