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IT TAKES 78
SPECIALISTS
TO CHANGE
A SKYLINE.

Editor’s Note: Embracing Change & Innovation in Insurance

Welcome to the July 2024 edition of COVER Magazine. This month, we delve into a diverse array of topics, from the evolving landscape of agricultural insurance to the transformative impact of AI in fraud detection. Our mission, as always, is to empower insurance, financial advisory, and risk management professionals with the wisdom and insights needed to navigate an ever-changing industry.

Agricultural insurance takes center stage in this edition. As the backbone of many economies, agriculture faces unique challenges, from climate change to financial insecurity among small-scale farmers. Stuart Scanlon’s piece on the benefits of Enterprise Resource Planning (ERP) systems in agriculture highlights the importance of integrating technology to improve forecasting, decision-making, and operational efficiency. Meanwhile, Kobus Stapelberg’s article underscores the need for tailored insurance products for small and subsistence farmers, combined with mentorship and government support to foster sustainable growth.

These articles remind us that innovation and collaboration are crucial in ensuring the resilience of our agricultural sectors. In our financial planning section, the articles on living annuities, the costs of raising children, and generational differences in financial behavior offer a wealth of insights. Paul Nixon’s exploration of the behavioral finance aspects influencing annuity choices reveals how deeply our emotions and biases affect financial decisions. In a similar vein, Paul Menge’s detailed analysis of the financial implications of raising a child underscores the importance of early and strategic financial planning. Marnus Mostert’s examination of how Millennials and Gen Z approach money provides valuable lessons on balancing short-term gratification with long-term financial stability.

These discussions highlight the critical role of informed decision-making and professional guidance in securing financial futures. Our exploration of short-term insurance reveals the sector’s adaptability in the face of natural disasters and evolving risks. Themba Palagangwe’s article on the vital role of insurance in times of crisis emphasises the need for comprehensive coverage and proactive risk management. Gail Bosch’s cautionary tale about the importance of expert evaluation and proper insurance for valuable artworks serves as a stark reminder of the unique risks associated with high-value items.

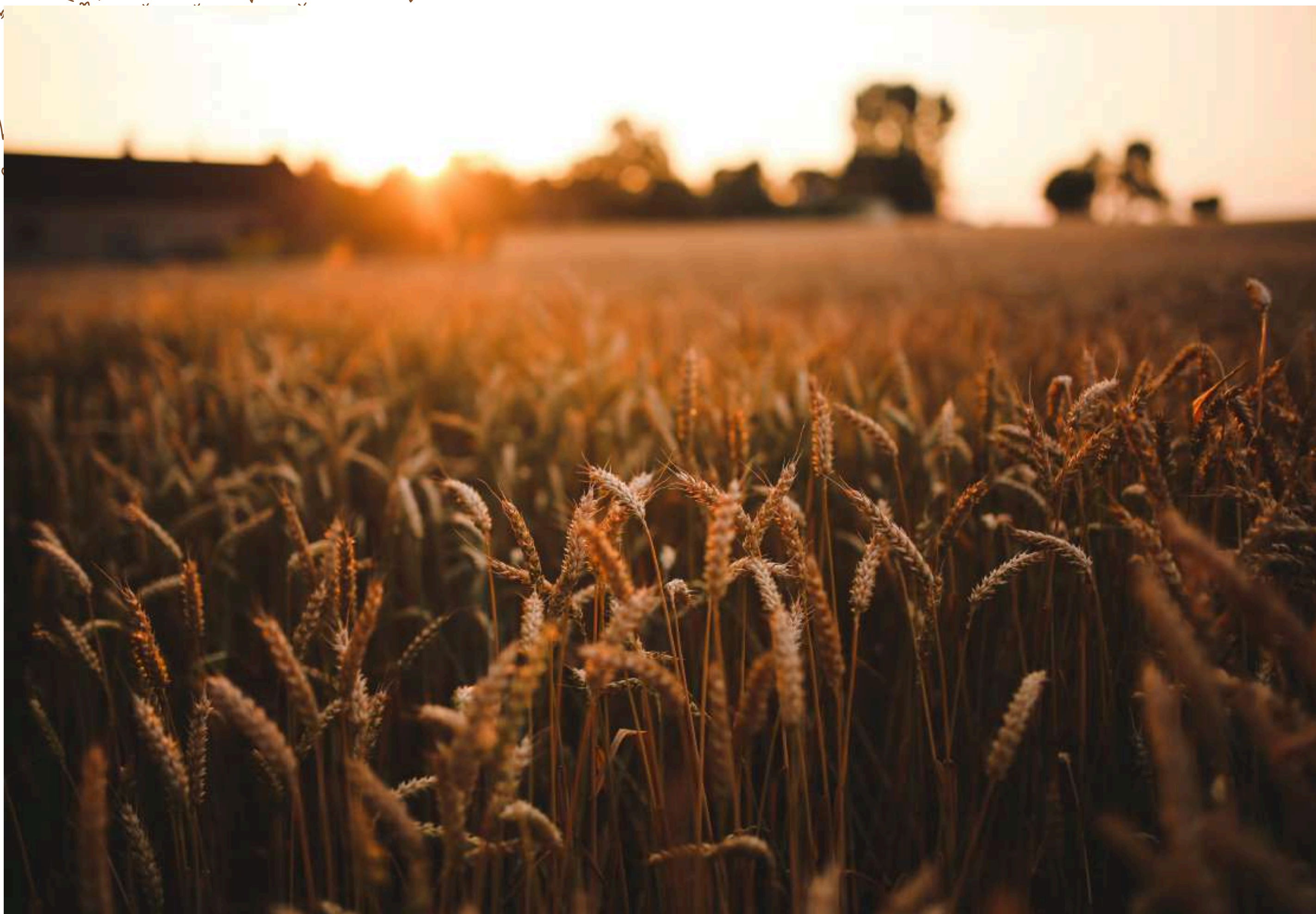
Brand Pretorius's insights into the current challenges and trends in the insurance industry underscore the necessity of innovation, resilience, and a client-centric approach in navigating economic pressures and climate change. Finally, we delve into the transformative potential of technology in the insurance industry. Nick Feast's article on leveraging AI for fraud detection and prevention illustrates how advanced analytics and machine learning are revolutionising how insurers combat fraud.

The integration of AI in insurance processes not only enhances efficiency but also ensures more accurate and timely decision-making. This technological revolution underscores the importance of staying ahead of emerging threats through continuous innovation and adaptation. As we navigate these multifaceted challenges, one thing remains clear: the insurance industry must continuously evolve to meet the needs of its clients.

By embracing change, fostering innovation, and prioritising resilience, we can build a more secure and prosperous future for all. Thank you for joining us on this journey. Together, we will continue to empower and support the professionals who drive our industry forward.

Regards,
Tony Van Niekerk Editor-in-Chief,
COVER Magazine

AGRICULTURE



"By implementing a robust ERP system, agricultural businesses can enhance their operational efficiency, improve profitability, and ensure that their insurance coverage is accurate and comprehensive."

- STUART SCANLON

THE IMPORTANCE OF RISK PROTECTION IN AGRICULTURE

Daniel Stevens, Head: Santam Agriculture

Crop insurance helps protect farmers against unpredictable weather that may cause significant damage to crops. Deciding on how much cover you require is an important decision and one that farmers take seriously.

Deciding on the level of cover needed when buying crop insurance

When taking out crop Hail insurance, farmers have the option to choose the potential yield and price per ton that they want to insure their crop for. The insurer will then use these values to calculate the total insured value on which the insurance premium will be based, and which will be used to calculate the claim and policy excess when a claim becomes payable.

Hectare planted x potential yield per hectare x value per ton = Insured value.

It is important to always insure at a realistic potential yield per hectare and for the correct area planted, exclusive of unplanted areas like headlands and contour ridges. When deciding on the insured value the client must decide if he wants to buy cover for the full revenue value of the crop inclusive of his potential profit margin, or a lower value closer to the cost of production.

When making this decision the client must make sure that he also takes the applicable policy excess into account to ensure that the "net cover value" (Insured value less policy excess) will be sufficient in case when an insured loss happens. The net cover value can be adjusted by either choosing a lower insured value or choosing a higher policy excess. A higher policy excess will come at a lower insurance rate charged by the insurer as the policyholder will then take more of the first loss for his account.

Example:

Farmer A in Bothaville wants to insure his maize with a potential revenue value of R 1,000,000 against hail. If he chooses an insured value of R 800,000 (80% of potential revenue value) with a 5% Franchise as policy excess the Net cover value will be R 800,000 and if the insurance rate is 1.5% that will amount to a premium of R12,000.

If he however chooses an insured value of R 1,000,000 (the full potential revenue value) and takes a fixed policy excess equal to 10% of the sum insured, the Net cover value will be R 900,000. The insurance rate will then come down from 1.5% to 0.8% and will then amount to a premium of R 8,000.

In this example Farmer A will get R 100,000 higher net cover and save R 4,000 on his cost of insurance by taking a higher excess on the full revenue value rather than a lower sum insured with the lowest policy excess on offer by the insurer.

In conclusion, although by choosing a higher policy excess will lift the threshold from where a claim becomes payable to the policyholder it can often provide a higher Net cover value at a lower cost of insurance.

It can also provide better and more cost-effective protection when catastrophic losses occur.

SMALL AND SUBSISTENCE FARMERS NEED MORE THAN INSURANCE TO THRIVE

Kobus Stapelberg, head of the agri insurance division at King Price Insurance

Pre-Covid studies show that one in five South African households engages in agriculture, with 65% of these households relying on home-grown or -reared produce and livestock to meet the household food demand.

A 2020 study performed in Nyandeni Local Municipality shows that a single subsistence farmer feeds six people, on average. And, in the interim, these numbers have likely increased due to the economic impact of the pandemic in tandem with South Africa's worsening unemployment rate. The pressure of providing food security for their households aside, subsistence farmers face numerous challenges. Ranking high are limited funding, a lack of knowledge, insufficient water, and a shortage of equipment. They also lack support from government and other organisations aimed at improving agricultural practices. This is a gap that insurers could potentially fill. King Price Insurance is intent on transforming the agri insurance landscape, and as part of a holistic approach, is determining best practice for supporting and protecting South Africa's small and subsistence farmers down the line.

We recognise the urgent need for tailor-made insurance products, combined with mentorship from experienced commercial farmers, and government interventions, to uplift this vital segment of the agricultural community. Current insurance models are aimed at large commercial farmers and, as such, do not address the needs of subsistence, small, or even medium-sized farms – but, given the size of the 'small farmer' segment, this needs to change. King Price sees the formation of a bare-bones product as the solution for smaller agri producers and farms with lower risks. As an example, Karoo-based sheep farmers don't face a significant risk of fire and the agri industry-standard R30 million liability cover, with its related premium, is excessive and limits entry to insurance.

King Price is also looking at the communal nature of small-scale farming, whereby individual farmers within a community own single assets, like harvesters and irrigators, which are borrowed and lent out as necessary. In this instance, even the insurer's industry-first asset insurance product, pay-as-you-farm, which tracks asset usage and provides an annual rebate based on usage patterns, doesn't meet the need. In commercial farming, pay-as-you-farm helps farmers to save on their insurance premiums, lower their capital risk and maximise profits, and it's this future-forward thinking that the insurer aims to bring to the subsistence farming sector.

However, insurance alone is not enough to grow the sector sustainably. Mentorship from experienced commercial farmers and support from government in the form of policy reform and financial initiatives, are essential for subsistence farmers to monetise their output and join the formal economy. By fostering these relationships, King Price aims to help subsistence farmers transition to more sustainable and productive farming practices. King Price's vision for South Africa's small farmers is not just about insurance. It's about investing in the future of South African agriculture. It's about meeting the real needs of subsistence farmers, offering innovative products, and fostering mentorship and collaboration.

Supporting subsistence farming is crucial for ensuring food security and growing an agricultural sector that's sustainable on both ends of the scale. We're committed to developing solutions that will help smaller farmers thrive, ultimately contributing to nation building and food security for all.

THE IMPORTANCE OF MANAGING YOUR FINANCES LIKE YOU MANAGE YOUR FARM?

Dawie Maree, Head of Agriculture Information and Marketing at FNB Commercial

Farming is a long game that requires patience, perseverance, and strategic planning across all aspects of the operation. While every farmer understands this when it comes to tending crops and raising livestock, the same can't always be said for managing their finances; and taking a short-sighted approach to financial planning can be as devastating to a farmer's livelihood as a flood or drought would be to his or her operations.

Farmers must understand the long-term cycles of their commodities and be adaptive to short-term changes and challenges in their environment. They need the flexibility to adjust tactically in the short term while keeping their long-term vision in focus.

This mindset is just as critical when it comes to financial planning and working with banks to develop and monitor finances as circumstances evolve. Farmers need to stay cognisant of uncertainties and have the financial buffers in place, and the only way to achieve this is through a highly strategic approach to financial planning.

This level of strategic financial flexibility requires a comprehensive approach encompassing numerous components, some of the most important of which are the following:

- **Rigorous budgeting:** Developing detailed, data-driven budgets using the SMART approach is crucial for effective farm management and securing financing. Budgets need to be very detailed and account for production costs, capital expenditures, and cash flow projections.

- **Long-term strategic planning:** Having a written long-term financial strategy that aligns with breeding or production plans is essential. This strategy must be regularly reviewed and revised to adapt to changing market conditions.

- **Meticulous record keeping:** While few farmers would readily admit to being excellent at paperwork, running the farm as a business requires robust systems to track all financial records, no matter how small. This enables farmers to reconcile accounts and make informed decisions.

- **Cyclical mindset:** This may seem obvious, but in challenging times, it's easy for farmers to lose sight of the cyclical nature of their operations. Recognising the cyclical nature of farming avoids the temptation to chase short-sighted quick fixes, when patience and a long-term mindset are vital given the inherent timelines of production and breeding cycles.

