COVER

Knowledge Shared

SMALL BUSINESS
BIG IMPACT

APRIL 2022

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WHY RENASA,
ROGER?

SME'S 2022

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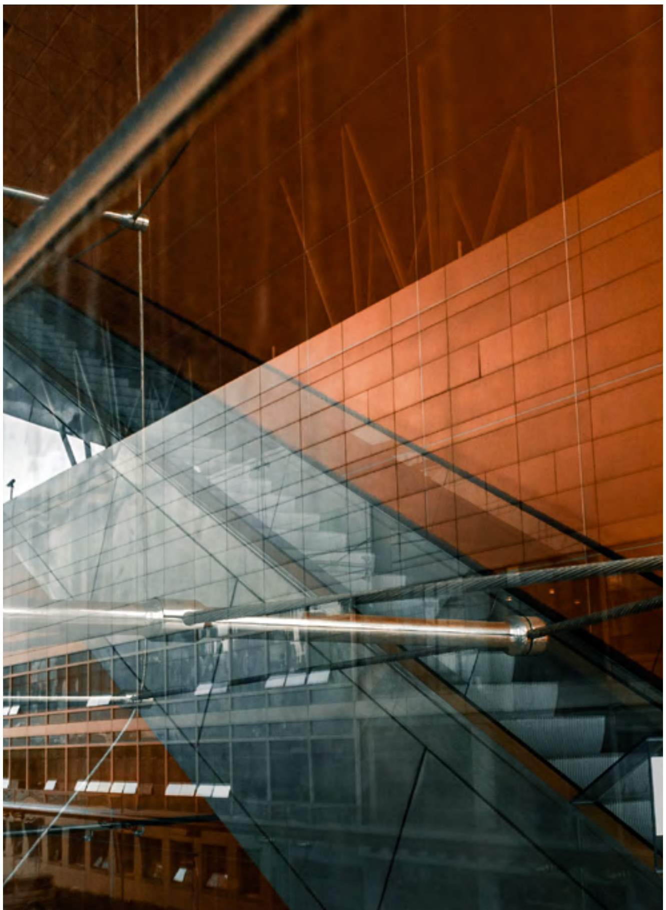

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The most valuable asset in this picture **is the one most people forget to insure.**

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Welcome to COVER

Knowledge Shared

Editor's Note

SME'S 2022

The past few years in South Africa has clearly illustrated the risks faced by SMEs in the country. From business interruption during the COVID19 pandemic, riots, looting, and recently the devastating damage caused by flooding and other weather-related losses.

No doubt, insurance is the most effective way to mitigate these risks, opening a massive growth opportunity for the insurance industry, even direct insurers have taken advantage.

The fact that insuring SMEs requires very specific advice, has led to brokers updating expertise and resources needed to take advantage themselves and direct insurers bringing back relationships with brokers.

All these factors will lead to this space seeing the best growth and innovation in our industry over the next few years.

Long live advice.

TONY: EDITOR IN CHIEF

FINANCIAL PLANNING

Creating an effective financial plan was complicated enough before the arrival of crypto currencies, non-fungible tokens (NFTs) and blockchain technology

- Mzwandile Mtshali - PPS

FINANCIAL ADVISORS MUST BE THE VOICE OF ENLIGHTENMENT

The 2021 edition of the 10X Retirement Reality Report underlines the steadily deteriorating pension outlook for South Africans: compared to the inaugural report published in 2018, even fewer now look forward to a comfortable retirement. This is evident across all age groups, demographics and income levels. Partly, this reflects our ongoing economic malaise and, partly, individual financial crises exacerbated by pandemic lockdown measures. But the survey also identifies another problem: a lack of engagement with the subject

ISHANI KHOOSAL-KALA

Head of EB Corporate Distribution at 10X Investments

Even among high-income households (those earning more than R50,000 pm), 70% of respondents worry about having enough money in retirement, suggesting that, for some, the problem is rooted in behaviour and inattention. This lack of serious engagement prolongs people's financial ignorance deep into adulthood. They don't learn the financial facts of life until they feel the consequences of their disregard.

This ignorance is apparent in our notoriously poor savings culture, which typically manifests in saving too little for retirement, starting too late and not preserving fund proceeds on changing jobs. It is also evident in the lack of funds for a rainy day, the overuse of expensive, unproductive debt, and in self-defeating investment practices, such as paying away too much in fees and emotional decision-making.

Some of this behaviour can be put down to such personality traits as lack of conscientiousness and self-control – "systematic irrationality", as National Treasury calls it. In others, intervention by way of financial education at school, financial advice during the initial work years and ongoing financial mentoring thereafter could lead to better outcomes.

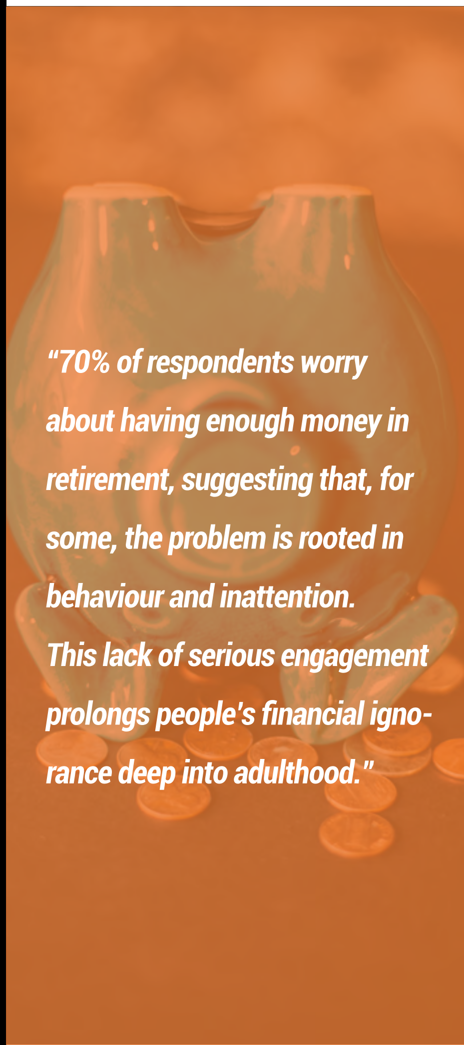
Treasury may now have facts it needs to rally support for retirement reform

The 10X Retirement Reality Report is based on results of the Brand Atlas survey, which tracks the lifestyles of the 15 million economically active South Africans in households earning more than R8,000 per month. Alarmingly, that modest cut-off already excludes two-thirds of households in the country. Even among those who have the capacity to save, 79% fear they won't have enough, or feel unsure. A mere 7% are not worried, likely drawn from those 8% of respondents who describe themselves as having "a carefully though-out retirement plan that I am properly executing". For most people, the most pragmatic way to ease their retirement worries is to calculate the cost of their retirement and follow a sensible savings and investment plan to fund that cost. There are online tools that will quickly produce such a plan, but relatively few people are aware that a retirement goal can be calculated, or that tools, such as the 10X Investments [retirement savings calculator, exist.

Others will not feel confident about the output. In the face of so many seemingly unknowable variables, such as retirement age, future income and expenditure levels, inflation and investment returns, and annuity rates, it is not surprising that many people take a fatalistic approach towards retirement and just hope for the best, especially during their younger years. They won't go looking for an answer if they don't think there is one.

And, of course, it is one thing to print out a plan and quite another to put it into practice. Financial advisers can add huge value simply by ending "analysis paralysis" and putting a plan into action, even if it is not immediately perfect. The failure to go through a proper planning process, to become more financially enlightened, can manifest in hubris, unrealistic expectations, and uninformed decisions.

Even those with some sort of plan are likely to benefit from some hand-holding. Thoughtful asset allocation and an understanding of what fees they are paying, and for what, would have a profound effect on the long-term investment return. More than half the report's respondents who are saving don't know the fees they are paying or think there are no fees at all. This talks to the potential benefit, for the less financially savvy in particular, of having



the various costs properly unpacked and explained. Many retirement savers would benefit from encouragement to stay the course if the plan misfires over the short-term. The most obvious and yet profound advice is alerting savers to the power and necessity of compound growth. Starting early is one aspect of this, preserving accumulated pension or provident fund savings another.

Among the respondents who belonged to a corporate scheme, almost two-thirds admitted they knew little or nothing about their fund. It is heartening, though, that only 7% were not really interested while 36% said they wished they knew more. These numbers are surely a sign that fund administrators are failing in their communication, and that there is an information and advice gap in the market.

The percentage of fund members who cash out their savings on leaving their employer remains stubbornly high, at 60%, and talks to a poor understanding of the consequences. The pandemic may have made this a necessity for some but, even before, exiting fund members frequently took all the money, whether they had an urgent need for it or not (and possibly because they were not alerted to the option to preserve all or a part of those savings). Underlining this lack of appreciation of the role that compounding plays in a long-term savings plan, almost half the respondents believe they can secure their retirement in under 30 years, unaware that a 10-year delay will cost them half their pension. Which is why this message must reach its target audience in their twenties, not their thirties.

The 10X Retirement Reality Report confirms that people across all income bands are worried about making retirement ends meet. This makes it not only an income problem, but also a savings problem rooted in a lack of retirement planning. This manifests as unrealistic expectations, uninformed decisions and goal-defeating behaviour.

Timeous financial advice may correct some of the poor saving behaviour; at the very least, it would dispel the illusion that this is a problem for another time.

WHAT DOES THE METAVERSE
MEAN FOR FINANCIAL PLANNING?

Creating an effective financial plan was complicated enough before the arrival of cryptocurrencies, non-fungible tokens (NFTs) and blockchain technology.

Of course, you could ignore such developments; our capacity to process novelty is indeed finite. But these technologies are gaining real momentum. And they are likely to change the way the world works, regardless of our readiness. One way that might happen is through the large-scale adoption of working and socialising in virtual realities – collectively known as the metaverse.

You Have Seen it Before

The concept of the metaverse is an extension of what video gamers have been doing for years: completing tasks using an avatar in a digital environment.

But in the case of the metaverse, your virtual reality (VR) headset takes you *inside* those digital playgrounds, allowing you to experience the landscape in 3D.

Decentraland an environment in which you can meet friends or work colleagues in wildly imaginative landscapes and structures. Perhaps its main attraction is the ability to buy digital real estate within that space, minted as NFTs, using cryptocurrency.

To be sure, the investment case for digital land is leaky at best. Investors hope that more people, and therefore more businesses, will congregate and transact in these virtual worlds.

Maybe then they could rent or sell their "land" to brands who need store frontage, advertising space or a place to hold virtual events.

Meet Me in the Metaverse

Buying digital land may prove to be ludicrous. But, that is not all there is to be done in the metaverse. Imagine this: It is time for your bi-annual meeting with your financial adviser. You are travelling abroad, so instead of your usual face-to-face meeting, you agree to meet him in the metaverse. At a coffee shop, perched at the foot of the Himalayas (because you can), your conversation kicks off with small talk around the watch his avatar is wearing, an NFT designed by Omega. You ask what it is worth. He tells you it is halved in price just this morning. You laugh and think, **good icebreaker**.

To matters at hand, he conjures a 3D visualisation of your financial plan. You easily tinker with your income, expenditure and risk assumptions and agree that more offshore exposure is needed in your investment portfolio. A biotech fund in the Netherlands looks like a promising solution. The avatar of the fund's portfolio manager (you are a big spender) joins your table to explain the underlying investment strategy. You like what you hear and make an investment there and then, no paperwork is required thanks to the wonders of financial assets stored on decentralised blockchain technology. You proceed to make similar frictionless tweaks to your insurance and healthcare cover.

Some parts of that hypothetical client experience trump what is possible in the real world. The obvious downside is that you will not be able to incorporate the body language of your adviser, nor that of the portfolio manager, into your decision making – the avatar graphics are not there yet.

A Parallel Economy

Several industries stand to benefit from the proliferation of the metaverse as a medium of interaction and transaction, including:

- Digital infrastructure (connectivity, semiconductors, cloud and edge computing)
- Consumer tech (VR and AR headsets)
- Gaming, art, music and sports
- Cybersecurity

Who are the companies in this space? The big tech names already have exposure to the metaverse: Google, Apple, Microsoft and Meta are making eye-watering investments. But purer metaverse plays like Fastly, Unity Software, Roblox and Autodesk are also interesting.

Note: we are not recommending you buy these shares. Rather, read about them. Knowledge of what they do will improve your grasp of how the metaverse is pieced together, who the key players are and where the potential investment opportunities lie.

Extending Omnichannel

The success of any financial plan is often contingent on the willingness of the client to engage with it. In that context, the *channel* matters.

At PPS, we are working hard to provide leading financial, health and wealth services to our clients across the continuum that spans face-to-face, virtual and robo advice.

Our digital innovation drive is creating an integrated, omnichannel experience that gives our clients the freedom to choose their preferred medium of engagement, as well as their level of autonomy in developing their financial plan.

Will the metaverse become another PPS channel? Ultimately, that depends on whether you want to meet us there. We believe it is worth thinking about.

YOUR MILLENNIAL CLIENTS AREN'T BULLETPROOF

By 2030, the percentage of people aged 35 to 64 years who will die from premature cardiovascular disease (CVD) is expected to rise by 41%. Accounting for 14 million South Africans, millennials make up a significant portion of this group, and by the time they realise they need to protect themselves from the financial fall-out of CVD, they may be uninsurable. This is where intermediaries can make a massive difference through proactive advice and risk mitigation.

Advisers have a critical role to play in convincing younger clients they need cover, especially for the curveballs no one wants to think about. Once a big health event happens, it's usually too late – cover may be inaccessible. Millennials who plan poorly for the financial fall-out of this may place their health and their financial future at risk.

PETRIE MARX

Product Actuary at Sanlam Individual Life

"CVD is a serious concern from a financial planning perspective it was the leading cause of Sanlam's death and funeral claims in 2020"

CVD is a serious concern from a financial planning perspective says Marx, noting that it was the leading cause of Sanlam's death and funeral claims in 2020, before the full effect of the Covid-19 pandemic was felt. It was also responsible for 8% of all disability claims during this period and heart-related diseases accounted for a combined 20% of all severe illness claims.

It's consistently one of the country's biggest killers and over half of all CVD-related deaths occur before age 65. The good news is that 80% of these should be preventable, through positive lifestyle shifts.

Here are some of the ways brokers can help clients mitigate the financial fall-out of big health curveballs:

1. Cut through the 'it won't happen to me' mind-set: It's not about fearmongering. But it is about sharing real, relevant stories to encourage millennials to see what can happen when no policies are in place.

For example, Blaine Swarts, a risk specialist at Sanlam, is now determined to share his story to remind millennials they're not bullet-proof. Blaine had his first heart attack at age 39 and his second at 49. He was convinced heart attacks only happened to 'old people', so had no policies prior to the incidents. After the attacks, he wanted cover, but was now considered uninsurable. His story is not unique.

In 2020 and 2021, 23.5% of Sanlam's approved severe illness claims for myocardial infarction were from people under the age of 40. During the same period, this group accounted for 9.5% of admitted dread disease claims for myocardial infarction. It's imperative there's more awareness around the impact of major health curveballs on personal finances and people's insurance prospects.

2. Build the foundation: Advisers can play a pivotal part in ensuring young clients bolster their resilience through medical aid, gap cover, income protection, severe illness cover, and an emergency fund.

3. Know the risk factors: While advisers aren't health professionals, they should be versed in the key factors that increase clients' risk for big health issues like CVD, especially in so far as these influence premium prices. For example, smoking is the single most preventable cause of disease, disability, and death in the world, according to the UN. Smokers have a 2 to 3 times greater risk of dying of a heart-attack than non-smokers do. Because of this increased risk, a smokers premiums are generally more than double that of non-smokers. Being overweight can also be an early warning signal for diseases like type 2 diabetes. It's important to be able to relay information like this to clients.

As a financial adviser, you play a critical role in helping your clients create a holistic roadmap to ensure a strong foundation is in place to protect against life's curveballs. No one is bulletproof, so it is important to plan for the worst while hoping for the best.

