# COVER

FEBRUARY 2021 ISSUE

## THE ADVICE EDITION

## LONG LIVE ADVICE


WHY RENASA, ROGER?


BECAUSE BROKERS TRUST RENASA TO HELP THEM BUILD THEIR CLIENTS' TRUST.

# MAIN STORIES

## ADVICE - THE ESSENCE OF OUR INDUSTRY

There is no doubt that those who had the best financial advice, coped best last year. When the chips are down, it is essential to have a plan, to be prepared and to have a trusted adviser at your side. This feature looks at the value of advice.

## RISK BAROMETER

The 10th Allianz Risk Barometer is out and, as expected the top three risks were Pandemic, Cyber and Business Interruption. However, these are not the only risks our clients will be facing.

## PROTECTING YOUR CLIENT'S ESTATE

Every cent counts and when it comes to estate planning, it can easily add up to millions. Estate planning is not just about tax but it forms an integral part of the process. David Thompson, Sanlam Trust, takes us through some highlights.

## INSURTECH IN AFRICA

John Kamau, SSP Africa, agrees that insurance has never been a no-contact sport. However, as he explains, in 2020 it became a no-contact sport very quickly. He explains how their clients coped.

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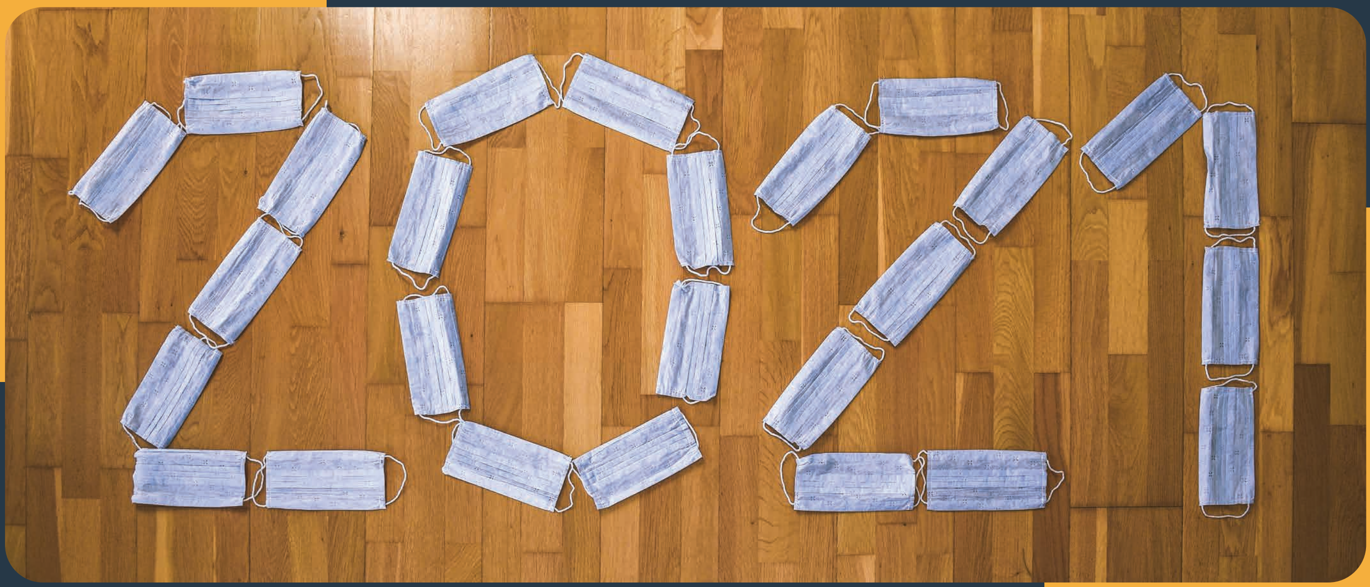
# FEBRUARY 2021



## FINANCIAL PLANNING



## SHORT TERM



## TECHNOLOGY

# The time for Advice is Now

Tony van Niekerk, Managing Editor, COVER Publications

*We dedicated this issue to advice, because advice is the backbone of the insurance industry, both long term and short term. The past 12 months have again shown that advice is at the core of ensuring our clients receive the value that we as an industry are able to add.*

COVID affected each and every one, from business people and employees to small business owners and governments. Nobody really knew how this was going to play out. Even today, 12 months since COVID first became a reality, we are uncertain about the future, about whether there will be a third wave and we are uncertain whether the vaccines will have the so-called herd immunity effect.

The essence of what we do is about risk, we determine and manage risk and we manage it on behalf of our clients. The whole purpose of what we do is to try and ensure that whatever the plans of our client are for the future, that those plans can come to fruition as close as possible.

When we look at the long term industry, including financial, investment and retirement planning, we deal with long term uncertainties. You cannot change the reality for your clients when you're dealing with economic, political and health uncertainties, as at the moment, but what we can do is to assist them to plan in the best way possible.

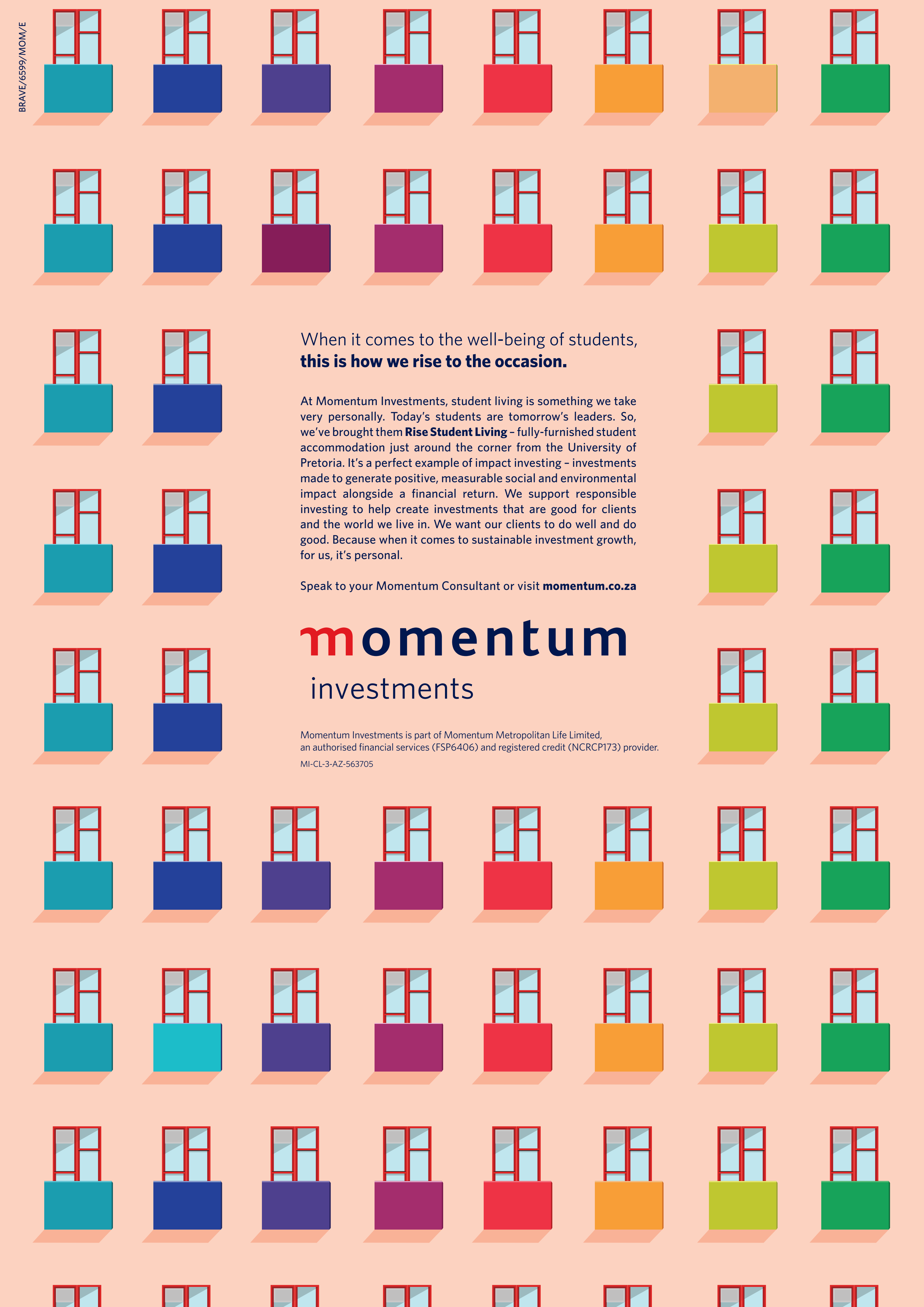
We can ensure that, if certain events or uncertainties unfold in their life with regards to job losses, temporary or permanent disabilities, critical illnesses or death, we can assist them to navigate the fall out. When it comes to short term insurance, the challenge today is that the risks have become highly complicated and enormously uncertain. If we just look at recent business interruption challenges due to COVID as well as the massive increase in cyber risks, especially within a hyper-connected world, uncertainty is ever escalating.

What happens in Japan can affect a business in South Africa. It can close the doors of a business in South Africa for a period of time when there is an interruption in a supply chain. It is therefore clear that our clients rely on us to understand the risks and see the bigger picture.

Effectively, when we look at the industry as a whole, both long term and short term, the essence of what intermediaries do (financial advisors, financial planners, brokers), is about really understanding the client and his/her environment, analysing potential risks involved, and then designing a risk mitigation strategy.

Flowing through from this is our ability to communicate clearly and effectively to ensure clients are fully aware of the risks they face, what they are covered for and where the gaps still exist. If we do not follow through with this final step in our advice process, there is a great chance our clients will be disappointed due to their expectations not being met.

To build trust in the industry, advice needs to be solid and communication clear. We have the products, the skills and the tools. We must just apply them proactively and effectively.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ADVISOR OUTLOOK

P12-23

# *Lessons from a tough year*

Barry O'Mahony CFP®, Veritas Wealth Management. Financial Planner of the Year 2013.

*In December 2019, we asked all our financial planners to consider a new mind-set where everyone has a standing desk and laptop and can choose where they want to work from, the office, home or even coffee shops.*

Wherever they felt 'in the zone' and could concentrate. We had not contemplated our back office doing the same, as we thought they needed administrative equipment such as printer and scanners.

## MARCH 2020

Lockdown then became an even bigger eye opener for us in terms of what is truly possible and how people – even administrators – can work from home. We were contemplating buying our administrative staff laptops pre lockdown, with load shedding in mind and so during lockdown, when this became a necessity and observing how administrative staff could still work from home, bought these immediately.

## CULTURE AND COMMUNICATION

Company culture is important in our business. We've always had a great balance between work and play. We are an established team and our workflows are well defined, this helped greatly as the work ethic is built into our day to day dealings with clients. People know when they are falling behind and when they need to up their game.

We were concerned with the affect lockdown would have on individuals and as management we realised how you need to treat everyone as an individual. We realised we have mothers with young children trying to educate, entertain, live and then work. We have colleagues living on their own, others with comorbidities and through it all we all had good days and bad days.

We normally meet for 40 minutes as a team once a week, but we changed this to three Zoom meetings a week initially in lockdown. We used these meetings to check in with each other and encouraged people to speak openly about how they were coping.

We increased our level of communication to clients especially as markets went into the V. We hosted our first webinar, invited clients to talks that we felt would add value and started our own podcast series, which we aim to grow. We moved our monthly newsletter to bi-monthly and then pulled that back again in August, as we could see that our clients were becoming over-loaded with virtual communication across the board.

## HEALTHY COLLEAGUES

Our key concern has always been the physical and mental health of our team, especially those living alone. We worked a life coach to ensure our planners were coping personally and professionally. We spoke a lot about how tiring it was with having so much screen time, but also how levels of concentration are more intense working on your own. We all acknowledged that we missed sitting together, but saw the benefits of working remotely.

## OPTIMAL WORK GOING FORWARD

We won't be reducing our office space and as a company on a growth path we would want to bring in new staff into the business and into our culture, which to some extent will require office time in order to monitor and evaluate new team members. It's very important to us to work with the right people with the right work ethic.

## TRUST

We recently asked each team member to share with us how they would like to work through Covid-19 and what they had learnt from the experience so far and what how they would like to work going forward.

*During this time, we've learnt a huge amount about the importance of our individual staff needs, that flexibility is an asset and that the use of an office is not a black or white decision. Covid-19 has brought a wave of change that will re-form advice businesses for ever.*

Most have said that they would like to mix it up between coming to the office and working from home. Everyone misses the interaction of their colleagues. For those with young families they want to be at home during critical times and work flexible hours.

Those who sit in traffic will no longer do that. Working from home for planners is powerful to get through work that needs deeper conversation. You have to trust people for this flexibility to work.

## CLIENT INTERFACE

Doing review meetings on zoom does work, but it's not the ideal interface for new clients. We cannot put our finger on it, but it certainly was not as powerful a connection.

Client packs are now emailed and never printed for financial planners and clients can review the document before meetings. We will spend more time refining how flexibility can work how to balance a great company culture with and a strong, effective work ethic.

# Enhancing the ValueProposition

Didintle Mokonoto CFP® - winner of the FPI's diversity and inclusion award 2020

*In the beginning of every year my girlfriends and I get together for our vision board party.*

This year was no different, my vision board was focused on hitting the reset button. Resetting the way, I engage with my work, money, family & friends, mind, body, and soul. I wanted to be more deliberate with my resources in 2020 to make sure that I live a purpose filled life. As we approach the end of the year, one cannot help but reflect on what has been a year full of never-ending surprises, discoveries, and challenges because of the Covid-19 pandemic. I remember when President Ramaphosa first announced the 21-day lockdown, there were so many unknowns, but we all knew that we had to somehow continue doing what we usually do outside of our homes, indoors. I needed to still accomplish what is on my vision board, the question was how?

As the lockdown was extended week by week I started realising that I needed to stop waiting for the Coronavirus to go away and rather adapt how I do things to make sure that I accomplish the goals that I have for 2020. I believe that the same can be said for the Financial Advice Industry. The industry needed to adapt and use technology to fully service its clients remotely. Adapting to change is hard but not impossible, we have seen this in how some Financial Advisors have over time been able to make the transition from commission to fee based businesses or transition into the coaching way of being, when engaging with their clients. These are changes that could happen over time, and be phased in. Unfortunately, Coronavirus took away the luxury of time, forcing office-based Financial Advice businesses to fully rely on technology more specifically financial technology, or "fintech". Fintech has transformed the way people interact with their money when spending, investing / saving, and borrowing because financial systems are more efficient and user-friendly. As the iPod was able to put over 1000 songs into our pocket, fintech has during the pandemic shown its ability to take different financial services and package them into mobile app's and web-based solutions allowing clients and Financial Advisors to engage and interact with their money & financial plans remotely. Fintech's, when used in collaboration with a Financial Advisor can enable the efficient and cost-effective running of their business, as they are a tools to support the delivery of their service to clients through data collection & aggregation, onboarding clients, delivery of documents etc. Through my engagements with many different Financial Advisors I have come to realise that automated advice tools have enhanced their value proposition to their clients and improved their overall business processes, when helping clients to reach their financial goals. The year 2020 has shown me that my goals and dreams do not have to change just because my environment and circumstances have changed. ***There are many different modes of transport that we can use to get to our destination, we must simply make sure that it is efficient and moving you closer to the goal.***

# Back to basics

Natasja Hart, Head of Advice, GCI Wealth

*It's not like a pandemic wasn't on the cards – but the extraordinarily severe response globally certainly took most of us by surprise.*

Without diminishing the impact of the disease on so many, for me and many others, lockdown turned out to be a strangely positive experience and certainly one that has caused me to rethink not only how I live my life but also how I fulfil my role as a financial advisor.

One way of summing up what I learned is contained in the phrase *Take time to smell the roses*. No commuting, fewer work meetings at work and less administration generally gave me a greater appreciation of the fact that we spend too much of our time on the inessentials.

Usually, we are so busy doing stuff – that we don't give ourselves the time to decide whether what we are doing is actually worthwhile.

As far as my career as a financial advisor goes, this tumultuous year taught me several lessons and reminded me of a few things.

The first of these is the importance of the client relationship. On a practical level, the fact that I had more time on my hands meant I could spend more time talking to my clients, even though it was on a digital platform. I came to realise that this was a particularly important thing to be doing during a period of such uncertainty and confusion.

Connecting with my clients more frequently over this period made it easier for them to stick to the financial plans that we had crafted together. It is always worthwhile to remind them their plans were based on sound fundamentals—but, emotionally, they needed the space to talk through their concerns.

A more general lesson to emerge out of that was the importance of emotions in financial planning. Many of us tend to focus on the technical aspects of what we do, but financial plans have people behind them.

Engaging with clients on an emotional level can have a number of positive benefits, not the least of which is that they are more likely to remain committed to the plan.

Certainly, my experience with my clients clearly demonstrated that clients who had a financial advisor were just better positioned to weather the financial storms created by the lockdowns.

That showed me just how important the work we do is: financial advisors can play an important role in helping clients to put themselves on course to achieving financial stability and to keep focused on that goal. In short, we have an important job to do, and we need to do it well. We need to arrange our professional lives in such a way that we can focus on where we are genuinely adding value. You could say that the virus re-energised my passion for our industry!

*COVID-19 and the associated lockdowns taught me that I needed to reprioritise my life and career to enjoy myself more – and serve my clients better.*

Another thing I noticed about both myself and my clients: lockdown has changed spending habits quite considerably. Petrol expenses are undoubtedly down and, in addition, we simply haven't been shopping as much and we realise how much of what we bought was simply not necessary.

This is an opportunity to engage with clients, and help them change spending habits permanently to speed up their journey to financial stability. If I had to sum things up, I would say that these lessons have shown me how powerful the Trust Equation is. As financial advisors, we can only maximise the value we add for our clients if they trust us, and intimacy is an integral part of the Trust Equation. ***Professionally, I'll be spending more time on the things that matter and, yes; I'll also be stopping to smell the roses more frequently as well.***

**About GCI - GCI is a boutique financial planning and investment group, whose mission is to grow and preserve clients' wealth, ensuring a safe and secure retirement. www.gci.co.za**

# 2020 : The year the tide went out

Jan-Carel Botha, Director of Purpose Wealth

*One of Warren Buffet's famous quotes states that "only when the tide goes out, do you discover who's been swimming naked".*

This is the exact opposite than "a rising tide lifts all boats" from JF Kennedy. For the past decade, this was the case for global markets. Everyone had a good time. South African investors, however, with limited offshore exposure, have had little of this.

Then came 2020 and the tide went out for all of us on this planet. Without stating that which everyone knows, let's contemplate the impact of 2020 on the financial planning industry.

As a passionate financial planner with a keen interest in behavioural finance, I was tempted to highlight the many cases of classic bias errors and client emotions, destroying wealth midst the crises in 2020. Jumping to cash in late March 2020, buying USD in April, being overly conservative in May, Buying Sasol (and spending a fortune on alcohol) in June, prematurely liquidating a business in July, jumping all back into the market in August, buying gold in September, timing the US Election in October...

We all have these stories and let's be honest, we all made some of these mistakes, and on some of these decisions, the jury is still out. This is not over yet. I have decided, however, to turn and have a good look in the mirror. Did we do enough in the good years to prepare clients for this?

What should we have done differently? How did our practice look when the tide went out in March 2020? Did we swim naked? What if the stimulus packages didn't get markets back to the levels they are on now? All tough questions that we all need to answer to ourselves.

## LESSONS LEARNT

- **Diversification is your friend**

Maybe an obvious and boring point, yet I see most new clients being invested in a RA within a balanced fund and that's where the diversification stopped. Having a balance between pension vs discretionary, local vs offshore, stable vs growth, trust vs personal name. This is what true diversification means. And especially on the local vs offshore investments debate, the earth doesn't pivot around SA. Stop getting emotional, understand that SA is 0.5% of world GDP, and do what's right. We should ensure all clients are diversified for the most obvious risks. This leads me on to the second lesson.

- **You can make a lot of money many times for clients, but you can lose everything only once**

If we think our role and value-add is to make clients rich, we've lost the plot. Rule number one is "don't lose the money", rule number two, "always remember rule number one". It's all about risk-adjusted returns. Markets (and the world) will surprise. An all or nothing approach will blow up at some point. Ask the bullish Steinhoff shareholders or the bearish offshore investors. All in good measure is the answer.

- **Don't have too many clients**

You will crash and burn. Never have our team worked harder than from April to August. We are a team of five working on 150 clients. I have no idea what we would have done if we had 500 or 600 clients as many teams of our size in the industry have.

- **All clients should have a definitive investment strategy**

Too many times have I seen that the term "financial plan" being used loosely. The planner drafts a financial plan that's mostly based on software programming doing a basic gap analysis of death and retirement, coupled with a cashflow, getting cashflows to match a comfortable retirement, and lastly plugging the gaps at death. This quite frankly is a financial analysis, and maybe halve a plan, but not a strategy. I've come to learn that a strategy has solutions that match lifechanging scenarios. Never will I plan in straight lines again. Having ample cash for short term changes and income needs (separate from the balanced fund in which we so often like to invest for clients), and ensuring the balance is well-positioned for long-term growth. These are the lessons I've learnt and hope to improve on for a "second wave" when the tide goes out again – whatever the next crisis might be.

# One for the record books

By Hardi Swart, Director of Autus Private Wealth

*I doubt there's a single person on earth who hasn't been affected in some way by the events of 2020:*

The Covid-19 pandemic and the subsequent lockdowns around the world; the market volatility; the travel bans; adjusting to working from home, or adjusting to having no work for months on end...

It's all quite depressing and sometimes I'm tempted to press the snooze button, turn over and bury my head under the pillow. I'm sure you feel the same way! But then I think of all my remarkable clients and colleagues and how they've made the most of some truly horrible situations, and I'm inspired to think differently about the crisis we're in. Here are the lessons I've learned from those brave people.

## DON'T STRESS ABOUT THINGS YOU CAN'T CONTROL

We are financial planners – we help people make good decisions that will benefit them in the long run. We have no control over the markets, especially what happens in those markets during an unprecedented global pandemic. However, we *can* manage our emotions, and we can adjust our advice accordingly regarding budgets and spending habits. We can make sure that our clients' investment portfolios are properly diversified, and their asset allocation is aligned with their long-term goals.

## LOOK AFTER YOURSELF

Your health is another aspect of your life that you can control. The old saying "health is wealth" rings truer today than ever before. You can't alter your genes, of course, but you can prevent a range of lifestyle diseases by eating well, exercising and by thinking twice about that extra glass of wine.

Lockdown brought this message home for me. Without having to waste hours in traffic, I finally had the time to take proactive steps to improve my health. Many of my clients did the same. Get healthy now and you'll be well set for the future: Nobody wants their retirement savings depleted on doctors' bills.

## CREATE AN EMERGENCY FUND

I have always emphasised the importance of having a suitably stocked emergency fund, but I never thought I'd see the day when so many of my clients needed to access theirs. I hope we all learned from 2020 why it's critically important to have at least three to six months' worth of living expenses put away.

Nobody could have predicted Covid-19, and that's exactly the point. Even if your clients came through the pandemic relatively unscathed, don't let them deliberate about starting an emergency fund. Get them to start saving now, because the next global crisis might have their name on it.

## STOP THE DOOM SCROLLING

Social media has always been in the business of selling sensationalism, but this was taken to the next level in 2020. Lockdown was an extremely emotional period for all of us, made worse because we were bombarded with fake news on a daily basis. Indeed, so much information online is inflated, taken out of context or entirely fabricated – and it's becoming harder and harder to tell the difference.

