COVER

JANUARY 2021 ISSUE

2021: RIDING THE STORM

FINDING THE SILVER LININGS

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OUTLOOK 2021 OR 2020.1

A year like no other has passed and a year like no other lies before us. We decided to dedicate the magazine to thoughts and opinions across the industry to provide perspective on what was and what might be on the cards

Our commentators provide multiple views on the lessons learnt and the opportunities that are being presented to our industry. A must read to start your year.

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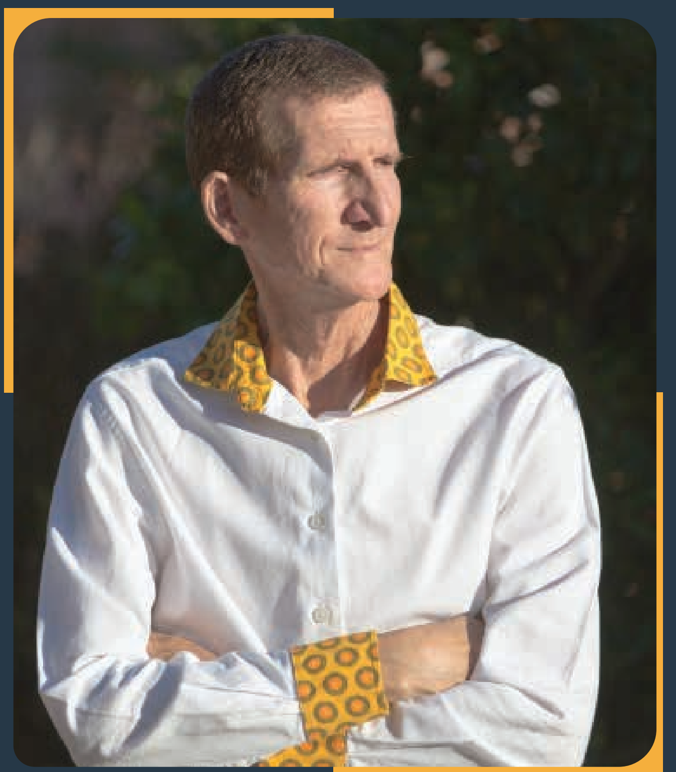

Rebound on the way

Tony van Niekerk, Managing Editor, COVER Publications

We are well into January as I write this, and the year definitely started with a frenzy of activity, fuelling my excitement for a strong revival of our economy. Prediction is that we will see a 2,7% growth in GDP but I hold a more positive view and am building my strategy around an upward trajectory for the next five years.

Looking back at 2020, I think the industry responded exceptionally well. Firstly, the instant move to serving clients from home, followed by the rapid introduction of premium discounts and holidays. Without much of a hiccup, the industry paid millions of claims under completely new circumstances. We can be proud of an industry that met the challenges head-on and performed beyond expectations.

The BI challenges can be viewed from various angles and with numerous opinions, but the bottom line is: Insurance is complicated and most certainly, nobody could have predicted the year that was. More so, nobody could predict how people, business and government would react to the threat of a pandemic, especially due to the fact that multiple governments were involved. Personally, I believe the industry got a raw deal in how our actions were viewed. After all, we have a fiduciary responsibility to millions of clients, to manage their premiums efficiently and prudently, ensure premiums stay as low as possible and all valid claims are paid. In this regard, the jury is still out as to what it will mean for the future of insurance when our industry can be held liable for decisions taken unilaterally by governments, without any consultation around the fallout for industries, such as Insurance. These sort of actions could threaten the sustainability of an industry, with devastating long-term consequences.

Question is, how do we manage this into the future? With a hyper-interconnected world, we now know that disaster can strike within days – across the globe!

THINGS ON MY RADAR TO MONITOR OVER THE NEXT 12 MONTHS:

- BI insurance fall out and industry strategy changes with regards to future coverage
- PI developments following COVID and especially the BI challenges
- CYBER risk increases and the reality that this could be the next pandemic
- Data security, data sharing and the cloud ecosystem
- Amalgamation, especially with smaller players in search of efficiency and sustainability
- Professional advice in the broader financial services industry
- Maturing of the move to digitisation

OPPORTUNITIES ABOUND IN THE SHIFT TO DIGITAL

For COVER, 2021 kicked off with a bang, with large numbers of our clients collaborating with us on campaigns to build their business. We are excited about the lessons we learnt in 2020 and how that has shaped the value we are adding to our clients. We were well prepared for the shift to digital and increased our digital magazine reading exponentially during the lockdown period. We have exciting campaigns to drive this further over the next 12 months.

Thanks to the industry as a whole for the much needed support during 2020. Long live relationships!

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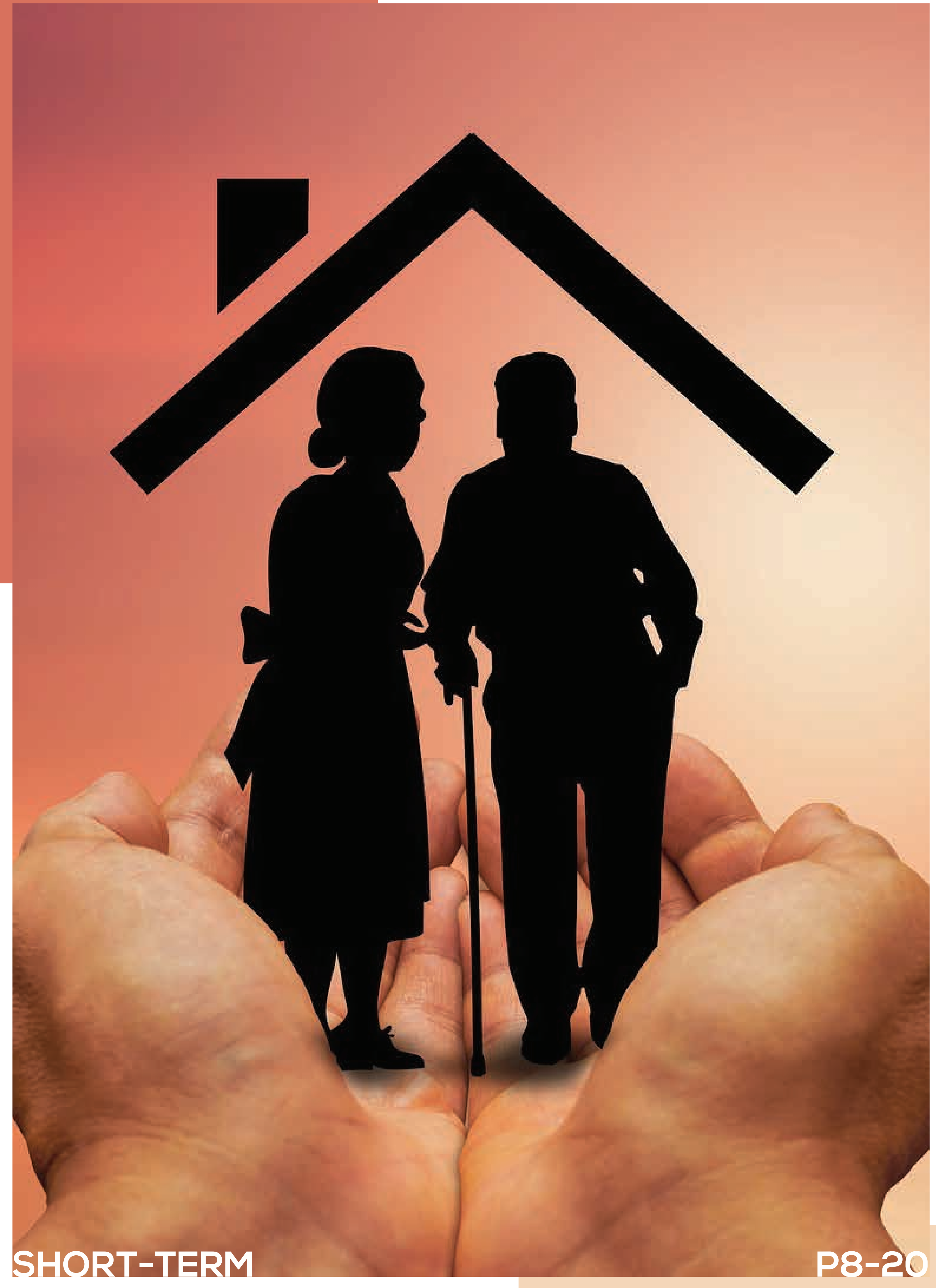
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Is my surveyor's report privileged?

