COVER

DECEMBER 2021

MARINE
END TO END


WHY RENASA,
ROGER?


BECAUSE BROKERS BENEFIT FROM RENASA'S STATE OF THE ART TECHNOLOGY YET KEEP THEIR PREFERRED OPERATING SYSTEM, ARCHIE!

MAIN STORIES

REINSURANCE 2021

In many ways it has been a fascinating year for the insurance industry, and the reinsurance players have not been immune. Our contributors share thoughts on the year that was and discuss the various lasting effects of the many unexpected global trends.

MARINE INSURANCE

Another segment of the global business and insurance industries that has been massively impacted by the various risks we faced in 2021 is the Marine and especially, the Goods in Transit landscape. We unpack some of the issues.

RESTRAINT OF TRADE

Are they enforceable? Do we know what it entails? Do we even know whether we have signed one? I unpacked this interesting but highly relevant topic with Guy Holwill, CEO of Fairbairn Consult.

CLAIM TIME IS BRAND BUILDING PART2: IMPROVING THE TOUCHLESS ENVIRONMENT

Wimpie van der Merwe, CEO of Global Choices, provides another look at how to retain the human touch in a touchless technology advantage.

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DECEMBER 2021

GENERAL

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TECHNOLOGY

2021: Not just another year

Tony van Niekerk, Managing Editor, COVER Publications

2020 was a tough year. We started out with a three week lockdown in March 2020, thinking that would be it. Yet, here we are in December 2021, worrying about a fourth wave.

Not in our wildest dreams could we have foreseen how things will play out. The world has changed, not just due to COVID, but in many other positive and negative ways. The question is whether we will optimize the lessons that can be learnt. Where do we find ourselves at this point?

COVID 19: One thing is clear. We do not understand this virus yet and we do not have a proven strategy to deal with it. As I write this:

- Austria is going back into full lockdown, despite a high percentage of their population having been vaccinated
- Many other countries across the globe are experiencing rising infections, again.
- Africa has not been the big COVID killing fields everyone predicted
- Global populations are starting to turn their backs on lockdown strategies, taking to the streets in violent demonstrations
- Most countries are already far in the process of distributing booster shots
- Oral vaccinations or treatments have come onto the market

Cyber Threat: It is estimated that Cyber crime cost the globe USD6trillion in 2021 and will cost the world USD 10,5trillion annually, by 2025. (Cybercrime Ventures). This is exponentially more than the damage inflicted by natural catastrophes and more than the total global trade in all drugs. It is estimated that the Deep Web is 5 000 times bigger than the surface web, and we all know how massive the surface web seems to be.

Just like the COVID virus, the cyber threat is pretty much a "learn as you go" environment for everyone, from authorities to business, individuals and the insurance industry. The reality is that the potential devastation that can be caused by a Cyber pandemic that spans the globe in a "short, deep and widespread infection" is unfathomable at this stage. Just in South Africa, we have seen our ports authority systems ransomed with massive ripple effects into industry supply chains and we have also seen hospital networks ransomed. Globally we have seen electricity and healthcare networks shut down.

Climate Change: Unprecedented climate events, from record heatwaves in Canada and Europe to massive floods in Central Europe, droughts and fires. Again, just as we think we are starting to understand the patterns, there are outlier events. The writing is on the wall that we have overstepped the boundaries already and that we are dealing with exponential changes now, not just the gradual increases of the past.

Furthermore, it is clear that current city and infrastructure design is not up to date with the fast changing natural environment.

Socio-economic challenges: The highest unemployment rate in our history, directly linked to soaring crime. The looting in July this year is a clear manifestation of both. Poverty and unemployment is a lethal cocktail that feeds off each other in a downward spiral, requiring systemic interventions to turn the tide. Our political landscape is unfortunately not assisting with stemming this tide.

Business and the Insurance Industry: In South Africa, the only way out of our mess is with economic growth, leading to increased employment. That should be the main focus for Government and Industry. The role of insurance is to provide certainty, stability and sustainability, against the backdrop I sketched above.

The question is whether the industry will be able to keep up with the fast changing world of risk and, if not, where will that stability and sustainability come from? We certainly have our jobs cut out for us.

SHORT TERM

"Cash flow is what keeps a business afloat. Premium Finance is a funding mechanism that allows corporate and commercial businesses to finance their annual short-term insurance premiums and pay them off on a monthly basis."

- Delarey van Dyk, MD of Fulcrum Premium Finance

Aviation Specialist, partnership approach needed

James Godden, Head of Santam Aviation

As is the case with virtually every facet of global transport industry, the South African aviation sector has not been exempt from the effects of the COVID-19 pandemic.

Aircraft operators across all disciplines are currently fighting for financial survival in the wake of the global health crisis. The Covid-19 lockdown restrictions saw 80% of its aircraft clients grounded between April and August 2020, resulting in an average loss of 60% in income during that time.

In an environment already heavily dictated to by legislation and compliance, it is now more critical than ever that industry role-players look at partnership-driven solutions to reduce financial stress on aircraft operators in an urgent bid to get the sector off the ground again.

As the largest and most experienced specialist aviation insurer in Southern Africa, Santam Aviation currently insures 4000 plus registered aircraft, which comprise R130-million of South Africa's annual R500-million aviation insurance premiums. This includes private and corporate, recreational, aerobatic, agriculture, charters, surveillance and tracking related aircraft.

It has been an intense period with the introduction of Covid-19 negation measures that have introduced changes to normal operating procedures. At Santam Aviation we're focused on doing everything possible to support clients through these uncertain times while providing the right type of security to support their investment.

With the strict lockdown measurers that saw the grounding of all aircraft in March last year, Santam Aviation immediately responded by switching its aviation clients to ground insurance cover in an effort to alleviate the financial pressure during the hard lockdown period.

But aircrafts that have been grounded for such an extended period of time present a different set of challenges all together. Grounded aircraft are vulnerable to rust damage from being inactive, and aircraft parts have a variable lifespan. This puts further pressure on maintenance obligations.

Clearly this is a no-win situation for our clients – and something that has undoubtedly contributed to the biggest issue for the industry this year. Already by April this year, half of the country's total aviation premiums have already been under claim. This has the potential to translate into rate increases to cover losses – something we ideally want to avoid.

We have seen a massive spike in aircraft insurance claims, with around R250-million in claims in the first quarter of 2021 alone. What is interesting is that 90% of claims are related to pilot error, particularly in relation to take-offs and landings. The team at Santam Aviation, along with industry partners, is actively looking into the possible contributing factors in order to consider motivation for introduction of conditional terms in insurance cover going forward.

We need to assess if these factors can be attributed to the impact of Covid-19. For example, with pilots not being able to fly their mandated hours, there could be a condition forcing them to return to flying school to complete a certain number of take-offs and landings with an instructor.

It is clear that the South African aviation industry has a very unique risk profile and complex insurance requirements that requires a highly knowledgeable underwriting skillset.Typically an insurer's primary focus is to protect its client's assets, and to pay out in the unfortunate event that something does go wrong. However, when it comes to aviation insurance, it is important to realise that a specialist aviation insurer is equipped to offer insights into, and help guide clients through into the vast range of factors and regulatory requirements that influence the market.

For the past 40 years Santam Aviation has developed a solid understanding of the changing risk environment, aircraft and aviation laws and safety and security compliance requirements that guide the South African aviation industry. These key differentiators also underpin Santam Aviation's offering in the 33 continental nations in which it operates.

This particular skillset and in-depth market knowledge is crucial when it comes to the aviation industry in the rest of Africa, where exchange controls and securing premiums is trickier. Despite these challenges, Santam Aviation considers Africa a key growth market for the business, particularly the eastern regions and South Africa's neighbouring territories.

Even submitting an aviation insurance claim could be an intricate matter. Submitting a claim in contravention of law, or without the required certifications, could have dire consequences – which may be financially crippling to the policyholder.

Even a usually straight-forward claim like damage caused by taxi-ing into a runway hole or clipping a hangar door, will be rejected if the paperwork is not in order. Obviously the impacts are devastating if there is a loss of life, more so if the deceased are related to or known to the owner/ pilot.

The most basic of cover, and which is dictated by law, is third party/passenger insurance, but the greatest liability is when the aircraft is in motion, which requires comprehensive cover.

That premium is variable dependent on the risk exposure, such as purpose of the flight; the level, age and experience of the pilot; the type of aircraft; area of operation, among others.

It is clear that the business of aviation insurance is complex. Aviation has suffered, and will continue to struggle until the pandemic is under better control. For insurers, those immediate opportunities lie in developing a sustainable long-term approach and supporting aviation clients as the sector limps through the crisis.**It is absolutely critical that role-players find joint solutions and drive a collective approach to ensure the survival and longevity of an entire industry.**

That's (virtual) entertainment!

Michael Furtschegger, Global Head of Entertainment at AGCS and Alastair MacLean, Global Product Leader – Live, at AGCS

The Covid crisis compelled many of us to consume leisure content online in the absence of live entertainment attractions to enjoy in person. We take a look at the incredible growth of virtual events under the pandemic, explore where this might lead in the future, and ask what the insurance implications might be.

When Swedish superstars ABBA heralded their first new album for 40 years with the news that they would be performing a series of London concerts as AI-enhanced 'Abba-tars', the livestreamed announcement itself clocked up more than 200,000 viewers on YouTube. For some, the concept represented a gimmicky betrayal of the wonder of live music and all its unpredictable alchemy. For others, it was a fascinating glimpse of what was to come – a new and exciting dimension to the world of in-person entertainment.

"Whichever side of the fence you fall on, there is little doubt that the nature of live entertainment has been evolving – and the pace of transformation within the industry was turbocharged by the Covid crisis and subsequent lockdowns," says **Michael Furtschegger, Global Head of Entertainment at AGCS**. "When the pandemic hit, artists, producers and venues scrambled to host online or livestreamed alternatives for sporting events, concerts, theatrical productions and other cultural attractions that usually gather a crowd."

Early lockdown 2020 saw a spate of informal performances staged at home from the likes of singer-songwriter John Legend, Coldplay frontman Chris Martin, and Neil Young, who played acoustic sets around his home in the Rocky Mountains, filmed by his wife, actress Daryl Hannah. By June the South Korean mega-band BTS was drawing in nearly three quarters of a million viewers in over 100 countries for its livestreamed **Bang Bang Con: The Live** event, an extravaganza that was performed across several different rooms and is believed to have generated around $20mn in ticket sales.

With so many live sporting events cancelled, major sporting bodies which had already innovated their own e-sports versions filled the breach with video-game alternatives. Formula 1 staged a Virtual Grand Prix series in 2020 that achieved a record 30mn views on TV and digital platforms, EA Arts' FIFA soccer franchise added 7mn players in the second quarter of the year, and, in basketball, NBA 2K20 recorded an 84% increase in active players during the same period.1

Video game and e-sports revenues reached US$147.7bn in 2020 and the segment is expected to become an almost US$200bn global business by 2025, according to Pwc. Virtual reality is the fastest-growing entertainment and media segment, with revenues increasing by 31.7% in 2020. The report highlighted the changing dynamics within the industry, including the shifting of box-office revenues to streaming platforms, and more content being consumed on mobile devices.

YOUNGSTERS MIX IT UP

Live music is forecast to make a strong rebound and a survey of over 25,000 UK live music fans showed 75% of under-24s would be happy to return to events as soon as possible, according to a survey by LIVE3, a UK music organization. Significantly, the same survey reports 70% of fans saw a live music performance online in 2020 and one in four was interested or very interested in attending online music events in the future. A hybridized approach to consumption could be the model for media and entertainment going forward, especially if the habits of Gen Z (those born between 1997 and 2007) are anything to go by. These digital natives are consuming culture on a number of platforms, and for them, the boundaries between fashion, music, film and gaming are blurring. Gaming is particularly influential, with just over a quarter of that age group saying that playing video games is their favorite activity, followed by listening to music (14%), according to Deloitte. This trend was illustrated in spectacular fashion with the live appearances of rap star Travis Scott and singer Ariana Grande in immersive, interactive events hosted by Epic Games' Fortnite, their avatars performing in virtual spectaculars viewed by millions.

"Given the combination of changing viewer behavior and rapidly developing technology, it seems likely virtual events will remain a part of the entertainment mix even after the pandemic is over. But even without a physical audience or staged event, things can go wrong in the virtual world."

The space where interconnected physical and virtual realities converge – if not quite yet then very likely in the future – is often referred to as the 'metaverse', a term that has become something of a buzzword. Mark Zuckerberg has said he sees Facebook transitioning from a social media company to a 'metaverse company'. "Think of this as an embodied internet that you're inside of rather than just looking at," he said in an earnings call in August.

THE ROAR OF THE DIGITAL CROWD

Immersive innovations are also shaking up sports broadcasting, with virtual and augmented reality being used to personalize the viewer experience and offer a 'front-row experience'. Fans of both the NFL (National Football League) and the NBA (National Basketball Association) can use Microsoft Teams to share a collective experience and celebrate with players when they score, while Sky Worlds allows Premier League soccer fans to move around the stadium using an Oculus Quest headset.

"I see more of us getting used to pay-per-view ticketing and watching live events streamed in parallel in the future," says Furtschegger. "The prospect of a VIP or front-row experience will make the virtual experience more appealing, giving fans a chance to interact with their favorite band or get special access behind the scenes at a big sporting occasion."

This trend towards customization does not only apply to big-arena events, adds **Alastair MacLean, Global Product Leader – Live, at AGCS**. MacLean expects to see growth in the number of livestreams from smaller venues hosting comedy and music events. "These events can be more intimate online. You can have interactions with the performer. If you have a very small gig, you can have a Q&A session with the artist. In person, access is restricted because you are not allowed backstage." Several social-media companies are already offering platforms for livestreaming events, MacLean notes, among them Twitter Spaces, Spotify and Instagram Live.

TRANSMISSION FAILURE, NO-SHOWS AND OTHER PERILS

Given the combination of changing viewer behavior and rapidly developing technology, it seems likely virtual events will remain a part of the entertainment mix even after the pandemic is over. But even without a physical audience or staged event, things can go wrong in the virtual world.

"With so much technology involved, transmission failure is probably the most critical risk," Furtschegger says, adding that AGCS has seen a rise in insurance enquiries for transmission of events through satellite, live streaming and pay-per-view contracts. "Transmission could fail because of a weather-related interruption, natural catastrophe, a fire that affects your broadcasting unit, or network issues within your broadcasting infrastructure."

Events dependent on a single star or band can be left high and dry if the headline act does not show up because of health issues, and for this there is non-appearance cover, Furtschegger explains. "If you have an event centered on a particularly crucial announcement or element – say the 89th minute of a soccer game – you can even specify a 'critical moment' and insure against that vital element not going ahead."

Even if you are running a virtual event without a live audience, you should still be aware of the usual property and casualty perils. "You may not be so concerned about slip-and-fall coverage, for example, but you could still be renting equipment in a studio and staging a smaller-scale event, so you will have some exposures in that location."

HOW TO REDUCE THE RISKS

"For transmission, any risk assessment should look at your infrastructure, how you will generate the signal, and how it will be broadcast and transferred," Furtschegger adds. "What is your reboot time if there is an outage and what backup systems are in place? Then there are more mundane physical risks that need to be managed, like protecting cables to guard against power outage."

As with live entertainment, for a virtual event you will probably need to mitigate against weather perils, fire, property damage and risk to an audience, if anyone is present in person. Weather perils could increase in the future as a result of climate change, Furtschegger notes. "The Bonnaroo 2021 festival in the US was cancelled this summer due to waterlogging and flooding, so if you're streaming an event in parallel with a physical event, choose your location with care and consider the vulnerabilities of the physical environment."

Because virtual events rely so much on digital technology, cyber security is inevitably a concern for organizers and an area of increasing interest for insurers, says MacLean. "With events being livestreamed and heavy use of technology even at venues, there is a lot of interest in coverage for cyber outages. In the future, increasing demand might lead to a specific cyber product offering for events. This is a hot topic across all areas at the moment."

A BIGGER, BOLDER, BRIGHTER FUTURE

As entertainment offerings proliferate and innovate in the years to come, the financial stakes and investments could be high. With viewing figures for virtual events sometimes running to their tens of millions, lost revenue in ticket sales, merchandising, advertising and sponsorship represents a significant economic risk.

"In terms of future risk mitigation, shows are getting bigger and more exciting. They're using mixed reality, augmented reality and other immersive technologies, offering more and more ancillary offerings to customize the experience, so this will lead to more demand and capacity. Ticketing is likely to become more expensive," says Furtschegger.

"I think we all agree there's nothing to match the atmosphere of live entertainment or sports enjoyed as part of a crowd," Furtschegger adds. "At the beginning of the pandemic, many people engaged with virtual events and streamed content because there wasn't much else to do, but going forward it will no longer be such a binary choice."

After a period of crisis, turbulence and reinvention in the world of entertainment, it appears that the show will go on after all – and in more ways than one. Find out more about the risks associated with live events here: Live events risks (allianz.com)

Shari'ah-Compliant insurance in SA

Vanessa Rogers on behalf of Indwe Risk Services and MC De Villiers Brokers

Muslims make up about three percent of South Africa's population of nearly 60 million people. This equates to 1,8 million Muslims. Looking ahead, and with South Africa being a delightfully diverse place in which to live and do business, this figure is only likely to increase over time – making it important that the industry's service providers are able to serve the needs of the Muslim community when it comes to the provision of short-term insurance.

Currently, the Muslim community is under-served when it comes to insurance due to a lack of availability of Shariah-based insurance products that comply with Shariah laws and the principals of Islamic religion, along with their practical application in Islamic economics. This is why it is important for those of us in the industry to educate ourselves in this field and to understand our client needs, so that we can look to provide solutions which serve our immediate and potential client base. Shariah law is the code of religious teachings for the religion of Islam, while takaful is a type of insurance devised to comply with such laws – in which money may be pooled or invested.

According to Angus Marshall, a specialist on transactional liability within the UK market, Shariah-compliant or takaful insurance does not differ from any other type of insurance – except in three important respects: purity, certainty and mutuality. Shariah financial products also eschew any form of interest.

Head of transaction liability at CFC Underwriting, Marshall believes that an insurer who bravely takes on an underserved segment of the market, seeks to "play a grace note in relation to their overall emerging-market capabilities and demonstrates their commitment to such markets".

A takaful provider may not invest takaful-compliant funds in any companywhich derives its income from a product or service that offends Islamic principles (such as alcohol, tobacco, pornography or weaponry); and such policies generally require the approval of a certified Shariah scholar in consultation with his or her supervisory board.

NEW PRODUCT POISED FOR LIFT-OFF

Here in South Africa, the progressive team at Indwe Risk Services and MC De Villiers Brokers have taken note of the increasing need for professional indemnity within the Muslim business community.

Their research reveals that the South African Muslim market is worth more than R1,5 billion annually – although more research is needed as to the market's contribution income across all lines of insurance. What is known, however, is that this segment of the population is educated and highly loyal.

Yet a significant untapped market of around two million entrepreneurs from elsewhere in Africa (a continent that is at least 50 percent Muslim) have been flooding into South Africa in recent years. Institutions therefore need to collaborate in the way of accessible webinars and information packs, for example, to create awareness and educate this market about takaful products and their benefits, over and above the local South Africans who have already had extensive exposure to such products.

Notably, there has already been successful penetration of takaful insurance in sub-Saharan African countries – such as in Kenya and Nigeria. In Kenya, where Muslims account for at least 15 percent of a population estimated at 40 million people, Islamic finance accounts for at least two percent of the banking sector. In Nigeria, where there is a rather poor penetration of insurance (despite a rapidly growing middle class), the Nigerian insurance market remains promising as far as life and non-life products, along with saving and investment schemes, are concerned – especially those which are compliant with Shariah laws. With this in mind, the Indwe Risk Services and MC De Villiers teams have, as of 10 November 2021, launched a Shariah-compliant product offering in South Africa – via Safire Insurance Company Limited and underwritten by Genoa Underwriting Managers.

Fully endorsed by Mr Mufti Desai, an internationally reputed Shariah advisor and investment banker, who is currently CEO of Global Islamic Financial Services, contributions will be paid by takaful participants into the ring-fenced Shariah-compliant bank account; whereupon insurance will be granted to participants – subject to the takaful provider's terms, conditions, limitations and exclusions.

The teams, mentioned above, who have collaborated to bring this Shariah-compliant combined Medical Malpractice and Public Liability Indemnification takaful policy to market, will have exclusive rights to sell it in the Gauteng province for a period of 24 months. The Medical Malpractice takaful product, mentioned above, is a very proud world first.

THE GLOBAL CONTEXT

A recent paper in the *Insurance Markets and Companies* journal examines which issues surrounding takaful still need to be resolved for it to progress globally. Takaful insurers need to increase public awareness of the importance of both life and non-life insurance policies to their target audiences; they need to expose themselves to the international insurance market to improve their competitiveness and investment results; their focus needs to shift to developing a wider range of products, both price- and quality-wise; and a formal supervisory system should ideally be developed to efficiently monitor their takaful products globally – a local supervisory board may not be sufficient.

The attainment of raised customer awareness, the development of new products and distribution channels, and a range of attractive investment options (such as an AAA-rated international reinsurance company to underwrite takaful products) would all serve to improve customer understanding and satisfaction.

But as with any innovation or attempt to diversify into a new area, small steps are best to start with, along with a solid understanding of the requirements of any new products. Insurance services have a definite place in Islamic finance if they are approved by the Shariah and are based on "responsibility, mutual cooperation and solidarity, in order to protect someone against a well-defined risk".

What is certain is that the uptake of takaful is set to grow, both within the South African market and globally, over the years to come.

CFP Brokers is joining YIB!

Your Insurance Brokers

Personal service, solid advice and tailored solutions. That's what Margie Allison set out to give businesses when she bought Yourinsurance Brokers (YIB) in 2008.

Moving on from the traditional brokerage she'd owned since 2001, it invigorated her approach to insurance, starting something more personal and modern.

Says Margie: "More than 15 years later, that mission has not changed. It's the reason we've been able to serve a broad range of specialised insurance services. It's also why you trust our reputation for integrity and professionalism".

This month they were excited to announce a strategic step forward in niche-market insurance. On 1 January 2022, YIB will welcome Cover for Professionals Brokers (CFP Brokers) into the fold.

YIB directors, Margie Allison and Lauren Anderson, collaborated with the CFP Brokers team to fine-tune the move and will continue to guide the changes to ensure a smooth transition. **"As we combine our strengths, our services will get better than ever".**

YIB AND CFP BROKERS ARE UNIQUELY COMPATIBLE

Like YIB, CFP Brokers has grown trusted, long-term relationships in the specialist liability insurance industry. Since their beginnings in 2011, CFP Brokers has become known and respected for quality expertise.

YIB has many years' experience in the same field, so they found common ground. Call centres don't work for their customised solutions: staff from both companies are qualified as authorised representatives, giving trusted advice to niche businesses.

After discussion, one thing became obvious. With CFP Brokers' skills in professional indemnity and medical malpractice insurance, and YIB's broader range of specialist insurances, combining the teams will take both to the next level. It was an opportunity neither team could resist.

Margie confirms: "Together, we'll deliver even better solutions - You'll get twice the expertise in one place".

HERE'S WHAT THEIR CLIENTS CAN LOOK FORWARD TO:

Access to more insurance products. Combining our resources within niche markets will broaden the available range of cover for you.

Expanded insurance knowledge. Pooling our skills and understanding of specialist liability cover will raise our level of excellence in fine-tuning niche policy. We understand those terms that may feel daunting or highly technical More flexibility and a smoother experience. Integrating the best of each of our operational systems will create a more efficient engine for administering your insurance.

While ownership of CFP Brokers will change, clients remain in good hands. Both YIB and CFP Brokers know that they expect customised policy advice and efficient service. All staff are dedicated to negotiating bespoke solutions, assuring clients of reliable cover. Continuing to provide insurance cover on competitive terms.

To clients, Margie has the following: "We've never been more certain that this step will be good for your insurance experience, and we can't wait to offer you the extras".

YIB | Your insurance Brokers
Your insurance is our business

How South African insurance brokers can free up cash flow

Delarey van Dyk, MD of Fulcrum Premium Finance

Tony van Niekerk, Owner of Cover Magazine chats to Delarey van Dyk, MD of Fulcrum Premium Finance. They discuss the deeply misunderstood area of Premium Finance: how it works for brokers and their clients, and the extent to which they both benefit.

Tony: Why is there a need for Premium Finance and what problems does it solve?

Delarey: Cash flow is what keeps a business afloat. Premium Finance is a funding mechanism that allows corporate and commercial businesses to finance their annual short-term insurance premiums and pay them off on a monthly basis. So clients can enjoy the benefits of an annual insurance policy while ensuring that the upfront payment requirement of that premium doesn't impact their cash flow. It's a simple product that's worked for many years.

Tony: Is there an ideal candidate that will benefit from premium finance, or is it any broker?

Delarey: Any broker and any client. The larger and more complex the portfolio, the more it'll benefit the end client. But at the end of the day, it's a brilliant option for any client and broker. A lot of products only benefit the end client or the broker but Premium Finance manages to benefit both. The best part is that we take all the admin off the broker's hands.

Tony: There are some other big players in the market. So what's your unique value proposition. What sets you apart?

Delarey: Ultimately, it's our experienced knowledge and the relationships we've nurtured – that's what guides us. We've had relationships with clients and brokers for over 10 years. Those clients and brokers tend to renew with us every year regardless of the price or the competition. It all boils down to our close-knit team of specialists who have been working together for more than a decade with basically no staff turnover.

And that follows through to our relationship with our clients. We have a 24 hour turnaround. When a broker requests a quote, we guarantee that the broker will have that quote within 24 hours. We're solutions-oriented. We offer brokers and the clients more options than the norm – whatever suits your pocket is the option we'll get to.

Tony: Yeah. It's a very specialised product, yet there are lots of nuances in terms of the value that you get depending on who you're doing business with.

Delarey: For brokers, it holds a whole host of benefits. The most crucial one is that the broker gets their fees and commissions paid upfront as opposed to a monthly policy where they'd receive that monthly. So it helps a broker with their cash flow, their aspirations, and growing their business. Financed clients are also less likely to move from one broker to another within the term of the policy, which enhances client retention.

We handle the debit orders and credit control, so we deal with all the admin. Another benefit is that we have Forex capabilities, so we can assist in the financing of premium placed both locally and internationally.And they pass these benefits onto the end clients. It frees up cash for reinvestment and operations. We've seen how hotels and restaurant businesses have done in the last year or two and it just drilled in the fact that cash flow is king. So our aim is to assist a business with its cash flow.

"Cash flow is what keeps a business afloat. Premium Finance is a funding mechanism that allows corporate and commercial businesses to finance their annual short-term insurance premiums and pay them off on a monthly basis."