HOW SEQUENCE RISK AFFECTS RETIREES

When we reach retirement age, we expect our hard-earned savings to provide us and our beneficiaries with income for another 30 years or more. Since we are no longer accumulating capital, we have a finite amount of retirement funds from which to draw a pension over the years to come.

There are a number of options available when planning a pension ranging from guaranteed income annuities, life annuities or living annuities. Investment linked living annuities (ILLAs) also offer retirees the flexibility of managing their own investments and levels of income withdrawals within wide parameters.

It is important that retirees work with their financial planners to carefully determine the structure, size and affordability of their future pension withdrawals. Many assumptions are made during this planning process, including estimates of future investment returns and inflation.

During this process it is also important that retirees are made aware of the dangers of sequence risk (or sequence-of-return risk) and how short-term market volatility may permanently impact the level of their future income.

The Negative Impact of “Bad Timing”

We know that the market has its ups and downs. When we are young and in the early stages of our saving careers, we are net investors. Market volatility can mean buying assets at lower prices whenever the market takes a dip so early-stage savers can afford a long-term view to help accumulate retirement savings.

However, things change as we approach or enter retirement and become net sellers of assets. During a market downturn, many retirees with investment linked annuities (such as ILLAs) may need to sell some of their investments at lower-than-expected prices to maintain a desired level of income. Selling more assets than expected leaves one with less capital to fund future income. Even if markets rebound, you may still experience a lasting negative impact on the ability to maintain your planned levels of income.

Sequence risk is thus of concern for income-reliant investors, whereby pension withdrawals during a bear market are more costly than in a bull market – especially during early retirement.

To mitigate sequence risk, investment linked annuitants and their advisors focus on more conservative investment strategies that aim to provide some level of capital preservation while still providing inflation-beating returns over the shorter to medium term.

Income Funds Providing Lower Real Returns in the Post Covid-19 Environment

Amid the unprecedented economic contraction due to Covid-19, central banks are encouraging growth by keeping monetary policy rates and funding costs low. However, one consequence is that SA our investment environment has undergone a "paradigm shift", with successive interest-rate cuts raising unseen risks for investors.

For many years prior to the Covid crisis, South African savers were spoilt with high real policy rates. The South Africa Reserve Bank (SARB) typically pegged the repo rate at expected inflation plus 2 or 3%, which offered a comfortable real return for negligible risk. You were able to buy lower risk money market instruments yielding 7.0-8.0%, while inflation was tracking around 4.5-5.0%. It was therefore possible to earn low risk CPI+3% returns and, when you add some credit or duration risk, many income funds were yielding real returns in excess of CPI+4% during those years. It is therefore no surprise that income funds became a core investment in most post retirement portfolios.

But now, post Covid, things have changed dramatically. Globally, central banks have maintained policy rates at very low levels to help boost global economic growth. In South Africa, the current repo rate of 3.5% is more than a percent less than expected inflation of around 5%. We have moved to a zero (even negative) real policy rate environment and today most money market investments are yielding the same as or below expected inflation. Gone are the low-risk CPI+3% days.

The new reality, at least in the short to medium term, is that investors will be hard-pressed to earn more than 6.5% p.a. from income funds without attracting undue duration, credit or liquidity risks.

What Choices are Available to Investors?

When targeting relatively stable returns in excess of CPI+2%, investors and their advisors may consider adding some exposure to low and medium equity multi-asset funds to their portfolios. Unit trusts in these categories typically limit equity exposure to 40% or 60% and aim to achieve a real return of 3-4% over the medium term.

These funds follow a diversified approach and invest into a range of asset classes that include money market, bonds, inflation-linked bonds, property and equities in both local and global markets. Some funds maintain a static (or strategic) asset allocation, while other funds have a more active approach to asset allocation.

Active Asset Allocation Can Reduce Risk

Active asset allocation can be used as a risk-mitigating tool. At Matrix we adopt an active approach to our asset allocation. We formulate a twelve-month scenario view on what the performance of different asset classes may be and compare these possible return ranges to expected inflation.

We adapt our asset allocation to help provide our investors with the best possible chance of beating their inflation targets, while being cognisant of the downside risks that various asset classes hold.

Investors requiring short-term capital security may find high-quality income funds attractive, but for the reasons above, these funds are unlikely to produce the same inflation-beating returns as in the recent past.

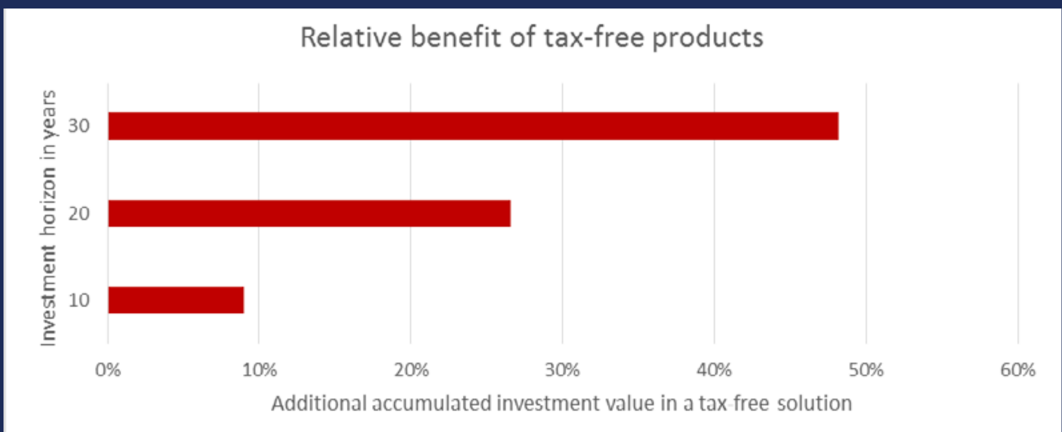
Risk-averse investors with a three-year view may, in consultation with their financial advisor, consider multi-asset low- or medium-equity funds as a useful component of their overall investment strategy.

INVESTING TAX-FREE

Momentum Investments

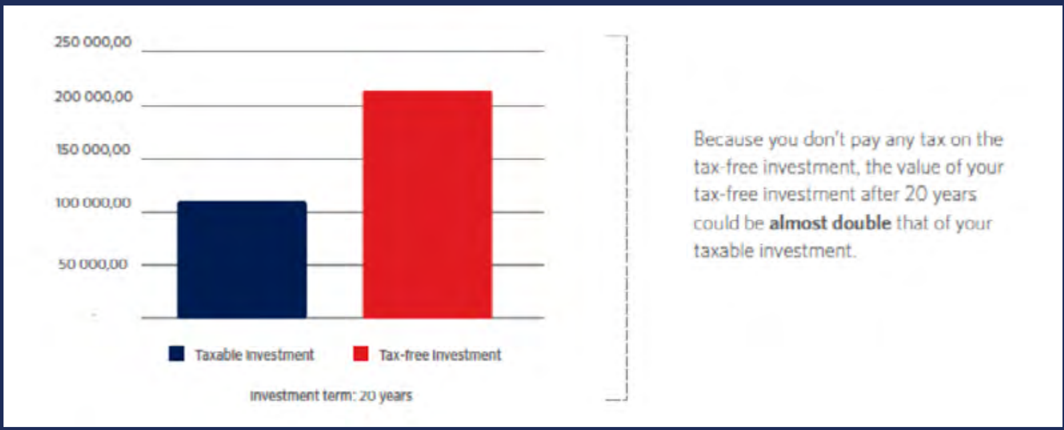
Tax-free investment products have been around for a while. Although this relatively new investment vehicle should be welcomed and some clients are using these as part of their financial plan, many are using them but not making the most of it, and many are not using them at all. Financial advisers know that investing tax-free can offer material benefits over the long term. In fact, the true benefit of tax-free investments is really unlocked if they are considered as part of a long-term investment strategy.

If we compare the proceeds from a tax-free investment to an equivalent taxed investment vehicle over different investment horizons, we can see the benefit. As an example, over 10 years a tax-free product can offer almost 10% higher accumulated value if compared to a taxed investment vehicle, assuming a marginal tax rate of 30%. And this can increase to almost 50% higher accumulated value over a 30-year period.



Source: Momentum Investments, March 2021

Tax-free investment products also offer additional flexibility. Unlike retirement fund solutions, a tax-free investment solution is not restricted to Regulation 28 requirements. You can therefore use this solution to tweak the overall asset class allocation of your client's investment portfolio, especially if there is a need for higher allocation to appropriate growth asset classes. The tax-free feature of this investment will be most beneficial when a client starts early in life and keeps it until retirement or beyond. Another example can illustrate the power of investing tax-free. Let's say you invest R36 000 as a lump sum amount in a typical tax-free investment and also R36 000 in a typical taxable investment. We assume that you leave the money to grow for 20 years and get growth of 10% a year from the investment fund you chose for the two investments.



Source: Momentum, April 2021

Clients will get the most out of the investment by:

- investing as much as they can, within the limits (R36 000 per year; R500 000 lifetime);
- investing as much of the allowable yearly amount as early in the tax year as possible;
- investing in growth asset classes; and
- leaving their money invested for as long as possible.

Clients will override the advantages by:

- using the investment as an emergency fund or for other short-term needs;
- withdrawing any amount before retirement
- investing in conservative underlying asset classes, such as fixed interest; or
- investing more than the allowable yearly amount.

With us, investing is personal and our Flexible Tax-free Option from Momentum Wealth gives clients the following added benefits to help them achieve their financial goals:

- The widest choice of underlying investment components to suit each client's personal investment needs and goals.
- Our outcome-based solutions fund range targets specific growth outcomes, making the choice of investment funds easier.
- We offer cost efficiency, even more on our Target range of funds where we use passive-style investing with an active twist.
- We make sure clients don't exceed limits with us, to avoid tax penalties.

We believe that financial advice plays a critical role to understand clients' personal circumstances and develop an investment strategy that addresses your clients' personal investment goals. If clients have the discipline to invest tax-free, and stay invested, they will reap the benefits over the long term.

To calculate the impact of tax on the taxable investment, we assume:

- that your income is R600 000 a year;
- that you use the full interest exemption and capital gains tax exclusion every year on other investments; and
- that you take your money out of this investment after 20 years.
- We also assume that you use the same investment fund for both investments. We have excluded the impact of fees for this illustration.

Momentum Wealth (Pty) Ltd (FSP 657) is an authorised financial services provider and part of Momentum Metropolitan Life Limited, an authorised financial services and registered credit provider (FSP 6406). Momentum Investments is part of Momentum Metropolitan Life Limited, an authorised financial services and registered credit provider (FSP 6406). The Flexible Tax-free Option is a life insurance product, underwritten by Momentum Metropolitan Life Limited, a licensed life insurer under the Insurance Act and administered by Momentum Wealth (Pty) Ltd.

HEDGE FUND INDUSTRY GROWS ASSETS TO R86.93 BILLION

The South African hedge fund industry ended 2021 with assets under management of R86.93 billion. This represents a healthy growth in assets of R13.66 billion over the 12-month period.

The annual hedge fund statistics released today by the Association for Savings and Investment South Africa (ASISA) show that the nearly 19% growth in assets was achieved in spite of further consolidation and closure of funds, which reduced the number of hedge funds from 233 at the end of 2020 to 216 at the end of 2021.

Hayden Reinders, convenor of the ASISA Hedge Fund Standing Committee, explains that the reduction in hedge funds continues to be driven by fund managers consolidating their product offerings into either Qualified Investor Hedge Fund structures or Retail Hedge Fund structures.

South Africa became the first country in the world to put in place comprehensive regulation for hedge fund products in April 2015. The regulations provide for two categories of hedge funds, namely Qualified Investor Hedge Funds and Retail Hedge Funds. Qualified Investor Hedge Funds require a minimum investment of R1 million and are open to investors with a solid understanding of the investment strategies deployed by hedge funds and the associated risks. Retail Hedge Funds, on the other hand, are more strictly regulated in terms of the investments and the risks that they are allowed to take and are open to all investors who can afford the average minimum lump sum investment amount of R50 000.

Salient Numbers

	QUALIFIED INVESTOR HEDGE FUNDS		RETAIL HEDGE FUNDS	
Number of Funds	2021	2020	2021	2020
Assets Under Management (AUM)	R53.68bn	R46.33bn	R33.25bn	R26.94bn
Percentage of AUM	62%	63%	38%	37%
Net Annual Flows.	-R1.04 bn	-R1.39 bn	-R1.63 bn	-R1.06 bn

"The South African hedge fund industry ended 2021 with assets under management of R86.93 billion."

Popular Hedge Fund Strategies

Hedge funds are designed to mitigate the impact of market volatility on capital by applying specialist strategies within the different asset classes. Hedge funds in South Africa are therefore classified according to their investment strategies:

- Long Short Equity Hedge Funds** are portfolios that predominantly generate their returns from positions in the equity market regardless of the specific strategy employed such as "long bias" and "market neutral".

- Fixed Income Hedge Funds** are portfolios that invest in instruments and derivatives that are sensitive to movements in the interest rate market.

- Multi-Strategy Hedge Funds** are portfolios that over time do not rely on a single asset class to generate investment opportunities but rather blend a variety of different strategies and asset classes with no single asset class dominating over time.

- Other Hedge Funds** are portfolios that apply strategies that do not fit into any of the other classification groupings.

The most popular hedge fund strategy in South Africa is "equity long/short". At the end of 2021, 56.9% of retail money was invested in Long Short Equity Hedge Funds and 53.5% of qualified investor money.

	RETAL FUNDS % OF ASSESTS	QUALIFIED FUNDS % OF ASSETS
Long Short Equity	56.9%	53.5%
Fixed Income	30.7%	6.7%
Multi-Strategy	12.3%	38.4%
Other	0.1%	1.4%

YOUR LONG-TERM INVESTMENT

JOURNEY DOESN'T COME IN A STRAIGHT LINE

COVER

On the surface, financial planning may seem like a trivial endeavour but in actual fact it needs to be seen as a goal that one continuously invests in to see and reap the rewards in the future. In practice, this turns out to be one of the most difficult financial journeys most people embark on, fraught with uncertainty, emotional turmoil and if one isn't careful, there is the notable risk of failing to meet one's investment objective.

Whilst clients or investors journey is bound to be bumpy, investment professionals and financial advisors have a crucial role to play in dampening the volatility of client or investor experience and ensuring the likelihood of meeting the client goal is maximised both via investment and behavioural aspects. Let's unpack this financial journey in greater detail. The first thing we need to do is define success, a trickier task than one might imagine.

SAVE OUR GROUNDWATER

PLANT AN INDIGENOUS GARDEN

Why is groundwater important?

Although we cannot see it, groundwater is essential to natural ecosystems and agriculture all around the world. In arid countries, like South Africa, where water is a scarce and very valuable resource, groundwater supplies are even more important. Groundwater is found in aquifers deep below the soil surface. Farmers use these water sources for irrigation, contributing about 15% of the total water consumption of the country. We may think 15% sounds like a relatively small contribution but think again. There are over 300 towns in arid parts of South Africa that are completely reliant on groundwater for all of their water needs.

A threat to our groundwater resources

Groundwater in South Africa is under threat from invasive alien plants. These are plants that come from areas outside of our borders and do not naturally occur here. Once they are introduced into our environment, they become overabundant and displace the indigenous plants that would normally grow in our ecosystems. These invasive alien species are infamous for their excessive use of resources, including groundwater.

For example: Prosopis, a tree from the Americas, has invaded large areas of the arid parts of South Africa. It grows in dense stands at the expense of all the indigenous vegetation that would usually grow there. It uses 5 times more water than our indigenous vegetation. The roots of Prosopis grow as deep as 50m into the ground and reach into aquifers where they deplete valuable groundwater supplies. Most indigenous plants that grow in the same areas have roots that only reach up to 10m deep, and do not reach the aquifers. Prosopis is a direct threat to groundwater resources in South Africa.

What is the solution?