- **Estate planning:** This is a critical aspect of long-term farming success that many farmers mistakenly overlook. Each farmer's assets and circumstances are unique, so a one-size-fits-all approach doesn't work, and a good estate plan is much more than just drafting a will. It requires a detailed look at everything you own, and careful consideration of what you want to happen with it when you pass away. One of the most common pitfalls is bequeathing the entire estate to a spouse without considering his or her ability or desire to keep on managing the farm.

- **Succession planning:** Spend time on succession planning to ensure you are planting for your children's future. In the past, few farmers thought about retirement and found themselves overly dependent on the land and next generation, which only adds to the burden they will face when they take over the operations.

- **Optimised legal and operational structures:** Evaluating and establishing appropriate structures like trusts or companies can be an excellent way of optimising tax efficiency, mitigating financial risks, and enabling seamless continuity during generational ownership changes.

- **Professional guidance:** Partnering with a specialised agricultural finance expert provides valuable guidance, which enables farmers to make well-informed decisions that help ensure their financial sustainability, while still being able to focus on their core operations. Building a strong relationship with your bank at the outset, rather than just when a crisis hits, is key because it enables your bank to fully understand your operations and be more willing to provide the financial support you need during the difficult times.

By integrating these components into a strategic financial plan, farmers can effectively navigate uncertainties and facilitate their operation's long-term sustainability. Financial planning needs to align with the strategic long-term vision for the farm. Farming success is not just about this season's crops and livestock; it's about planting seeds that will benefit future generations.

BUILDING AGRIBUSINESS RESILIENCE

Werner Bezuidenhout, branch manager at Aon South Africa.

Agri-businesses are facing many challenges, from rocketing commodity prices to digitalisation and climate change to shifting geopolitics and consumer behaviour. These risks are complex and interconnected, with the disruptive effects of climate change and extreme weather events contributing to significant losses in key regions.

Despite the headwinds, according to the National Agricultural Marketing Council (NAMC), South Africa's agricultural product exports showed a healthy increase:

- Agricultural products exports increased by 14%, in value from R64b in quarter three of 2022 to R72.9b in quarter three of 2023.
- Products that contributed to this increase were soya bean flour and meal (increased by 7328%), followed by nuts (828%), oranges (480%), mandarins (112%), macadamia nuts (68%) and soya beans (42%).

Geopolitical conflicts abound with Russia's invasion of Ukraine and the impact of the Israel-Hamas conflict affecting global markets, amplifying disruptions of various commodity supply chains and their subsequent price surges. Meanwhile, the volume of regulation and disclosure requirements is growing, which in turn is driving transparency around pay equity; diversity, equity and inclusion (DEI); food safety; climate risk; environmental, social and governance policies (ESG); cyber security; deforestation and much more. Agri-businesses are facing tremendous pressure to accelerate and de-risk their climate transition and create positive social impact while addressing concerns related to yield volatility, working conditions, mass population migration and the impact of natural disasters.

Aon highlights the top factors to consider in building a resilient agribusiness:

Business Interruption: Business interruption was ranked as the third most pressing concern to the agricultural sector in Aon's latest Risk Management Survey. Cover for business interruption compensates farmers for financial losses resulting from physical damage to property or external events relating to supply chain or distribution failure. Food is global, and even the smallest food processor uses ingredients, packaging and equipment from around the world. Political unrest, trade disputes, natural disasters, workforce shortages, delays at ports and harbours, digitalisation and climate change will continue to cause business and supply chain disruptions and need to be thoroughly considered from a coverage perspective.

Cyber risk: Companies in the food value chain are prime targets for hackers, particularly ransomware strikes and data-extortion threats. Food production, including planting and harvesting crops, raising livestock, processing, packaging and logistics, has become more technologically sophisticated. Farmers and producers use distributed networks, remote sensors and computing to increase automation and efficiency on their farms, monitor the health of crops and livestock and tell when their equipment needs maintenance. The system is increasingly connected and cloud-based, creating a large potential cyber-attack surface.

Crop, livestock and game: Crop, game, and livestock are the lifeline of farming operations. Without adequate insurance, a farm risks losing its income until these essentials are replaced. Replanting after a disaster can be particularly challenging - for instance, it can take up to seven years for a macadamia orchard to yield a crop after a major fire necessitating total replanting. Negotiating this type of cover with insurers is crucial given its significant impact on farm sustainability and income over an extended recovery period.

Property: Many farms have undergone expansions and renovations over the years, often resulting in outdated insurance coverage. Conducting a thorough property and asset valuation is essential to ensure that insurance sums adequately cover replacement costs, site rehabilitation and architectural plans in the event of fire or weather-related disasters.

Contents: Protecting specialised equipment that is integral to farm operations, is paramount. Contents insurance safeguards the livelihood of a farm by covering essential equipment.

Vehicles/fleet: While commercial vehicle insurance typically covers partial damage or complete loss due to fire, older vehicles may only be insured against fire risk under specific sections of the policy. Having cover in place that is appropriate to the vehicles being utilised is crucial to prevent out-of-pocket expenses in case of replacement.

Theft of property and commodities: Theft remains an omnipresent risk that the farming community needs to contend with, which affects their property, contents and fleet covers. It is essential to work through the ramifications of the risk and how to manage the risk and/or transfer the risk where needed.

Fence maintenance & fire risk: Farms seeking fire insurance must specify and maintain fences on their insurance schedules. This is particularly significant for game farms, where specialised and electrified fencing solutions are common but require substantial upkeep and risk mitigation.

Werner Bezuidenhout, branch manager at Aon South Africa.

Public liability: Public liability insurance shields farmers from negligence allegations, covering incidents such as slip and fall, animal attacks or inadequate fire safety measures. Membership of Fire Protection Associations (FPAs) can mitigate liability risks related to fire incidents. It is also imperative to declare all activities conducted on the farm, especially for farms that are incorporating hospitality services such as tours or accommodation on their operational front. Standard agricultural policies may not provide cover for liabilities associated with hospitality-related activities - think of weddings/events, tours or restaurants.

SASRIA: SASRIA provides crucial cover for agricultural businesses against risks such as riots, protests and violent strikes, which can have significant financial implications if overlooked, especially in an election year.

Directors and officers liability: Despite not being corporate entities, agribusinesses face similar management liability exposures. Directors and officers of farming companies require this coverage to protect against wrongful acts, ensuring their personal interests are safeguarded amidst farm management responsibilities.

With many commercial farms and agribusinesses becoming increasingly diversified, it is essential to take a much closer look at how their risk insurance would play out in the event of catastrophe and the risk of liability claims against them in the event of fires, droughts or accidents. The uptake of insurance is greatly influenced by economic conditions. This underscores the vital role of a knowledgeable broker, well-versed in agricultural risks, to navigate the delicate balance between affordability and adequate coverage for worst-case scenarios.

As agribusinesses expand their operations and income streams, the landscape of risks evolves, necessitating the expertise of a professional broker to craft tailored risk management strategies alongside suitable insurance solutions.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ENSURING FOOD SECURITY IN SOUTH AFRICA THROUGH ENHANCED CYBERSECURITY FOR FARMERS

Carey van Vlaanderen, CEO of ESET Southern Africa

Technology has improved productivity, efficiency, and communication in every industry across the globe, and agriculture is no exception.

Once considered a traditionally low-tech industry, the increased use of email, online monitoring tools, remote controls, and payment systems – together with automated smart farming equipment such as internet-connected tractors – means the digital threat level has increased for farmers.

As is the case in many industries across the globe, a growing reliance on online, connected technologies means businesses are more vulnerable to cyberattacks. The use of smart devices, including sensors and analytics, IoT devices, robotics, drones, and precision farming, have all transformed the agricultural landscape for the better. These tools also gather extensive quantities of sensitive information that could be lucrative to criminals seeking financial gain.

In a report released in 2023, South Africa ranked number five globally in a list of countries worst affected by cybercrime. Disruptions in Transnet's IT applications following a cyberattack brought agricultural imports and exports to a standstill in July last year. In a world increasingly reliant on digital technology, the agricultural sector's vulnerability to cyberattacks not only threatens individual agricultural businesses but poses a risk to national food security, making robust cybersecurity measures of critical importance.

The threat is certainly not unique to South Africa, as a report from the University of Cambridge found that smart farming technology such as automatic crop sprayers and robotic harvesters could be hacked and the probability with which this could happen is increasing.

Cybercriminals recognise the global reliance on food and agriculture as an opportunity to target the industry with cyberattacks to achieve either financial gain through ransomware or for social and economic disruption. Ransomware attacks can be particularly malicious, for example, by erasing backups or threatening to publish confidential information online as a strategy to pressure an organisation into paying the ransom with little risk of being caught and apprehended.

Today, almost every farmer and agricultural enterprise will use some form of technology to do business. For smaller businesses simple security solutions such as the automatic updating of software, antivirus software, and multi-factor authentication are critical. However, larger more intensive farming operations using automated farming systems may require more complex security measures.

Agriculture in general has historically been shown to have a low level of cyber security in place since attacks are not perceived as being as prevalent as in the financial sector. There is a prevailing myth among some sectors of the South African farming community that their businesses simply aren't an attractive target for cybercriminals.

While addressing cybersecurity challenges in agriculture can be complex, there are steps agriculture firms can take to reduce their exposure, limit the damage of an existing attack, and position their employees as the first line of defence. A necessary first step in strengthening defences is to identify where critical infrastructure is vulnerable to attack. This will be different for each business. Some operations may require more investment in cloud security or vulnerability discovery while businesses may need to extend their cybersecurity efforts to include safeguarding themselves from cyberthreats in the form of phishing emails from the companies they partner with and procure from.

With almost 88% of data breaches being caused by an employee mistake, a strong human risk management programme with regular employee training and cybersecurity awareness is a crucial element of any cybersecurity strategy. Employees can be just as susceptible to cyber threats and should be reminded on an ongoing basis of the risks that are out there and the impact that it can have on them and the farming business. Humans are prone to mistakes, but these mistakes, ranging from failure to properly delete data from devices to preventable errors like clicking on links in phishing emails, are also preventable.

The farming industry is vital to the world’s food industry and requires the utmost protection from cyberattacks.

From basics such as implementing password managers and using multi-factor authentication to using cutting-edge security technology to withstand an attack on big farming service companies, much more can be done to ensure farmers are supported with the very best cybersecurity strategies and solutions.

FINANCING FARMERS WILL HELP ADVANCE AFRICA'S AGRICULTURE INDUSTRY

COMMENTS FROM **AFRICAN RISK CAPACITY LIMITED**

The need to create innovative financing mechanisms for Africa's farmers and re-evaluate existing ones is becoming increasingly critical as the continent faces compounded challenges, including climate change, low productivity, and conflict.

This was highlighted during a session at the recent 10th African Regional Forum on Sustainable Development (ARFSD), where the industry called on policymakers to assess the needs of farmers and enhance access to funding if they expect Africa to meet the Malabo Commitment to end hunger by 2025, or the Sustainable Development Goals (SDGs) by 2030. Collaborative efforts, private sector engagement and strategic partnerships were identified as key to making an impact and advancing these goals. The agricultural sector is the economic backbone of Africa, where an estimated 33 million smallholder farms and the farmers who live on them contribute 70% of the continent's food supply.

Africa produces all the principal grains and other diverse crops, including rubber and cocoa in the tropical regions; soya and sorghum on the plateaus; tea, coffee, and flowers in the high-altitude areas; as well as Mediterranean crops. However, climate phenomena such as El Niño and increasing extreme weather events, due to climate change, such as tropical cyclones, floods and droughts, are decimating crops, and the resilience of the land and its ability to adapt are being pushed to their limits. Meanwhile, the demands on this vital resource are reaching critical thresholds.

> With the Russia-Ukraine war having increased global food insecurity by impacting production and crop exports out of the former agricultural powerhouse of Ukraine, a significant opportunity exists for Africa. By improving yields and insuring them against climate risks, African farmers could help close the gap, unlocking immense economic growth and development potential.

Climate change also modifies the properties of soil, both chemically and physically leading to land degradation. Soils become less fertile, lowering crop yields and this impacts on agricultural production. Land degradation is already a major issue in Africa, due to poor soil health, and this is threatening the foundation of its citizens' livelihoods – because they cannot afford to mitigate it. **The president of the African agricultural transformation institution, AGRA, Dr Agnes Kalibata**, estimates that land degradation costs farmers up to $1,400 per year. According to the global research partnership CGIAR, 65% (494 million hectares) of Africa's soil is currently degraded. Eighty-three percent of sub-Saharan Africans rely on this land for their livelihood.

As a result, yield gaps on the continent are wide, ranging from as little as 2% to over 50%. Substantial investment in Africa's agricultural sector is needed, however, the visible impacts of climate change have caused investors to be wary. Other funding impediments include default risks and political risks. Giving farmers access to the right financial resources to address land degradation and climate change challenges would result in more progress being made towards achieving the objectives of the African Union Agenda 2063, which include the transformation of African agriculture and food security.

Closing the gaps

With the Russia-Ukraine war having increased global food insecurity by impacting production and crop exports out of the former agricultural powerhouse of Ukraine, a significant opportunity exists for Africa. By improving yields and insuring them against climate risks, African farmers could help close the gap, unlocking immense economic growth and development potential. Tapping into finance would also help farmers expand into the 60% of arable land that is still uncultivated on the continent. As part of the Comprehensive African Agricultural Development Programme (CAADP), an initiative that forms part of the African Union Agenda 2063, African governments have committed to allocating at least 10% of their national budgets to agriculture and rural development.

But this might still not be enough. Another way in which governments could assist farmers is through subsidising climate insurance. Farmers with their limited resources are reluctant to take out insurance due to the cost, making derisking the industry not only the answer but also a huge economic opportunity. The reduction of risk would encourage investment. Private sector involvement is critical to driving investment, innovation and addressing the challenges in the industry.