It enables leverage at sustainable rates and Premium Finance effectively works as a better alternative to your own banking facility because your business can leverage off our balance sheet. Clients can claim substantial VAT refunds upfront as opposed to year-end. It frees up further cash and generates a substantial time value of money saving.

For example, let's say you had an annual premium of half a million rand. If you claimed your VAT upfront, you'd get about R62,000 of cash to inject back into your business – all as a result of taking a Premium Finance offering.

It's also cheaper and more practical to package an entire portfolio together. Larger corporate or commercial clients often have bigger, more complex policies placed with various insurers and underwriters. All of those require debit orders to collect. By financing it, we lump all of those into one package. The result is that insurers get paid their premiums, brokers receive their commissions and fees, and one monthly collection is done by debit order. So it's all packaged nicely.

Typically, if you converted a monthly policy into an annual policy, you'd get a discount from your insurer. That discount is often *more* than what our finance chargers would be. So the client would still benefit from the annual policy except they don't have to pay it upfront at the end of the day.

Tony: It's clear to me that there's a lot of stuff that people are unaware of in terms of Premium Finance. Brokers need to have a chat to see what they don't know about it and how they can benefit in ways they never expected.know about it and how they can benefit in ways they never expected.

Aviation insurance: Flying high after COVID

Jan Coetzee founder and CEO of Azriel Aviation

Jan Coetzee founder and CEO of Azriel Aviation, a Constantia UMA, has been in the Aviation business for more than 32 years, setting up Azriel in 2010. We spoke to him about his business, the aviation sector in general and the impact the last 18 months has had on it all.

COVER: What area of aviation is Azriel involved in?

Jan Coetzee: We can insure anything from hot air balloons to even smaller type Boeing 737's and obviously some of the Jets and helicopters. We joined Constantia as we needed a new carrier and needed to have a proper reinsurance programme behind the scenes placed with well-known reinsurers like Swiss re, Munich re, Hannover, R+V. It is very important to us, to have solid backing to ensure claims are paid. We have built up very good relationships with various people at the insurers and the reinsurers.

We do have some restrictions or exclusions on what we write, like the fact that we cannot offer terms iro of Passenger Liability where the aircraft has more than 50 passenger seats. We have also insured a couple of operators out of OR Tambo in the past, but just on the aircraft Hull All Risks itself, we didn't get involved in the liabilities. There are also certain types of cover and/or aircraft types that we prefer not to insure, due to past experience from claims.

In terms of reinsurance, we can write any risk if it is based or operating in Africa, and the outlying islands. We therefore do business in Seychelles, Zanzibar, Namibia, Botswana, Zimbabwe and East Africa, where we have a fair amount of business.

COVER: What impact did COVID have on the aviation market and what was your response?

Jan Coetzee: We evaluated clients who were licensed to perform certain air services, for instance flight training & charter companies and then, where possible we offered a bit of a refund or credit.

East Africa was interesting for us because we saw they had a fleet of aircraft and they reduced the cover down to maybe 10 aircraft in the air, but they still insured the aircraft whilst it was sitting on the ground with incidental liabilities that might arise from that. So, COVID didn't have such a major impact on our business, I think because we have a spread across Africa. But, in the same breath, due to the lockdown, we had to pay quite a large claim last year. I believe the accident occurred purely due to two things: Firstly, the pilot was not that current on the aircraft and two, in order to stay within lockdown curfew times, he had to ensure he flew the aircraft to the maintenance organization and then return by vehicle to his residence. We believe the individual was rushed and the end result was a nasty accident that claimed the lives of the people.

Due to the challenges of Covid, we realized that pilots could not fly that often and therefore specifically request details re how many hours they have logged as Pilot-In-Command on the particular aircraft in the last 90 days. From that point of view, we would still insure them but we will ask them to do a dual check with a flight instructor, just to make ensure they are current.

COVER: You do most of your business through brokers. Do you find that it is mostly specialist brokers, or can the average broker get involved?

Jan Coetzee: Most non-aviation brokers have told me

that due to aviation insurance being classified as a very niche area with huge exposure between the aircraft's value and the liability limits, they would rather just do it as a sub broker through one of the aviation specialists' brokers.

The majority of our business is therefore still generated by the specialist aviation insurance brokers. It is a very small market, but we have the odd broker who insures the client's whole farm, all the equipment etc. and then being asked to place the client's aviation insurance as well. We do assist these brokers by providing them with guidance re what information is required for us to provide a quotation and then what the policy will actually covered with ancillary clauses to extend the scope of cover.

We actually started offering skills training the year before last year, because there is such a gap in the market. We still need to get it registered with INSETA but we have a proper training course to take the guys through the basics. We look at the pitfalls and so on and obviously also assist person to person where we can.

COVER: What sort of challenges do you see in this industry after COVID, and going forward. Are there still opportunities for brokers and for yourself?

Jan Coetzee: South Africans, in general are very resilient. I think, if we just look at our book of business, where we have received a fair amount of the new inquiries, etc. It almost looks like, baring where you have got restrictions in countries, it is back to where it used to be. A friend of mine runs a flying school and he was saying to me that they are down to 40% on utilization in comparison where they used to be pre COVID.

He said South Africa is a great country to come learn to fly, because you are not really bothered, like in the UK, with weather. We are really blessed and have very nice routes, it's really a nice place to learn to fly. Now, the problem is that, obviously, when COVID struck ,a lot of these students were sitting outside the county and were not allowed back in. He said approximately 10 or 11 out of 50 new students couldn't come back due to a COVID restriction. Then, another fallout is that in South Africa, as across the globe, airlines were retrenching pilots.

Many parents therefore started questioning whether they should pay for their child's pilot training, because what they have read in the paper, is that qualified airline pilots, will be sitting without jobs. Hopefully that will change in the next six months, if we continue on the trajectory that we are on now.

COVER: In terms of Azriel, as an aviation underwriter, what differentiates you from other aviation underwriters?

Jan Coetzee: We aim to be number one with our level of service in a very competitive market. Due to the very nature of the game, we must be accessible 24/7. It sounds so dramatic, but there are often losses over weekends when we immediately get contacted, sometimes we even before the broker knows that their client had a loss. We arrange for the aircraft to be secured and then to have it recovered by selected aircraft maintenance organizations to a secure location. Through our years in the industry, we know which people to contact and we try to go the extra mile when we can.

Then just jumping back to COVID, it is great to do these teams meetings, but there is still a lot of value in the in-person relationship. That is crucial and, obviously, where we can help clients, I am very pro the personal touch. If I get invited to go meet a client or look at their aircraft or look inside their hanger, that is what we do. It is so important, so that, when there is a bit of a tricky claim, you can sit down and have a proper discussion with somebody.

Therefore, a broker will often say, "don't you want to come with?, can we pick your brain?, how do I do this calculation?" We always go the extra mile and try and come up with creative new innovative ideas.

Lasting benefits of major change

Herman Scheepers, General Manager of Risk and Technology at Renasa

We spoke to Herman Scheepers, general manager of risk and technology at Renasa Insurance Company, about how technology helped the industry progress over the last 18 months.

COVER: 2021 has been a challenging year in 2021 driven by ongoing fallout from 2020. From your responsibility perspective, what were the main challenges that Renasa had to deal with during 2021?

Herman: 2020 was indeed an emergency response plan in action. The initial challenge really was to ensure uninterrupted processes and workflow given the change in work environment. But subsequent to that, after this big change, we had to now learn to manage and deal with new challenges that we encountered. The main things that come to mind is the business interruptions due to lockdown and the civil unrest experienced this year.

All this had to be dealt with in a virtual environment. There was still a lot of the, shall I call it pre lockdown momentum, in 2021. This carried the existing initiatives and relationships forward. But in 2021 the challenge was really to learn to kick off new projects, find your new opportunities, employing new staff and strategise etc, in this so-called "new normal" environment, which I personally think ,for many of us, felt like anything but normal.

So the reality of that changed world was finally sinking in for all of us. I think it had quite a big impact on staff morale, communication within the organisation as well as with our brokers and Uma's and clients alike, affecting different people very differently. So, of course, we had to try and manage this year, as best we can to ensure continued efficiency, continued communication, and keep on doing what we were doing well before.

Right now, I think the challenge that we are dealing with is finding the balance between office attendance and working from home. We only started returning to the office officially this month, on a rotational basis. There is an enormous amount of change management required over the next few months.

COVER: Technology was the crucial element in assisting most businesses to cope, especially the insurance industry. A lot of that was people working remote which needed updated processes, everything having to be run remotely. From your perspective, where do you think technology made the biggest difference in the life of insurers as well as brokers?

Herman: I think the last 18 months was a very interesting time to see how impactful technology can actually be in a very short space of time. To my mind, I think the biggest impact was around communication. It was really around maintaining our communication channels on very short notice in a different way, of course, through the various online video communication tools that we all became very accustomed to the last couple of months.

That change from face to face, which became a virtual face to face and document exchange. Everything became virtual, both between the insurer and the brokers on the one side and the broker and his clients, on the other. All of that could be maintained efficiently, and we could continue operations and fulfilling obligations to our clients.

From our point of view, I think a huge advantage was shown by the use of cloud based systems, which of course Renasa deploys across our entire business. The sudden restriction and movement of people did not disturb the accessibility to systems at all.

So we were able to maintain our service levels to brokers and clients pretty much unhindered throughout the various levels of lockdown, the different levels of returning back to the office and going back home. It was really due to that cloud based technology that exists today.

COVER: Before lockdown and before COVID, in many areas and in a lot of the conversations that I have had with other insurers, is that adoption of technology was sometimes a little bit slow. I presume that the lockdown and COVID assisted in increasing that willingness to adopt. What lasting benefits did you see from the adoption of the technologies and the transition people made?

Herman: I think the future is really the interesting part in all of this, because the work environment has definitely changed for good. What we really saw in the last 18 months was just an accelerated formal adoption of technology that was already available. In other words, we were starting to properly utilise a whole lot of modern tools that existed already, but we were all slow to adopt into our work environments.

A couple of benefits of this accelerated adoption I can mention and have experienced so far are, first a simple one, a truly paperless environment. Many companies thought they had a paperless environment before, including ourselves, but you still found yourself going through reams and reams of paper within the business, mostly just due to habit.

I think that habit was very much broken during their work from home environment. The advantage of that is for the environmental impact, but there is also huge improvement in productivity, and data security, because the secure electronic documents that we required now, through the POPI Act, was a real risk in the not-truly-paperless environment.

A second example is the awareness around cyber risks. It is important to understand that a lot of these cyber risks existed long before we heard of COVID, or lockdowns, but it was not as top of mind. The work from home environment brought this top of mind for a lot of companies. The real risks involved are due to cyber attacks, and a lot of companies have sharpened up on their cybersecurity.

That is of course something that will stay with the company. Improved security will be embedded within the company from now on.

A third, I think nice benefit, is that companies have realised that the talent pool is much wider than they realised before. You do not only have the ability now to employ worldwide, if you want to go that far, or perhaps across the country, but you also now have the ability to deploy some of your skilled resources throughout your branch network, quite effortlessly. This is something of course that you could have done before, but with a physical presence. Having to send out people to branches now becomes quite routine in the normal way that we work.

Lastly, something that is perhaps a little bit less tangible but also important, is that there seems to be a bit of a change with the way staff collaborate. There is somewhat more sharing of a previously restricted and private electronic work environment. In other words, people are able to actually share quite easily, through platforms like Teams, Zoom and WebEx, what they are doing on a day to day basis, what problems they are experiencing, the way they work on systems.

All this, and not just with people in their immediate physical vicinity. You can now actually share this with anybody, anywhere within your organization, or in the world for that matter. This mindset promotes learning among staff, sharing of ideas, and hopefully then also the general efficiency within the business.

In conclusion, the last thing I want to say is about the lasting benefit and I think the biggest impact. Despite the fact that we never know what the future will throw at us, the experience we have had in the last 18 months gave us a bit of faith in the adaptability of our people and the processes and, of course, the reliability and flexibility of the technology that really underpins our business. This gives us hope that we will be able to deal with whatever the future throws at us next.

Celebrating an 80 year partnership

Bryte Insurance

Amazing that a brokerage can last for 80 years and even more amaizing to have an 80 year old relationship with the same underwriter. In celebration, I spoke to Larry Marcus, Bryte tied agent, Bryte CEO Edwyn O'Neil and Chris Grieve, Executive Head Broker Distribution at Bryte.

COVER: Larry, it is said that you are a carbon copy of your dad, and I suppose the brokerage today is also a carbon copy of what your dad started. So can you tell us how the brokerage has managed to navigate the changes over the last 80 years and still remain at the forefront of what you do?

Larry Marcus: Every challenge needs to be dealt with individually, as separate issues and be handled with care, honesty, and integrity. If one has a positive attitude, then any challenge can be overcome. I have been truly fortunate of having the backup of a company like bryte, and its predecessors, behind me over all the years. With the addition of my father in the earlier years of my career. So, that has spurred me to carry on in the positive manner of business, as I have done over the last 44 years, having succeeded my father in the business in the late 1980s.

COVER: People are always talking about the good old days, and when we look at today's environment. How do you see the changes and the challenges that we are focusing on today in the context of the past years that you have been in the business?

Larry Marcus: The challenges are quite different today from what they were in previous years, and I referred to TCF, POPI and all the other regulatory issues. One must be vigilant and careful in what one does, and as long as you abide by the regulations today, as compared to the past, then one should have no fears of being able to manage the business in a fair and reasonable manner. If one has the association, that I have, with a company of bryte's stature, then that is really personifying itself in the success of the business over all the years.

COVER: From bryte's side, you have had a long standing relationship with Larry, and the specific brokerage. What makes that relationship last and what makes a good relationship?

Chris Grieve: The word trust comes to mind immediately, we work with Larry in in a relationship of trust, and he understands our strategic objectives around profitability and profitable growth. He works hard at keeping his brokerage, tied agent, fit from a profitability point of view. I think the type of clients he selects, the corrective action he takes, we do not need to push, he deals with that himself. It allows us to focus on other problem areas and we trust Larry to get on with the business. We have known each other a long time.

He knows a lot of our staff from further down in the organisation to the top level, but Larry is also happy to deal with anybody in the organisation and that also comes with the education for our staff. When somebody like Larry assists and guides people in terms of insurance rulings or precedent etc.

Edwyn O'Neill: That is absolutely right, and it starts with a partnership, where there is an alignment of values. That is what we have between Larry, the Marcus family, and that alignment of core principles, core values, develops in deep trust. That trust takes years to evolve and mature, and then doing business, as Chris has just alluded, is easy.

"Amazing that a brokerage can last for 80 years and even more amaizing to have an 80 year old relationship with the same underwriter"

COVER: In an insurance relationship, you have bryte as the insurer or underwriter, then you have Larry as the connection with the client, and then you have the client. That trust line, Larry from your perspective, runs just as deeply with your client as your client with you.

From a bryte perspective, you deal with a client and you deal with Larry as the broker, you have to ensure quality service to both, but still manage the risk. How do you keep that synergy going?

Chris Grieve: I think Larry keeps us very honest, when there are issues, or claim disputes, or policy wording discrepancies, Larry is very good to us, in terms of pointing these things out, things that we may not come across on a day to day basis, but he does with the customer. Off the back of that, we would take that into account in our thinking and try and improve things wherever we can.

A ties agent is linked to the company, more so than a traditional broker. I believe Larry would feel open about telling us where we are going wrong, or what we need to improve, whereas another broker may just move on and select another insurer if we are not listening. So, Larry does keep us informed of what is going on, on the ground and we adjust and adapt to meet the client needs.

We do not always engage with the clients, we like to where we can. At the recent celebration in Cape Town, a number of Larry's clients were there as well.

80 YEARS
1941 – 2021 and into the future.
PLEASED TO PRODUCE. SATISFIED TO SUCCEED.

So, we engaged with them in a social environment, which was nice. But day to day, Larry still gives advice and continues, just under another heading called tied agent.

COVER: Larry from your side, obviously you have a lot of experience, with challenges with clients, challenges with underwriters, etc. If I was to ask you for some advice for the younger brokers, or brokers who have just started out and are still building, what would you say they should focus on, especially when just starting out?

Larry Marcus: A younger broker coming into the industry should look to their superiors, and be guided by the many years of the knowledge and advice. If they abide by the support and knowledge provided to them, they should be able to overcome any hurdle that they encounter. The real crux is that they must be positive, filled with honesty and integrity, and they will succeed in their endeavours. That is really what it is, if you have the honesty, and as Chris eluded, the faith and trust of everybody and they listen to their superiors, then they will succeed.

COVER: Chris, your experience from dealing with successful brokers like Larry, where you have a good relationship, what do you think differentiates a successful brokerage from an average one?

Chris Grieve: It comes down to the attention to detail, the engagements with the client. You know, record of advice, record everything, confirm everything in writing, so there is no disputes at claim stage. I think managing your book in terms of keeping the insurer happy, in terms of profitability and corrective action. Edwyn mentioned the word partnership earlier, where we can work together towards the benefit of the client, tied agent and ourselves. When you have the perfect formula, where you can sit down talk about problems, not knee jerk, not overreact.

It is all about engagement and communication and discussing each other's strategies and outcome requirements, it makes our life a lot easier. We have a broker who is cooperating with us and doing all the right things, yes, they are going to have bad years and not every year will be profitable.

But where we can sit down and engage and work out a way forward, that allows us to push on and focus on other business issues, knowing that we can trust the broker to get on with looking after our interests and the clients.

COVER: Edwyn, a bit of a general question, in terms of broker business, we have, during this period of COVID, seen a lot of activity in the insurtech space and the direct space, are you still positive about the broker market?

Edwyn O'Neill: 100%. I think that the nice thing that we have heard today is that the absolute focus on the client, client engagement and the professional way in which Larry and Larry's dad has done so over many years, ultimately leads to success.

So, there is an alignment of purpose. Ours is to protect our customers businesses, and protect their livelihoods. Because we are aligned, and this partnership has grown from strength to strength, we are incredibly pleased with the way in which we have gone through this crisis over the past 18 months.

As an insurance industry dealing with CBI claims, we are very proud of the way that we have done that. 95% of all our claims have been settled, so we have worked tirelessly ensuring that the client is at the centre and dealing with a client correctly. The point that Larry raised earlier, integrity and honesty, that is absolutely aligned to our values, the very first value that we have, is one of Larry's values. It works so well with our distribution partners, all of them, and we have had remarkable success over the past five years. Seeing continued growth surprised me personally, that we have exceeded our plan for last year and for the six months this year, in growth from our distribution partners, so there is true value in professionalism and knowledge that our brokers can give our clients

COVER: Larry any last words from you in terms of relationship and the insurance industry?

Larry Marcus: My motto is pleased to produce, satisfied to succeed, and that really says it all. That is really what my focus is in, if I can satisfy everybody throughout the chain, be it at the client, be it at bryte, be it everybody, that to me is a successful venture. Once it comes to fruition and the satisfaction is there, then I know that I have done a good job.

COVER: Wise words to take note of in any business, not just a brokerage.

Insurance with a passion for the exceptional

Dawie Loots, CEO, MUA Insurance.

It's hard to believe that it's more than 30 years since MUA opened its doors.

MUA was started by an entrepreneur with a passion for classic and exotic cars and a passion for building relationships with the broker market. That same passion still sits within the business today, which is the key to our success. However, there has been a lot of evolution over the years. While we still have a soft spot for the classic and so called "special" cars, we underwrite those on a standalone basis.

For the last 15 years we've also been offering the full range of personalised insurance to our target market of affluent or high net worth individual clients. Our clients typically have more assets to insure that require special considerations than the average consumer. Besides owning high valued vehicles and homes, our clients are also keen collectors. These collections range from supercars and classic cars, antique furniture, fine wine, jewellery, art, and then really everything in between. We see the same passion that our people have for our own business in our clients. Most of our clients live very interesting and exciting lives. They are business owners, leaders in the industry, professionals, sports people, and so on. Many of these clients have careers or serious hobbies that require them to consider specialised insurance cover.

"I think what's more important maybe, is clients knowing that a broker has the experience to deal with whatever asset class it is that they need insurance cover for"

For example, we were recently approached by a broker to provide cover for one of their clients who is a wildlife photographer. The client wanted to live in a tent for a couple of months to do some research, and wanted to take some home contents with in this tent. Another client, who takes big pride in their garden at home, decided to purchase lawn mower equipment to the value of almost half a million Rand.

It's these fascinating types of clients that we get to deal with on a daily basis. Over the years we've learned from them what they require and we've adapted our products and our service offering to give them exactly what they need, and to ultimately deliver on our promise of insuring the individual.

BROKER RELATIONSHIPS

When you talk about the passions that people have in their lives, these are usually shared with likeminded people in clubs and societies etc. It certainly helps where brokers also share some of those passions, or to at least have a common interest and understanding. Experienced brokers naturally understand how that works. That said, I think what's more important maybe, is clients knowing that a broker has the experience to deal with whatever asset class it is that they need insurance cover for.

An experienced broker, that's versed in a wide range of insurance topics, is well positioned to deal with any of those varied passions. When it comes to these products and services that you have to provide to discerning people, your unique value proposition is the ability to connect with them and actually satisfy the particular need.

From an MUA perspective, our product speaks for itself having been in the market for a couple of years. It provides very wide cover on an all risk basis and makes it quite easy for a consumer to get that sense of comfort that they do enjoy the best cover that their lifestyle requires.

"The affluent market is still a very attractive market, as we have experienced these clients to not be scared of challenges, knowing how to adapt and survive."

Coupled with that is the fact that we only provide our insurance product via brokers. For me, that's key to the whole equation here, because we really rely on the brokers to be the trusted risk advisors to their clients and to understand the client's needs based on proper risk assessments.

Typically, we do business with experienced brokers, who have been in the market for a while, looking for a partner to serve their VIP clients. All our clients are treated as VIP clients and our brokers share our philosophy that it's not just about the product, but about the relationship as a whole.

If that's what is important to a broker and how they typically build their business, then there will be a good fit for us. Most brokers in South Africa are small to medium enterprises themselves, with a good understanding of what it is to run a business in this day and age.

That puts us in almost the same position, with the same priorities. When we started the business back in the 80s, it really was with the small independent broker in mind and, today that's a fairly large component of our broker base. Many of them are still with us. They require a personalised service, with access to senior management and decision makers in the business.

Though that is still our bread and butter, we also deal with large corporate national brokers. Size is not the thing that matters here, but rather the trust to partner with us to assist them in delivering on their promise to their clients. It really is about having that support in the background, knowing that your discerning client can rely on the best when it comes to insurance requirements.

The affluent market is still a very attractive market, as we have experienced these clients to not be scared of challenges, knowing how to adapt and survive.

We typically find that our clients have not cancelled policies, reduced cover or not paid premiums. Quite the opposite. These clients realise the importance of having proper insurance cover, making this a resilient market, very rewarding and offering a lot of opportunity for brokers out there.

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Growing systemic risks bring opportunities for intermediaries

Andrew Coutts, Head Intermediated Distribution at Santam

Andrew Coutts, recently spoke at Insurtalk18, focusing on the increased cyber-crime in the digital age. I took the following highlights from his presentation. (The full video is available from CN&CO Events)

Andrew started out by referring to a market intelligence report by S&P Global which indicates cyber-crime revenue of $1.5 trillion annually, which is five times the approximate costs of disasters that happened in 2017 and $500 billion more than the US annual insurance premiums on a net written basis. He also indicated that we can expect to see $75 billion related to connected devices, with about seven or eight devices per person connecting all that you engage with, such as cell phones, laptops, iPods and iPads.

"the nature of risk is changing so much, in turn changing the nature of insurance. What becomes really problematic with systemic risk is that it's hard to insure and reinsure against."

He said you can start seeing the breeding ground for cyber criminals and cyber activity and that, what's really making the biggest impact, is the legislative changes related to POPIA, brining accountability. The risk to and a real drain on the economy coming through, plus the fact that we can now be held to account for breaches, led to business leaders, surveyed in the S&P Global Markets Report, now saying that cyber has become the single biggest threat. Bigger than terrorism and climate change.

According to Andrew, South Africa is the sixth most exposed country in the world when it comes to cyber cover inside of insurance. Specifically, he mentions, we have seen some very real cyber-crime incidences in South Africa. Very much focused on identity theft, theft of funds and data, ransom, extortion, vandalism, and espionage.

"We've seen lots of attacks coming through terrorism and then of course, accidental breaches, including companies like Nedbank, Liberty and of course, Government departments, with no real hiding place for many of the businesses in our space".

Sharing some of the detail of the SHA annual risk review, he said that they completed and published this in December 2020 with the more recent report coming out shortly. Over 30% of brokers surveyed noticed a marked increase in cyber related activities, with 37% of businesses reporting suffering some kind of cyber breach in the past 12 months.

Effectively, he said, more than one in three of their commercial customers have experienced some form of breach but only 18% of businesses tried to buy some form of cyber cover, so it is increasing but penetration is really low, considering the risks that we see. "We're trying to ensure against unauthorised access to bank accounts, unauthorised access to internal email, customer data being stolen, locked systems and then of course, POPIA fines and penalties.

Andrew said he wanted to flag why systemic risk has become problematic for them, mainly because the nature of risk is changing so much, in turn changing the nature of insurance. What becomes really problematic with systemic risk is that it's hard to insure and reinsure against. COVID is a great example of this. "You can insure against an individual instance of disease but, when the whole economy is taken down by disease, and it's not one incidence of despair, it's a global phenomenon and it becomes uninsurable".

At the same time, he said, the nature of the sideway spreading of these risks, is what creates the real problem in a systemic case. Examples of these are pandemics, climate change and cyber political instability, which become uninsurable, which means we have to do a lot more around preventing and managing risk to ensure it doesn't happen.

You can still buy cyber cover, and it's important that we start educating our clients around that, because there is a portion of risk that you can transfer onto the insurer. Never has this been more relevant in our market than it is today. Andrew explained that a typical insurance policy covers four key areas:

On the liability and the regulatory side you can buy protection against any third party coming against you for some form of breach, reputation, or some form of loss, including costs. The policy will cover your legal defense costs and, should you lose against that legal approach, it would cover the damages and the settlements that arise from that action. Andrew explained that you also can insure yourself against the two other key things that really impact your own business and that you have to manage and monitor very closely. The first is managing your own response.

That is the "own damage" cost of a cyber event with things like getting a team of experts in to fundamentally lockdown and prevent further damage, then starting the restoration process, understanding what is actually being hacked and, finally, how you can stop and limit the damage. There is also some loss in profits, the cost of ransom to unlock your systems and potentially theft of funds.

Finally, he indicated that you have the reputation elements, which are critical. An event like this is obviously going to get lots of media coverage, main stream and social media. You will need a response through your reputation management firms, aiming to control your own narrative.