Nick Veldman and Kate MacKay, Clyde & Co

All too often the insurance industry (and particularly the claims stage) is described as being unnecessarily contentious. This is particularly due to the fact that certain claims invariably require investigations to be conducted before a determination on policy response can be made.

The importance of an insurer's investigations that inform its policy response cannot be stressed enough. Naturally, there are some documents emanating from an investigation (pre- or during litigation) that may well be considered privileged due to their very contents and nature.

However, a common misconception has arisen that all or even most investigations made with a view to reaching a determination on policy response and the quantification of a claim are "privileged". Thus it is critical for insurers to know what constitutes "privilege" and the test to successfully assert privilege.

The term "privilege" can be described as a fundamental legal right that affords litigants a means to resist disclosure of confidential and sensitive material. Often the terms "privilege" and "confidential" are used interchangeably, when in fact they are not the same and have different effects. In South Africa, privilege is split into two sub-categories: (1) legal professional privilege and (2) litigation privilege - the latter being relevant in protecting communications between a litigant or his legal advisor and third parties, if such communications are made for the purpose of pending or contemplated litigation, and forms the basis of our discussion.

Within an insurance context, the issue of privilege is often at its most contentious during the claims stage of an

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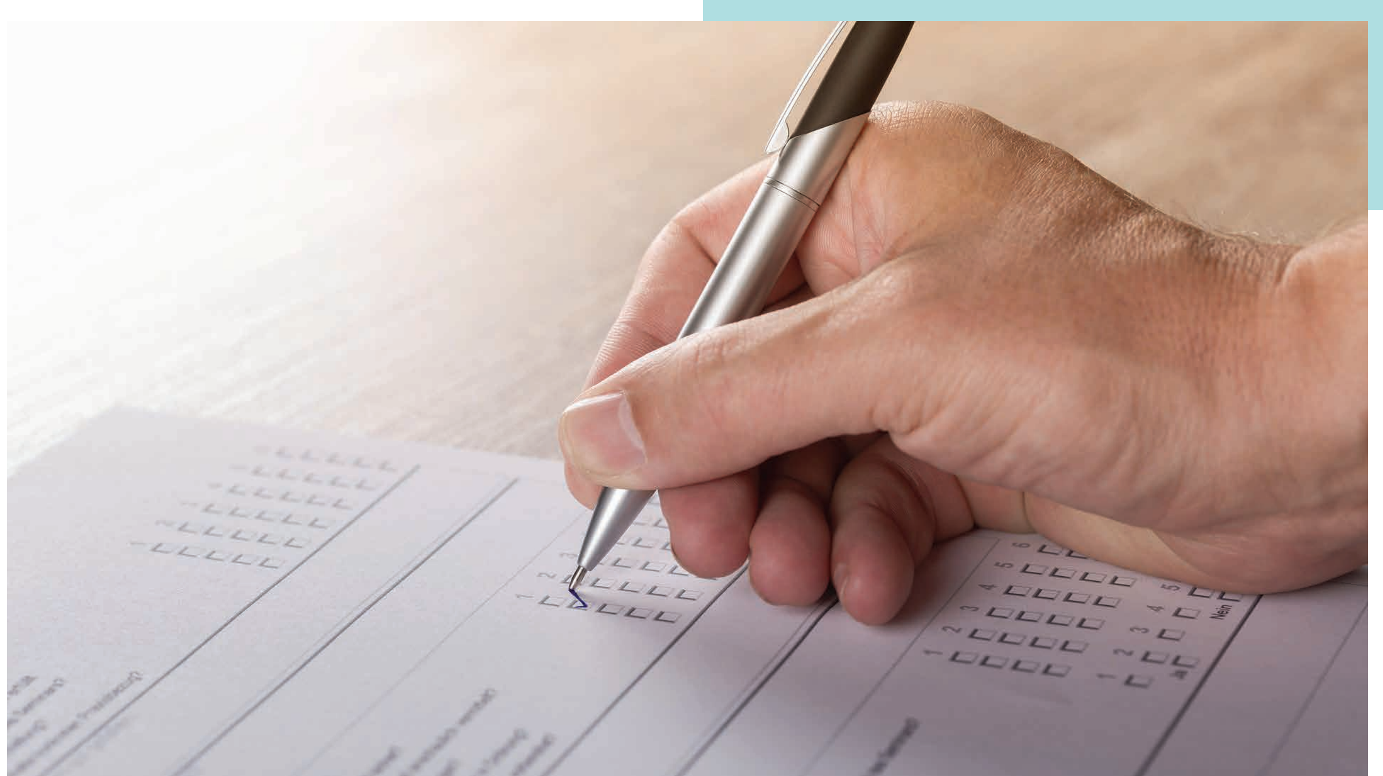

investigation into policy response and certainly during the discovery phase of litigation. Privilege disputes often arise because the discovery process is a powerful tool requiring a litigant to discover all documents relating to the issues in dispute, including documents which advance one's own case or damage the case of one's adversary. Often attorneys and litigants assert privilege over documents during discovery when, in fact, the requirements of the asserted privilege are not met.

South Africa's case law on the topic of litigation privilege has developed extensively over the last decade, but is often misinterpreted due to the different "tests" or "purposes" applied by our courts in arriving at a conclusion as to whether a document is protected from disclosure due to privilege.

The "locus classicus" on litigation privilege is arguably considered to be the matter of Competition Commission of SA v Arcerlormittal SA Ltd (680/12) [2013] ZASCA 84, which involved a probe by the Competition Commission into prohibited practices within South Africa's steel industry. The Competition Commission, through its protected disclosure policy, obtained evidence enabling the prosecution of a prohibited pricing cartel. During the proceedings, the Respondents invoked a discovery mechanism in terms of which it sought discovery of certain documents. The Commission asserted privilege and refused to disclose the requested documents.

During the proceedings, the SCA accepted that two requirements must be met in order to successfully rely on litigation privilege: (1) the document must have been obtained or brought into existence for the purpose of a litigant's submission to a legal advisor for legal advice and (2) litigation was pending or contemplated as likely at the time.

Looking to the first requirement, particularly the "purpose", there remains some uncertainty in South African law as to whether documents prepared for litigation must be submitted to legal advisers as their sole, substantial, definite or dominant purpose. The SCA found that the "purpose" of a document is determined by reference to the person under whose direction it was produced or procured and reaffirmed the position that the test is a fact-bound enquiry, requiring an assessment on a case by case basis, to analyse the intention of the person who procured the document.