Once invasive alien plants become abundant, they are very difficult to control. However, when groups of people get together to remove these plants by pulling up saplings and cutting down larger plants, we can make a big difference. It is also important that we invest in sustainable control options, such as biological control. One easy way that everybody in South Africa can make a difference is by planting indigenous plants rather than alien ones. This would reduce the spread of alien invasive plants in the country and support the preservation of our groundwater reserves.

Professor Iain Paterson,
Center for Biological Control, Rhodes University

Iain Paterson is an entomologist and botanist working at the Centre for Biological Control at Rhodes University. He is passionate about the protection of indigenous biodiversity and natural resources. He specializes in the biological control of invasive alien plants and has published over 50 academic papers on the subject. Iain works to understand the negative impacts of invasive alien plants on natural ecosystems, including their impact on water resources, and to develop sustainable and environmentally friendly ways of reducing these negative impacts.

Infiniti Insurance is inspired to contribute in this way toward developing awareness, knowledge and capacity. In support of the Sustainable Development Goals.

6 CLEAN WATER AND SANITATION

Goal 6 calls on us to ensure availability and sustainable management of water and sanitation for all.

#NOTIMETOWASTE

> **Success in a financial journey is therefore more appropriately viewed as a series of decisions and events as opposed to a singular outcome.**

Most people think of success as an outcome, an endpoint, or more generally a destination. Think of the kids in a car on a long car ride who constantly ask, "**are we there yet?**". Success is more difficult to pin down as there are many key moments along a journey that contribute to the eventual outcome. Success in a financial journey is therefore more appropriately viewed as a series of decisions and events as opposed to a singular outcome. To be sure, arriving at one's destination can be seen as success, but this destination may never have been reached without the careful attention, planning and appropriate responses of the driver to risks and obstacles along the journey.

Next thing we need to consider the concept of uncertainty. Human beings have a distinct preference for certainty, the comfort of "knowing" means we can go about our daily lives with a sense of ease. Financial markets, unfortunately, do not possess this desirable characteristic of certainty especially in the short-term. To invest in financial markets, one needs to be prepared to look through the short-term gyrations and to think not in terms of certainty but rather in terms of uncertainty. For example, don't think in a binary fashion as to whether interest rates **will** or **won't** rise. Rather consider **how likely** interest rates are to rise, and **how likely** they are to stay the same or even decline. This provides a more balanced assessment and gives one a more holistic appreciation of likely future outcomes.

One thing is certain, money is emotional. People work tirelessly for many years to earn money, and it stands to reason that watching that money grow will bring delight and seeing the value of your money decline in value is likely to bring anguish. During market declines, clients respond to this anguish and often disinvest for the perceived safety of cash, and then reinvest once markets have recovered.

Unless one can time the market perfectly (close on impossible) this is invariably value destructive. The appropriate response is (interestingly enough) to do nothing, or more precisely to exercise patience and allow markets the necessary time to deliver. This of course assumes that the money isn't needed for a more immediate and pressing use during an economic downturn.

During these uncertainties, it's important to ensure that clients are educated by helping them make well informed decisions along their investment journey. FNB has placed significant importance on the educational elements for clients and content has been created for all types of investors from detailed market analysis to the basic principles of investing. At the end of the day, we all have the responsibility to educate ourselves to make better investment decisions, so we achieve our long-term goals. Education is now at our fingertips, from simple financial courses, to podcasts, webinars, videos and unpacking of market events.

BIDVEST LIFE: CHANGING THE WAY WE DO LIFE INSURANCE

In 1995, FMI was one of the first insurers in the country to specialise in income protection for business owners and the self-employed market. We've been helping South Africans achieve financial peace of mind for the past 27 years by insuring their most important asset: their monthly income.

In March we rebranded ourselves to Bidvest Life. It's a huge moment in our business. In time we believe it will be the catalyst for a step-change in the life insurance industry towards protecting the paydays of ordinary South Africans. There are several reasons for the rebrand. For one, we don't want to be the 'best kept secret' in the local life industry anymore. As Bidvest Life, we want to build a brand in the market by making our product more accessible to all South Africans, and continue to provide cover that is easy to understand and talks to the specific needs of our customers.

We're confident we can achieve this with the backing of the bigger Bidvest Group, who we've been part of since 2016.

Some things won't change. As Bidvest Life we remain a purpose-driven business that's 100% committed to making a difference to our people, our customers, our independent financial advisers (IFAs) and our stakeholders. What will change is our ability to unlock growth opportunities and raise our profile in the consumer market almost immediately.

It will better connect us with our important audiences, and help us reach previously underserved segments of the market. It will help us drive greater awareness of our Income First approach, and get ordinary South Africans rethinking what life insurance means.

The Covid-19 pandemic highlighted the importance of income protection, especially for business owners and self-employed. FMI paid 92% of all claims in 2020. And according to FMI's 2020 Claims Report, 87% of all claims paid in 2020 were for Income Protection benefits. What the pandemic continues to show that income protection is still the most effective insurance against the risk of injury or illness.

We were one of the first financial services providers to offer income protection to previously uninsurable market segments, like business owners and the self-employed, at a time when only professionals could qualify for cover.

Today we provide cover to more occupations than any other insurer. We cover not only high-risk occupations like oil rig workers, but also those sensitive to claims, like musicians, and non-traditional work statuses such as freelancers, multiple income earners and contract workers.

Time to Shake Up the Industry

As Bidvest Life we aim to change the way life insurance is talked about and sold in South Africa. We want to shift the old focus on traditional life cover to a new focus on what really matters: protecting yourself, your business and your family when you can't earn an income.

We want Bidvest Life to become synonymous with income protection – and for income protection itself to offer a better quality of cover to more customers, giving customers and advisers more claim certainty.

More than that though, as Bidvest Life we will be guided by our values of bravery, empathy and excellence in everything we do as a company. What does this mean?

We will persistently challenge norms and push boundaries in search of better ways to change lives. We will act with compassion and care deeply. We will understand South Africans' realities and ambitions. We will put people first. We will hold ourselves accountable, and stay true to our word.

We've always been a feisty challenger brand that punches above our weight in the local industry. Now, we're a business with huge growth potential.

As part of a broader Bidvest offering, we will be part of a Group that can offer consumers a wide range of financial services under one umbrella, including banking, short-term insurance and life insurance.

Welcome to our world. When life happens, we show up.

FORUM TO COLLABORATE ON INFRASTRUCTURE DEVELOPMENT FUNDING LAUNCHES IN SA

First-of-its-kind, Asset Owners Forum South Africa officially launches through the support of USAID and the World Bank

> There has never been a better time for asset owners to invest in infrastructure in sub-Saharan Africa.

The Batseta Council of Retirement Funds for South Africa (Batseta), in partnership with the U.S. Agency for International Development (USAID), World Bank, and MiDA Advisors (Mobilizing Institutional Investors to Develop Africa's Infrastructure), is pleased to announce the launch of the Asset Owners Forum South Africa (AOFSA or the Forum).

The AOFSA is a first-of-its-kind collaboration of local pension funds to support a common goal of investing in South African infrastructure and real assets for the benefit of their members, while maximizing the positive socio-economic impact of those investments. The Forum has been founded by 12 of the largest pension funds in South Africa with collective assets approaching R3 trillion (US$200 billion) and aims to align key investments in infrastructure and other alternatives for economic and social impact.

"Given the current environment, this is a clarion call to action for pension funds to align and seek synergies and mobilise long-term capital to provide resources for development of our local infrastructure. This should be done by generating sufficient risk-adjusted returns for our members to retire on while developing a sustainable world for them to retire into," said Ndabezinhle Mkhize, Chairman of the AOFSA and Chief Investment Officer of Eskom Pension & Provident Fund.

A further key goal of the Forum is to invest over R3.75 billion (US$250 million) in long-term projects over the next five years by pooling assets from pension funds including small and medium-sized funds. There are currently more than 5,000 pension funds in South Africa, according to the Financial Sector Conduct Authority, with total estimated assets of R4.6 trillion, or US$306 billion.

Unpacking the 2021 Mercer Report on Infrastructure financing in sub-Saharan Africa, Jolly Mokorosi, AOFSA Vice Chair and Independent Trustee, notes that there has never been a better time for asset owners to invest in infrastructure in sub-Saharan Africa. Rebounding from the Covid downturn means robust macroeconomic growth on the continent, while deepening capital markets and potential partnership opportunities with local institutional investors, afford excellent potential for international asset owners.

"The timing of the launch of this Forum couldn't be more auspicious" poses Roselyn Spencer, Managing Director of MiDA Advisors. "Given Mercer's research and the current proposed amendments to Regulation 28 of the Pension Funds Act, we see investment opportunities arising at exactly the moment that institutional investors need to be taking advantage of them."

As a major contributor to the success of this Forum, USAID has provided resources to support implementation partners like MiDA Advisors in providing advisory support, capacity building, and technical assistance to develop the Forum's framework to unlock and mobilise private capital in South Africa. This support aims to drive local investments in infrastructure and facilitate two-way, objective-focused investment between U.S. investors and South African pension funds.

"We see this as enormous progress in local pension funds making a difference in the lives of their communities. It is a step forward for funds to unite as co-investors to develop the economy," said Radesh Maharaj, Chairman of Batseta

The Asset Owners Forum South Africa was officially launched on Friday, November 19, 2021, in South Africa. Following the launch, Forum members will focus on project consideration and analysis for investment.

SME FEATURE

The SME market is quite a different market but probably one of the most important markets for the South African economy at the moment

- Michael Clack, Renasa

INSURANCE SOLUTIONS FOR SMES MUST INCLUDE BUSINESS SUPPORT

Lacklustre economic performance, business interruption due to lockdowns, political instability and changing consumer behaviours are the perfect storm, creating a challenging environment for businesses.

Although this is an environment ripe with opportunities for innovation, many SMEs were the hardest hit by the pandemic, and 70% of SMEs report that they have had to cut back on business spending to survive.

Even before the pandemic hit, South Africa had one of the highest failure rates of new SMEs in the world, with five out of seven businesses failing within the first year. In a challenging environment, small operations often have to cut back on spending and may be tempted to cut back on their business insurance.

This is because companies typically look for ways to save money during difficult times, underestimating their risk exposure and insurance needs. There may also be a knowledge barrier in other words, business owners are not always sure what cover they actually need, misunderstand what's available to them or make the assumption that they don't need a specific kind of cover.

However, having sufficient insurance and attending to risk mitigation are two critically important areas that should not be neglected especially during a challenging environment when the business would find it difficult to recover from a loss event.

Broker Advice is Invaluable

To help businesses avoid underinsurance, Discovery Business Insurance advocates selling insurance through brokers. The expertise of brokers can help to avoid pitfalls while making sure that businesses are purchasing enough of the right cover.

Brokers understand a business owner's needs based on the nature of their business, as well as the ever-evolving landscape of risks they face today. Risk exposure typically changes and brokers know when and how to plug the gaps in order to avoid underinsurance challenges, especially when it comes to intangible risks.

Tools to Help Businesses Owners Understand their Business Risks

It is important for prospective business insurance clients to undergo a risk assessment by a competent risk assessor to identify any risk blind spots that may exist. These processes are helpful in ensuring that clients are adequately and appropriately insured, as well as in reducing or managing risks where possible.

To help clients get a holistic view of their business risks, the insurer can provide access to business diagnostic tools that provide clients with insight into their intangible business risks. Such tools can assess the business health in various areas such as operations, finance, human capital and sales.

Access to Service Providers to Help the Business Grow

A useful output of such business diagnostic tools is the business score as well as recommendations on areas of improvement. For additional value, the insurer can link the business to service providers that can help them improve and grow. For example, Discovery Business Insurance offers clients access to service providers at discounted rates.

By providing access to sector-specific technological tools to ensure smooth and efficient operations, blind-spots can be eradicated, businesses have a clearer understanding of their own performance, and have a far greater chance at real sustainability in growing South Africa's economy.

Insurance Must be Tailored to the Business Needs

Innovative product suites help to pave the way for SME-owners, along with personalised advice from a specialised source and products tailored to the specific business needs. A key focus o Discovery Business Insurance has been to educate businesses about the many unique risks that they face while simultaneously supporting their ambitions regarding specific attention to their bottom line. We have also made effort to provide cover for the emerging risks of today, such as cyber-security.

The above measures assist the business to get the most appropriate cover at an affordable cost. This can provide much-needed support to SMEs, helping them to survive a challenging business environment or an insured event.

HOW THE INSURANCE INDUSTRY CAN SUPPORT SMES

***The personal estates of business owners and the assets and liabilities of their businesses are inextricably intertwined.*.**

As a result, limiting personal liability is easier said than done and it is not enough to establish a juristic person, for example a company, through which to trade. In order to successfully separate the affairs of businesses from the personal affairs of their owners, entrepreneurs need various business assurance solutions.

Many entrepreneurs choose to conduct business through a form of business enterprise such as a company. Companies are juristic persons that have their own legal personas, separate from those of their shareholders. The corporate veil affords entrepreneurs protection and demarcates a clear boundary between the assets and liabilities of their companies and their personal estates.

For example, should a company become unable to service its debts, the creditor will have recourse against the company (which could result in the attachment of the company's assets) but not against the entrepreneur, personally. Ultimately, the intention of these entrepreneurs is to distance themselves from the liabilities of their companies, thereby mitigating the risks of doing business.

Business owners and creditors have conflicting objectives. If a financial institution extends credit to a company and the company defaults, its credit risk will be reduced if it also has a right of recourse against the shareholders in their personal capacities. This is especially if the company has insufficient assets to secure the debt. When financing businesses, lenders therefore enter into agreements with shareholders, in terms of which they require shareholders to stand surety for the debts of the business. These suretyship agreements typically give the creditor the right to sue any of the sureties in their personal capacity (without first suing the company) for the full amount of the loan. This could mean that a single, minority shareholder foots the entire bill, after which they will be saddled with the unenviable task of trying to recover from their co-shareholders. And so, with the stroke of a pen, the efforts of entrepreneurs to limit personal liability, are undermined.

Financial institutions are not the only source of funding. In many cases, the shareholders themselves invest in the business and these investments are reflected on the balance sheet as credit loan accounts. This means there is an obligation on companies to repay these debts to the shareholders at some stage. When a shareholder with a credit loan account dies, in order to wind up their estate, their executor must recover the loan amount in full from the company. If the company does not have access to sufficient cash to repay the debt, the death of the shareholder has the unintended effect of bankrupting the company. To add insult to injury, if the executor is unable to recover the investment, it will be the deceased's heirs that are detrimentally affected. Credit loan accounts are a classic example of how personal estates impact businesses and vice versa.

The deceased shareholder's heirs also inherit their shareholding in the business. As most South Africans don't have valid wills, shareholdings often devolve intestate, meaning that in most cases a deceased's spouse and children end up with shares in the business. As one can no doubt imagine, this usually comes as quite a surprise to the remaining shareholders. Surprise soon gives way to disillusionment when the remaining shareholders realise they cannot compel the family to sell the shares to them and, even if they could, they do not have the funds to purchase the shares.

Mitigating the Risks of Doing Business

Intermediaries play a pivotal role in protecting the financial wellbeing of their entrepreneur clients by supporting them throughout their journey towards financial confidence. This may include the implementation of business assurance solutions to minimise the financial impact of these unfortunate consequences. For example, contingent liability cover aims to ensure that the debts of the business are repaid on the death or disability of a surety, protecting the personal estates of the shareholders. Credit loan account cover provides the business with funding required to repay debts owed to shareholders in the event of their death or disability.

Lastly, buy and sell arrangements aim to ensure that the remaining shareholders retain control of the business and that the heirs of the deceased shareholder are adequately compensated

SME OWNERS, DON'T BET YOUR PASSION INSURE IT!

Small businesses start with an exciting idea – but they don't fail because of that idea. All too often, they go to the wall because of a single calamity that interrupts their cash flow and they're unable to recover.

For example, a plumber sets up his own operation and everything's going well – until someone T-bones his bakkie in the traffic. Short on funds for repairs and unable to service his clients until he's on the road again, his cash flow takes a fatal knock.