WHAT ARE YOU NOT COVERED FOR:

- Use of illegal or unlicensed software
- Design faults in systems and Professional Indemnity losses
- Loss or damage to tangible property
- Scheduled downtime or planned outages of computer systems
- Outage of infrastructure of a third party or service provider
- Losses where the Insured's third-party service provider has sub-contracted to another third party
- Human error of a service provider
- In-game currencies, crypto-currencies, rewards points and air miles
- Loss or theft of a third party's money or property in care, custody and control

ANDREW THEN PROCEEDED TO PROVIDE THE AUDIENCE WITH A FEW TIPS ON MANAGING THE RISK:

- Increased awareness
- Manage staff Behavior
- Password management
- Consult a security specialist
- Reduce unnecessary info
- Limit access internally
- Avoiding complacency

AS FAR AS THE ROLE OF THE INTERMEDIARY GOES, HE LISTED THE FOLLOWING:

- Brokers are key in driving broader and sustained awareness around cybercrime
- They have an important role to play in educating clients about the benefits of cyber insurance and explaining how the cover works
- They add the most value where knowledge and expertise is required to identify risks and find solutions that match client needs
- Their advice is especially required in the case of a complex, emerging and as-yet relatively unfamiliar risk like cybercrime
- There is great opportunity in the need to close the gap between exposure and cover

Andrew referred to the annual Santam insurance barometer study, which is available on their website. Here he said, they asked their commercial intermediates what the biggest three risk trends are that they are most worried about.

And,surprise, surprise, political risk, cybercrime and pandemics topped the list? This is something that the industry are critically aware of.

On the Cyber Risk side, Andrew explained: "The Santam Insurance Barometer 2020/21 report shows that since the start of the pandemic businesses are pivoting to better take advantage of the opportunities presented by our "new normal". The rapid adoption of technology has disrupted traditional business models, with many firms forced to digitise faster than originally planned. This rapid adoption of digital technologies has made us more vulnerable to **cybercrime**."

He positively noted that Cyber risk is now widely recognised as a global emerging risk and it was encouraging to see a notably higher level of awareness than previously reported among commercial businesses. "The Santam Insurance Barometer 2020/21 findings show that 45% of commercial intermediaries ranked cybercrime as the third highest business risk, while 36% of corporate and commercial entities ranked it their fourth biggest risk over the next two years", he said.

THE WAY FORWARD

Andrew asked what should we be doing. His proposal is that first, we must be driving broad awareness around cybercrime, the size of it, the language that you're being exposed to, and the risks that come apart from continuously changing and operating in different ways. He stressed that the education role is even more important and that with the increased complexity, the role of the expert adviser, the broker, has never been more important to sustain and drive our business going forward. This is not a product you can buy off the shelf. This is not something that you can just go and get from a telephone agents.

He said this is a great opportunity for us to reposition ourselves for insurance and risk experts to grow and fundamentally create a niche of the market.

An opportunity, not to the broker as a transactional placer of a policy but the broker as a risk advisor, somebody that can understand and talk to the concepts of systemic risk position. This is where the insurance policy is only a part of the solution and advising clients as to how to prevent and manage the risks while understanding your networks, has become crucial.

Andrew ended his presentation by referring to their own Cyber solution and the fact that they provide a lot of specific solutions. He encouraged the audience to reach out to the liability guy and SHA indicating that they are excited to bring out their own cyber cover is a part of commercial policies going forward.

He indicated that clients will be able to buy first party cover for data breach, restoration, interruption, cyber extortion, cybercrime, as well as the needed protection.

In the liability space they will now have cover against a third party approach, privacy issues, network security or media liability in terms of the brand management and reputation.

MARINE INSURANCE

"if your company is growing, then there is a demand for cargo insurance, and there is a demand for other lines of insurance."

- Colin Moodley, the Managing Director at Terra Marine

Marine Insurance: Modern but Ancient

Arthur James, Partner, Clyde & Co

International trade and the movement of goods across oceans and international boundaries are critical to our way of life and impact our daily lives in ways that we do not always understand.

The importance of international trade and the conveyance of goods by sea permeates our common history. Rhodian law of the sea dates to 800 or 900 BCE. Parts of the Rhodian law were included in Justinian's Codex in the 6th century. This code forms the very foundation of most legal systems today. These laws then found their way into the Laws of Oleron in the 11th century from where they were introduced by Richard 1 into England in about 1190 and incorporated into the Black Book of Admiralty in 13361(1).

Consideration of the profit of trade against the underlying risk of the venture lead to the sharing of the risk and the provision of marine insurance, initially out of Lloyds Coffee house in about 16862(2) and the later establishment of Lloyds. The shared risk gave impetus to international trade and lead to the development of marine insurance as we know it today. Its reach is breathtaking.

"These policies, where they insure goods and not the vessel, normally apply from the time that the goods leave the warehouse and endure through the ordinary course of transit and terminate at either the destination named in the policy or at the final place of storage. "

The Salem3 judgment in 1982 is directly linked to South Africa. At the time South Africa was the subject of an international oil embargo. An elaborate fraud was created whereby Kuwaiti oil destined for Italy and purchased by Shell was discharged at Durban without the knowledge of the purchaser. Some cargo was left onboard the vessel. The vessel sailed and was then scuttled off West Africa, the intention being to represent the sinking as due to the natural perils of the sea.

The fraud was exposed. Shell, the unfortunate innocent purchaser of the oil, anticipating its delivery to Europe and having been deprived of a valuable cargo, then claimed the value of the lost cargo from insurers under its marine cargo insurance policy. Clyde & Co represented insurers in the subsequent legal proceedings.

In that matter Lord Mustill quoted the then applicable, somewhat quaint wording of the Lloyds **Ship and Goods Policy** which gives us some insight into the breadth of marine insurance cover.

It is worth quoting here: "Touching the adventures and perils which we the assurers are contented to bear and do take upon us in this voyage: they are of the seas, men of war, fire, enemies, pirates, rovers, thieves, jettisons, letters of mart and countermart, surprisals, takings at sea, arrests, restraints and detainment of all kings, princes, and people, of what nation, condition, or quality soever, barratry of the master and mariners, and of all other perils, losses, and misfortunes, that have or shall come to the hurt, detriment or damage of the said goods and merchandises, and ship &c., or any part thereof."

These policies, where they insure goods and not the vessel, normally apply from the time that the goods leave the warehouse and endure through the ordinary course of transit and terminate at either the destination named in the policy or at the final place of storage.

In the Salem, Lord Mustill awarded the loss in full. On appeal, Shell only recovered the value of the scuttled cargo. The perils of the sea are subject to the terms of contract!

South Africa recently experienced the horror of mob violence and destruction in Kwa Zulu Natal. Some warehouses were burnt to the ground by what appears to be a spree of looting and wanton destruction.

The motives or reasons are another topic. Many of the goods destroyed in these warehouses had been imported into South Africa and were either at final destination or en route to final place of storage. Many of these products were insured against risk of loss or damage.

Cover for risk of damage from civil commotion and riot is often excluded and one is obliged to seek SASRIA cover for such risks. However marine policies sometimes include extension clauses covering these risks during the warehouse to warehouse transit.

Therefore, where goods were still effectively in transit, under the extended insurance for riot and civil commotion cover, these policies would respond to the loss.

The issue of marine insurance impacts our daily lives and is relevant to all of us, consumer, importer, exporter, carrier and bailee. It can trace its roots to the stele of Babylon around 2300 BCE(4). It will continue to develop for as long as human endeavour thrives.

A jack of all trades

Paul March, MD, Horizon Underwriting Managers

Suddenly the 16 vessels including 6 container carrying vessels, waiting outside Durban harbour today seem insignificant.

It's estimated there is over USD24 Billion of containerised cargo waiting to dock at Los Angeles port. By comparison, there's less than USD250,000,000 waiting off the Natal coastline.

A marine underwriter should know who owns the cargo, when does ownership transfer and who's responsible for the insurance. That's where knowledge of the International Chamber of Commerce rules of trade or Incoterms becomes vital.

"A marine underwriter should know who owns the cargo, when does ownership transfer and who's responsible for the insurance. That's where knowledge of the International Chamber of Commerce rules of trade or ncoterms becomes vital."

As a marine underwriter, you are the ultimate jack of all trades: geography, ports of the world, ship construction, global trade, economics, freight and logistics trends, insurance law, international trade terms, and of course, the infamous Institute Cargo Clauses are just a few of the topics you know and understand.

In the last week of October 2021, a record breaking 100 vessels, including 70 container carrying vessels, were waiting offshore for entry into the Port of Los Angeles, on the west coast of America. Container traffic through this port is 25% up on 2020, a reflection of the recovery of the American economy after COVID. To give you some perspective as to how unprecedented this situation is, in 2014 there were 12 vessels waiting to get into that same port. At the time it was considered newsworthy and a matter of extreme concern.

Incoterms sets out the rules for who is responsible for paying for the cargo, who's arranging delivery and where the risk changes from seller to buyer. Any contract of sale should have these terms mentioned to safeguard the buyer and seller.

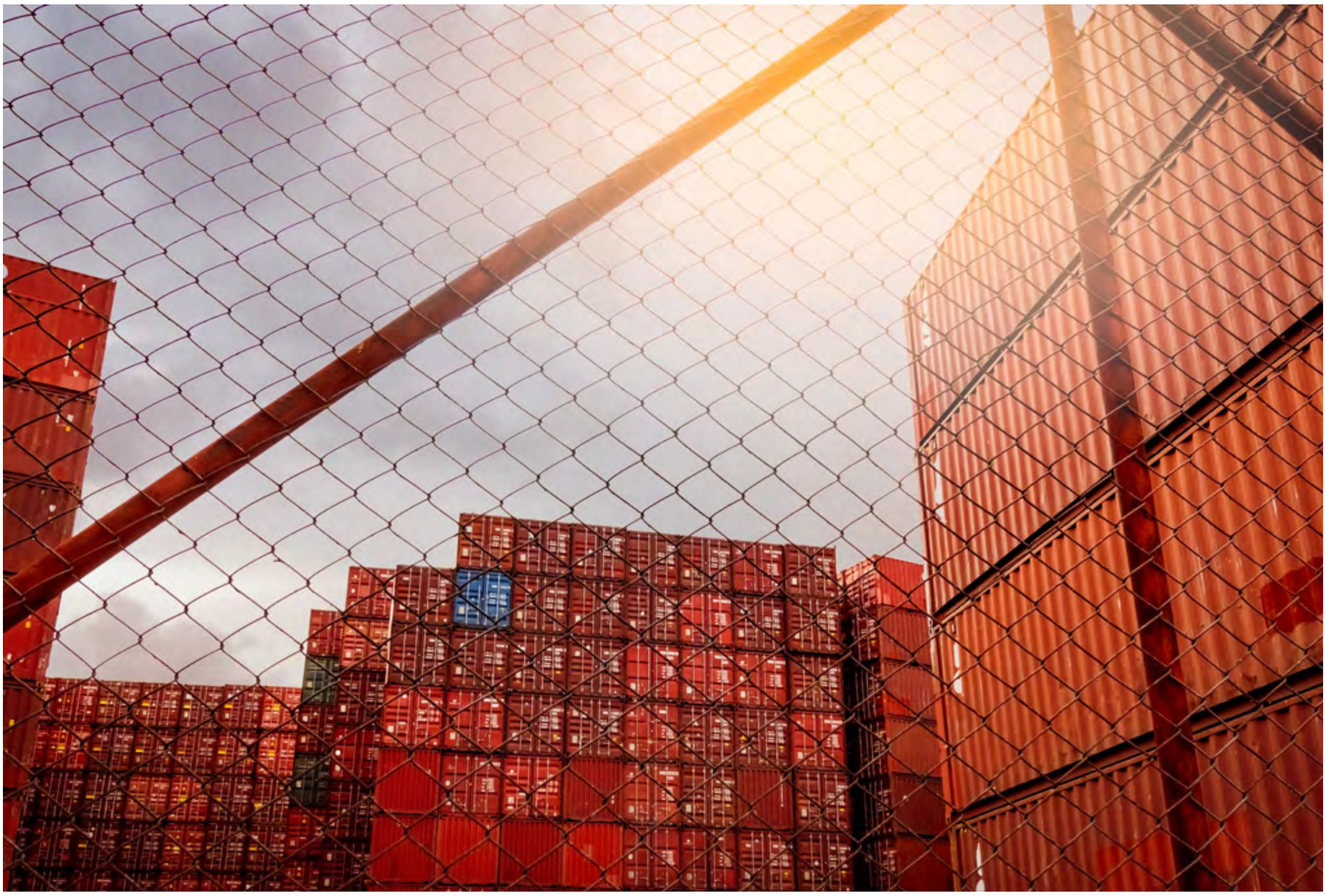
They can be used for international and domestic transactions.The rules are updated every 10 years to take into account the continuous changes in international trade, and you should be referring to Incoterms 2020.

There are 11 different Incoterms, two of the more well-known terms are: Ex Works and CIF.

HERE IS A SHORT EXPLANATION:

EX WORKS: The seller of the goods has the least responsibility. The seller simply places the goods at a nominated place for collection by the buyer. The buyer arranges the transport, pays any taxes due and arranges insurance.

CIF: The seller delivers the goods to the buyer once



the goods have been stowed and secured onboard. The seller is responsible for the cost of transport until the goods reach the port of final destination.

It's worth noting with a CIF transaction the final destination should be specified otherwise the seller's responsibilities (and insurance coverage) end at the final destination port.

And finally, an underwriter's bread and butter, the Institute Cargo Clauses which are accepted marine insurers worldwide. Sounds like a credit card advert, only better!

The South African cargo market uses the Institute Cargo Clauses A, B and C for most cargo risks. These clauses were last updated in 2009, prior to that they were last amended in 1983.

The Institute Cargo Clauses (A), the widest cover, simply state "this insurance covers All Risks of loss or damage to the subject matter insured." I'll talk about the exclusions later. The Institute Cargo Clauses (B) offer a limited list of perils such as fire, sinking, stranding, overturning, General Average, and ingress of water to name a few.

The Institute Cargo Clauses (C) offers even more limited cover. The Institute Cargo Clauses offer cover on a voyage not a time basis. This means cover incepts from when the cargo is first moved in the warehouse for commencement of the voyage, continues during the ordinary course of transit and can be completed in various ways.

Two examples of when a marine cargo policy will terminate are: On completion of unloading from the carrying vehicle in or at the final warehouse or, 60 days after discharge from the final destination port.

Exclusions under the Cargo Clauses A, B or C are willful misconduct of the insured, unseaworthiness of vessel, ordinary leakage, ordinary loss in weight or volume, or ordinary wear and tear, inherent vice, delay, insolvency or financial default of the owners, managers, charterers or operators of the vessel, insufficiency, or unsuitability of packing to name a few.

Loss or damage caused by nuclear events are also excluded. The risks of war and strikes are also excluded but you can buy that cover back (it's normally included at no charge) via the Institute War Clauses (Cargo) and the Institute Strikes Clauses (Cargo).

So that cargo waiting to get into Los Angeles, you could be on risk, right now!

Could you be marine underwriter?

Growing intra-Africa marine trade

Samantha Boyd - Chief Executive: Specialty, Old Mutual Insure

South Africa's marine cargo industry in Africa is set to enter a boom period over the next few decades. In recent times, pre COVID-19, around 300 million tons of cargo moved through South African ports each year.

The impact of COVID-19 on the marine industry has only served to highlight how critical the maritime transport industry is, especially in the delivery of medicine, food, fuel, and other essential supplies. It has however also highlighted the hardships and risks facing the industry: constant port congestion and lack of ship capacity, which has resulted in a global shortage of products.

These risks are exacerbated by challenges such as poor weather, changes in climatic conditions, poor infrastructure, delays at border posts, legislation that differs from one country to another, crime, corruption, and incidents at sea including machinery breakdown, collision, sinking and piracy.

CIVIL UNREST: A RISING RISK

In July the civil unrest in KZN and Gauteng greatly impacted the transport industry and trade. Many trucks and warehouses were looted, burnt and the impact thereof affected small, medium and large business. Following the theft and destruction, marine insurers saw an influx in requests for Sasria cover from existing clients to either add cover, increase the sums insured or policy limits and several requests were received from uninsured risks for marine insurance.

This highlights the need for policy limits to be correctly stated in order to avoid underinsurance of Sasria and Cargo insurance risks. The South African logistics landscape is constantly exposed to rioting on most major routes with trucks being burnt in Harrismith and Mooiriver due service delivery protests, as well as the targeting of foreign truck drivers.

It is important to note that even with these risks, the marine industry continues to play a crucial role in the transport and export industry. South Africa has an extensive shoreline, which serves as an important trading route for global trade. The oceans are responsible for the transportation of around 80% of world trade.

With South African importers and exporters handling millions of tonnes of cargo via sea every month worth of billions of Rands, it is crucial that these businesses fully understand the major risk factors involved in the transport of marine cargo. The risks must be understood and planned for in advance with proper marine insurance, which is a highly specialised area, to ensure they are adequately covered in the event of theft, loss, or damage to cargo.

Marine insurance coverage helps in managing risks in the event of unfortunate incidents such as damage to the property and environment, accidents, and loss of life. It is designed to minimise the financial loss incurred by a policyholder in the event of an accident, natural hazard, or other catastrophe. Generally, a marine insurance policy is availed to ship owners, cargo owners, and charterers.

Companies also need to be fully aware of all the clauses in their insurance policies and should take all feasible precautions to protect their goods. They should for example exercise proper control during the packing of cargo; making sure there is adequate supervision during the loading, storage and unloading phases; and plan the route of the voyage with the services of a reputable carrier who understands the requirements and protocols of international trade.

Using the services of a specialist marine insurer is therefore the best way to mitigate the chances of any financial, reputational, or legal consequences with the transporting of marine cargo.

By enabling global trade to grow unhindered, proper marine cargo insurance helps to bring prosperity and economic activities to all corners of the globe.

Navigating rough seas with the right partner

Jeffry Butt, National Marine Sales Manager, Bryte Insurance Company Limited

Disruptions and complex challenges are not new to the maritime industry. But, none have been as unique and severe as those posed by the COVID-19 pandemic.

Global supply chain disruptions - exacerbated by simultaneous lockdowns and what could be argued as the “shut down” of the global economy—remain among the adverse effects synonymous with the pandemic.

For extended periods—especially at the onset of the pandemic—the global shipping and maritime industry came to a standstill. All modes of transport—barges, trucks, rail, etc. were significantly impacted by halted production and port closures, especially across key manufacturing markets. The debilitating effects were widely felt from manufacturers to wholesalers, retailers, agents, freight forwarders, service and transport companies.

Unprecedented shortages continue to make headlines—from food, pharmaceuticals, medical supplies, automotive and electronics to the more publicised recent shortages of computer chips (notably affecting computers and cars). An inability to meet consumer demand, aside, the financial and job losses—when the global economy is under intense strain—have been unparalleled.

The ongoing disruptions are bringing about wide-scale business interruption, with some reports suggesting the losses from supply chain disruptions may have been upwards of {R60trn) in 2020.

To provide greater context, the global auto industry alone is expected to produce up to 5 million fewer vehicles this year than initially planned due to these disruptions.

FIRE INCIDENT

Already navigating the effects of the pandemic, South Africa’s maritime industry took a further knock following the recent fires that caused damage to the ports of Durban and Richards Bay. This led to R1 billion worth of damage to Transnet’s container belts and related infrastructure.

Some could argue that these are events that one could not have either anticipated or been able to plan for the impact thereof. For this reason, businesses must partner with brokers and risk engineering experts to ensure a more considered, robust exposure identification and management strategy. One that also factors in other dynamics that can have a substantial impact on business continuity.

MEGA SHIP, MEGA RISKS

Among these dynamics is the prominence of megaships—a mode of transportation that has been a boon for the global economy, bringing necessary economies of scale. But, lending truth to the adage, *“the bigger they are, the harder they fall”, and* as highlighted by insurers the world over, these megaships come with more than their fair share of challenges. When one considers that these ships have grown 15 times bigger in just five decades, it stands to reason that infrastructure is failing to keep pace.

While ports continue to be dredged deeper and wharfs have been extended, the reality is that most, take the Suez Canal for example, being notoriously narrow and one of the busiest waterways in the world with 12% of the world’s trade volume passing through each year.

"Businesses must therefore prioritise the regular review of their risk management strategy. With the guidance of its risk advisors, data, insights and trends predictions must be leveraged to maintain the relevance of both proactive and reactive risk response strategies."

Making global headlines was reports of the Ever Given (which ranks in the top 1% in terms of), which ran aground, lodging itself across the depth of the canal for six days.

The blockage was estimated to have affected the transportation of R136 billion worth of goods each day with collective losses far surpassing that. Authorities are believed to have fined the owners of the Ever Given about R30 billion (four times the budget of our annual National School Nutrition Programme).

This demonstrates just how devastating and expensive a ship grounding can be for an entire global economy. On the other hand, a ship fire (which is much more common than some realise) can cause major disruptions to supply chains. It could translate to devastating financial losses but also, sadly, sometimes even the loss of lives.

Some of the common risk themes associated with the marine logistics industry (especially supersized vessels) thus include:

- Safety of crew—which can be threatened by a range of exposures on board
- Restrictive port and canal sizes
- Increasing risk of vessel groundings
- Container stack collapse—while this could cause financial loss, the threat to crew lives is an even greater concern
- Container losses—in 2020, more than 3,000 containers were lost at sea
- Extreme weather conditions
- Container fires—sometimes uncontrollable and severely impacting both the ship and its occupants
- Spillages—loss of cargo is one thing but the cost and logistics of clean-up operations is another
- Overloading risks, often due to incorrectly declared cargo weights
- Increased repair and recovery costs

ENSURING BUSINESS CONTINUITY

Protecting all players across the shipping and maritime value chain involves a collective, consistent focus—one that appreciates the catastrophic consequences of exposures. Together with risk engineers and underwriters (who are all well versed on the regional and global risk dynamics), brokers have a significant role in building awareness around evolving exposures and guiding on ways to drive robust risk management. To minimise the detrimental effects of huge losses on business continuity across multiple industries, the right types of insurance and level of covers can be invaluable.

Yes, there are opportunities in Marine Insurance

Colin Moodley, the Managing Director at Terra Marine

Colin Moodley, the Managing Director at Terra Marine, a Constantia UMA Partner, shares their approach to Marine Insurance and why he thinks there are opportunities for brokers to get involved.

COVER: When one thinks of marine, the word, you tend to think of water, the sea and boats but, that is only half the story of marine insurance. Please give us a brief overview of Marine Insurance.

Colin Moodley: Marine insurance has three main classes. The first is cargo insurance, which our business specifically focuses on. The second class is Marine Hull, where you insure the actual boats in terms of whether it is commercial or private. Private, for example, would be something like a jet-ski. The third class of marine insurance is marine liabilities, where you insure a charterer's liability or Stevedore's liability. So, those are just the three basic classes of marine and we at Terra Marine currently fall under the cargo section, where we only specialise in cargo.

What we cover is however wide ranging, and includes conveyances that are on road, on rail, on cargo planes and also on the sea. Although the word Marine is used, a normal GIT policy will fall under a marine classification, in terms of the cargo programme. An import/export can have legs, where it comes off the vessel and there is a transport leg inland. This means that there are various aspects of the risk in terms of Marine, but it basically covers any movement of cargo, and that can happen either by sea, air, rail or road.

COVER: First COVID then the looting. It has been quite a period. How has that impacted on the Marine environment and on Terra Marine?

Colin Moodley: Interestingly, our business was formed in March 2020. Then, towards the end of March, began the various lockdowns for COVID. We officially started with Constantia this year on the first of June and we find that COVID affected the global supply chain in terms of goods. Through the various border restrictions and lockdowns we found that, over the last two years, import volumes and export volumes have declined. As insurers we insure this supply chain of products so, when you see a decline in imports, you find it affects your demand in insurance.

Any negative impact in terms of the global supply chain, therefore affects our business.

Then, as things got better and the levels of lockdown came down to level one, we had the looting. Which, then again, put strain on our local supply chain. We had a lot of warehouses storing cargo, that went up in flames. We lost a lot of our trucks, that also move cargo as part of the supply chain, that were affected.

We also had a lot of congestion at our ports, obviously with the backlog of orders from suppliers. It is just a ripple effect of number one; the pandemic and number two; the looting. So, you add all that together, it has a very negative impact in terms of marine insurance and in terms of our cargo insurance, because there is less demand now for that type of cover.

COVER: With that as backdrop, how do you see the coming year playing out?

Colin Moodley: I think one of the biggest challenges is the uncertainty in terms of COVID. I keep hearing of a potential fourth wave, we are not sure whether we are going to go into a different lockdown. So, for us as a business, it is the challenge of being able to navigate through this and finding a way to survive with this uncertainty in place. The other challenge is the economy. We need businesses to get back on their feet and we need them to start purchasing more. We need the importers to start buying and the exporters to start selling. We always have this saying in Marine that, we follow the fortunes of companies. So, if your company is growing, then there is a demand for cargo insurance, and there is a demand for other lines of insurance as well. We ensure the growth of these companies, if they do well, we do well.

COVER: Can all brokers play in this segment or is it only really an option for the specialist brokers?

Colin Moodley: We have a huge multinational and national broker following. Some of the major independent brokers all have Marine divisions. We have found that Marine needs a specialist, as it needs a specialist focus. Marine is one of the oldest classes of insurance and is a continuously evolving industry and Market. We always have new clauses that have to be looked at, and old clauses that need amending.

It is important for brokers to have that knowledge on the core of what marine covers, as that stays the same. One of our rules is that we would only do business with a marine broker, if they understand Marine and have done some sort of marine training. We offer training because we see new marine entrants coming into the market all the time and the FSCA has now made it mandatory that, if you are writing a specialist risk, you need to have specific training for that.

We are finding a whole lot of brokers that are getting involved. It is a market with great opportunity because, if you are doing corporate lines or liabilities for a client, you find that they are purchasing goods from overseas, which has a marine element to it. So, we see brokers from all spectrums and yes, brokers need to have specialist knowledge to be able to offer marine cover.

COVER: Do you have any tips for brokers that are coming into marine looking for opportunities or existing ones wanting to expand their book?

Colin Moodley: One of the main advices I would give brokers, when looking for an insurance partner, especially on the Marine side, is to find a partner that they can trust. A partner that does what they say and adds value to the business, not only on the pricing side, but also on the risk management side.

We often see that, once the deal is done, the risk management element stops, but we believe that risk management should be a daily habit. It shouldn't only be on renewal of new business. So, if you can find a partner or an insurer that has access to professionals who can assist you and your clients in terms of security surveying and risk implementation, that is key.

COVER: Do brokers rely on specialist knowledge support?