Making an impact

The work of parametric insurer and financial affiliate of the ARC Group, African Risk Capacity Limited (ARC Ltd.), exemplifies the impact that is possible through addressing farmers' specific needs and forging strategic partnerships. "There is no story that can be told about African development without taking into account agriculture and the need to protect investments in the sector," says ARC Ltd. CEO Lesley Ndlovu. The company provides insurance to small- to medium-scale farmers in Africa through micro or meso products. With micro insurance, farmers' assets are insured, and their income is protected, and with meso insurance, banks are insured against a portfolio of loans.

"A severe drought in a region will result in a spike in defaults. These defaults can be protected by insurance to avoid the accumulation of risk," says Ndlovu. As a result, banks can free up more lending than they would usually be comfortable with, helping enhance access to finance so that farmers can invest in improving productivity and income. ARC Ltd. has also been involved in several projects across Africa targeting farmers. In Côte d'Ivoire, the company, together with the Côte d'Ivoire Environment and Sustainable Development Ministry (MINEDD) and the United Nations Development Programme (UNDP), initiated a climate insurance pilot for agricultural value chains, run in collaboration with the FUSCOP RIZ CI "COOP-CA", a federation of rice producers and their board of directors.

Following the successful pilot, and with more partners on board, such as the World Food Programme, the project was expanded to include cocoa production with the aim of replicating it further across other agriculture value chains, such as cotton and maize. The project issued its first payout earlier this year of 16 million CFA francs to 3 594 rice and cocoa producers. In the Horn of Africa, ARC Ltd. is helping fight the impact of the dual hazards of drought and excess precipitation on farmers in Djibouti. The first-ever multi-year, multi-peril agreement on the continent was signed in 2023 between the government and the ARC Group. It has given the country access to five years of disaster risk management capacity building and disaster risk insurance coverage for drought and excess precipitation.

ARC Ltd. has also partnered with the US Government (USG) on a $11.7 million project over three years to protect vulnerable smallholder farmers and African governments against climate risks. "Our priority with this grant is to provide coverage to 19 states," explains Project Head and ARC Ltd. Chief Operating Officer Ange Chitate. "With the support of the USG, we will be refining and developing innovative products to meet the evolving needs of these countries." The project has two goals. The first is to work closely with governments so that they can better manage natural disasters by using parametric insurance. In a collaborative approach, ARC Ltd. customises risk models for countries and helps governments integrate parametric insurance into their policy frameworks.

The project also aims to increase the uptake of parametric insurance by working with the African Union and regional economic communities. The significant advantage of parametric insurance is that it enables rapid payment of claims, typically within 10 business days of a disaster, to fund emergency relief efforts and rebuilding. ARC Ltd.'s plans for the continent's agricultural sector include developing demand-driven micro and meso insurance and diversifying beneficiaries – including pastoralists locally and humanitarian organisations globally. With escalating climate risks, innovative financing solutions like parametric insurance have significant potential to safeguard farmers' livelihoods and drive development across the continent. Increased awareness and understanding are essential to encourage uptake.

More investment in this space and policy reforms are also imperative to scale up climate risk management strategies and to empower Africa's farmers.

AGRI INSURANCE MADE EASY WITH ENTERPRISE RESOURCE PLANNING

Stuart Scanlon, MD of epic ERP

The agricultural sector is rife with risk. Determining what cover is required takes accurate forecasting and a firm grasp of the potential hazards involved.

A good enterprise resource planning (ERP) system can help farmers, brokers and insurers to plan more accurately to ensure agricultural businesses are adequately covered. ERP platforms are designed to integrate various business processes into a single unified system that helps you to manage staffing, costing, space planning, inventory and warehouse management more effectively.

This integration provides a holistic view of operations, allowing for better forecasting and a deeper understanding of potential risks no matter what produce is being grown. And now that AI is being incorporated into ERP, it is adding tremendous opportunity for process and productivity improvement. One of the standout features of an ERP system is the ability to provide traceability and real-time insights.

Graphical dashboards make business operations visible at a glance, improving decision-making and enabling proactive responses to emerging issues. This level of visibility is crucial for maintaining compliance and ensuring that all aspects of your business are running smoothly.

Replacing manual data collection with automated processes not only speeds up operations but also enhances accuracy, reducing the likelihood of errors and freeing up valuable time for staff. This increased efficiency translates into significant cost savings and a more streamlined workflow. Investing in reliable, leading-edge technology is essential for futureproofing agri businesses.

ERP helps avoid the costs associated with obsolete equipment and provides maximum control over supply chain and inventory management. By optimising these critical areas, an enterprise resource planning system will help to increase profitability and achieve greater peace of mind.

A nursery as a good example of how ERP can benefit an agri business.

ERP software offers nurseries sophisticated seedbed management and real-time greenhouse data that syncs seamlessly with the back office.

Using ERP allows nursery owners to:

- Optimise seed control from planting to harvesting
- Ensure greenhouse data is always in sync with the back office for seamless operations
- Manage direct and indirect production costs effectively
- Improve plant-picking processes and optimise container and pallet layouts
- Utilise all available capacity efficiently for better space planning
- Track seed and plant treatments digitally for better traceability and compliance
- Reduce repetitive tasks with automated data capturing and sharing
- Calculate the number of seeds needed for each growing season accurately
- Maintain compliance with monitoring and traceability of all processes.

By implementing a robust ERP system, agricultural businesses can enhance their operational efficiency, improve profitability and ensure that their insurance coverage is accurate and comprehensive. The use of an ERP system that has been tried and tested in an agricultural environment.

Look for a solution that has been crafted by experts who have firsthand experience in agriculture. These professionals understand the intricacies of plant production and the specific needs of supervisors, farmers and nursery owners.

IT IS TIME TO GO FARMING!

Andries Wiese, National Business Development Manager at Hollard

Despite challenges such as crime, climate change, water scarcity, pests and diseases, low productivity and infrastructure constraints agriculture consistently delivers for Southern Africa and South Africa specifically.

Agriculture is key to not only the social fabric but, according to the FAO contributes as much as 15% to the GDP of the region. Farmers are exposed to risk daily but also present a great commercial opportunity for brokers and underwriters.

Insurers tend to focus on traditional commercial farming operations. Typically, what is offered are conventional insurance solutions for either assets or crops. The nature of the solutions require clearly defined asset registers, financial literacy, risk appetite and access to relatively complex and expensive distribution and payment models. It follows that not all farmers have access to or benefit from insurance.

Smallholder and medium sized farming operations are often unaware of the benefits of insurance, or cannot afford it, or do not find it suitable for their needs and preferences. Farmers require, quite rightly, effective and efficient services at a palatable and fair price point. The mechanics of conventional insurance such as assessing risks, pricing premiums, verifying claims, and delivering payouts in this environment prove to be challenging for insurers.

We can increase the take-up of agri-insurance by adopting a customer-centric approach that understands the needs and preferences of different segments of the market. We need to design tailored and affordable products that match these. A relative unknown solution in South Africa is index-based insurance that triggers payouts based on predefined thresholds of weather or yield indicators, rather than indemnity-based insurance that requires individual loss assessment. This is also an opportunity to combine efforts with input suppliers and simplify distribution models by aligning the purchase of a policy with the input purchase.

This solution has been applied in various countries around the world and even in Southern Africa but has, until very recently, not been acceptable to the South African regulator. This has now changed and we can expect to see variations on this theme starting to become available. Insurers need to leverage technology such as AI, satellite imagery, drones, and mobile platforms to enhance convenience for farmers, reduce costs and improve accuracy. Especially mobile platforms can simplify collection of premiums, delivering payouts and sharing important information and risk management advice.

Success in delivering sustainable solutions to this part of the agri sector is dependent on all stakeholders combining their efforts. The state and public sector must create an enabling environment and create awareness. The private sector has to step up by acting as intermediaries or distributors of agri-insurance, providing training and advisory services to farmers. Insurers need to invest in data, analysis, capacity building and product development. It does take a whole village to raise a child.

Insurance provides a coping mechanism for uncertainty and risk and enhances the resilience and sustainability of the sector. Lack of awareness, affordability, and availability of suitable products do us no favour. The role of brokers increases exponentially the more complex a risk and its solution becomes. It is also important for brokers to create scale within their own businesses and by expanding into the agri sector they not only contribute to all of our wellbeing, but also create a solid base of small to medium sized enterprises within their portfolio which will enhance their own sustainability in a very cost-effective manner.

The agri sector can be seen as very intimidating by virtue of the complexities contained therein. Brokers and Insurers alike need to have the expertise needed to credibly solve for and offer solutions to this sector. Expertise is available to those who wish to expand their footprint into this area and need assistance. The key South African agriculture insurers offer what is viewed internationally as best of breed expertise. There is also opportunity for creative and innovative solutions to be put forward.

FINANCIAL

PLANNING

"While our financial decisions are often influenced by emotions, a balanced approach that includes both living and life annuities can help retirees secure their future and achieve greater financial stability."

- PAUL NIXON

Integrating Well-being & Risk Management

Judith Ndaba, Co-Founder and Senior Operations Manager, Elevate Life

In the evolving landscape of life insurance and health management, Elevate Life is breaking new ground by combining customer well-being with effective risk management.

As a Co-Founder and Senior Operations Manager at Elevate Life, I'm excited to share how our ElevateMe Customer Portal facilitates this integration, providing personalised health insights and proactive risk mitigation for our clients.

The Role of the ElevateMe Customer Portal

Our Customer Portal is central to our approach: designed to keep our life insurance clients' information up-to-date and comprehensive. By choosing to share their wellness data in the portal, clients can benefit financially and experientially from Elevate Rewards - as a standard part of our offering. The integrated data can include a person's ongoing medical scheme claims, their financial data, credit report, and data from wearable devices. By linking these sources, the portal offers a secure, consolidated view of each client's measurable well-being. Clients can choose the data sources they feel comfortable to share in order to earn Elevate Rewards. This comprehensive data integration allows us to provide a holistic visual representation of each client's well-being.

Personalised educative wellness goals are then set each month that are customised, based on the client's historical data - highlighting areas where risk can be minimised through specific lifestyle changes. For example, for someone leading a sedentary lifestyle, we might recommend starting with 3000 steps per day to reduce their risk. Or we could advise them to contain their spend within their earnings. This personalised prompt is designed to help clients see long-term health benefits, make better decisions, and ultimately lead longer, healthier, more financially secure lives. And for extra motivation, we repay them up to 35% of their life premiums back in cash – monthly, based on their behaviour in the preceding month.

Encouraging Data Sharing & Up-to-date Information

One of the challenges we face is ensuring that clients enable the syncing of their data. Wearable devices are popular, and people are keen to engage with them - often using the data to validate their exercise routines and feel good about their achievements. This behaviour, while positive, does not significantly shift health outcomes on its own. The real benefits come from linking all possible data sources to get a full picture of an individual's health.

This is why we focus on multiple dimensions (lifestyle, clinical, and financial health) all syncing and visualised in one place to show a holistic view of a client's well-being. Such a comprehensive view is a first of its kind anywhere in the world.
Our AI-driven system then analyses this data, providing personalised feedback and goals, that are, above all, achievable.

Over time, we can reach out to clients proactively if we detect concerning trends in their health data and suggest preventative measures, for example, if someone's data indicates a rising risk of cardiovascular issues. This proactive approach is a significant step towards personalised health management and risk reduction.

Trends & Engagement with the ElevateMe Customer Portal

Interestingly, our data reveals that older generations, particularly those over the age of 50, are among the most active users of our portal. Perhaps they are more acutely aware of their health risks and motivated to use the portal to improve their well-being and manage their morbidity. This demographic may be more engaged than younger users because they recognise the immediate benefits of proactive health management.

Initially, we noticed a reluctance among some clients to link financial data, although this is crucial for achieving a comprehensive view of their health and well-being. But we see this as a trust journey. Over time, as clients recognise the value of this integration and the benefits of managing their integrated well-being – with no risk of penalty or impact on their policies with us – the discomfort should ease, and the experience be elevated.

The incentive is significant as a repayment of up to 35% of their life insurance premium can be achieved every month, providing a strong motivation to engage fully with the portal.

Unique Integration of Wearables

One of the standout features of our portal is its ability to integrate data from various wearable devices. Whether it's a Suunto for cycling, a Garmin for running, or a Fitbit for steps, we bring all this data together to give a complete view of an individual's fitness. This integration is seamless, allowing users to see how all their activities contribute to their overall health. This holistic approach is unique in the market and offers significant benefits to our clients.

Personalisation is at the heart of our Customer Portal: insights from any aspect of well-being affect the others. For example, if clinical data indicates that someone is currently hospitalised due to injury or illness, rehabilitation would be a more meaningful physical goal than step counts. Our AI algorithms adapt dynamically to the comprehensive view created of each life insured. And they will continue learning. Being led by evidence is key to our philosophy.

The ElevateMe Customer Portal is at the forefront of combining well-being and risk management. By providing a comprehensive, personalised view of health data, we empower our clients to take proactive steps towards better long-term health.

As we continue to refine and expand our AI capabilities, we look forward to offering even more precise and actionable health insights.

WHY DO PEOPLE PREFER LIVING ANNUITIES TO LIFE ANNUITIES?

Paul Nixon, head of behavioural finance
at Momentum Investments Group

For many people, a living annuity is the preferred choice for retirement. Why more people don't end up securing more of their retirement with a life annuity, however, is more of a behavioural finance problem than an economics problem.

This is simply because, in general, people don't maximise utility (seeking to achieve the highest level of satisfaction from their economic decisions). That is because there are other things at play when making the important decision of whether to buy a life annuity or a living annuity.

The decisions we make about our money often consider feelings and emotions. We find it easier to visualise getting run over by a bus after we've just purchased a fixed annuity, becoming suddenly aware of the loss of capital in the event of premature death, than visualising being old and having no money1. The latter scenario is, in fact, far more likely.