I had a few clients call me after they'd read some or other article about the market on social media. They wanted to sell all their investments and put their money under their mattress! My advice? Identify a trustworthy news source and stick to it. Tune out the noise. Encourage your clients to do the same.

## SLOW DOWN, PAUSE AND REFLECT

The one good thing about lockdown was having extra time to reflect. The time I got to spend with my family was priceless, as was the time to reconnect with clients and help them re-visit their goals and objectives. Even though we spoke to each other from a distance – on the phone and on Zoom – we had some wonderful conversations about life and values how to ride out this stormy year together. This has been the greatest lesson for me. As things begin to speed up again and the world slowly returns to normal, remember how powerful it is to pause, how important it is to connect deeply with people, and why you should never take anything for granted again.

**This year has been one for the record books, albeit for all the wrong reasons! But with crisis comes opportunity, and it pays to seek out the positive.**

# Accelerated change

Warren Ingram CFP®, co-founder of Galileo Capital.

*I think many of us will need time to digest what happened with the pandemic, how we coped, how our businesses reacted and how our clients were impacted.*

While I am not rushing to any conclusions, I have noted some early changes that are interesting.

## LESSONS FROM AFAR

Our business has clients in a range of countries and some of them went into lockdown earlier than we did in South Africa. As it became clear that SA was going into lockdown, we contacted these clients find out if we could learn anything from them. It was striking that all of them mentioned mental strain as the major factor to manage. The people who were coping best, were those who had compulsory regular contact with colleagues.

This was our biggest lesson from abroad and we started daily Microsoft Teams meetings for all our planning teams. These are the smallest operating teams in our business, and we asked them to meet daily with cameras on. This ensured that colleagues could keep an eye on each other and alert us if they noticed early signs of depression in their colleagues. In addition, we instituted a weekly "silly hat" meeting for the whole company. This usually happened on a Friday mid-morning and was compulsory for everyone, with cameras on.

The purpose was purely social, and no work was discussed. In addition, we challenged everyone to wear a silly hat or headgear to keep the conversation light-hearted. This proved to be a powerful antidote to loneliness and isolation as lockdown carried on.

We retained the daily Teams meetings as lockdown eased. Our staff told us they felt more connected and integrated than before lockdown because of these meetings. As we moved to Stage 1 of lockdown, we scrapped the weekly meetings and asked our staff to return to the office on a Friday.

They can decide for themselves where they want to work for the remainder of the week. Many are back at the office full time as they found it too lonely to work from home and some parents needed a break from their family routine!

## WORK FROM ANYWHERE

Selfishly, lockdown helped my wife realise that she can operate her business from anywhere and this has opened a range of new work/life options for us. "Work from anywhere" will be a part of the Ingram family future!

As a business, we realised that our trust in our people, where we give them accountability for their work output without micromanaging their time was an unexpected blessing in lockdown. We have very strong workflow systems and all our operations have been in the Cloud for years.

This meant there was no impact on our business by being away from the office. We have many older clients and were pleasantly surprised at how they adapted to virtual meetings. Many of them expressed satisfaction with the virtual meeting format.

## THE FUTURE?

We will allow our staff to manage their time even more freely than before. Once the COVID crisis passes, we will ask our staff to be in the office on Mondays and Fridays as the social interaction is critical to our culture. Our early investment in technology proved a real benefit, it has reinforced our commitment to automate our processes even more and to empower our clients with access to more planning tools than ever before.

We are convinced that we need clients to take greater ownership of their financial planning, with us as their co-pilots. Our monthly videos to clients are valued but we need to do more.

We are investigating curated news and more personalised articles to counter the low standard of journalism and the fake news plague on social media.

## CONCLUSION?

We consider ourselves very fortunate to have survived unscathed and are grateful that we can serve our clients in these tough times. We are reminded that our profession provides a vital service to many, if only we could do more for greater numbers of people.

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# *Has 2020 Left Us Better Off Or Damaged For Life?*

Kirsty Scully CFP®, Chair-Elect of the Financial Planning Institute of Southern Africa, and independent financial planner in Cape Town, looks back on 2020.

*For many of us, 2020 has found us with our heads down working harder than ever. Our landscape changed. Contact with our clients changed.*

Entrepreneurs spotted gaps in the market which were unimaginable pre Covid-19. We have started a new language: 'I'll send you a Zoom invite' is a sentence we have all heard and probably said. This pandemic has been multi-faceted, and our circumstances as well as that of our client's circumstances have been changing not just annually, but weekly too. The world has seen a pandemic where 40 million people have been infected, and 1.15 million have tragically lost their lives. The loss has been devastating. But possibly less than some of the predictions that were made at the beginning of the crisis. World leaders have showed the good and the bad side of their leadership styles. In particular, we have seen brilliant accomplishments from woman leaders such as Angela Merkel and Jacinda Ardern. In our own country, we have benefited from the strong leadership of President Cyril Ramaphosa. Can you imagine the decisions that could have been made had Jacob Zuma still been at the helm?

But needless to say, we still see people who are frightened about the future. It is our role as financial planners to give them peace of mind and to assure them that we have their finances 'all under control'. However, in order to do this, we need a dynamic and productive economy. We need entrepreneurs who do what they do: innovate, create and succeed. We need strong international investment in our country. We need to have the ability to think and act with flexibility. And, as one of the FPI members, **Rudolph Geldenhuys CFP®** stated, 'We need to create flexibility in our client's financial planning'. This gives them peace of mind. Along with this flexibility, we need to create flexibility in our own practices. Zoom, Microsoft Teams, Google Meet, and Skype, are service providers that many of us never even knew about pre-Covid-19. Fortunately for many, we have adapted easily to using them. When asked, **Kobus Klein CFP®** articulated, 'It is all about early adoption, own disruption, adaption and change. Embrace it, and you will future proof your practice.'

*2020 has re-sensitised people to how fragile the future can be yet, for many, 2020 has given us reason to smile. Go out and make the most of what is left of it.*

I have personally found that Covid-19 has been a time where my clients have been able to critically assess their need for risk cover (income protection / severe illness benefit / retrenchment cover / medical scheme cover etc) and an emergency fund. This has has given me the opportunity to deepen the level of trust I have with them. For example, **Kim Matthews CFP®** has learnt that clients have valued the way she has stood by them, through 'thick and thin', whether they had money to invest or not - this is the true essence of a financial planner. With the market correction in 2020, we have also seen an opportunity for clients to consult, build and renew their investment objectives, as well as invest into new business ventures. It's been a year of changing conversations with our clients. We have had to shift paradigms and support our clients through difficult times. There are still many people with money to invest, and it certainly has not all been doom and gloom. Some people have bemoaned the current year, and some are even thinking that they will wait until things 'return to normal'. If you are one of those, you may see others pass by you as they grasp the opportunities that 2020 has presented.

# Staying connected was vital

John Campbell, CEO, Chartered Wealth Solutions

***We set out in January 2020 with our clearly defined set of goals for the new year, following our strategic getaway in November 2019.***

Reflecting on this strategic planning initiative, we discussed many risks that we could foresee in the current financial planning environment. We ensured we had a plan should any of these risks materialise. However, none of us envisaged anything quite like what we have experienced this year.

Following the first confirmed South African Covid infection in my home town of Hilton, the hype we had heard from the UK, Italy and China very quickly became a reality. We closed the offices a week before the official lockdown and very quickly set up our staff's home offices. None of us had any idea of how to work from home, but after a few online sessions with our tech team, we were good to go.

We changed all our internal meetings to zoom calls and decided that it was business as usual. Our client relations team sent out instructions to all of our clients on how to set up both Teams and Zoom, and 220 days later, we have not missed a client review or internal meeting.

It was incredible to witness the agility and resilience of our team as they adapted to this new world of work. We conducted many surveys with our team during the lockdown, and it was fascinating reading the responses. More than 90% of our staff said they were more productive at home. After a few weeks of lockdown, our staff acknowledged how they were missing the human connection. In response, we set up Friday drinks and several online team builders, and it was encouraging to see the level of involvement from all the staff.

Staying connected with our clients was vital to us, so our client relations team, under Kim Potgieter's guidance, set up client functions every week for the duration o lockdown. Events varied from financial talks to the history of music, to quiz evenings, to talks from people working on the frontline. When restrictions eased, we delivered snacks to the clients to enjoy during the talks.

## WHAT HAVE WE LEARNED FROM THIS NEW WORLD OF WORK?

For a number of years, we have discussed systematising the business. This pandemic has accelerated this need, and we have now implemented various technology in the business. We can now take a client through the full financial planning experience and implement all our advice without having to print a piece of paper.

One of our hotly debated topics in our strategic getaway was flexibility at work. We mulled over this and could not quite find the solutions, but thanks to this crisis, this has become much clearer, and with the opportunities that virtual technology brings to us we can work from anywhere.

There is no doubt that a face- to- face meeting is better than an online one, but we now have the choice to be selective, and some meetings can be online and others in person. We have decided that all clients will be given the option.

One of the biggest challenges of working virtually was the impact it has had on the culture of the business. Over the past ten years, we have worked hard on our company values, and they are included as measurables in our navigation conversations (performance reviews).

*It was incredible to witness the agility and resilience of our team as they adapted to this new world of work*

Over the past few weeks, we have met with every member of staff in the business, in person, and discussed what boundaries need to be put in place for the future in order to maintain our culture.

Financial Planners work their hardest through highly volatile equity markets, as we have to do everything possible to ensure clients don't waiver from their strategy set out in their Financial Plan. We stepped up communications with clients, both written and in our bi-weekly online zoom sessions, to ensure they had all the necessary support through this challenging time.

As the saying goes, never allow a crisis to go to waste. We have certainly found every opportunity to make the most of a tough year and adapted well under the circumstances. ***We are ready for 2021 and looking forward to applying the learnings from last year into the future***.

# Reflections on a Global Pandemic

By Ian Beere and Debbie Netto, Netto Invest

## THE IMMEDIATE IMPACT

When faced with news of the impending total lock-down we could not help but feel a sense of disbelief. Following some frenetic activity to ensure we had everything we needed (and a few things we didn't), the absolute silence in an urban city environment was surreal. It was if life had changed in an instant, yet in many ways, it was the same as ever. We wondered if this is what it felt like at the declaration of the Second World War – the calm before the storm, which was certainly inevitable after turning off the entire economy. We had an opportunity to slow down, zero traffic stress and lots of time to prune the plants in the garden, complete those outstanding chores, tidy the house and enjoy the simple things in life after hours.

## STARTING EARLY MADE A DIFFERENCE

We made the call to send our team home the week before. This gave us time to practice working and communicating remotely. It also gave us time to solve some of the technical, logistical and practical problems we encountered. We were able to remedy these while the team could still move around and this helped us to be more prepared. There is no substitute for practice and being proactive.

## PURPOSEFUL COMMUNICATION WAS KEY

Compensating for the loss of the collaborative energetic culture in the office was a challenge. We had to be purposeful about scheduling regular video conferences with the various teams. Work issues were handled well via calls, messages and email, while video conferences were important for personal connection as well as work communication. We were fortunate to have very few infections over the last six months, and the team coped well. Families with small children had it tough which highlighted the importance of family and friends in raising children. In certain cases we stepped in to provide additional support depending on the circumstances.

## A THOROUGH INITIAL CLIENT ENGAGEMENT PROCESS IS A WORTHWHILE INVESTMENT

Our primary purpose is to help clients make better decisions by understanding the choices and consequences of different investment strategy decisions. Our objective is to help them to retain control and make purposeful decisions regarding different levels of uncertainty. We therefore invest a lot of time up-front engaging with clients and believe this helps them to have confidence in the process. We started lock-down by making outbound calls to check in with clients and were encouraged by the level of calm we encountered.

## LIQUIDITY

Some clients had to deal with loss of rental income and if you were in the middle of a property sale, you suddenly learned the importance of the term "liquidity". Many clients had to deal with reduced or no income for a period and having an emergency fund, or some liquid investments made all the difference. There is an important balance between liquidity and long-term return or yield.

## DIVERSIFICATION – POSITIONING INVESTMENT FOR MORE THAN ONE FUTURE OUTCOME

A prudently balanced diverse range of investment funds aligned to clients' specific performance targets supported by their personalised investment plan in many cases reduced anxiety and provided clarity of purpose. Clients had the time to engage with us and for us to listen and clarify the background for their current financial plans and optimise the possible ways forward within a wholistic framework. Sticking to investment strategy, anchored to the reasons for investing in the selected strategy were key themes.

## CHAOS NEEDS CLEAR THINKING, AND CLEAR THINKING NEEDS PRACTICE

We realised through our many discussions that it is hard to practice strategic decision-making on your own. By their very nature, strategic decisions are those that are made annually rather than weekly, so the average person gets limited opportunity to practice often. As financial planners we work with clients multiple times a day, every day of the week, on strategic decision-making. The perspective that arises from being plugged into the minds of the investing public becomes a useful resource for clients during times of crisis.

## LIVING WITHIN YOUR MEANS

Those living within their means were less affected and did not feel the impact as much. Having said that, spending priorities changed substantially as there was nothing much to spend on. We weren't commuting to work, eating out, shopping, driving much or travelling for leisure. Clients experienced how little material assets mattered, versus seeing their friends and family. We wonder if this revelation may reduce our financial desires versus spending time with loved ones in the next few years?

## THE IMPORTANCE OF INSURANCE

The importance of insurance and medical cover came to the fore as the virus spread and got closer to infecting families and friends. For those that were very ill, medical aid, travel insurance and income protection was a vital resource. We processed a number of Covid-related claims.

Sadly, we lost a staff member during the period to illness and our company group life insurance was vital to support the family. As a result we focussed afresh on the team's beneficiary appointments on the group insurance so we could guide them to optimise this in the event of a claim.

## CARING FOR THE NEEDY

We were overwhelmed by the mobilisation of many in the community rallying to support the many in need.

## MEANING AND PURPOSE

Ultimately, our only legacy is the impact we have on those around us. We have been fortunate to have been kept purposefully busy during this period and in constant contact with people with whom we have a caring connection. There are many whose stage of life, line of work, or circumstances have been such that they have struggled during this time. They are in our thoughts and we wish them the recovery they deserve. We have all had to re-think our WHY!

# Lessons for us all

Prof. Dulipkumar Garach CFP® , CEO Garach Corporation

*Covid 19 has been an unprecedented event. It is a pandemic that has had dire consequences both financial and otherwise for the whole world.*

Economies globally have virtually collapsed, governments have been scrambling to borrow money, most businesses both large and small have become unsustainable, bankruptcies are inevitable and unemployment has risen globally. In South Africa the president of the country has taken charge to ride us through the pandemic. At the commencement of the pandemic in South Africa, the Minister of Health predicted that more than half of the 57 million people in the country would be infected by the Covid virus.

At the time the Minister predicted that if five percent of those infected needed intensive care facilities in hospitals the country would need about two million beds. South Africa does not have the health infrastructure to cope with the pandemic. So the government realised that it was matter of serious concern. The other concern is that if people's movement both socially and at work was not restricted, the virus is contagious and would therefore spread rapidly. In order to contain the virus the government adopted a risk adjusted strategy for economic activity. This action led to a total lockdown of economic activity for a period of approximately 5 weeks and gradually opening of the economy over a period of time. This was tight rope which the President chose to walk and it was a tough balancing act between protecting the lives of people against preserving their livelihood. Seven months since the strategy was adopted, South Africa seems to have contained the infection rate compared to many countries globally. So the government strategy has proven to be successful but it has adversely affected the economy.

Businesses in general have experienced many setbacks. Many businesses both large and small got back to basics and adopted lesson 101 in business management. They reviewed their business strategy using a management technique known as SWOTS – "Strength, Weaknesses, Opportunities and Threats. This approach allowed such undertakings to "think out of the box". It was about being agile, adapting, re-shaping and re-modelling their business. Businesses realised they were trading in difficult circumstances which was dictated by volatility, uncertainty and complexity.

It was clear to all businesses their revenue streams were substantially reduced and they were forced to introduce cost cutting measures. It was business unusual and new measures adopted included, inter-alia, the following: innovative techniques in communicating with staff, clients, community – being empathetic, showing compassion and understanding the plight of others, moving to digital communication and marketing, creation of a flexible work environment, developing and fostering the skills of staff to perform in difficult circumstances. During difficult times staff had to show enthusiasm in driving new initiatives to boost both revenue and efficiency. So it has been a whole new ethos both for business and labour.

Turning to government and the handling of its finances during Covid. South Africa was already in a recessionary cycle before the commencement of Covid. Covid exasperated South Africas financial position and showed that it had run out of money and it would have to borrow more money merely to make ends meet. Covid has exposed the government's ability to manage its own finances. Despite being in such a precarious position it continues to fund mismanaged state owned enterprises (SOEs).

South Africa needs to follow models for managing SOEs in countries like Singapore. Governments in such countries involve the private sector in acquiring equity, be involved in the management of the SOEs and government as a stakeholder merely gets a dividend from these enterprises rather than give bailouts to such SOEs. South Africa must increase revenue by growing its economy.

South Africa is rich in resources and it can grow the economy by encouraging foreign direct investments into South Africa. In order to encourage foreign business into South Africa it needs to review its economic policies, labour laws, reflect on its ability to fight crime and corruption. Covid 19 and its impact has been a wake up call for government. Covid 19 and the consequences thereof has taught us that change is inevitable, we must learn to embrace it. A business needs to adapt to the changes, build on leadership skills and direct the business to success even in the most difficult times. ***It is often said*: *"When the going gets tough, the tough gets going!!"***

# *Re-evaluation critical to ensure your business is future-fit*

Peter Hewett CFP®, Managing Director, Hewett Wealth

*It is amazing how everyone has suddenly become a "specialist physician" or "virologist" since the advent of Covid 19,*

With an uncanny ability to provide insight into the longer-term impact of the pandemic on matters such as financial markets and human behaviour... - the truth of the matter, however, is that we know very little about this virus and have an extremely limited actual understanding of its longer term impact. One thing we do know is that it causes significant fear and uncertainty and that it has elicited unprecedented government intervention in relation to financial markets and personal freedoms.

With this in mind, it is critical to re-evaluate your business strategy and value proposition in the coming months and years to ensure that you and your financial services practice is future-fit and can endure sustained downturns and still remain relevant. On the business strategy front, it is crucial that financial advisory and planning practices start reducing their reliance on upfront fees and commissions, primarily in the form of risk commissions. This can be achieved through amending their distribution agreements to allow for the gradual conversion from upfront to ongoing revenues, which is possible with almost all product providers. Another means of achieving this is to expand their value proposition to include a wider range of products and services such as short-term insurance and medical aid and to focus on building an investment book, all of which normally generate sustainable recurring revenues.

Another area that requires significant attention is the implementation of effective IT systems that enable the efficient management of the business and ongoing interaction with clients, even where this must be achieved remotely. Interestingly, this is not necessarily only to protect the business against future lockdowns or other business interruptions but to provide practices with flexibility in terms of expansion.

The utilisation of technology during the pandemic has taught us that it is not always necessary to have large "bricks and mortar" infrastructures and it has also become clear that many clients are more than happy with reduced face to face contact in lieu of enhanced electronic reporting and feedback. These changes provide an opportunity to generate significant savings, which in turn will make the business more competitive and more able to withstand future economic downturns.

Turning to the impact of the pandemic on clients, it is striking to note how many clients *(for the first time in many instances)* are paying significant attention to their personal financial affairs, especially as it relates to risk mitigation and investment planning.

The mass retrenchments, heightened fear of unplanned medical costs and the realisation that single events can collapse asset and equity markets has encouraged many clients to pay far more attention to their personal financial planning affairs, presenting an opportunity for all financial advisors to ensure that this proverbial "good crisis doesn't go to waste".

*We need to use this opportunity to add value to our clients and to our industry as a whole!*

As an industry, we have the opportunity to ensure that clients are adequately protected from a medical and risk perspective, that they have adequate protection against a loss of income, that they have appropriately planned their business continuity etc. We also have the opportunity to objectively review their investment strategies to ensure that clients are making adequate provision for their retirement, that their investment portfolio is adequately structurally sound – this is a huge opportunity right now! None of us knows what the years ahead hold in store for us. With the resurgence and possible mutation of Covid 19 and the associated response from governments around the world and with the unprecedented injection of liquidity into world markets and the associated surge in debt, we are likely to experience continued uncertainty and market volatility.


LONG LIVE ADVICE
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# The importance of having a financial adviser

By Rita Cool a certified financial planner at Alexander Forbes

The events of 2020 highlighted the need for financial advice but it has also provided a catalyst for a new approach to financial advice. Old processes and servicing models could be questioned and improved where necessary. A year ago the whole industry was convinced that the only way they could do business was with face to face meetings. Within weeks these assumptions were challenged and now we know that it is possible to interact very effectively with clients electronically. Not only the way we do business is being revised but also what is really important for clients and how fees can be charged.

In South Africa there is a very diverse population with different requirements and communication methods and the advice goal going forward is to reach more people, with the right advice, at the right time. This is not something that can be solved quickly or easily but with the new ways of thinking about advice it is possible that better solutions can be found to get more relevant products in front of the right people.

When people think about financial advisers, they often think that only rich people have them. They think that they do not have enough money to invest and that a financial adviser only deals with stock market investments and choosing the best portfolio to invest in. In reality, financial advisers add much more value than that, especially during uncertain times when we don't know which way the markets and investment are heading.

In the internet age, the facts about finance are readily available and people ask why they need to engage an adviser and pay money for the service if they can get the information free. The information might be available, but it won't consider your requirements. Often, the information is out of date or not correct if read in isolation.

## THE VALUE OF ADVICE

Research* suggests that engaging with a trusted and qualified adviser and making the correct financial planning decisions can add 1.59% per year to a client's returns over time, compared to someone without an adviser.

This is not just due to the adviser's knowledge on investments and choosing the best portfolios each year. It's also because people with financial advisers have a sounding board, an expert that helps them take emotion out of the equation and decide based on fact, not on popular thinking or hearsay.

People with advisers don't change portfolios as often as those who make investment decisions based on gut. Making regular changes to portfolios to avoid short-term losses will destroy long-term value, and this is something a financial adviser will tell you: invest for a longer time and in products that suit your needs.

## GETTING RID OF DEBT AND SAVING FOR A DREAM HOLIDAY

An adviser is there to help you understand financial jargon and to look at your and your family's goals and how to achieve them. Those goals are not always as far away as retirement, but also include short-term goals like how to best get rid of your debt, save for the dream family holiday, or for your children's education. Financial advice should not be a once-off interaction, but a journey towards your financial well-being.The South African financial industry is a fast-changing sector with new legislation being implemented almost every year. By getting the correct information and applying

*With the new ways of thinking about advice it is possible that better solutions can be found to get more relevant products in front of the right people.*

it appropriately, it often saves you money, even after considering any advice fees paid.

### GETTING RETRENCHED

A good financial adviser is also there in times when things don't go as planned. If you get retrenched, they can help structure:

- a budget for the period when you are not working
- your severance payment to maximise the benefit

The adviser can advise on facts, stripping out the emotion during this period.

### DIVORCE OR DEATH

During other life events such as divorce or death, an adviser can add value by looking at the bigger picture. For example, you might need to change a will or need to know how to best include your retirement funds in the divorce settlement agreement. An adviser can help a bereaved spouse to understand forms and processes and advise family members on what to do with an inheritance.

You can't really measure the value of ensuring that your loved ones are financially secure as a result of proper professional risk and estate planning.