Colin Moodley: Yes, your bigger national brokers have experienced people in Marine, so it is always nice having them on board. But we do training with the newer brokers that come in and want to get involved in Marine and we go with them to their clients, to assist them. We get involved in their business and in how they work on their Marine accounts. We are very hand-on, adding value to those brokers that need a little bit more Marine knowledge and technical skills.

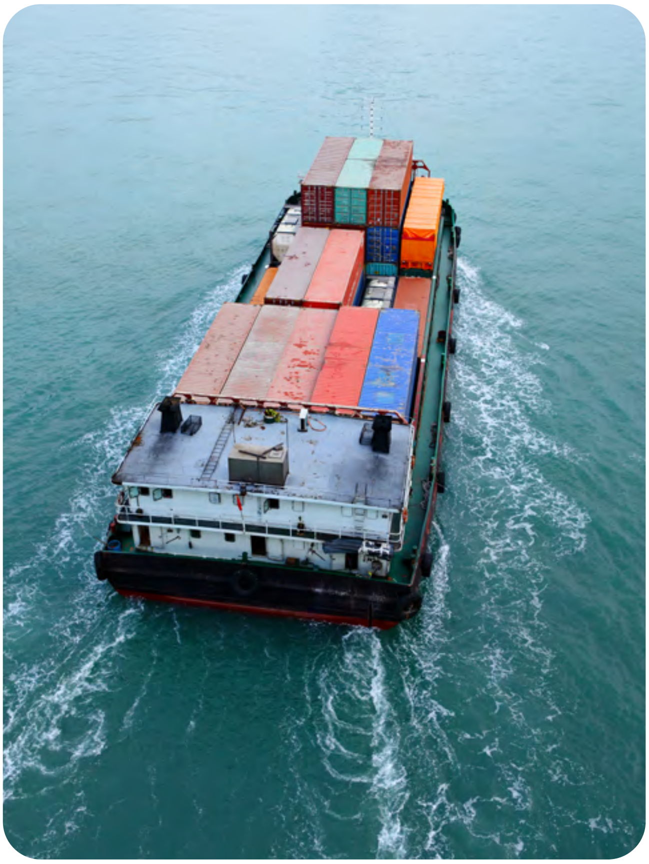
COVER: What would your unique value proposition be?

Colin Moodley: We thought about this long and hard and for Terra Marine, it is all about partnership. We are here for the long term. We go out of our way to get to know brokers and our clients. We want to get to know their operations.

We say, partner with us, broker and client. Let us learn who you are, let us walk this journey with you. It is all based on trust. Our biggest value is that, over time we build trust as we partner with the broker and client, for the long term. We back that relationship with technical skills and claims infrastructure to address claims that may arise.

COVER: Lastly, when did you tie up with Constantia and was there a particular reason why you went with them?

Colin Moodley: We were very excited to tie up with Constantia on the first of June this year. It is a fantastic opportunity for us because Constantia and Terra Marine are very like-minded businesses. They have been absolutely fantastic towards us. We are the first Marine UMA they have, which gives us great opportunity to grow and expand our business, with Constantia.



Broad coverage in Marine

Malcolm Hartwell, Director, Norton Rose Fulbright, Head of Transport and Master Mariner

From its humble origins as long ago as 4000 BC, marine insurance has grown into a $30 billion a year industry covering the whole gamut of risks associated with the global economy which depends on 90% of the world's trade being carried by sea.

Marine insurance has expanded into every facet of the trade, logistics and shipping industries covering risks from assets such as ships and cargo to liabilities from pollution, wreck removal, collisions and cargo damage, to death and injury at sea. Bottomry bonds were bonds over ships to secure loans taken out by shipowners and traders.The underlying loans bore interest, but only had to be repaid if the ship and cargo successful reached their intended destination.

They were apparently used by Babylonian merchants as early as 3 000 BC, but their first recorded use was in 1 800 BC and were used by Hindus in 600BC and well understood in ancient Greece as early as 400 BC.The Hammurabi law of 1 800 BC codified this practice as evidenced by a tablet discovered in 1901 detailing, in cuneiform, numerous aspects of trade law for the Babylonians which included the provision of bottomry bonds. These practices spread with traders and ships across the ancient world and developed from the 1300's CE into the modern form of marine insurance policy still in use today.

On the back of Europe's domination of world trade and colonialisation, the marine insurance industry developed rapidly in the European trade centres exemplified by the domination of the market by Lloyd's of London from the 17th century onwards.

The earlier practice of investors writing their names on slips to underwrite the risks faced by shipowners and traders now embraces the world of digitisation and blockchain, but the centuries of practice and law remains as relevant today as when Edward Lloyd supplied his coffee shop customers with shipping information to enable investors to assess the risks that they were underwriting.

Although much of that risk is still underwritten by the world's leading trading nations, either in the form of direct insurance or reinsurance into the markets of London, New York, Beijing and Tokyo, marine insurance has a distinct traditional flavour when it comes to regulation and practice.

This is why it is still treated as an unusual and sometimes strange industry with different rules, practices, contracts and terms that underwriters, brokers, traders and shipowners and their advisors need to be familiar with in order to navigate their peculiarities.

Partly as a result of the idiosyncrasies of marine insurance, it is treated with considerable respect and some trepidation by outsiders. But, at the end of the day, like other forms of insurance, practitioners and users have to familiarise themselves with the contract and the laws and regulations that govern it.

"From its humble origins as long ago as 4000 BC, marine insurance has grown into a $30 billion a year industry covering the whole gamut of risks associated with the global economy which depends on 90% of the world's trade being carried by sea."

The maturity and peculiarities of the industry have driven the development of many standard forms of policies typified by the Institute Clauses which, although originating England and accordingly aligned with common law legal systems, have been adopted for use across the globe.

This widespread use has assisted in developing a huge body of marine insurance law across the common law and civil law countries creating a larger degree of certainty when it comes to interpretation of marine policies and clauses. This certainty is welcomed by the insureds, underwriters, brokers and practitioners involved in marine insurance and does assist in reducing disputes under policies.

Due to the unusual, uncertain and, until the introduction of electronic communication, unknown risks associated with maritime adventures, a degree of trust in marine insurance is more heavily relied on than in other sectors. This is reflected partly in the fact that many assets and risks that are insured are never seen by the underwriter.

The underwriter relies heavily on declarations and information from the brokers and secondly on their understanding of a particular trade or risk whether that be pleasure craft exposed in the Caribbean to hurricane season or consignments of coffee beans transported by mule, rail, ship and truck from Kenya to Switzerland.

Lack of space precludes a summary of all the unusual features but a comment on marine insurance would be hollow without commenting on value polices, held covered clauses, general average, and protection and indemnity (P&I) insurance.

Provided the valuation is not fraudulent, marine underwriters are obliged to indemnify the insured on the basis of the agreed value without the application of the principle of average applicable in non-marine policies. This takes into account the vagaries of international trade and the constant movement in commodity markets, places a significant onus of the insured to ensure that the risk is appropriately covered.

In the absence of electronic communication, held covered clauses were developed which allowed traders and shipowners to insure their ship or cargo from a particular time or for a particular voyage even if it subsequently became known that the ship or cargo had already been destroyed or damaged.

Reflected formally in the Rhodian Law of 235 CE the principle of general average allows a party to a common maritime adventure, such as a shipowner carrying cargo, containers and fuel, to recover from all those interests a proportion of any losses and costs deliberately incurred in order to save the common adventure.

Originally this allowed deck cargo owners whose cargo had been dumped over the side of the ship in order to save her from a storm, to recover a percentage of their loss from the shipowner and the other cargo owners whose ship and cargo were saved. Nowadays it is mainly relied on by shipowners who incur extraordinary expense or sacrifice to save the ship and cargo following a casualty such as fire or grounding. This risk is insured under even the most restrictive of cargo insurance policies.

P&I (protection & indemnity) insurance developed as a system to insure shipowners against all of the liabilities that they might face during a voyage. This resulted in the establishment and growth of P&I Clubs where shipowners and charterers effectively act as mutual insurers for all of the ships owned by the various shipowners and charterers in that Club. The pooling of these risks in the Clubs is reinsured by the Clubs, but all liabilities and claims are handled in the first instance by the Clubs on behalf of the shipowners.

Owners are obliged to pay premiums known as 'calls' usually on a quarterly basis to the Club and these are based on the anticipated collective losses for the year of all of the members of the Club. Members may be asked to make supplementary calls in the event of an unusual risk eventuating during a particular year such as a massive pollution clean-up bill. Many of these risks are now offered by commercial fixed premium underwriters but the P&I Clubs remain at the heart of managing and insuring shipowners' and charterers' risks.

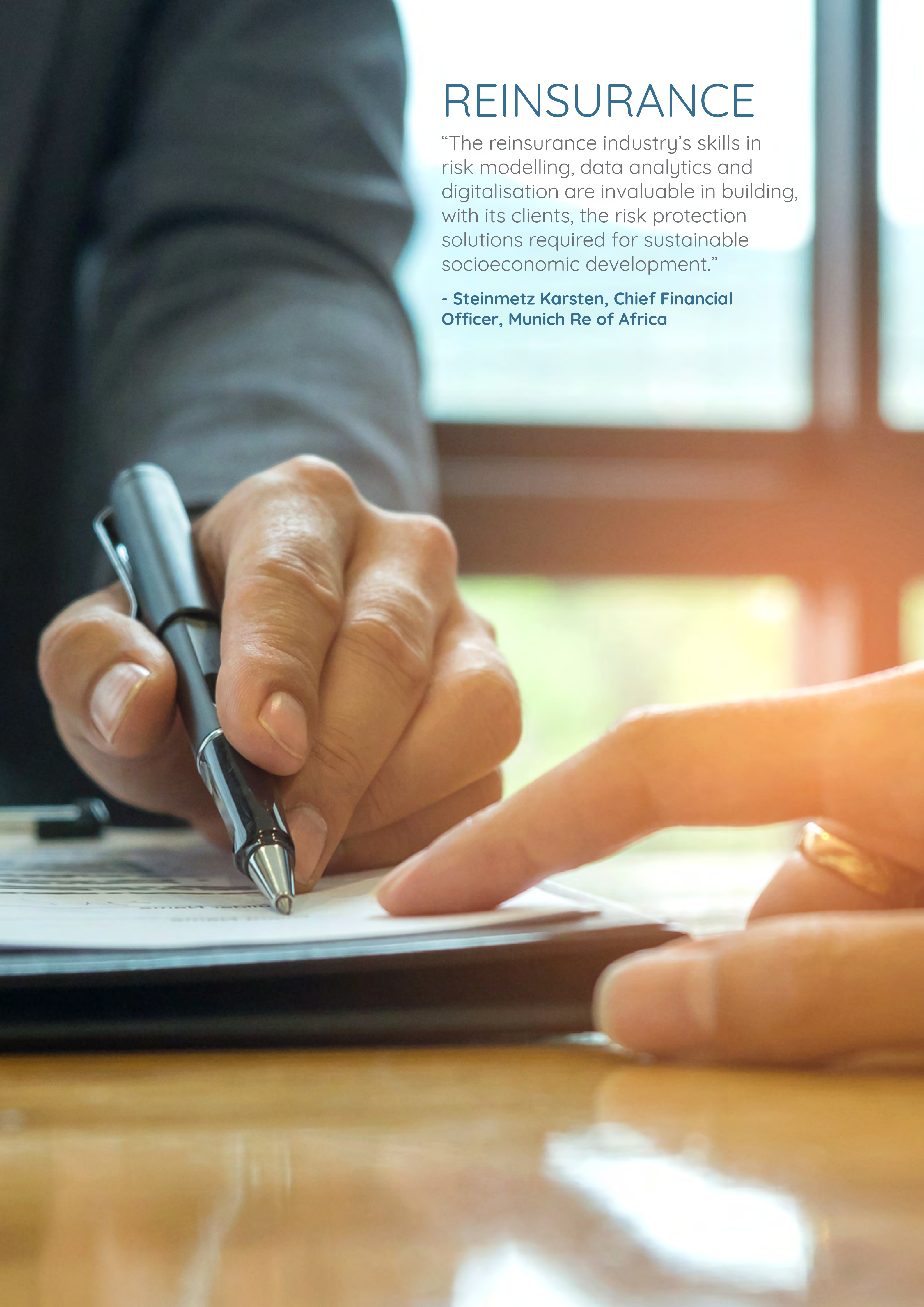
Its unique features make marine insurance fascinating and, for the inexperienced, a dangerous market risk that has resulted in underwriters and brokers developing niche expertise in particular risks and trades.

Covering as it does everything from hull & machinery, cargo, freight, yacht, war risks and every risk involved in global and regional trade, specialisation is inevitable and necessary.

REINSURANCE

"The reinsurance industry's skills in risk modelling, data analytics and digitalisation are invaluable in building, with its clients, the risk protection solutions required for sustainable socioeconomic development."

- Steinmetz Karsten, Chief Financial Officer, Munich Re of Africa



Significant Growth Potential in Sub-Saharan Africa

A.M.Best's Market Segment Report: Sub-Saharan Africa Reinsurers

For several years, the sub-Saharan Africa (SSA) reinsurance market, though limited in scale by global standards, has provided reinsurers with an opportunity for diversification and profitable growth.

However, increasing economic volatility and elevated competition have led to a gradual deterioration in performance. In a new Best's Market Segment Report, "Sub-Saharan Africa Reinsurance: Significant Growth Potential, Despite Challenging Operating Conditions", AM Best points to the impact of the COVID-19 pandemic on local economies, volatility in global oil prices, and in some countries by high inflation rates and local currency depreciation as contributing to the difficult operating environment for both domestic and international reinsurers.

A full complimentary copy of this report is available via the following link. **Increasing investment in infrastructure, together with steady levels of GDP growth, have contributed to the expansion of the region's reinsurance markets.**

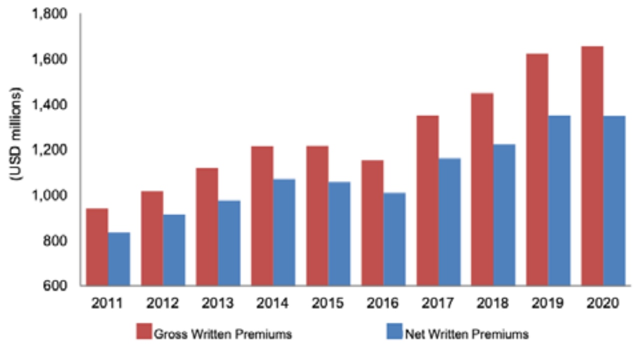
For several years, the sub-Saharan Africa (SSA) reinsurance market, though limited in scale by global standards, has provided reinsurers with an opportunity for diversification and profitable growth. However, increasing economic volatility and elevated competition have led to a gradual deterioration in performance.

Throughout 2020, the operating environment across SSA was difficult for both domestic and international reinsurers, largely due to the impact of the COVID-19 pandemic on local economies, volatility in global oil prices, and in some countries by double-digit inflation and local currency depreciation.

With the COVID-19 pandemic persisting through 2021, already high levels of inequality across the region have worsened, in some cases resulting in local pockets of social unrest, including widespread rioting in South Africa, the region's largest insurance market. This is expected to result in significant losses for the reinsurance industry.

Despite the challenges, AM Best believes the growth potential for the SSA reinsurance segment remains substantial. The region has considerable and untapped reserves of natural resources, solid long-term projected economic growth rates, and increasing underlying insurance penetration.

Exhibit 1
Sub-Saharan Africa – AM Best-Rated Reinsurers, Premiums, 2011-2020



Sources: BESTLINK *Best's Financial Suite – Global*, AM Best data and research

LONG-TERM GROWTH OF THE REINSURANCE MARKET

Increasing investment in infrastructure in SSA, together with steady levels of real gross domestic product (GDP) growth, have contributed to the expansion of the region's reinsurance markets over the past decade, a trend that AM Best expects will continue.

SSA reinsurers rated by AM Best have experienced good growth over the longer term. Gross written premium (GWP) has grown at a 10-year compound annual growth rate (CAGR) of 5.8% (calculated in US Dollars). GWP growth has been driven predominantly by the non-life insurance segment, with the life segment at a nascent stage of development in many of the region's countries.

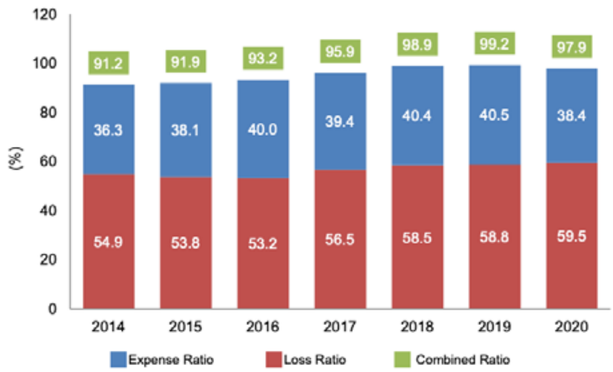
Over the past decade, steady growth in GWP **(see Exhibit 1)** has been achieved, despite the significant depreciation of local currencies against the US Dollar. The Nigerian Naira andSouth African Rand, representative of the region's two largest economies, depreciated against the US Dollar by 63.5% and 54.8%, respectively, between 2011 and 2021. More recently, the economic recovery following the 2014-to-2016 oil price crash bolstered reinsurers' revenue, as is demonstrated by a four-year (2016-2019) GWP CAGR of 8.9%.

However, this trend was curtailed by the COVID-19 pandemic and associated recession, with GWP growth of just 2.1% in 2020. Over the medium term, growth of the SSA reinsurance market is expected to pick up again, supported by the region's economic recovery. The International Monetary Fund projects that SSA will achieve real GDP growth of 3% in 2021, rising to around 4% per annum in the five years thereafter, comfortably exceeding the long-term forecasts for both Western Europe and North America.

PROFIT MARGINS CONTINUE TO NARROW

Traditionally, SSA reinsurers have focused largely on local African risks. As a result, the region's AM Best-rated carriers were not exposed to the major natural catastrophe losses experienced by the global reinsurance market over recent years. In 2020, the weighted average loss ratio for AM Best-rated reinsurers in SSA was 59.5% (see Exhibit 2), compared with an equivalent figure of 72.6% for the top 50 composite of reinsurers1.

Exhibit 2
Sub-Saharan Africa – AM Best-Rated Reinsurers, Combined Ratio, 2014-2020



Sources: BESTLINK *Best's Financial Suite – Global*, AM Best data and research

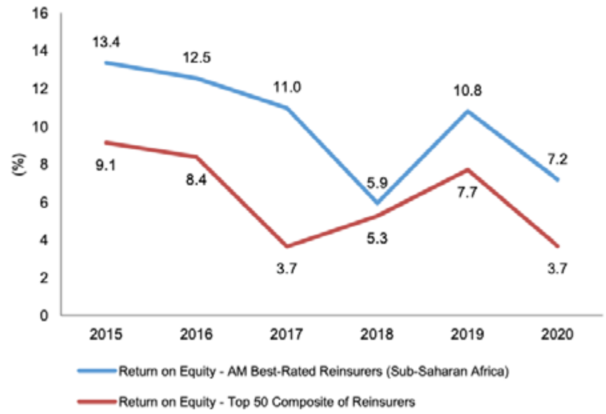
Despite the generally lower and less volatile loss experience of SSA reinsurers when compared to their global peers, AM Best has observed a general deterioration in underwriting performance for the reinsurers that it rates in the region. The weighted-average loss ratio of AM Best-rated SSA reinsurers has risen steadily since year-end 2016, when it was as low as 53.2%, to 59.5% in 2020.

While domestic markets have not reported any major loss events in recent years, stiff competition and subsequent rate erosion has contributed to the decline in underwriting performance. In addition, the underwriting results of a number of AM Best-rated SSA domiciled reinsurers were negatively impacted by the poor performance of non-core overseas business, most notably in the Indian subcontinent.

The aggressive expansion into the Indian agricultural segment by a number of SSA reinsurers in particular, has played a noteworthy role in the deterioration of the average loss ratio. AM Best has however observed a drastic decline in the region's appetite to write this business going forward. Furthermore, negative exchange rate movements—particularly in the Nigerian Naira—in almost all years between 2016 and 2021 has led to claims inflation, especially on lines of businessthat rely on the import of goods and spare parts. While inflation is typically priced into (re) insurance products, it has contributed to the gradual deterioration of the loss ratio, particularly for those African reinsurers that do business in US Dollars and report in local currency.

Performance is also affected by the generally high cost of doing business in the region and the relatively small size of individual reinsurers, with many market participants unable to realise economies of scale. Consequently, the weighted average expense ratio reported in 2020 for the region compared unfavourably with the broader reinsurance market at 38.4% **(see Exhibit 2)**, versus an equivalent figure of 28.7% for the 50 largest global reinsurers.

Exhibit 3
Sub-Saharan Africa – AM Best-Rated Reinsurers, Return on Equity, 2015-2020



Return on equity figures are calculated on a weighted average basis for the purposes of this report.
Sources: BESTLINK *Best's Financial Suite – Global*, AM Best data and research

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Despite the decline in underwriting results, AM Best-rated SSA reinsurers continue to return solid levels of profitability to their shareholders, demonstrated by a five-year (2016-2020) weighted average return on equity (ROE) of 9.5%, compared with 5.7% reported for the global reinsurance top 50 composite **(see Exhibit 3)**.

The SSA benchmark's weighted- average ROE is heavily influenced by the performance of Africa Re and ZEP Re, both of which report in USDollars, which, to some extent, limits the impact of high inflation in their core markets on their reported net income. The ROE for SSA reinsurers must also be considered in conjunction with their generally high levels of risk-adjusted capitalisation, as measured by Best's Capital Adequacy Ratio (BCAR) **(see Exhibit 4)**, which tempers this metric.

Exhibit 4
Sub-Saharan Africa – AM Best-Rated Reinsurers, Capital & Surplus

AMB #	Company Name	2020 C&S (Including Minority Interests) (USD 000s)	2019 Best's Capital Adequacy Ratio (VaR 99.6%)
83411	African Reinsurance Corporation	1,017,106	62.9
85416	Kenya Reinsurance Corporation Ltd.	317,487	37.7*
78388	ZEP-RE (PTA Reinsurance Co.)	275,752	60.3
93852	CICA Re	103,729**	60.6
94468	WAICA Reinsurance Corporation PLC*	99,393	48.1*
78723	Continental Reinsurance PLC	98,591	35.1
90035	Ghana Reinsurance Co. Ltd.	66,287	60.0
77803	East Africa Reinsurance Co. Ltd.	49,576	55.7

* BCAR scores based on year-end 2020 data.
** Capital & Surplus based on year-end 2019 data.
Sources: BESTLINK *Best's Financial Suite - Global*, AM Best data and research

AM Best expects the steady economic recovery of the region and a general hardening of reinsurance rates to bolster the results of the SSA reinsurance market. However, should the COVID-19 pandemic persist, the region's projected economic recovery could be jeopardised, which in turn may curtail the reinsurance market's revenue growth, impact the collectability of premiums, as well as introduce volatility into investment results.

REGIONAL CAPACITY IS LIMITED

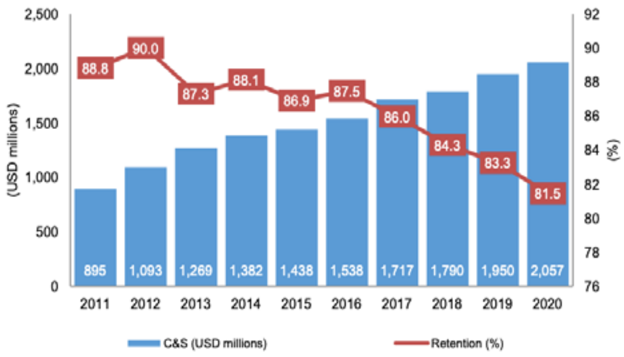
The larger reinsurers in SSA (excluding South Africa) tend to be either national or supra- national entities, which often benefit from compulsory cessions and have a mandate to develop the local (re)insurance industry. With a few exceptions, African reinsurers tend to focuson local and regional markets. Further competition comes from a relatively small group of sophisticated global reinsurers, and a handful of smaller privately-owned African companies.

Despite solid growth in capital in recent years **(see Exhibit 5)**, the capacity offered by Africa- domiciled reinsurers is still low, with the capital bases of the majority of SSA reinsurers too small to meet fully the needs of local primary markets, particularly where major construction and energy risks are concerned. As the region's economies have industrialised, their insurance needs have grown, which in turn has contributed towards lower levels of retention for SSA reinsurers. Local players often lean on more sophisticated global reinsurers for the expertise and capacity needed to underwrite complex risks.

HIGH BARRIERS TO ENTRY

Barriers to entry remain high in many African reinsurance markets and include protectionist local regulations and the presence of state-owned reinsurance companies or specialised state-sponsored pools. The limited competition from global reinsurers is due to a multitude of factors, including the expansive geography of the continent, the small size of national reinsurance markets, and the significant cultural and fiscal policy differences between countries.

Exhibit 5
Sub-Saharan Africa – AM Best-Rated Reinsurers, Capital & Surplus vs. Retention, 2011-2020



Sources: BESTLINK, *Best's Financial Suite – Global*, AM Best data and research

Over the past decade, local regulators have become more active in championing their national markets, often forcing primary insurers to offer risks to local reinsurers of a generally weaker credit quality before they can explore international markets. Supra-national reinsurers such as Africa Re, CICA Re and ZEP Re play an important role in supporting the underlying insurance markets, maintaining a mandate that goes beyond a pure commercial existence.

However, high barriers to entry have not completely deterred new market entrants. In early 2021, specialty reinsurance start-up Africa Specialty Risks commenced underwriting from its Mauritius entity.

SOUTH AFRICA

South Africa has a relatively mature insurance market compared with other countries on the continent, with well-established life and non-life segments. In 2020, South Africa's insurance market generated GWP of approximately USD 41 billion, according to Swiss Re Institute's sigma report "World insurance: the recovery gains pace".

However, the region's largest (re)insurance market is facing turbulence. The COVID-19 pandemic exacerbated an already steep downward trend in the country's economy, with business confidence and employment rates reaching their lowest level in years. Long-term economic and political pressures in the country have resulted in an operating environment that has not been conducive to profitable underwriting results.

The weighted average combined ratio for the reinsurance market was 102.5% in 2019, up from 99.5% in

2015 **(see Exhibit 6)**. Performance of the market's reinsurers has been significantly impacted by soft pricing conditions and a spate of severe weather events between 2017 and 2019.

Exhibit 6
Sub-Saharan Africa – South Africa, Combined Ratio (includes Life Business), 2015-2019

Source: KPMG Insurance Survey (includes life business)

In 2020 and 2021, theCOVID-19 pandemichas further impactedthe South Africanreinsurance industry. Following the December 2020 court ruling, which overturned an appeal by Guardrisk Insurance Company Limited, the insurance market has commenced settling contingent business interruption (CBI) claims associated with the pandemic.