"The SCA found that the "purpose" of a document is determined by reference to the person under whose direction it was produced or procured"

More recently, courts locally and abroad have clarified certain aspects of litigation privilege which, when applied to the context of insurance matters, provide useful guidelines for insurers for purposes of pre-emptively protecting themselves from unnecessarily being ordered to disclose documents and thus opening themselves up to exposure on various fronts.

SOME OF THE MORE RECENT PRIVILEGE DECISIONS HAVE FOUND THAT:

- Privilege is not something that is simply to be had;
- The mere internal appointment and/or commissioning of an investigation or report (whether by a loss adjuster, surveyor or internal investigator) does not in itself attract privilege;

- Vague statements as to privilege and marking documents as "confidential" or "privileged" will not assist in passing muster for the requirements outlined by the courts;
- Those individuals commissioning reports or investigations should carefully consider a report's purpose when instructing an expert or surveyor, and must bear in mind the factual test applied by courts in the circumstances;
- In the context of the second requirement for litigation privilege, insurers need to take heed and tread lightly where an insurer engages with an insured in a cooperative and amicable spirit, as this may be considered as grounds upon which a court will find that the parties had not contemplated litigation. Naturally, this could prove problematic, as insurers often require the cooperation of the insured and must adopt a fair approach in their dealings with its insureds at all times.

Although it will ultimately turn on the facts of a particular case, here are some practical guidelines for insurers to have a fighting chance in upholding litigation privilege:

- Those individuals instructing experts and/or surveyors should consider recording the purpose of the reports (eg. for legal review) or investigations accurately in instructions, particularly if it may be subject to any doubt in the future;
- Experts and/or surveyors should be briefed accurately and prepare their reports on an objectively justifiable basis with reference to the facts and avoid speculation;
- Surveyors, loss adjustors and internal investigators should be informed to not express an opinion outside of their field, and even more so, they should not make policy recommendations , unless expressly instructed to do so;
- All reports or investigations should be prepared with a clear understanding that the drafter may be cross-examined in court. This also applies to claims handlers and their internal reports up and down the line;
- Pay attention to early indications where litigation is foreseen and involve the legal department or instruct attorneys sooner rather than later;
- Where a surveyor or loss adjuster is appointed by an attorney, subsequent written communications between the surveyor, attorney and the insurer will generally be regarded as privileged by our courts.

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Trends affecting Professional Indemnity cover

Clarissa Rizzo, Professional Risks Business Unit Manager at Aon South Africa

No professional relishes the thought of making a mistake or being accused of being negligent in the execution of their professional duties.

In fact, you may not even have made a mistake for a claim of negligence to be brought against you, however you'll still need to defend any such claims to resolution, which can be a costly affair, both in time and financially. It is when things go awry and a claim is lodged that the real value of professional indemnity (PI) insurance and professional advice are truly appreciated.

Professional Indemnity (PI) insurance provides the insured party with indemnity in respect of legal liability arising out of the practice of their profession. Indemnity cover will include the professional's own legal costs, as well as any compensation to the claimaint and/or legal costs that are up to the limit of indemnity of the policy, providing all parties with peace of mind and financial protection in the event of a claim. PI cover is a non-negotiable for any professional operating in an increasingly litigious society and business environment.

A professional without PI protection would be the equivalent of playing Russian Roulette, as the legal costs of defending any litigation alone could financially ruin the professional services firm let alone the award for any damages claim by the courts.

In the past year, and more so during the COVID-19 pandemic, there has been a massive shift in the insurance market affecting many classes of insurance. Professional Indemnity has not escaped these trends and changes - Aon unpacks some of the trends affecting this specialised insurance field and what it means for professionals.

PI RENEWALS

With annual renewals that do not renew automatically, it is of utmost importance to renew your PI policies and to ensure that there is no lapse in your policy from one year to the next. If your PI cover lapses, you no longer have an active policy in force and you will need to take out a new policy. This means a new renewal and retroactive date, and your retroactive cover for events that may have occurred in the past and that may be the subject of a claim in future, will be lost. This essentially means that no claim can be brought against the policy for past work that was not insured under your new policy, even if you have a new policy in force at the time of the notification.

KEY ELEMENTS CONSIDERED AT NOTIFICATION STAGE BEFORE A CLAIM IS ATTENDED TO, INCLUDE:

- Whether an active policy is in force at the time the claim is notified.
- Was there an active policy in force when the services, resulting in the notification, were provided? This is determined by the retroactive date provided on the policy.
- Whether premiums are up to date.
- Determining whether the Insured was in fact legally liable.
- Was the notification made timeously in terms of the notification requirements of the policy.

HARDENING MARKET

Worldwide, insurance markets are hardening and PI cover is no exception. Insurers are actively reviewing their position and risk appetite which affects not only the price of PI cover, but the underwriting requirements, the capacity that insurers are willing to provide, extensions, exclusions, subjectivities, terms and conditions.

We are officially in what the insurance market refers to as a 'hard market', and PI renewals have never been as complex as they are now. We have experienced several challenges in placing cover across all professions," says Clarissa. "In some instances, insurers are not prepared to provide us with quotations for the full 100% capacity, for the limit required. This means that we must approach multiple insurers to find additional capacity to cover the full limits quoted. Where the maximum that one insurer provides is between 25% - 60% capacity, we secure the balance of the cover on a co-insurance or split-line placement basis, with the lead insurer determining pricing and cover and the supporting insurers having to agree to both before they accept the placement.

While the PI market largely benefited from the lower premiums afforded during the soft market cycle (which had endured for well over a decade), the market is no longer as competitive as it was. Noticeable price increases and restrictive covers are the order of the day, irrespective of whether there have been claims or not, ranging from anywhere between 30% - 1000%.

In addition to the above, the impact of COVID-19 is far reaching but not yet fully understood, nor quantified, and exclusions of pandemic and infectious diseases have been added to professional indemnity policies going forward.

A broker with sector specific experience is invaluable in ensuring that your cover is adequate to cover your exposure to risk, complying with any professional body or legislated requirements, and that you are not exposed under any exclusions and conditions that may exist on your policy.