FRANCOIS POTGIETER

Chief Marketing Officer, Bi-me

Or a coffee shop owner is just getting feet through the door with her superb brews and delicious pastries, only for a customer to slip and fall and sue. Ruined financially by the legal costs, she's forced to close her doors.What they both lack is business insurance that is geared to their particular requirements, affordable and perhaps most importantly accessible. Insurance that can ensure that they're back on their feet as soon as possible following a loss, with minimal disruption to their all-important cash flow.

According to Statistics South Africa, quoting the 2019 Annual Financial Statistics survey, formal small South African businesses generated R10.5-trillion in turnover in the 2019 financial year. Of that, 22% or R2.3-trillion was generated by small businesses, up from 16% in 2013. This is as a result of annual growth of 12.3% by small businesses, compared with an average of 7%.

This shows that SMMEs are increasingly important drivers of economic growth. But the small business sector is also the one that has suffered the most since the start of the Covid-19 lockdown last year. In its quarterly update for the third quarter of 2020, the Small Enterprise Development Agency records that the number of SMMEs had declined by 11% year-on-year to 2.36-million, from 2.65-million in the third quarter of 2019.

Of a total of 290 000 small businesses that had failed, 232 000 of them were lost in the second quarter of 2020 clear evidence of the impact of the pandemic and lockdown. And 1.5-million of the jobs lost to the economy in that period, 90% in total, had been in the SMME sector.

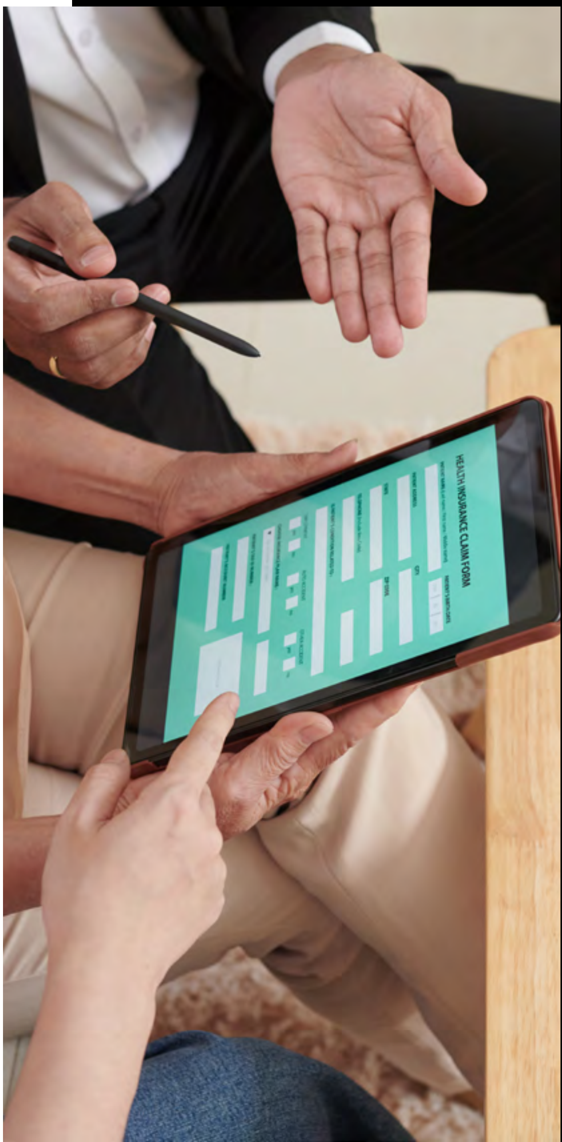
Now let's look at insurance penetration among SMMEs. We estimate that of the 2.36-million small businesses, only 750 000 of them are in the formal sector and of those, only between 250 000 and 300 000 have business insurance. One can only speculate as to how many small businesses (and jobs) could have been saved in 2020, had more of them been insured. But why is insurance penetration so low in the SMME sector when, clearly, it is so important to the South African economy? Why do so many entrepreneurs not make insurance for their businesses, which they had conceptualised and created out of a sense of optimism and passion, a priority?

Firstly, owners of start-ups know that setting up their new ventures requires a great deal of time, effort and bureaucracy: registering their business; registering for tax and UIF; setting up bank accounts; tackling of governance issues such as shareholder agreements and the like; finding staff. An entrepreneur's work is truly never done. Insurance is often not seen as a priority, even though it should be, and sometimes entrepreneurs don't have the time.

Or if they do prioritise cover, and I've observed this personally, they're looking for it in the dead of night because that's the only time when they're not doing everything else. On top of this is the difficulty of getting a broker to help them set up their business insurance. Cover for start-ups can be small change, so the commission is not worth the effort for the broker. This is a shame, because SMME owners are people who could do with an insurance expert in their corner.

And here's the thing: being insured is good for business, not just mitigating losses. For example, an SMME's chances at tender stage are boosted by having even basic insurance such as public liability cover in place, because it gives the prospective client comfort. Like with so many other things in modern life, the solution lies in technology.

"With more than 300 000 CFOs, FDs, Financial Managers (FMs)and Financial Controllers (FCs) responsible for the financial management of the $300 billion South African economy, South Africa is well placed to influence and lead the development of international standards and realignment."



In the past 25 years we've seen a transformation in personal lines insurance such as homeowners or motor vehicle covers to be simpler and easier to access directly. For years now, we've been able to go online or pick up the phone and buy these kinds of insurance in moments. But business insurance, which is more complex simply because of the huge variety of businesses and types of cover out there, has been slow to catch up.

If you wanted to insure your small business, you'd need a broker but invariably, your broker wouldn't need you. That's changing, and I'm proud to be in the vanguard of digital broking in South Africa. While I believe there will always be a place for the traditional, flesh-and-blood kind of intermediary, digital broking offers small business owners the opportunity to understand the insurance cover they need, compare quotes from various insurers, buy their cover at the right price, and have the support they need come claim time. All from the comfort of their desk, and potentially sorted out within minutes.

Our economy, while still far off pre-Covid levels, is growing again. According to Statistics South Africa, South Africa recorded first-quarter 2021 economic growth of 1.1%, for an annualised growth rate of 4.6% projected for the year. Much of this growth is driven by the wholesale and retail sector, indicating that South Africans are once again spending more.

That's good news for brave entrepreneurs launching their dream businesses. But I'd like to be the voice of reason for a moment, and say this to them: don't bet your passion on the belief that everything will be okay, because it can take only one unlucky roll of the dice for you to lose it all. Instead, turn the odds in your favour by insuring your nascent business. And these days it's easy. With its power, convenience and cost-effectiveness, digital broking clears away the barriers to you mitigating your business risk and it's quite literally at your fingertips.

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BUSINESS INSURANCE CAN HELP

STEM WIDESPREAD SME FAILURES

Entrepreneurs are successful precisely because they take calculated risks. It is these risks that could make or break a small or medium enterprise (SME). The many reasons why SMEs the lifeblood of South Africa's economy and job creation are failing, are well publicised. The one least spoken about is the lack of business insurance.

More than 90% of South Africa's businesses are small businesses. Trade and Industrial Policy Strategies (TIPS) – an independent, non-profit, economic research institution, found in research done in 2017, that small business provides 55% of formal employment in the country.

So, if these businesses fail, it has a massive impact on the country's unemployment levels and thus the country's economy. A survey by research company BeyondCovid revealed that 62% of the small businesses that were looted and damaged during last year's riots in Gauteng and KwaZulu-Natal did not have appropriate insurance in place. As a result, there is little to no chance for such businesses to recover financially from this incident.

Companies that had insurance in place that were targets of the violent riots, claimed R34 billion in damages from The South African Special Risks Insurance Association (Sasria), the state-owned non-life insurer that provides cover against special risks such as strikes, riots and public disorder.

This number should be a good indication of the need for proper business insurance, especially for SMEs as they face many challenges.A question that comes to mind is whether the insurance industry is equipped sufficiently to assess SMEs' business risks and develop appropriate products.

There is no doubt that businesses need appropriate business insurance as this will help cover the costs like the loss of income due to incidents like a cyber-attack, storm damage to property and various liability claims as to mention only a few. One may think that cyberattacks are only aimed at large businesses, but with almost everyone having a digital footprint, largely due to the COVID-19 pandemic, SMEs face huge risks of cyberattacks.

Without the appropriate business insurance that includes cyber insurance, business owners will have to pay out-of-pocket for costly damages and legal claims against their company. Our observation is that most SMEs are not aware of the different business insurance products in the market while others are aware but do not prioritise this insurance cover as they try to keep operating costs at a minimum.

One of the key considerations when choosing the right business insurance cover is to ensure that you choose a service provider that knows the business risks associated with your industry. For example, at PPS our focus is on the professional that provides a professional service such as healthcare, legal and accounting services.

In the dental and medical profession, the technology investment and maintenance of the latest equipment are extensive and should these be damaged. It could have a crippling impact on a professional's practice should anything happen to this. Other firms like a legal practice or an accounting firm can lose items such as office furniture and computer equipment. Following the July riots, PPS Short-Term Insurance was able to assist numerous of our professionals who have a PPS commercial lines business policy and were affected by the riots to claim from SASRIA.

The business insurance industry can play a role in helping SMEs grow and thrive. With more product knowledge and appreciation of business insurance cover, business owners can safeguard their assets by purchasing a policy that covers their specific business risks.

These may include anything from business vehicles to building contents and indemnity requirements as a professional. Business insurance is, in many ways, the silver bullet to sustaining SMEs. It is, therefore, up to us, the insurance industry, and the brokers/advisers that we work through, to ensure this sector is sufficiently covered.

BIG PRIORITIES FOR SMALL BUSINESS

Insurance Reminders for SMMEs in a Post-Covid Economy

The success and growth of small, medium and micro-enterprises (SMMEs) is absolutely essential to the development of the South African economy and the insurance industry has an important role to play in assisting SMMEs to effectively manage risk.

In 2020 the Covid-19 pandemic and subsequent curfew and lockdown wreaked havoc on South Africa's economy and the small business sector was particularly hard hit.

Small businesses still operating, or contemplating reopening in 2021, feel pressure to retain as much free cash as possible in the business and could be tempted to cut their insurance cover to free up some cashflow.

The Value of Advice

In these trying times, it is essential that the insurance industry step forward and guide small businesses, especially those tempted to save money by buying less insurance cover than their actual risks require. The key to managing business risk effectively and affordably is to partner with an insurer that understands the inherent risks in various industries and types of businesses. This also means partnering with an insurer who can partner with brokers effectively. For small businesses especially, the value of individualised adviser advice cannot be overstated. Insurance Advisers have the knowledge, experience and skills to guide SMMEs to identify the most critical risks their businesses face, guiding them to choose the correct insurance products to meet their unique requirements.

The Importance of Business Insurance

Insuring business assets is a must, especially if a business relies on motor vehicles, owns a building, keeps inventory or valuable contents on its premises, or is reliant on electronic equipment. For a manufacturer, protecting valuable stock during storage or transportation is essential. The priority for a motor fleet owner on the other hand, is comprehensive cover protecting specialist vehicles against accidents, theft or liability. It is essential to understand whether a particular business needs property damage cover, fire insurance, business interruption cover, comprehensive motor insurance, legal liability or third-party cover, financial risk support, or theft, fraud or employee dishonesty protection or a combination of these.

Regardless of their circumstances or type of venture, small business owners work under high pressure and have fewer margins for error, especially as technology, distribution and consumption patterns and priorities alter. Today, the cost of repair or replacement could be a major setback. Loss of profits can make it even more difficult to pay off loan instalments, retain cash for investment or meet other business commitments.

To continue to effectively support SMMEs to survive and thrive in today's changing environment, the insurance industry should constantly research, enhance and develop the right insurance solutions. As risks become more complex and costs grow, the insurance industry needs to work harder to gain the trust of SMMEs, advising small businesses on where best to target their hard-earned money to safeguard themselves against potentially devastating setbacks.

Since the choices are overwhelming, comprehensive and effective small business cover can only be achieved with advisers qualified and experienced in specific industries, fields, services or types of businesses.

Given the far-reaching effects of small business failure on the broader economy, it is absolutely essential for advisers to partner with insurers who understand the risks inherent in a particular SMMEs' field of business.

The industry's relentless focus on advice, delivered directly through its comprehensive, fully supported adviser and broker ecosystems, presents South African SMME's with a winning partnership.

One that is focused on building the economy by supporting the sustainability of small and emerging businesses in these extraordinarily challenging times.

WHY ENTREPRENEURS NEED FINANCIAL ADVICE

TO MITIGATE PERSONAL AND BUSINESS RISK

Entrepreneurs are shaping South Africa's economy, and experts say they're going to be critical to unlocking job creation and fostering the country's growth. However, running a business of any size is tough. Many business owners are not always aware of the risks business, financial and personal that go hand-in-hand with their ambitious plans and ventures. From cyber-attacks and business interruption to load shedding, political upheaval, or infrastructure failure (among the top 10 business risks in SA, according to the 2022 Allianz Risk Barometer, local entrepreneurs have many factors to consider to ensure continuity in their business. But *Kobus Kleyn, Certified Financial Planner at Kainos Wealth – one of Liberty's affiliate partners – believes these concerns sometimes eclipse other important considerations.

"Entrepreneurs may not realise that sufficient protection doesn't revolve around business risks alone. They must have the right insurance cover to insure themselves, their lives, and their legacies," says *Kleyn. "As a person who not only provides jobs within a community, and where partnerships may be involved, there is a huge responsibility on entrepreneurs to ensure continuity of the company, business interests, and partnerships – as well as their family." He cites one of his own long-term clients as a prime example of how planning, or a lack thereof, could be the defining factor between success and failure of a financial venture.

**Thabo and his brother, **James were equal partners in a thriving family logistics company and approached *Kleyn for financial advice in 2001. **Thabo's personal health struggles were causing a major strain on the business, and prior to their business relationship with *Kleyn, the family had done very little financial planning. "This wasn't a simple case of ensuring the safety of the business. We had to consider personal, financial, and business needs planning. This then linked to **Thabo's estate, trusts, investments, insurance, and tax planning to create a holistic financial plan," adds *Kleyn. "The complexity drivers would be dealing with the health issues during medical underwriting to obtain insurance cover for business protection against creditors, estate liquidity concerns and the family business."

One of the most important policies in this instance, was life insurance cover. From a business perspective, life cover is a solid way to protect your company from financial loss, liabilities, or instability in the event of your death – providing cash flow to keep operations and suppliers satisfied.

When tragedy struck and **Thabo passed away when he was just 48 years old, it was a series of policies that not only kept the business intact for his employees' sake, but also assisted **Thabo's wife and three children in securing their financial futures.

"The fact that we had Lifestyle Protector in place that best suited **Thabo's needs, when he passed away meant we could take care of his business interests, estate, and ensure his children and spouse were taken care of, and that his business partner could cope without him.

Before he died, I could look **Thabo in his eyes and assure him he would not have to worry. It was a profound moment in my career as a financial planner," says *Kleyn.

Key Questions to Ask to Ensure Protection

Kleyn says that all entrepreneurs need to consider these 5 questions in order to have the peace of mind and certainty that their business and families will be adequately protected:

1. Do I have underlying or already present health challenges that could ultimately affect my business or ability to keep working?
2. Who are the people I trust to run my business in the event of my absence specifically, who would I nominate as a key person?
3. In the event of my passing, are there processes, policies, and investments in place to preserve the legacy of my business as well as protect my family?
4. What are the policies I should be prioritising when money is tight?
5. Who should I consult on these issues to ensure my loved ones and business are protected?

These are some of the questions that financial advisers can help with. What's important is finding solutions that suit your business and personal circumstances, and not assuming that one size fits all. "The ideal way to determine what works best for you as an entrepreneur is by finding or connecting with a financial adviser or broker that you resonate with so you can have a long-term relationship with them as your business evolves," adds Nalen Naidoo, Divisional Executive for Liberty's Retail Solutions.