By being with you on your financial journey, from the beginning, your adviser can lead you through various financial life stages. From your first job, when you need to decide on which investment portfolio to choose and how much you should contribute, to when you change jobs and need to make investment decisions. Financial advisers can advise on the best investment route for your accumulated retirement funds so that you do not lose value or pay unnecessary tax. Are you protected should something happen to you or a family member? They will look at your risk cover to see if you are over- or underinsured. They will also change the cover as your needs change and your family structure shifts over time.

The value of a financial adviser might be priced in money, but it goes far beyond the amount you see on your statements. The value should be defined in intangible terms, such as peace of mind or achieving your financial well-being.

# Innovation And Empathy Are Key To Rebuilding Trust In Our Industry

By Sharon Moller, Financial Planning Coach at Old Mutual Wealth and Ferdi Booysen, Head of Client Solutions at Old Mutual Wealth

*The Covid-19 pandemic has heightened the need for authentic human connections, underpinned by transparency and trust.*

The value of financial advice cannot be understated in a time of uncertainty where clients need relevant, clear advice that is designed to help them stay the course and make the best decisions for their financial well-being.

Yet the growing trust deficit, as seen around the world between citizens, governments and big business on issues related to managing the pandemic's impact, risks undermining these efforts. This lack of trust has a far more profound impact on our society, resulting in real adverse socio-economic outcomes for all stakeholders in the long run.

We have a shared responsibility towards South Africa and the clients we serve. Narrowing this deficit is paramount, and the FSCA's Market Conduct Principles – if embodied by all players in the industry – provide sound behavioural standards designed to encourage and nurture trust.

Unless we understand that clients should be front and centre of everything, in our view, we are in the wrong profession. In many ways, the global pandemic has reinforced the importance of these Market Conduct principles, including our focus on our clients' needs and accelerating our digital transformation.

Designing digital solutions that empower financial advisors to interact and reach clients – especially during crises – not only works towards building trust but also equips clients to make healthy financial decisions.

During the pandemic, we learnt that going virtual enables advisors to interact in a meaningful way with clients when they need it most. An evolving digital toolkit enabled business as usual. Even in very unusual circumstances it equipped financial planners and advisors to communicate effectively and timeously.

Keeping pace with this rapidly evolving world where clients interface with their devices goes a long way towards maintaining relevance and building credibility for the industry. However, beyond tech, financial insight and expertise, however specialised, is the human experience.

A human crisis, like the one created by the pandemic, is an opportunity to build trust. In our view, a holistic financial planning process starts and ends by showing empathy. Considered humanities oldest leadership trait, empathy is the capacity to understand or feel what another person is experiencing.

It is also an essential aspect of customer-centricity. It's key to understanding the context of a client, identifying drivers that are limiting or destructive to healthy financial habits, and developing advice that makes a real, lasting positive impact on the client's financial well-being.


*Designing digital solutions that empower financial advisors to interact and reach clients , especially during crises , not only works towards building trust but also equips clients to make healthy financial decisions.*

For example, one of the tools we share with financial planners to cultivate empathy is active listening. As opposed to actively "offering financial expertise", active listening allows the financial planner to pick up on the client's emotional attitudes and behavioural patterns.

In times of crisis, it's important to remember that most of our decisions are based on fear and scarcity. When a financial planner applies active listening skills, they show empathy, which helps to build a connection. And because the conversation is fundamentally respectful, in turn, you earn their trust. Rather than passively hearing (while waiting for your gap to speak), active listening is about being fully present in the moment and being consciously open to what your client has to say.

This is the embodiment of the Market Conduct Principles — an approach to customer-centricity that should be present at all levels in our industry. Putting our clients and their needs first is pivotal not just from a compliance perspective but because it ensures clients get the trustworthy advice they deserve.

And, as Covid-19 has so cruelly shown, as sure as night follows day, there will be good times, and there will be bad times. However, if service providers innovate and evolve their support for financial advisors in the spirit of the Market Conduct principles, and if we all listen more attentively, we are better positioned to face anything the future brings with confidence, knowing that we have built on a sure foundation of trust.

# *Putting members first*

Lee Callakoppen, Principal Officer, Bonitas Medical Fund

***2021 continues to put the spotlight on the importance of healthcare, with the second wave of Covid-19 infections seeing countries, borders and businesses being closed down. The vaccination brings hope that we will be able to fight and contain the pandemic but, until 'herd immunity' has been achieved, we still need to follow protocols and remain vigilant.***

There is a great deal of misinformation around Covid-19 and our members need a trusted source to provide accurate information about symptoms, tests, treatment and vaccinations against the virus. Now, more than ever, guidance and sound advice is of paramount importance to help members make the right medical aid choices.

In an industry like ours, it's challenging to be different – to innovate, disrupt – to be better. Covid-19 has highlighted the need for stakeholders in the healthcare environment to evaluate and adapt their models. Our focus is to remain sustainable, while delivering on our mandate of making quality and affordable healthcare accessible to all South Africa. This requires driving product leadership, connecting with members and ensuring operational excellence. During the pandemic, access to private health care has shown its true value.

Although the medical aid industry may be perceived as not being agile and a grudge purchase by members, we feel that the swift adaptation to the pandemic, our virtual care model and agility within the Scheme, is changing this perception.

It is also a necessity, rather than an opportunity, for the healthcare industry to accelerating change, to make virtual care a viable option and to explore new ways to grow and develop this offering. We have taken a major leap in digital adoption with virtual platforms, such as apps, making it easier for members to take control of their membership and have 24/7 access to medical care. This includes access to support and advice on Covid-19.

As the medical aid for South Africa we are constantly stepping up and improving customer experience across all member and stakeholder engagement channels. But equally important for the customer experience are brokers. We cannot over emphasise their value. A broker's role is not simply to sign up members; it's to help explain the many medical aid options and scenarios available.

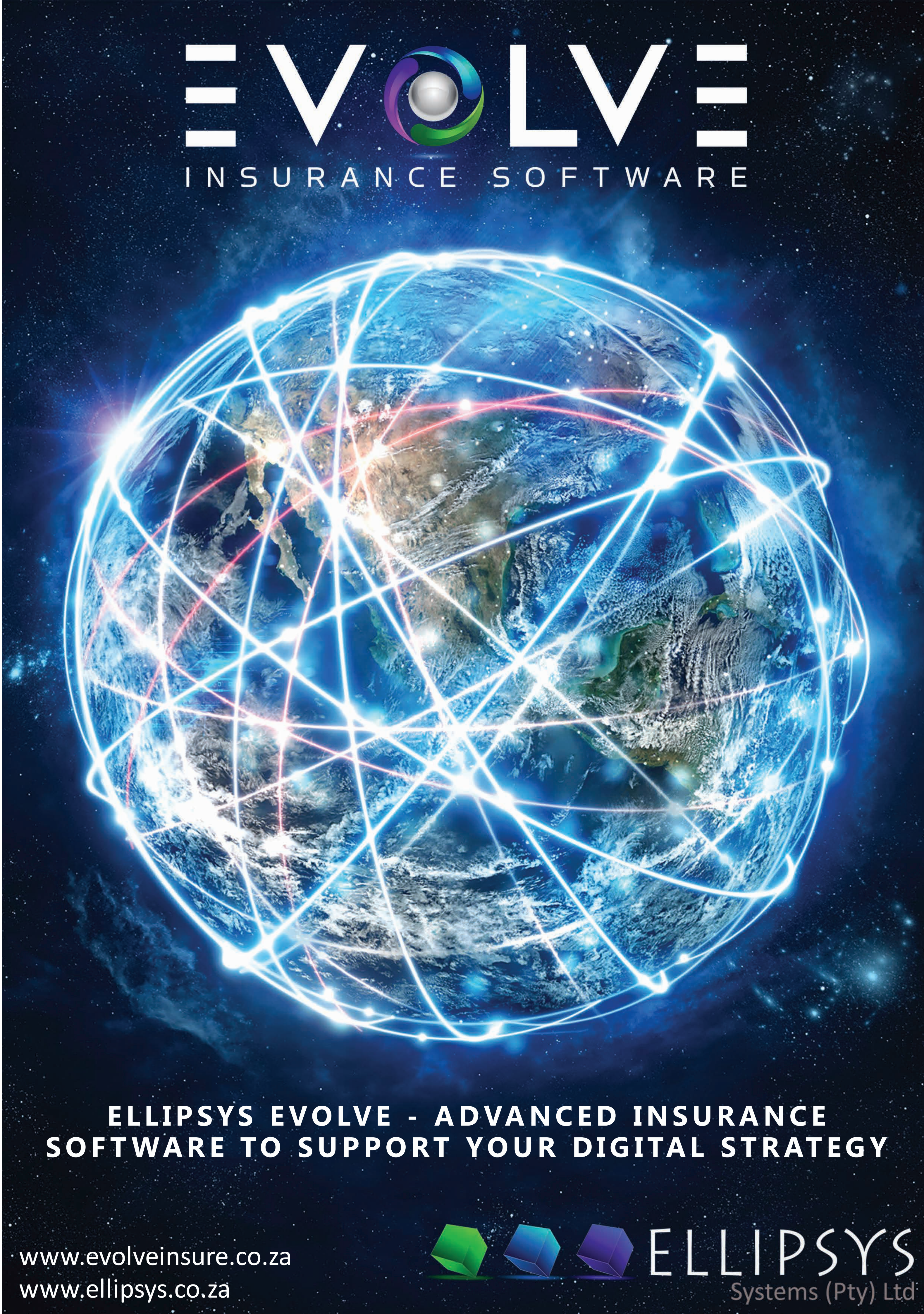
One size does not fit all, thus it is necessary for brokers to help members make an informed decision when choosing a plan by balancing the options available against the members specific healthcare needs and affordability of the contributions. Brokers, therefore, provide an independent evaluation of a person's specific circumstances, both from a financial and healthcare perspective.

From a servicing viewpoint, brokers continue to be 'invaluable' as they assist members to resolve their queries quickly and efficiently and help educate them.

Further proof of their value, combined with our wide and diverse range of product offerings, is in the fact that from a net termination movement perspective, there was a loss of membership of 0.6% for 2020. Considering the impact of the Covid-19 pandemic, this is significantly lower than anticipated.

When Covid-19 became a reality, the first step was to identify high-risk members. Interventions and communication were put in place to make certain members understood the importance of sticking to the protocols, maintaining their medication regime and eliminating as much risk as possible.

The medicine supply chain was also monitored and measures between pharmaceutical and courier companies were implemented, with chronic medication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was delivered to members' homes. We set up the Covid-19 platform, providing information on everything from symptoms through to treatment, recovery, transmission, costs covered by your medical aid, frequently asked questions, updated statistics on active cases, recoveries and death and self-screening.

There has been minimal impact on our membership numbers for 2020, with a 2.2% increase in terminations compared to 2019. Of our total members, 10 019 changed their options in 2020 of these, 38.1% upgraded their plans, while 61.9% downgraded their plans. The movement is mainly from plans offering comprehensive cover to plans covering mid-levels of cover.  We focus on providing a balance between affordability and quality care, which means that even if members downgrade, we try to ensure that they are still able to access necessary care.

To ensure the sustainability of our industry we need to get the balance of products, services and premiums right. We introduced four Efficiency Discounted Options (EDOs) over the past few years, plans where members use network healthcare providers and pay around 15% less for comparable benefits.

For 2021 there is a new category – Edge – with a plan called BonStart. The plan is driven by technology, intelligence and innovation and designed for economically active singles, or couples, living in larger metros.

Good health should never be taken for granted. It is to be invested in and valued and is why we remain vigilant in the management of our members' health, to provide quality care and remain a trusted source of information and assistance for them.

# *Empowering brokers boosts value for members*

By Health Squared Medical Scheme

***Equipping brokers with a more nuanced understanding of the medical schemes environment saves advisors time and effort, and ultimately secures better value for members.***

The complex and ever-shifting world of healthcare funding demands more than a stack of brochures to empower brokers to ensure their clients are optimally satisfied and covered from every angle. "All too frequently, medical schemes overlook the intrinsic value of building brokers' understanding in a concrete and meaningful way. We have a responsibility to support advisors effectively," says Bianca Viljoen, spokesperson for HEALTH SQUARED medical scheme. According to Viljoen, the industry has tended to make assumptions that brokers are necessarily *au fait* with all relevant intricate healthcare funding background in sufficient detail.

"Industry regulations and protocols are often oversimplified to the point that crucial details are omitted, fueling misunderstanding, unnecessary paperwork and frustration for brokers and their medical scheme member clients alike.

We need to make the industry more accessible, so that they can advise their clients from a solid foundation of understanding.

"When brokers are equipped with the industry basics, they gain better insight for positioning products and fulfilling their clients' needs. This quality of advice guides members to purchase the right cover that is appropriate for their circumstances, which provides greater satisfaction," she explains.

HEALTH SQUARED is already stepping up in this regard through its regular *Industry 101* broker training sessions, which are held at least once per term for brokers in each region.

"With this understanding, brokers are well equipped to advise their clients about the protocols they must follow to avoid co-payments and make the best use of their benefits.

Once aware of these principles, brokers are well placed to select a mix of products to achieve maximum value from the required cover for their client. The benefits for brokers of a medical scheme that can seamlessly integrate with group risk insurance as part of a single solution then becomes fully apparent.

"Brokers save time when administration processes are streamlined with one single point of contact across multiple products. This allows for a much simpler claims process and avoids the problem of overlapping or duplicate cover."

The ease of use and broad relevance of our medical scheme products for employer groups means that advisors to corporate clients will find that it is easier than ever to encompass even the most diverse needs within a single simple solution. "For instance, employer groups enrolled on our scheme have access to the entry-level Core Employee Assistance Programme (EAP), which provides employees with unlimited telephonic support services including health advice, assistance with financial matters, psycho-social assistance and legal advice.

During the national lockdown, many corporate clients have found these services and the crucial support they provide to staff members particularly valuable.

"With informed guidance from advisors who have an understanding of medical schemes regulations and protocols on top of this, the return on premiums for individual members and corporates alike are truly maximised," she says.

A key advantage for brokers and their clients, is the unique ease of cross-product integration an affordable, yet comprehensive, tailormade health insurance and rewards solution, which increases the value of their cover even further.

"For example, on certain options, members can extend their primary healthcare and basic dentistry benefits at no additional cost through opting to access these services via a dedicated network of providers. Brokers can therefore advise that through following the simplest of protocols, families enrolled on these options can access cover for additional consultations, which signifies a very powerful value proposition in the current financial climate.

"Ensuring members have access to primary healthcare services promotes better health both now and for the future and has self-evident benefits for the individual, while reinforcing the sustainability of the scheme. Corporate clients appreciate the value this adds from a human capital risk management perspective, further reinforcing the business case when advisors present these options," Viljoen says.

"Knowledge is power, and HEALTH SQUARED is committed to partnering with brokers as we believe this has far-reaching benefits for all concerned. Members are empowered to be healthier, employers achieve improved productivity, thereby stimulating the economy, while the sustainability of the scheme is supported."

# The trust deficit: getting clients to believe in us again

Sean Hanlon, Executive Director at BrightRock

*2020 rocked our worlds unexpectedly last year, and every facet of our lives changed in a matter of weeks. Like almost every industry, the life insurance space was impacted and we had to find new ways of doing business with our clients.*

One interesting outcome to emerge out of the year that was, according to NMG Risk Distribution Monitor South Africa, was that customers had a greater appreciation of the significance of life insurance and financial advice. Sixty-six percent of under-35s and 57% of 35-to-50-year olds indicated that they were more concerned about COVID-19's impact on the importance of insurance. Many clients have had to rethink their needs – and with them, their financial priorities – over the past few months.

However, what we also need to bear in mind is that, while people may need and want advice, there is also a deepening trust deficit. When we started BrightRock in 2011, we did so in the wake of the 2008 global recession, which had been caused by the sub-prime lending crisis in the USA – a result of poor governance and a lack of transparency among major financial institutions. One of our key insights then was just how much clients' faith in companies and financial services in particular had been shaken by these events. In many ways, our needs-matched product design was a direct response to this. What we're seeing now, is a similar trust deficit and the pandemic has only exacerbated this. In the aftermath of the lockdown period, people's finances are more under pressure than ever before and consumers feel they've been let down by both private and public institutions.

The 2019 Edelman Trust Barometer indicated that financial services remains the least-trusted sector at just 57% trust among the general population. And this was before COVID-19.

Research conducted by the EY Future Consumer Index in the US shows that it will take a while for people to be comfortable doing things the same ways they did them pre-lockdown. The majority of respondents reported that it would be months or years for them to feel comfortable, or that perhaps they never would feel comfortable, flying on a plane (80%), going to bars and pubs (75%), exercising in fitness clubs (74%) or going to restaurants (61%).

As concerning as mistrust may be, it is also an opportunity for our industry to demonstrate how it can serve and protect clients. For financial advisers, in particular, their role is more important than ever. For example, if people don't trust the normal way of doing things, it makes sense to offer alternatives, such as advice over video calls, paperless admin, or home visits for underwriting.

Financial advisers can play an important role in bridging the trust-gap by providing expert, client-centric advice. In fact, the data shows that people are seeking out advice more than ever. According to ReMark's Annual Global Consumer Study, 42.2% of insurance clients said that they trusted automated services less than human advice. This is up significantly from 33.5% in 2019.

For most people, having someone to think with, who can help you figure out what matters most to you, to work through financial complexity with you, and to provide you with some certainty, is more necessary than ever. It's important to nurture relationships and perceptions in order to gain your clients' trust.

According to a report by Vanguard, clients are more trusting of advisers who meet their functional, emotional and ethical needs. And the only way to do this is through building solid relationships with your clients.

The process of building relationships takes time, as it may require a lot of listening and back and forth communication. However, it provides a solid basis for the adviser to recommend products that tick all the boxes that matter most. And this is where having needs-matched insurance comes in.

Clients are looking for insurance that's as individual as they are; a one-size-fits-all approach didn't work before the pandemic and it's definitely not going to win clients over now. Once a client knows you're tuned into their needs, you have their trust – and that's where the real communication begins.

# Time to reset for 2021

Mzwandile Mtshali, Executive of PPS Advisory Services and Enablement

*Toward the end of 2020, we counted the hours for a new year to present itself, with the hope for a fresh start and new beginning. Now, we're in that new year, and everything feels a bit like déjà vu.*

The challenges and difficulties of 2020 have just rolled over, so perhaps all we can do is reflect on the year that passed, collect the teachable moments and prepare ourselves for 2021.

Let us take a step back and learn from the teachings of 2020. Vernon Law said that experience is a hard teacher because she gives the test first, the lesson afterwards. With challenges and trials under our belts, our past experiences can pave the way for a better tomorrow.

There are several key financial trends from 2020. These include:

## THE IMPORTANCE OF HAVING OUR FINANCES IN ORDER

If anything, 2020 has highlighted that cliché 'anything can happen', and the importance of being prepared. What we saw during 2020 was when people are under financial strain, insurance is the first to go. However, professionals bucked the trend reflecting a much lower cancellation rate than the industry.

Another trend was increased realisation of the risks to their mortality, and that they are not here forever.  It took this pandemic to know that they've got to address what will happen should they no longer be here.

## INSURING AGAINST UNCERTAINTY

Life products, such as life cover and sickness cover, have undoubtedly shown its value – insuring against the unknown during times of unprecedented uncertainty.

What we found over the lockdown period is that members tend to sign-up for additional products when they realise the value they are getting from the current products in place. They also recognise the value of the expert advice provided by financial advisers.

Many clients realised that their wills required updating and pursued the opportunity to restructure their estate plan.

## ACCELERATED DIGITISATION

Where red tape once meant a three-year plan to implement digitisation, companies fast-tracked their processes, implementing plans within a relatively short period.

Here, we saw an uptick in innovative products and a change to business models. For example, financial advisers made a 100% shift towards digital consultations, using digital signatures and online meeting facilities such as Zoom and Microsoft Teams. Relationships are key, so this is tempered with a hybrid approach of digital and in-person consultations when possible.

## ONGOING LEARNING AND ADAPTABILITY

Covid-19 saw companies being forced to move entire workforces to work from home (WFH). The challenge was for employees to learn to juggle a work-life balance. Meetings also became more productive as companies realised that not everyone needs to be sitting in the meeting to achieve successful outcomes.

## RESPONSIBLE INVESTING

Investors are giving priority to investments that uphold sustainable practices which benefit the environment and society. According to the Schroders' Institutional Investor Study 2020, 67% of institutional investors believe the role of sustainable investing will become more critical over the next five years.

## THE LESSONS FOR 2021

Essentialism, or the pursuit of less, is real. Financial advisers need to continue to show true value to their clients by staying in touch and offering services such as reviewing insurance covers and premiums once a year, providing an analysis of their holistic financial plan, and ensuring that their Will is up to date.

To stay financially secured in the short term and long term, financial advisers should advise their clients to review their spending habits and advise on how they can invest smartly with the extra money. Alternatively, if a client was forced to dip into their retirement savings, now is the time to evaluate how they can make up the shortfall.

Don't be afraid of technology. Digitisation is different to everyone, but the important thing is to equip yourself as best you can so that you don't get left behind. We need to open ourselves to change and to unlearn and relearn. Lastly, as the tax season fast approaches, don't forget to advise clients on work from home tax benefits when submitting tax returns this year. Assisting your clients to maximise their tax demonstrates the additional value you can add to their lives.

# Keeping close to clients

By Natasja Hart, Head of advice, GCI Wealth

*2020 was tough but one thing was very clear: clients who had a close relationship with their financial advisor fared better than those that did not.*

When it comes to wealth management and financial advice, the main task of the advisor is always to help clients set long-term goals, and then keep the faith as the inevitable short-term upsets occur.

That's only really possible if advisor and client build a relationship of trust. Last year's unprecedented upheavals showed once again the power of that relationship as many clients had to confront reduced salaries, retrenchments, health anxieties and even severe illness and death in their circles – all coupled with radical changes in business and social life.

Based on my own experience and those of close colleagues, the role of the financial advisor really came into its own during this time. Having somebody to talk to was of real value, and then there was the frequent need to make adjustments to cope with the current circumstances.

But most important of all was the role financial advisors could play in helping clients keep their eye on their long-term goals, even if the path towards them suddenly got a lot more convoluted!

## PRODUCT PROVIDERS AND ASSET MANAGERS: TAKE A BOW

During this period of great uncertainty and runaway change, it was particularly gratifying to see just how well the providers of financial products and asset managers responded. They implemented excellent communication plans that spoke to the concerns of financial advisors and their clients. The adjustments made to various products in light of the pandemic were well communicated, and the asset managers kept us abreast of their thinking as they rebalanced underlying portfolios in response to a shifting market.

The consistent message from asset managers was not only that they were adjusting their holdings to take into account the changes in market outlook but that they were also concentrating on the opportunities the volatility offered. Human nature is to keep moving forward, so this message was very useful, and contributed to building a more positive attitude with clients.

And, of course, the fact that we could keep clients informed about these developments up the value chain strengthened the trust bond still further. It wasn't just the product providers and asset managers that performed well in the crisis – the regulator also came up trumps with a six-month amendment to the regulation relating to the range of drawdowns permitted from living annuities. During this period, which ended in September, annuity-holders could increase their drawings to as high as 20%, something that created a lifeline for those battling against financial headwinds. At the other end of the scale, the ability to reduce drawdowns to 0.5% offered clients an opportunity to ease the pressure on their investments at a time when the market was extremely volatile. When adjustments had to be made to drawdown arrangements with product providers in terms of this amended regulation, the experience was extremely good and the changes were effected smoothly.