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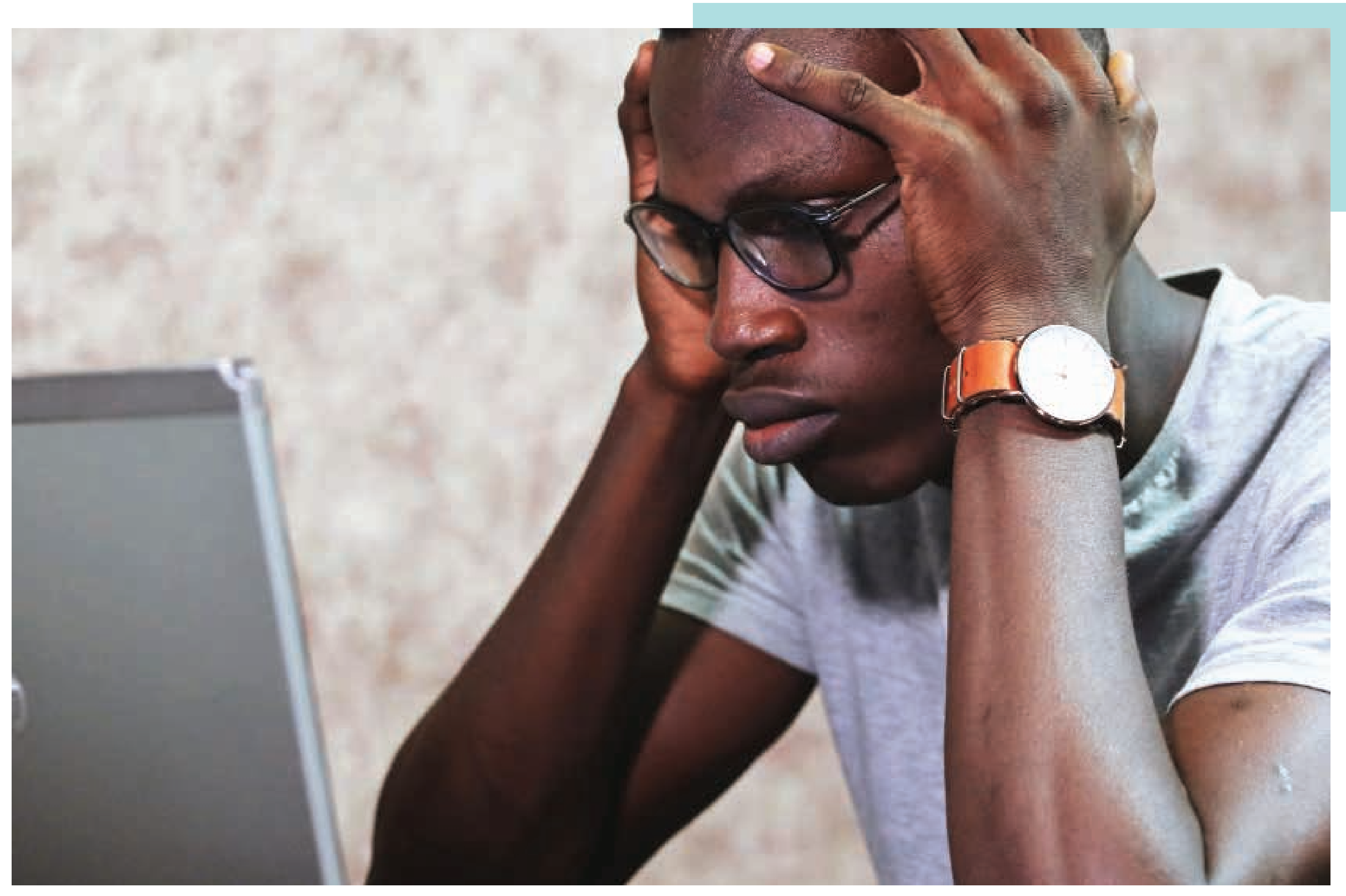

Litany of new risks for directors and officers in 2021

AGCS report identifies mega risk trends for directors and officers in 2021 – Covid-19 pandemic and its economic fallout increase exposures for them to be held accountable for poor performance or management decisions.

- Nervousness in an already strained D&O insurance market about current risk environment compounded by "known unknowns" such as climate change, cyber and ESG challenges
- Publicly-listed companies generally higher exposed, but litigation risk for private companies and their management increasing in the Covid-19 pandemic

The Covid-19 pandemic has created a highly volatile and uncertain environment for businesses resulting in a litany of new or heightened risks for directors and officers (D&O) as well as exacerbating the situation in an already strained D&O insurance market, according to the new report *Directors and Officers Insurance Insights 2021 from Allianz Global Corporate & Specialty (AGCS).*

Rising insolvency exposures, growing cyber security threats and persistent securities class action activity are among the key risks for which D&Os of companies could be held liable. In 2021, companies also need to be on guard against "event-driven litigation" which can be caused by different triggers such as inaction on diversity, poor sustainability performance or for underestimating or misrepresenting Covid-19 related risks.

Growth in the number of lawsuits as well as rising claims frequency and severity has already resulted in a difficult environment for the D&O insurance sector in recent years. Underwriting results have been negative in many markets around the world, including Australia, the UK, the US and parts of Europe. While the market was correcting itself at the beginning of 2020, it was then hit by the current pandemic and economic crisis.

"Many insurers are still digesting the effect of previous pricing inadequacy and exposure and loss trend increases from prior-year policies," says **Shanil Williams, Global Head of Financial Lines at AGCS**. "This is also at a time of great uncertainty around forward-looking exposure assessments, in particular the impact of

"Another threat looming on the horizon comes from the return to office steps taken by businesses."

Covid-19 on the economy in general and on specific industries. Combined with many 'known unknowns' like climate change, cyber risks or environmental, social or governance (ESG) factors, this has created a lot of nervousness in this sector. As a global D&O insurer, AGCS remains committed to working in partnership with our customers to ensure we have sustainable solutions for all parties involved."

TOP CONCERNS

Forthcoming insolvency warnings are among the top concerns for the D&O insurance sector as insolvency is a key cause of D&O claims – insolvency administrators usually look to recoup losses from directors. According to Euler Hermes, the bulk of insolvencies is still to come through the first half of 2021, with its global insolvency index likely to hit a record high for bankruptcies, up 35% by end of 2021, and with top increases expected in the US, Brazil, China and core European countries such as UK, Italy, Belgium and France. "The impact of the gradual phasing out of temporary policy measures designed to support companies is one of the key concerns for 2021," says **David Van den Berghe, Global Head of Financial Institutions at AGCS.**

Companies also face a constantly evolving landscape of cyber security threats as ransomware attacks and data breaches continue to be on the rise, while the shift to remote working due to Covid-19 has generally increased security vulnerabilities. Investors view cyber risk management and adequate security standards as a critical component of a board's oversight responsibilities.

CLASS ACTIONS AND COVID-19 CASES

Collective redress activity particularly in the US remains a key risk for any board of management although new US securities class actions filings were pacing about 18% behind rates seen in 2019 during the 1H of 2020 according to Cornerstone Research. This is largely due to the disruption of business and court activity caused by the pandemic. Nonetheless the frequency of court filings is on track to match rates in 2017 and 2018 and will be well in excess of every year prior to those.

The percentage of new filings in 2020 targeting foreign-domiciled US-listed companies has been nearly twice the average in recent years, with around half of these against Asia-domiciled companies including in China and Singapore. Outside the US, securities class actions are being filed in record numbers and the threat of facing an action has increased in many jurisdictions, as highlighted in a recent AGCS and Clyde & Co report. The landscape for collective redress in Europe has evolved over the last few years and collective action is a growing exposure.

Shareholders have filed the first class action lawsuits directly related to Covid-19. Examples include suits against cruise ship lines that suffered Covid-19 outbreaks, as well as litigation regarding the business impact of the pandemic on companies' financial performance or operations or misrepresentations about coronavirus-related therapies.

"Another threat looming on the horizon comes from the return to office steps taken by businesses. Such decisions are fraught with peril, with regard to shareholder derivative actions, but also in relation to other forms of litigation stemming from employees or customers," warns Williams.

ESG AND PRIVATE COMPANY ISSUES

Beyond financial performance and shareholder value it is increasingly 'soft' management topics that trigger so called "event-driven litigation" against boards: diversity, climate change or ESG concerns are increasingly seen as opportunities to bring class actions or to force a settlement. For example, Oracle, Facebook and Qualcomm are among the technology companies which have been subjected to diversity derivative lawsuits. In such cases shareholders typically allege that directors violated their fiduciary duties by their inaction on diversity issues such as remuneration or nomination of new black board directors.

Companies around the world find themselves under increasing public scrutiny regarding their ESG performance. "Social justice protests, activist investor campaigns or money laundering schemes could all develop into litigation trends, as could single catastrophic events such as a plane crash or the California wildfires," explains **Joana Moniz, Global Head of Commercial Financial Lines at AGCS**. In addition, climate-change-driven activism and litigation has been on the rise in recent years, too. Cases targeting major carbon-emitting industries have been filed in more than 30 countries, although most cases are filed in the US.

While publicly-listed companies are generally more highly exposed to D&O risks, the situation of private companies also is aggravating. The Covid-19 pandemic is currently placing private companies and their executives under considerably higher litigation risk.