Inits year-end 2020 financial statements, market leader Santam Limited, which has a market share of 24%, estimates its gross and net CBI exposure to be USD 356 million and USD 136 million, respectively. This indicates a gross industry loss that significantly exceeds USD 1 billion. Reinsurers with policies written back-to-back are expected to bear a sizeable share of the costs borne by the primary market.

In addition, recent large-scale social unrest triggered by the arrest of former president Jacob Zuma, has led to rioting and looting in some of the country's major urban centres. State- owned South African Special Risks Insurance Association (SASRIA) is the specialist insurer that solely covers losses relating to politically motivated crimes in the country. SASRIA's latest estimate indicates an insurance industry loss of USD 1.3 billion. A material proportion of these losses are expected to ultimately fall on Europe's largest reinsurers through their South African subsidiaries, along with the Lloyd's market.

Sub-Saharan Africa – AM Best-Rated Reinsurers
Ratings as of August 16, 2021

AMB #	Company Name	Best's Long-Term Issuer Credit Rating (ICR)	Best's Financial Strength Rating (FSR)	Best's ICR & FSR Action	Best's ICR & FSR Outlook	Rating Effective Date
83411	African Reinsurance Corporation	a	A	Affirmed	Stable	15-Dec-20
93852	CICA Re	bb+	B	Affirmed	Positive	12-Feb-21
78723	Continental Reinsurance PLC	bbb-	B+	Affirmed	Stable	15-Dec-20
77803	East Africa Reinsurance Co. Ltd.	bb+	B	Affirmed	Stable	8-Oct-20
90035	Ghana Reinsurance Co. Ltd.	bb	B	Affirmed	Stable	18-Dec-20
85416	Kenya Reinsurance Corporation Ltd.	bb+	B	Affirmed	Negative[1]	20-May-21
94468	WAICA Reinsurance Corporation PLC	bbb-	B+	Affirmed	Stable	2-Jul-21
78388	ZEP-RE (PTA Reinsurance Co.)	bbb	B++	Affirmed	Stable	16-Oct-20

[1] Kenya Re: FSR Outlook Stable

Sources: BESTLINK *Best's Financial Suite – Global*, AM Best data and research

African reinsurers stand ready to meet post-pandemic challenges

Steinmetz Karsten, Chief Financial Officer, Munich Re of Africa

Operating as a reinsurer in Sub-Saharan Africa is not for the faint-hearted. Following recent disastrous claim events in the region, challenges for reinsurers have increased sharply despite a recovering and hardening market.

However, the recent past has shown the critical role that reinsurers fulfil in a functioning financial services industry, and ultimately society.

The reinsurance industry's skills in risk modelling, data analytics and digitalisation are invaluable in building, with its clients, the risk protection solutions required for sustainable socioeconomic development. The past two years have been tough, globally and in Africa. Natural disasters, the pandemic and their aftermath have taken their toll on people, businesses and all other parts of society. And global reinsurers have had to contend with mounting claims resulting from natural catastrophes and pandemic events.

The impact of Covid-19 has affected the industry globally and across its various disciplines, including health, life and non-life insurance. On the non-life side, insurers and reinsurers have paid billions of dollars in claims for contingent or non-physical damage business interruption covers. And on the health and life insurance side, we have seen significant claims activity across cover types, most notably for death-related claims.

"The reinsurance industry's skills in risk modelling, data analytics and digitalisation are invaluable in building, with its clients, the risk protection solutions required for sustainable socioeconomic development."

The Association for Savings and Investment South Africa1 recently confirmed more than a million death claims were submitted to local life insurers between 1 April 2020 and 31 March 2021, resulting in pay-outs of around R47 billion. It is impossible to accurately measure the influence of Covid-19 in these statistics, but we can identify an increase of 300000 in the number of deaths and a 64% rise in total claims compared to the preceding 12-months. On the non-life side, Santam, South Africa's largest non-life insurer, reported in August that it had paid more than R2.1 billion for contingent business interruption claims.

Reinsurers with exposure to South Africa's special risks insurance market suffered an additional setback, with widespread civil commotion ripping through parts of Gauteng and KwaZulu-Natal during July. Special risks insurer, Sasria SOC Limited, has reinsurance treaties with most of the major reinsurance brands active here. The total extent of the insured and reinsured losses is not yet clear; but estimates point to a total claims cost of more than ZAR30 billion.

Reinsurers will face numerous challenges going into 2022, not least of which the impact of long-Covid on mortality and morbidity experiences. We must also navigate the ongoing risks posed by climate change and the weather-related natural catastrophes influenced by it, not to mention surging cybercrime. Much thought is presently being given to how insurers can work with governments to create suitable risk mitigation and risk transfer mechanisms for systemic risks.

We are also more aware of the challenge in providing cover for such risks given the ongoing increase in frequency and severity of drought, flood, storms and wildfires, to name a few. Future pandemics cannot be addressed without reinventing our insurance and reinsurance solutions and risk pools.

The United Nations Climate Change Conference, COP26, which took place in Glasgow, Scotland, has refocused the world on the risks posed by climate change and highlighted the need for insurance market mechanisms to foster climate-related innovation and technology.

It is worth noting that the impacts of climate change will be most pronounced in poorer countries, with the establishment of public-private partnerships to reduce the insurance gap becoming more important than ever. The reinsurance industry will play an elementary role in developing solutions to provide sufficient risk-bearing capacity for emerging markets. Adequate capacity will be non-negotiable as developed economies seek to spend up to US$100 billion per year in Africa, in search of renewable energy projects to help meet the tough net-zero carbon emissions promises for 2050.

Over the near term, those players plying their trade in Sub-Saharan Africa can look forward to increased reinsurance demand alongside a continued hardening of markets; but profit cannot be taken for granted.

Reinsurers face underwriting challenges from emerging and evolving risks in the areas of cyber, natural catastrophe and pandemics; we face wording challenges in making sure lessons learned from the pandemic are reflected in our contractual agreements; and we face operational challenges in meeting the tough accounting standards being introduced under IFRS17 from 2023.

The economic environment presents challenges too. For example, we are aware of claim cost pressures resulting from rising inflation. Insurers and reinsurers are also experiencing difficulties in maintaining the necessary share of income from investing activities due to the ongoing low interest rate environment. The future is not going to be won by the timid; it demands confidence, a firm conviction in capabilities and a clear view of the facts.

Extensive local know-how and long-term commitments to the continent continue to stand out in the posture of those players who aim to be successful in this dynamic risk environment in Sub-Saharan Africa.

Global heating revving up reinsurance costs

Wilma van der Walt, executive of customer experience and operations at PPS Short-Term Insurance

Nations, activists and scientists are haggling over emission reduction commitments at the United Nations Climate Change Conference of the Parties (COP26) in Glasgow, Scotland in an attempt to come up with global heating solutions.

Although some activists feel that the conference is just a talk shop that achieves little, keeping climate change on top of the global agenda is better than having to contend with the dangers of disregarding this crisis. It is generally accepted that global heating contributes to adverse weather such as floods, hurricanes, and droughts, resulting in massive damage to buildings, vehicles and produce. What is less appreciated, is how these impact everyday life, including the cost of necessities such as insurance and the price of food.

"Locally, weather-related loss incidents are increasing in frequency and severity due to changing global climate conditions that spark extreme heatwaves and difficult-to-contain wildfires. South Africa has also suffered from frequent flash floods, blustery winds and hailstorms."

A recent report from S&P Global highlights that the increasing frequency and severity of natural catastrophes are causing insurers to review their offerings. This might lead to higher premiums. Besides the obvious physical hazard these natural disasters present, there are other possibilities such as liability risks. These include when parties who have suffered damages from the effects of climate change will seek compensation from reinsurers. The consequence of this is an increase in reinsurance premiums.

Locally, weather-related loss incidents are increasing in frequency and severity due to changing global climate conditions that spark extreme heatwaves and difficult-to-contain wildfires. South Africa has also suffered from frequent flash floods, blustery winds and hailstorms.

A new Willis Re Hail Catastrophe Risk Model for South Africa shows seven of the top 10 insured natural catastrophe events since the 1970s have been associated with hail, with upwards of 45% of the total value of insured motor and property claims from natural perils over that period caused by hail damage.

"The frequency coupled with the potential for severe loss accumulations can threaten insurers' earnings stability (their ability to pay dividends to their shareholders). Motor books are particularly susceptible to large hail claims," says Geoffrey Saville, head of weather and climate risks research at Willis Re. For many South African insurers, Saville adds, a violent hailstorm over Johannesburg's N1 western bypass at peak rush hour would probably be one of their worst nightmares. Since thunderstorms (which often produce hail) tend to develop in the afternoon and early evening in the summer inland, this is a very real possibility.

Given this scenario, insurers will have to analyse pricing and exposure management, considering ways to price for these events based on underwriting criteria against the insured's profile.

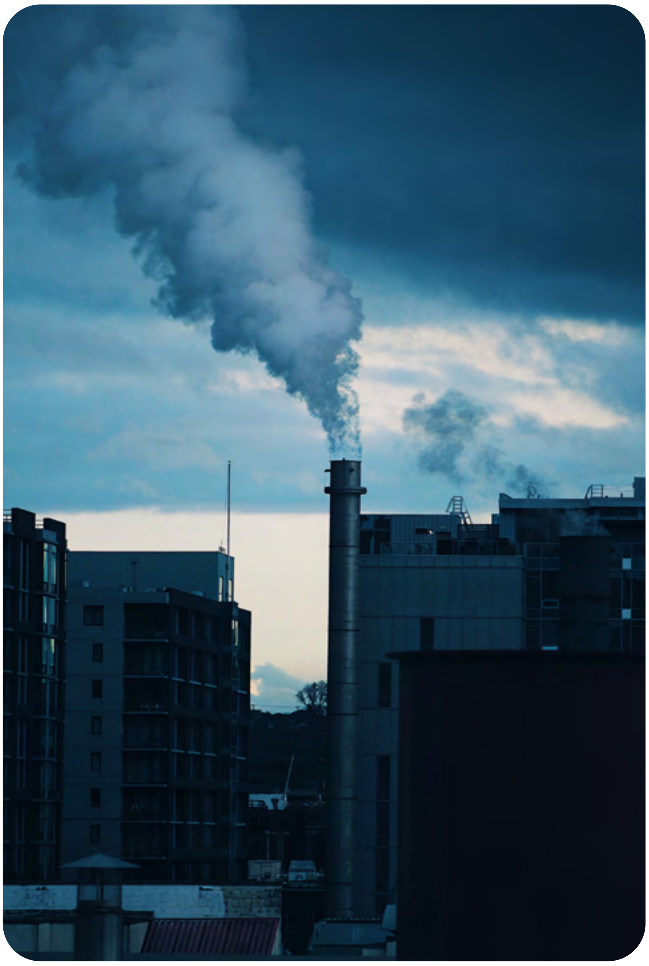
"As an emerging market coupled with significant socio-economic challenges, including a struggling economy, high unemployment, educational and healthcare risks, the impact of extreme weather patterns must be considered when modelling the insurance support required by individuals and businesses to ensure sustainability."

Understanding the varying exposure that different perils may have on property helps when the weather history for the specific area is considered along with the classification of property size and age. Other elements to be considered include distance measures from rivers, lakes, sea, forests and farms, location to large water bodies, breakaway wildfires and seismic activity.

Nyasha Madzingira, Client Manager at Aon South Africa's Commercial Risk Solutions Division, says because climate change plays an increasingly prominent role in weather-related damages, the insurance industry (and clients) must become knowledgeable of developments in the climate and weather space.

Everyone should all play an active role in mitigating the risk that global heating poses to the quantum and severity of short-term insurance claims. Failure to do our part will cause recurring increases in insurances premiums.

"It is in our industry's best interests to promote and drive a green agenda that seeks to support our clients in transitioning to more sustainable, environmentally aware business models, for all our sakes, and for now and the future," Madzingira says.



As an emerging market coupled with significant socio-economic challenges, including a struggling economy, high unemployment, educational and healthcare risks, the impact of extreme weather patterns must be considered when modelling the insurance support required by individuals and businesses to ensure sustainability.

Putting pricing and product to work for better risk protection

Ingrid van den Goorbergh, recently appointed Head of Product and Pricing at Munich Re of Africa (MRoA)

Successful risk protection products depend on finding a perfect balance between product design and price, with teams of actuaries working behind the scenes to measure the impact of distribution and underwriting practices on price, and the impact of price on sustainability. Many insurers and reinsurers combine their product and pricing teams to accommodate the close relationship between these disciplines.

When you develop a new insurance product, you start with the intended customer and a detailed assessment of their protection needs, which often requires considering affordability alongside coverage. The interlink between product design and price can make it inefficient for one team to focus on product before handing the project over to a pricing team. Risk management and underwriting, both important considerations in the product design process, have a significant impact on price too.

Reinsurers can therefore manage risk using product design (by limiting sums insured or age of entry or pre-existing conditions among a range of other factors) or allow for the additional risk in the price.

The layperson often confuses pricing with underwriting, but there are subtle differences. Underwriting is best described as the assessment of an individual's risk profile against a benchmark usually a "healthy life", and then apply risk-appropriate loadings to a base rate or premium.

Pricing, meanwhile, reflects all the inherent risks in the product, including the level of underwriting that takes place. It is an overarching function that requires looking at risks across the entire product and not only at the individual's risk level.

I have been with MRoA for three years, initially in a technical pricing team lead role and, from 1 October 2021, as Head of Product and Pricing and am responsible for product development and pricing within the P&P team, making up the actuarial or technical hub of the Life business.

The reinsurer's product and pricing division is separated into three teams to handle individual life, group life and basis development. Prior to joining MRoA, I spent almost two decades working at direct insurers in South Africa and the United Kingdom, where I specialised in life insurance, but I also had exposure working in the pensions and savings industries.

The Covid-19 pandemic has had a huge impact on global reinsurers, with group risk portfolios being particularly hard hit through 2020 and 2021. Industry stakeholders have had to assess the pandemic impact from both a human perspective and a profitability perspective.

The increased number of death claims has resulted in significant margin erosion in certain portfolios, with the pandemic wiping out profits that had accumulated over the past five to 10 years. Rising claims volumes have also contributed to massive backlogs at both insurers and reinsurers. The industry has responded to the pandemic claims experience by turning up the dial on underwriting requirements. It is difficult for an insurer to backtrack on a product that is already available in the market; we can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"Reinsurance is an amazing place to work. There are so many talented people working at South African insurers and reinsurers … and we are definitely among the front runners in developing new products for the global insurance stage."

control risks by reducing sums insured or maximum entry ages or asking more medical questions at underwriting. Reinsurers are also in constant conversation with their insurance partners about pricing.

In the pandemic group risk context, insurers and reinsurer can adjust premiums at annual renewal, based on the historic and forecast claims within a specific group risk scheme. Price adaption on new individual risk protection policies are inevitable too, given the impact of the Covid-19 disease on mortality experiences.

Technology is playing a role in boosting efficiencies and improving costs in underwriting. We have been using underwriting rules engines for some time. And we have a specialist regional team working on augmented underwriting using machine learning algorithms.

The idea is to speed up the underwriting process by identifying lower risks and presenting these risks with fewer underwriting questions or less stringent medical underwriting requirements.

An insurer that can be more selective about which risks to refer for further tests can make it easier for customers to buy insurance by simplifying the process; but may have to make trade-offs in pricing to accommodate for risks that might slip through due to underwriting compromises.

Reinsurance is an amazing place to work. There are so many talented people working at South African insurers and reinsurers … and we are definitely among the front runners in developing new products for the global insurance stage.

2021: The year of the Bad and the Ugly

Gordon McKean, MD and founder Oak Tree Intermediaries

Can you believe that 2021 is basically over? It never ceases to amaze me at how quick the years go by, especially the older we get! 2021 was one hell of a year!

It was most definitely one where things were tough and just became tougher as the year progressed. The landscape has changed dramatically in the last 2 or 3 years, with the Covid pandemic not really helping matters. Reinsurers have taken a beating, and that has brought about an Underwriters Market, as the Reinsurers are dictating the rules of engagement and there is little sign of it easing up anytime soon. In fact, I believe that we are in for pretty much of the same for the next 24 months (or more).

Now that Oak Tree Intermediaries is heading into its twelfth year, as I reflect on how the market has changed over the last decade, one thing I can say, is that we do seem to have less fun in our day-to-day jobs. I recall the days, just a few years ago, where I was able to play golf at least a couple of times a month or more, and nowadays, I think I'm lucky to make 5 games in a year! Maybe it is time for a New Year's Resolution?!

I think the one thing Covid has done, is that it has made less of our time our own. We are always online - whether on a laptop in front of the TV at home in the evening, and if not, then via the ever-annoying cell phone! I know technology gave us the convenience of accessing anything anywhere, but I think as human beings we battle to switch off a lot of the time.

I think the role of the Reinsurance Broker has changed too. We are a lot more hands on nowadays than we ever were. Whether its quarterly accounting, Reinsurance Quarterly meetings with Treaty Clients and Reinsurers, or placing Facultative risks, we are on the go now more than we ever were, and then add in the analytics side of our business – we basically now do it all! And as if that doesn't occupy most of our time, we need to constantly find avenues for new business streams, networking with clients, and keeping those good old relationships buoyant, and then constantly strive for operational excellence!

Back to 2021 – the year that nearly was … what a year! The whole Covid pandemic made travel tough for us, so we can't wait for travel restrictions to ease again, as we aim to grow our footprint on the continent, and get out there again! There is fruit ripe for the picking and relationships ripe for the rekindling.

As for the year that was – we took an absolute pounding on the Life side of our business. A lot of it coming down to the rates increasing so drastically that some clients just couldn't come up with the money to afford the rates the Reinsurers were asking for. We do see things easing a little going forward, however, it is so hard to predict with this pandemic wreaking havoc.

As I write this, I saw on the News today that Austria has shut down (again) due to the virus, and other European countries are following suit. It is a concern particularly given that most of them have a large portion of the population that have had their vaccines. Why I mention this, is because it just goes to show the unknown element of the Virus, and makes it difficult to plot.

We've all heard of the increasing likelihood of a 4th wave in December 2021 and I think there are a lot of sceptics out there who wonder if it will materialise, but I guess what is more appealing to me as a player in the risk space, is what the mortality rates will look like should the next wave materialise! The outcome of this will determine what the Reinsurance landscape looks like next year, and how long the "Underwriters Market" stays in place.

I think now more than ever – whether Life or Short-term - the time for having a Good Reinsurance Broker who adds value is of paramount importance, and if you are looking for one – I might know one J

Happy 2022 and keep your chins up!

FINANCIAL PLANNING

"There can also be restraints that prevent you from working as an adviser in a particular location. Some even go as far as preventing you from working as an adviser for a certain period – although these may be overridden by a court of law as being unreasonable if you have the time and money to challenge it."

- Guy Holwill – CEO of Fairbairn Consult

Amalgamations in the Medical Scheme industry

Lee Callakoppen, Principal Officer of Bonitas Medical Fund

The South African private healthcare industry has undergone considerable change over the past few years. Escalating healthcare inflation and costs, a declining and ageing membership, the impact of a global pandemic and a growing disease burden is impacting the not-for-profit Medical Scheme industry which is highly regulated.

One of the notable trends is towards medical scheme consolidation, especially in light of the proposed introduction of National Health Insurance (NHI) where smaller schemes will be unable to compete. The Council for Medical Schemes (CMS) recommends that schemes which cannot compete on a sustainable price point should consider amalgamation partners.

'The trend towards amalgamations is not only for the sustainability of the medical scheme but for the benefit of members who 'own' the fund. It is not only the call from CMS for schemes to join forces but also strict regulations around minimum solvency ratios and reserves which are more difficult for smaller schemes to maintain.

The Medical Schemes Act No 131 of 1998 requires that medical schemes, 'shall at all times maintain its business in a financially sound condition'. This means having sufficient assets for conducting its business, providing for liabilities and having the prescribed solvency requirements of 25%.

"The CMS is the statutory body that provides regulatory supervision of more than 80 medical schemes registered in the country and oversees amalgamation prospects. One proviso for amalgamation is that schemes should complement each other and provide a broader and more comprehensive offering to members."

It's a big ask for small schemes in this volatile and uncertain healthcare market. The objective of a good solvency framework is to maintain financial stability, promote fair competition, ensure efficient use of capital and, more importantly, to provide early warning signs of potential failure.

The CMS is the statutory body that provides regulatory supervision of more than 80 medical schemes registered in the country and oversees amalgamation prospects. One proviso for amalgamation is that schemes should complement each other and provide a broader and more comprehensive offering to members.

One clear indicator of risk is the size of the pool of lives being covered. Schemes with smaller risk pools are struggling to survive and experience more volatile claims. Amalgamation into a bigger scheme means cross subsidisation of costs. It is a trend I believe will continue, if not accelerate. In fact in the past decade we have seen 28 amalgamations approved by the CMS and the Competition Commission. As a key player in the industry, Bonitas is positioned as an ideal amalgamation partner. The size and stability of the Scheme further reinforce this notion.

Our track record for amalgamations is excellent with several transactions concluded over the past few years – including the largest medical scheme amalgamation in history. Most pleasing was the proportion of members we retained from these amalgamations, the last three saw the Scheme retain 90% of the membership in the first year.

We are awaiting the approval of the Competition Commission regarding the proposed amalgamation with Nedgroup Medical Aid Scheme after both sets of members voted in favour of the transaction, clearing seeing the value it will bring. If approved there is a potential of an increased membership of around 370 000 principal members, a decrease in average age and pensioner ratio, as well as an improvement in reserve levels.

The reality is that current economic conditions are putting pressure on consumers, already burdened by the high-cost of living. Healthcare costs are rising exponentially and whether NHI is implemented in the near future or not, all companies providing healthcare or associated services, will need to be proactive in addressing this issue.

Amalgamation with larger schemes will mean stronger financial stability, a broader national footprint and better economies of scale to allow these schemes to negotiate more advantageous rates and improve provider networks. This translates into more value for members.

From an investment of assets perspective, there is an opportunity for more effective management of asset allocation and diversification, potentially resulting in lower fees, higher service levels and better returns over the long term.

There is no doubt that the future of healthcare is changing and it is up to healthcare providers and associated services to be nimble enough to pre-empt these changes and adapt accordingly.

Restraints of trade the good, the bad and the ugly

Guy Holwill – CEO of Fairbairn Consult

A restraint of trade is a legal agreement, whereby you agree that you will not compete against a company for a specified period if you leave.

They are typically used to prevent competitors from headhunting staff with scarce skills or executive management who have a deep understanding of the company's strategy. In some cases, the company will pay you to agree to the restraint, but in others, it is merely part of the terms of joining that business.

From an adviser perspective, restraints of trade are normally used for one of two purposes. The first is when the FSP has a corporatized business model, where they use the advisers to acquire clients/assets, and the clients always remain the property of the FSP.

"There can also be restraints that prevent you from working as an adviser in a particular location. Some even go as far as preventing you from working as an adviser for a certain period – although these may be overridden by a court of law as being unreasonable if you have the time and money to challenge it."

Whilst this is a completely valid business model, it is important that you understand the implications of joining a business like this. The second is where the brokerage uses this as a mechanism to circumvent the regulations that disallow the payment of sign-on bonuses – which sounds great at the outset but has real consequences as you will see.

In both cases, the restraint usually takes the form of a restraint against advising the clients of the first FSP if you move to a second FSP – even if the clients contact you and ask for you to advise them. Typically, restraints are effective for up to two years. There can also be restraints that prevent you from working as an adviser in a particular location. Some even go as far as preventing you from working as an adviser for a certain period – although these may be overridden by a court of law as being unreasonable if you have the time and money to challenge it.

THE GOOD – FOR THE COMPANY

In the case of a corporatized business model, the brokerage owns the client relationships, and they implement restraints of trade to protect themselves if an adviser leaves. In some cases, the advisers are not even aware of what they have agreed to (who reads all the terms and conditions?).

So, before you sign any contract, check whether there are any restraints against you if you choose to leave one day. If there are, be sure that you understand the implications of these terms before you sign the contract because they always favour the brokerage and can have nasty consequences for you and your clients.

THE BAD – FOR ADVISERS

If you leave a brokerage and there is a restraint against the clients, you will not be able to sign the clients over to your new FSP and you will have to give up that revenue stream. Depending on the terms of the restraint, this can either apply to all your clients (including those that you signed over when you joined the brokerage), or some of your clients, such as new clients that you signed up after you had joined the brokerage. Again, it is important that you read the detail in the contract.

In the case of corporatized brokerages, this is something that will usually be made very clear from the outset because of the nature of the business. However, in the case of businesses skirting the sign-on regulations, the restraint may be positioned as an upfront payment, without going into any detail of the consequences of what happens if you leave.

"It's easy to sign a restraint of trade when someone is offering you a job and even easier if they are paying you to agree to the terms of the restraint. However, this can have serious implications for you and your clients if things don't work out, so think carefully before you agree to any restraint of trade."

THE UGLY – FOR CLIENTS

Regardless of the reason, restraints can have a negative impact on clients, and it would be interesting to challenge them in terms of Treating Customers Fairly. This is easiest to understand if you consider an example where you have a close friend as a client and that you've been advising them for several years. You move to a new FSP that has a restraint clause in their contract and you sign your friend across because they want to work with you.

A few years later, the business changes its remuneration model in a way that negatively impacts you, so you set up your own brokerage as an independent adviser. If the old FSP enforces the restraint, you will not be able to sign your friend across to your brokerage. But here's the thing. The client never agreed to the terms of the restraint (they were probably not even aware of it), and now they can no longer have the adviser of their choice. Instead, they will have to accept another adviser from the brokerage or find a new adviser from a different FSP.

BETTER DISCLOSURE WILL HELP

Financial planning is about building long-term relationships with clients. Whilst the FAIS Act makes it clear that clients belong to an FSP and not an adviser, most clients don't understand this and can easily think that their relationship is with the adviser and not the FSP. To mitigate this confusion, should advisers who are subject to a restraint be required to disclose that the client is building a relationship with the business and that they will not be able to move with the adviser to another FSP?

KEY TAKE-OUTS

It's easy to sign a restraint of trade when someone is offering you a job and even easier if they are paying you to agree to the terms of the restraint. However, this can have serious implications for you and your clients if things don't work out, so think carefully before you agree to any restraint of trade.

In all cases, read the entire contract and seek legal advice if anything is unclear so that you make an informed decision when you join a business.

The importance of proper estate planning for farmers

Chanel Kempff and Dawie Maree of FNB

Proper estate planning for farmers ensures that consideration is given to all assets and the possible costs and taxes which might be incurred at death. Therefore, not understanding the implications of inadequate estate planning can lead to unintended negative consequences at death.