### BUILDING TRUST IN TROUBLED TIMES

Earlier I said that financial advisors found themselves playing an even more important role than usual in helping clients navigate these treacherous waters. But it's also worth acknowledging the challenges this created for advisors themselves.

The fact is that the issues we were – and are – dealing with currently are much more serious and numerous than usual. Whereas one would hope to deal with a death, a severe illness or a retrenchment infrequently, they have now become frequent – and the strain for the advisor becomes real. One starts to better understand the strain that frontline medical staff are consistently under! Another issue was the rapid move from in-person consultations to digital ones. Speaking for myself, I quickly realised that I had become rather set in my ways, and a concerted effort was needed to become adept at digital meetings.

The more comfortable I was, the better able to interact with clients. I found that digital meetings tended to be shorter and to the point, making it possible to have more frequent meetings – again a way of building trust. I was particularly worried about initiating relationships with new clients over digital channels but in the end one just had to get on with it, and treat the meeting as if it were in person. Surprise, surprise – one can connect with a stranger and begin building trust on digital channels. 2021 promises more of the same but, in the end, I think one could argue that this experience of adversity has actually been an opportunity for financial advisors – and the rest of their value chain – to prove our worth to clients.

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# Winning back the consumers trust

By Ricardo Coetzee, Head of Auto & General Insurance

*I am often asked whether it is worth the cost to hire a financial adviser? Consumers want easy, simple and fast and have a do-it-yourself approach to almost everything. Insurance is not unique where this concept is concerned.*

But, it's especially during tough economic times or when the proverbial rubber hits the tar, when one can truly comprehend the value of good financial advice and especially good short-term insurance advice.

### THE VALUE OF GOOD FINANCIAL ADVICE

A good financial adviser will ask you about your goals, will conduct a needs-analysis based on not only what you need, but also based on your life-stage and what you are able to afford.

It may mean calculating how much you should save for retirement or making sure you have an adequate emergency fund. It may mean offering tax-planning suggestions or helping you refinance or pay off debt. Or, it may mean assessing your capacity to absorb risk, whether in the short term or in the long term, personally or in a business capacity. And finally, it may mean ensuring that you never find yourself under-insured.

Typically, a financial adviser will then utilise this information to develop a unique and achievable plan. A plan that will be actioned across your lifetime. They will consistently update you with regards to this plan, and they will adapt it according to your changing needs. Above all, they will ensure that you understand the details of the plan and the underlying terms and conditions to any of the policies incorporated into the plan.

### RE-ESTABLISHING TRUST

There has never been a time where the importance of good financial advice and reliability has been more prominent. The media has recently reported widely about issues that confronted business owners who thought that they were appropriately covered for business interruption, only to find out that the fine print in their policies didn't agree. While Auto & General Insurance did honour Business Interruption claims, many insurers did not.

How many times has a homeowner discovered that they did not have adequate cover after a vehicle accident or a home fire? Or how often have you found that you can't claim for that special piece of jewellery that was stolen?

In many of these cases, the industry has come to the rescue, but it is inevitable that with every claim not paid, there has been an erosion of trust in the industry and the onslaught of COVID-19 has inevitably eroded this trust even further. Let's be clear. We are not just talking about losing trust in financial advisers. The loss of trust has gone much further, in fact it's a loss of trust in the insurance industry as a whole and the entire value-chain it represents. We know that insurance has always been a grudge purchase. But, in the face of economic uncertainty and on the back of the COVID-19 pandemic and recent publicity, we are now seeing more consumers

*It remains critical that insurance product developers, underwriting teams and financial advisers remain in close collaboration when building, updating and improving products and advice models.*

seriously considering cancelling their short-term insurance. It is now up to the entire value-chain to take responsibility and consider how we can win back the trust of the consumer. A first step has been the implementation of various forms of relief for customers by most short-term insurers.

This also included product development in the form of new work-from-home products. These actions have provided the consumer with much needed relief, but how do we move forward from here?

### FILTERING APPROPRIATE ADVICE DOWN THROUGH THE VALUE CHAIN

It remains critical that insurance product developers, underwriting teams and financial advisers remain in close collaboration when building, updating and improving products and advice models. At Auto & General, we make use of sophisticated quality control measures, overseen by our marketing and product teams, to ensure that advice is correctly filtered to our intermediaries. In addition, our compliance division plays an important role within this planning process.

From a service perspective the development of specific service standards is important. These service standards provide the customer and financial adviser with a benchmark with which to hold their insurers responsible.

In addition, the industry needs to create an understanding under consumers that good financial advice can enhance one's lifetime standard of living and that the only way to do this is to prove the value of the advice at claims stage.

Now more than ever, advice will be the key to establishing trust and restore relationships. This rings true across all sectors of our industry, from short-term insurance to financial advice, investments and risk management.

# *Building trust through engagement and collaboration*

Heidi Dias – Distribution & Marketing Executive at Constantia Insurance

***Nobody could have predicted the arrival and impact of the Covid-19 pandemic. In addition to the devastating loss of millions of lives, the pandemic has forced substantial change to both our personal and professional lives.***

Many businesses have been forced to shut down and those who have retained their employment are mostly working from home. Due to financial constraints, many have had to sell their homes, move in with family and even cash in their investments to make ends meet.

What many consumers may not know, is that these changes also have a material impact on their risk profile and the appropriateness of their current insurance cover.

A client who is now working from home needs to remember to update the daytime address of their vehicle, if previously noted as the address of their employer. A sales rep who previously spent substantial time on the road, but changed their vehicle cover to personal use during the hard lockdown, should revert to their original cover upon recommencing work.

This is an opportune time for brokers to proactively engage their clients and assist them to navigate these complexities by reviewing their risk profile, which will ultimately give the client the peace of mind that they have the correct insurance solutions in place.

A good broker understands that their value extends beyond the sales transaction and claims administration, to regular engagement, an ongoing assessment of their client's risk profile and risk mitigating advice. It is in this area that direct insurers simply cannot compete.

With many consumers financially crippled by the pandemic and forced to draw on their investments, financial advisors should also take a proactive approach and help ease the anxiety of their clients by scheduling time with them to review their portfolios and to answer their questions.

Ultimately, engagement and collaboration help build and establish trust, an essential ingredient to any lasting relationship. Furthermore, during these unprecedented times that have taken such an emotional toll on many, engagements with clients should be infused with a healthy dose of empathy and kindness.

Equally, insurance companies have both a responsibility and an opportunity to closely collaborate and engage with their broker partners. Following the pandemic, all organisations will be thinking differently about their businesses. As the broker has direct engagement with clients, insurers should be listening to the learnings and insights from their broker partners as part of shaping future insurance solutions. Close collaboration will also ensure that brokers are always positioned to provide the right advice to mitigate the risks of their clients.

Unfortunately, insurance is often seen as a grudge purchase and the contingent BI saga has severely impacted the reputation of our industry. This sentiment is unfortunate considering the vital role our industry plays in enabling our economy.

Perhaps as an industry we should be doing a better job highlighting the value that we add and there is no better time to demonstrate this than now, through proactive engagement and providing sound advice to our clients. Long live advice.

CONSTANTIA
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FINANCIAL PLANNING
P43-54

# Bonitas Medical Fund responds to Interim Section 59 Report

Lee Callakoppen, Principal Officer, Bonitas Medical Fund

***At a time when the healthcare system requires collaboration and trust to overcome the challenges we face fighting the Covid-19 pandemic, the Interim Section 59 Report may cause polarisation among stakeholders.***

Bonitas has resolved to take a proactive approach to unceasingly evaluate its processes with regards to fraud, waste and abuse (FWA), following the release of the Section 59 Interim Report which raised several concerns of racial profiling and discrimination in the industry.

While the Section 59 proceedings were underway, we engaged in an independent analysis of the allegations through our governance structures, with oversight from the Board of Trustees.

Our analysis of claims data and irregularities is done on a data analysis level only, with no personal details of providers taken into account. This is overseen by a diverse and multi-disciplinary committee to review the analysis, prior to any investigative action commencing.

This to ensure we make informed and fair decisions, free of favour or prejudice. Therefore, in light of the Interim Section 59 Report, we have undertaken to establish a Special Task Team, with the specific aim of independently looking into the findings of the Interim Report and re-evaluating our processes so that they do not ascribe to any form of bias.

*The private healthcare industry has struggled with a prevalence of fraud, waste and abuse in the past decade, particularly as there is a lack of visible regulation and monitoring in this respect.*

While we acknowledge that fraud, waste and abuse is a key issue in the medical scheme industry and have actively acted to curb its purport, we do not support racial discrimination and prejudice in any shape or form.

The private healthcare industry has struggled with a prevalence of fraud, waste and abuse in the past decade, particularly as there is a lack of visible regulation and monitoring in this respect. As a criminal offence, healthcare fraud, waste and abuse not only tarnishes the good name of honest health professionals but is a grave injustice against medical scheme members, driving up premiums and depriving them of benefits.

Bonitas has a long and robust history of acting in the best interests of its members and rejecting racial biases, having been established in 1982 exclusively for Black, civil servants. Over the years, after becoming an open medical scheme, the Fund has become ideally placed for South Africans from all walks of life, offering a diverse range of plans and benefits.

We must stress that as the medical aid for South Africa, Bonitas aims to contribute to the improvement of the country on a socio-economic level and does not condone any form of racism or racial profiling. We will continue to analyse our processes and procedures to ensure that no there are no gaps or avenues for discrimination.

***We welcome the efforts of the panel to ensure fairness but believe collaboration is needed across the healthcare sector to address the findings in a just and equitable manner.***

# How to tell if we are in the midst of a market bubble

Nishlen Govender, Portfolio Manager, Citadel

*With over 100 million cases of COVID-19 and 2.2 million deaths globally since the start of the pandemic, its impact cannot be underestimated.*

The COVID-19 crisis has rocked economies around the world, resulting in rampant unemployment, massive shocks to businesses and households left in turmoil. Yet in the midst of this, equity markets are at an all-time high. So are stock markets overvalued, or are we facing another market bubble?

EXAMINING THE STOCK MARKET AND THE TRUE WORTH OF FINANCIAL ASSETS - Equity markets are simply a collection of companies listed on stock exchanges around the world. In South Africa this includes retailers like Mr Price and Woolworths, banks such as FNB and Standard Bank, and restaurants like Spur. Globally, large companies established in various markets are also listed, such as Nike, Microsoft, Booking.com and Walmart.

The majority of these companies sell to and service the public in some way, and are operating in the very same economies that are being ravaged. Additionally, their employees are being affected by the virus every day in the form of lockdowns, social distancing and the upheaval of families via death or contraction of the virus.

Yet if all this is true, how can these companies be thriving with share prices at all-time highs? The idea seems like an oxymoron, giving rise to the perception that equity markets are overvalued. But are they? The answer is not necessarily simple and goes back to the question of how to determine fair value.

## HOW DO WE VALUE A FINANCIAL ASSET?

One of the most relatable ways of understanding the fair value of financial assets is by examining the value of a property. For example, how much is your home worth to you? The answer often relates to the value of properties around you. However, you would also often adjust that value based on additions you have made to your property relative to your neigbours. This includes items such as pools, air-conditioning, a pizza oven etc. This is considered a relative valuation – the price of something relative to something similar.

You can do a similar assessment with companies and achieve a fair value for a share in a company (and thus the market). However, the key issue lies in finding companies that are as similar to each other as houses in a neighbourhood. Consider a company such as Apple – can you find a company that sells a similar range of products to compare to? Samsung may appear an obvious choice considering the competition between Apple and Samsung devices. However, consider that Samsung also sells an array of other products while Apple controls its own operating system, iOS, and you can see that making a relative valuation from a company perspective is difficult.

For this reason, investment professionals defer to a process known as the discounted cash flow (DCF) analysis, which attempts to find the present value of a future stream of cash flows. To understand what this means, consider the process in the context of your home again. If you had to rent your home to another family, what would the new value of your property be?

It is no longer just the value associated with selling the property in the future – you now have to consider the impact of a recurring stream of rent. If you have a fixed-term lease and plan to sell the property at the end of the lease, then you need to determine the value today of those cash flows, as well as the value, today, of selling the house at the end of the lease term.

The DCF analysis offers the ability to find the present value of future cash flows, thus providing a future value. Importantly, however, like any framework or formula, your inputs and assumptions are crucial to the output. In the case of DCF, the key variables that affect the value you would pay for a financial asset is the growth in cash flows over time and the final or terminal value. In the case of renting your home, the level of rent is crucial, as well as potential escalations in that rent and the final selling price for your house. The model is also malleable: you could add the risk that your renter may default on their rent, that there may be property damage that you would have to pay for, and so on. The list is truly endless.

You can think of a company like Apple in a similar way. Apple is not just worth its current stock of inventory, properties and equipment – its worth is also based on the company's ability to produce products and services that will be consumed in the future. To perform a discounted cash flow analysis, investors need to consider and forecast a variety of factors related to a company's prospects.

## HOWEVER, THERE ARE FOUR KEY LEVERS THAT DETERMINE A SIGNIFICANT PART OF A COMPANY'S VALUE, NAMELY:

1. Sales or revenue: how the company makes money

2. Margins: how much profit a company makes from US$1 of revenue

3. Reinvestment: how much the company needs to

invest in capital to fund the assets (such equipment or inventory) in order to generate revenue

4. The cost of capital: the return that you, as an investor, require from the business.

Understanding these factors and valuing that stream of cash flows into the future then allows us to determine the value of Apple and other stocks. But unlike our property example, it is crucial to understand that investment views differ widely, as it's challenging to predict future profit and cash flows.

For instance, what will Apple look like in 10 years? Will the iPhone still be popular? Will Apple have found a different growth lever to pull? Each analyst and portfolio manager will have their own opinion of a company's prospects and will thus determine their own value of a stock.

## ARE ALL EQUITIES EXPENSIVE?

If we try to incorporate our pandemic view into the framework for understanding company valuations, we can now determine whether we are in a bubble. Given the pandemic's effect on economies, we would expect revenue growth and margins to be down for major companies. However, significant stimulus has allowed those who are unemployed to continue to "earn" and spend despite the virus. It has also supported many companies that have received stimulus support directly, boosting both revenue and profits.

In addition, it is worth noting that companies and individuals have loans to pay. Just like a defaulting renter in your property, companies and individuals could default on their loans, which in turn would reduce the value of companies. This has mostly been avoided through more stimulus, as central banks around the world have lowered interest rates and thus reduced the interest burden on loans. In fact, interest rates are so low that those less affected by the pandemic (both companies and individuals) could lever up and take on more debt, providing even more capital to spend in the economy.

Ultimately then, simply because the market goes up, it does not mean that equities are overvalued (or in a bubble) – despite what the underlying economy is telling you. Although discussed briefly, it is clear that the environment for companies has been far more nuanced since the pandemic started given stimulus efforts by governments and central banks.

As long as equities are offering value at a particular price or level, the risk of a bubble is lessened. In the current environment, we believe that the market might see a correction, but we do not expect it would result in a wholesale crack across all stocks.

This nuance is crucial as the support provided is record-setting and is a vital offset to the extreme downside of the pandemic. So, while equities may seem like they're in a bubble, we believe that there is support for equity valuations at these levels, especially if we consider the development and roll-out of vaccines. We therefore don't expect a severe market crash – the kind that often follows an equity bubble. Rather, we expect equities to be supported in the near term.

Crucially, however, views on financial markets and particularly equities can shift quickly as events change on the ground. As a result, the framework explored above is an iterative and ongoing process.Thus, while we believe that equities will be supported in the near term, we do expect market volatility as investors grapple with the ever-changing global narrative.

# *Impact Investment and the growing shift toward meaningful finance in Africa.*

Allan Wood, Global Head of Business Development at Jersey Finance.


*The current global trend towards more meaningful, purpose-led investment – otherwise known as Impact Investing – has shown there are real opportunities for a stable, growing investment portfolio that also reflects your beliefs.*

In 2019, the Global Impact Investing Network estimated that the impact market was already at US$502 billion, but that this was going to increase significantly in the coming years. For international finance centres (IFCs), the shift towards sustainable finance and environmental, social and governance (ESG) investment has resulted in a growing interest from both financial institutions and high net worth individuals (HNWIs).

While sustainable finance is growing in global markets, when looking through the lens of investment in Africa, much of this capital is being invested through corporations and private equity investors who are interested in developing technology, healthcare and infrastructure.

Currently, the vast majority of transactions we see going into Africa are likely through private equity, but the private equity investors are asking the fund managers more about their impact and sustainable finance and the agenda within their prospectus. This is leading to more bespoke portfolios for individual clients. But within the rapidly evolving asset management industry, we must make sure they have the right products and services available for pure ESG portfolios.

We have noted an increase in such investment from HNWIs in Southern and West Africa, and a particularly good example is Nigeria's diaspora having a larger economic impact than the oil industry in that country. The diaspora wants to be a part of economic growth and job creation in their own country when investing, and there are billions of dollars returned into the country as a result.

A key concern for many investors worldwide is, of course, the potential risks of investing in the developing world. However, in the recently released report by Jersey Finance, '[South African Fund Managers: Trends in Fund Domiciliation and Capital Raising]', it was found that emerging markets are becoming increasingly more stable, and Western markets less so.

*The shifting geopolitics introduced by Brexit, Trumpism and now also, Covid-19 is reconfiguring Africa's place in the world and driving its rapid ascendency*

"The shifting geopolitics introduced by Brexit, Trumpism and now also, Covid-19 is reconfiguring Africa's place in the world and driving its rapid ascendency. One important consequence is that Brexit and Trumpism have brought home some inconvenient truths that political risk is not idiosyncratic to Africa and so-called 'emerging markets' but rather, that they are features of markets everywhere," the report reads.

Growing populations - Equally important findings emerged in Jersey Finance Value to Africa Report, where these opportunities were even more clearly outlined. Africa is still a young continent, whose peoples will make up almost a quarter of the world's population by 2040. Greater life expectancy is a challenge for African governments, but it is also a great opportunity: their fast-rising working-age populations will boost urbanisation and sustain economic growth. Capital Economics estimates that Africa's economy could grow by 5 % per year to 2040.

However, achieving such growth will require a surge in investment — US$85 trillion by 2040 – for infrastructure, machinery, buildings and homes. Some of that could come from domestic sources, though entrepreneurs and investors would need reassurance that they would be properly rewarded in a region where the rule of law is often weak. But these legislative gaps are shrinking, and the regulatory environment – derisking investment on the continent – is evolving quickly.

Modern OECD model international agreements – such as Double Taxation Agreement (DTAs) and Bilateral Investment Treaties (BITs) – provide multi-year certainty in terms of tax and investor treatment, which is critical for impact investors looking to deploy capital over the long term. As a forward-thinking jurisdiction, Jersey is looking to add to its list of existing international agreements and is currently negotiating new agreements in the Middle East and Africa to complement industry's appetite for exposure to opportunities in these exciting markets.

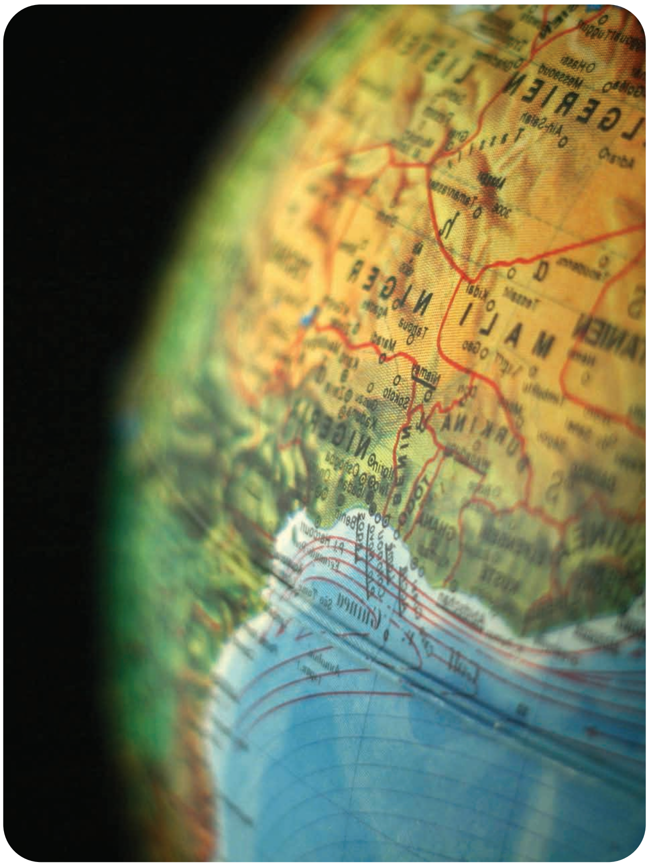
Meanwhile, research into HNWIs in Africa shows more and more that they are going to be critical to Africa's future. A recent report by Intellidex*, capital markets and financial services researchers, explained how while in the past this economic segment has been all but invisible, the number of dollar millionaires is growing exponentially.

In the next five years, an estimated 208,713 African HNWIs – with assets worth US$30 million or more – will be the key drivers of much of the economic growth on the continent, as they continue to develop their already sophisticated onshore and offshore investment capabilities.

Jersey Finance research has shown that capital raising and economic opportunities in Africa are substantial – and growing – particularly when it comes to sustainable finance and making impactful investment choices.

As part of its own commitment to impact investment, in January 2021 Jersey Finance will be launching its own sustainable investment initiative: Jersey for a Wilder World.

Established as a joint project between industry, government, Jersey Overseas Aid and the Durrell Wildlife Conservation Trust, which allows investors to directly contribute to Durrell's projects. Durrell's pioneering work in Madagascar, for example, has focused not on conservation and preserving endangered species from extinction, but poverty alleviation in local communities.



# Life insurers predict fraud and crime surges for 2020 and 2021

Craig Baker, CEO of MiWayLife

***Perhaps unsurprisingly, the life insurance industry has reported a rise in fraudulent claims during 2020, with other more sinister pandemic-related schemes likely to emerge in 2021.***

The year 2020 was a landmark year in many ways – mostly negative, as the COVID-19 pandemic and its financial fallout ravaged South Africa and the world. This includes the life insurance industry, who say that they've seen a significant rise in fraudulent claims during 2020, no doubt due to the year's widespread financial hardship for many. We have seen an increase in fraudulent claims, as has the entire life insurance industry. We generally experience this when people are under financial pressure but the level of upheaval related to COVID-19 will almost certainly increase the risk and we expect the final numbers to reveal an uptick in fraud for both the 2020 and 2021 years. Although the figures are not yet in for 2020 officially, the Association for Savings and Investment South Africa (ASISA) reported in December that South African life insurers detected 2 837 fraudulent and dishonest claims to the value of R537.1 million in 2019. This is likely to increase substantially for the 2020 year. 2020 can't be compared to 2019 in terms of life insurance numbers any more than 2020 can be compared to 2019 in other areas – it really was an absolutely unique year. I don't think we can read too much into the statistics as official 2020 figures are not yet in and 2019 was so different to 2020.

What we can look to is what we know of human behaviour. When times are hard and people are financially strained, they tend to push boundaries and bend the rules a little more than normal. The life insurance industry sees, time and again, that fraud increases when employment decreases and the economy is stretched. People are under financial pressure and this generally manifests in some chance taking.

Unfortunately, this likely means things will stay the same before they get better. Unfortunately, the financial strain caused by COVID-19 is still with us, for now. This means that fraudulent claims are likely to go up further in 2021 as we see the longtail effects of the economic strain ripple through the market.