Several other factors should factor into your client discussions when they are considering their options at retirement:

1 - Overconfidence in managing our own money: There may be a level of overconfidence certain people may have in generating returns over and above those offered by fixed annuities. However, Momentum Investments studied the behaviour tax (lower investment return due to switching behaviour) and confirmed that 75% of this behaviour tax occurs in the Retirement Income Option, our living annuity2.

2 - Control in managing our money: People have a deep and innate need to control their surroundings. Converting a lump sum into an income stream may be perceived as a loss of control. This also explains the behaviour of resigning from a company before retirement to access pension savings to access a lump sum (even though it is more heavily taxed).

3 **- Framing of annuity choices:** Studies have shown that when annuities are framed in the context of an investment, highlighting aspects like returns and liquidity, retirees tend to prefer a savings balance (living annuity) over a life annuity. However, when income is presented in consumption terms, emphasising sustainability of consumption requirements, they tend to choose the life annuity.

4 - Loss aversion: An article that appeared in the Financial Times, 'Annuities: Gambling on Your Life3', sums this up nicely. The mere prospect of dying soon after purchasing an annuity will immediately place people in a loss-averse state, which will impact their behaviour. There may also be fears about the rising costs of care in retirement that could result in fluctuating consumption patterns and having to rely on family to bridge these gaps.

5 - Mental accounting: Money is fungible. But people get different utilities or benefits depending on what the money is earmarked for. The mental account opened for life annuities is sometimes seen as a gamble (beating life expectancy), which will lead to a natural aversion to choosing a life annuity.

6 - Bequest motives: It is human nature to desire leaving a legacy as a manner in which to capture even a slight sense of immortality. Any threat to the longevity of retirement savings (such as being forfeited) will not be favourable. This factor is similar to loss aversion.

7 - Mortality salience: We don't like thinking about our mortality and discussions around how long we are expected to live can make us uncomfortable.

8 - The growing sandwich generation: This is more of a societal trend, but the growing tendency of parents to move back in with their children, who have children of their own and who are also dependent on them, creates the 'sandwich', placing additional pressure on cash flows, which may explain why fixed annuities don't match higher required withdrawal rates. The bias most easily leveraged from the list above to the benefit of clients is mental accounting.

Different income needs for clients are easily matched with different mental accounts and the more certain that need is (such as healthcare or housing, for example), the more appropriate it would be to fund this need with more certainty, such as that offered by fixed annuities. This also assists in the planning process in the build-up to retirement. Instead of a daunting shortfall, each bucket is funded before the next, thereby providing more psychological utility en route as each becomes funded.

Luckily these days, the choice is not one or the other. People can use the Guaranteed Annuity Portfolio to allocate a portion of their retirement money to the Retirement Income Option, the living annuity available on the Momentum Wealth platform, to provide a guaranteed income for life.

This allows clients to blend the best of the living annuity and life annuity to extract more years out of their savings.

CONSEQUENCES MAKE A COMEBACK AS 'FREE MONEY' ERA ENDS

Andrew Williams, Investment Director in the Value Team at Schroders

Arguably the most significant impact of rising interest rates is an end to the era of unlimited free money – and those who misallocated capital over the last decade are beginning to understand what that means

"What if there were no tomorrow?" wonders Phil Connors, the misanthropic weatherman played by Bill Murray in Groundhog Day. "No tomorrow?" replies Gus, one of two passengers Phil is driving home after a very long night at a local bar. "That would mean there would be no consequences. There would be no hangovers. We could do whatever we wanted!" "That is true," agrees Phil. "We could do whatever we want …" At some point after the global financial crisis of 2008/09, a similar realisation must have hit the managers of countless businesses as quantitative easing brought interest rates close to zero across the world's major markets.

If money is effectively free, then there are no consequences to poor decisions. Spent borrowed money unwisely? Just go back and borrow some more. "There would be no hangovers. We could do whatever we wanted!" Confident (or hating the fact) he was reliving the same day over and over, Phil's way of testing this 'no consequences' theory was to drive the car onto the railway tracks and into the path of an oncoming train – duly waking up unscathed the next day, as did his passengers. Nevertheless, Murray's character was destined, eventually, to see another tomorrow – and interest rates, eventually, were always destined to rise.

Changed environment

A significant – if not the most significant – impact of rising interest rates is that the era of unlimited free money would seem to be over. Whether we actively register it or not, we can all intuitively feel the changed environment around us. The chances, for example, of an Uber arriving in the time it takes to stand up from your restaurant table and put on your coat, before travelling across your hometown for £5, are now vanishingly thin. In the last five years alone, Uber spent more than $30bn (£23.3bn) of investors' cash subsidising your trip home – happy to lose money chasing market share, in a bid to squeeze out competitors, before focusing on profits.

But what if a company achieves scale, as surely Uber has – operating across 10,500 cities in 72 countries, with 118m monthly users and 6.3bn rides – yet still cannot make an economic return on capital? What then? WeWork is the highest-profile casualty so far. Having got one call right in a row, Softbank CEO Masayoshi Son then decided to bet the house on disruption, burning through the equivalent of the GDP of Jamaica by becoming WeWork's biggest investor.

In the end, just short of $17bn of investors' money was wasted. Unfortunately, WeWork will not be the last casualty of this more normalised economic environment. As consumers, we have been spoiled. Investors have subsidised our Spotify listening, our Netflix bingeing (creating along the way the golden age of TV content) and the deliveries of all manner of goods bought on the internet. Uneconomic pricing has been used as a Trojan horse into our life across many different business models, disrupting markets and allowing start-ups to capture significant market share.

Again, when interest rates are zero, it is easy for private equity and venture capital investors to be generous. It is easy to disrupt too – but the 'not-for-profit' tech sector is now under pressure as higher rates bite. According to US start-up tracker PitchBook, 3,200 private venture-backed enterprises went out of business in 2023. Nor were these two-person garage-start-ups, having raised a combined $27.2bn – this time, the GDP of Iceland.

Reduced pressure on value

This dose of economic reality should, in turn, mean less pressure from start-ups on incumbent businesses. Traditional office companies are squeezed less when WeWork folds. Black cab drivers grow busier when there are fewer subsidised Uber drivers competing. Bricks-and-mortar retailers face less competition for every e-tailer that collapses. And this should serve to ease the pressure on the profits of 'traditional' businesses, which tend to be more value-oriented than growth. And if we consider the significant valuation dispersion between these two investment styles, the prospects of value stocks enjoying both profit growth and re-rating look strong.

That can offer value investors significant confidence that recent good performance can continue over the medium term. In an ironic twist of fate, the disruptors are being disrupted by a return to the 'old normal' level of interest rates and those who misallocated capital while believing in a consequence-free tomorrow are realising the light up ahead is an oncoming train. "It's the same thing your whole life," moans Phil. "'Clean up your room. Stand up straight. Pick up your feet. Take it like a man. Be nice to your sister. Don't mix beer and wine, ever.' And, oh yeah: 'Don't drive on the railroad track.'" "Well, Phil," says Gus uneasily. "That's one I happen to agree with."

HOW MILLENNIALS & GEN Z APPROACH MONEY

Marnus Mostert, Franchise Principal & Financial Adviser at Consult by Momentum

From saving to splurging – here's how millennials and Gen Z handle money differently.

One generation still holds on to their skinny jeans, while the other only thrifts for vintage clothing. One grew up without the internet, the other doesn't know what a flip phone is. But Millennials and Gen Zs differ in more than their cultural tastes and touchpoints – they also approach money differently.

Millennials: Came of age during economic turbulence

Millennials, typically born between 1981 and 1996, display cautious spending habits and a strong inclination toward saving and investing. Their financial behaviour is significantly influenced by the Global Recession of 2008. While they were trying to get a foothold on adulthood, the world's financial systems collapsed around them, taking with it the housing market. This instilled a sense of financial insecurity, as the safety nets millennials were told to expect in life – job security, trustworthy banks – evaporated.

That's why this generation tends to prioritize financial stability, often using budgeting apps, tracking expenses, and investing in retirement savings through vehicles like retirement annuities and tax-free savings accounts. Additionally, the rise of the gig economy has pushed many millennials to seek multiple income streams, fostering an entrepreneurial mindset and a careful approach to debt management.

Gen Z: Digital natives with a focus on instant gratification

In contrast, Gen Zs, born between 1997 and 2012, have grown up in a digital-first world, making them more comfortable with using fintech apps for banking, investing, and even cryptocurrencies. They prioritize convenience and instant access to goods and services, often facilitated by buy-now-pay-later services. This generation is more likely to seek financial education online and through social media influencers, which has shaped their approach to money management. Gen Z values financial flexibility and tends to save for immediate goals such as travel, technology, and education rather than long-term investments.

Millennials: Focus on long-term financial security

Millennials often focus on long-term financial security, aiming to buy homes, save for retirement, and invest in stable assets. They value experiences but are willing to save for these rather than seeking immediate gratification.

Gen Z: Want financial independence & flexibility – but spends impulsively

This generation often invests in new technologies and cryptocurrencies over traditional financial products. They are more inclined to spend on immediate needs and desires, reflecting their preference for short-term rewards. Gen Z uses apps and online platforms for budgeting, investing, and financial education, making financial management more accessible and efficient. They are also adept at finding and using financial resources and advice from a wide array of digital content, including social media, blogs, and podcasts.

Six tips for Gen Z for better money management:

1 - Balance immediate and long-term goals: Enjoy the present while planning for the future. Allocate a portion of income to long-term savings and investments.

2 - Stay informed: Learn about financial products, market trends, and money management strategies. Use online resources and seek advice from certified financial advisors.

3 - Build an emergency fund: Create a financial safety net to cover unexpected expenses and avoid high-interest debt – you should aim to have a few months' expenses saved.

4 - Avoid impulsive spending: Be mindful of spending habits, especially with buy-now-pay-later services. Prioritize needs over wants.

5 - Invest wisely: Diversify your investments to mitigate risks. This means considering a mix of innovative and traditional investments.

6 - Find a trusted financial planner: A certified financial planner can help you achieve your short, medium, and long-term needs.

UNDERSTANDING HEALTH TRENDS THROUGH INSURANCE CLAIMS

Dr. Marion Morkel, Chief Medical Officer at Sanlam

In a recent conversation with Dr. Marion Morkel, Chief Medical Officer at Sanlam, we delved into the fascinating data drawn from insurance claims and what it reveals about health trends in South Africa. Our discussion reveals an evolving landscape of health challenges and the corresponding insurance claims that offer a barometer for these shifts.

Cardiovascular claims still a growing concern: One of the most striking insights from our discussion was the persistent rise in cardiovascular claims. Dr. Morkel noted that cardiovascular diseases have increasingly become the leading cause of claims, surpassing other conditions such as cancer and trauma-related incidents. This trend has been steadily rising over the past decade, with a notable spike during the COVID-19 pandemic, which exacerbated underlying health issues. The significant rise in cardiovascular claims is indicative of the increasing prevalence of lifestyle-related diseases. Dr. Morkel highlighted that the growing rates of obesity in South Africa are a major contributing factor. The link between lifestyle diseases and cardiovascular conditions is clear, and the data from Sanlam's claims underscore the urgent need for public health initiatives focused on lifestyle modification and disease prevention.

The Impact of COVID-19: Has had a multifaceted impact on health trends. During the pandemic, there was an increase in cardiovascular claims, attributed to the virus's stress on the immune system and its exacerbation of pre-existing conditions. Post-pandemic, while some expected a decline in these claims, the numbers have continued to rise, indicating that the health impacts of the pandemic are long-lasting. Additionally, the pandemic caused delays in routine medical procedures and cancer diagnostics. As a result, there was a temporary dip in cancer-related claims during the pandemic years. However, post-pandemic data shows a rebound, with cancer claims increasing once again, underscoring the critical need for timely medical care and screening.

Dr. Marion Morkel, Chief Medical Officer at Sanlam

> "there is a growing incidence of cardiovascular diseases and early-onset cancers in younger populations. This trend is largely driven by lifestyle factors, including poor diet and lack of physical activity, which are contributing to the early development of chronic diseases. "

Shifts in leading causes of disability claims: When it comes to disability claims, there has been a noticeable shift. Historically, musculoskeletal issues, often compounded by psychiatric disorders, were the leading causes. However, cardiovascular diseases have now become the predominant cause of lump sum disability claims. This shift reflects the broader trend of rising cardiovascular health issues and their significant impact on individuals' ability to work.

Youth health is a concerning trend: A particularly concerning trend is the rise in claims among younger individuals. Dr. Morkel pointed out that there is a growing incidence of cardiovascular diseases and early-onset cancers in younger populations. This trend is largely driven by lifestyle factors, including poor diet and lack of physical activity, which are contributing to the early development of chronic diseases. The data also reveals a worrying trend of increased trauma-related incidents among younger women, which is unusual compared to previous years. While the reasons for this rise are still being investigated, it highlights the need for targeted interventions to address the specific health risks faced by young people.

Gender-Specific Trends: There is an increase in claims related to Caesarean sections among women of reproductive age. This rise is linked to lifestyle diseases such as hypertension and diabetes, which complicate pregnancies and lead to higher rates of surgical interventions. Furthermore, Dr. Morkel emphasised the importance of younger women being more proactive about their health, as there is a notable increase in early cancer diagnoses in this demographic. This proactive approach is encouraging, but it also highlights the need for ongoing education and support to help women manage their health risks effectively.

The Role of Insurance in Public Health: Insurance data offers invaluable insights into public health trends and can help shape health policies and interventions. Dr. Morkel stressed the importance of using this data to inform public health strategies, particularly in addressing lifestyle diseases and promoting preventive care. Sanlam's collaboration with health insurance counterparts and their efforts to share knowledge with clients aim to foster a more health-conscious society. By identifying and addressing health risks early, insurers can play a pivotal role in improving public health outcomes.