***The participant involved has not been compensated for his participation in this article. **To protect the identity of the policyholder, their real name was replaced.**

SA SMES FACE BIGGEST RISK OF FRAUD LOSSES

It is vital for South African businesses to take the right steps to protect their operations from potentiality catastrophic financial loss.

Small-and-medium-sized enterprises (SMEs) face the biggest risk of major loss from this threat. The latest Association of Certified Fraud Examiners (ACFE) Report to the Nations shows that South African companies experience the highest level of fraud in sub-Saharan Africa, followed by Kenya in second place and Nigeria ranking third.

What is most alarming about this trend, is the fact that small businesses with less than 100 employees experienced the highest median losses of any organisation type. The report shows that companies with less than 100 employees typically lose around $150 000 (~R2,3 Million) when fraud occurs. That is a blow that very few SMEs can recover from.

This is why having adequate fidelity insurance is crucial to the survival of one's business. Fidelity insurance is a class of insurance that is designed to protect against losses resulting from fraud or theft by an employee. To put it more accurately, it covers the quantifiable direct financial losses that companies suffer if employees defraud them for personal gain. Stock theft or even low-level financial fraud could be financially crippling without cover.

As an example, in a recent claim handled by Western National Insurance, one of our clients became aware of a number of anomalies on his financial statements and stock sheets. After investigation, it was traced back to a manager who was pocketing cash in lieu of "returned" stock. As a result, our client suffered a loss in excess of R 700 000 over a two-year period, which the insurer settled. The discrepancies were not detected earlier due to the cancellation of stock take operations during the Covid-19 lockdown period, but was eventually identified when the normal stock take process was resumed.

I advise that companies start by determining the right level of cover for their needs. Much like liability insurance, deciding how much fidelity insurance to buy can be a challenge. A good adviser should be able to provide an estimate of how much cover to include in a policy. This will be based on factors like the company's risk profile, number of staff, stock flow and possible incentives to commit fraud.

"A good adviser should be able to provide an estimate of how much cover to include in a policy. This will be based on factors like the company's risk profile, number of staff, stock flow and possible incentives to commit fraud."

Still, fidelity insurance on its own is not enough for a business to manage its risks.

For example, insurers typically cannot pay out on claims where an instance of fraud has been going on for longer than two years, or where the fraud started well before the business bought their insurance.

Proper risk management is one of the basic requirements of any fidelity policy. Putting the right controls in place to detect and stop fraud should therefore be a priority.

One of the key requirements of a fidelity policy is that companies must institute and maintain mechanisms for checking and controlling accounting and clerical procedures and business processes such as stock control.

Having these measures in place can decrease a company's spend on fidelity insurance premiums, and allow the insurer to adequately cover any losses from cases that fall through the cracks.

In the end, this is about protecting businesses from the threats that could close their doors for good. No company is immune to fraud, but combining good risk management with sufficient insurance should at least guarantee survival.

This is where working closely with an adviser can be extremely beneficial as they have the skills to help client's assess their risks and secure the right level of cover. Discussing these risks with an adviser is the first step in securing the future sustainability of your company.

WHY CREDIT LOAN COVER SAVES SMALL BUSINESSES

Small, medium and micro-sized enterprises (SMMEs) in South Africa are important drivers of economic growth. Data on turnover from the 2019 Annual Financial Statistics survey released by Statistics South Africa shows that small businesses, in particular, have made inroads in South Africa's formal businesses sector. According to the Centre for Development and Enterprise, The Small Business Report of June 2021, 68 494 small businesses are in the formal sector.

MOTSHABI NOMVETHE

Head of Technical Marketing at PPS

These are mostly owned by one or two directors. This means that the director is also the shareholder of the business, and the start-up, in many cases, is funded by individuals who invest in the company and receive company shares in exchange. If a business owner lends an amount to the business, be it a capital injection to purchase assets or remuneration accrued but not withdrawn, the business is indebted to such a business owner.

Therefore, the business will be liable to repay the loan when the owner passes away. As an alternative to including the loan account in a buy-and-sell agreement, the business could fund the loan amount through insurance to ensure funds are available to settle the loan account in the event of a death, disability or critical illness.

In this case, the business can take out a policy on the life of the owner who has a sizeable loan account in the business to cover the amount owed to this owner. On the death, disability or critical illness of such an owner, the business will use the proceeds of the policy benefit to pay the owner (or his estate), settling the debt. The policy is known as Credit Loan Account cover.

The key to understanding Credit Loan Account cover lies in knowing what will happen to a business when the owner to whom the business is indebted passes away:

- The loan account owed to the owner is an asset in his/her estate, and the executor will call for settlement of the loan.
- Consequently, the business will be expected to settle the loan.
- If the business cannot settle the loan, the executor can take legal action against the business to collect the debt.

With Credit Loan Account cover, the company will experience the following benefits:

- A cash injection to the business to settle the debt owed to the owner.
- The loan account will be settled, ensuring that the owner (or their estate) receives the funds they invested in the business, reducing the business' liabilities.
- There will not be a claim against the business from the owner or their estate.
- Where the loan was subject to terms (for example, interest), with the settlement, the business will effectively increase cash flow and reduce future financing costs.

The risk of having to wind up a business due to the remaining owner having to settle the debt to the business by the deceased owner is more significant than having cover in place as it can result in the business closing and impact the livelihood of employees.

SMES: THE CORNER STONE OF

ECONOMIC RESTORATION IN SA

Infiniti Insurance

The nature of the contemporary issues that challenge the global social and business spheres at large are unlike what the world has ever seen before. In the midst of the COVID-19 crisis, the business world reached a turning point. Transformational agility and a pioneering spirit to drive resilience turned into the fuel for survival, directed by technologically progressive innovation, sharp focus on human capital development, the redefining of customer care practices and an increased emphasis on partnerships.

Currently, we are witness to a time of economic underperformance and this can both propel and suppress business innovation, making the race to economic stability an uncomfortable, uphill sprint.

Small, medium and micro-sized enterprises (SMMEs), for the most part, can be characterized as distinctive, independent business entities with personalized owner-run management. Due to the tailored nature of their business models, they perfectly fit the mold of present-day demands. SMMEs have demonstrated vast potential to play a pivotal role as catalysts for effective transformation and wheel-turning modernization that could keep the South African economy afloat despite the economic disarray.

In their report, *"Enhancing the Contributions of SMEs in a Global and Digitalized Economy"*, the Organization for Economic Co-operation and Development (OECD) highlights the value of well-run SMMEs as essential in "generating employment, innovation, environmental sustainability and more inclusive growth".

According to the OECD report, statistically the SMME stands in an impressive light, particularly in emerging economies, "contributing up to 45% of total employment and 33% of GDP", significantly adding to "economic diversification and resilience".

Specific to South Africa, SMMEs are well positioned to be a leading force in the growth of trade and industry, employing over nine million South Africans and contributing more than 60% of the national South African GDP. As a developing country looking to participate as a competitive force within the global market, the need for organic growth and the upliftment of local business emphasizes the importance of the conscious maturation of SMMEs as strategic cogs for the movement toward the greater economic and social well-being.

McKinsey & Company, in their report, *"How South African SMEs can survive and thrive post COVID-19"*, suggest that despite SMMEs being "the lifeblood of South Africa's economy", the Covid-19 pandemic brought with it a number of challenges threatening the closure of up to 60% of South African SMMEs. Of these, the lack of access to funding, shortage of financial knowledge within the sector, the struggle to gain access to required support, limited liquidity and cash-

flow management were the most compromising to the survival of the SMME. The insurance industry stands at the fore in navigating balance in this erratic economic climate. Deloitte Insights, in their 2022 insurance industry outlook report, predicts accelerated growth this year with the global nonlife premium growth rising between 5 and 8% as business resumes a new normal. The report suggests vigorous attention be placed on the adaptability and growth of the skill sets of insurer employees to remain relevant within a dynamic and erratic business climate.

They must be equipped to support businesses as they navigate the changed financial playing field. The insurance sector is of particular importance in aiding the reestablishment of struggling SMMEs by providing them with the tailored insurance cover essential to their needs and sustainability.

The role of the Broker in this equation cannot be underestimated. The advice given by the Broker can be the difference between survival or not of an SSME in tough economic times. This speaks both to ensuring that the business has the best possible cover and that the premium is commensurate with the cover purchased.

Sharon Paterson, Infiniti Insurance CEO, stresses the need for insurance companies and brokers to develop products that take into account the needs of the SMME.

The Infiniti approach favours and strengthens the innovative, progressive and evolutionary SMME sector and, through their Broker network provides the critical advice required to tailor the product to each individual SSME's needs.

Due to the non-traditional nature of the SMME business model, the scale and variability of the risks demand strong collaboratives, continuity and progression in the relationship between the insured, the insurer and the Broker. The role of the Broker critical to enable growth by managing risk with foresight and expertise from the start. This is a time when the expansion and solidification of the broker/insurer partnership heightens in importance.

I see the need for insurance companies to re-focus attention on prioritising personalised, bespoke cover to ensure the long-term sustainability of SMMEs.This has to be coupled with the sound advice that only a Broker can give. Essentially, the livelihood of the small to medium business sector relies on the insurance industry growing in conjunction with and in support of the particular needs of the SMME client to maintain a risk-managed environment in which they have the opportunity to thrive.

A most revealing time is that of a crisis - highlighting points where growth is needed. “Rise or fall?”, is the cry of calamity. The corner stone of economic restoration in South Africa lies in the success of the SMME sector. In this mission there can only be progression. We need an insurance sector with relentless grit and resilience to create an environment in which SMMEs can reach their full potential.

To crisis our reply; “We rise, we rise, we rise”.

ESSENTIAL TO ALL STAKEHOLDERS: SME MARKET

Michael Clack, Business Development Manager, Renasa, sets out the importance of the SME market.

Tony: The SME market is quite a different market but probably one of the most important markets for the South African economy at the moment. The opportunities are great, not just to start a small business, but also to grow small businesses into bigger ones.

Please give us your feel for this part of the market and what your experience has been in the segment.

Michael: This segment is, in my experience, showing massive growth. People have lost jobs because of the economy, the pandemic and various other reasons. People are looking for other options and needing to earn an income. The SME segment of our economy is obviously the fastest growing and the need to insure this segment is increasing dramatically.

Big businesses are also looking to cut costs in a lot of areas and dealing with smaller, more nimble and flexible companies, is really a way to cut back on costs, increased turnaround times in delivering supplies or service for that matter. Certainly, the need to insure this industry, in my experience, is becoming a greater need every day.

Tony: When economic times are tough, people try and save everywhere, so that may lead to neglecting insurance. But in general, what do you see as the reasons why SMEs are slow in the uptake of insurance?

Michael: The biggest factor is that these businesses operate on very small margins, they are volatile to change, and they have limited funding. So, I think a lot of the time the biggest need is education that insurance is a necessity as it is not always front of mind, if you're running a business on very small margins. When you start a business, you are really just trying to survive, so the risk of not insuring and the damage it can do to your business is overlooked.

The nature of the SME business is that it is flexible, and therefore, a flexible insurance product is required. We can't be sticking to the traditional way of placing commercial business. So, we need to have that flexibility to match the flexibility of SMEs.

Tony: Are we as an industry, spending enough time promoting this with brokers and encouraging them to get their SME clients insured?*

Michael: I think, to be brutally honest, unfortunately and disappointingly, not. It is not happening the way that I believe it should be happening. The focus is not there. One of the reasons is that the main focus is still on the traditional commercial business. There is a need for education and getting the message out there. But change in our industry is unfortunately not always embraced. It needs to be a constant focus, which is not happening now.

But I'm quite confident that it will eventually take its place where it should be.

Tony: Our discussion is a general discussion about SME insurance, and one of the challenges for brokers is that the SME segment is so varied, so they won't necessarily always have the knowledge to provide the specific advice needed. This market needs low premium products that is easy to implement and flexible and I know you've positioned your product as a "low advice" product. What do you mean by that?

Michael: Just to give a bit of background, I don't think there is any real growth in our industry, which can be attributed to the tough economic times and resultant unemployment. So, a low advice product is what is needed, because it offers that flexibility, in that you have a standard product that offers you the cover that you need for a start-up business.

It is not going to get too involved and bogged down with traditional types of covers that are not appropriate for the type of business that these SMEs are entering into.

We have seen it as a big opportunity to grow this market, and to offer a much-needed product. Greater focus needs to be given to this segment without a doubt. And hopefully, we can get our product out there and grow the interest in it.

It is a quick turn round product. Not something that takes a lot of time with quoting and surveying, etc. Those needs are not there anymore. We need to consider that a lot of these SMEs don't even own premises and there is not a lot of stock that they need to carry. It is, for example, very much based on IT with a cyber risk portion that needs to be added. So, I think that the industry needs to specifically guard against trying to make an inflexible commercial product to fit the requirements of a very nimble and flexible business segment. This is what our LiquidSure product aims to do, with various cover options, not limited to just one aspect.

Tony: With this type of approach, it would also give brokers a bit more ammunition against the encroaching direct insurers into this market, because they go for the lower advice segment as well.

Michael: Yes, they do. I think the direct insurers haven't really had the opportunity to capitalise on this type of business. I believe that a lot of businesses still see the value of advice, and intermediated advice needs to be there, not only from the on-take of a new policy but also when it comes to claims. It gives you greater options and choice for the insured out there and it is not a type of insurance that you can put into a box, as it needs to be flexible.

I think, as a broker, if you are looking for growth opportunities, this segment of the market is there for that. We are sitting here focusing on the traditional thing, and I think it's because, traditionally, the bigger is better and there is more income in it for you. But the fact is that those companies are also going to be looking to branch out into the smaller types. They might have a subsidiary that is a tech-based company, and they need to get into that insurance. So, they don't simply just bolt it on to a very inflexible product, like a commercial product, which gives you Fire, Business Interruption and so on, it doesn't really work. We need to start thinking more untraditional as an industry, which we are not really doing, while SMEs are.

They have moved on to simpler, better, faster, so to speak. It is what they are doing. Now service is a big thing and people are used to sitting in the office clicking the button, and poof, there's your insurance product. We, and our supporting brokers, need to be there as well.

Tony: As the client's business grows over time, are you able to go into the more complicated products from there then?

Michael: Absolutely, I think that is the ultimate goal. We created this product to grow with the client's businesses. I don't think anybody enters a business or starts a business to not grow the business and open other branches, other avenues, other products. ***So yes, there is definitely scope that you could firstly, within that limited advice LiquidSure type product, grow it as the business grows, to eventually move on to the traditional top commercial policy.***

SHORT TERM INSURANCE

A skilled underwriter will harness the benefits of machine learning and artificial intelligence and combine it with their own skill and experience.

- Sujeeth Bishoon, Constantia Insurance

MAKING IT WORK FOR ALL STAKEHOLDERS

Part two of a conversation with Abrie Olivier, Managing Director, VAPs Insurance and Tyler Botha, Head of Claims, HCV, Renasa Insurance, about the very interesting topic of HCV insurance.

Tony: The role of the broker is fast shifting to that of a risk manager. Based on the experience over the last year in the trucking environment, there's been quite a bit of a development on the SASRIA side, on what you guys call the M8 category of motor cover. Can you tell us about your view on that, because it has a huge impact?

Abrie: Unfortunately, this 1 700% increase comes at a very difficult time for transporters in South Africa. As an example, one of our larger client's SASRIA premium is going up from around R8000 a month to R90,000 a month. Transporters are under tremendous pressure. The diesel price went up over the past 18 months by 43%. If the N3 closes for one day, it costs these guys millions. So, it is a bit of a perfect storm and most of them are still recovering from the COVID related losses.

Tyler can also tell you about inflation on part prices. These global distribution issues with parts, where they just cannot get their hands on parts, and they can't renew their fleets because there's no stock. So, with regards to SASRIA, it really came at a very unfortunate and an imperfect time for truckers. However, SASRIA has come out with an option now where a client can take out an excess, SASRIA had no excess attached to their cover before, but they have said that a client can now opt for an additional excess per vehicle. I think it's up to R200,000, for which they will receive a discount. The client can opt to go for co-insurance of up to 50% with the resulting 50% discount on the premium.