We are also bracing for increased activity of syndicates in this space who will use the fact that there have been an increased number of deaths in 2020 as an opportunity to create fraudulent schemes through which they attempt to claim benefits. The dubiously good news here is that fraud, forgery, and other typical criminal and syndicate-related activity must, under the Prevention and Combatting of Corrupt Activities Act, be reported to the authorities for priority crime investigations.

Regardless of the fraud (which is generally perpetrated by a small group in the overall scheme of things) one of the most important takeaways from 2020 – with 2021 potentially another hard one coming – is the need for life insurance. 2020 has taught us that lives get disrupted, that we are vulnerable. Many have suffered job losses, loss of health or of loved ones and this really reemphasises the need for standalone life cover. This is the protection required when you change or leave jobs or get sick and provides peace of mind that, should something happen to you or your loved ones, you will all be taken care of. **So, if there are any lessons to learn from 2020, it is to have your protection in place for unexpected circumstances. It is the security that gets us through the uncertain periods.**

# Retirement planning in 2021

By: Fareeya Adam, head of retail product solutions at Momentum Investments

*Saving for retirement is about being able to pay yourself a 'salary' or a regular income when you decide to stop working.*

## THERE ARE A FEW PRINCIPLES TO THINK ABOUT:

The more you save and invest for retirement and the longer you save and stay invested, the more you will be able to 'earn' during your retirement. Investment growth and tax efficiency can potentially help your savings grow faster and increase your income in retirement.

The lump sum that you accumulate must be considered in terms of the income level that it can buy. Retirement annuities have traditionally been a popular choice because of their tax efficiency. Contributions are tax deductible, the growth during the pre-retirement period is tax-free, and a client only pays tax on the lump sum and income received at and after retirement.

This tax efficiency is likely to continue to be very valuable in retirement planning. But you should also consider other factors, particularly access to the savings, as you can only access the money in a retirement annuity after age 55.

## CLIENT CONCERNS

Many clients who had put savings into a retirement annuity panicked when COVID-19 hit. But this type of panic often causes poor decisions because they are usually based on emotion. Saving and investing for retirement is a long-term commitment, and it is important to stay the course and stay invested. For retirement fund members who still have a few years before they retire, there is usually enough time to recover value and no need to make impulsive decisions.

Another concern among clients is the prospect of prescribed assets. Government has given assurances that they will not force retirement funds to invest in a particular way. It is important to remember that investing in well-managed infrastructure projects could provide good long-term returns for clients in retirement funds and some diversification benefits. Asset managers and industry experts will objectively assess any opportunity before offering it to clients. This is one of the benefits of investing with trustworthy partners.

## OTHER TAX-EFFICIENT OPTIONS

2020 taught us about unpredictability, volatility and change. And the importance of emergency funding. In this context, tax-free savings vehicles could be a valuable option to supplement retirement savings. There is no tax deductibility of contributions, but the growth is free of any South African tax. The savings can be withdrawn at any time, with no tax payable. However, the longer you save in a tax-free vehicle, the higher the tax-free growth can be, but it also allows clients access to the money if they really need it.

## ONGOING RETIREMENT PLANNING

Retirement planning is not a once-off exercise, and clients need to keep the end goal in mind. The underlying investment determines the growth potential and has a significant effect on how much a client can eventually earn during retirement. Early on, growth asset classes are usually most suitable but closer to retirement, clients may want more volatility protection. Understanding the different income options available at retirement will help to plan better. Success in retirement is being able to receive an income that maintains its real value for the rest of a client's life and remains sufficient to cover their living expenses. With the right planning and the right partners, this can be a reality.

As a financial adviser, you know that nothing is more personal than your clients' investments. They put their hopes and dreams on the line. And it doesn't get more personal than that. It's our priority to understand your advice process that helps you understand your clients' unique hopes, fears and ambitions. Momentum Investments offers retirement annuities and tax-free savings vehicles with a wide range of investment components to meet the needs of all clients throughout the retirement savings journey. Our retirement income solutions offer the complete range of options from fully guaranteed life annuities to flexible living annuities to provide income after retirement. Together, we can meet the personal retirement goals of South Africans.

***With our expertise and unique outcome-based approach to investing, we can help you and your clients achieve their personal investment goals.***

***Outcome-based investing targets a pre-agreed return over a chosen period to help make your client's goal as achievable as possible. Because with us, investing is personal.***

# The Miracle of PPE

Natmed Medical Defence

*Personal protective equipment (PPE) was originally designed to protect against the chemical warfare of World War One; the first respirator is thought to have been developed by the forward-thinking Leonardo da Vinci, as early as the 16th Century, to protect the wearer from inhaling harmful dust and chemicals.*

How grateful the medical profession can be, today, for the health-protective advances that have been made since. Healthcare workers are bravely providing healthcare services during these difficult times – whether they are a doctor, nurse or allied healthcare worker, such as a physiotherapist, they continue providing care and saving lives, even when their own life is under threat. The COVID-19 pandemic has been akin to a war zone in that regard.

But an article in *Health & Safety Middle East* reveals that those striving to provide medical care, anywhere in the world, whether – for example, a burns specialist now administering vaccine jabs (or any other about-turn that has been made in speciality versus current occupation) – have a great deal in their favour, specifically the level of personal protective equipment (PPE) currently available, which should ideally be "selected correctly for the type of hazard that a [healthcare] worker is likely to encounter". A piece from C le Roux and A Dramowski, appearing in the *South African Medical Journal* – "Personal protective equipment (PPE) in a pandemic: Approaches to PPE preservation for South African healthcare facilities" – advises that PPE is key to protecting healthcare workers from COVID-19 infection. However, the pandemic itself has disrupted supply chains globally and necessitated rapid review of the scientific evidence for PPE re-use.

Corruption in the procurement and disruption in the supply chain have led to severe shortages of PPE in some healthcare facilities, and therefore alternatives may be required. Other articles in the *South African Medical Journal* (van Wyk et al) suggest that modified full-face snorkels can be used as PPE. Le Roux and Dramowski make further suggestions, such as restricted use, extended use, use of alternatives or emergency replacement PPE, as well as procurement of re-usable PPE.

The authors write that in South Africa, where the COVID-19 epidemic was still developing (at the time, in April 2020, we had just hit our first pandemic wave, and now we are hopefully emerging from wave number 2), "healthcare facilities have [been afforded] a short window of opportunity to improve PPE supply chains, train staff on prudent PPE use, and devise plans to track and manage the inevitable increases in PPE demand". The Department of Health's guidelines from May 2020 suggest that using PPE for an extended period of time may be preferable to reprocessing, because preparing PPE for re-use is expensive and the integrity of reprocessed PPE cannot

*Corruption in the procurement and disruption in the supply chain have led to severe shortages of PPE in some healthcare facilities, and therefore alternatives may be required.*

be guaranteed. Locally, workers and unions note that it would be a missed opportunity if the local market's production was not ramped up, especially in these dire times. Now, some months down the line, where healthcare workers are beyond exhausted and this pandemic keeps throwing waves of virus mutation upon us, it is worth examining the legal responsibility behind PPE supply.

While you can read an entire article in the *British Medical Journal* devoted to this subject, the question most of us want answered is: how should the authorities balance, in the future, the needs of patients with the safety of medical staff?

According to John Coutts, policy adviser for governance at NHS Providers, medical authorities and hospital directors are "facing duties that are pulling in potentially different directions". He advises that in the UK, as just one example, these entities are facing "both a duty ocare to employees and a duty of care to patients under their organisation's care, to whom they must provide appropriate treatment for the patient's condition, which might mean asking staff to do things that in other circumstances they would avoid... The job for [hospital] directors is to think long and hard about what the balance of these two duties is; [and] to manage and mitigate risks accordingly," he concludes.

However, healthcare professionals should advocate for PPE if they are not receiving adequate supplies, because workers are entitled to a safe working environment – as far as this can be achieved under the circumstances.

And professionals running private practices should ensure that their employees are suitably equipped and have the necessary PPE – which is reiterated in the HPCSA COVID-19 guidelines. For medico-legal advice on preferable PPE use in South Africa, within your specific medical speciality, please go to: https://medicaldefence.mobi/

# The most effective tax decisions to protect your clients estate

David Thomson, Senior Legal Advisor from Sanlam Trust

*Whether your client inherits cash, investments, or property, as their financial planner it is your responsibility to advise them of the best way to protect their estate, especially from the taxman, explains that as a financial planner you are responsible for asking the right questions, putting the best options forward to your client and ensuring you are aware of any tax and regulatory changes that could affect them.*

The COVID-19 pandemic and lockdown has resulted in thousands of job losses due to retrenchments as well as the collapse of many businesses, so clients need good advice now more than ever.

More than 70% of working South Africans also do not have a will which compounds the confusion and uncertainty brought about by lockdown. For many people, their life expectancy has been cut tragically short due to COVID-19.

Putting off executing a will and engaging in estate planning is short-sighted. Every day we hear of people who have passed away due to COVID-19 which significantly aggravates the situation for those who are already vulnerable, in poor health, obese or with so-called 'co-morbidities'. The time to act is now.

**TOP 10 QUESTIONS FINANCIAL PLANNERS SHOULD BE ASKING THEIR CLIENTS TO ESTABLISH HOW TO STRUCTURE THEIR ESTATE IN THE MOST EFFECTIVE MANNER.**

- Are they married and if so, is it in community of property or not? Or, if they are recently divorced, have they changed their will and beneficiary nominations on all policies to reflect their current needs and wants?
- Do they have children and other dependants who rely on them for financial support and have they considered guardians for their minor children if they have any?
- Ask your client for a copy of their last will and testament. If no will exists, do nothing before you have prepared a will for them. Failure to have a will means failure to plan from day one.
- Have they considered a trust for special needs or disabled beneficiaries?
- Have they considered whether they have enough liquidity at date of death to ensure the proper finalisation of their will?
- What is their taxable income and income tax rate?
- What are their total assets and debt (both long term and short-term debt)? You must also obtain their insurance portfolio and beneficiary nominations.
- Are they a member of a retirement fund? Acquire the details of the type of fund and the benefits in monetary terms. Ensure that your client's nomination forms up to date as their circumstances might have changed. It is also vital to understand when they intend to retire and what will they need as far as income is concerned at that time.
- Are they planning to emigrate?
- Engage your client on their lifestyle and attitude towards tax. You may be surprised to find that many people do not want to structure their lives around tax and prefer to maximise what appeals to them, regarding tax as a necessary evil. For example, some people regard having a family trust as an administrative burden and offshore trusts as very expensive.

Retirement funds, which include pension, provident and preservation funds, all provide tax-exempt 'roll-up' which means taxpayers enjoy tax-exempt growth in their portfolio and have the right to deduct certain contributions for tax purposes. Endowment plans also provide tax-exempt proceeds on the maturity of the investment. The best way to protect your clients from the taxman is to ensure that they file their tax return on time, thereby avoiding penalties and interest. As a financial planner, you also must be aware of any tax and regulatory changes which could affect your client's estate. Considering the fiscal shortfall the government of South Africa finds itself in, there may possibly be an increase this year in the rates of estate duty, donations tax and capital gains tax as recommended by the Davis Tax Commission. We anxiously await the Minister's 'budget speech' in February.

Effective tax decisions must give rise to effective estate planning- which means that your client's estate actually passes to the people they want to benefit and not into a structure that their heirs find costly and burdensome.

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# *Integrating ESG factors in the investment strategies of institutional investors*

Giles White, Elodie Maume, Madelein Burger, Zelda Swanepoel, Kent Davis from Webber Wentzel

*A draft revision of the Code for Responsible Investment in South Africa (CRISA) to align it with advances in regulation and governance of ESG issues, has been published for comment*

The need to integrate Environmental, Social and Governance (ESG) issues in the corporate decision-making process has made headlines all over the world. More active engagement with ESG issues, particularly by institutional investors, is also emerging domestically, with the revision of the Code for Responsible Investment in South Africa (CRISA or Code).

CRISA was originally launched in 2011 in response to the King III Report on Corporate Governance South Africa which was issued in 2009. King III and its predecessors provided a governance framework for companies and their boards but did not include institutional investors. To fill that gap, the IoDSA set up the CRISA Committee to develop a stand-alone code for institutional investors.

CRISA is a voluntary code that encourages institutional investors and service providers to integrate sustainability issues, including ESG, in their investment decisions. CRISA applies to institutional investors as asset owners (such as pension funds and insurance companies) and service providers of institutional investors (such as asset and fund managers and consultants).

Certain categories of investors, such as insurers, are already required by local regulation to take these issues into account for specific purposes. For example, while insurers are not currently required by regulation to take into account ESG factors when making portfolio selections, Prudential Standards promulgated under the Insurance Act 2017 require them to do so when valuing their assets for regulatory solvency purposes.

Since CRISA's launch, significant advances have been made locally and globally in the regulatory and governance context as it relates to ESG so the CRISA Committee decided to revise the Code to align it with these developments. The main objective of the revision is to position CRISA as a custodian of governance for the South African investment community.

In November, the CRISA Committee released a draft revised CRISA Code for public comment. Consultation is open until 31 January 2021, with the goal of launching a new Code by the end of the first quarter of 2021. The draft revised Code retains similar core concepts to the 2011 version, but there are some changes to bring it in line with global and local developments. In addition to its five revised principles, the draft proposes practice recommendations focused on implementation to support action, and reporting to promote transparency.

The draft revised Code comes at a time of increasing societal concern about ESG issues and public pressure on all key players in the corporate ecosystem to take these issues seriously. The current re-evaluation of the purpose of companies and the shift in their focus from solely looking to maximise shareholder value (given strong momentum in the public arena by the Covid-19 pandemic) sits at the heart of the increased importance of ESG issues for corporates and investors.

Of course, the challenge remains that directors are required, under our law, to focus on the best interests of the company (interpreted by the courts as meaning the best interests of shareholders as a whole). However, it may well be that weighing up the interests of a wider group of stakeholders is today perceived as acting in the best interests of shareholders. In addition, when it comes to investors, they in turn owe a duty to act in the best interest of their own members / asset owners and not to the investee entity and can therefore make decisions (including regarding the voting of their shares) with ESG issues at the forefront of their minds (especially if investors make decisions to invest in an investee based on its stated approach to ESG issues).

## PURPOSEFUL ENGAGEMENT AND VOTING TO CREATE LONG-TERM VALUE

CRISA encourages investment organisations to discharge their stewardship duties diligently. The concept of stewardship is borrowed from the UK Stewardship Code 2020 issued by the Financial Reporting Council (a statutory body).

For the purposes of CRISA, diligently discharging stewardship duties means managing and overseeing investments with a view to creating long-term value for the economy, the environment and society as part of the delivery of superior risk-adjusted returns to clients and beneficiaries.

CRISA suggests that investment organisations will achieve this through engaging with investee companies and exercising their voting rights. We note that this may also be achieved by the initial decision as to which entities to invest in or the later decision which to divest from.

Investment organisations should disclose their policies on engagement, escalation of concerns and voting or the issuance of proxies. They should also publish their full voting records (or a link to voting records), together with the reasoning behind their voting decisions, if these were in conflict with their policies.

They should disclose the nature and number of their engagements on ESG and broader sustainable development concerns relative to the total number of engagements, with a breakdown by topic. The outcomes of these engagements should also be explained.

## COLLABORATION WITH STAKEHOLDERS

CRISA encourages collaboration among various actors along the investment value chain, such as regulators, shareholders, service providers, investees and beneficiaries as well as industry bodies. This collaboration should be directed towards building capacity and skills within each organisation and the broader industry to enhance the identification and management of ESG and broader sustainable development issues, particularly those with market-wide implications.

## CORPORATE GOVERNANCE

Although CRISA is a stand-alone code, it should be applied with the principles of corporate governance of the King IV Report on Corporate Governance 2016 in mind. CRISA recommends that the boards of investment organisations put in place sound governance structures and processes to enable oversight of, and accountability for, their investment activities.

## BROADER APPLICATION TO ALL ASSET CLASSES

The principles of CRISA will apply across all asset classes, investment styles and types of investment organisations to promote the application of the principles beyond listed equities to additional asset classes. This includes, for example, fixed income bonds, real estate or infrastructure investments.

## "APPLY AND EXPLAIN" DISCLOSURE REGIME

It is proposed that the disclosure regime in CRISA (currently "apply or explain") be aligned with that of the King IV ("apply and explain"). Interestingly, "apply and explain" is also adopted by the UK Stewardship Code. Institutional investors will therefore need to disclose in a report how they implemented the principles and practices of CRISA and, where applicable, how they adapted these to scale application of practices on a proportionate basis. CRISA recommends that the report be made public as far as possible to ensure it is readily accessible to stakeholders.

## SUCCESS OF CRISA IN THE BALANCE

The revised Code will remain voluntary. In addition, unlike the UK Stewardship Code, there is no mechanism to become a formal signatory to CRISA.

The CRISA Committee proposes in its consultation paper to conduct an organisational review process to explore how best to position the revised CRISA Code for success through optimal effectiveness in application.

***This process will include the development of an organisational model to establish CRISA as the body that would serve as the custodian of CRISA, as well as to consider potential monitoring approaches to enable oversight of implementation.***

***For the consultation document and draft revised Code please visit www.iodsa.co.za***

# SHORT-TERM

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www.fishgate.co.za_NS_11102

# Allianz Risk Barometer 2021

Allianz financial services


## COVID-19 TRIO TOPS AFRICA AND GLOBAL BUSINESS RISKS

- 10th Allianz survey: Business interruption, Pandemic outbreak and Cyber incidents are the top three business risks for 2021 – all strongly interlinked.
- Pandemic outbreak, Business interruption and Cyber incidents are the top three business risks in Africa.
- Pandemic outbreak rockets to #2 from #17 and is seen as main cause of business interruption in 2021, followed by cyber. Companies look to de-risk supply chains and boost business continuity management for extreme events.
- Market developments (#4), macroeconomic developments (#8) and political violence (#10) all rising risks. Socioeconomic consequences of the pandemic will bring more insolvencies and likely fuel further civil unrest in 2021. Climate change falls to #9 but will be back on the board agenda as a priority in 2021.

A trio of Covid-19 related risks heads up the 10th Allianz Risk Barometer 2021, reflecting potential disruption and loss scenarios companies are facing in the wake of the coronavirus pandemic. Business interruption (#1 with 41% responses) and Pandemic outbreak (#2 with 40%) are this year's top business risks with Cyber incidents (#3 with 40%) ranking a close third. The annual survey on global business risks from Allianz Global Corporate & Specialty (AGCS) incorporates the views of 2,769 experts in 92 countries and territories, including CEOs, risk managers, brokers and insurance experts.

"The Allianz Risk Barometer 2021 is clearly dominated by the Covid-19 trio of risks. Business interruption, pandemic and cyber are strongly interlinked, demonstrating the growing vulnerabilities of our highly globalized and connected world," says Joachim Müller, CEO of AGCS. "The coronavirus pandemic is a reminder that risk management and business continuity management need to further evolve in order to help businesses prepare for, and survive, extreme events. While the pandemic continues to have a firm grip on countries around the world, we also have to ready ourselves for more frequent extreme scenarios, such as a global-scale cloud outage or cyber-attack, natural disasters driven by climate change or even another disease outbreak."

The Covid-19 crisis continues to represent an immediate threat to both individual safety and businesses, reflecting why pandemic outbreak has rocketed 15 positions up to #2 in the rankings at the expense of other risks. Prior to 2021, it had never finished higher than #16 in 10 years of the Allianz Risk Barometer, a clearly underestimated risk. However, in 2021, it's the number one risk in 16 countries and among the three biggest risks across all continents and in 35 out of the 38 countries which qualify for a top 10 risks analysis. Japan, South Korea and Ghana are the only exceptions.

**Market developments** (#4 with 19%) also climbs up the Allianz Risk Barometer 2021, reflecting the risk of rising insolvency rates following the pandemic. According to Euler Hermes, the bulk of insolvencies will come in 2021. The trade credit insurer's global insolvency index is expected to hit a record high for bankruptcies, up 35% by the end of 2021, with top increases expected in the US, Brazil, China and core European countries. Further, Covid-19 will likely spark a period of innovation and market disruption, accelerating the adoption of technology, hastening the demise of incumbents and traditional sectors and giving rise to new competitors. Other risers include Macroeconomic developments (#8 with 13%) and Political risks and violence (#10 with 11%) which are, in large part, a consequence of the coronavirus outbreak, too. Fallers in this year's survey include Changes in legislation and regulation (#5 with 19%), Natural catastrophes (#6 with 17%), Fire/explosion (#7 with 16%), and Climate change (#9 with 13%), all clearly superseded by pandemic concerns.

## TOP BUSINESS RISKS IN AFRICA

The top risks which concern businesses the most in Africa are Pandemic Outbreak (#1 with 36% or responses), Business interruption (moves from #1 to #2 with 36%) and Cyber incidents is now at #3 from #2 last year. The three risks also feature prominently in South Africa, Nigeria, Ghana, Kenya, Senegal, Ivory Coast, Morocco and Cameroon.

## PANDEMIC DRIVES DISRUPTION: NOW AND IN FUTURE

Prior to the Covid-19 outbreak, Business interruption (BI) had already finished at the top of the Allianz Risk Barometer seven times and it returns to the top spot after being replaced by cyber incidents in 2020. The pandemic shows that extreme global-scale BI events are not just theoretical, but a real possibility, causing loss of revenues and disruption to production, operations and supply chains. 59% of respondents highlight the pandemic as the main cause of BI in 2021, followed by Cyber incidents (46%) and Natural catastrophes and Fire and explosion (around 30% each).

The pandemic is adding to the growing list of non-physical damage BI scenarios such as cyber or power blackouts. "The consequences of the pandemic – wider digitalization, more remote working and the growing reliance on technology of businesses and societies – will likely heighten BI risks in coming years," explains Philip Beblo, expert in AGCS's global Property underwriting team.

"However, traditional physical risks will not disappear and must remain on the risk management agenda. Natural catastrophes, extreme weather or fire remain the main causes of BI for many industries and we continue to see a trend for larger losses over time." In response to heightened BI vulnerabilities, many companies are aiming to build more resilient operations and to de-risk their supply chains. According to Allianz Risk Barometer respondents, improving business continuity management is the main action companies are taking (62%), followed by developing alternative or multiple suppliers (45%), investing in digital supply chains (32%) and improved supplier selection and auditing (31%). According to AGCS experts, many companies found their plans where quickly overwhelmed by the pace of the pandemic. Business continuity planning needs to become more holistic, cross-functional, and dynamic, monitor and measure emerging or extreme loss scenarios, be constantly updated and tested and embedded into an organization's strategy.

## CYBER PERILS INTENSIFY

Cyber incidents may have slipped to #3 but it remains a key peril with more respondents than in 2020 and still ranking as a top three risk in many countries, including Brazil, France, Germany, India, Italy, Japan, South Africa, Spain, UK and the US. The acceleration towards greater digitalization and remote working driven by the pandemic is also further intensifying IT vulnerabilities. At the peak of the first wave of lockdowns in April 2020, the FBI reported a 300% increase in incidents alone, while cyber crime is now estimated to cost the global economy over $1trn, up 50% from two years ago. Already high in frequency, ransomware incidents are becoming more damaging, increasingly targeting large companies with sophisticated attacks and hefty extortion demands, as highlighted in the recent AGCS cyber risk trends report.