The insights shared by Dr. Morkel highlight the critical role of insurance data in understanding and addressing health trends. As we move forward, leveraging insurance data to inform public health initiatives will be crucial in combating the growing burden of lifestyle diseases and improving overall health outcomes in South Africa.

100% OFFSHORE LIVING ANNUITIES: WHAT ARE THE RISKS AND BENEFITS?

Michael Rossouw, 10X Investments, Senior Investment Consultant

There is a widespread misconception among people using the living annuity products offered by South African investment houses, relating to how much of their portfolio they can hold offshore.

More specifically, many believe they can hold no more than 45% of a portfolio offshore. In reality, if they use the right investment tool they can have a 100% offshore living annuity. If investors are to take advantage of a 100% living annuity, however, it must form part of a well-balanced portfolio, rather than being viewed as a single solution.

The confusion likely comes from the fact that the Pension Funds Act restricts certain funds to have a maximum of 45% of their assets invested offshore. So, once they get closer to that limit, they have to close off new investments into offshore assets. Those limits do not, however, mean that individuals can only hold up to 45% of their own portfolios offshore.

It's an important distinction because many South Africans feel that their living annuities, which allow them to draw an income from their retirement savings while keeping their capital invested, could achieve more with greater offshore weighting. Should someone decide to go with a 100% offshore living annuity, however, they must be aware that it comes with risks too.

Understanding the limits

Before digging into what those risks and opportunities are, it's worth taking a deeper look at where the confusion around offshore allocations comes from. Much of the confusion comes from the fact that retirement funds are governed by Regulation 28 of the Pension Fund Act, which limits investment portfolios held in retirement funds to 45% offshore exposure. This limit doesn't apply to living annuities, which are not regulated by the act and can invest up to 100% offshore. There is, however, a caveat. Individual investors can only invest 100% offshore if the company holding their portfolio can. SARB prudential limits, which apply to financial institutions, limit financial institutions' offshore exposure to 45% of retail assets. While some institutions are currently at their limit, there are a few (such as 10X Investments) that can offer clients up to 100% offshore.

Opportunities and risks

Anyone wanting to use a 100% offshore living annuity must be sure that they understand both the risks and the opportunities available to anyone who uses it as a product. The biggest opportunity is greater access to high-growth countries and companies that are world leaders in their industries, industries not available on the JSE (such as artificial intelligence). And, thanks to the obvious causes of South Africa's poor economic growth – a weak rand, political missteps, and lack of investment in key infrastructure – this has resulted in higher returns achieved in offshore equities investments over the past decade.

As an indicator of how much bigger offshore returns are, R1 000 invested in the S&P 500 in January 2023 would have grown 29% nine months later. By contrast, the same R1 000 invested in the JSE Top 40 over that period would have shrunk by 0.85%. That's not an anomaly either. Offshore equities have consistently outperformed local ones over the past decade or so. Another advantage to consider is the diversification benefit where one can diversify away from South Africa-specific risks, especially where the rest of non-retirement assets are based in in the country.

But there are also risks. Just because offshore equities have performed better than local ones over a sustained period, doesn't mean they always will. Much of the S&P 500's outsized returns over the past couple of decades were built on a foundation of tax breaks and cheap debt. The latter has disappeared as central banks around the globe have raised interest rates in a bid to curb inflation. Many of the tax breaks that US companies benefited from are also set to expire in the next couple of years, which could spark anxiety around developed market returns.

Two other risks to consider concern the matching of assets and liabilities and exchange rates. Investors should consider if the majority of their living expenses are in rands or hard currency and invest appropriately. Currency fluctuations can either offset the performance of underlying investments or add to the performance (positive or negative) and investors must be willing to stomach the bumpy ride.

Yay or nay

Ultimately then, South Africans must realise that 100% offshore living annuities are available and can be beneficial. The benefits of a 100% offshore living annuity can only really be achieved within the bounds of a well-diversified, wider investment portfolio. Even then, big global political and economic shifts can quickly change prevailing conditions and anyone using a 100% living annuity must be prepared for that level of risk.

Disclaimer: At 10X Investments, we're able to offer a 100% offshore living annuity because we're underwritten by Guardrisk Life Limited, which has 99% of its assets held locally. The above should not be considered financial advice in terms of FAIS. Individuals personalised financial advice to determine the suitability of a 100% offshore living annuity for their specific financial situation.


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"Non-life insurance acts as a vital safety net in times of crisis. Consumers should proactively understand their coverage and take appropriate measures to mitigate the impact of natural disasters and rebuild with confidence."

- THEMBA PALAGANGWE

HOW IT ALL BEGAN

Gary Steiger, the founder and CEO of MyGlass

Like all good entrepreneurial companies, the MyGlass story began with a vision.

You could say Gary Steiger, the founder and CEO of upstart glass company, MyGlass, is the typical entrepreneur.

Coming from a relatively disadvantaged background, he grew up with big dreams of making a good life for himself and his family-to-be. He joined the glass industry as a trainee manager in 1987, but by 1990 had decided to take the plunge and start his own business. Never one to do things by halves, he took this big step in the same month that he got married. The timing might look a little suspect but in fact the new Mrs Steiger was an integral part of the start-up business, learning the ropes alongside her new spouse. She even learned to cut glass. Steiger was then invited to become a franchisee for a new glass franchise in 1992, and this experience was very valuable, helping him to learn business skills and how the industry worked.

"I also learned some hard lessons about the stresses and strains that rapid growth can create," he says. After internal problems within the franchisor emerged, Steiger moved over to another national glass company, again as a franchisee. The franchise had been mismanaged, and Steiger threw himself into rebuilding its brand with the customers, ultimately growing it from a 27% market share to 65%. Over time, though, he began to question the franchisor's integrity, and he took the decision to fly solo once again. "I later came to realise that all these experiences as a franchisee were very valuable when it came to setting up my own business," he says, looking back.

A disruptor is born

As Steiger tells it, he woke up one morning and informed his wife that he was going to do things his way, hence the name MyGlass. There's no doubt that a big motivating factor was his desire to build a new type of glass business, one that was ethical and that also was in tune with the ethos of the newly democratic South Africa.

Another key factor was that with the ending of sanctions, imported glass became available, offering competition to the local producers. "I knew that there were many small glass businesses out there, like I once was, who offered great service but needed to be part of a national business to break into the lucrative insurance market," he says.

A key early decision was what the business model of the new business should be. Steiger decided that he would adopt a licence rather than a franchise model. The franchise model is essentially a turnkey approach, and he wasn't in a position to offer that. But a more important factor was his desire not to constrain the entrepreneurial flair of the businesspeople who joined him.

"The licence model really allows us to have the best of both worlds: an agreed set of standards aligned with what the insurance industry demands, but they are also free to make deals with other customers," he says. "In the end, you have to trust that the licensee knows what he or she is doing and shares your vision—that's why they were chosen, after all!"

A big tent

Other important elements of the MyGlass business model are its inclusivity and its commitment to the customer experience. For Steiger, inclusivity means increasing the number of female licensees in a male-dominated industry; he has also been focused on finding black-owned glass businesses with the potential to join the MyGlass network. Mumtaz Moola, Director, MyGlass, says that the company is proud of the fact that one of its biggest licensees is female-owned. “We have now set our sights on ensuring that 60% of our licensees will be B-BBEE Level 1, with a minimum of 25% owned by women,” she says. A lawyer and activist, Moola joined the company as a director and shareholder in 2016, inspired by Stieger’s vision to open up what had previously been an “old boys’ network”.

Ironically, the transformed nature of MyGlass’s network of licensees proved to be a hurdle in gaining acceptance with the all-important insurance market. A big breakthrough came when an executive at one of the bigger insurers was let down by his supplier. He took a chance on MyGlass, and the rest is history. Stieger is passionate about customer service. A core part of the MyGlass brand is the concept of mobility – rather than customers going to fitment centres, he has always believed in the value of a mobile unit that goes to where the customer is. Convenience is obviously one benefit, but he knows that damaged glass is often the result of crime. “Nobody who is feeling traumatised wants to drive around looking for a fitment centre,” he says.

Technology underpins MyGlass’s pursuit of a superior customer. In 2018, he persuaded Zahed Rassool to join the business as director of technology. Rassool worked closely with him to develop a claims management system that underpins MyGlass’s operational and administrative systems and has the thumbs up from many brokers. Stieger says his previous experience continues to help him with the delicate balancing act every growing business must strike between capacity and the demands of an expanding customer base.

“The truth is that we don’t just see MyGlass as a purely commercial venture,” he says. “It’s much more than that: empowering a new generation of entrepreneurs in the glass industry is part of it, but so too is the satisfaction of exceeding our customers’ expectations. Watch this space!”

LONG-LOST MASTERPIECE ALMOST SELLING FOR A SONG

Gail Bosch, Artinsure Product Head at iTOO Special Risks.

Recent news that a long-lost painting by Italian master Caravaggio was on the verge of being sold for just €1 500 (R30 618) should serve as a sobering warning to art owners and collectors to ensure that they have their artworks evaluated by experts.

he painting, which was rescued by art experts at the last minute from going under the hammer, has gone on display at Madrid's Prado Museum after initially being put up for sale by its owner at a Madrid auction house. The true value of the masterpiece, identified as "Ecce Homo", has been revealed to be upwards of €50 million (R1.02 billion). As incredible as this story is, it should be a stark warning to anyone who owns artworks to have these collectables evaluated by an expert. You never know what you could have in your possession, and you might be losing out on a fortune.

While art collectors tend to generally be quite savvy when it comes to identifying artworks that could hold potential value, people who inherit or acquire art collections from relatives should consider having these works professionally evaluated. You might inherit or be gifted a painting that's been hanging over your grandmother's fireplace for decades and think nothing of it, but a trained eye could establish whether it is just a worthless print or indeed an original Pierneef or Picaso. That obviously changes things considerably.

General Household Insurance not sufficient - And it's not only about the resale value. People who decide to keep such works as collectables should know their true value and provenance so that they can insure them properly. Owners of collectables should not assume that these items would be sufficiently covered by general household content cover. General household insurance does not consider the peculiarities of collectable items that appreciate over time. Art and collectables may not always be covered through a homeowners insurance policy for their full value, resulting in these items being underinsured.

“Together with specialist products and services, these insurers have access to an international network of independent evaluators, restorers, conservators and recovery agents. “

Special risk insurers understand the value of art and collectables as much as collectors do, offering affordable, tailor-made insurance for such items. Together with specialist products and services, these insurers have access to an international network of independent evaluators, restorers, conservators and recovery agents.

Certain artworks are simply not replaceable. I would urge collectors and owners of such items to become a little more conscientious about protecting what could be unique and priceless pieces. Specialist insurance is the instrument that is most effective for doing this because the loss of some of these collectables could well spell a loss of rare masterpieces for the art world.

People who come into possession of artworks should have an up-to-date value of their assets because not all art or collectables appreciate at the same rate. Ideally, clients should regularly re-evaluate their collections to ensure their investment is insured at the right value.

Typically, for contemporary works, it is recommended that a re-evaluation is done every year and for older works every two years. Older items’ value tends to be more stable, while contemporary items tend to fluctuate more regularly.

WHEN NATURAL DISASTER STRIKES, INSURANCE PLAYS A CRUCIAL ROLE

Themba Palagangwe, SAIA General Manager for Governance & Transformation

The recent storms in KwaZulu-Natal (KZN) and Eastern Cape, along with other extreme weather events that have occurred across the country over the past year, have brought profound loss to consumers with some facing the mammoth task of rebuilding properties placing them under further financial strain.

Consumers are usually further impacted by the aftermath of a natural disaster when properties are to be restored or replaced. The financial impact is even greater when consumers are uninsured. Data collated from the South African Insurance Association (SAIA) members shows that homeowners' cover claims in KZN increased considerably, from 11% of the national claims in 2019 to 22% in 2022, with the total homeowners' cover claims paid in KZN increasing from over R300 million in 2021 to over R700 million in 2022; with the increase largely attributed to the weather-related events.

According to the latest FinMark Trust's Finscope Survey, only less than 10% of households in South Africa have homeowners' or household contents insurance. This indicates that there are still more households that do not have insurance covers for their properties. Therefore, SAIA would like to encourage homeowners to recognise the value of having their properties insured for protection from financial loss should they encounter damage to or loss of their property due to an unforeseen event.

It is also essential that consumers are aware of and understand the related risks that their properties may be exposed to and as such, establish possible risk mitigating approaches to reduce their risk exposure. This includes evaluating the conditions and location of their property, in order to establish the potential damage/ loss exposure to natural disasters.

Non-life insurance acts as a vital safety net in times of crisis. Consumers should proactively understand their coverage and taking appropriate measures to mitigate the impact of natural disasters and rebuild with confidence.

Themba Palagangwe, SAIA
General Manager for Governance & Transformation

Actions for consumers to consider when affected by natural disaster:

1 - Observe communication from the local or disaster management authorities on recommended evacuation and safety tips.

2 - Capture photos or videos of the damage to your property to serve as crucial evidence during the claims process.

3 - Have your insurance contract handy and always familiarise yourself with its content, including the extent of cover for your property and household content.

4 - Notify your insurance company or insurance broker promptly of your claim.

5 - If your home is uninhabitable, inquire about coverage for alternative accommodation, as many policies include this provision.