Chanel Kempff, Head Fiduciary Advice and Client Value Proposition at FNB says, "Each farmer typically has an array of different assets and unique circumstances and therefore client solutions cannot be seen as a one-size-fits all approach.

When discussing estate planning with farmers it often happens that the consequences of costs and taxes at death receive so much attention that the practical and legal implications of certain wishes and bequests in the Will are sometimes overlooked. This may cause delays in transferring the property to the intended heirs and also leads to conflict arising between family members." There is a general misconception that estate planning only entails making a Will, and further, that the purpose of the Will is to assist with savings in estate duty.

These conversations usually entail, for example, farmers bequeathing their entire estate to their spouse as a consequence of the capital gains tax and estate duty saving thereon, focusing solely on the possible tax benefits and failing to consider whether the spouse is in fact in a position to effectively manage the farm after death of the first dying spouse.

Dawie Maree, Head of information and marketing at FNB Agriculture says, "Another common mistake that farmers make is to give usufruct of the farm to the remaining spouse, however the heir's still need to run the farm as a business and continue production as usual". This can create tension and can result in family feuds.

"A common mistake latching onto this scenario is where there is a lack of alignment between the Estate Plan and the provisions contained in the Will. A good example of this is the impact of the limitation on multiple ownership of agricultural property, as stipulated in terms of the Subdivision of Agricultural Property Act. In terms hereof, agricultural property cannot be owned by multiple persons, for example, in undivided shares."

A classic scenario we often see is where a testator intends on benefitting all of his children equally and bequeaths the farm to all of my children in equal shares. The aforementioned limitation was clearly not considered when the Will was drafted, nor when the Estate Plan was designed which unfortunately resulted in an inexecutable clause at death.

The impact of this can be that one of the children will end up having to buy out the other siblings' share in the property (which may result in an unnecessary and unintended burden on that child) or perhaps that the entire property has to be sold on account of family disputes in trying to resolve the ownership issue," adds Kempff.

Tying into the ownership considerations, are the often-neglected conversations on treating the farm as a business, as well as who the responsible party or parties will be, tasked with running the farm.This opens up discussions surrounding potential ownership of the farm in a company structure, with the shares transferred to individual heirs or to a trust for the benefit of the

beneficiaries (where the administration and management thereof is overseen by competent Trustees able to look after the farm in professional capacity).

"As the old adage goes, by failing to plan, you plan to fail. The lack of a long-term strategy, including estate planning, for the farm's finances is crucial. It is important to start as early as possible to plan for the future. The younger generation often assume there's still enough time to do estate planning, however things can change instantly, and it becomes too late. Rather do your estate planning the moment you set your foot on the farm or in the business," adds Maree.

The aim is therefore to start by comparing different entity options and structures in order to determine which would be best suited for your unique circumstances. Thereafter, and equally important, is to ensure that your Will is updated in line with the chosen structure. Although the farm is often the asset in the estate with the highest value, it is imperative that planning should be done, taking all estate assets into account which includes determining what the estate administration costs, taxes and other liabilities will be on all of the assets in the estate.

This should include possible outstanding loan accounts to and from third parties as well as determining what the future provision requirements of dependants will be. This will ensure that liquidity needs are met and are in line with the wishes as outlined in the Will. Liquidity requirements can be solved for in terms of extra life insurance that is taken out on the life of the owner. investment and savings plans that are executed or possible restructuring, in order to mitigate the tax, costs and other liabilities consequences at death.

Bearing in mind that liquidity is generated from the farm, planning in conjunction with a panel of experts, such as Fiduciary Specialists, Financial Planners and even Agricultural Specialists, should be done in order to take all planning opportunities into account.

It is also incredibly important to note that the aforementioned planning exercise should not be a once off exercise – it should be dynamic and reviewed regularly to ensure that it remains relevant to your specific circumstances and evolves as and when applicable legislation requirements change. As financial services provider we have a network of experts to assist with providing adequate support in legacy considerations and application thereof," concludes Kempff.

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INVESTMENTS

"It has been a topsy turvy kind of year in which we once again experienced investment markets that seem to defy gravity and generated great returns, albeit with significant volatility and uncertainty."

- Mike Adsetts, deputy chief investment officer at Momentum Investments

Defying gravity but turbulence ahead

Mike Adsetts, deputy chief investment officer at Momentum Investments

It has been a topsy turvy kind of year in which we once again experienced investment markets that seem to defy gravity and generated great returns, albeit with significant volatility and uncertainty.

To some extent strong and positive market sentiment was a key component that provided the impetus for market returns – progress on vaccine rollouts, re-opening economies and robust global growth created the context of a future with potential. Balanced against these pro-growth forces were events that demonstrated the level of risk in the system and how fragile the global inter-connected economy can be.

Who can forget when the Ever Given blocked the Suez Canal? This created havoc with global supply chains and raised the question of the dependence on and efficiency of the global supply chain. This is an issue that can have significant implications for globalisation and is also one of the factors that feeds into a growing discussion of the potential for structurally higher inflation.

"It has been a topsy turvy kind of year in which we once again experienced investment markets that seem to defy gravity and generated great returns, albeit with significant volatility and uncertainty."

The other feature of the year was a continuation of ultra-accommodative monetary and fiscal policies to mitigate against the effects of the COVID-19 pandemic.There is an enormous debate about infrastructure investment around the globe and at home. In the US and SA, for instance, there has been decades of under-investment in infrastructure and there is a critical need for this.

Infrastructure programmes are also seen as potential vehicles of employment and drivers of economic growth as governments grapple with how to navigate their way out of the negative economic impacts of the pandemic. In the US the proposed multi-trillion-dollar infrastructure programme is a source of significant contestation. The big question is whether the infrastructure programme will come anywhere near to the span and scope that President Biden was hoping for.

Locally, we have seen proposed changes to Regulation 28 of the Pension Funds Act, as the government has tried to put on a charm offensive (with a fair bit of stick) to try and crowd in private capital into infrastructure projects. While many of these projects have appeal, there is a trust deficit between the private sector and government that needs to be addressed. The other theme that has taken markets by storm is responsible investing. The realities of climate change and social inequality as demonstrated by the social unrest in SA this year, are irrefutable evidence that environmental, social and governance (ESG) issues need to be actively engaged and addressed by investors.

An increasing focus on renewable energy and the concept of a Just Transition (not leaving workers behind as the energy generation mix changes) are positive signs that ESG is practically gaining traction. At Momentum Investments we are key proponents of responsible investing and doing good while doing well. Our primary objective is to deliver returns for our clients. When doing this, we consider how we can drive purpose and take advantage of the investment opportunities to create a better future for our investors, their communities and society.

In the last year growth orientated asset classes have done well as global growth has re-asserted itself. Going forward, however, there are big questions about growth and inflation, which will have significant implications on investment markets. As base effects pass through, i.e. low inflation and growth in 2020 making 2021 numbers comparatively much higher, we expect growth to moderate, but still be positive, providing support for global markets.

Inflation should likewise reduce in the shorter term but there are questions about whether inflation will be trending higher in the longer term. Globally central banks want to stop quantitative easing, global growth, logistics bottlenecks, excess savings accumulated by the wealthy are all potential sources of inflationary pressure and rising interest rates that should start there-after. A key issue is whether the Federal Reserve will raise interest rates in the US.

The local government elections and coalitions will be a key feature of the political landscape at the end of 2021 and in 2022. This could have profound implications for the local economy in the years ahead. **As it is said, may you live in interesting times, and we do!**

For more about Momentum Investments and how we navigate this topsy turvy world through our outcome-based investing approach, speak to your Momentum Consultant or visit momentum.co.za.

5 key investment trends to watch in 2022

Jacobus Brink (Head of Investments at Novare Investment Solutions)

There's no doubt that investing remains one of the best ways to preserve and create wealth in the modern age, but that nevertheless comes with the proviso that what one chooses to invest in has to be wisely chosen.

It's no surprise then that for 2022, the market will continue to be heavily influenced by how the Covid-19 pandemic plays out and how policy makers respond to the subsequent economic challenges both globally and locally. Once again, we are likely to see stronger performances in technology-related sectors. With the advancement over the past two years, it's actually starting to feel more like 2032 already.

DIGITAL TECHNOLOGY | THE INTERNET OF THINGS

Digital technologies in general have enjoyed steady growth during 2021, gathering momentum which is likely to continue throughout 2022. Added to this are signs that the semiconductor chip shortage may also begin to ease by the second half of the year, which is really good news. Over the course of the pandemic the internet of things (IoT) has grown in popularity, mostly as a result of remote working, triggering a wave of private purchases in smart devices, wearables, home computers, and mobile phones. At an organisational level we are also seeing a shifting in spending patterns towards a more sustained investment in their digital initiatives as they race to modernise their systems to accommodate a changing workforce.

This business transformation will also be supported by the increased availability of 5G. It delivers more reliable, higher bandwidth, and lower latency data transfer to the next generation of IoT and digital devices. In turn, this will continue to drive cloud migration: with increased infrastructure-as-a-service (IaaS), platform-as-a-service (PaaS) and software- as-a-service (PaaS) growth.

"Expect the science of genetics to continue to make massive changes to the world around us. The mRNA technology that is being used in Covid-19 vaccines is only the tip of the proverbial iceberg."

HEALTHCARE INDUSTRY | BIOTECH

Expect the science of genetics to continue to make massive changes to the world around us. The mRNA technology that is being used in Covid-19 vaccines is only the tip of the proverbial iceberg.

Research is becoming ever more expansive, with new discoveries almost weekly. Healthcare will inevitably become customised around the human genome, with more personalised medical treatments based on individual DNA characteristics emerging. Already there are a growing number of gene therapies in the works.

One must therefore consider how both medical and life sciences are increasingly collaborative in developing new innovations. There is exponentially more data shared across pharma, biotech, biology, biomedicine, nutraceuticals, neuroscience, and a host of environmental sciences than ever before. We're also seeing an uptick in digital assessment & diagnosis, from remote doctors' appointments, to virtual clinics, and to IoT health wearables of every kind. Virtual diagnostics and telepractice is becoming mainstream.

MACHINE LEARNING AND AI | THE RISE OF BOTS

Artificial intelligence (AI) will also continue to progress in leaps and bounds, along the path to becoming the most transformative technology ever.

Machines may not quite be ready to replace human workers in 2022, but we are working with or alongside machines that use cognitive processes on a daily basis . Every day we engage with more and more artificially inspired agents at a service level, with low-code and no-code AI being used to construct more and more complex engagement.

In marketing, AI is refining qualified leads into more conversions. In engineering, AI and machine learning are being used to predict wear and tear, and for predicting maintenance interventions. In cybersecurity, Ai is learning to recognise patterns that suggest types of cybercrime.

RENEWABLE ENERGY | SUSTAINABILITY

Since the dawn of the pandemic, the only form of energy that has seen an increase, is renewable energy and the International Energy Agency (IEA) estimates that as much as 40% more renewable energy will be generated and used during 2022 alone.

Beyond that, emerging energy sources such as biofuels, liquid hydrogen, and even nuclear fusion continue to become more viable. We have seen an unprecedented number of extreme weather events and other climate impacts take their toll on people's lives and health in 2021. That these escalating extreme weather events, which kill thousands and disrupt millions of lives, are led by global warming, is hard to deny.

This is why the upcoming COP26 global climate summit in Glasgow this November is also likely to drive even more investment in sustainable energy and cutting back of emissions.

CRYPTO CURRENCY | BITCOIN

Over the last decade, cryptocurrency has proven to be very lucrative. It has overtaken stocks, commodities, oil, and even gold, not only as an apparent hedge against inflation, but also against systemic risk. Nonetheless, it remains a very volatile medium of exchange.

Bitcoin first breached the $1000 mark in early 2017, then rose rapidly to briefly touch around $20 000 before falling back, towards the end of the year. As the Covid-19 pandemic started suddenly, in October 2020, bitcoin breached $10 000. It then soared up to around $65 000 by April 2021. Despite several drops and recoveries, it is currently hovering around $60 000; hardly the type of stability one would expect from a global form of exchange.

In 2022 we are likely to see more big names considering bitcoin payments for product purchases, with both Amazon and Tesla having toyed with the idea in 2021. Countries, especially those in the developing world, may soon follow. El Salvador officially adopted bitcoin as legal tender in September 2021, attracting praise from parts

of Latin America and Africa. China's banning of mining operations and stricter regulations imposed by the US treasury have affected crypto, but to a lesser degree than expected.

These currencies will have to accept future regulatory and legislative measures to prevent their use for money laundering and other illegal purpose, but this will hopefully serve to strengthen them in the end by making them more stable.

Nevertheless, considering the crypto market is still marked with uncertainty and speculation, it is best to not invest what you cannot afford to lose.

SO, WHAT SHOULD YOU DO?

Don't fall into the trap of assuming your investments only need to be reviewed infrequently. Markets are dynamic, more so than ever and you need to be ready to change your tactical position or instantly seize opportunities.

Beware of opportunistic projects and projections. Do your research and ensure you're committing to a bona fide entity. Formulate an extensive view of a variety of investments based on value and potential and keep your portfolio diverse. Don't be afraid to be pro-active. And don't rely on luck. Be smart in 2022 and beyond.

Semigration: Is Safer Living a Safer Investment?

Hayley Ivins-Downes – Head of Digital, Lightstone Property

While work-from-home and safer living are driving sales on the coast and in semi-rural areas, making predictions about where residential property will go in the next 12 to 24 months is not easy.

Interest rates and economic growth are two fundamental drivers of residential property sales, while a third - socio-political developments, has also become increasingly important in South Africa.

All these drivers have been overshadowed by COVID-19 over the past 20 months. Government has responded by lowering interest rates to combat the negative effects of the pandemic and lockdowns on an already moribund economy.

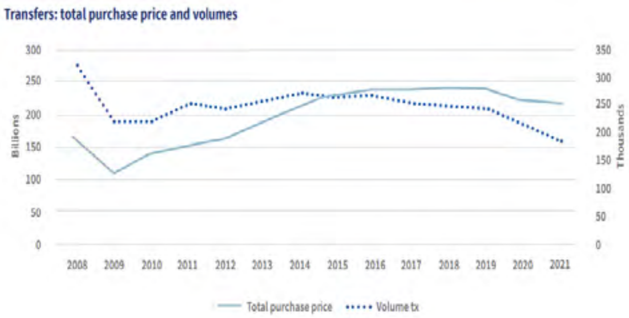
There are, however, two segments showing promise: coastal and semi-rural properties. As the hybrid and full-time work-from-home culture continues to entice buyers, so is the shift in buying behaviour.

While uncertainty surrounds many areas of the property market, investors may be able to take refuge in this promising segment.

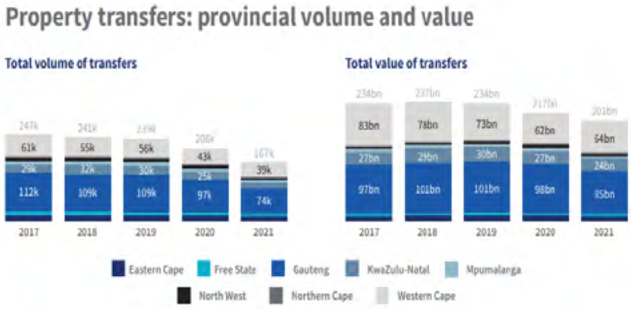
WHERE ARE WE NOW?

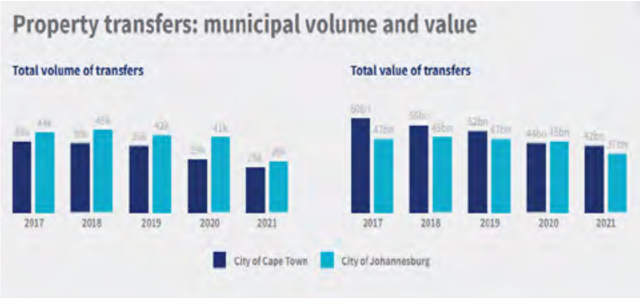
The 2021 market has benefitted from pent-up demand from the initial hard lockdown phases. But will this momentum be carried into 2022? The low interest rate has been particularly positive for the market, with nominal price growth up to around 4% in February 2021 compared to February 2020.

Growth is coming from specific segments of the market as our next section reveals. While overall volumes have declined, the total purchase price paid has increased (see graph below).



This increased price paid is particularly noticeable in regions such as the Western Cape, where there's an upsurge of buyers seeking out larger, more work-from-home-friendly properties. This is exemplified in the following graphs:





Interestingly, while the graph above tells us that Johannesburg accounts for more sales than Cape Town, the value of the sales in Cape Town is higher.

WHERE WILL THE MARKET GO?

On a more critical note, will the economy get the kick-start it needs, and what will happen to interest rates? And, what about socio-political conditions?

Assuming Covid-19 comes under control over the next 12 months and SA sees the end of lockdown restrictions, the economy should gather some momentum on its own.

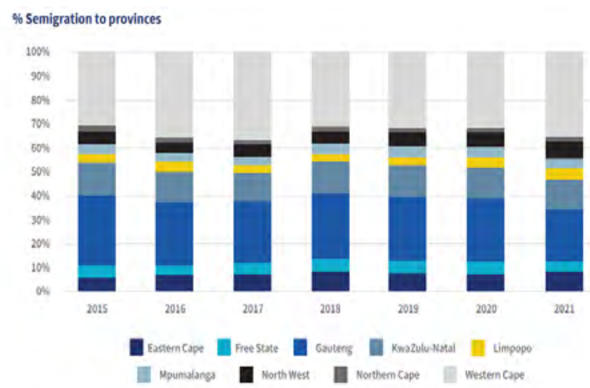
Some economists see the repo rate moving upwards in 2022/2023, and this will negatively impact house prices in the medium term, particularly if economic growth is not there and if socio-political conditions do not ease.

Bigger homes to work from as the semigration trend gathers pace for the work-from-home lifestyle, will continue to influence property sales, especially in remote and coastal areas, where buyers are looking for larger, better-equipped homes that serve a dual purpose.

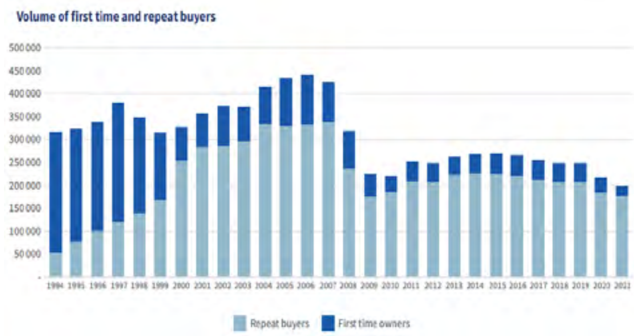
Among the country's major municipalities, Lightstone's data shows that coastal municipalities perform better than inland municipalities.

This can be partly attributed to an ongoing trend towards semigration or buying of second homes, with a growing number of people from Gauteng looking to move to the coast.

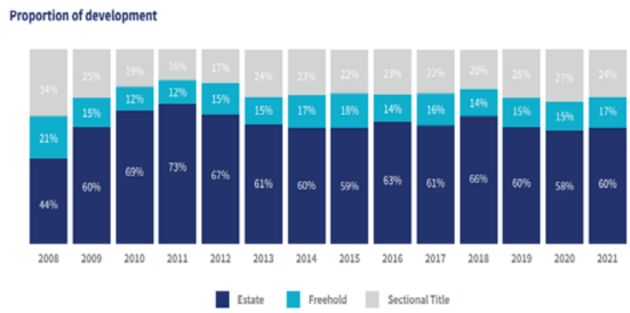
The municipal elections may also amplify or diminish this trend, depending on outcomes in key municipalities.



While entry-level buying and first-time buying appear to be cooling, a second surge is evident with the rate at which high-value purchases and second-time buying have increased.



The trend away from Freehold and towards safer, more cost-efficient, gated communities is continuing and Lightstone expects it will continue to do so.



It'll be interesting to see how the market reacts to these trends and how the property investment market will perform.

$2bn to environmental investments

Nigel Green, CEO and founder deVere

deVere Group has doubled its commitment on positioning assets under advisement into environmental, social and governance (ESG) investments.

The Group said it would aim to have $1bn in socially responsible investment vehicles within five years. The game-changing financial powerhouse now says its target is "$2bn or more" within the same time frame. deVere's dramatic doubling of its pledge comes as world leaders, industry chiefs and experts head to Glasgow this weekend for the start of COP26, an event seen as a critical turning point in the struggle to avert the worst effects of climate change.

Climate change – and the major, far-reaching fallout of it for economies and communities around the world - is the greatest risk multiplier. There's no question that it is the defining issue of our time. In the 2020 annual risk report from the World Economic Forum (WEF), the top five risks in terms of probability were environmental, and the top four of five risks in terms of impact were both social and environmental in nature.

Our climate is changing at a quicker rate than previously predicted. We're already noticing the impacts of human-created global warming. As a society, we have a small window of opportunity to slam on the brakes to save our planet. But this takes determination, honesty and resources. It requires unprecedented levels of investment, which is why deVere is now aiming to position $2bn into ESG investments within five years. The new target is achievable as investors, keen to get ahead of the curve as well as earn profits with purpose, are receptive to the opportunities as the world scrabbles to mitigate the environmental, economic and social fallout of the current situation – a situation which is likely to be a constant risk.

In addition, the latest research underscores that the majority of environmental, social and governance investments are continuing to outperform their non-sustainable counterparts and have lower volatility.

As well as its $2bn commitment, deVere is one of 18 founding signatories of the UN-backed Net Zero initiative, the international alliance of powerhouse global finance companies that will help accelerate the transition to a net zero financial system. Its membership means it is committed to "aligning all relevant products and services to achieve net zero greenhouse gases by 2050 and to set meaningful interim targets for 2025.

The organisation has also confirmed that it aims to significantly speed-up its own meeting of these Science Based Targets to reduce operational emissions in line with limiting global temperature rises to 1.5 degrees Centigrade.

UK Prime Minister, Boris Johnson, has said: "Uniting the world's banks and financial institutions behind the global transition to net zero is crucial to unlocking the finance we need to get there – from backing pioneering firms and new technologies to building resilient economies around the world."

The clock is ticking and after decades of inaction our planet hasn't got the luxury of time. We all need to be taking more action and at a quicker pace.


Imbi Evenhuis 22 years with PPS
PR and Communications Manager
80
YEARS OF SHARING SUCCESS
R27.7BN TOTAL CUMULATIVE PROFIT-SHARE ALLOCATION TO MEMBERS WITH QUALIFYING PRODUCTS OVER THE LAST 10 YEARS.
In a year as challenging as 2020, we are pleased to say that our unwavering commitment to our members and our operating model has resulted in a considerably positive financial year. This feat has enabled us to allocate R2.2bn in Profit-Share to those who matter most to us — our members. Here's to 80 more years of life-long relationships and shared success.
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Investing across generations

Manpreet Gill, Head of FICC Strategy, Standard Chartered's Wealth Management CIO office

A client recently asked us an interesting question about long term investing. If one wishes to pass on an inheritance to the next generation, should it be fully invested in equities alone?

At face value, there is a temptation to say yes. Equities, as is often repeated, have historically outperformed other asset classes 'in the long term' and, so the argument goes, the inevitable volatility along the way should not matter over such a long time-horizon. However, as we argue below, there are a few things that could go wrong with such an approach. While the appropriate allocation will always differ from one situation to another, in most cases a somewhat more diversified allocation could end up being a more prudent approach.

PRESERVING WEALTH FOR THE NEXT GENERATION

There is no shortage of studies that show equities outperformed bonds and cash over long time-horizons in the post-World War II period. One of the most famous studies in this space – Jeremy Siegel's 'Stocks for the long run' – uses considerable US market data to show that, over a sufficiently long period, equities have done a better job of delivering inflation-beating returns than (government) bonds, gold or cash. While there has been much debate over whether investments made at today's valuation points will deliver much lower returns than we are used to historically, the relative ranking between asset classes is still likely to hold. Our long-term (multi-year) expected returns, put together in partnership with Mercer Consulting in late 2020, show that global equities are expected to deliver mid-single digit annualised returns.

"There is no shortage of studies that show equities outperformed bonds and cash over long time-horizons in the post-World War II period. "

While this is lower than what we are used to historically, it is still higher than the less-than-1% annualised returns expected from global bonds and cash, and potentially negative returns from gold. Such a future would look very much like the past, albeit with somewhat lower annualised returns across the board. Does that mean we should allocate to equities alone for the long run?

WILL OUR NERVES BE AS STRONG AS FINANCIAL HISTORY?

Possibly one of the biggest risks to such a strategy is that an all-equity strategy would make us more susceptible to making a behavioural mistake. To provide just one example, the global equity index fell almost 60% from its October 2007 peak to its March 2009 trough.

Looking back at history, we now know that the correct action for a buy-and-hold investor with a multi-decade horizon would have been to do nothing. However, amid the screaming headlines at the time, would we honestly have been able to avoid making the mistake of selling some, or all, of our holdings in panic? In today's bull market, it is easy to say we would not. Nevertheless, there are countless anecdotes of investors who failed to hold their nerves at that time: selling close to the market low and exacerbating the situation by not reinvesting to take advantage of the subsequent equity market rebound.

Most diversified investment allocations would have fallen over that period as well. However, a diversified allocation across equities, bonds, gold and cash would have fallen by much less than 60% and gains in asset classes like bonds and gold would have offered opportunities to take profit and rebalance into equities as they fell. This would not only have reduced the chances of making an

investment error, but possibly even created a situation where rebalancing would have led one to add to equities at an opportune time.

OTHER PITFALLS

Beyond making a behavioural mistake, we should also be wary of three risks of focusing on equities alone. First, many studies highlighting the historical outperformance of equities over long horizons focus on equity indices. This means that, while the conclusions of the study would apply if implemented through mainstream equity indices, implementation via anything more specific – sectors or specific stocks, for example – would introduce additional layers of complexity that could lead to a very different outcome, including the risk of permanent loss.

For example, of the 'Nifty 50' stocks popular in the 1970s in the US, many are no longer even publicly traded. Second, most available research use US data, sometimes with a disproportionate focus on post-World War II history. It is plausible that the experience outside the US may not be exactly the same. Other studies have also argued that pre-World War II data shows performance between equities and bonds was much more evenly matched. While much of this may seem like ancient history, when considering investment allocations targeted at multi-decade horizons, it is fair to question whether the next fifty years will indeed look like the last fifty.

Third, a broad-sweep characterisation of equities and bonds can hide many opportunities a level or two down from these large categories. For example, our long-term expected returns show that asset classes like Emerging Market local currency bonds or listed infrastructure could offer long-term returns competitive with global equities, while offering diversification benefits.