Tony: With the complications in this environment, the very high risk, and then the huge sums involved when you have a risk event or a claims event, both from your side Tyler and on the other side, it's so important to be working with the intermediaries to be able to limit these risks.*

Tyler: The industry is at a point where the incorrect rate is being applied on a truck in terms of premium, but the correct rate is impossible to achieve, because the transporters, and the rates they are getting, will make insurance unaffordable. So, you are stuck between a rock and a hard place. What do you do? Do you increase the rate to what the desired correct rates should be, looking at the environment, the value of the truck and what the average repair costs is, and end up losing the client and not being able to sell a product? Or do you reduce the rate to what is affordable for the transporters, and then start applying procurement and out of the box thinking to try and bring down the claims costs, without prejudicing and without reducing the quality of repairs and service?

We have opted for the latter, trying to be actively involved with every single claim with the underwriters and broker. I come from one or two other large insurance companies, where unfortunately, what we have noticed, is that there is a bit of a gap between the underwriters and the actual claim. So, you always split an insurance company, with the underwriters doing the policy underwriting with the intermediaries and then your claims stop. Now, because we are in one office, we have the claims staff and the underwriter working hand in hand.

Abrie and I sit on a weekly basis, we will chat about what is going on in the market, what types of trucks are higher risk, what types of trailers are higher risk, what's the average cost on different types of vehicles, so you can start applying that to your ratings when you're doing a policy.

If I see something in the claims industry that's a concern, where there's a higher damage related cost, for example, the front bumpers and head-lights on a specific truck is more expensive then, if a client wants to underwrite this specific vehicle as a fleet vehicle, we know that the rate needs to possibly be a bit higher or have an excess structure. We can then explain to our client why we added that rate. It is plain and simple; the repair costs have probably gone up in the last four to five years by 350-400% and that is being conservative.

But the rates haven't gone up enough to cover these repair costs. Panel shop cost had to go up because labour goes up. As soon as the electricity goes up, the labour needs to go up. When diesel goes up, your parts go up because of your delivery services. With import costs going up so much during COVID, our part supplies are constantly go-ing up by 15-20% while on the back end, insurers are not getting the premium.

Our strategy is to be experts in the claim division, where we scrutinise every claim to make sure we're not spending more than we should. If there's a way to reduce the costs by being more streamlined, we do it. We've got all the major panel beaters that work with us to try and help us source the correct parts at the correct prices. We also have agreements to work with large OEMs, partnering with them to assist us and our clients by giving us a better price on these parts, or we end up writing off trucks.

But all of this take a lot of initiative because unfortunately, assessors and claims handlers don't always have the mandate to make these calls. So that's why I'm constantly involved. Where I see there is po-tential for savings or potential where we can work with the client or the OEM to have a positive result for the client, as well as the insurer, then we do that.

Abrie: Tyler is heavily involved; he talks to about 50 brokers a day. Like most insurers these days, we do a lot of product specific and underwriting training with Tyler and his team will do work for us on the client side.

UNDERWRITING: STRATEGIC AND OPERATIONAL

Part two of my discussion with Sujeeth Bishoon, executive chief underwriting officer at Constantia insurance company about underwriting. This time we are exploring whether underwriting is an operational or strategic function..

SUJEETH BISHOON

Executive Chief Underwriting Officer at Constantia Insurance

Sujeeth: I think people often look at underwriting as a pure operational function, but it's both strategic and operational.

On a strategic level: Insurers must have a clear understanding of the various risk factors across the segments which they currently participate in and segments they plan to operate in. As such, insurers strategically define and at least annually, review their risk appetite and underwriting governance, which is typically outlined in a company underwriting risk appetite policy governance document.

On the operational level: An underwriting team will daily review a wide variety of new business quotations, endorsements, underwriting and survey queries, process policy renewals and essentially use their skill sets to determine whether the risk is priced correctly, and if it is aligned with the company's risk appetite.

Tony: So, with technology, artificial intelligence, machine learning and all these things trying to optimise every aspect of the insurance business, do you think that machine learning and artificial intelligence is a threat to employees in the underwriting space?

Sujeeth: Definitely not. I think a skilled underwriter will harness the benefits of machine learning and artificial intelligence and combine it with their own skill and experience. Machine learning and artificial intelligence no doubt has immense potential to unlock efficiencies, and improve the intermediary partner and the customer experience, for the less complex lines of insurance.

However, it is very difficult to replicate tacit knowledge, which is knowledge that is gained through experience, intuition and judgement. And that is typically required for the complex and specialist lines of insurance, such as corporate property risks, which often require detailed risk surveys to be conducted.

Tony: In terms of those skills that are needed by an underwriter, how should they go about gaining the needed skills, because I would assume that a lot of that is on the job learning?

Sujeeth: Absolutely, a good underwriter has a sound technical knowledge and understanding of insurance and risk management. And these days you can gain that knowledge through studying at various educational institutions such as Milpark Business School, for example, and through various industry mentorship programmes, where one can acquire the needed knowledge through mentorship.

An underwriter must also have very good analytical skills, which is key for quantifying risk exposure and pricing risk. Lastly, I think underwriters must have a passion for underwriting and with that, they bring to the table invaluable intuition and judgement in identifying and evaluating risk.

Tony: From a broker perspective, what level of underwriting skill do you think they need in their brokerage? Is this something that you guys, from a Constantia perspective underwriting division specifically, get involved in to assist and make sure that there is some level of underwriting skill?

Sujeeth: To answer the first part of the question, the brokers need to have a good attention to detail, especially during the phase of conducting the client's needs analysis. This is where they identify and quantify the risks the client is exposed to. They must also have a very good understanding of the insurer's underwriting qualification or risk acceptance criteria and have knowledge on the insurance product offering and the cover options under that product.

As I said previously, a lot of brokers these days, also render risk management advice to the clients, to help them mitigate and reduce certain risk exposures. That risk management advice is invaluable. At Constantia we offer our intermediary partners, product training and we also assist them with underwriting support through our distribution and technical underwriting teams.

We do however go a step further and share the risk improvement actions that arise from risk surveys with the broker, so that they can appropriately advise the clients of the interventions that are required to reduce or mitigate the risk.

ALL YOU NEED TO KNOW ABOUT MARINE INSURANCE IN DISRUPTIVE TIMES

Getting goods from one place to another is risky business, even without the challenges of a global pandemic. While Covid-19 has had a significant impact on supply chains and shipping, it has not been the only factor affecting the Marine insurance industry over the past few years.

Events like natural disasters and storms, and man-made disasters such as the 2020 port explosion in Beirut, last year's blocking of the Suez Canal, and the July 2021 looting and civil unrest in KwaZulu-Natal and Gauteng, have all increased both the risks and the costs associated with Marine insurance.

So, what does the maritime industry look like right now? And what do importers, exporters and consumers need to know about Marine insurance in these challenging times? Lockdowns across the world's economies have turned trade as we know it upside down. Without access to labour and production, trading patterns have been heavily skewed towards essential goods.

But Covid-19 has shown how resilient the maritime industry really is. The flow of goods never stopped – it just shifted from non-essential to essential goods. The challenges within the industry have extended to seafarers, who have been stranded away from their families for extended periods of time, yet have continued to play a pivotal role as essential frontline workers – responsible for keeping global supply chains working and products flowing, even in the face of lengthy delays at ports and inland borders.

Nonetheless, all of this has had an impact on the cost of insurance, with importers and exporters likely to have seen increases in their insurance premiums. High-target goods will be priced higher than goods that are not. Also, the rise in truck hijackings in South Africa inevitably leads to increased premiums or excesses, because such events cause losses of millions, or even billions, of dollars placing strain on the reinsurers who provide capacity to local insurers, which in turn drives up the cost of insurance.

Another effect of the pandemic is that the prices of shipping containers have more than quadrupled due to the shortage of containers – affecting both the cost of insurance overall and that of reinsurance. Ultimately, these costs are passed down to the consumer via the cargo owner and the industry. Transporting cargo, or goods traded internationally, is risky business, as much can go wrong: goods can be lost or damaged at various stages in the transport chain, or when loaded onto ships. Fires can occur or ships can strand, sink or run aground – not to mention collisions, overturning, derailments or theft.

It is important to protect the value of the sale by buying the right insurance cover to protect the goods against physical loss or damages. Container loads are worth millions, and the financial burden of having to replace or repair the goods can potentially bankrupt a company if something goes wrong.

It therefore makes sense for importers and exporters to protect their moving assets, as well as their businesses. Apart from cargo and goods, Marine insurance also covers two other main product lines: hull insurance and marine liabilities.

Hull insurance covers private individuals who own pleasure craft such as yachts, ski boats or jet skis for their personal use, or commercial craft, owned by business owners to generate revenue, such as fishing vessels or dive charters.

The marine liabilities product line covers the responsibility of stevedores, charterers or ship repairers under their contractual obligations, for example where a company might incur a liability to another party during the course of its business activities.

Specialist Advice

Marine insurance is complex and litigation-heavy, Bond stresses. So, ensuring "the human connection" and having a trusted adviser with a proven track record and solid marine portfolio are vital. Your broker relationship is critical.

You need specialist advice to make sure you have the cover you need, and to have someone demystify the terminology and the jargon unique to the marine product.

You really need to assess whether the broker you are choosing is the right fit, so they can provide you with the correct advice, and explain all the intricacies of the policy and fine print.

So, what kind of conversation should you have with your broker? Before you ask what is covered, you should ask what is not covered, and why.

If you know what's not covered, you can adopt risk-mitigation strategies, because the worst thing is to be told upon claiming there is no payment because of something in the fine print.

Reflect on the quality of the communication between you and your broker. How proactive has your broker been during the pandemic? Have they alerted you to heightened risk unique to the context of the pandemic?

For example, have they recommended that you review your limits of exposure as goods accumulate in ports or elsewhere and the value exceeds the policy limits?

Business owners must bear in mind that losses caused by delays are not covered under a traditional insurance contract. With hundreds of container ships full of import products stuck offshore, has your broker brought this to your attention, enabling you to consider alternate strategies to reduce costs due to delays or other factors?

Considering this new risk landscape, if importers and exporters were hesitant about purchasing Marine insurance previously, they should review their thinking.

UNPACKING PRODUCTS INEFFICACY INSURANCE

Products inefficacy insurance is an aspect of liability insurance which is sometimes overlooked or misunderstood. This may be because it is closely aligned, but different, from products liability insurance.

Products inefficacy insurance is designed to cater for a very defined risk that operates alongside and in tandem with conventional products liability insurance cover. Products inefficacy insurance is provided by way of an extension to a liability policy. The extension would usually need to be specifically arranged and could be subject to its own limit of indemnity and deductible.

To understand the purpose of products inefficacy insurance, one first needs to understand the purpose of conventional products liability insurance and the extent to which products liability insurance will respond to claims arising out of defective goods that have been sold or supplied.

Products liability and products inefficacy insurance defined:

- Products Liability: Claims arising out of personal injury or damage to property.
- Products Inefficacy: Extension to products liability covering failure of a product to fulfil its intended function where there is no personal injury or damage to property.

"Products inefficacy cover is particularly useful in situations where the insured supplies products that are used in the manufacture of other products."

Products Liability Insurance

The products liability section of the policy is intended to provide cover for claims arising out of injury to persons or damage to property in connection with the nature or condition of a product that has been sold or supplied by the insured. The following exclusions, whilst not a complete list of the standard exclusions, are worth mentioning as they indicate what products liability insurance is not intended to cover. In this regard, products liability insurance excludes cover, inter alia, in relation to:

- The costs of the repair or replacement of a defective product that has been sold,

- The costs of any recall of defective products or

- The failure of any product to fulfil its intended function or to perform as specified, warranted or guaranteed unless such failure shall result in injury or damage.

The qualification, as highlighted above, pertaining to the exclusion relating to the failure of any product to fulfil its intended function or to perform as specified, warranted or guaranteed "unless such failure shall result in injury or damage" is important as this qualification preserves the primary intention of products liability insurance which is to provide cover for personal injury or damage to property arising from a product that has been sold or supplied.

An example of where a product supplied fails to fulfil its intended function but where the liability arising should still be covered under the products liability section would be in the case of a safety harness which fails and results in a worker or a climber being injured. Because the failure of the safety harness resulted in personal injury, the products liability insurance section of the policy should respond to any claim arising from the injury.

Products Inefficacy Insurance

A products inefficacy extension is designed to extend the standard products liability insurance cover to cater for claims arising out of the failure of a product to fulfil its intended function in situations where there is no consequent personal injury or damage. This is, however, not open-ended cover.

The wording of the extension will typically make it clear that the cover is for claims against the insured where the claimant alleges that it has suffered a financial loss by reason of tangible property (other than the insured's product) being rendered of less value or rendered incapable of full commercial benefit due to the failure of the insured's product to perform as specified, warranted or guaranteed.

Products inefficacy cover is particularly useful in situations where the insured supplies products that are used in the manufacture of other products. Products such as fertilizers, insecticides, animal feed, pharmaceutical products and paints are all examples of end user products where the insured may have supplied an ingredient that, if it fails to work properly, could cause the end-product not to fulfil its intended function.

For example, the insured may have provided substandard ingredients to a manufacturer of fertilizer which results in a lower than predicted crop yield. The financial loss claimed would be in relation to the difference between the expected yield and the actual yield.

Products inefficacy claims could also arise if the insured supplies a mechanical or electrical component for incorporation into a piece of equipment where the defective part, while not causing injury or damage, results in the equipment being rendered incapable of full commercial benefit.

Conclusion

A products inefficacy extension is designed to extend the standard products liability It is important to understand how products liability insurance and products inefficacy insurance works in tandem with each other to cater for the liability risks faced by a business enterprise. Time spent with a professional broker assessing potential risks is thus essential to explore and choose appropriate solutions for insured businesses.the policyholder.

MEDICAL MALPRACTICE INSURANCE IT'S PLACE IN THE SOUTH AFRICAN

From a few thousand rands per month, medical indemnity cover has soared to over R1 million per annum for most health-care practitioners. But our medical specialists, specifically, should not be punished for making themselves available to deliver babies or perform other high-risk procedures.

In 2020, CapeTalk interviewed South African Society of Obstetricians and Gynaecologists (SASOG) council member Dr Johannes van Waart on the volume of highly trained and experienced obstetricians and gynaecologists who were emigrating to avoid what they saw as an astronomical rise in insurance premiums. To put things into context, an anonymous obstetrician from Tamboerskloof, Cape Town, then called is to say: "A few years ago, our insurance premiums were a few thousand rands per month. Now, they are at least R1.3 million per annum. This means your first 10 deliveries of the month are just paying towards medmal insurance."

Topical, controversial, real... Moset definitely, but the first thing a medical specialist in a high-risk category seeking professional indemnity needs to understand is the difference between an occurrence-based and a claims-made insurance policy, what gaps may transpire when changing from one to the other, and whether the indemnity cover they have in place matches their risk profile. With appropriate advice, it is possible to be adequately insured without your premium putting you out of pocket.

Definitions and Providers

Occurrence-based: This type of policy provides protection for claims that arise from any incident that may occur while you are a policyholder, irrespective of when that claim is made. It includes the time after the policy has been cancelled, including throughout your retirement.

Claims-made: The type of policy, on the other hand, must be in force at the time the claim is made and will not attach if it has lapsed, expired, been cancelled and not renewed, or has been otherwise terminated for any reason whatsoever. At all times, the cause of action giving rise to the claim must have arisen on, or after, the retroactive date. However, each claim must be reported to the insurer when the insured individual becomes aware of it, within a minimum of 30 days. If the claim is not notified and the professional moves to an alternative claims-made policy, he or she will need to purchase retroactive cover.

Retroactive: This type of cover ensures that you are protected against claims of which you are currently unaware, which may arise from healthcare incidents that occurred prior to the taking out of a new policy – but not before the retroactive date.