"Covid-19 has shown how quickly cybercriminals are able to adapt and the digitalization surge driven by the pandemic has created opportunities for intrusions with new cyber loss scenarios constantly emerging," says Catharina Richter, Global Head of the Allianz Cyber Center of Competence at AGCS. "Attackers are innovating using automated scanning to identify security gaps, attacking poorly secured routers or even using 'deepfakes' – realistic media content modified or falsified by artificial intelligence. At the same time, data protection and privacy regulation and fines for data breaches continue their upward trend."

## RISERS AND FALLERS

**Macroeconomic developments** maintains its forth rank in Africa. Globally, it is up to #8 and Political risks and violence (#10) returns to the top 10 for the first time since 2018 and moves up from #9 to #6 in Africa, reflecting the fact that civil unrest, protests and riots now challenge terrorism as the main exposure for companies. The number, scale and duration of many recent events, including End SARS, Black Lives Matter protests, anti-lockdown demonstrations and unrest around the US presidential election, have been exceptional. As the socioeconomic fallout from Covid-19 mounts, further political and social unrest is likely, with many countries expected to experience an increase in activity in 2021 and beyond, particularly in Europe and the Americas.

**Changes in legislation and regulation** drops from #3 to #5 and from #3 to #8 in Africa year-on-year. "The pandemic may have caused some delays of the regulatory train, but it did not stop or even derail it. Quite the opposite, 2021 promises to become a very busy year in terms of new legislation and regulation, particularly in the areas of data and sustainability," predicts Ludovic Subran, Chief Economist at Allianz. Natural catastrophes falls to #6 from #4, reflecting the fact that although aggregated losses from multiple smaller events such as wildfires or tornadoes still led to widespread devastation and considerable insured losses in 2020, it was also the third consecutive year without a single large event, such as Hurricane Harvey in 2017. **Climate change** also falls to #9. However, the need to combat climate change remains as high as ever, given 2020 was the joint hottest year ever recorded. "With the vaccination campaign coming into effect, climate change will be back on the board agenda as a priority in 2021," says Michael Bruch, Global Head of ESG at AGCS. "Many companies need to adjust their business for a low-carbon world – and risk managers need to be at the forefront of this transition."

# The Ransomware Epidemic

Zamani Ngidi, Client Manager: Cyber Solutions at Aon South Africa

*Ransomware is, by multiple measures, the top cyber threat facing businesses today, with damages caused including downtime costs and recovery time.*

## CURRENT INCIDENT STATISTICS ARE SOBERING:

- Every eleven seconds[1], a company will be hit by a ransomware attack in 2021.
- The average ransom demand in 2020 was $178,000[2] (R2.7mil)
- The largest 2020 ransomware demand[3] made to French construction firm, Bouygues was €10mil(R150m).
- Predicted damages from ransomware are expected to be $20 billion (R600bn) in 2021[4].

## WHAT IS RANSOMWARE?

In a ransomware attack, threat actors gain unauthorised access to company networks and files using malicious software or malware. After gaining access, these cybercriminals encrypt files making them inaccessible, and demand a ransom payment in cryptocurrency in exchange for the digital key code(s) to decrypt the files.

Ransomware attacks have become more advanced in their approach, including pre-emptive measures intended to coerce ransom payment such as targeting and destroying data backups to prevent restoration, and stealing data prior to encryption with the threat of public release. This leaves many victims with the difficult choice of either permanent loss of data and extended business disruption or paying a ransom to regain access and restore operations.

## THE PAYMENT CONUNDRUM

The South African Cybercrimes and Cybersecurity Bill (B6–2017) criminalises cyber extortion in section 10 of the bill. But at present the legal route is often a lengthy one which most companies do not have the time to venture down, explaining why many ransomware victims opt to pay the ransom to recover critical files or restore the operation of critical systems.

For most victimised entities, their decision to pay the ransom is based on whether it makes business sense to do so and, if so, how to both engage with the threat actor to negotiate and navigate the often-unfamiliar cryptocurrency landscape to facilitate payment. Post-payment, the most difficult issue facing a victimised entity is the time-consuming and technically taxing decryption

process. At present, many ransomware victims handle aspects of the incident response investigation themselves, including root-cause analysis of the incident, the scope of the intrusion and restoration of the business.

The inherent challenge that comes with handling such a matter internally, is taking up a responsibility that the team may not be adequately equipped or sufficiently experienced to handle, which is why transferring that risk to an experienced cyber risk expert is crucial to save on time and costs.

### RISK MITIGATION STRATEGIES

At its core, cybercrime is committed by sophisticated and motivated threat actors, who are actively trying to gain access for financial gain. Better protection inherently translates into sensitive, ergo valuable, information being guarded, which could be leveraged against a company during a ransomware attack. The recent SolarWinds debacle[5] highlights the fact that billions of Rands of IT security can be undermined by one weak entry point, an example of the ingenuity of criminal attackers and their methods to obtain access.

### AON OFFERS SEVEN TIPS TO HELP MITIGATE THE RISK OF FALLING VICTIM TO RANSOMWARE AND BETTER PREPARE FOR A RANSOMWARE INCIDENT:

- **Be proactive –** Being victimised by ransomware is a jarring experience. It tests an organisation's emotional responses to crisis, escalation procedures, technical prowess, business continuity preparedness and communication skills. Ensure that the Incident Response (IR) Plan/Playbooks, and/ or Business Continuity Plan/Disaster Recovery Plan has been recently assessed, reviewed, and updated. But, most important, these plans and playbooks must be tested through simulated practice across realistic scenarios to help improve resilience.

- **Educate employees on cyber security and phishing awareness –** Phishing is still a leading cause of unauthorised access to a corporate network, including being the entry point for ransomware attacks. Training users to not only spot a phishing email, but to also report the email to their internal cyber security team is a critical step in detecting a ransomware attack. Phishing awareness is a critical cornerstone to such a cyber secure culture.

- **Employ multi-factor or "two-step" authentication –** Multi-factor authentication (e.g. a password – something employees know, plus an authentication key – something employees have) across all forms of login and access to email, remote desktops, external-facing or cloud-based systems and networks (e.g., payroll, time-tracing, client engagement) should be a requirement for all users. Multi-factor access controls can be even more effective if coupled with the use of virtual private network (VPN) interaction.

- **Keep systems patched and up-to-date –** The rudimentary cyber hygiene activity of system updates and patching often falls by the wayside, especially as operations and security teams are stretched, systems and endpoints age and move towards legacy status, and new systems, hardware, and applications are introduced as businesses grow, mature, merge and divest. Attackers can identify a vulnerable system with a simple scan of the Internet using free tools, looking for exploitable systems on which to unleash ransomware and other cyberattacks.

- **Install and properly configure endpoint detection and response tools –** Tools that focus on endpoint detection and response can help decrease the risk of a ransomware attack and are useful as part of incident investigation and response. Properly configured security tools give a much greater chance of detecting, alerting on, and blocking threat actor behaviour.

- **Design your networks, systems and backups to reduce the impact of ransomware –** Ensure your privileged accounts are strictly controlled. Segment your network to reduce the spread of adversaries or malware. Have strong logging and alerting in place for better detection and evidence in the event of incident response. Having a technical security strategy that is informed by industry experts that know the latest attacks and adversary trends is important, as is the use of continuous threat intelligence monitoring in open source and on the dark web.

- **Pre-arrange your third-party response team –** An effective ransomware response will often include all or some third-party expertise across the disciplines of forensic incident response, legal counsel, crisis communications and ransom negotiation and payment. As time is of the essence, it is critical to pre-vet and pre-engage a team of professionals to monitor and be ready to respond to a ransomware attack when it happens.

While the complete risk of ransomware is unlikely to be fully mitigated when considering your brand's reputation and goodwill as well as legal repercussions, it is crucial for organisations to consider risk transfer options by obtaining appropriate cyber insurance coverage. In doing so, organisations should review how coverage addresses indemnification for financial loss, business interruption, fees and expenses associated with the ransom and incident response, as well as considerations for service providers, such as the ability to work with incident response providers of choice. The process is best undertaken with the aid of an expert broker to address every eventuality in its entirety. Mactavish commissioned the research company Consumer Intelligence to survey 218 business owners and business managers on cyber threats and cyber insurance. The research was conducted online between 14th and 15th January 2020.

AON

# *Dramatic increase in cyber attacks on businesses*

Mactavish, a specialist outsourced insurance buyer and claims resolution business

*New research (1) from Mactavish, a specialist outsourced insurance buyer and claims resolution business, reveals that 21% of businesses say they have suffered a cyber related loss in the last three years, and just over two thirds (69%) say this happened in the past 12 months.*

- 69% of those who have suffered a loss claim that it was significant or very significant to their business
- 41% say that the level of cyber threats their business faces has increased since the pandemic
- 67% say they are more worried about cyber losses than they were three years ago
- Mactavish has previously warned of flaws in cyber insurance that undermine cover and may leave policyholders exposed

Mactavish has previously warned that several specialist cyber insurance policies have flaws and won't necessarily provide the cover businesses are looking for. Research conducted at the end of 2019 identified eight key weaknesses in many cyber insurance policies, including cover being limited to events triggered by attacks or unauthorised activity – excluding cover for losses caused by accidental errors or omissions.

Another flaw is that several policies provide limited cover for data breach costs e.g., covering costs that the business is legally required to incur as opposed to the much greater costs incurred in practice.

Mactavish's research found that 41% of businesses interviewed claim that since the Coronavirus crisis started, the level of potential cyber-attacks they are facing has increased.

Of those businesses interviewed who have suffered a cyber-attack in the past three years, 69% said its impact was significant or very significant.

Some 67% of managers and senior executives interviewed are now more worried about cyber attacks than they were three years ago.

In terms of what types of cyber-attacks businesses say they have experienced over the past three years, 56% say they have received email-based scams, followed by 31% who say they have been targeted with malware, and 11% with potential data theft.

| Cyber-related attacks | Percentage of businesses interviewed who say they have experienced this type of attack over the past three years |
|---|---|
| Email-based scams | 56% |
| Malware | 31% |
| Data theft | 11% |
| Insider attacks | 9% |
| Ransomware | 8% |

Bruce Hepburn, CEO, Mactavish said: "Our research findings are very alarming as they show that cyber-attacks are a very real and growing threat facing businesses. The impact of these can be very significant, making it all the more important that employers have adequate insurance cover against these.

"We conducted very detailed research into the construction of cyber policies at the end of 2019 and found that many had major flaws that seriously undermined the cover they offered.

From what we see in our day-to-day work, some of these are still prevalent. This an area that firms should think very carefully about – an off the shelf product simply may not deliver the protection they are seeking.

**(1) Mactavish commissioned the research company Consumer Intelligence to survey 218 business owners and business managers on cyber threats and cyber insurance. The research was conducted online between 14th and 15th January 2020."**

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# Top cybersecurity challenges for 2021

Cybersecurity expert and J2 CEO John Mc Loughlin

*Digitalisation is impacting nearly every single aspect of our lives. There is not only a rapid adoption of machine learning and artificial intelligence tools, but everyone is becoming more dependent on software, hardware and cloud infrastructure.*

The complexity of digitalisation means increased threats and more challenges including cyberattacks on critical infrastructure. Ransomware attacks on healthcare systems, critical processes and public services such as electricity are prime targets. Business leaders need to acknowledge that cybersecurity is a national security priority. They will only be secure if they incorporate cybersecurity features, principles and frameworks.
In today's complex and distributed business environment, one needs to adapt to combat silent attackers that are technically savvy. In order to achieve this, businesses will have to act quickly and develop policies and offer training on a large scale.

## REGULATIONS

Cyberattacks have no borders, businesses need to adhere to a growing number and increasingly complex system of regulations and rules, such as the Protection of Personal Information Act 4 of 2013 (POPIA) and the General Data Protection Regulations (GDPR). Whilst trying to comply with all these complex legislations, rules and regulations, companies still have to defend and protect against cyberattacks. Although these are essential, they can also be costly and create fragmented and conflicting priorities. Policymakers need to understand that various regulations have similar intent and that various policies add complexity. It makes it difficult for businesses to comply with all rules and regulations, adding more complexity to cybersecurity and data protection. Policies must help increase protection but also reduce regulatory complexity.

## DIGITAL ECOSYSTEM

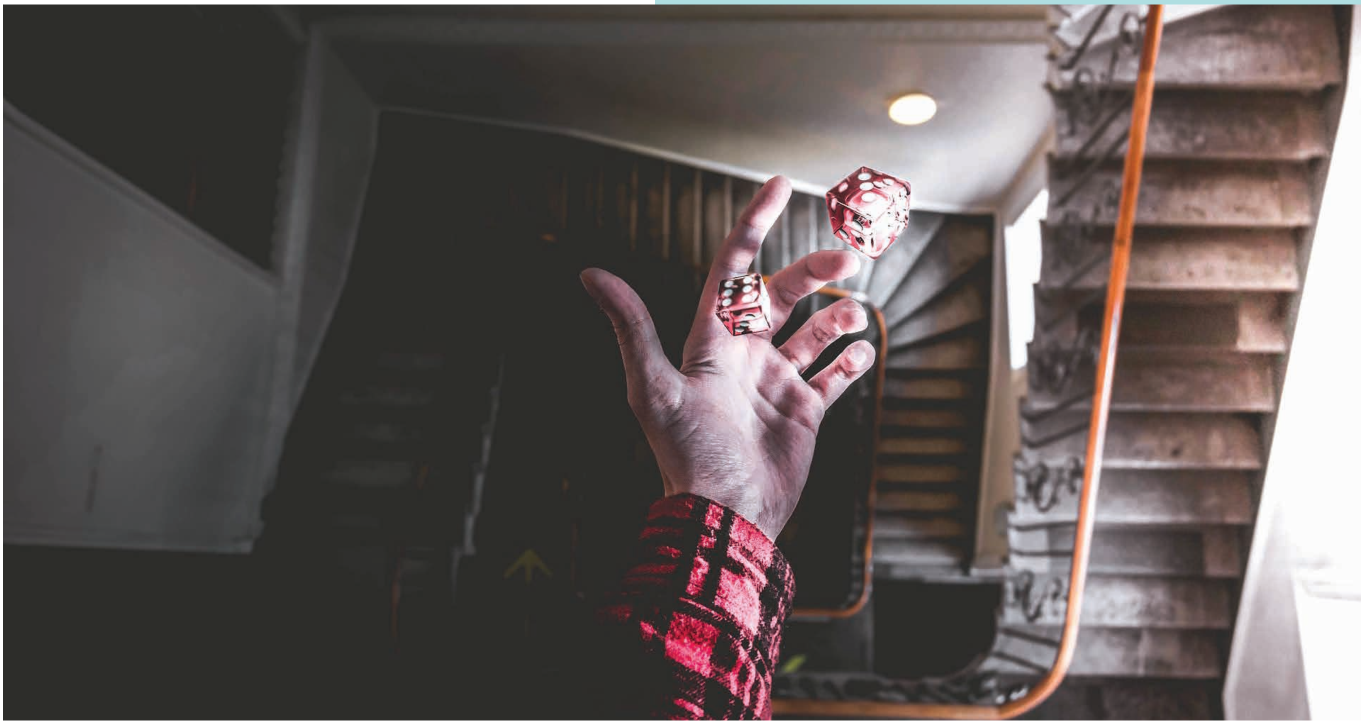
IDC predicts that by 2025 there will about 55 billion connected devices worldwide, 75 percent of which will be connected to an IoT platform. Business leaders need to understand that they operate in an ecosystem that is more extensive and less certain than they may think. Any ecosystem is only as strong as its weakest link. The fact that there are only a few key players in the tech space globally, provides easy access for criminals throughout the digital supply chain. Business leaders need to realise the breadth of their exposure and what it really means to be protected. They will have to assess the extent of their entire attack surface and their resilience to cyber threats. To ensure there is an acceptable level of visibility and understanding of digital assets, one requires a cross-collaborative and inclusive process involving teams from various business units.

## CYBERSECURITY EXPERTISE

Ransomware is growing at an alarming rate, businesses must have preventative measures for ransomware or any other cyber-attacks. They need to be prepared for the worst, make sure there is always continuity of operations. Data needs to backed-up correctly for any disruptions to computer systems, and key staff need to be trained with a realistic cyber response plan. Businesses that have a cybersecurity plan and improve their cybersecurity infrastructure, are more likely to be successful. Rather than considering cybersecurity as a liability, they view it as an enabler to everyday operations. To take advantage of the promises of digitalisation, businesses will have to increase their focus on cybersecurity. Cybersecurity must by default be part of every business security decision and it should include a proactive plan to establish a cybersecurity workforce. ***Cybersecurity expertise is scarce, businesses should consider cultivating these skills organically.***

# Don't cancel your insurance: Manage your risks

King Price Insurance



Insurance. It's the monthly expense everybody loves to hate – until disaster strikes, and then suddenly it's the best thing since Nutella. But it doesn't have to be that way. We could all have a far healthier – and happier – relationship with insurance if we understand our risks better.

In insurance terms, risk is the chance that something unexpected can happen that causes loss or damage of valuable property and belongings, or injury to someone. Most people engage in basic risk management every day without even thinking twice about it, says King Price's client experience partner, Wynand van Vuuren.

"We drive responsibly. We lock our houses when we leave home, and we make sure our cars are locked when we park them. We keep our wallets and mobile phones with us when we go out in public. So why wouldn't we take the same level of care when it comes to protecting the other things that are important to us, like our homes, our cars and our precious belongings?" says Van Vuuren.

There are three steps on the road to better risk management for consumers.

- Establish your risks

Before you buy insurance, know exactly what your own risks are, how you can reduce the likelihood of them occurring, and how you can reduce their impact if they do occur.

"Think about where you might be vulnerable to loss or damage, and whether you can cover the damages yourself if something were to happen. What happens if you have a car accident, or your house burns down? How would you recover from such an event?" says Van Vuuren.

For example, if you use a car on public roads, but you're only insured for third party, fire and theft, you won't be covered for accident damage - which is the most frequent loss that insurers see.

- Review your existing insurance

Take a good look at your current insurance schedule, and what it covers. Are you paying for assets that you don't need, or possibly don't even own anymore? Do you insure jewellery that's kept in a safe and never worn out of the house? Do you have shortfall cover on cars that are paid off? Are you working from home, and your house is always occupied? Are you driving less, and could shift to a 'pay per k' product like King Price's chilli?

These are all areas where you can save money by demonstrating lower risk. When it comes to home contents, for example, most of your premium goes towards covering theft risk. If you live in a secure complex, it's possible to exclude theft risk, while staying covered for fire, floods and other perils – and save up to 65% in the process. You can also reduce your risk (and your premiums) by installing additional security measures like electric fencing and an alarm system linked to armed response.

- Talk to your insurer

The days of one-size-fits-all insurance policies are long gone. Today, most insurers can structure an insurance package according to your needs. "If you feel you're paying too much for your short-term insurance, don't settle for the first quote you get. You'll be surprised by how much premiums can vary between insurers for exactly the same vehicle and home cover," says Van Vuuren.

If you can combine all your policies with one insurer, even better. Most insurers will give you a discount for bringing all your business to them, starting with additional savings for putting more than one car on the same policy.

Try including your home insurance and your house contents cover as well, and your savings will increase even further - and your life will get a whole lot easier, with the peace of mind that all your risks are covered.

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# *Personalised cover for the affluent segment*

By Santam's Personal Lines

***In today's ever-changing environment, it's important to ensure you have the correct insurance cover that meets your needs. Santam's Personal Lines Executive Product was launched in early 2020 specifically to provide a premium insurance solution for affluent individuals.***

The Executive Product forms part of Santam's Segment Solutions – a business unit that focuses on relevant consumer and business segments by providing packaged solutions around risk with in-depth knowledge and value for those segments.

One of the key features of Segment Solutions, including the Executive Product, is that, over and above providing value, it also provides brokers with specialist knowledge, support, underwriting and risk management. Karen Muuren, Head: Segment Solutions at Santam, answers the most pressing questions about this new product – and why it's worth considering.

## WHAT MAKES THE PERSONAL LINES EXECUTIVE PRODUCT UNIQUE?

The Personal Lines Executive Product is a bespoke solution. The offering is broader, with higher limits specifically suited to discerning individuals looking to insure their most valuable assets. We also introduced cover for contents on an asset all-risks basis, which includes flexible worldwide cover against loss or damage of up to 30% of the contents insured amount. This provides a solution for clients to not have to specify items taken out of their homes on a regular basis, separately on the policy.

## WHY HAS SANTAM CHOSEN TO LAUNCH THE EXECUTIVE PRODUCT?

Santam did extensive international and local research into market segments that have large growth potential but also have unique needs. The findings from this research pointed to the need for an insurance product that included cover for high-value household contents like fine art, jewellery and collectables. Many brokers had already provided us with feedback that a product such as this had been requested; however, our additional research impressed upon us just how large this need was.

## HOW DOES THE EXECUTIVE PRODUCT ADDRESS THE NEEDS OF YOUR HIGH-NET-WORTH CLIENTS WHO ARE MOST LIKELY TO OPT FOR THIS COVER?

A lot of insurance companies speak about value proposition. However, when speaking about value proposition, you cannot ignore service, claims, pricing and brand value, which are inextricably linked. At Santam, our Executive offering includes a dedicated claims and service hub. Through our dedicated Executive service hub, intermediaries have access to a team of expert claims and service consultants who are available to assist with any insurance enquiry.

The offering is tailor-made, which doesn't mean complicated. That's why we provide a simplified policy wording with covers and limits that are easy to understand, and both automatic and optional covers that can be customised to meet clients' individual needs.

Our premiums are personalised and are calculated using scientific ratings to ensure clients receive competitive rates, dependent on their individual risk characteristics. Our excess structures are easy to understand and stipulate flat rand amounts.

With the Executive Product, it's all about the unique and differentiated experience. Additional benefits are available to all our Santam clients, such as:

- Protection against the application of average on building and contents cover, subject to using Santam valuation tools and providers
- A policy that provides additional covers automatically at no additional cost
- Weather notifications to help clients safeguard their assets
- SOS services, which include 24/7 emergency roadside assistance, home-drive assistance, household repairs, legal advice, medical and emergency services, as well as route assistance
- Clients have access to additional tier points for their Santam personal lines policy if they are a Sanlam Reality member
- Our Guaranteed Value Insurance offering removes any uncertainty about what clients can expect when claiming if their car is written off or stolen
- SmartPark™, which entails saving up to 20% on one's vehicle insurance premium if driving less than 15 000 km a year.

## HOW DOES THE EXECUTIVE PRODUCT FIT INTO THE CURRENT CLIMATE?

COVID-19 has clearly shown the vulnerability of the markets and client behaviour. With clients' ever-changing circumstances, the Executive Product offers clients a tailor-made option that protects what's most important to them – without any hidden inclusions.

## DO YOU HAVE ANY STATS BASED ON THE SOUTH AFRICAN OR GLOBAL MARKET IN SUPPORT OF THE NEED FOR THIS OFFERING?

In a South African context, the average South African individual has net assets of approximately R180 000 (wealth per capita). This is a relatively healthy level when compared to most other emerging markets.

There are approximately 38 400 millionaires (HNWIs) living in SA, each with net assets of R16 million or more, and 2 030 multi-millionaires, each with net assets of R160 million or more. Lastly, South Africa is the largest wealth market in Africa and the 32nd largest worldwide (in terms of total wealth held). From these statistics, we have determined that there is a healthy market for our Executive Product.