"Generally, D&Os of privately-held companies are more closely involved in all of the company's operational topics and business decisions. This can more easily translate into being held personally liable through different forms of litigation," says Moniz.

Focusing on Focus

How Ellipsys group brings strategic focus to each of our companies ensuring focused solutions for our clients

HOW IT ALL STARTED

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Our team have assisted clients in enhancing their existing insurance systems as well as extending the capabilities of their systems through EDI integration as well as implementing document management and reporting solutions, and web portals to allow for more user friendly and wizard driven user experiences for our client's current insurance system.

Ellipsys Technologies gained particular recognition for policy and financial data integration including real-time data integration for rating engine calculations, data enrichment, policy and claims creation and management. As part of the data integration, we also developed monitoring solutions and dashboards allowing our staff (as well as our client staff) to view the status of data processing services, queues and exception reports. Where client selected to outsource IT or business functions to us, these tools are used to ensure efficient operational support and quick resolution of any system issues.

We provide detailed reports including timesheet reports and solution details to our clients using an inhouse system called RADAR that is used to log, track and manage all work requests and our clients are able to access RADAR directly to monitor the status of any defects and work requests, or where they do have their own IT request management systems we integrate RADAR into those systems.

CREATING SYSTEMS

In 2013 we identified the opportunity to start building our own products and licensing them to clients. However, it was important for us that Ellipsys Technologies not lose its focus on software development projects and assisting clients with building custom solutions to their unique problems.

When creating a company vision and supporting strategy it requires you to not only decide what you are going to focus on, but also what you will not. We made the decision to keep the strategic focus for Technologies on software development and created a new company – Ellipsys Systems to focus on software products. The focus for Systems is to identify potential products and focus on the product development, marketing and sales.

Ellipsys Systems have recently developed a complete Insurance Platform – **Ellipsys Evolve.**

> *"Ellipsys Evolve has been successfully implemented at a number of clients and have provided them with a full insurance solution"*

Ellipsys Evolve has been successfully implemented at a number of clients and have provided them with a full insurance solution without the need for any additional systems to support their insurance processes.

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- Report Manager; and
- Evolve Academy.

While Ellipsys Evolve provides a complete Insurance Platform, it was designed so that the modules can be selected individually and integrated into an existing technology landscape to extend current system capabilities. With many insurance systems becoming record keeping systems, the Ellipsys Evolve modules can be integrated into a legacy system to provide extended capabilities or integrate into other systems allowing an insurance provider to extend their digital platform or become part of a larger insurance eco system.

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In 2017 Ellipsys Consulting was created to focus on business consulting and professional services. We were approached by clients that required assistance with solving business problems and processes and to assist them with managing projects and implementations that were not related to the systems that Ellipsys had developed.

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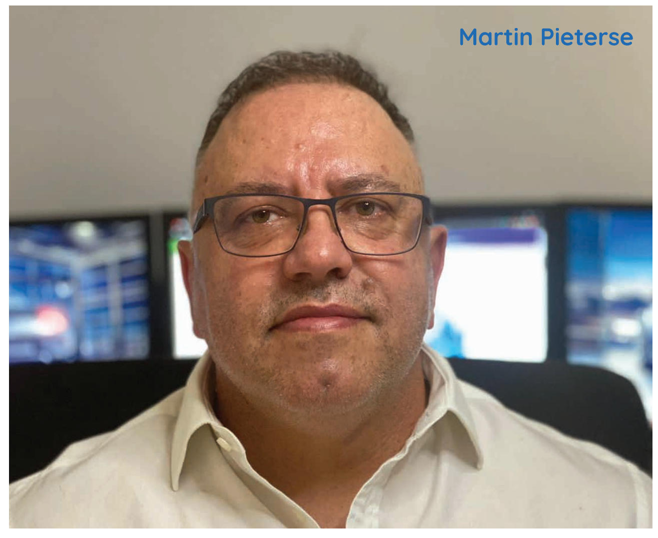
Martin Pieterse

Lloyd's cities at risk report: Johannesburg is accelerating its plans to become a smart city

Lloyd's recently announced a new report: 'Cities at risk – Building a resilient future for the world's urban centres', published in association with Urban Foresight and Newcastle University. Using four global trends, the report analyses the risks affecting cities now, and in the future, and how these threats will affect urban areas.

The study aims to help city administrators and risk managers, as well as Lloyd's market insurers and brokers, understand the risks that will influence the design and function of cities in the coming decades. It provides insight into how these threats could be reduced and how local authorities and insurers are, and could be, working together to do so. The report emphasises the role insurance can play in helping municipalities transfer risks and how insurance data and approaches can help cities back better risk management decisions overall.

The report shows that more than half the world's population now lives in urban areas, up from a third in 1950, and this is projected to reach two-thirds by 2050[1]. As a result, cities are the engines of the global economy. Large cities now account for around 75% of GDP worldwide, forecast to rise to more than 85% by 2030 (McKinsey Global Institute, 2016). These two trends are concentrating populations and economic assets, increasing the impacts and potential losses from disasters.

While urbanisation has occurred on an uneven basis every region of the world has seen an increase in urban populations over the last decades. The UN population index predicts that the global population will swell to 11 billion by the end of this century[2]. Today, the most urbanised regions include Northern America (with 82% of its population living in urban areas in 2018), Latin America and the Caribbean (81%), Europe (74%) and Oceania (68%)[3].At least half a billion more people will live in cities in 2025 compared to 2019. Africa and Asia will be home to 86% of new urban citizens.

The report presents seven case studies: London, New York City, Miami, Mexico City, Johannesburg, Riyadh and Shanghai. These cities have characteristics of other metropolises around the world and are used to demonstrate global issues and cross learning. The case studies also serve as scenarios to understand how specific risks are managed and mitigated at city level.

According to the findings, Johannesburg remains a mid-technological, weaker resilience city, despite being viewed as a key economic player in the southern hemisphere and as a gateway to the African continent for South African businesses. The report links this relative lack of resilience to the fact that efforts to address social problems have not been able keep pace with issues related to health, corruption, social inequalities and migration. Finally, it notes that Johannesburg's smart city plans could also be under threat from uncertainty over the security of electricity supplies.

COVID-19 has sharpened the world's attention on the capacity of cities to withstand the impacts of systemic risks such as pandemics, highlighting features that contribute to greater resilience as well as greater vulnerability. COVID-19 has also brought into focus the impacts systemic risks can have on our urban areas, with severe economic and social consequences extending across the world.

Trevor Maynard, Lloyd's Head of Innovation, said: "Lloyd's can work with cities to help them understand their risks and exposures, and the insurance industry plays a big role in helping mitigate these risks and improve their resilience. The Lloyd's market already has a lot of products meeting the needs of municipalities around the world and we are working on products that target policyholders' future needs. Nevertheless, there is still a long way to go to develop further interactions between cities and insurers in order to increase collaboration and understanding."

Graham Throwers, Head of Infrastructure & Investment, Urban Foresight, said: "The commissioning of this report was prescient. As cities continue to evolve, their shape and functional performance is being questioned like never before. Recent events have highlighted the importance of our great cities as concentrations of economic, political and social activity. They are also environments in which risks concentrate.

Amit Khilosia, Regional Head for Africa, Lloyd's, said: "Johannesburg has so much potential as a regional business and investment hub. We believe that – with the appropriate risk management plans – it can become the city we all know it can be. Together with our partners, we look forward to working with key stakeholders, including local authorities and governments, to assess all relevant risk factors and to better understand our customers' needs".