MAXIMISING ONE'S CHANCES OF SUCCESS

A lot can happen over a long time-horizon, and while history is often a useful guide, it is far from guaranteed that future decades in financial markets will look exactly like past ones. For investors, while a large allocation to equities makes sense over such long time-horizons, we believe a reasonable amount of diversification can help mitigate the journey's risks and maximize the investment returns.

Reasons we remain bullish on emerging markets

Chetan Sehgal, Portfolio Manager for the Templeton Emerging Markets Fund at Franklin Templeton.

Emerging markets have seen progress on back of an uptick in vaccination rollouts, but the recent Chinese regulatory crackdown and further virus outbreaks have caused equities to generally underperform year to date relative to developed markets.

With a focus on emerging markets outside of Asia, Franklin Templeton's Chetan Sehgal nonetheless remains bullish on the long-term potential of emerging markets and outlines three main reasons: debt, valuations and cashflows.

EMERGING MARKET DEBT REMAINS RELATIVELY LOW

As we examine the emerging markets landscape today, the rise of leverage within economies is a key trend we have witnessed. Leverage can be a double-edged sword, as it can be positive, but also represents a source of risk. Over the past decade, the level of debt has gone up not just in emerging markets, but across the world.

COVID-19 has certainly led to a dramatic increase in government debt in some countries, but in general, debt to gross domestic product (GDP) is currently much lower in emerging economies than in developed countries—which is one reason for our bullish view.

Aside from an increase in China, corporate debt as well as household (consumer) debt levels in emerging markets are still much lower than in the developed world, too. As such, we feel that emerging markets have much more headroom available to further increase debt levels without a significantly detrimental impact.

Turning to the structural opportunity this presents, the credit ratios in Latin America and emerging Europe are much lower as a percentage of GDP compared with both the developed world and emerging Asia. This is the reason Latin America and emerging Europe have looked appealing to many investors despite some headwinds.

Mexico for example, boasts a debt-to-GDP ratio of less than 50% and while Brazil's debt-to-GDP is around 100%, it is still much lower than many developed countries. We see a similar story in Eastern Europe, where debt levels are lower in Turkey, Hungary and Poland than countries like Japan, Australia, France, for example, where debt-to-GDP ratios are above 150%.

ATTRACTIVE VALUATIONS: PARTICULARLY IN LATIN AMERICA AND EASTERN EUROPE

Emerging market equities also hold attractive valuations another reason for our bullish view. They trade at a discount to the developed world despite strong growth potential and headroom for credit consumption.

The forward price-to-earnings (P/E) ratio for emerging markets, as measured by the MSCI Emerging Markets Index, stands at around 13, whereas developed stocks, as represented by the MSCI World Index, have a forward P/E ratio of around 19. Valuations in Eastern Europe and Latin America are even lower—and not just on an absolute basis, but even relative to their own history. Latin America

is rich in natural resources and looks to benefit from the commodity boom taking place amid the recovery from the pandemic. The prices of most of commodities have risen, which represents a natural tailwind for the economies in those regions, with improving terms of trade being one benefit.

Brazil is one of the world's leaders in iron ore production, for example. And Brazil—along with Argentina and Chile—also supply the world with lithium, one of the most important metals in electric vehicle production. Chile and Peru are global leaders in the production of copper, another vital commodity in today's world that has seen increased demand.

Similarly, countries in Eastern Europe—primarily Russia—are key commodity producers, including nickel, aluminum and of course, Russia is a leading oil-producing nation. Much of the world depends on the commodities produced in Latin America and Eastern Europe, which should bode well for these economies and the companies within related industries.

IMPROVING CASHFLOWS

Cashflows are another reason why we like emerging markets. In the last decade, emerging markets have underperformed the developed world in terms of return on equity. But for the last decade there has been a trend of improving free cash flows (in both absolute terms and relative to developed markets) that has accelerated in the last year.

Emerging market companies are generating much more free cash this year because both commodity-oriented and technology-oriented companies (in particular the semiconductor industry) have been doing well. As cashflows increase, we believe ultimately this will result in improved returns on equity for emerging market stocks and should likely propel a rerating.

While we do see reasons to be optimistic, we should mention the near-term risks in our outlook. Regulatory changes happening in China have ramifications for a number of industries and many internet related stocks in particular. This is impacting earnings power in the near term, and also potentially further into the future.

And of course, we are still living with COVID-19 and the more infectious variants. We had expected with rising vaccination rates, mobility would automatically resume. However, that hasn't necessarily been the case. In Singapore, for example, the vaccination rate is now above 80%, but COVID-19 cases remain widespread, and many mobility restrictions are still in place.

We would also note that while commodity prices have been very strong this year, they seem to be topping because of China's policy measures as well as the global resurgence of COVID that has acted to suppress demand during lockdown periods. In addition, a dramatic rise in freight rates has had a negative impact on margins for many export-oriented companies. In sum, we believe the long-term fundamentals for emerging markets remain attractive despite near term headwinds, and that equities offer good potential for investors.

While the economic recovery from COVID-19 could be more muted going forward, growth remains historically strong, valuations appear cheap, and earnings prospects are supported by rising cashflows.

WHAT ARE THE RISKS?

All investments involve risks, including possible loss of principal. The value of investments can go down as well as up, and investors may not get back the full amount invested. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions.

Special risks are associated with investing in foreign securities, including risks associated with political and economic developments, trading practices, availability of information, limited markets and currency exchange rate fluctuations and policies; investments in emerging markets involve heightened risks related to the same factors.

To the extent a strategy focuses on particular countries, regions, industries, sectors or types of investment from time to time, it may be subject to greater risks of adverse developments in such areas of focus than a strategy that invests in a wider variety of countries, regions, industries, sectors or investments. China may be subject to considerable degrees of economic, political and social instability. Investments in securities of Chinese issuers involve risks that are specific to China, including certain legal, regulatory, political and economic risks.

Any companies and/or case studies referenced herein are used solely for illustrative purposes; any investment may or may not be currently held by any portfolio advised by Franklin Templeton. The information provided is not a recommendation or individual investment advice for any particular security, strategy, or investment product and is not an indication of the trading intent of any Franklin Templeton managed portfolio.

Dedication and self-discipline required

Mariska Comins – Head of Technical Support at PSG Wealth

Financial literacy can be loosely defined as the knowledge and ability to manage monetary resources in a way that promotes financial wellbeing now and into the future.

Unfortunately, however, a large proportion of our population has low levels of financial literacy, and in many cases limited access to authentic, well-informed financial advice.

Financial goal setting is impossible without a financial plan (you could even call it a vision board or roadmap), which ultimately outlines a clients' current position, medium- and long-term personal monetary goals. A financial plan helps to prioritise these goals, reflect on past decisions and make adjustments, while keeping both you and your clients committed and accountable.

In an ever-changing world, our clients are bombarded with investment- and financial-related information and advice from various sources, with most unable to differentiate speculation from facts. Many struggle to understand how social, economic and political circumstances impact their financial plans.

Developing financial literacy is about understanding and nurturing the relationship with money, so a complete and honest budget is the cornerstone of any financial plan. With a comprehensive budget, you'll have oversight of what your clients' limits are and what they can really afford to spend money on. It may be incredibly difficult to find ways to save with an already stretched budget, but the journey to financial wellbeing begins with small, simple steps.

Following the past couple of years, which have been characterised by uncertainty and volatility, you also may be questioning the way forward for a number of your clients. However, even within an ever-evolving landscape, there are a few foundational aspects of financial planning which should remain a constant amidst the change.

A LAST WILL AND TESTAMENT

It is important to have a signed, witnessed and dated will. Clients should review their wills regularly and ensure that their final wishes are concise, clear and executable. It is also very important to determine whether your client requires an offshore will for foreign assets which will depend on the jurisdiction in which the assets are situated.

LIFE INSURANCE

A key part of financial planning is considering how much cover will be required to provide for family should any of your clients pass away. You need to consider the amount of debt, other costs, and commitments that their estate will have to cover. Another important consideration is what will happen in the event that they fall ill or become temporarily or permanently disabled, as there are many hidden and additional medical expenses that come with adapting to a new lifestyle.

SHORT-TERM INSURANCE

Clients will often try and free up some capital for saving purposes by cancelling insurance or decreasing insured amounts on personal or commercial insurance. However, short-term insurance is important, and protects clients from the inability to honour liabilities in unforeseen circumstances.

SHORT-TERM AND MEDIUM TERMS SAVINGS

It is crucial for clients to have an emergency fund to cover at least 3-months living expenses and encourage clients to invest tax refunds, bonuses and other windfalls which will allow clients to increase savings for other goals like a vacation, tertiary studies etc.

Assist clients to evaluate their current debt situation and prioritise paying off high-interest debt. Encourage and assist them to free up cashflow by improving spending habits like implementing "no-spend" days or shopping with a list.

SAVING FOR RETIREMENT

When it comes to retirement, preservation of retirement savings is key. It's not uncommon for fund members to withdraw their savings when they change jobs and to use the money to settle debt or fund other expenses. This can however have a long-lasting negative impact on their long-term financial plans and set them back thousands in compound interest.

The reality is that some individuals had to use retirement savings to survive the financial challenges arising not only from the Covid-19 pandemic but other unprecedented challenges. As a 'damage control' mechanism, I suggest encouraging clients to increase retirement savings. For example, if your clients contributed 10% of their salary, suggest boosting this to 15% or 20% as soon as possible.

Managing your finances can be overwhelming. I therefore find that suggesting the SMART approach to clients can help them understand why a holistic plan is required:

S	SPECIFIC	Goals should be specific and prioritised according to your current lifestyle. They should include dates, resources and the amount needed to accomplish each goal.
M	MEASURABLE	Goals should be measurable by date, amount and other relevant benchmarks. Define strategies to remain motivated and include family members by setting mutual goals.
A	ATTAINABLE	Goals should be attainable. You might be able to complete part of your goal right away especially if there are mutual goals.
R	REALISTIC	Goals should be realistic and relevant to your life. Identify the resources that you will need to achieve your goals and review them regularly with a financial adviser.
T	TIMELY	Determine a timeline to accomplish your goals which is realistic to achieve.

Lastly, classify your clients' goals according to the timeframe it will take to achieve each of them. For example:

1. Short-term goals: Goals normally achievable within a 1-year period
2. Medium-term goals: Goals normally achievable within 2 to 5 years
3. Long-term goals: Goals normally achievable in 5+ years

Urge your clients to think of themselves as the experts of their life and you, as the financial adviser, the expert on all things related to money. It all comes down to teamwork.

As with all successful teams, you'll often need to "train" together to ensure that your clients stay on course and adjust their financial plan without deviating from their financial goals.

Unforeseen circumstances happen – life happens, but if they have a close relationship with you - the 'trainer' – as a team you will navigate challenging times and remain financially fit.

TECHNOLOGY

“Platforms must ensure that it isn’t just the sales component that’s digital, but that every step of the insurance process is optimised through technology.”

- Indranil Bandyopadhyay: Chief Information Technology; Nedbank Insurance

CX critical to insurer success in the digital age

Adriaan van Staden, Head of Sales & Partner Technology Strategy SelectONE CX

Even before the COVID-19 pandemic ushered in a new era in consumer engagement, the insurance industry was grappling to adapt to a changing regulatory landscape, shifting customer expectations around interactions, and increasing competition from agile digital-first and digital-native insurtech startups.

As Gartner reported that 81% of customers across all industries now attempt to take care of matters themselves before reaching out to a live representative, insurtech was delivering digital-led innovation that gave policyholders more choice and flexibility, offering easy access to self-service digital platforms that make comparing and switching insurance providers easier than ever.

Perhaps more tellingly, modern digitally-proficient consumers already expected insurers to deliver comparable customer experiences (CX) to digital-native businesses in other industry verticals, such as e-commerce and banking providers.

Yet, digital adoption typically lagged within the traditional high-touch insurance industry. Gartner's research indicates that only 12% of insurance businesses and IT leaders consider their organisations to be digitally progressive. Hesitance to deviate from the predominantly human-based interaction model that dominated almost every point of the customer journey was a major impediment to digital transformation, as was the need to sweat sunk investments into legacy systems.

Furthermore, a lack of understanding about evolving consumer trends around digital enablement constrained the pace and scale of digitalisation within the broader sector. However, the COVID-19 pandemic created new urgency around this digital revolution and the need to drive digital-led innovation across the industry.

Insurers needed to adapt their business models to maintain business continuity by enabling remote working, while also meeting consumer demands for a blend of voice and digital engagement options to provide virtual customer support and maintain service levels during lockdowns. Cloud-based contact centre solutions provide insurers with the omnichannel capabilities they need to provide quality policyholder-agent interactions, which will directly influence customer relationships that ultimately impact revenue. In response to a changing market and the need to reinvent insurance processes, SelectONE CX has partnered with Talkdesk – the first managed services provider to offer the globally-acclaimed Talkdesk CX Cloud™ solution to the local market, backed by full implementation and support capabilities.

Embracing the cloud deployment model creates opportunities to integrate with CRM, policyholder administration, and claims systems, and adopt new and emerging intelligent digital solutions, such as end-to-end automation, virtual agents, artificial intelligence (AI) and data analytics.

These capabilities unlock opportunities to move to a more proactive engagement model that leverages policyholder information and broader data sets from integrated third-party provider platforms and telematics from IoT devices. The resultant data integration with back-office tasks such as underwriting and claims management can streamline processes to improve CX across the insurance lifecycle, while also transforming the user experience through enhanced front-end capabilities during the consultation, sales, conversion and on-boarding phases.

Insurers that have embraced cloud-based contact centre solutions are already realising significant business benefits thanks to the capabilities. For instance, in the highly regulated insurance sector, which is characterised by product commoditisation and thin price differentiation due to rising competition and market transparency, insurers increasingly compete for new business based on CX and personalisation.

While insurers continue to make progress in CX modernisation, more work is needed. Insurers must continually invest in solutions that deliver better digital CX, particularly at the claims stage, and the contact centre is the ideal department to unify the policyholder journey.

Crafting memorable CX requires seamless, consistent, and personalised customer interactions across all channels throughout the customer lifecycle, from policy inception to renewals and claims.

Cloud-based contact centres can also empower brokers and insurers to create an ecosystem of value-added 'assist' services to further differentiate their offering. And insurers that deliver superior CX also stand to reduce churn by improving customer satisfaction, which inspires brand loyalty and referral business.

As the most common point of contact between insurers and policy holders, championing CX innovation within the claims process has become a strategic imperative. Digitising and automating as much of the process as possible gives policyholders more control, which delivers greater convenience and boosts customer satisfaction, while realising cost and operational efficiencies.

Industry experience shows that CX during the first notice of loss (FNOL) sets the tone for how a claim is handled throughout its lifecycle. Early decisions can ultimately define the customer experience and the cost required to resolve a claim, whether meritorious or suspicious. Investing in intelligent cloud-based interaction platforms can shift low-complexity interactions to self-service channels, which gives policyholders more control and enables them to navigate via their preferred channel in each level of the process, while accelerating claim settlement times. In this regard, when transforming the claims process, insurers need to prioritise policyholders by adopting an automated proactive approach to communication. Most communication today remains manual and reactive, which is time-consuming and operationally onerous.

Investing in solutions that provide proactive communication throughout the journey would demystify the process for policyholders, while ensuring they constantly remain informed and are proactively aware of the steps they should take to complete it.

Furthermore, engaging policyholders in self-service channels that can seamlessly escalate to a live agent, if and when needed, represents an opportunity to create a unified experience within the contact centre.

Implementing these capabilities also frees agent capacity to handle more value-adding tasks or complex commercial claims to improve outcomes, with AI, machine learning and data analytics available to support decisioning in real time and streamline the process.

As such, digital platforms should support a blended workforce model that augments broker and agent functions and human interactions with AI-enabled automation and self-service capabilities to meet differing policyholder preferences and demands.

Bots like Talkdesk Virtual Agent™ make self-service convenient and productive. Policyholders no longer need to wait on hold for extended periods of time to speak with an agent, or get bounced between agents in search of somebody who can help. Now, they can have their requests solved 24/7 without a live agent. If the request is too complex for a bot, Talkdesk Virtual Agent will direct the policyholder to a human agent prepared to quickly address the inquiry.

Using AI-powered tools also reduce the burden on agents. AI-powered Agent Assist™ guides agents with recommendations and automates follow-up tasks by taking notes and transcribing during live calls.

Ultimately, the contact centre will play a pivotal role in linking digital and human touch points to deliver a seamless experience that meets the constantly evolving demands of modern digitally savvy insurance consumers.

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Importance of integrated insurance solutions

Indranil Bandyopadhyay: Chief Information Technology; Nedbank Insurance

As the global preference for digital consumption increases around the world, it's imperative that organisations claiming to prioritise customer centricity ensure that their business models evolve to match the digital expectations of their customers.

In many ways, financial services organisations – and especially banks - have been leading the charge in recent years in terms of driving digital access to services and solutions, and the Covid-19 pandemic and lockdown response by many governments around the world significantly accelerated progress on this digital banking journey. In South Africa, the one area of financial services that still has some catching up to do in terms of fully harnessing the power of digitisation to deliver compelling customer experiences is insurance. Given the historically segmented nature of insurance options, with different providers typically choosing to specialise in certain, specific types of insurance, this slight lag by the industry in achieving its full digital potential is understandable.

However, that doesn't necessarily mean that it is acceptable – and insurers have a responsibility to their customers to quickly 'catch up' to the rest of the financial services industry and delivering compelling, integrated, cost-effective, solutions that enable customers to meet all their insurance needs seamlessly and effortlessly, preferably in one place.

Along the way, in the insurance business I've learned several very valuable lessons about what it takes to successfully deliver the holistic and convenient digital insurance experience that South Africans expect today.

1. DON'T SELL PRODUCTS.

The days of one-size-fits-all insurance products, where the only things that differ from customer to customer are the name on the policy and the cover amount, are long gone. Today's consumers, and businesses, demand and deserve cover that is as unique as they are, and that is custom-created to meet their precise needs. This is true of every type of insurance cover, whether short- or long-term, and irrespective of the similarities that may exists within given demographic groupings. Lumping your customers into categories based on income, gender, age, address, etc, may still be required for the development of marketing strategies, but there is simply no place for a mass mindset when creating a cover solution for an individual or business; that has to be needs-based and flexible enough to adapt to the risk implications of an increasingly dynamic world.

2. MAKE INSURANCE AS PAIN-FREE AS POSSIBLE FOR YOUR CUSTOMERS.

While it's possible that individual insurance providers will one day reach a point where digitisation allows them to be all things to all their customers, we are not yet at that point on the global insurance landscape. However, just because an insurer doesn't specialise in a particular insurance solution, that doesn't mean it should not make it quick and easy for its customer to acquire it. In our experience at Nedbank Insurance, the best way to do that is by building an open insurance ecosystem using our industry leading API (application programming interface) structures, and then leveraging

"Platforms must ensure that it isn't just the sales component that's digital, but that every step of the insurance process is optimised through technology."

these ecosystems to deliver a full range of smart and seamless insurance solutions. APIs have already helped to revolutionise the transactional banking industry by creating an open, highly connected transactional landscape where data is shared securely for the ultimate benefit of the customer.

3. DON'T DO DIGITAL HALF-BAKED.

The digitisation of insurance solutions has the potential to deliver massive benefits and compelling cost savings for consumers. But that's only going to be the case if insurers go 'all in' with their digitisation strategies.

Ask anyone who has been drawn into a purchase transaction by the promise of a smooth and easy digital process, only to discover that it's only partly digitised, and they'll tell you that there's nothing quite as frustrating as mid-tech.

Platforms must ensure that it isn't just the sales component that's digital, but that every step of the insurance process is optimised through technology.

The focus on modernising the back-end systems and automating business processes using AI can allow us to achieve true customer centricity by attending to clients' needs quickly and in a consistent manner. It's no secret that insurance has long been deemed something of a grudge purchase by most people and businesses.

The heightened health and economic risk awareness created by Covid-19 has gone some way towards changing this perception as people have come to realise the value of reliable insurance cover from a trusted provider.

However, it is now up to the insurance industry in South Africa to capitalise on this more positive sentiment and drive home a permanent change in the insurance culture.

Arguably the most effective way of doing that is by creating end-to-end insurance experiences that are simpler, more convenient and add maximum value and security to people's lives. **And getting the digitisation of our industry right is undoubtedly the way to achieve that.**

Claim time is brand building time

Part TWO: Improving the touchless environment

Wimpie van der Merwe, CEO of Global Choices

If I were a victim of crime, what could I do as an insurer in an insurance company to make that process a little bit easier?

You have the data and you know what type of things happen during different events, so the biggest form of empathy is to be intuitive. Responding to that, we created a product where we deliver a box when a person's cell phone, wallet, car keys, home keys, ID, passport, and/or driver's license are gone. They feel vulnerable and have been through a traumatic event.

It makes a huge difference and doesn't cost a lot of money to drop off this box at the client's house with all the application forms for driver's license, ID cards and Mastercard with cash loaded on it. Make it part of your insurance product.

Cell phones have become very cheap; drop a cell phone with an app on which they can communicate directly with an agent that can help you get trauma counselling and app access to all the other services that form part of this proactive risk initiative when a person goes through this.

With geysers you can start before the claim by knowing the client's geyser details. What type, how many on the property, which have warranties, how old the geysers are that no longer have a warranty, what maintenance is required, etc. If you start asking these questions, there are a lot of new initiatives, processes and innovation that can help.

We are now looking at monitoring geysers with a more holistic approach. So, when we replace a geyser, we put in a monitoring system that tells us if something goes wrong. You can then be proactive in management. Simple things, like making sure everyone knows where the geyser is, what the condition of the drip tray is and where the shut-off valve is.

You can be proactive and show the client where to switch off the water to the geyser. Put a little label around that valve and say this is the main valve to the water shut-off to the geyser and here is the telephone number to call if there is a problem. Incorporate some risk management principles into your claims process because that is how you build relationships and loyalty, and create a culture of care.

I'm your risk facilitator, I advise you, I inform you and then facilitate when the liability process happens on the claim. It is *always* about making it easier for the client. So go and look at all the different touch points your customer or your policyholder can experience, as well as all the different types of claims. Yes, some of the claims are going to be more complicated, especially around businesses and commercial. But go and analyse them all because you are sitting with that knowledge, and you can start using your data to make that process better and you can be the best at what you do.

I have now spoken around the fact that we have to continuously improve that touchless environment to make it as smooth and easy as possible for the client. But at the same time, we can use that process to add the human touch and get closer to the client. Technology does not have to remove the person-to-person element from the process. That is why I think there is a fear of digital transformation and automation, but actually it will give humans more time. We only get so many orbits around the sun and the biggest currency available is time. So,


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saving time for a customer, client or policyholder, allows them to focus on more positive things. Why must a simple windscreen claim go through seven hands?

Go and analyse the process around the windscreen and use that to capture the necessary information and where the client can go to replace it, or automate it for the service provider to come and replace it at a convenient place for the client. Most of those types of claims can be automated and made much simpler.

Yes, there is a possibility of fraud, but if you use digital technology, it gives you an audit trail, geolocation and date stamps, and then it is in the cloud for seven years. That client may get away once with a fraudulent claim, but not a second time. AI will pick up that this particular policyholder is claiming again for a windscreen, based on the data that you have built up.

You hear horror stories of one person taking an insurer, in a 12-month period, four or five times on a windscreen. Because it's such a manual process, there is no data to do a point of reference on those specific claims; it just becomes a number in a process at a call centre, until someone says, "wait a minute, didn't you just replace this windscreen the other day?" Nobody really wants to claim. They just want the comfort of the insurance cover in place if the worst should happen. Nobody wants to go through the hassle of replacing geysers and letting people come in and work, fixing ceilings and floors and carpets, and repainting walls, because it can be prevented. If you just take a little bit of notice, there is always time to repair something and prevent an incident from happening. We need to start reimagining that process by saying, "I'm your risk facilitator and your guide around what to do in your house or your business."

Don't be reactive; be proactive. Tell you clients that if they take the necessary steps and we record it, it will help the process along and, long term, it will also save on premium because it prevents claims from that type of incident reoccurring.

At the moment we are talking about digital transformation. But in the insurance industry we also need to start focusing on claims transformation, because that's one of the areas where you can see the changes happening.

The reality is that technology is helping to push us and get us there faster. From pre-inspection, using cell phone technology and platforms to capture vital visual information at a specific time and then using that information on a claim form to help the process and notify the necessary parties involved with that specific claim. And this is not science fiction. It's all available to us right now!

GENERAL

"We need a stakeholder approach in which companies combine entrepreneurialism with purpose, working with others to improve the state of the world in which they operate."

- Marion-Rose Banks, Co-Founder of The Game Influencers

Traumatic pandemic effects will erode productivity in insurance industry

Nadine Rix, Governance, Risk & Compliance lead, IQbusiness and Andrew Lee, Head of Insurance, IQbusiness

In a recent pilot study, South Africa's leading management and technology consulting firm, IQbusiness, revealed that over 66% of office-based employees surveyed in our country are experiencing extreme stress, anxiety and depression, following the global outbreak of Covid-19.

If this is true for the average office worker, how might these results differ when the same survey is applied to the experiences of staff members who form part of our frontline workers within the insurance industry? Those working within Life, Funeral and Medical Aid industries have been exposed to the trauma experienced by thousands of bereaved insured families. These employees are required to manage the claims of multiple bereaved families, whom have all suffered extreme loss, every single day. This is in addition to any loss or trauma they may be experiencing in their personal lives. There can be no doubt that South African employees in the insurance space have been exposed to our nation's cumulative trauma.

Within the Life Insurance industry, we've seen a 60% uptick in the number of claims due to Covid-19 deaths in a single year alone. Our local insurance industry will have to consider the impact this trauma might have on the sector as traumatised employees inevitably begin to experience the impact.

"According to the World Health Organisation, depression and anxiety disorders alone have an estimated cost to the global economy of US$1 trillion per year (approximately R14.9 trillion) in lost productivity."

It would be unethical to expect these staff members to manage, or even just cope, with overcoming the trauma that has been experienced and shared with them through their daily interactions with bereaved families as they work in this particular space.

We will have to measure and urgently manage the trauma experienced by insurance industry employees if we do not want to find our local insurance industry in crisis. Trauma can lead to several mental health disorders, while stress alone can be the cause of depression as well as other health conditions, including an increased risk of heart attacks, hypertension and panic attacks.

These stressors and mental health issues can also affect the general emotional wellbeing and behaviour of employees, creating an increased risk of negative and damaging conduct in the workplace. The impact that trauma can have on a company and its employees comes hand in hand with a severe impact on the economy as well.

According to the World Health Organisation, depression and anxiety disorders alone have an estimated cost to the global economy of US$1 trillion per year (approximately R14.9 trillion) in lost productivity.