TECHNOLOGY

P70-78

# Chatbot, your time is now!

By Ross Campbell , Lead for Digital Engagement, Genre Life/Health Research & Development,
Gen Re London - interviewing Renaud Million, Co-founder and CEO, Spixii

*The lasting impact of COVID19 on commerce and trading is an issue for the future. While old routines may quickly resume as restrictions lift, there may be lasting changes to the ways we get things done.*

The pandemic impact showed the importance of remote access to get information and to conduct transactions differently. Customers became self-servers using automated solutions that replicated or replaced some face-to-face interactions. It's hard to imagine a lockdown without online and do-it-yourself services enabled by technology solutions. The experience we've had as an industry has helped businesses understand what tech solutions work well or less well. Meanwhile, one outcome is that newly enfranchised consumers may prefer to remain empowered. Chatbots have been around for a while, so could this be their moment? And if so, what does this technology offer and can more insurers benefit?

**How does a chatbot operate?**

A chatbot is essentially a software program with a conversational interface that is usable by either a voice or by typing using a keyboard. A chatbot works best when it has a defined goal and it will guide a user towards reaching this target.

**What makes a chatbot "intelligent"?**

With a chatbot, and systems with AI solutions more generally, intelligence refers to the ability to achieve these goals. The goals are defined by the chatbot owner, and the machine's ability to achieve them is based on anything from a simple set of rules to highly complex algorithms.

**What type of advanced analytics and conversation insights make a successful chatbot?**

Chatbots generate a lot of data, much more than traditional digital tools - such as web forms, which rarely capture the user interaction between screens separated by the "next" and "submit" buttons. The data generated by chatbots are related to the execution of the underlying process and how likely it is going to reach the defined goal. More granular data is generated for the conversation itself, such as where people are stuck, at what point they drop the conversation, on which questions people edit their answers, where more information might be needed and where questions are not clear.

**What are the pre-requisites of an enterprise-ready chatbot?**

An organisation just embarking on digital transformation starts with the desire to improve a single process, or even to create a new one from scratch. Once settled on a process, the chatbot needs to be integrated into middle and back-office systems. This is a pre-requisite for an enterprise-ready chatbot to deliver value. Capturing, validating and transmitting the data in a secure way to core insurance systems will deliver savings and efficiencies at enterprise level.

**Where in their processes can Life and Health insurers deploy chatbot technology effectively, and what is the business case for doing so?**

A chatbot can assist with many processes; for example, quote and buy, policy administration, submitting a claim or asking for a pre-authorisation in a health product. The process of buying is complex and, as a result, often carried out over the phone. While these analogue conversations are great, they're just not scalable. Online digital web forms are too rigid and lack the conversational aspect.

Additionally, despite existing tools becoming less effective and the ever-increasing costs of expanding call-centre capacity, the focus is always on the top-line. This may explain why some insurers struggle with digital transformation by not prioritising it on the short-term. Chatbots are helping solve this conundrum from both a technical and regulatory perspective since they can be deployed rapidly and audited.

**Do you think people's response of embracing remoteness during the pandemic furthers the argument for using chatbots?**

People were already accustomed to doing things by self-serving online. Pandemic restrictions simply accelerated this - across all industries. Remote working also forced more people to go online for their insurance needs. As more people travel less, the need to physically meet with an agent is disappearing.

Consumers are trying first to see if they can do what they need online and then call an agent. On the other hand, while insurers want to do more and be more efficient remote working doesn't automatically equate with service resilience if a surge in demand occurs. Offering digital-first communication tools - such as a chatbot - can bring both efficiency and resiliency.

**What is the next technical development for your chatbot technology?**

We have already helped several companies integrate chatbot technologies to their quote and buy, policy administration and claims submission processes. We are now refining these for specific lines of business to help them to grow their portfolios. We also realise that business reporting is critically needed for various departments - ranging from IT, marketing and distribution to operations and claims - but the precise data needs vary for each one.

So we built an automated reporting function to bring the relevant data to the correct operational area at the right time. We believe this helps individual units make better informed decisions for the whole business. From a tech perspective, we aim to extend the front-end integration of our chatbot, including more channels and platforms, making the configuration of the chatbot even more accessible and friendly. Also, Spixii has achieved accredited ISO 27001 certification for information security, and our work has been recognised by analysts from Gartner, Forrester and Business Insider.

**Will you share some working examples?**

We have worked with Zurich Insurance group in the UK since 2018, and together, we automated the first notice of loss for Home and Motor insurance, helping them to win the British Claims Awards in 2018 for best use of technology. We also worked on the quote and buy processes with both the UK Post Office on travel insurance and Bupa's Private Medical Insurance. To be honest, it is an honour to work on impactful processes that bring a better customer experience and generate a positive impact on operations.

*A chatbot can assist with many processes; for example, quote and buy, policy administration, submitting a claim or asking for a pre-authorisation in a health product.*

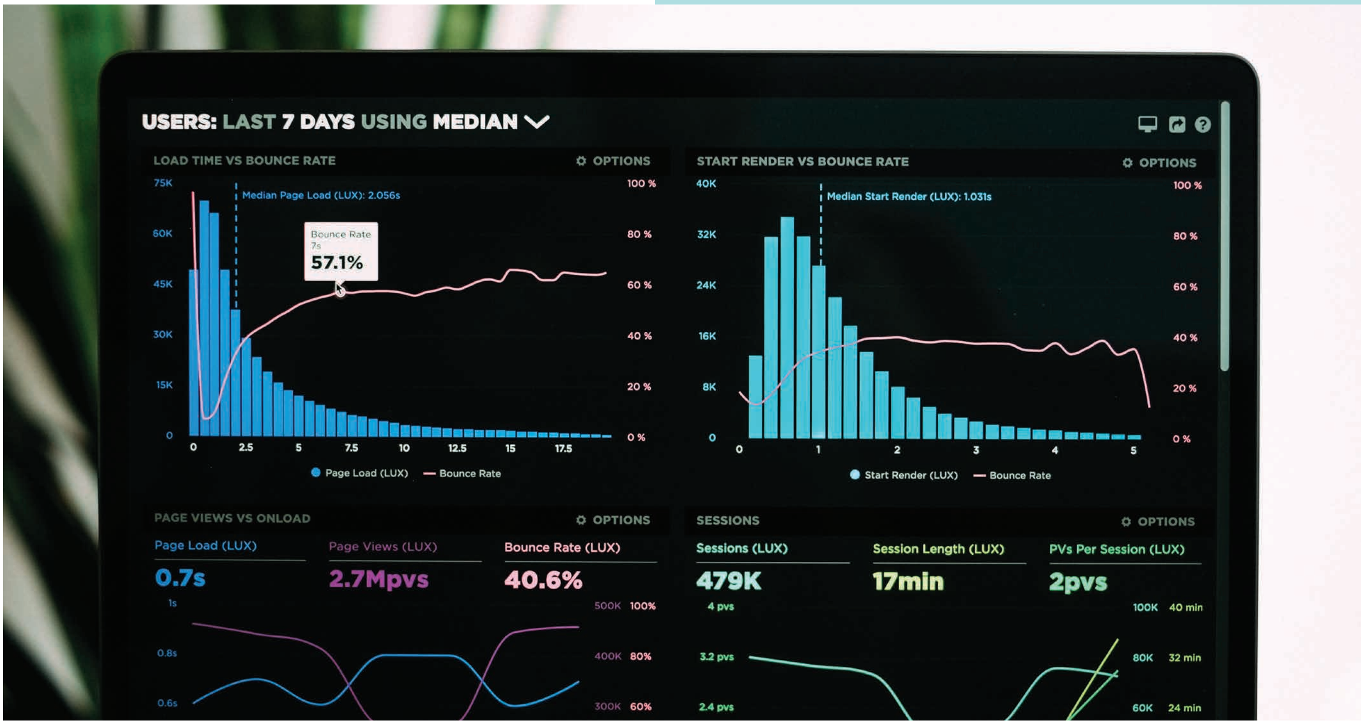
**Finally, what is the next step for chatbot technology in your opinion?**

Although adoption started some years back, many implementations are yet to come. A lot of companies recognised the operational limitations of call centres but only a few companies recognised the limitation of web forms. The ones that did recognise these two points also understood that these two channels should be supported by a third one that keeps the conversational aspect and yet manages to codify it in a digital way. We see a strong appetite for serving the customer better with the digital experience they expect.

Digital functions are gaining more authority within insurance companies. Both forces should lead to more and more successful use cases for chatbots to support the digital transformation of insurance companies. From the technological perspective, chatbots are needed for growing more sophisticated in the analysis of data collected - with a particular focus on psychometric and customer behaviour analysis - but also they need to build a stronger understanding of obligations and duties to keep data protected and anonymized, which is an intriguing challenge for this new wave of data collection

# Africa is serious about digitisation

John Kamau, Corporate Accounts Manager Africa for SSP spoke to COVER about guiding clients through a challenging year.




**Tony: Technology has become the main enabler across the insurance value chain, especially so for the many fantastic innovations coming out of Africa. Can you give us a bit of an overview of your experience as a software provider in Kenya and the broader Africa? Over the past 12 months, what has it been like, and what has been the stuff that has surfaced for you.**

**John:** I'm sure everyone has been speaking about 2020 as a crazy year. I mean, we went through a period for which we had no previous experience. In nearly 30 years of being in the insurance industry, business participation and everything else, it's the first time I've seen anything like this. So I think, as a software provider in Kenya - and obviously serving the region during the pandemic -it was quite interesting.

When the pandemic started and lockdowns in several countries were put in place, the mainly paper based insurance industry - reliant on person to person interactions - was faced with this new world that they did not know how to manage.

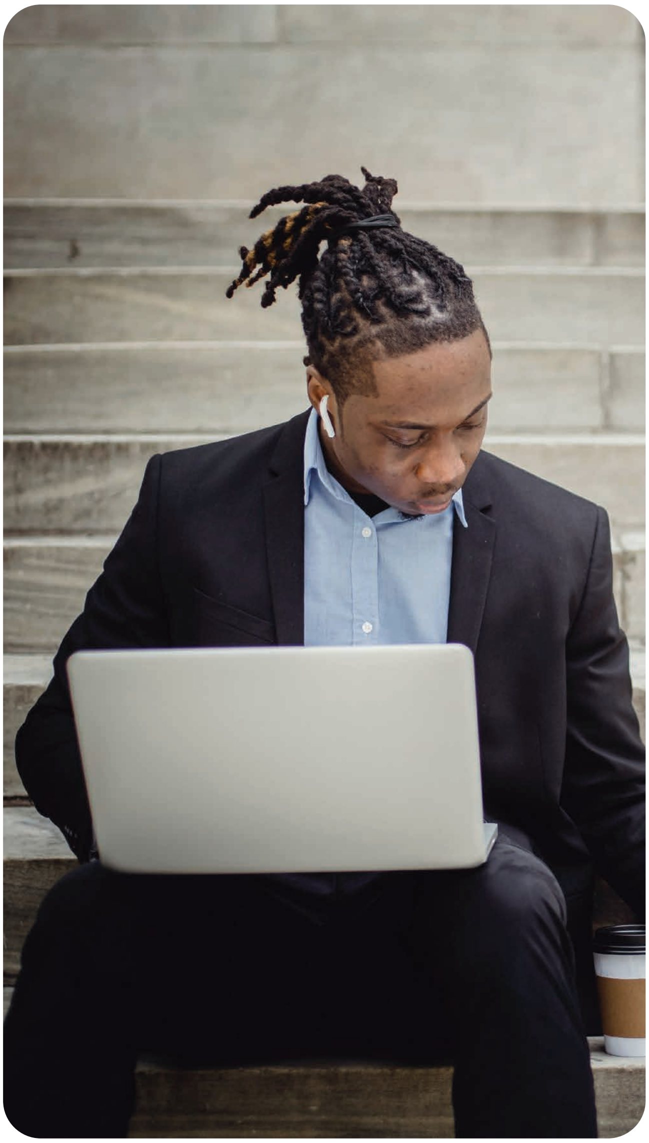
Given the circumstances, there was bound to be some turmoil in how companies were going to react, and you probably are aware about all sorts of exclusions that are being added onto policies, especially on the health, property and travel insurance side.

We closed our offices in February in Kenya, while most other insurance companies started closing their offices in March, getting staff to work remotely.

I think, for us, the period before our clients fully closed and the fact that we closed early, allowed us to help customers in assessing their state of readiness for staff working remotely. It was reassuring that quite a number of them quickly built up structures that allowed them to work remotely, obviously backed up by the technology they had. From a software vendor point of view it was quite interesting, because now that we could not travel, we were forced to implement projects or provide user training and elements virtually.

We've had considerable success in this approach, where we've delivered some projects from ground up to live. Being totally virtual, they've taken slightly longer, mainly because, when you're doing training remotely, it ends up as several short sessions over a few days, rather than one full day.

However, we're pleased to say this new way of working hasn't impacted the effectiveness of our delivery. What I've noticed is that the insurers who have robust systems and could allow their staff to log in remotely, were quite significantly more successful. However, it obviously opened up a lot of challenges to the entire business environment.



**Tony: What were the burning issues that companies sought your help for?**

**John:** Insurance has never been a no-contact sport. There was always somebody sitting in front of a customer service desk, paper has always moved from a broker to the underwriter and phone calls or office visits have historically been the norm. COVID immediately turned the whole industry into a no-contact sport.

So some of the burning issues that we've had to deal with, include insurance companies now looking at new distribution channels and needing to be able to bring in business on their platforms through elements such as broker portals and customer self-service portals.

We also had to deal with integrations into payment platforms. In Kenya, for example, with a significant reduction in cash handling or cash transactions to minimize person to person contact, Things like the M Pesa platform became crucial, with government helping to bring down the fees (including bank fees) so that we could have a cashless economy. Those are some of the issues we picked up around integrations, and also expansion of new distribution channels. Of course, in getting to these new customer self-service portals or the broker portals, the one challenge I noticed was that, because of the traditional way of work where everything was paper based, existing customer journey processes were very long.

Now, the new channels require much shorter customer journeys to fulfillment. This meant that many companies had to reassess their products, and look at reducing the number of questions asked to a customer before the transaction can be fulfilled. Or indeed check whether it was possible to integrate with third party platforms to pull in some of the data required to minimize the amount of data entry needed to complete the action.

*Digitization is still a very much in use buzzword, and you'll see many insurers now have Digital Officers, engaged to take advantage of this within their own businesses.*

One of the things we are undertaking in Kenya, is integration to the Motor Transport Authority, where the Vehicle Registration Bureau has most disclosed details. So, if I input the vehicle registration number, it will be able to provide all the vehicle details that I would require. Ordinarily, you'd have to capture this manually..

**Tony: Everybody is talking about digitization and I see insurers in Africa being serious about it. How do you see this?**

**John:** Digitization is still a very much in use buzzword, and you'll see many insurers now have Digital Officers, engaged to take advantage of this within their own businesses. So there is a will, intention, a direction or shift towards digitizing insurance.

However, the common response I often receive is one where most still haven't reached a point where they can conceptualize products that to sell on a digital platform. And not just that, even when you create a product, how do you price it?

Unfortunately, the industry as I see it hasn't yet truly realized the value of data, so they may not have the foundations of how to conceptualize a product and price it accordingly in this new digitized space.

The other challenge is  within commercial lines, where most of the business seems to be broker driven. The challenge therefore is that the insurer often has difficulty coming to a point where they are in a position to go ahead with releasing a new product.

**With this in mind, the challenge that I keep pushing to underwriters is that, if you come up with a product which you've priced and is attractive to the consumer, it will be easier for the broker to sell.**

**If you have a product that consumers want to buy, then you have control of your digitization process, your pricing and the product conceptualization.**

# *Using technology as an enabler for better human interactions*

By FMI (a Division of Bidvest Life Ltd)

***At FMI, we believe that technology should be used to support an adviser's advice and servicing processes, not compete with it.***

Many insurance providers use digital platforms as a way to disintermediate. This is not our approach. Advisers have always been, and will continue to be, an integral part of our business. No matter how the times change or what technology is introduced; trusted advice can only be earned through human interaction – because trust needs real people to flourish. According to the Beyond Life Global Consumer Study 2019 – 2020, trust is still the number one factor when it comes to buying life insurance, no matter one's age or generation. Almost half (47%) of the respondents said they always prefer human interaction, and this figure varied very little across the different age groups. Only 7.6% South Africans said they'd prefer to do life insurance online first.

When it comes to choosing insurance products, customers continue to prioritise advice from family, friends and financial advisers. Whilst tech advances facilitate operations and service delivery, it's not at the forefront for generating new leads.  Therefore, the future of insurance is still going to be largely bought and sold through an intermediary, and advice is still an important part of the process. We at FMI are using technology to support that process, rather than compete with it.

We're focusing on you, the adviser, and what matters to you most – the ease of doing business. Our latest developments in improving underwriting and operational efficiencies promises to deliver exceptional customer experiences. The digitisation of new policy applications and servicing processes, for example, is the result of two years of investment, planning and development in technology to produce a platform designed to facilitate advances in service delivery by helping you streamline and improve operations, saving you time and allowing you to focus on building meaningful client relationships rather than getting bogged down in administrative tasks.

Digital forms, electronic signatures, intuitive and reflexive questionnaires, automated data entry, and reminder notifications all have a massive impact on the speed and efficiency on the application process – which translates into a better customer experience and ultimately a better return on investment for your business.

As our Chief Technology Officer, Gareth Quin, says, 'We have always been a product first life insurer but we realise the immense benefits that come with leveraging technology at every layer of our operation. It's simply not enough to just be great at designing insurance benefits. We have to innovate across every aspect of our operation, to deliver a level of engagement and experience that both advisers and our policyholders recognise as a key value differentiator.'

# *Untapped data opportunities in the intermediary space*

Kali Bagary, Founder/CEO The Data Company talks to Tony about the way forward

**Tony:** ***The Data Company is doing a lot of work with data in the intermediary space, which has become an essential component of how brokers do their business, although it's not really been exploited by brokers. Can we get your opinion on whether or not brokers or intermediaries are getting value from their data at the moment?***

**Kali:** I see intermediaries almost in two categories. One I would say, are the larger intermediaries, and I think they probably are getting value from the data. They have the organization, the funding, the individuals and the skills within the organization to set up data models and leverage from the data. I think.

Where intermediaries are not getting value, are the SMEs where you know, the size of those organizations are limited. Some of them have grown through smaller mergers and acquisitions and I don't believe they're getting value from data, certainly based on some of the discussions we're having.

**Tony:** ***So what are the main issues why they are not getting the needed value from that data?***

**Kali:** As I mentioned ,with some of the smaller and the medium enterprises, they've grown through mergers and acquisitions, so their organizations are sitting on different systems.

The quality of the data varies from line of business through to the organizations that they've aquired. Some of their data is structured, some of it is unstructured. So just getting access to that data in the first place is not easy for those organizations.

With the added complexity now around COVID-19, I think a lot of those brokers are now working from home. The number of face to face interactions are reducing so, getting access to that data from disparate systems in different locations, is a big challenge.

Secondly, I think within that space, sometimes the completeness and the accuracy of that data is lacking. And, when we're out there in a sales mode, you're eager to promote and sell a product so the administration tends to be a job that you take on when you go back to the office, etc. So some of those records, maybe is not as accurate as it can be or maybe haven't been updated so frequently. So I think those are some of the challenges that they have. In the intermediary space, getting the 360 view of a client is also still a challenge, because short term insurance, compared to long term investments for example, maybe do not have all the data pulled together. Furthermore, you might not be able to reconcile an individual due to the data being from different systems.

**Tony:** ***In the webinar we did on the 18th of February, you unpacked how intermediaries can get that value. Please give us your thoughts on how can they potentially use their data to innovate.***

**Kali:** Because there's a great opportunity to innovate. We see some of the new Insurtechs coming in with technology, using a data driven approach to focus very much on the products that they're offering, the time and place when they're promoting those products, the channels they're using to promote those, such as social media. The secret is in looking at all of those technology advantages and the data you can optimize. The next thing is around user experience, making sure that you've got the right platforms for the right products.

Most people would be comfortable buying a travel policy on a mobile app, but I don't think the same when buying


*there's a great opportunity to innovate. We see some of the new Insurtechs coming in with technology, using a data driven approach to focus very much on the products that they're offering,*

an investment policy, it's a whole different experience, different data and then making sure you're using the right technologies to support the products that you're trying to promote.

The other issue is looking at really innovating around pricing and underwriting. There's a lot more now pay as you go type insurance as opposed to taking out an

annual insurance policy. So it's being able to innovate and for example offer usage based insurance and other similar opportunities.

**Tony**: ***Lastly, for intermediaries, as a starting point, what is the base they need as an essential to build from.***

**Kali:** I think the intermediaries need to be supported by organizations like the Transunion, the Insurance Crime Bureau and the FIA, where, you know, they've all got access to industry wide data that they could provide. Somehow, they all need to make that data available at an affordable price. Because some of the smaller intermediates would like to use that data. I would like to use enrichment services, but the intermediary must get access to that data and then processing the data at a cost per transaction.

So, if somehow, those bodies could come together to create an offering for the industry where that data can be anonymized and used as a benchmark, I think that would be very, very valuable.

I also think organizations need to do a gap analysis, initially, to look at what data they've got, what products are selling, what target segment they're going for, and then engage with companies like the Data Company who can help them build their strategy based on where they are today and where they want to go to.

That needs to be done on an incremental basis, not necessarily a big bang. So start picking small manageable chunks, delivering value to the business and then moving on to the next one.

# *Potential solutions to address lack of performance.*

Martin Pieterse, Ellipsys Consulting (Pty) Ltd

***The challenges of managing performance have been highlighted during the remote working environment that resulted from social distancing measures implemented during lockdown.***

In the pre-pandemic years (yes, there was a time like that), many remote workers were called back to their office by management due to a perceived reduction in performance. While the future of remote working is still a play unfolding on the stage in front of us, the need to accurately measure performance and improve it, is a timeless challenge.

### SHOW ME HOW YOU MEASURE ME AND I WILL SHOW YOU HOW I PERFORM.

When evaluating performance, it is critical that there is a shared understanding between the stakeholders on the activities and outputs being measured and the expectation of performance. *The dreaded Key Performance Indicators (KPI's).* The problem doesn't lie with the need for KPI's, surely there is the need to agree activities that will be measured and the associated performance metrics. What is important is that the KPI's be relevant to the tasks performed by the staff member, and also aligned to the overall company objectives and vision.

You cannot, for example, expect to measure a claims technician for the number of claims registered, as that is obviously out of their control. You can however, agree to measure the turn around time between a claim being registered and an assessor appointed. The KPI must be objectively measurable, ideally through a system that can log and report on the measurements. For some companies it will be more appropriate to agree on deliverables and priorities for measurement rather then a defined list of KPI's.

### IF YOU CANNOT MEASURE IT, YOU CANNOT MANAGE IT.

Most companies have become very adept at defining, communicating the measurements and even calculating performance scores, yet they have not seen an overall increase in performance to support the significant effort that was put in place to manage these initiatives. In a study done by Deloitte in 2015, they found that they were spending close to 2 million hours a year analysing performance rating data across the circa 65,000 employees analysed.

For performance measurement to be meaningful it has to be transparent to the employee, and the employee must be able to measure their own performance against


the agreed measurement so that no performance review is ever a surprise to either party. If the performance rating for an employee is a surprise for the employee, then both the employee and management have failed at some function of the performance management process. As important as accurately measuring an individual's performance, is the importance of providing feedback on the performance to the staff member as early as possible to encourage the required behaviour, and to remedy any failings.

