

# The Perfect Storm

## UAE advisers must adapt to the post-regulatory truth

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Working as a financial adviser in the UAE probably feels like being a cast member of the movie 'The Perfect Storm' at the moment.

A perfect storm is described as 'a critical or disastrous situation created by a powerful concurrence of factors' and advisers who haven't seen the film could be forgiven for thinking that it is based on a true story of their lives.

The reality is that several pieces of financial regulation look set to hit the UAE at more or less the same time. The outcome of the Insurance Authority's Circular 12 consultation paper will have an impact, as will the SCA proposals on fund regulation, and then there's the introduction of the Isle of Man Financial Services Authority's Conduct of Business rules, to name but three.

The impact on advisers could be significant and, in our experience, some are better prepared than others for the difficult times ahead. International life insurance companies, who are the conduit for this regulation, therefore have an important role to play in guiding advisers to calmer waters.

The proposed Insurance Authority regulation is designed to improve customer outcomes and depending on your viewpoint, it is either interesting or telling that no intermediary firms have been formally invited to participate in the consultation phase. Regardless, this means that advisers are operating in an information vacuum at a time of substantial change.

Friends Provident International welcomes the intent to improve customer outcomes, because we think strong consumer regulation is the foundation for a successful life insurance industry.

Friends Provident's heritage goes back to 1832 when it was established to meet the needs of the Quaker community. Today, Friends Provident International's purpose is similar: to help expat customers by providing a safety net at the most vulnerable moments of their lives, when suffering a serious illness or on death, and by helping them plan for important goals in their lives such as retirement and the education of their children.

Customers deserve to be treated fairly and have their expectations met. This means that they need high quality advice relevant to their specific circumstances and solutions which are simple, transparent and good value from us as a provider.

High quality advice is predicated on high professional standards, including qualifications, and life companies need to use their larger resources and technical expertise to help advisers achieve a high level of proficiency. Through the Friends Provident International Adviser Academy that we have set up in the UAE, we are committed to working with key advisers to improve professionalism through training in technical and investment matters and helping them to develop their soft skills.

This year we are enhancing the Academy to reflect the challenging regulatory scenario our distributors are facing. We are sharing our thoughts on the impact of regulatory change with the principals of our key distributors at a series of special lunches. Future lunches will feature key industry figures involved in shaping and articulating the new regulation. We are effectively providing a forum for our distributors to gather together to openly discuss the future.

The repercussions of the proposed regulation for adviser remuneration have not been lost on us. In the short term we believe the number of advisers will reduce, along with the earnings of those that remain in the UAE. However, customers are going nowhere and they will continue to need advice, so advisers who remain committed to the region, and who embrace the new regulation, potentially have much to gain.

We believe the winners will be the distributors and advisers that embrace the spirit of the regulation, invest in their professional development and place the ongoing servicing of customers at the heart of their thinking. It is generally accepted that it costs between five and 10 times as much to sell to a new customer than an existing one, and with a reduction in up front earnings likely to hit adviser pockets, an adjustment to their thinking will be required.

We think the industry will only thrive if the interests of customer, distributor and provider are aligned. For distributors, this means focusing more on existing customers and serving them for life rather than primarily hunting for new customers, as they do today. The rewards are significant: existing customers will have established a level of trust in their adviser, be much more likely to make a purchase than a new prospect and will be more receptive to new ideas. Opportunities to top up existing plans and buy new plans are likely to increase.

By meeting the full gamut of a customer's needs, advisers will ultimately sell more, and this will result in more customers who will have the satisfaction of meeting their goals and objectives in life. The opportunities for genuine referrals will increase as a direct consequence.

Friends Provident International is looking to develop a financial model to enable advisers to ascertain likely earnings in the light of the post-regulatory truth. Our aim is to show advisers how a realignment of their activities can result in real value for their business and that in turn will have a resale value on retirement.

The denouement to this story has not been written yet, but our belief is that the best way for advisers to navigate this particular storm is to embrace the new regulation, rather than rail against it, or attempt to steer around it.

All information contained within this article correct at the time of publication, April 2017.

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