This report treats cities as highly interconnected systems of systems. In so doing it adopts a holistic view of urban risk. Cities at Risk aims to give cities the tools they require to preserve and enhance the lived urban experience whilst managing the many challenges they face.

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The year that changed the world

Opinion piece by Sharon Paterson, Chief Executive Officer, Infiniti Insurance Limited.

Most people welcomed 2020 with considerable optimism. Businesses across the world had strong revenue forecasts, supported by a trend of substantial economic growth. Then the world started to change in fundamental ways right before our eyes.

In March the Pandemic rendered all economic projections and business forecasts moot for 2020, while industries across all sectors were forced to reinvent the way business is done, leading to dramatic shifts in the landscape of the risks we face.

The dynamics around Non-Life insurance have proved to be particularly demanding, keeping the industry in constant development mode as it evolves to meet new challenges, and increasingly unpredictable risks where uncertainties are prevalent.

The recent past has seen escalating pressures on the insurance industry the world-over, with the number of climate-related disasters tripling in 30 years. In the last few months, we have seen major occurrences including non-climate related events such as the Beirut explosion and Covid-19 pandemic which give greater context to the dynamics and challenges at play in the industry;

Typhoon Goni, one of the most powerful storms on record, slammed into the Philippines in November displacing hundreds of thousands of people as the Philippines grappled with one of the worst Coronavirus outbreaks in Southeast Asia.

The 2020 California wildfires were particularly brutal this winter, affecting an area covering 1 764 234 hectares, killing 32 people and destroying 10 488 buildings.

The smoke cloud from the Australian summer bushfires were three-times larger than anything previously recorded - Cloud measured 1,000km across, travelled 66,000km and was on par with the 'strongest volcanic eruptions in the past 25 years, scientists say.

The recent past has seen escalating pressures on the insurance industry the world-over, with the number of climate-related disasters tripling in 30 years.

On 4 August 2020, a large amount ***of ammonium nitrate stored at the port of the city of Beirut***, ***the capital of Lebanon***, ***exploded***, causing at least 204 deaths, 6,500 injuries, and US$15 billion in property damage, and leaving an estimated 300,000 people homeless.

In South Africa our average annual temperatures have increased by 1.5 times more than the observed global average of 0.65°C recorded in the past 50 years. In addition, extreme rainfall events have increased in frequency.

This according to The African Climate and Development Initiative. There is no question that the industry is reeling under this burden, while it moves swiftly to address the growing hurdles, to ensure sustainability and the essential protection it gives clients.

The global Covid 19 pandemic – in essence another form of disaster with its disruption of lives, livelihoods and economies – has nevertheless also brought about some positive changes to business and our daily lives.

The lockdown has demanded new ways of doing business from enhancing technology-driven efficiencies, acting as a catalyst for operational transformation, developing new business models and connecting more closely with customers.

It has led to businesses becoming more competitive while prioritising marketing with the focus on retaining

"The insurance sector contributes to economic growth, both as a financial intermediary and as a provider of risk transfer and indemnification, by allowing different risks to be managed more efficiently and by mobilizing domestic savings."

existing business and exploring new and diverse business opportunities. The insurance industry must move away from a focus on analysing historical data in a paradigm shift to predictive risk assessment methods. The calamitous events have also demanded that the industry cover products that are innovated to address clients' needs in this constantly changing environment.

"In looking at the crucial role of brokers we find those in the Infiniti ambit have positively accepted the necessity of doing business differently, especially working remotely and increasing efficiency of virtual meetings and the adoption of digital platforms.

From a personal observation, as Chief Executive Officer, I have learnt that the ethos of our company is not tied to the office and is not entirely dependent, in this age of technology, on us all working from one venue but rather on us interacting daily.

We can still offer unparalleled service from wherever we are if we are prepared to put in the effort required and we have. We are successfully living our Business Continuity Plan in a way we would never have envisaged a year ago.

Having said that, as CEO, I have found that I am more effective when I can more easily utilize the support that I have from my team and this I get from being together in one office. We are in the people business. The lockdown gave as an opportunity of re-evaluating our lives. I found, like many others, how much disposable income went on non-essentials. Perhaps this change in spending behaviour will help lower the levels of household debt in the country and even result in a culture of saving?

I believe that many people will reaess the way they think about money and what is truly important to them, resulting in a better, more giving society. We all now look at risk differently and as lifestyles change, the world will be a different place with new challenges for insurers and clients alike as new risks are contemplated. The astute, brave and bold will adapt and thrive.

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

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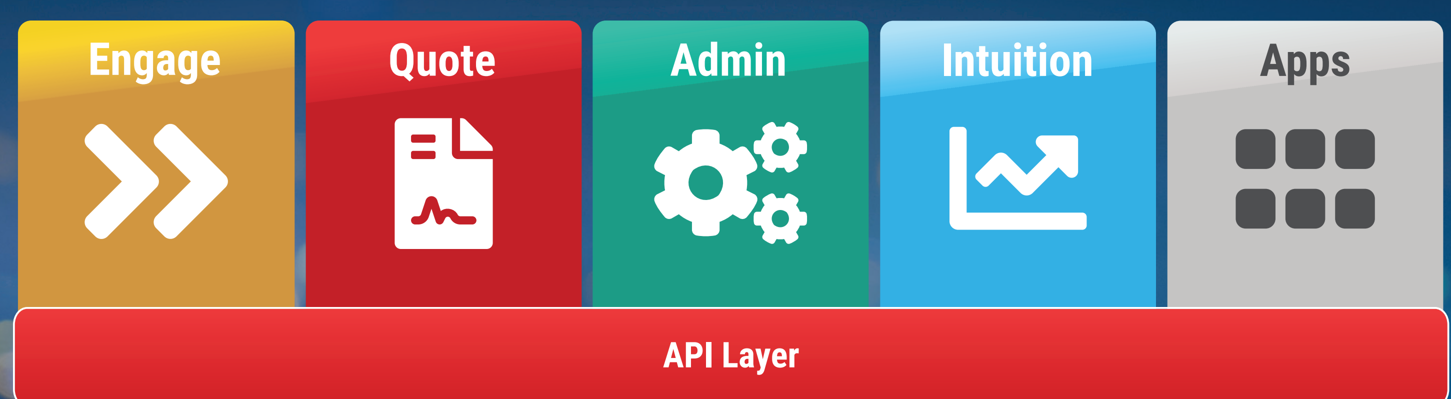

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Working together to make stakeholder capitalism a reality

By: Alex Terblanche, Head: Business Insurance & VAPS Auto & General

2020 has truly been a watershed year for all of us. Not since the global market crash in 1987 has a year had such an impact on our generation.

Looking back, one's first reaction is simply to want to forget it ever happened and move on, but if there was one thing that 2020 taught us, it was to evaluate and do some introspection. From a personal point of view, it's taught us the importance of health, family, friendship and compassion. From a business perspective it has made us question everything, from what we do, to how we do it.

It has taught us that all businesses face unforeseen risks, no matter how big or small. It has highlighted the importance of understanding how to capitalise and insure your personal belongings or your business against both physical and financial risks. It also taught the critical importance of the role that insurance plays. And, finally it taught us that no person or business is immune to unforeseen black swan events.The fact is that the future is unpredictable and change is inevitable. Whether from a personal or business point of view, one always has to be responsive to changing conditions, be flexible and be set up in such a way that it is easy to adapt to change. Businesses who were able to digitise and create new markets quickly, were less affected by the economic impact of the pandemic.