Note: PPS, Aon and Genoa offer only claims-made cover; while EthiQal is the only local insurer to provide both claims-made and occurrence-based cover.

Grown men and women
too afraid to breathe easy,
tying masks on children
too young to tie their shoelaces.
It’s 1941 when PPS starts protecting professionals’ livelihoods.
Over 80 years later, nothing’s changed.
Read about the R1.4 billion in COVID-19 claims and R4.4 billion in total claims paid out to our members, in the PPS 2021 Financial Results. Visit pps.co.za/2021.
pps
FOR PROFESSIONALS
SINCE 1941
PPS is a licensed life insurer, controlling company and FSP.

Occurrence-based Versus Claims-made: How Not to be Caught Out

Both policy types, if structured correctly, will cover a medical specialist adequately for their medical malpractice needs. However, there are slight differences, as have been identified in the fact box above. With a claims-made policy, your medical insurance will cover your medmal claim at the time the procedure or occurrence took place, if reported and while still active.

With an occurrence-based policy, on the other hand, your insurer is liable for the claim regardless of when it was made (although, of course, this does not apply to the time prior to the inception of the policy). This is particularly important for you to note when changing from one insurer to another – i.e. when identifying who received the premium in the year when the occurrence took place or the claim was made against you. The claim, however, must be reported to your claims-made insurer.

For clever specialists and their even more astute advisors, the claims-made approach is considered more modern and cost-effective – so it tends to be the more popular of the two options. Taking out this sort of policy also means that you can move across from an occurrence-based policy to a claims-made policy, without any significant coverage gaps being created.

However, it is worth noting that on retirement, an occurrence-based policy will continue to cover the procedures you performed during the policy period. On the other hand, a medical practitioner on a claims-made policy will require some form of run-off cover once their policy has expired, been cancelled or they retire.

Be sure to ask your broker about the possibility of an extended reporting period (ERP), which will set you up for continued coverage of negligence claims – even after you have ceased to practise.

On the Money: Fees Should be Risk-Dependant

Sure, a medical practitioner can check whether they are being over- or under-insured by using the online "quote" offerings of the most reputable insurance providers in our market. But what they'll essentially want to have in their corner when a medical malpractice claim is laid against them, is an insurer who offers the best possible legal assistance and has assessed their unique risk profile astutely at the outset, so that the cover in place is more than just adequate.

It is therefore worth seeking out and choosing a product, and indeed a brokerage, that has many years of experience behind them so that affordability and risk are always perfectly balanced. Medical malpractice insurance is a complicated game. You'll need to go with your gut, but also to use your savvy in terms of ensuring that sufficient cover is in place without it seeming astronomical for the type of medicine that you practise – or the skills you are confident of imparting to your patients on, or off, the surgical table.

Minimum recommended cover:
Dietician – R1 million
Caregiver – R2,5 million
Nurse – R5 million
General Practitioner – R20 million
Surgeon (high-risk) – At least R30 million

Sources:
1 - Click Here 2 - Click Here 3 - Click Here 4 - Click Here
5 - SASOG Medico-Legal Committee Notes – Available indemnity insurance options to Obstetricians and Gynaecologists in South Africa

Committed to co-creating solutions and unlocking shared value

Our History and Heritage

Providing insurance solutions for over 70 years

From the moment Constantia was founded, our focus has been on creating authentic, collaborative relationships with our business partners that are built on trust and form the cornerstone of our success.

Enabling our partners to thrive through a partner-centric approach

Our knowledgeable teams care deeply about our partners' needs and are driven by a powerful purpose of **enabling our partners' success.** With an experienced executive team at the helm, we take a collaborative approach to helping our partners achieve sustainable growth by **co-creating solutions** and **unlocking shared value.**

Our Values and Behaviours

Collaborative
We are determined to unlock value with all stakeholders.

Authentic
We are transparent and sincere in all of our dealings.

Empathetic
We care deeply and immerse ourselves in our partners' businesses – always with a personal touch.

Proud
We are focused, pay attention to detail and always put our best foot forward.

Humble
We don't profess to have all the answers, but we are willing to learn and we treat all people as equals.

The Constantia Way

Our purpose:

To enable our partners' success.

Through a collaborative approach, we first understand our partners' challenges and opportunities, and then co-create solutions to unlock shared value.

Our vision:

To be our partners' insurer of choice.

Authentic relationships are the cornerstone of our success. Driven by humility and empathy, we care about our partners' needs and we are committed to building relationships based on mutual trust.

Our mission:

Through authentic relationships, our empowered teams enable our partners to thrive by co-creating solutions and unlocking shared value.

Our knowledgeable team of experts is committed to nurturing and developing long-standing relationships and providing valued solutions that enable sustainable and shared success.

Our value proposition:

To enable our partners to grow their businesses sustainably.

We care deeply about our partners' businesses and we take great pride in creating and unlocking shared value. We have a proven track record of success because to us, it's personal.

Personal

Commercial

Specialist

Life

Health

Medical indemnity

CONSTANTIA
Insurance made personal

Property and Casualty

Commercial

- Commercial Business Insurance
- SMME Business Insurance
- Residential Sectional Title
- Fleets
- Agriculture

Personal

- Home Contents
- Buildings
- Cars and Trailers
- Motorcycles

Business

- Funeral Schemes
- Life
- Primary Healthcare

Specialist

- Aviation
- Insurance Guarantees
- Legal Assist
- Taxi Business and Buses
- Marine Cargo
- Heavy Commercial Vehicles Insurance
- Electronic Devices
- Motor Vehicle Mechanical Warranty
- Engineering

Medical Indemnity

- Occurrence-Based Cover
- Claims-Made Cover
  Occurrence-Based Cover

Health

- Gap Cover
- Primary Healthcare
- Emergency Transport, Evacuation
  and Stabilisation Cover outside of SA

Life

- Funeral Schemes
- Life Cover

TECHNOLOGY

Theoretically, you are building a system that can be used by a reinsurer an insurer, a UMA, a broker and a policyholder.

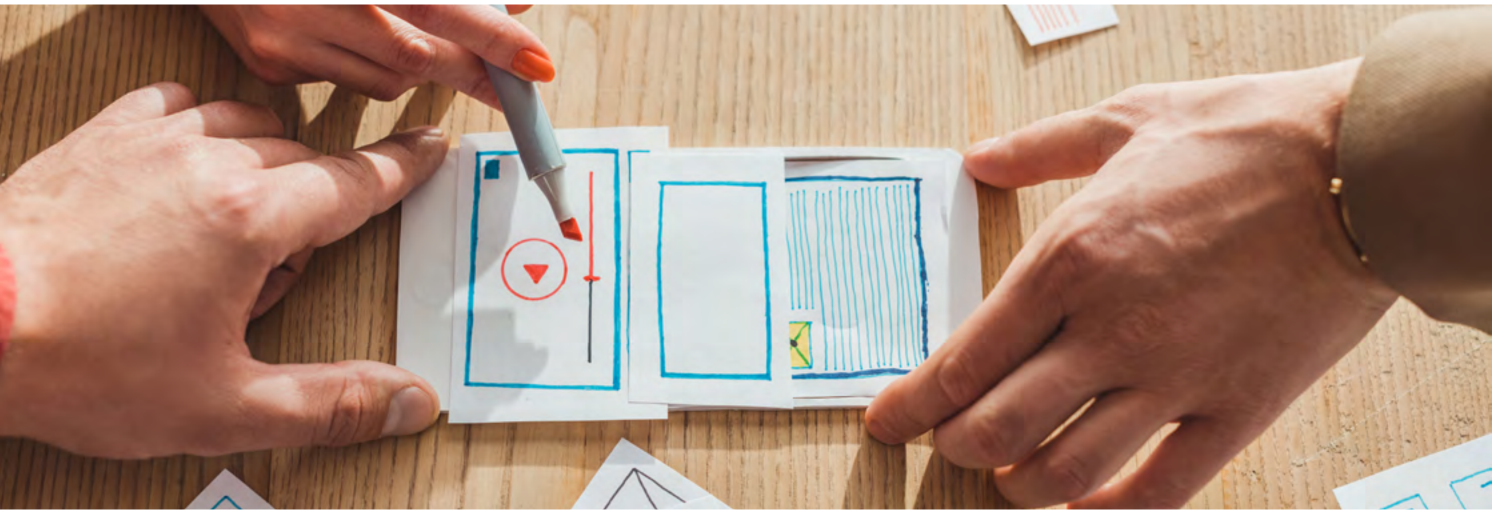
- Tavio Roxo, Owls Software

ROLE OF THE USER IN SYSTEMS BUILDING

Part two in our "Talking tech with Tavio and Tony' series. This time Tavio Roxo, CEO and Co-founder of OWLS Software, tackle the tricky issue of involving users in the design of platforms.

Tony: The tech basically gets built in the insurance industry for both sides, for the insurance company to use on the one side and for the client to interact with on the other side/ for the system to interact with the client. The question is whether we can we rely on the actual user to help us build the system? That famous saying of Henry Ford, comes to mind, he said, "If I asked my customers what they want, they would have told me they want faster horses". What is your opinion on this?

Tavio: The first complexity or the first issue that one faces is that a user is an expert in their own field. In the insurance value chain, there are a multitude of different types of users, and a multitude of different types of sub users. Theoretically, you are building a system that can be used by a reinsurer an insurer, a UMA, a broker and a policyholder. And once you understand that you're building the system so that each one of those stakeholders in the insurance value chain are going to consume and interact with the data and the information that lives in the system, you realise that you are now building a system for four or five sort of broad types of users.



But then, within each of those users, there are multiple subsets of users. So, you'll have a specialist user on the finance side of an insurer, you will have a specialist user on the claims side in a UMA, you'll have a specialised user on onboarding new business in a broker.

If you ask the broker, who is onboarding new business, and you ask that particular user what they want to see in the system, you can see already that their answer will be focused very much on the attributes that they require in their business on a day to day to make their lives easier. But that really serves no purpose for a reinsurer, by way of example, or for an insurer user who is sitting in a reporting world and wants to extract just information. So, when you are building a system, you must consider each one of these stakeholders, users, each one of the functionality requirements, and how all of those interact and engage with each other. It's a relatively complex task. And so, I don't know whether users can build systems, I think they can notionally understand where they want to go with the system, but experts must be involved.

Tony: So now you've built a system they are using, and they are the ones that are taking the pain of learning to navigate the system. As they get proficient in it, they can potentially find certain gaps or some things that they want to develop further. How do you go about soliciting those or filtering those out or getting one's thoughts and opinions that are worthwhile?

Tavio: There certainly are users who really understand the game better than other users and you want to utilise that information in the build of the system. But that very same attribute is the constraint that causes the user to think within the box potentially. A good example and was when they were looking to activate SMS notifications for bank transactions. Most surveyed customers said they did not want that functionality. Now it is the standard and what is expected.

So, you must be cognisant of the landscape and of the history that leads you up to where you are, regarding user requirements. And acknowledge that it's not the beginning and end all of everything, and that there is additional stuff outside of what a user perceives as being their world

Tony: Do you have a system for improving a system over time or adapting the system to the changes within the company, and with products? How does that work?

Tavio: I don't think that it is only something specific to our software, I think it's something that most software providers do engage with. Firstly, there must be a requirement or a need within the business that ultimately is going to lead to more efficiency, more scale, or a better, frictionless engagement between a user or a customer or an internal administrative user and the system/ output that the system must give.

Once you jump over that, and you say yes, now we need to upgrade because we need to incorporate x and y, then there is a full process where you spec out exactly what you require. Once that has been decided, there are multiple ways to do it, but you go off and you essentially develop it.

And then you put it into a staging or into a user acceptance testing environment for the user to test and to understand whether in fact, the functionality that has been built, is going to help that user or solve the particular problem statement. If all those boxes are ticked, then you would ultimately release that into a production environment.

They are thereby enhancing your technology stack in your system incrementally and you do many of these over the course of a year or a month. Ultimately you wake up 24-36 months later, and you realise that this this technology has really evolved to work specifically for them and to really help them from an efficiency perspective.

TURNING CONSUMER INSIGHTS

INTO HUMAN AND BUSINESS GROWTH

Marketing has always been grounded in data. Historically though, it has been more often led by gut instinct than objectively attuned and intelligent insights wrought by sophisticated digital tools. With this gut instinct, and whatever wisdom we could muster, it was difficult to get granular details on the performance of a campaign or even a product. Even though we were already living in a digital information age, the pandemic disrupted the natural evolution as customers basically changed their buying habits overnight. The journey from prospect to purchase became overwhelmingly digital and self-directed, and customer expectations increased. This digital explosion has led to a torrent of data being generated.

Although we were always on track to become more reliant on a data-driven bottom line, new data collection and analysis tools have created an exponential amount of data to sift through. Through the right business intelligence and analytics tools, it is possible to slice and dice your customer's choices and behaviours to get extremely valuable insights. But, like all tools, it can be used, abused and completely misunderstood. It is up to the business to make the right data-driven decision.

It Starts with Remembering Who We Are.

All businesses need to acknowledge that, at the end of the day, we are all human, so all practices relating to data should be created from a human-centric foundation. Developing a strategy and product that puts customers (people) at the heart of a data strategy is essential for making informed decisions. The objective here would be to not only drive efficiencies but also improve customer satisfaction and brand trust. At Momentum Multiply, we deal with a particular wealth of data that our customers have entrusted us with.

"By having access to data, businesses are in a prime position to use this theory to the benefit of their consumers. However, access to data still requires an inherent moral compass to nudge in the right direction. So, it can still be used for more sinister goals and consumers need to be aware of this."

This data is personal and pertains to information surrounding wellness activities like age, weight, and personal financial information. It is our responsibility to use it in a way that both enriches the customer and the business without crossing any lines that could be misconstrued as morally unethical.

We've seen with the introduction of the Protection of Personal Information Act (POPIA), morality has been made manifest as underlying ethics surrounding data became legally entrenched into daily business practices. Now it is imperative that businesses safeguard and ensure secure use of customer data. But we shouldn't always need laws to help us determine between right and wrong.

Personal and behavioural data should be used to reward through positive reinforcement. There is a big difference between nudging your customer in a positive direction and manipulating them for your own gain. For instance, at Multiply, we reward our members for accomplishing weekly challenges by providing incentives in our Weekly Wins programme. These challenges get harder over time, but that only means our members are getting fitter which is worth rewarding.

As we track the progress of our members, we are able to segment them for greater business intelligence by then offering products, rewards and solutions that cater to their unique needs or challenges.

By putting data at the centre of our communication and reward platforms, we can nudge our members in the right direction – one that is good for them and for our bottom line.

This is the essence of what is known as 'Nudge Theory'. This Nobel-prize winning idea was coined in 2008 by economist Richard Thaler to explain how to "nudge" people to make decisions that can be difficult but benefit them in the long term. By having access to data, businesses are in a prime position to use this theory to the benefit of their consumers. However, access to data still requires an inherent moral compass to nudge in the right direction. So, it can still be used for more sinister goals and consumers need to be aware of this.

An infamous example of this is when Cambridge Analytica was caught using personal data from users in a bid to provide analytical assistance to sway an important National election in favour of Donald Trump. In the end, the idea of nudging consumers by using their wilfully shared data is neither a good nor bad strategy. It all depends on the direction in which they are being nudged and whether it meets the criteria of working for them and your business objectives. It only requires a simple moral foundation to ensure that you are not nudging them in a way that only rewards you, which can be viewed as unethical and exploitative. Always ask yourself: what's in it for me, and what's in it for them? If both of those questions don't have a positive answer, it's most likely not worth the risk.

Exploiting personal information in the name of product development and marketing is unethical and doesn't lead to a good relationship with customers. This is a recipe for failure. When the truth comes out, which it always does, your brand (and the people who work so hard to make it succeed) will suffer the consequences. Always remember that data and insights can be used to turn consumers into human beings. What's good for them should be good for you. So, in the end, data can and should be used to add value to both the customer and the business on a very human level. It all depends on which direction you are willing to nudge.