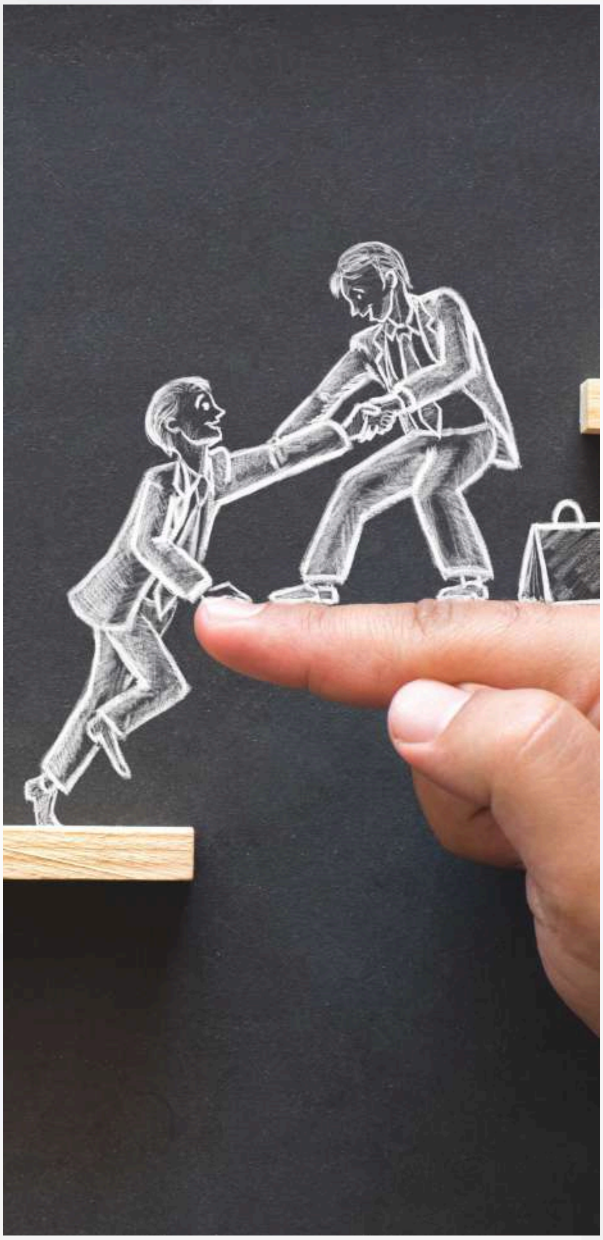
INNOVATE, ADAPT, THRIVE IN AN EVOLVING INSURANCE LANDSCAPE

Brand Pretorius, CEO of Momentum Insure

We live in a world and country laden with challenges and uncertainties. While this is a reality for most, if not all, industries, I can't help but feel that the insurance industry has had a unique experience.

As an industry, we like to argue that insurance is a protective shield our clients can take 'cover' behind – knowing they are protected in case the unexpected (or the inevitable) arises – but how do we cover ourselves? As the South African insurance industry, we've had our fair share of unique struggles to deal with over the years, but from a global perspective - economic headwinds, inflationary pressures, supply chain disruptions, and the ever-looming threat of climate change are reshaping the terrain, demanding nimble strategies and innovative solutions from insurers.

In the middle of all this turbulence and change, the insurance industry has to emerge as a beacon of hope, resilience and adaptability that helps chart a course towards a brighter and more sustainable future. So, what does the picture look like if we take a step back and analyse the industry as it currently stands?

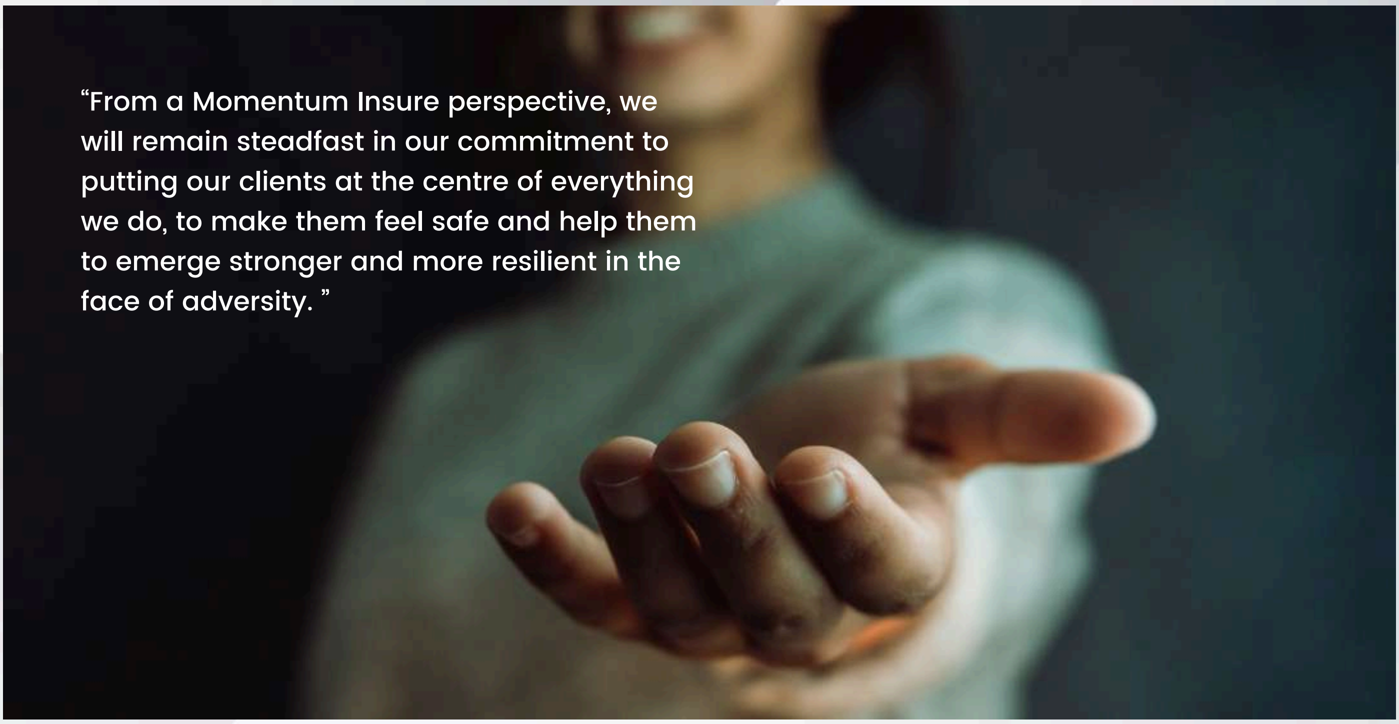


Understanding some industry trends and challenges

The current operating environment presents a variety of obstacles for insurers. Margins are razor-thin, squeezed by a weak economic backdrop and escalating costs. Reinsurance rates have undergone a structural reset, necessitating higher risk retention and premiums. Inflationary pressures further compound the predicament, increasing claims cost and stretching resources thin. Adding to that picture the impact of changing weather patterns, exacerbated by the deterioration of critical infrastructure, one can easily be demoralised.

Despite significant industry efforts to enhance the situation in recent years, we anticipate that additional corrective measures will be necessary. Improved risk management will play a crucial role in enhancing underwriting outcomes. Simultaneously, digitalisation remains pivotal for unlocking efficiencies and reducing costs in a period of limited growth prospects. None of the above will be possible without the invaluable role financial advisers play for their clients.

In the ever-evolving landscape of financial advice, the role of financial advisers is however undergoing a transformation. Financial advisers of the future will be less transactional, focused on proactive risk management, being tech-savvy, but still deeply committed to their clients' financial well-being. The need for proper advice has never been greater. While technology will continue to reshape the industry, the human element of trust, empathy, and personalised guidance will remain crucial in helping clients navigate their financial journey.



Momentum Insure's response

As we consider this complex future, we have to adopt a proactive stance, leveraging innovation and resilience to navigate what lies ahead. At the heart of Momentum Insure, is our Safety value proposition. It represents a comprehensive collection of practical solutions to assist our clients to better understand, manage and improve their safety.

In a country like South Africa, we believe that this safety-driven purpose, enables us to make a difference beyond our traditional insurance offering and give our clients the value and peace of mind they deserve.

Recognising the pivotal role of technology, we are prioritising back-office digitalisation and embracing big data and artificial intelligence to drive risk prediction and prevention. But what about the most important component of our success – our financial advisers and clients? We know that financial advisers demand the highest level of service and tools to enable them to play their role as effectively as possible.

Much of our focus will be aimed at improving ease of doing business, and better supporting intermediaries. As a business, Momentum Insure remains attuned to evolving client behaviours, embracing digital adoption, and championing personalised solutions that tailor to specific individual needs.

We also appreciate the importance of delivering excellent service, and showing up in a way that makes our clients feel safe. We know that we are a business with heart and we understand that behind every transaction, every decision and every claim, there is a human being with hopes, fears, dreams and aspirations.

A message of resilience

As Mike Tyson famously quipped, "Everybody has a plan, until they get punched in the mouth.” Although he said this in the run-up to his infamous fight with Evander Holyfield, where he could anticipate an upcoming ‘natural disaster’ in the clash of two giants, this quip still fits perfectly into our world. As an industry, we have taken a few punches, and we have had to make new plans and change old plans. But we have also been there for millions of South Africans, in their time of need.

We have delivered hope when all was thought to be lost. This is something we can collectively be very proud of. In an environment filled with uncertainty, we must know that our resilience, adaptability and our ability to provide hope, are our greatest assets.

From a Momentum Insure perspective, we will remain steadfast in our commitment to putting our clients at the centre of everything we do, to make them feel safe and help them to emerge stronger and more resilient in the face of adversity.

TRANSFORMING PET HEALTHCARE IN SOUTH AFRICA

Louise Griffith, CEO of Medipet

Pet owners face significant challenges when it comes to pet healthcare, especially due to the cost of pet healthcare in relation to pet owner income. I recently discussed these issues with Louise Griffith, CEO of Medipet, exploring the significant role of comprehensive pet insurance in ensuring the well-being of our furry companions.

A Passion for Animals

Louise's journey began in Botswana, where she was surrounded by animals from a young age. Her passion for working with animals and people led her to pursue veterinary nursing in the UK. After obtaining her surgical diploma and gaining extensive experience with both large and small animals, Louise noticed a stark difference in pet care between the UK and South Africa. In the UK, most pets are insured, alleviating financial concerns for pet owners and enabling them to provide the best possible care for their animals.

The Birth of Medipet

Upon returning to South Africa, Louise was struck by the financial constraints faced by pet owners. The cost of veterinary care was often a deciding factor in whether pets received treatment or were euthanised. This realisation spurred her to establish Medipet, a pet insurance company specializing in dogs and cats. Medipet aims to bridge the gap between the high cost of veterinary care and the limited financial means of many pet owners, ensuring pets receive the care they need without compromising their owners' budgets.

Unique Value Proposition

Medipet stands out in the crowded pet insurance market due to its in-house veterinary expertise. The team, comprising veterinary nurses and veterinarians, reviews every claim and application, ensuring that pet owners are fully informed about pre-existing conditions and coverage details. This veterinary knowledge is crucial in advocating for the appropriate treatment and coverage of claims, making Medipet a trusted partner for both pet owners and veterinarians.

Comprehensive Coverage - A comprehensive pet insurance plan with Medipet includes protection for illnesses, accidents, emergencies, and injuries. Louise emphasised the importance of understanding that pet insurance is not the same as medical aid. In South Africa, where medical aid is the norm, pet owners often confuse the two.

Unlike medical aid, pet insurance operates on a short-term basis, covering unforeseen expenses rather than routine care. Routine care, such as vaccinations, sterilisations, and deworming, is considered the responsibility of the pet owner. While some insurance providers include routine care in their policies, Medipet believes these costs should be budgeted for separately by responsible pet owners.

Instead, Medipet focuses on covering significant, unexpected expenses, such as surgeries and treatments for serious illnesses. Gastrointestinal issues and skin allergies are among the most common claims in terms of volume. However, the highest costs are associated with surgeries for conditions like cancer, spinal issues, and ligament ruptures.

Medipet's comprehensive plan covers these high-value procedures, including post-surgery rehabilitation such as physiotherapy, ensuring pets receive holistic care. Prevention plays a critical role in maintaining pet health.Medipet encourages responsible pet ownership through routine care benefits and wellness programs..

The company even includes a behavior benefit, addressing issues like separation anxiety and obsessive-compulsive disorders, which became prevalent after the COVID-19 lockdowns.

Insurance meets veterinary expertise

Medipet's in-house veterinary expertise provides significant benefits to clients. The team's professional knowledge ensures that claims are accurately represented to underwriters, avoiding unnecessary disputes over treatment protocols.

This expertise also informs the development of insurance products that align with the latest advancements in veterinary medicine, supporting both pet owners and the veterinary industry.

The insurance industry plays a vital role in supporting the veterinary profession. By alleviating the financial burden on pet owners, insurance enables veterinarians to provide optimal care without compromise.

Louise highlighted the importance of a full-circle approach, where insurance supports the veterinary industry, which in turn ensures pets receive the best possible care.

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We Are ***Clear About Service***

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My Glass comes to you, offering convenient on-site solutions.

Versatility

Not just vehicle glass, My Glass also specializes in building glass repairs and replacements.