From an insurance perspective, as for many other industries, it's been a tough year. Consumers are struggling financially, with many cancelling their insurance policies, regardless of the risk and purely with the aim to make ends meet. During a time where especially small businesses struggled, we were proud to be one of the first insurers to pay-out on business interruption claims. Insurers have also had to adapt. We believe we need to create better value for our brokers and customers.

The first step would be to provide clear and understandable wording that is easy for brokers and clients alike, to read and understand. Secondly, we need to ensure that our digital partner support remains a key priority. Thirdly and from a Commercial Insurance perspective, we need a larger focus on creating financial risk lines such as Business Interruption cover, what it means and how it works, as well as specialised liability lines of insurance that can support a new world. What is important to us is to remember that business is not only about profit. We have to give stakeholder capitalism concrete meaning, by moving beyond our legal obligations and upholding our duty, as a business, to society.

This will bring the world and our country closer to achieving shared goals. It's been a trying time, but also a transformative time and a time of remarkable compassion, with countless instances where we've come together as a nation for the good of our most vulnerable. At the time of writing this article, South Africa was in the midst of its third investment conference. With political and business leaders coming together to create a better South Africa, by attracting much needed investment to the country. From an Auto & General perspective, social responsibility is therefore a cornerstone of our business proposition. We believe that businesses who do not take their role in the community seriously, will likely fall out of touch with the community at large and be less like to succeed in the future. During 2020 we have seen how many businesses supported each other, even those that are in competition. But, they did it purely to survive 2020.

During a time where especially small businesses struggled, we were proud to be one of the first insurers to pay-out on business interruption claims.

We responded with our Food Security Programme in Diepsloot and through our parent company, TIH, we took up the President's call to unite in the fight against Covid-19 with a pledge of R320 million to the established Relief fund, thereby having the true privilege and honour of being able to do our part in giving back to our communities and country.

After 2020, what does the future hold for insurers?

Wayne Abraham, AIG Africa Region CEO

After all that has happened this year, it is a brave person who would make predictions for 2021, beyond hoping for better circumstances.

The big and unprecedented story so far is undoubtedly COVID, which has had massive structural impacts across the entire insurance industry – employees, brokers, business partners, clients – and many of these impacts will last long after any resolution to the ongoing pandemic.

It is inevitable that the disruption to the economy and business as usual has meant additional pressure on consumers and certainly small to medium businesses. While insurance is generally considered an essential service in a modern society, the reality remains that, consumers will look to save money. This has had a ripple impact on insurers, driving retention rates lower and increasing lapse ratios.

While the changes forced upon everyone were sudden and drastic, AIG had already established and tested the technical infrastructure needed to be able to work from home, in fact, we closed our offices before it was mandated to do so, with employee safety a primary concern. It helps that in terms of technology, our people – and arguably, most people in the insurance industry more broadly speaking – are well set up for this structure.

The insurance industry is a people business, but we have learned it doesn't have to be face-to-face especially thanks to the communication tools we enjoy today. This means customers shouldn't experience any reduction in service delivery into the future, though a more balanced approach which features less travel, and in-person engagements is likely.

In this changed risk landscape insurers, brokers and our clients must ensure there is a clear understanding of what is covered in any policy. While we don't know what the next event will be, COVID has shown the impossible can't be ruled out – but at the same time, creating any new products that cater for 'COVID-scale' events will be more complex as ensuring a product is correctly priced requires enormous amounts of data.

Despite promising news around a vaccine, the pandemic is far from over, so continued challenges are likely into the new year. Growth will be hard to come by, although there is undoubtedly opportunity in volatile markets. Rates are hardening in the commercial space, and those (like AIG) offering commercial insurance have a good opportunity to grow with improving profitability. Some insurers have withdrawn from specific areas of the market, which in turn creates additional scope for growth.

From AIG's perspective, we will continue our focus on partnering with brokers and clients to plot the way forward, which is likely to include looking beyond South Africa to Southern Africa with

a specific focus on the commercial space and if 2020 has left everyone with one lasting realisation, it is that the technology we already relied upon has proven indispensable in times of crisis. Expect more digitisation, more simplification and more granular insurance offerings into the future as technology is further harnessed to create better solutions for the market.

From AIG's perspective, we will continue our focus on partnering with brokers and clients to plot the way forward, which is likely to include looking beyond South Africa to Southern Africa with a specific focus on the commercial space and if 2020 has left everyone with one lasting realisation, it is that the technology we already relied upon has proven indispensable in times of crisis.

Steps to follow as businesses attempt to choreograph a better 2021

By Nicholas Francis, Chief Marketing Officer at Bryte

The COVID-19 life cycle is one that is very difficult to predict. With no manual at our disposal, 2020 was a year where instinct prevailed and decisive action was the order of the day.

Difficult decisions continue to be made to balance saving lives with sustaining livelihoods. As we move forward, here's some elements to consider, so our successes far outweigh the limitations in 2021.

UNSEEN, BUT A DOMINANT THREAT

Despite the overwhelming challenge that surrounds us all, it is commendable how many have swiftly and successfully taken to remote working.Technology has truly been our saving grace – in more ways than we can count.

It's:

- Empowered businesses to service customer needs, uninterrupted.
- Made it possible for so many to continue earning an income.
- Enabled us to remain connected to people, stay informed of developments across the globe and remain entertained – and sane.

But, naturally, there are pros and cons to everything. More people continuing to work remotely - accessing sensitive data over vulnerable VPNs - or using their own devices is inevitably leaving businesses more exposed. The growth of the Cybercrime industry has been even more rapid. We can expect to see many more instances of minor to large- scale cyber breaches occurring into the future; according to *Cybersecurity Ventures*, the global cost of cybercrime could be $6 trillion by 2021. To put this into perspective, this is more than the GDP of the third-largest economy in the world, Japan. Our industry must partner with business to ensure enhanced vigilance and good cyber hygiene. Businesses must prioritise the implementation and enforcement of robust cybersecurity protocols, guidelines, company policies, practices, etc. Doing so will also be an enabling factor in realising the potential of the digital economy, which according to the *e-Conomy Africa 2020 report*, could add up to 5.2% to Africa's GDP by 2025.

SEEKING CONNECTIONS

By nature, we are social creatures. The restrictions, stemming from efforts to curb the spread of the pandemic, will continue to take a toll on most. So, reconnecting with customers - not just face to face – will be even more important but equally complex. For our industry, it is vital to ensure greater brand visibility, more customer touchpoints, enhancing product and service relevance and going beyond your value proposition to support customers along their risk journey. Keeping this focus will be instrumental in building trust, loyalty and mutual, business success.

HOME-GROWN

With unemployment rates at record high levels, we are likely to see a surge in home-grown businesses. Just as the short-term insurance industry has done with tech businesses like Airbnb and Uber, we will need to continue evolving risk management approaches to address the needs of changing as well as new business models. The industry has an enabling role to play in effectively understanding the unique risks these emerging businesses may face, devising solutions tailored to sustainably respond to their needs and acting as a catalyst in their progressive growth.

PREVENT RATHER THAN CURE

Since the onset of the pandemic, so many businesses have experienced elevated levels of financial distress and any further losses could have devastating effects. into sharper focus to maintain resilience and reduce exposure. The emphasis on pre- empting needs of businesses within this context and fast-tracking/making accessible innovation to avoid incidents, must be an ongoing one. The value of technologies with real-time monitoring

More people continuing to work remotely - accessing sensitive data over vulnerable VPNs or using their own devices is inevitably leaving businesses more exposed.

or early warning systems in helping prevent building fires, geyser bursts and pipe leaks and of telematics in detecting issues with motor vehicles is tremendous.