Annual appraisals do not provide feedback frequently enough to ensure that the feedback is still relevant and to minimise the impact of negative behaviour or to gain the benefits of positive behaviour. Feedback to staff members must be done on a continuous basis in line with their roles, so that employees know what they are doing well, and focus on improving it, as well as knowing what they are doing wrong, or below expectation, and need to remedy. Formal performance reviews should ideally be done quarterly by reviewing performance for the last quarter and setting goals for the next quarter, with an annual review aligned to the company's normal increase cycle.

*While the future of remote working is still a play unfolding on the stage in front of us, the need to accurately measure performance and improve it, is a timeless challenge.*

While I was consulting to one of the banks, they introduced 360-degree performance reviews. This required that not only does the manager complete a performance assessment on the staff member,

but colleagues within the same and other connected departments were also required to complete performance assessments and the staff members also had to complete performance assessments on their managers.  This practice of performing holistic reviews have been adopted by more organisations now and will soon become the norm for performance driven organisations.

It is critical that management receive feedback from their subordinates, so that they too can highlight areas of weakness and strength so that they can apply remedial action or reinforce their positive performance.  But evaluating a superior can be a daunting task, especially if that manager is vindictive and unreasonable.  If the manager is also the owner of the business and final decision maker, this task can seem impossible. It is the mark of a truly good leader, and human being, to constantly look for ways to improve and evolve, and managers should approach feedback and even criticism with an open mind to learning and growing.

It is important for each company to understand the purpose of performance management in their company structure and culture. One of the objectives of performance management for most companies is to recognise and reward performance.  High performing individual get larger bonusses, higher increases and other perks to reward them for their contribution and effort.

Formal performance appraisals are recognised as being introduced by the U.S. military during World War 1 to identify soldiers performing poorly so that they could be discharged from service or transferred.  The U.S. military also practiced forced-ranking where each person would be assigned a specific rank from best to worst based on performance.  Many companies have echoed this approach, terminating employees at the lower end of the performance rank, however this approach has fallen away, partly due to legislation (the Labour Relations Act in South Africa), but also because forced ranking encouraged unhealthy competition between staff members and undermined collaboration.

If, however, companies choose to use performance management as a tool to improve underperforming staff members, it provides insight into the areas of weakness, allowing for training and coaching interventions to provide staff with the tools they need to improve. Identifying each individuals strengths and weaknesses can also be used to evaluate the employee's role and determining the best fit for them in the organisation.

***Employees will focus on achieving the goals and targets that they understand that they will be measured against. Ensure that the goals are clearly defined and understood and that the staff members can see how they are measuring against expectation.***


MARKET COVER
P80-86

# *Early childhood lifeskills gift for SA learners*

By Infiniti Insurance

*Learners and local communities are in for a treat with the launch of the Infiniti Insurance new book 'The Giving Bowl'. But there is more than just a 'treat' in the brightly illustrated children's story – there is a wonderful lesson aimed at broadening life's lessons.*

**The Giving Bowl** is a collaborative initiative between Infiniti Insurance, **author Christina Castle (of Foord Asset Management) and illustrator Carla Kreuser**, that will see the publication distributed to schools through the commitment of the parties to teaching children the principals of insurance at an early age.

Christina, an Australian by birth, adopted South Africa as her home 28 years ago. She started her career as a copywriter and had always wanted to write children's books - the focus of her passion. "The Giving Bowl is the result of teamwork with my illustrator Carla Kreuser, editor Nicola Rijsdijk, and Infiniti's Project Coordinator Geraldine Aves, as a gift to South African junior school learners. We spent a lot of time developing the concept as a life skills lesson of this nature demands the highest integrity in the light of its young audience," she points out.

*The Giving Bowl project is part of a broad-based approach to contributing to financial education, and education in general, in South Africa.*

The book uses the analogy of animals to bring out the lesson of collaboratively putting money aside that is then used to help one of the characters who experiences a catastrophic event. This of course is the basis of insurance – the pooling of resources to pay for events that are insured. An example would be your home being damaged by storm as Loerie (in the book) experienced.

**"So, you see, Loerie," said Pangolin with a smile, "you've added to the giving bowl. Now it's time for you to receive from it and build your home . . .**

The story line is suitable for children as young as four but will find its main audience among early readers and those up to nine years old. This book is not just another piece of marketing material but first and foremost a children's book. We worked closely with Infiniti to incorporate the company's colours with both parties being sensitive to the basic theme of the story.

**Chief Executive Officer of Infiniti Insurance Sharon Paterson** says that **The Giving Bowl project** is part of a broad-based approach to contributing to financial education, and education in general, in South Africa.

"We understand that our role as responsible non-life insurers is to provide the quality partnership and insurance solutions our stakeholders need and deserve. And, in doing so, we acknowledge our commitment to the ongoing education about our industry to the communities we serve.

In this instance we have used The Giving Bowl as a metaphor for insurance. Many people in South Africa don't insure because they simply don't know the benefits of doing so. Sharon concludes "I'm exceptionally proud of this milestone achievement for Infiniti as it speaks to our constant innovation within our Industry – and I am also exceedingly proud of the team that produced it – well done ladies."

**Infiniti Insurance Limited is an A-(ZA)-rated non-life insurer that writes all classes of business including Aviation, Engineering, Guarantees, Heavy Commercial Vehicles, Liability, Marine and Watercraft. The Infiniti advantage lies in the quality of our service and our commitment to excellence.**

# *Santam extends contingent business interruption claims*

By Santam Insurance

***Santam announced today that it will settle valid claims for all commercial policies with contingent business interruption (CBI) extensions in addition to those covered by its Hospitality & Leisure division.***

This announcement impacts the total base of Santam's 4 000 commercial clients with CBI policy extensions that cover contagious and infectious diseases. Santam previously announced that it would commence the process of assessing and processing claims for policies with CBI extensions in its Hospitality & Leisure division that had been specifically affected by recent court judgments. This impacted 1 300 clients in this division. Large corporate policies in Santam's Specialist business will be handled on an individual basis due to their bespoke and complex nature.

Santam made the decision to include the claims emanating from all commercial policies with CBI extensions after further analysis and consideration of recent court judgments. Following further engagements with stakeholders, Santam has concluded that the core of the judgments in these cases can be applied in principle to all policies with CBI extensions.The assessment process for CBI claims requires that businesses provide financial statements and other necessary documentation to support their claims.

Clients are urged to work closely with their intermediaries to ensure that the requirements for processing claims are met. Following Santam's announcement on 4 January about policies in the Hospitality & Leisure division, the company has made good progress in allocating assessors to claims that have been submitted. Santam is well geared to process the volume of CBI claims and has put in place additional resources with the relevant expertise.

Santam Group CEO Lizé Lambrechts said: "We are pleased to have reached a point where we have a level of legal certainty that enables us to proceed with the assessment and settlement of all valid CBI claims as quickly as possible."

She added that Santam has been acutely conscious throughout the process of establishing legal certainty that clients are under exceptional pressure because of the impact of Covid-19 and the associated measures taken by the Government to deal with the pandemic. It is for that reason that Santam paid interim relief of R1-billion to SMEs impacted by the lockdown.

"While the process of establishing legal certainty may have felt lengthy, it was completed as expeditiously as possible in the interests of clarity for clients, insurers and reinsurers. The unprecedented circumstances of the pandemic made it critical to go through this process to conclusively address the uncertainties we all faced." "We are therefore pleased that the core issue of establishing what is covered in the policies has been dealt with sufficiently by courts in South Africa, the UK and elsewhere for us to move ahead with the claims assessment and settlement process," she said.

Lambrechts said that the matter regarding the indemnity period was relevant only to the Hospitality & Leisure division and represents a minority of the total CBI policies at Santam. The company is appealing the judgment of the Western Cape High Court with respect to the indemnity period. Santam will continue to keep intermediaries and clients updated on the progress of assessing and processing their claims.

# *Liberty adapts its education benefits to the realities of the pandemic*

By Liberty Life Insurance

***The COVID-19 pandemic has for now, not only changed the way the traditional schooling system functions but the cost of education as well.***

With home-schooling becoming the norm, more parents are opting to pull their children out of traditional schooling and choosing full-time home-schooling rather, a trend previously frowned upon.

"This is the reality that we find ourselves in - getting our children educated from the comfort and safety of our homes. With this in mind we found it necessary to adapt our Educator Benefit which is part of our flagship Lifestyle Protector offering to ensure that we evolve by covering home schooling and distance learning," says Liberty's Kresantha Pillay, Lead Specialist for Lifestyle Protector.

Liberty extended payments for home schooling with registered educational institutions. These benefit payments are paid directly to these institutions in the event of your death or disability, meaning your choices regarding your children's education remain intact and your child's future is guaranteed.

"Additionally, and perhaps most importantly, is that our Educator Benefit is designed to cover your children's education from pre-primary all the way through to university, which offers parents peace of mind in a time when health and wellbeing are less certain," says Pillay.

Undoubtedly, the painful repercussions of this pandemic have forced many to re-examine their overall budgets, including the cost of education.

Pillay encourages people to speak to an accredited Financial Adviser or Broker to get professional guidance and direction which can help reduce anxiety in these uncertain times. "Speaking to an Adviser or Broker is a sensible way to get an objective perspective, as well as any specific advice you need to create a secure financial future for you and your loved ones.

During these economically stressful times, when we feel insecure about everything that's happening around us, one thing that is constant is the need to provide our children with a good education, be it at home or in a traditional school environment.

Parents want to ensure that their children's schooling needs, including tertiary costs are taken care of, should anything happen to them," Pillay says.

Visit **www.liberty.co.za** for more information on Lifestyle Protector.

# *Assupol pays millions to clients in 100% Cashback benefits*

By Assupol Insurance

Pretoria, 8 February 2021 – Over 1,500 Assupol clients are projected to receive an average of R27,000 each in pay-outs, as part of the almost R42 million in Cashback benefits that Assupol intends to pay to clients between 1 January and 1 June 2021.

The 100% Cashback benefit enables clients to have all of their premiums reimbursed every 10 or 15 years, provided that no claim had been submitted against the life of the policyholder during that period. The first tranche of 100% Cashback pay-outs for the Progress 4Sure life cover product comes at a time when consumers are seeking much needed financial relief during this second wave of the Covid-19 pandemic. Cashback options encourage client loyalty and may be viewed as an alternative means of consumers supplementing their savings efforts. "South Africans are increasingly interested in long-term insurance products that provide something back if they don't claim over a certain period of time.

The 100% Cashback benefit on Assupol's Progress 4Sure and Progress 4Life policies rewards clients every 10 or 15 years respectively, for their discipline in keeping their life cover and cashback benefit active," said Edward Mngoma, Group Executive Director of Sales at Assupol. Financial advisors play a crucial role in educating clients about the options available to them where life cover is concerned. Many policy benefits are optional and may require further explanation to enable clients to make informed decisions.

"We encourage clients to take the time to understand the benefits available to them and to consider how their decisions today can benefit their future life stages," concludes Mngoma.

Assupol currently pays approximately R50 million per year in funeral cover cashbacks, where clients receive six premiums back every four years, for every active funeral policy.

Assupol continues to take an innovative approach in the tailored solutions it develops for its clients and remains relentless in its clarion call of serving South Africans.

# *Metropolitan launches flexible new life cover solution in response to evolving consumer needs*

By Momentum Metropolitan Life Limited

***With the arrival of Covid-19, the awareness around illness and death has increased, and reports from insurers highlight a growing demand for funeral and life cover solutions.***

While historically viewed as a grudge purchase — and despite the toll that the pandemic and lockdown have taken on South Africans' wallets — consumers are waking up to the importance of being covered for every eventuality.

Parallel to the impact of the pandemic — or perhaps, heightened by it — is also an increasing emphasis on building generational wealth. Sufficient cover is no longer considered a 'nice-to-have', but rather a basic need.

However, hand-in-hand with this consumer awakening comes a growing demand on insurers to come to the party in terms of how their live cover products have traditionally been structured, says Abulela Gazi: Head of Client & Business Solutions at financial services provider Metropolitan, "The circumstances of consumers have undergone a radical and rapid shift, and for many South Africans, their income security has taken a knock.

"This, coupled with consumers' desire to provide a solid legacy for their families has led us to demonstrate that we understand the value in the power of the collective - even in the manner in which we design solutions."

Gazi believes that the design of insurance solutions needed to undergo an evolution, to accommodate this new context. Agility, affordability and personalisation are the order of the day; benefits need to deliver maximum value to a pressurised consumer; while the service experience should be transparent, smooth and seamless. "Solutions need to diversify and be led by real-time consumer needs," he adds.

In response to this changing landscape, Metropolitan has launched its new Metropolitan Life Cover Plan. Gazi explains that although a dignified funeral is important in the South African market, it is equally important to people to create a legacy for the future.

"The level of flexibility and customisation that Metropolitan's Life Cover Plan offers bridges the gap between funeral and life cover, with the plan complementing existing funeral cover, depending on the benefits selected.

The benefits of Metropolitan's Life Cover Plan are certainly comprehensive - free accident cover, terminal illness and immediate needs cover are standard for this product, while disability cover, value protection, survival, retirement waiver and cashback benefits are optional, and clients can add these according to their needs.

Metropolitan Life Cover Plan is also customisable, allowing clients to select between whole or term cover and receive this cover in as little as five minutes - no medical required. "An increased focus on affordability and flexibility means that clients are able to select a payment pattern that suits them, and can enjoy comprehensive financial protection from as little as R4 per day."

For many years, Metropolitan has offered level premium patterns with no future increases, while the products of other insurers generally include annual premium increases, which become very unaffordable over a client's lifetime. To allow for more affordable premiums at the start, Metropolitan has now introduced an increasing payment pattern, should the client select this option.

However, these increases never go beyond the age of 60, so that clients are treated fairly and can maintain their cover when they need it most. Clients and intermediaries can also be assured by Metropolitan's stellar track record in paying out client claims - with an average 24-hour

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However, these increases never go beyond the age of 60, so that clients are treated fairly and can maintain their cover when they need it most. Clients and intermediaries can also be assured by Metropolitan’s stellar track record in paying out client claims - with an average 24-hour payout period on approved claims.

Gazi believes that it is of utmost importance that access to cover be made as easy as possible. “Due to the industry-wide underwriting requirement, the application process for life cover products has traditionally been onerous, with extensive paperwork and medicals needed. In a time of crisis, speed and simplicity is key. We, as insurers and intermediaries, have a responsibility to alleviate our clients’ stress, not add to it. “

Gazi highlights that in the past, the misspending of lump sum payouts has been identified as an issue, which the financial services provider found prudent to address.

“We offer our clients access to financial planning as part of their cover; not only to help them make provision for when they are gone, but also to assist beneficiaries in making informed and sound decisions when their lump sums are paid out.”

The pandemic has catalysed a reinvigoration of the insurance industry, and brought with it a much-needed re-imagination in how solutions have traditionally been designed.

“The silver lining is that this has allowed us the opportunity to partner together with our clients to better understand their needs, and deliver more value through personalising our solutions according to these needs,” concludes Gazi.

# Echelon to become a division of Santam

By Echelon Private Client Insurance

CAPE TOWN, 16 FEBRUARY 2021- Chief Executive Officer (CEO) of Echelon, Darrel Dawson announced that as of 1 March 2021, Echelon will become a division of Santam. He said Echelon will change from operating as a 100% held subsidiary company of Santam to operating as a division of Santam, while retaining the Echelon brand.

Dawson said the decision to divisionalise Echelon is based on additional cost-saving synergies being achieved as well as streamlining certain compliance and statutory requirements that apply to independent underwriting managers. The move will also contribute further to their objective of consistent and seamless private client and intermediary experience across all touch-points within the Santam group.

Central to Echelon's success over the past 10 years has been their ability to provide a one-stop tailored personal asset risk solution to meet the ever-changing insurance needs of professionals, business owners and executives. Dawson added that he trust their value proposition to clients and intermediaries will continue to be evident in the people and leadership team that continue to drive the Echelon business forward.

"The change will not affect the day-to-day running of the business, it will be business as usual. The collective management team and I remain committed to providing you with the very best service and solutions and maintain our position as the leading private client insurer in South Africa," he said.

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# The Fulcrum Group: refined look, same values, still the market leader

By Fulcrum financial services

Successful companies are those that move and change with the times, but still provide the excellence and continuity of service for which they are known and respected. Companies like Fulcrum.

We've existed under the Fulcrum brand since 2012 (although our origins go back nearly three decades), and in the past eight years we've built an enviable reputation as South Africa's foremost provider of premium collection and premium finance solutions to the insurance industry.

"We've established our name through providing brokers, insurers and underwriters with administrative and financial support services that allow them to de-risk and optimise their operations, and most importantly focus on their core business: providing their policyholders with great insurance products and service," says Steve Schnell, Fulcrum Group CEO.

"In the process we've been market innovators in the offerings we provide, most notably in the premium collections space. And we continue to be trailblazers: our new Fulcrum AirCollect™ premium collections system is, we believe, unique globally and completely changes the game for premium collections." In addition to premium collections and premium finance, Fulcrum also historically offered other products and services including the Fulcrum Flexi (FlexiBroker) insurance management system, broker acquisition finance, broker equity partnerships and Treasury asset management.

"However, in 2018, a strategic decision was taken to restructure the business, dispose of these offerings and to focus on what we do best – and that's premium collections and premium finance," says Schnell. "In essence, Fulcrum has gone back to its roots and will ultimately be stronger for it."

Barry Scott, managing director of Fulcrum Collections, says that our three premium collections products clearly reflect the evolution of our systems over the past eight years.

"From our Legacy collections system, which provides brokers, UMAs and insurers with an effective electronic debit order service, to Fulcrum AirCollect™, which completely de-risks premium collections by splitting single debits into net premiums, commissions, fees and value-added product (VAP) components and paying the recipients directly, one can see how Fulcrum Collections has grown and adapted with the times." "Our premium collection products have evolved to meet the changing needs of our clients, the regulatory framework, and advances in technology. Each iteration has brought with it greater automation, much more convenience, substantially lowered risk and fewer requirements. For example, Fulcrum CollectDirect™ and Fulcrum AirCollect™ collect premium directly into recipient bank accounts, de-risking them to the point that financial guarantees are no longer required," Scott says.

We are also South Africa's largest independently owned provider of premium finance. For Delarey van Dyk, managing director of Fulcrum Premium Finance, our premium finance offering represents a win for policyholders, brokers and insurers alike.

"Organisations that elect to buy annual insurance policies win because they can do so without impacting their cash flow, affecting their standing banking facilities or having to access additional security.

"Our rates are competitive, and multiple lines of cover can be combined under one loan agreement and debited monthly with a single debit order. Clients also enjoy a VAT benefit, as it is claimable up front at the beginning of the policy period.

"At the same time, brokers win because they are able to receive their full annual fees and commissions up front, and Fulcrum manages the administration process for them. And both brokers and insurers win, simply because policyholders are less likely to move their insurance cover elsewhere while their policy is in force," van Dyk says.

At Fulcrum, we're licence neutral – and we jealously guard our independence. This allows us to enjoy strong relationships with all major broker-facing insurance companies, and provide our clients with smooth, efficient service. "Our corporate slogan is, 'We see it differently.' We strive to live up to this, as we have in the past, through developing novel methods and products that both pre-empt changes in the regulatory environment and support the insurance community to thrive in sustainable and risk-free ways." says Schnell.

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RECRUITMENT
COUNCIL

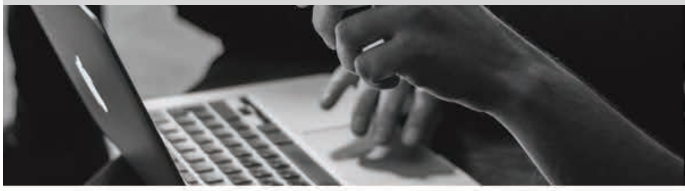
Exposure to Financial Services within a Communications/Marketing Environment

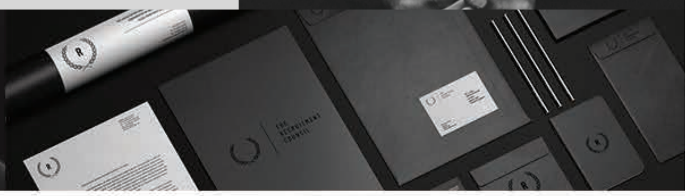
Expert Exposure to Content Writing across all Media Platfroms (Creative, Digital, Direct)

Experience in Planning, Managing, Content Development and Production of Campaigns

Launches, Events, Promotions and Public Relations Experience

Salary: R550 000 - R650 000 Per Annum





REGIONAL MANAGER
LIFE AND WEALTH
GAUTENG

3-5 Years Sales Experience in an Insurance Environment
NQF6 or CFP, RE and FAIS Qualifications
Sound Track Record in Leading, Coaching and Managing Large Teams of Financial Advisors
Strong Flair for Target Management, Driving Day to Day Operations and Numbers and Performance Objectives
Experience in Setting Up New Sales Distribution Models and Teams
Expert Experience in the Life insurance and investment sectors

Reference: Regional Manager | Life and Wealth | Gauteng

Durban
Cape Town
Sandton
Pretoria
Nelspruit
Port Elizabeth
East London
Klerksdorp

## PERSONAL LINES SHORT TERM BROKER

Expert in Short Term Personal Lines (2-3 Years Minimum)
RE, 120 Credits, 12 CPD Points
Licenced to Sell Category 1.2 on DOFA
Clear ITC Record, Clear Criminal Record, Valid Drivers Licence and Must have own Vehicle

Fixed Basic, Commission, Cell Phone Allowance, 3G Card, Laptop

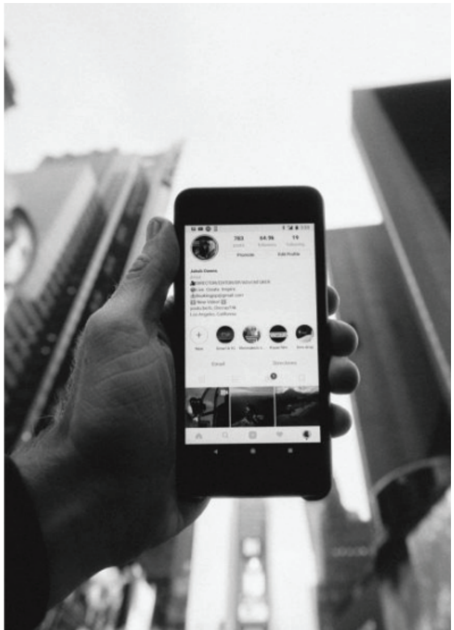
Reference: Please quote the area the application is for

## SENIOR MANAGER INVESTOR RELATIONS JOHANNESBURG

Extensive Exposure to Investor Relations
Experience in Presenting to New and Existing Investors, Stakeholders and EXCO
Exposure to Financial Quarterly Reporting, Balance Sheet, Debt and Treasury
Post-Graduate Degree in Accounting, Actuarial Science, Finance or Economics
Qualified CA(SA) or Actuary (Preferred)
5 – 7 Years of Experience in a Finance or Actuarial Role within Financial Services or Insurance Environment

Salary: R900 000 - R1 100 000

Reference: Senior Manager Investor Relations



Pretoria
Durban
Pietermaritzburg

## COMMERCIAL INSURANCE BROKER

Expert in Short Term Commercial Lines (2-3 Years Minimum)
RE, 120 Credits, 18 CPD Points
Licenced to Sell Category 1.6 on DOFA
Clear ITC Record, Clear Criminal Record, Valid Drivers Licence and Must have own Vehicle

R20 000 - R22 000 Fixed Basic, Commission, Cell Phone Allowance, 3G Card, Laptop

Reference: Please quote the area the application is for