Custom Claims Management

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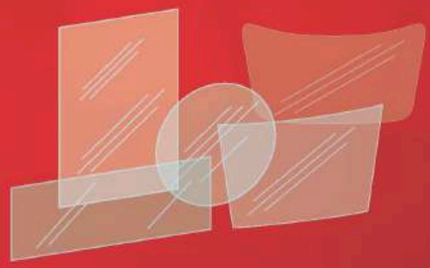

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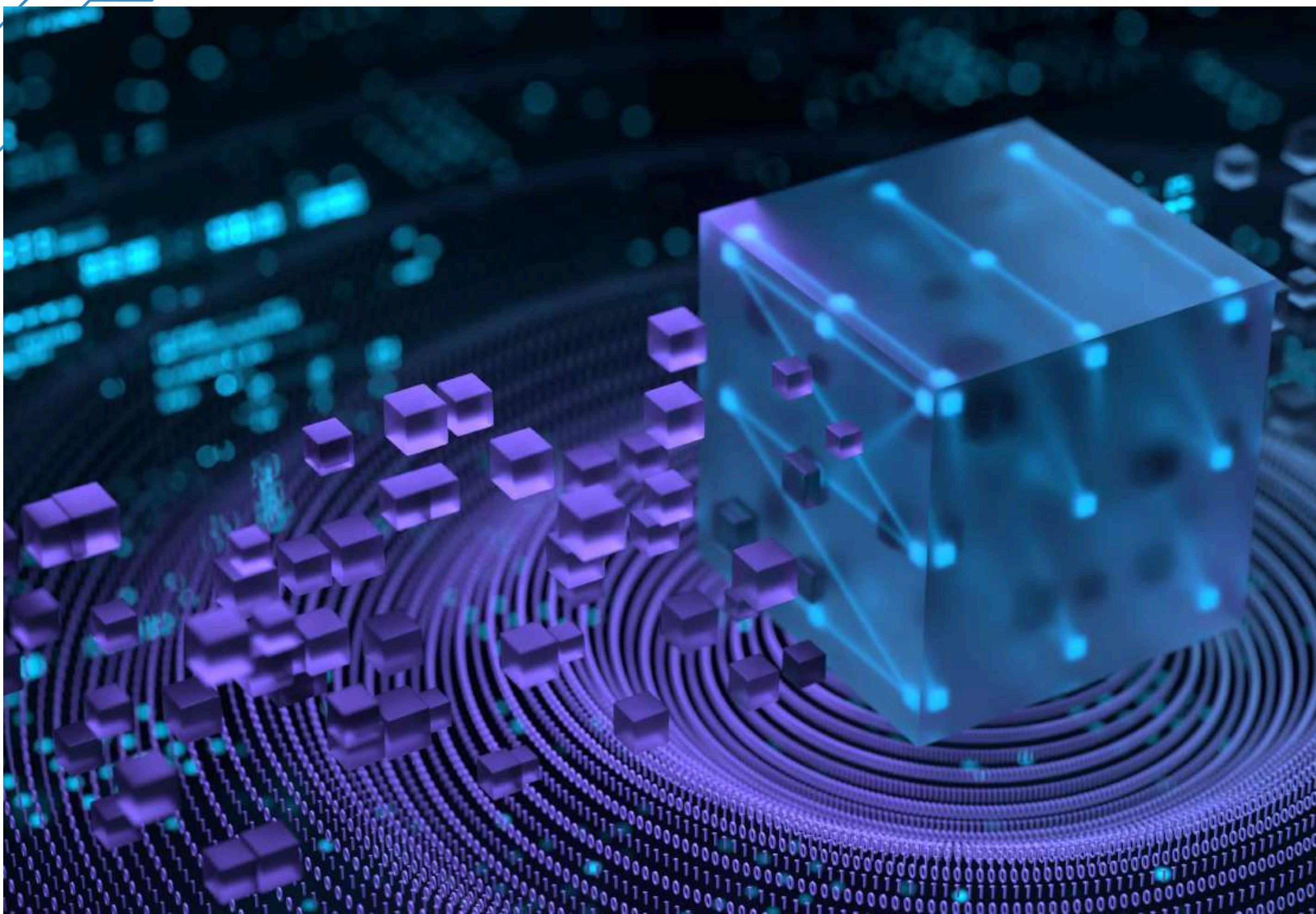


"AI and advanced analytics are transforming how insurers detect and prevent fraud, ultimately leading to more efficient and secure processes."

- NICK FEAST

THE EVOLUTION AND FUTURE OF INSURANCE TECHNOLOGY PLATFORMS

Graham Harvey, CEO, Cardinal Group

Over the past 25 years, I've witnessed and been a part of the incredible evolution in insurance technology. As we navigate through this journey, it's essential to reflect on how far we've come and what the future holds for our industry.

Strategic Investments and Ecosystem Expansion

Recognising the importance of a connected ecosystem around the insurance organisation, we've made strategic investments in complementary businesses. About 8-10 years ago, we identified the need for tightly integrated solutions beyond our core policy administration. This led to the acquisition of companies like Codeplex, a service provider management and spend direction solution, and a digital business specializing in self-service and digital portals. These investments allow us to offer a comprehensive, future-proof solution to our clients. The future of insurance technology lies in the plug-in insurance model and seamless ecosystem integration. No single system can excel in all areas, which is why we focus on integrating best-of-breed solutions through robust API layers.

This approach enables us to partner with specialists in CRM, collections, and other areas, ensuring that our clients benefit from the best technology available. While our core operations remain in South Africa, we've expanded our presence to Mauritius, the UK, and Australia. Each region presents unique challenges and opportunities, requiring us to adapt our solutions to local market conditions and regulations. For instance, Australia's regulatory environment is still catching up to where we were ten years ago, but we see significant potential in this market.

Building the foundation with Cardinal C360

When we first started building our back-end insurance policy administration system, Cardinal C360, about 25-26 years ago, the insurance industry was a different landscape. Since then, we've rewritten our software four times, each iteration shaped by our learnings and the evolving needs of our clients. Today, our platform processes approximately R22 billion in gross written premiums, serving a diverse client base that continually challenges us to enhance our software's functionality and scalability.

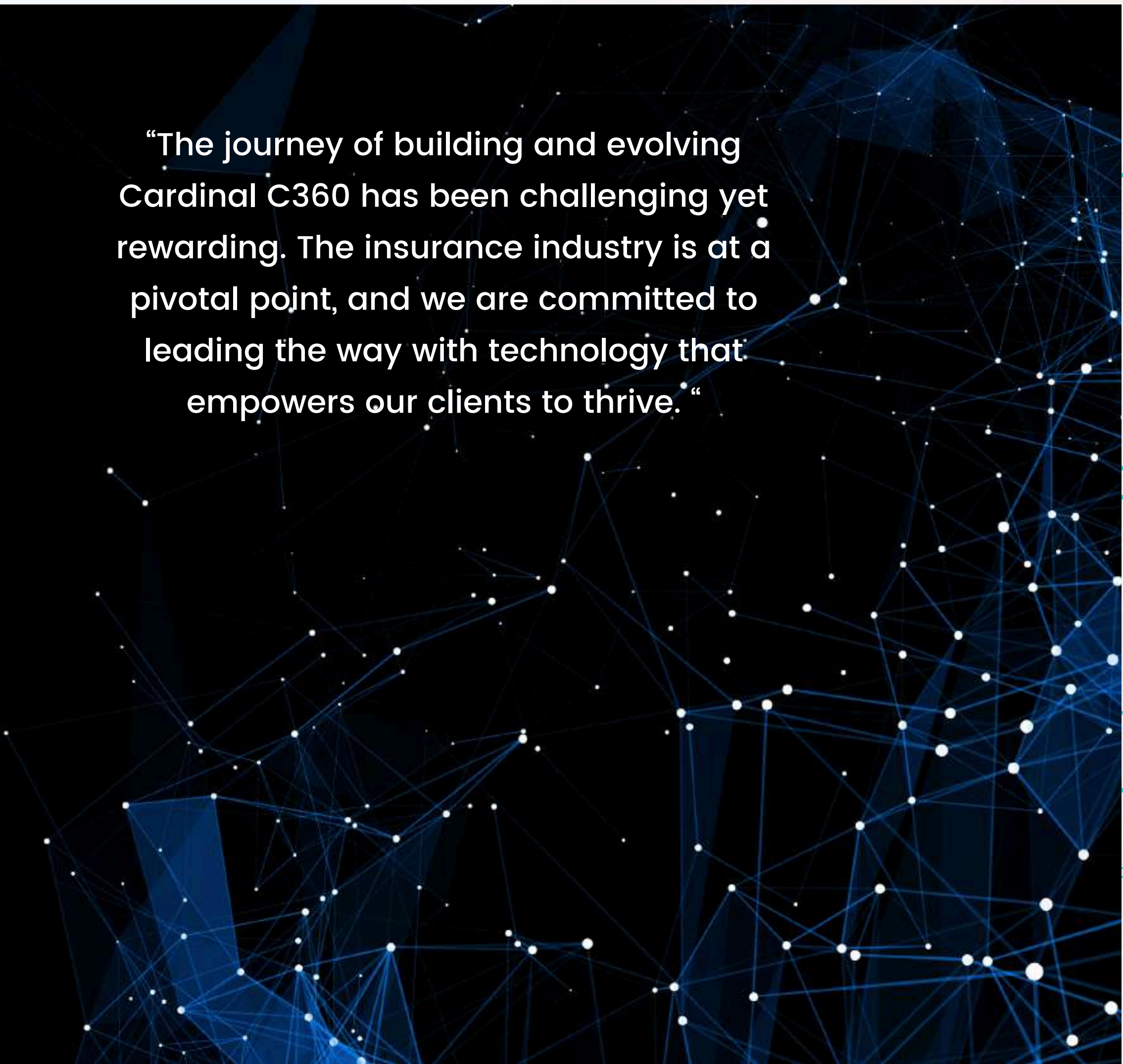
One of the key differentiators of Cardinal C360 in a highly competitive market is our commitment to adaptability and innovation. We've expanded our capabilities from handling standalone brokerage solutions to managing large administrators, underwriting managers, insurers, and corporate brokers. This growth has been fueled by the deep domain knowledge we've built over the years and our close collaboration with clients, which has been crucial in developing challenging functionalities.

Navigating Uncertainty and Embracing Flexibility

The insurance industry is constantly evolving, with new functionalities and market demands emerging rapidly. Our strategy involves maintaining flexibility and being able to pivot quickly, based on our clients' needs. This agility is crucial in an environment where committing to long-term decisions can be challenging due to volatility and uncertainty. Amidst all these changes, the core insurance administration system must remain rock solid. It needs to be highly configurable, allowing clients to make changes and build new products easily. Moreover, it should have a clear upgrade path and be capable of exposing its functionality through API layers. This ensures that clients can build out their ecosystem and integrate various partners seamlessly.

Looking Ahead

As we look to the future, our focus will remain on innovation and client collaboration. We'll continue to invest in our platform, ensuring it meets the evolving needs of the insurance industry. By maintaining a strong core system and expanding our ecosystem through strategic partnerships and acquisitions, we aim to provide our clients with the best possible tools to succeed in a rapidly changing market.



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LEVERAGING AI FOR FRAUD DETECTION AND PREVENTION IN INSURANCE

Nick Feast from SAS

Combating fraud in the insurance industry is a complicated process, facing significant challenges. I would like to share some insights into how analytics solutions are helping the industry in this task.

Some background: SAS has been a pioneer in analytics for over 45 years, starting with agricultural data in the seventies. Today, we offer around 400 products that address various business challenges across numerous industries, including pharmaceuticals, construction, marketing, retail, and financial services. Fraud and financial crime detection and regulatory compliance have become critical growth areas for us, particularly in the banking and insurance sectors.

A Dual approach to fraud detection and prevention: Fraud affects all industries, and the insurance sector is no exception. Detecting and preventing fraud is essential to protect both the insurer and the customer. In insurance, this means scrutinising claims for suspicious activity and assessing the risk of new applications at the onboarding stage.

Insurers face a tough balancing act: they need robust controls to identify fraudulent claims whilst also ensuring genuine claims are processed swiftly and efficiently. Traditional processes are manual, resource-intensive and often ineffective, as no organisation can review every claim in detail. This is where analytics comes in, automating the detection process and allowing experienced assessors to focus on the most suspicious cases.

The Role of Analytics: Analytics enhances detection capabilities by identifying patterns and trends that manual processes might miss. It involves using a combination of techniques, including predictive models, anomaly detection, business rules, text analytics, and advanced network analytics. This layered approach improves detection accuracy and reduces false positives, ensuring that investigators only work on high-quality alerts.

Enhancing detection and prevention with AI and Machine Learning

AI has revolutionised fraud detection and prevention by enabling faster, more accurate decision-making. Supervised learning involves training models on labeled data to predict the likelihood of fraud. For example, we might use a year's worth of claims, which are labeled as either fraudulent or legitimate, in order to train a model. This model can then be used to identify new claims that are likely to be fraudulent, based on historical patterns.

These models are continuously updated to adapt to new fraud tactics. In contrast, unsupervised learning, or anomaly detection, builds a profile of normal behavior and identifies deviations from this norm. This is particularly useful in scenarios where there is a lack of labeled data available for building models but can also be very effective at identifying new types of fraudulent activity. By detecting anomalies, insurers can uncover suspicious behavior that might otherwise go unnoticed.

Hybrid Approach

A hybrid approach, combining predictive models, anomaly detection, business rules, and network analytics, offers a comprehensive solution. For instance, social network analysis can identify relationships and nodes of influence, revealing hidden connections and collusion between disparate entities, as well as other patterns and associations that may be indicative of fraud. This method considers both individual entities and the broader network, providing a powerful tool for both fraud detection and investigation.

Data Quality: The Foundation of Effective AI - Effective fraud detection and prevention rely on high-quality data. At SAS, we assist organisations in preparing their historical data for AI modeling and fraud detection. This involves a range of data quality and standardisation processes, including entity resolution, which helps to consolidate information across multiple sources and build accurate entities and networks. Without good data, even the best analytics solutions will fail so this step is a crucial part of the process.

Beyond Fraud Detection: Our solutions extend beyond fraud detection to other areas of the insurance industry, including underwriting, pricing, and actuarial modeling. Many of the AI and analytical techniques used for fraud detection can be applied to predict customer behavior, optimise pricing strategies, and improve risk assessment.

The insurance industry is on the cusp of a technological revolution. AI and advanced analytics are transforming how insurers detect and prevent fraud, ultimately leading to more efficient and secure processes. At SAS, we are committed to helping our clients navigate this brave new world, providing the tools and expertise needed to stay ahead of emerging threats.