Immediate risks to businesses on these issues would include absenteeism, decreased productivity and a lack of engagement. But the good news is that there are solutions.

Through our Employee Trauma Toll (ETT), we are able gather immediate insights into the trauma that has been absorbed by employees – and develop a proactive strategy to repair and manage the effects in the industry.

The ETT can help insurers as employers deepen organisational resilience by directly measuring how their workforce is coping and the level of trauma they have or are experiencing.

The ETT is further able to evaluate if existing risk mitigation plans, controls and support programmes are delivering for those who need them most. This is one valuable, practical step that insurance companies can take to achieve organisational resilience.

The COVID-19 pandemic has shown us how resilient South Africans are, but the human emotional cost is mounting and our businesses in the insurance space must take a proactive approach to address the cumulative trauma their employees have had to endure - or they will run the risk of lost productivity, absenteeism, high attrition rates, and overall low employee morale.

SA Startup act meets with the president

South Africa Start Up Act

This week, the Presidential Office held a special meeting with individuals from various organisations that are invested in the growth and support of local entrepreneurs and businesses to discuss what is needed to eliminate the red tape obstructing the growth of small and medium enterprises.

Among them were representatives from the South African Startup Act Steering Committee. The Committee is comprised of representatives from AfricArena, Digital Collective Africa, Endeavor South Africa, i4Policy, Loudhailer, the Southern African Venture Capital and Private Equity Association (SAVCA), Silicon Cape, SiMODiSA, and Wesgro.

President Cyril Ramaphosa said, "With regards to the South African Startup Act, I would like us to consider that... If we are serious about promoting entrepreneurship, we need to think about how we boost startup activity."

Matsi Modise, founder of and investor in Furaha Afrika Holdings, Vice-Chairperson of SiMODiSA, and Chairperson of the SA Startup Act Steering Committee, indicated to the President that there is no better time than now for South Africa to re-position itself as a gateway for high impact, high growth technology entrepreneurship on the continent. She stated that South Africa is losing a lot of talented entrepreneurs due to outdated and a disabling policy framework.

"In order for South Africa to be an attractive destination for investors, talent and entrepreneurs, we must implement a Startup Act which will be an all-encompassing pathway for South Africa to be an African startup nation. "

Representatives from the South African Startup Act Steering Committee were invited to attend the session to discuss policies and proposals needed to enact change in entrepreneurial growth. During the course of the conversation, several key challenges emerged as common themes. These included administrative complexity, labour regulations, a critical funding gap and lack of affordable finance, as well as the inability to access finance due to lack of formalisation, proven track record and collateral or adverse credit history.

Mention was also made of there being an over-emphasis on general enterprise support rather than sector-specific support and market linkages. Tanya van Lill, SAVCA CEO said, “Our venture capital fund managers get a lot of criticism that they don’t invest in enough businesses or entrepreneurs, but the fact is that there just aren’t enough VC fund managers in South Africa with big enough funds to make the investments that are needed and to invest in the vast number of entrepreneurs that are looking for funding. One of the biggest challenges they cite, is that they battle to fundraise themselves – so even the Venture Capital industry battles to fundraise.

Currently, investors into Venture Capital fund managers are high net worth individuals, family offices and some corporates together with the SA SME fund which has played a pivotal role as an institutional investor in the VC industry. There is, however, hardly any other institutional capital flowing into the VC industry at the moment.”

Interventions were proposed for creating an enabling regulatory environment, deploying finance and incentives, establishing a level playing field and developing a digital intervention programme for SA.

A common theme that emerged from the meeting was the need to foster a vibrant ecosystem for startups. This requires addressing systemic constraints and regulatory barriers, in addition to direct enterprise support and funding. On this last point, it was discussed that new and innovative models of financing be developed, including outcomes funding and early-stage funding. Attendees reached the consensus that South Africa needs to establish itself as a hub for venture capital and a gateway to the continent.

It was also agreed that a partnership approach would be crucial for strengthening linkages between government and organisations in the sector and for developing solutions collaboratively. Other crucial enablers that were explored included developing skills in digital and tech, addressing late payment of SMMEs through a mechanism for purchase order financing, and tackling other causes of business failure.

With the South African Startup Act potentially being an additional enabler, Alison Collier, Endeavor South Africa Managing Director elaborated on the proposed policy amendments detailed in the draft Act. “There are four key policy amendments that we propose for qualifying startups that will drive around 80% of the change.

These include tax breaks and incentives for investors to ensure SA’s tax regime makes us attractive for foreign VC investors relative to the best startup locations globally, automatic BBEEE level 1 status, increasing access to skilled talent by allowing a small number of visas for highly skilled foreign nationals per startup each year, and automatic exchange control approval for IP transfer as well as amnesty from current and future exchange control regulatory actions for investments into qualifying startups.

The exciting part is that it’s possible to implement these in the very short term and the upside is big – both for employment creation and gains to the fiscus.”Former Wesgro CEO and Digital Collective Africa Board Member, Tim Harris added, “There is an urgency to implementing these proposals now because South Africa’s tech leadership on the African continent is under threat, even

as the world is waking up to the potential in the market. I was in Europe last week with a group of young African tech entrepreneurs, and it was clear that momentum is shifting to Kenya and Nigeria. We are losing our competitiveness on the continent. “But we still have the deepest capital markets in Africa, so we need to reinstate the 12J tax system to crowd this capital into venture capital and get our entrepreneurs funded.

Additionally, we still have the opportunity to attract skills to SA because talented people on the continent and around the world still want to come here, so we need to liberalise immigration to make sure the best and the brightest people move here to power our tech sector. Lastly, our institutional and infrastructure base remains the strongest on the continent which means we can attract, nurture and grow IP-driven companies in the tech sector.

Unfortunately, our Apartheid-era exchange controls seriously limit the incentive to do this, and instead incentivise SA startups to incorporate elsewhere because IP is considered a form of capital, and is therefore constrained by our IP regulations.

We really need to abolish exchange controls to signal that SA is open for business. For more information or to join the movement, go to https://startupact.org.za.

TymeBank announces strategic partnership with TFG

TymeBank

TymeBank, one of the world's fastest-growing digital banks, is pleased to announce it has entered into a strategic partnership with leading retail giant TFG (The Foschini Group) that will see the introduction of TymeBank financial products and services both instore and on digital platforms for the benefit of TFG's more than 26 million customers in South Africa.

TymeBank CEO Tauriq Keraan commented: "TFG houses some of South Africa's most popular and well-established consumer brands and is renowned for its retail strength and strong customer focus.

We couldn't be more excited with our strategic partnership as we look to expand our reach. Furthermore, we are likely to diversify the current TymeBank customer profile as we further extend the benefits of affordable banking as well as a superior banking experience to the middle and upper-middle market segments."

TFG CEO Anthony Thunström commented: "We are truly excited about this partnership with TymeBank, as they are recognised as one of the fastest growing digital banks globally. The bank has deep expertise in managing a digital ecosystem platform plus related products and services and I believe TFG's customers will benefit from an enhanced shopping experience."

The partnership is expected to deliver the following customer benefits:

- TFG customers will benefit from TymeBank's 'Buy Now Pay Later' product MoreTyme™, providing an alternative payment option which is interest free over a three-month period
- Over 600 TFG / TymeBank branded kiosks will be located in TFG stores enabling customers to have direct and convenient access to highly affordable transactional banking and highly competitive savings rates. This will include the launch of a TFG/ TymeBank branded debit card.
- The kiosk, as well as the TymeBank app and other digital interfaces will give TFG customers access to services such as electricity payments, money transfer and savings products, thereby allowing customers to shop and transact at the same time.
- This partnership will allow a full range of financial products and services to be developed, including an extended range of insurance products and term loan products which will be made available for TFG customers

MoreTyme™ will be rolled out first in Jet Stores in November, followed by a rollout across all TFG stores during the course of 2022.

Specifically developed to make purchases more affordable for consumers, MoreTyme™ makes it possible to purchase items from participating merchants but only pay half of the amount at the time of purchase and still take the item home on the same day. The balance of the purchase is payable over the following two months, interest-free.

TymeBank's partnership model with retailers, which has been an integral part of its strategy to acquire customers and drive usage, has significantly contributed to the bank's success since its February 2019 launch. TymeBank currently has just over 3.8 million customers, with an average 110 000 customers onboarded each month.

Now with the new TFG partnership, which would see TymeBank kiosks being located inside stores operated under the various TFG brands, customer acquisition is expected to be boosted. TFG customers will benefit from a cost-effective banking solution, as TymeBank's bank account fees are the lowest in the market.

The partnership is subject to regulatory approvals where applicable.

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Responsible, stakeholder-centric leaders

Marion-Rose Banks, Co-Founder of The Game Influencers

*In January 2020, the World Economic Forum (WEF), in collaboration with Accenture, released a study entitled *Stakeholder-Centric Leadership Linked to Stronger Financial Performance.*

In this study, MD of the WEF Adrian Monck points out that due to the climate crisis, growing inequality and economic fragility that threaten human wellbeing like never before, "We need a stakeholder approach in which companies combine entrepreneurialism with purpose, working with others to improve the state of the world in which they operate."

The fact that the world **trusts** in business leaders to lead in this way, was recently also confirmed by the 2021 Edelman Trust Barometer, which demonstrated that ≥68% of the thousands surveyed globally, believe that it is in the hands of our CEOs to step up and solve the problems of our society and our economy.

However, whilst responsible, stakeholder-centric leadership is no doubt an ethical imperative for businesses in what is now referred to as the 'era of stakeholder capitalism,' the tangible business results and financial yields that are gained from it, also prove that it has become a **business priority**.

This same study by the WEF and Accenture for example, demonstrates that those businesses who achieve high levels of innovation and stakeholder trust, outperform their industry peers, with an average of 3.1% higher operating profits, as well as greater returns for their shareholders. Join me as I delve into some of the traits of 'responsible leaders' who we can also refer to as 'transformational leaders' and some of the business gains that can be obtained by leading responsibly.

BUT FIRST, APPOINT TRANSFORMATIONAL LEADERS

In a study entitled the Impact of Leadership on Organisational Performance (Ibrahim and Daniel, 2019), which surveyed the impact of leadership on the organisational performance of Coca Cola in Abuja, Nigeria, it was found that leadership and leadership style has a *direct and substantial* impact on the performance of co-workers, and that hands-on leadership improves employee performance and enhances accomplishment of the business goals.

One could therefore argue that the point-of-departure to improve overall performance and to accelerate the achievement of business goals and objectives, is to *appoint* transformational leaders. These results are confirmed by a league of similar studies which have been conducted over the years.

A number of them are chronologically listed in a study with a similar title, namely The Impact of Leadership on Organizational Performance (2015) by Raluca-Elena from the Faculty of International Business and Economics at The Bucharest University of Economic Studies.

WHAT DO TRANSFORMATIONAL LEADERS LOOK LIKE?

The concept and impact of transformational leaders are more broadly discussed in the latter study which points out that the term 'transformational leaders' originated from James McGregor Burns (Burns,1978), who characterised them as positive, optimistic and trustful leaders who are emotionally intelligent, encourage teamwork, set high expectations (which stimulate high performance), inspire a sense of mission and purpose, and promote innovation.

Later, Bass and Rigio (2006) concluded that transformational leadership is made up of four main components which are basically defined as follows: **i) charisma:** forming connections with co-workers, obtaining their buy-in in the shared mission and gaining their trust, respect and confidence; **ii) inspiration:** inspiring others by communicating the business values with clarity, fluency, confidence and positivity; **iii) intellectual stimulation:** providing co-workers with the autonomy to leverage their own creativity, innovativeness and experience to perform their tasks and **iv) individual consideration:** paying close attention to each co-worker's individual needs and delegating tasks with the necessary guidance, mentoring and coaching.

"We need a stakeholder approach in which companies combine entrepreneurialism with purpose, working with others to improve the state of the world in which they operate."

Again, similar observations are confirmed in more studies later years, such as the 2020 study by the WEF and Accenture which identifies five key traits of stakeholder-centric (AKA transformational leaders) which can be abbreviated as follows: **i) stakeholder inclusion:** safeguarding trust and positive impact for all, giving diverse individuals a voice and sense of belonging; **ii) emotion and intuition:** unlocking commitment and creativity by being truly human, showing compassion, humility and openness; **iii) mission and purpose:** inspiring a shared vision of sustainable prosperity for the organisation and its stakeholders; **iv) technology and innovation:** creating new organisational and societal value by innovating responsibly with emerging technology; and **v) intellect and insight:** finding ever-improved paths to success by embracing continuous learning and knowledge exchange.

Interestingly, the two principal denominators that have remained prevalent in all studies over the years that have examined the impact of transformational leaders on organisational performance, are that transformational leaders have a direct *and* substantial impact on business performance. In this respect, allow me to quote: "A performant and effective organization has a high degree of collaboration and commitment among stakeholders through work groups, team projects and management" (Cohen and Bradford, 2005).

INTEGRITY – THE GUIDING LIGHT OF TRANSFORMATIONAL LEADERS

When looking at the evidence, it becomes clear that trust is the glue that holds all the various traits of transformational or stakeholder-centric leaders together, and trust in turn, can only be achieved, when a leader has integrity that is beyond reproach. Allow me to quote from another research article Integrity & Trust: The Defining Principles of Great Workplaces by Shahid and Azhar (Journal of Management Research, 2013): "Integrity, as a measure of coherence and consistency, is key to establishing and sustaining trust." Having leaders with unquestionable integrity is therefore of the utmost necessity to foster a culture of trust in the leadership of the business. Another major driver for appointing or developing leaders with indisputable integrity, is that it is critical for rooting out counterproductive behaviour from the top down, which is now more important than ever, as we are rebuilding our businesses to rise from the ashes of COVID-19.

As pointed out in studies such as Integrity Testing and Counterproductive Work Behavior, published by John Wiley & Sons (2018), conducting integrity tests is a widely-adopted and accepted scientific tool to test integrity and minimise counterproductive behaviour. By counterproductive behaviour we mean any form of behaviour that could undermine the legitimate interests and goals of the business and potentially harm any of its external or internal stakeholders, including the likes of fraud, corruption, theft, discrimination and sexual harassment.

EMOTIONAL INTELLIGENCE – THE LEADERSHIP TRAIT THAT TRUMPS TECHNICAL KNOWLEDGE

Emotional intelligence (EQ) evidently shines through as one of *the* quintessential traits of transformational or stakeholder-centric leaders. One such thought leadership article that was published in Harvard Business Review, What Makes a Leader, demonstrates that EQ accounts for *up to 90%* of what sets high-performing leaders apart from peers with similar technical skills and knowledge. The leaders who soar and who enable their companies to soar, are thus not so much the ones with the greatest intellectual and scientific abilities, but the ones who understand how to build relationships, collaborate, coach teams, establish a culture of mutual understanding, respect and trust, and inspire others to greater heights.

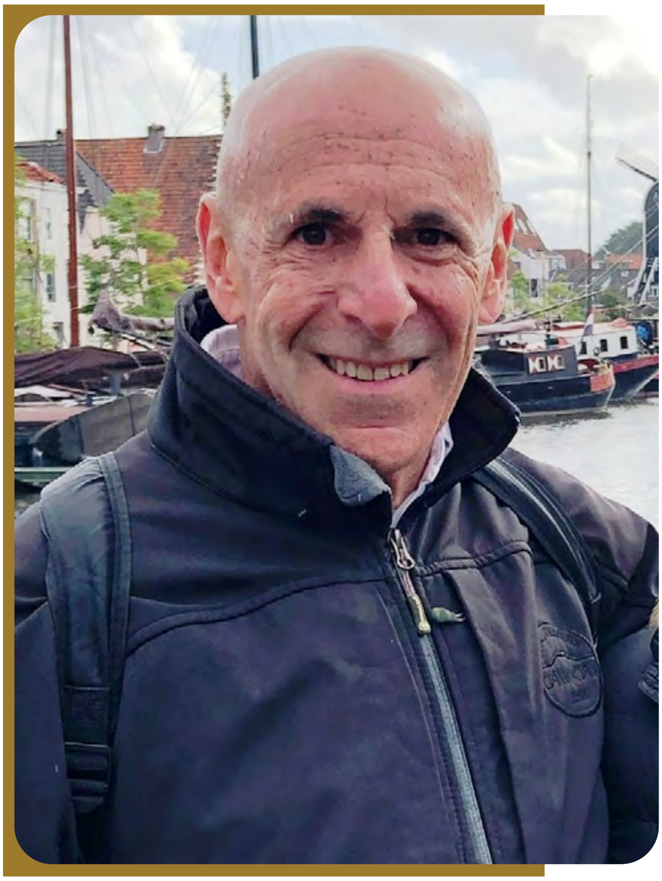
Whilst the importance of EQ has already been widely recognised and discussed, the latest 'Q' that has become the buzz phrase in boardroom discussions, is the adaptability quotient (AQ). This speaks to the ability of leaders to remain resilient enough so they can swiftly rethink their strategies to ensure their businesses can effortlessly bounce back from any crisis and seamlessly adapt to an ever-changing business landscape, ensuring the business does not only remain relevant, but continues to thrive.

TRANSFORMATIONAL LEADERS CREATE TRANSFORMATIONAL BUSINESSES

Essentially, when the world talks about transformational or stakeholder-centric leaders, they actually mean transformational or stakeholder-centric businesses, because it is after all our *leaders, who run our businesses. **The first and foremost principle of any 'transformational business' is to be 'leadership-resilient', which can be defined as follows: "Guided by leaders with unquestionable integrity, EQ and AQ, who proactively build inner and outer resilience to continually recalibrate and reframe their strategies to seamlessly lead their business and people through ever-changing circumstances and crises."**

Build that one thing, and own it

Elliot Schwartz, Independent Business Strategy and Marketing Consultant



Without marketing there will be no insurance industry. I therefore decided to put Elliot Schwartz, independent business strategy and marketing consultant, in the hot seat for some industry marketing and brand building insights.

Now you have to take into account that he is also the CEO of a specialist brokerage in the insurance industry, so he speaks our language. **Elliot** grew up in the States, attained a degree in economics and then an MBA at the University of Chicago. He started out as a Bloomingdale's handbag buyer, moving on to management consulting, and then Truworths in Cape Town as Marketing Director.

At the end of his two year contract he started a through-the-line agency called Enterprise, integrating many different marketing disciplines. This business was acquired by international advertising agency group, JWT, and Elliot became the CEO of their South African business. Later, he founded an advertising agency called SBBW which, in the 90s, grew to be the largest independent agency in this country. This business was acquired by a JSE listed group of which he become CEO. After leaving them a few years later, he was approached by the CEO of Hollard's life insurance business to get involved on a consulting basis with Hollard, initially in their bank and motor short term insurance division.

Through the Hollard connection, Elliot worked with some brokers and UMAs, and began to understand other parts of the business. He also started doing work for other insurance companies on projects that did not conflict with what he did for Hollard. One of which was Renasa, a new, unknown and small business.

Elliot got involved about 17 years ago, initially helping them develop the business strategy to be the home of the independent broker. The reason for that was quite simple, according to Elliot. He says Renasa was a small business with limited resources and, at the time, alternative distribution was beginning to take off.

"We felt that virtually all the major insurers were taking their eye off the ball of the historic business of the independent intermediated distribution. If we focused singlemindedly on that, while others were doing it almost as a sideshow, even if it was a declining market, it was never going to grow to zero". They realised that the segment's relative share might go down, but that it was always going to remain important, particularly for other than personal lines.

Says Elliot: "As a small player, we had an opportunity to grow substantially in that space. My ongoing involvement with Renasa since then has been as a marketing consultant, effectively in the role of Marketing Director. I've been involved with them and with you at COVER from very early on, because in positioning ourselves as the home of the independent broker, we realised from a marketing perspective that our focus would be on the trade, not on the end consumer".

According to Elliot, they also decided, as a small player they could not dissipate their limited resources. They needed to "be big in a small space". So they built the Renasa brand, primarily utilising the two trade publications at the time, one was COVER and a second that subsequently closed. The latter was replaced with the FIA publication.

Renasa has always tried to be relatively dominant in these limited spaces- to be seen as a much bigger and established player than we were at the time. Eliot emphasises: "Additionally, very few people in marketing appreciate that consistency is the most important thing".

Too often marketers love to chop and change, they get bored with their own work before customers do. Marketing people come and go, and money gets literally thrown down the toilet. The new people come in and think, well, if I'm only going to be here for 18 months I have to make my CV look good, so they change everything. The smart move if your marketing is working, however, is generally more of the same.

Elliot explains that, when he was in advertising, he had, amongst others, FNB and the then SA Eagle as advertising clients, for which they used a research service that tracked the noting and response to new commercials when they began to flight. This research company had a database that went back to the beginning of commercial advertising in South Africa in the late 70s, tracking the performance of every new commercial.

"What we realised is that while people are interested in the category generically, they don't believe there are fundamental differences between the various suppliers. Consumers think that all banks are the same, and all insurance companies are the same. And even worse, their levels of expectation from them were quite low".

When a new commercial is released, they would go to a statistically valid sample of customers and ask whether they have seen any new commercials recently? If yes, they had to describe the commercial. If they couldn't describe the commercial, it wasn't considered "noted".

The interesting fact here, according to Elliot, is that when you look at the data for all financial services commercials collectively, compared to many other categories, noting is well above average. The reason for that is people have a real interest in financial services: banks, insurance companies, investment companies, etc. They might not be as interested as in cars, but there is far more noting of financial services commercials than for most consumer goods such as toilet paper.

However, despite this, of all the TV commercials in financial services that were noted (i.e. people could describe what happened in the commercial), 50% of these could not be ascribed to any particular brand. 24% they ascribed to the wrong brand. So, for only 26% of all noted commercials was the advertiser even correctly identified.

Says Elliot: "This perplexed us, until we began to do some of our own research. What we realised is that while people are interested in the category generically, they don't believe there are fundamental differences between the various suppliers. Consumers think that all banks are the same, and all insurance companies are the same. And even worse, their levels of expectation from them were

quite low". We realised that, if Renasa were going to succeed, they really had to be different. He explains: "How can you be different when what you're selling is insurance like everybody else. We decided the starting point for us was in putting the broker upfront central in what we do. The broker owns the relationship with the customer. Our business is about being "the broker's best friend", meaning that Renasa could empower him to be even more competitive, effective and, ultimately, successful at this.

Elliot, together with one of his ex advertising partners and good friends, Bruce Backhouse, now a highly respected fine artist, came up with two cartoon characters, Archie Broker and his dog, Roger. For over 15 years, Renasa's advertising has consistently used Archie and Roger in different ways to explain why Renasa is the broker's best friend.

Archie states the particular problem or opportunity he's facing in his brokerage, and Roger explains how Renasa provides the solution. "We singlemindedly reinforced this message over the years in the limited trade media, but in a big way, with COVER as an important partner. Initially, it was just advertisements, but over time we expanded into different forms of thought leadership content using COVER's electronic platforms and other things as well", he explains.

About 10 years ago, the Archie and Roger campaign was expanded into television. This might surprise because TV is a consumer, not a trade medium. But Elliot explains that the TV commercials, which mirror the print advertisements in look and message, are only flighted in a handful of specific golf events that are of disproportionate interest to brokers. This campaign, done "on the smell of an oil rag", has definitely helped reinforce the perception that Renasa is a substantial and reputable insurance company. Again, the strategy has been to be large in a small space with a recognisable brand character and a consistent message.

According to Elliot, the net result is that Renasa's business has grown about 25 fold. It has truly become an important and well regarded insurance company with intermediaries, having repeatedly been named an "insurer of the year" finalist and winner by the members of the FIA. He stresses that it was the combination of the advertising positioning the company as the brokers' best friend and the operational implementation by Renasa of actually "walking that talk" that accounts for the success.

A CHANGING LANDSCAPE

The broker landscape has changed a lot over the years. Asked if he can give brokers a few pointers on marketing and brand building, with his Renasa hat off, Elliot shares the following:

- The marketing rules don't change for brokers. If you don't have a lot of money, you need to focus where you spend your money and "own" something. Don't try and communicate everything, everywhere- you will accomplish nothing except waste money.

  For example, if you're regional or local, you obviously don't waste money outside of your region.

  If you're after a certain class of customer be seen as big and bold as possible where those customers go to look.

- And be singleminded and consistent in terms of what you communicate. This message is about one thing that may not be the only thing you can do for your customers. But, laundry lists of all the things you can do are boring, people don't remember that.

- Your message should be about how you can solve a problem or opportunity your customers have in a way that others cannot. It's about why you are "different", not even necessarily "better". The reason for that is because before somebody uses you, they are not going to believe you're better just because you say so. What they need is to be intrigued enough to try you. If you deliver, they can post rationalise that you are, indeed, better.

- Finally, do this in as engaging and entertaining a way as possible. Simply stating your strategy is boring.

- The better you deliver on the all the points above, the less you need to spend to be effective.

Elliot advises a complete and exclusive focus on one value proposition. If that resonates with a need, and the client understands that the broker has a way of fulfilling that need, he may be tried. Then, once tried, if the broker delivers, the client will realise that the broker is indeed better.

According to him, they did that in their brokerage. Their one thing was to create a new referral network for what they do as a specialist brokerage with virtually no marketing budget. The product is not unique, but emphasises the benefits particularly relevant and important to people in debt review. The marketing focus is on building a network of licenced debt counsellors to provide them with referrals. There is a consistent message that demonstrates a deep understanding the unique insurance problems of clients in debt review and that the brokerage is, therefore, the best partner for Debt Counsellors. The advertising is very limited, but appears regularly in the profession's online journal. The brokerage is also actively and consistently involved in developing relevant content for profession's trade media, and in their various activities and organisations.

Elliot explains that any brokerage or UMA can adopt a similar type strategy. It's just a matter of deciding what you're going to do or say and, perhaps even more importantly, what you're not going to do or say. The latter are the toughest decisions you take, because nobody likes giving up anything of possible advantage. But, there's a law of sacrifice: if you want to own something, you've got to give the other things up. That doesn't necessary mean you don't do them in addition and behind the scenes as long as they don't dissipate from the delivery of your core promise, but that's not your message.

Elliot gave an example of how you can be seen to be different even when you're not. One of his advertising agency clients many years ago was furniture retailer Morkels. Morkels was your 'two year guarantee store' for many, many years. Critically, they weren't the only retailer offering a two year guarantee. But they single mindedly and consistently went out to own the idea of a two year guarantee. And it worked. If a two year guarantee interested you, Morkels was definitely on your shopping list. If it wasn't important to you, it didn't matter. It didn't even matter if it was not important to most people. You don't have to target 100% of the market to make money. In fact, doing so is usually a waste of money. What you have to be is the strongest player in a segment of the market to own it.

"That's the essence of good marketing".