LINEAR JOURNEY MAPPING IS DEAD

Over the years, a lot of very smart people in marketing and communication have spoken about the importance of customer journeys. Whether it's at conferences, in boardrooms, or in blogs and columns, they'll typically also underline the importance of mapping the experience a customer goes through whenever they engage with the organisation.

The trouble is that the word journey suggests a linear progression from point A to point B. The customer starts with an online application and proceeds as predicated to the intended outcome. In truth, things are seldom that simple.

Because customers are human, they don't adhere to linear journeys. Instead, they go on tangents, make mistakes, take breaks from a process, get frustrated, abandon whatever they were trying to do, change channels - all of which means they don't progress through a planned A to B journey.

The Trouble with Linear Journey Mapping

And that's not the only problem with linear journey mapping. While customer experience teams can set up specific journeys for their customers, doing so means losing out on customised journeys. Each individual interaction offers a multitude of possible directions, making the visualisation of an engagement process more of a spider's web of potential journeys. Moreover, mapped out journeys, therefore, lead to experiences that are misaligned and organised around the needs of the business.

Think about it. If you're an insurance customer who's trying to take out a new policy, would you rather your provider forced you to go from their app or website to email, or that it allowed you to complete the process on whichever channel you choose? The organisation might prefer the former, but for most customers, it's a no-brainer, especially if the organisation provides a consistent experience across all channels.

We all have individual preferences and ways of operating. Most people are likely to be more predisposed to any organisation that meets those needs. Certainly, an organisation might feel like it has a greater degree of control if it has set journeys mapped out, but it's ultimately limiting itself by taking that approach.

Orchestration and Individuality

But if we accept that linear journey mapping is dead, what approach should organisations take when it comes to ensuring that their customers have the best possible journey and experience? The answer is to take an approach that centres on orchestration and intelligent orchestration in particular.

GENASYS

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Intelligent orchestration means the system improves its ability with each additional data point and makes increasingly intelligent decisions. Across all your channels (call centre, social media, communication), the system makes a decision on the next best step to send the right message on the right channel, at the right time. It's able to do so because of artificial intelligence executing algorithms to make decisions based on masses of data. But how does the system know who's engaging?

There are a couple of ways it can do so:

- When a person is identified as part of the engagement (authenticated, logged in), the system adds the engagement information to the known identity.
- When the person is not identified (browsing a website), the system looks for similarities or unique identifiers (such as IP address) and based on the data on hand, resolves the identity of the person in order to continue building on that identity.

Better End-to-End Experiences

Taking this approach allows organisations to provide better end-to-end experiences for their customers. That, in turn, engenders more loyalty and ultimately supports business growth. The benefits of an orchestrated approach don't stop there either. It also allows the organisation to look at the entire lifecycle, across all of its departments. This brings with it a number of commercial benefits, from reduced 'cost to serve', to employee engagement. Finally, an orchestrated approach provides the means to iron out customer journey hotspots across all your channels.

With all those benefits, it's clear that linear journey mapping is dead. Long live intelligent orchestration.

6 TECHNOLOGIES BUSINESSES ARE USING TO ADAPT

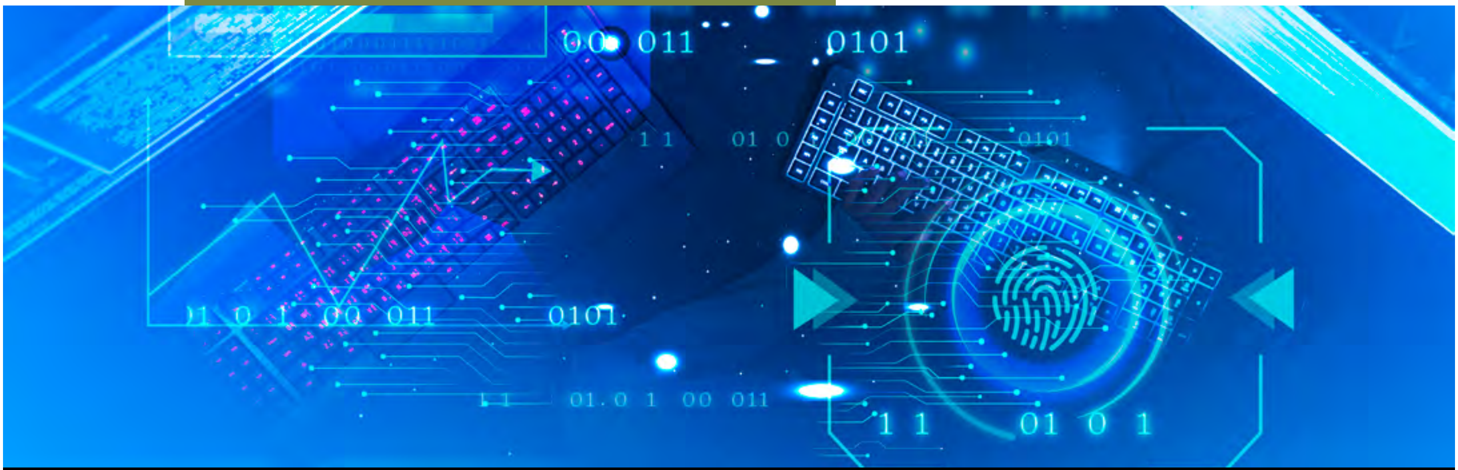
This year many businesses ramped up their digitisation strategies which are changing the ways that businesses operate altogether. Remote working drove big changes in how we communicate, collaborate, and work together.

And technology is at the core of how business owners are adapting. The one thing about shifts such as the global pandemic and technology in how we work is that they bring with them a multitude of ways that businesses can adapt to be better.

Six Essential Technologies that Businesses can Affordably Implement to Adapt are:

Telephony enter the cloud: As the pandemic shifted us into a remote working scenario, many companies using traditional telephone systems - PBXs - did not have the flexibility to shift quickly. Hosted PBX enabled remote working in a massive way. The PBX is hosted in the cloud at a telecom provider's premises, your telephone network runs through the Internet Protocol (IP) versus traditional phone line infrastructure and is fully managed by a provider. This gives your employees the same telephony functions as if they were in the office, and your customers a professional experience with your company. Employees can receive and make calls professionally from anywhere as long as they have access to the Internet or mobile data. Via an app on a mobile device, their phone becomes an extension of the company PBX and employees can make and receive calls as if they are sitting at their desk.

Cloud business software, hello remote working: Your employees need to continue using business office technology that they are highly familiar with. They need to access these systems wherever they are on any device. With software such as Microsoft 365 in the cloud, employees are able to stream all their applications, data and tools – including their personalised



settings – from the cloud to any device whether it is a laptop, computer, iPad or mobile phone. Employees can work from anywhere, provide a consistent customer experience, and they can do their work productively.

Virtual meetings became the norm enabled by technologies like Microsoft Teams, Zoom, Skype and Google Meet. One thing we saw companies embrace are integrated systems like with Microsoft, where work, collaboration and communication happens within one business ecosystem; with Teams for example, employees can share files, organise meetings from their calendar and sync with other office apps.

Productivity – data for managers: The productivity of your employees is the driving force of your business. And in the fast-paced new world of teams working remotely, and in the office, making sure everyone is achieving their full potential is a challenge for most companies.

Productivity technologies have emerged which provide workforce analytics to help you understand your people and how they work on their computers. Innovative employee monitoring software allows managers to gain real-time insights via easy-to-understand dashboards, graphs, and reports to know how their team is doing and when to take action if needed.

Virtual…well everything: Virtualising almost everything is definitely here in a big way. This means that your company can use a virtual - instead of an actual version of something – for example a server, network, operating system, or storage device.

Some of the benefits you can take advantage of is having quicker backups and easier disaster recovery if something should go wrong – you can literally move say a virtual server quickly and be back up and running in no time. Also, virtualising your environment means lower costs because you don't need expensive hardware.

Managed Services – outsourcing to specialists: As managing costs become key in a downturn, looking for ways to ensure accurate budgeting or reigning in IT costs is key. Through managed services, which means outsourcing parts or all of your IT to a specialist, you can focus on your core business while saving on high IT resource costs.

These companies have invested heavily in smart systems which allows them to provide a host of services for SME's at an affordable fee. From IT support, anti-virus protection, backups, cybersecurity, network management …you name it, these days most managed service providers can take care of your IT, while you focus on growing your company.

Artificial Intelligence – let's go automation: Automation is one of the biggest breakthroughs in business today essentially allowing you to use tech to deliver or get services without any human intervention. From an IT perspective, a human can only do so much in the time they have.

You can now automate 1000s of routine IT tasks, plus using AI tech you can now anticipate, diagnose and fix any issues that crop up before they become a problem. This kind of proactive approach to tech means that your IT environment is not constantly breaking down which can be very costly. **So, there you have it, the 6 technologies businesses are using to take full advantage of digitisation and to adapt to the new world of work.**

INTEGRATION: A SPECIALIST AREA IN THE INSURANCE ECOSYSTEM

Speaking to Mongezi Khuma, Integration Specialist at JumpCO, reveals interesting opportunities in the world of insurance technology.

Tony: As far as technology and specifically integration is concerned, you have quite a varied background. Please share with us how you started at JumpCO and where your interest in integration comes from.

Mongezi: I started at JumpCO as a developer and was then exposed to integration at one of the financial services companies. I went there to support, as they already had tools in place and that is when I got exposure to and learnt what integration is all about, what it can be used for, and how it assists organisations in getting other systems communicating with each other.

Tony: How much does integration differ between the industries you have worked in?

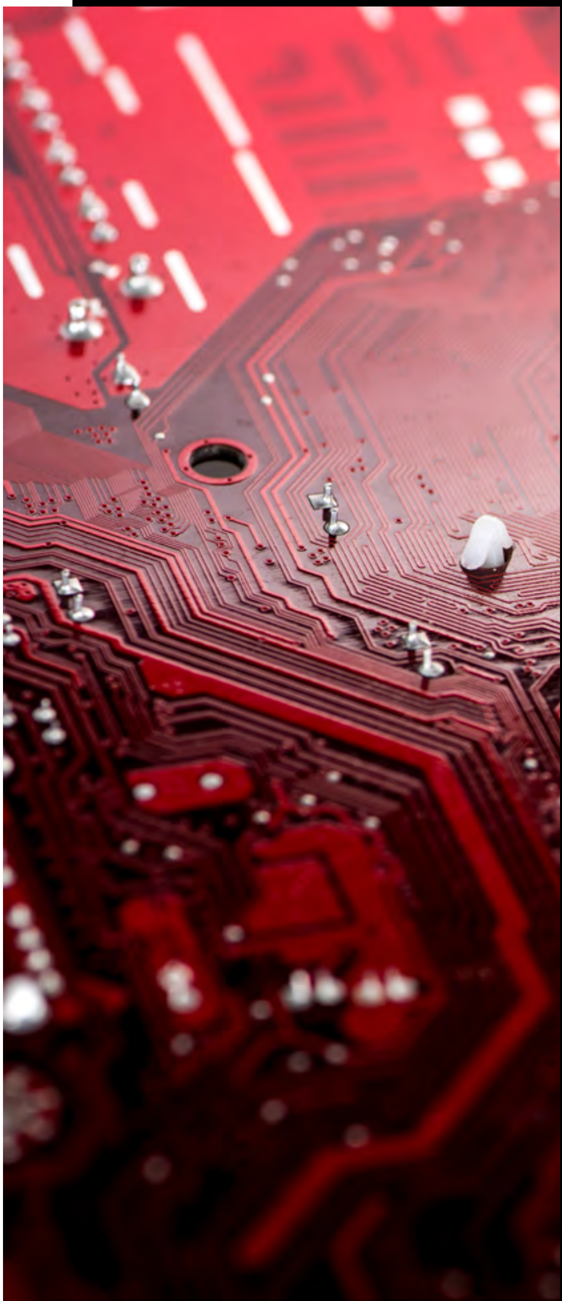
Mongezi: Every business has its own processes to get things done. Systems are different from financial to insurance to government entities. But technology doesn't change much, it is just a matter of having the right data and having to analyse it and ensure that it's distributed to the right stakeholders. So, it wasn't necessarily a culture shock, because of the exposure that I had in the financial sector. I have grown and become a kind of specialist in the area of integration. When I move into other entities or other environments, I can anticipate what they are planning to do. And through JumpCO, with the tools that we have, integration just becomes easier every time, it comes with experience.

Tony: Integration can mean many things. Can you give me a brief synopsis as to what you mean with integration and what JumpCO's role is in this process?

Mongezi: We live in a world where systems are distributed all over the place and we have systems whose core functions are sitting somewhere else. Often, you won't be able to acquire some of those functionalities. If you're building something, for example, if you needed something that could do an ID validation, why duplicate when you can just go and speak to the home office to get you that service? That is when the integration space comes in to say, there is already a system in place, I need data A or data B, and it is available from this particular company, how do I get that data so that I am able to get my systems up and running as well? Integration makes it possible for two stakeholder systems to communicate and exchange information without having to change or touch or introduce the risks in the endpoint systems.

Tony: You work with IBM and IBM Integration quite a bit. IBM is a big player in the insurance industry in various ways. Can you give us a feel for how IBM Integration impacts the insurance companies and subsequently the man in the street, the actual policyholder?

Mongezi: It is important to understand, as a service provider, that people are looking for efficiency. They want to have access to a service as quickly as possible without having to go through the process of trying to gather information themselves to submit. If I use a clinic as an example, with integration, if everything is digitised, they can have an individual's profile ready when a claim comes through, and by simply checking a box, the information will go to the different systems for approval, in real time, without having to go through the process of filling out the forms or making phone calls.



Integration digitises everything and makes it readily available. It is basically a freeway of information that makes that information easily accessible from anywhere in the world or anywhere in a company.

Tony: Now, business carries on during all these processes, things don't stop. You don't switch off, and then after a month switch back on when you have done the integration. JumpCO Consulting offers a lot of value in that process, making sure that it is still business as usual, while you continue with the integration. How do you manage that process?

Mongezi: Integration makes things easy. There is a term called HA - High Availability. In the past, whenever there was maintenance of a particular stakeholder systems, there would have been downtime so that they could do those upgrades or fix whatever they needed to fix.

High availability basically just says, let us switch to the available system while you are doing your upgrades and, once you are done with the upgrades, you can switch back to the production live streams. That way everybody is happy, the system is live and there is no downtime, and if there is, it is very limited. So that is what the IBM tools are capable of. All of them encourage High Availability because in this day and age, it is important to have information readily available, without any hiccups at the end of the day.

Tony: We spoke about the live environment and integration, and I know that one of the tools that you use specifically for that is the IBM DevOps. What are the benefits of using that specific tool?

Mongezi: DevOps basically simplifies the process of developing software, deploying it into the environment and making sure that it is live. So, what really happens is it puts measures in place where one can just confidently develop a solution and then deploy it without having to worry about having to go through the process of editing. So, you define the rules prior, to make sure that when you are done with your development, with a click of a button, everything gets tested, approved by the right people, and then migrated to the live environment.

With that, if there are any other issues that are unforeseen, it is much easier to go back without having to go through the process of trying to figure out what the issue is. With the click of a button, you can go back to the repository, fetch the previous version of the code, and then put it into the live environment with IBM CloudPak that is underpinned by RedHat OpenShift. At JumpCO, we encourage clients to follow that process.

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WHAT TO LOOK FORWARD TO..

INSURTECH 2022

We are excited to announce that Insurtech2022 is scheduled for 3rd and 4th of May. It will, once again, be a virtual event, but with a twist. For the first time, the virtual event will be followed by a face-to-face networking function in Cape Town and Sandton.

Save the date!

AFRICAN INSURANCE EXCHANGE 2022

This years African Insurance Exchange hybrid edition will be hosted live as well as virtually. The dates have been set for 25 and 26 July 2022 at Sun City (in-person event) as well as virtually for attendees from across the globe. Register Here