THE RISING IMPORTANCE OF SANCTIONS COMPLIANCE: A DEEP DIVE INTO OUR LATEST REPORT

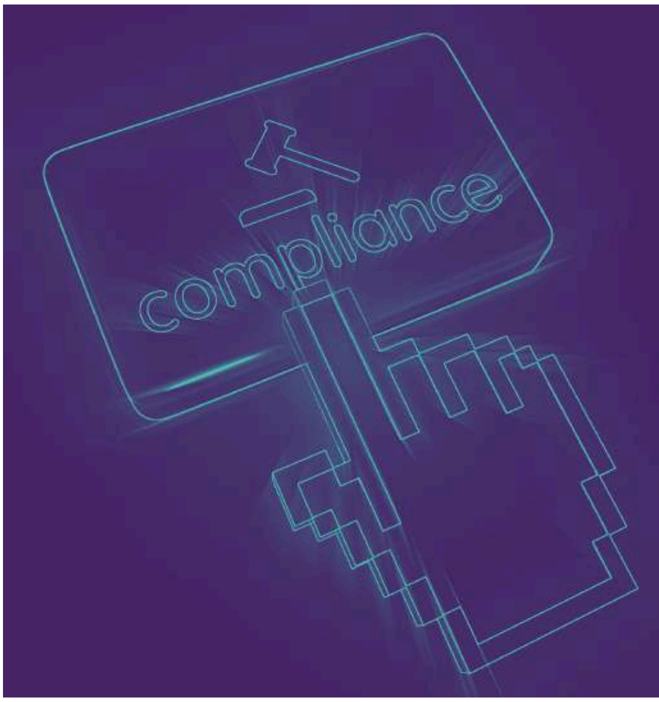
Vincent Gaudel, Financial Crime Compliance Expert at LexisNexis Risk Solutions

In recent years, the landscape of international sanctions has shifted dramatically, becoming a critical concern for businesses worldwide.

With the onset of the war in Ukraine, sanctions have moved to the forefront of global policy discussions. Our latest research, "Taking the Pulse of Major Sanctions Lists: A Look Back on 2023 with Predictions for 2024," aims to shed light on these developments and their implications for businesses. The impetus for our latest report stemmed from the unprecedented wave of sanctions that emerged in 2022, a year we termed the "sanction storm."

As we entered 2023, our primary question was whether this storm had subsided or continued unabated. The findings were clear: while the sheer volume of new sanctions had slightly decreased, the overall use and enforcement of sanctions remained extensive. Notably, we observed significant growth in the major sanctions lists and frequent updates from Western regulators, emphasising the need for businesses to stay vigilant and up to date with these changes.

Troubling fragmentation: One of the key trends highlighted in our report is the stark disconnect between the United Nations (UN) sanctions lists and those of major Western regulators, such as the US, UK, and EU. The UN sanctions list, which reflects international consensus, has seen a decline in new actions, indicating a troubling fragmentation and polarisation within the global community. This lack of consensus at the UN level contrasts sharply with the more aggressive stance of Western nations, particularly in response to regional and national issues.



For international businesses, navigating this fragmented regulatory environment poses significant challenges. The extensive reach of US sanctions, particularly those enforced by the Office of Foreign Assets Control (OFAC), cannot be overstated. The US employs secondary sanctions, compelling even non-US entities to comply with their measures or risk being sanctioned themselves. This approach has seen practical enforcement, with the US targeting businesses and individuals globally who facilitate sanctions evasion.

> Effective compliance requires a multi-faceted approach. It begins with establishing clear policies and procedures, followed by rigorous controls to verify customer identities, monitor transactions, and ensure that no sanctioned entities are involved.

In the financial services sector, compliance with these complex and far-reaching regulations is paramount. Organisations must undertake thorough risk assessments to identify their exposure to sanctions risks, considering their activities, geographic reach, and customer base. This risk assessment serves as a crucial compass, guiding the development of robust policies and procedures to mitigate these risks.

Effective compliance requires a multi-faceted approach. It begins with establishing clear policies and procedures, followed by rigorous controls to verify customer identities, monitor transactions, and ensure that no sanctioned entities are involved. Utilising advanced tools and up-to-date data is essential for uncovering potential sanctions risks. However, technology alone is not a silver bullet. Investing in human expertise and providing comprehensive training for staff are equally critical to ensure they understand the nuances of sanctions regulations and can make informed decisions.

FATF signals urgency: The recent addition of South Africa to the grey list by the Financial Action Task Force (FATF) underscores the importance of robust compliance measures. While leading financial institutions in South Africa are generally well-versed in these requirements, there remains a need for broader adherence to international standards across the spectrum of financial services firms. Enhancing customer due diligence processes and investing in effective compliance tools are essential steps toward improving the country's standing. Moreover, compliance is not solely the responsibility of the private sector.

Regulatory authorities must also play a proactive role in supervising and enforcing adherence to these standards. This dual approach ensures that both private and public sectors work together to mitigate financial crime risks, including money laundering and terrorism financing, which are intrinsically linked to sanctions compliance. The evolving sanctions landscape presents both challenges and opportunities for businesses worldwide. Staying informed and compliant with international sanctions is crucial for maintaining financial integrity and fostering economic growth.

By adopting a comprehensive and proactive approach to sanctions compliance, businesses can navigate this complex environment effectively and contribute to a more secure global financial system.

TECHFEST 2024 DAY ONE HIGHLIGHTS: INNOVATION AND COLLABORATION IN INSURANCE

The 2024 TechFest conference kicked off with an electrifying mix of keynote speeches and panel discussions, delving into the transformative trends shaping the insurance industry. The sessions underscored the critical need for specialisation, technological innovation, and collaborative efforts to navigate the rapidly evolving landscape.

Paul Donnelly's Keynote: The Future of Insurance

Specialization and Expertise

Paul Donnelly, a prominent figure from FINEOS, opened the conference by sharing his extensive experience and insights. With a background at Munich Re and now with FINEOS, Donnelly highlighted the necessity for niche expertise in today's complex insurance market. He argued that general wisdom is no longer sufficient; instead, organisations must partner with specialists to drive meaningful innovation.

Technological Advancements

Donnelly emphasised the transformative impact of cloud computing and advanced analytics. He pointed out the dramatic rise in corporate data stored in the cloud, signalling a shift that has affected not only insurance but all industries. This transition underscores the importance of leveraging data for underwriting, claims, and customer insights.

Data as a Core Element

Elevating data to a standalone focus area, Donnelly stressed its critical role in modern insurance practices. He suggested that the industry must move from seeking operational efficiency to fostering adaptability and flexibility in response to continuous technological and societal changes.

Adapting to Change

In his concluding remarks, Donnelly called for enhanced collaboration both within and outside organisations. By leveraging strategic partnerships, insurers can better manage complex technological systems and deliver superior customer experiences.

TECHFEST

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YuLife Keynote: Revolutionizing Insurance with Gamification

Engagement through Gamification

Jaco Oosthuizen from YuLife delivered a captivating keynote on transforming insurance into an engaging and enjoyable experience. YuLife, established in 2017, has rapidly captured significant market share in the UK and is expanding globally. Oosthuizen showcased YuLife's use of gamification to make insurance more engaging. Inspired by apps like Pokemon Go, YuLife encourages users to engage in healthy behaviors through a gamified platform.

Customer-Centric Approach

YuLife's innovative model prioritises prevention and wellness, shifting the traditional insurance paradigm from "I win, you lose" to a win-win scenario. This approach benefits both the insurer and the insured, promoting overall well-being.

Tech and Fun Integration

Oosthuizen highlighted YuLife's collaboration with world-class tech experts, including game designers from popular apps like Candy Crush. This partnership has been crucial in enhancing user experience and engagement. By focusing on simple, achievable health goals, YuLife ensures broader participation and continuous engagement from users.

Simplicity and Accessibility

Emphasising simplicity, Oosthuizen stressed that YuLife's approach makes wellness accessible and enjoyable for everyone. Small, achievable steps like walking or meditating are promoted to ensure users stay engaged and motivated.

Panel Discussion: The Role of Collaboration in Innovation

Breaking Down Silos

The panel discussion featured industry leaders Zahed Rassool of MyGlass, Paul Donnelly of FINEOS, Michael Settas of Cinagi, and Anthony Miller of Simply who shared their insights on the role of collaboration in driving innovation. They emphasised the need to dismantle organisational silos to foster a culture of teamwork and collective progress.

Partnering with Tech Firms

Highlighting the importance of external collaborations, the panelists discussed successful partnerships with tech companies. These collaborations bring specialised knowledge and innovative solutions to the insurance industry.

Customer-Centric Innovations

The panel underscored the significance of understanding evolving customer needs. Integrating technologies that enhance customer experience and trust is crucial. By focusing on customer-centric innovations, insurers can meet and exceed customer expectations.

Future Trends

Discussions also touched on the potential of AI, machine learning, and big data to transform underwriting and claims processing. These technologies promise to improve efficiency and provide personalised services, setting the stage for the future of insurance.

Communication: A Key Element

A crucial aspect of the panel discussion was the emphasis on effective communication. The panelists agreed that clear and transparent communication is vital for successful collaboration and innovation. By maintaining open lines of communication, organisations can ensure that all stakeholders are aligned and working towards common goals.

Conclusion

Day one of TechFest 2024 set a high bar with thought-provoking sessions that highlighted the pivotal role of technology and collaboration in the insurance industry. From Paul Donnelly's emphasis on specialisation and data-centric strategies to YuLife's innovative gamification approach, and the collaborative insights from industry leaders, the conference provided a comprehensive overview of the trends shaping the insurance landscape. These sessions underscored a common theme: the need to adapt, innovate, and collaborate to thrive in an increasingly complex and digital world.

TECHFEST 2024 DAY TWO: HIGHLIGHTS: EMBRACING INNOVATION & AGILITY IN INSURANCE

The second day of TechFest 2024 continued to delve into the transformative trends shaping the insurance industry, focusing on hyper-personalisation, the revolutionary impact of AI, and the need for agility in intermediary roles. Here's an in-depth look at the highlights from the day's sessions.

Schalk Fischer's Keynote: The Age of Hyper-Personalisation

Embracing Data-Driven Personalisation

Schalk Fischer, National Sales Manager: Insurance Vertical at TransUnion, kicked off the day with a keynote that underscored the critical role of data in driving hyper-personalisation within the insurance industry. Fischer highlighted how data usage has evolved to become highly detailed and specific, covering the entire value chain from customer acquisition to claims management.

Navigating Market Stagnation

In a stagnant market, Fischer emphasised the need for insurers to focus on retaining customers through smarter segmentation. He stressed the importance of distinguishing between good customers experiencing temporary financial distress and those who are less desirable to retain. This nuanced approach can help insurers maintain a stable customer base even in challenging economic conditions.

Proactive Engagement Over Reactive Measures

Fischer's address underscored the significance of proactive engagement. Insurers must anticipate customer needs and issues before they arise, rather than reacting to them at renewal times or during service calls. By leveraging data to identify potential problems early, insurers can enhance customer satisfaction and loyalty.

Integrating Comprehensive Data

One of Fischer's key points was the integration of comprehensive datasets. TransUnion's extensive database, which overlays credit data with spatial data, enables insurers to pinpoint ideal customer segments with high precision. This targeted approach allows for more effective marketing and service provision, ensuring that insurers can meet customer needs more accurately and promptly.

Vis Govender's Keynote: AI and Insurtech - A Disruptive Force

AI: A Technological Revolution

Vis Govender, founder and CEO of Everything.insure, delivered a compelling keynote on the transformative power of AI in the insurance industry. Govender likened AI to other major technological breakthroughs such as the wheel and the internet, highlighting its potential to radically change the landscape of insurance.

The Potential of Generative AI

Govender explained the concept of generative AI, a type of artificial intelligence that can create new content. This technology has profound implications for insurance, enabling processes that were previously manual and time-consuming to be automated and enhanced.

Disrupting Distribution

AI is set to revolutionise insurance distribution by enhancing broker capabilities. Govender detailed how AI can handle diverse inputs, from emails and financial documents to PDFs and voice notes, to produce outputs like records of advice and policy summaries. This automation can significantly streamline the work of brokers, allowing them to focus more on client relationships and strategic tasks.

Practical Applications in Insurance

Govender provided practical examples of AI applications, such as creating a risk management website or generating comprehensive insurance reports. These capabilities demonstrate how AI can enhance efficiency, reduce errors, and improve the overall customer experience in the insurance sector.

AI's Broader Impact on Insurance

Govender emphasised that AI is not a mere fad but a significant technological shift that will impact every aspect of insurance. From underwriting to claims processing, AI can provide deeper insights and more accurate risk assessments. He also pointed out the potential of AI in fraud detection and prevention, which can save insurers significant resources and protect customers.

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Panel Discussion: The Age of the Agile Intermediary

Agility and Adaptation

The panel discussion, featuring Vis Govender and Marcia Le Roux of SSP, focused on the need for agility among intermediaries in the insurance sector. The discussion highlighted how intermediaries must adapt quickly to changing market conditions and customer expectations to remain relevant and competitive.

Integrating Technology

The panelists discussed the importance of integrating new technologies to streamline operations and improve customer interactions. By adopting innovative solutions, intermediaries can enhance their service offerings and provide more value to their clients.

Collaborative Efforts

Collaboration emerged as a key theme, with panelists emphasising the importance of working together with insurers, tech providers, and other stakeholders. Effective collaboration can drive innovation and efficiency, leading to better outcomes for all parties involved.

The Role of Communication

Effective communication was highlighted as a critical factor in fostering innovation and efficiency. Clear and transparent communication among all stakeholders can help ensure that everyone is aligned and working towards common goals.

Conclusion

Day two of TechFest 2024 provided valuable insights into the future of the insurance industry. From Fischer's emphasis on hyper-personalisation and proactive engagement to Govender's exploration of AI's transformative potential, the sessions highlighted the need for innovation and agility. The panel discussion further reinforced the importance of collaboration and effective communication in navigating the rapidly evolving landscape of insurance. As the industry continues to embrace these trends, insurers and intermediaries alike will be better positioned to meet the challenges and opportunities of the future.

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