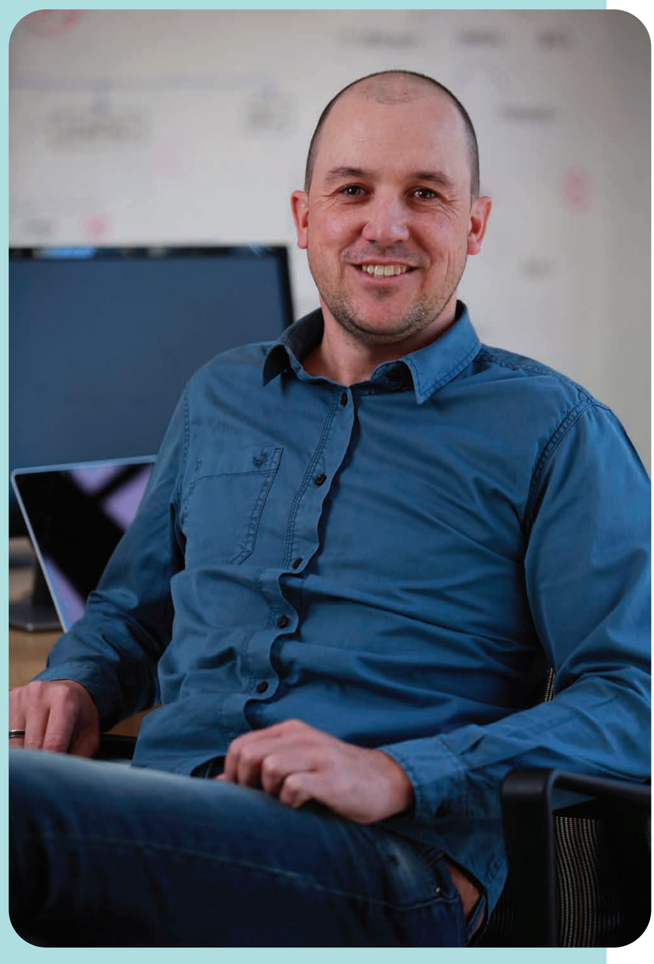
With the right risk identification tools in place, businesses are able to safeguard themselves from significant financial losses or worse, an incidentresulting in the loss of precious lives. A firm emphasis on addressing exposures before these pose a threat is imperative.

The insurance industry has a critical role to play in economic resilience through continued innovation, strategic partnerships, robust risk mitigation insights and solutions that focus on holistic exposure management.

This must be done in a considered and sustainable manner – one that keeps the customer's business at the forefront.

4 ways personal short-term insurance will evolve in 2021

By Ernest North, co-founder at AI-driven insurance provider, Naked



The COVID-19 crisis has reshaped every industry in nearly every country in the world, and South Africa's car insurance market is no exception.

While short-term insurers have benefitted from reduced claims under the lockdown due to the drastic drop in road traffic, they also face higher customer expectations.

People are scrutinising their spending more closely—putting premium pricing under pressure—and demanding more transparent, digital and convenient customer experiences.

Disruptive insurance providers that are using automation to reduce costs and sharpen risk management, meanwhile, will drive down premiums and make insurance accessible to people who couldn't previously afford it. These factors will mould the sector throughout 2021. Here are some of the fundamental ways the insurance industry will change in the year to come.

THE DIGITAL DEBATE WILL BE OVER

The car and home insurance market went through a shift about 15 years ago as most people started to buy their cover directly from insurers' call centres rather than through brokers. The next major change we were all anticipating was the rise of digital insurance. The benefits are obvious: convenience, transparency and the ability to drive costs down by scaling back the expensive legacy infrastructure and processes incumbent insurers need to service their customers.

Yet, there were also barriers to adoption. Some people worried about whether it was practical or safe to buy a complex product like insurance online. Traditional insurers faced obstacles in revamping their legacy technology to power a completely online digital insurance experience. Indeed, most of those old-school insurers still cannot sell you a policy online. You may get an indicative quote from their website, but will need to complete the purchase on the phone.

While short-term insurers have benefitted from reduced claimsunder the lockdown due to the drastic drop in road traffic, they also face higher customer expectations.

The latter challenge started to be solved a few years ago when digital insurtechs started to launch into the market with a fresh start and a new approach. The lack of legacy systems and processes meant they could use the latest cloud and artificial intelligence technologies to power a pure digital customer experience – from quoting and purchasing to claims and policy management.

And now, with people who were forced to go online to work, shop and interact with others during lockdown, the concerns people had about digital insurance are starting to evaporate.

wPeople who have used the internet for everything from banking online to conferencing with colleagues now realise that digital insurance is simpler, more affordable and gives them more control than buying from a traditional call centre.

Along with other companies that offer seamless digital experiences, digital insurance providers have enjoyed a boost. Consumers are embracing the benefits of managing their policies online themselves. For example, the percentage of Naked clients actively using our CoverPause feature to pause accident cover when not driving grew from less than 5% pre-COVID to 52%.

The COVID-19 crisis has reshaped every industry in nearly every country in the world, and South Africa's car insurance market is no exception.

AN END TO OPAQUE BUNDLED INSURANCE PRODUCTS

Banks, cellphone stores and other retailers offer insurance as a 'value-add' for 'your convenience'. They convince many people to purchase home insurance or cover for a smartphone when they sign up for a bond or a cellular contract. The deals on offer are not always the best you can get, but companies know you probably will not get more quotes because it's a chore to phone around and because you're more focused on the actual item you're buying. This is changing fast as digital insurance providers enable you to get a competitive quote straight from your smartphone in two minutes or less, and then immediately buy the policy if you're happy with the premium.

You now have the power to check whether the insurance deal on offer is fair while you're sitting at the cellular dealer or on the car sales floor doing the paperwork. In this tight economy, we can expect to see more people look closely at insurance costs, especially now that it's so easy to compare.

Nonetheless, we will see more people buying insurance for standalone items because it has become easy to get a quote and buy online. Ecommerce companies will integrate insurance offers into their point of sale process, along with the third-party credit options many offer their customers. This differs from the old bundling approach in how transparent the pricing is.

THIRD PARTY-ONLY COVER WILL TAKE OFF

Around 70% of cars on South Africa's roads are completely uninsured. The result is that many drivers are exposing themselves to significant financial risk should they be involved in an accident that is deemed to be their fault. In such a case, insurance companies representing the other vehicle's owner may pursue legal action to recover the cost of the damages. This can cause financial ruin for low- or middle-income earners and their families.

One reason many South Africans don't have car insurance is that they feel it's not worth it if they're driving an old, low value vehicle. Third party-only policies are an alternative if you don't want to insure your own vehicle for accidental damage. They will not cover damage to your own car, but it will cover damage to other cars involved in an accident with you. However, South Africans typically buy comprehensive insurance or none at all. Some are not aware that there are third-party only insurance policies, and others simply find these products too expensive. Now, however, third-pay only insurance is becoming more affordable.

Around 70% of cars on South Africa's roads are completely uninsured exposing themselves to significant financial risk should they be involved in an accident that is deemed to be their fault.

Conventional insurers need to cover overhead costs, so they charge a minimum premium of about R200 a month for R5 million third-party cover. New-generation insurance providers are using artificial intelligence and digital distribution to reduce these costs to as little as R38 per month. At this cost, many people who are tempted to cancel car insurance to save money during these difficult times will retain third-party cover.

It's a better option than finding yourself on the hook for damage to a R5 million Range Rover. Plus, government has indicated that it is at least thinking about making third-party insurance mandatory as it is in many other countries.

COVER TO BECOME MORE PERSONALISED TO YOUR RISK

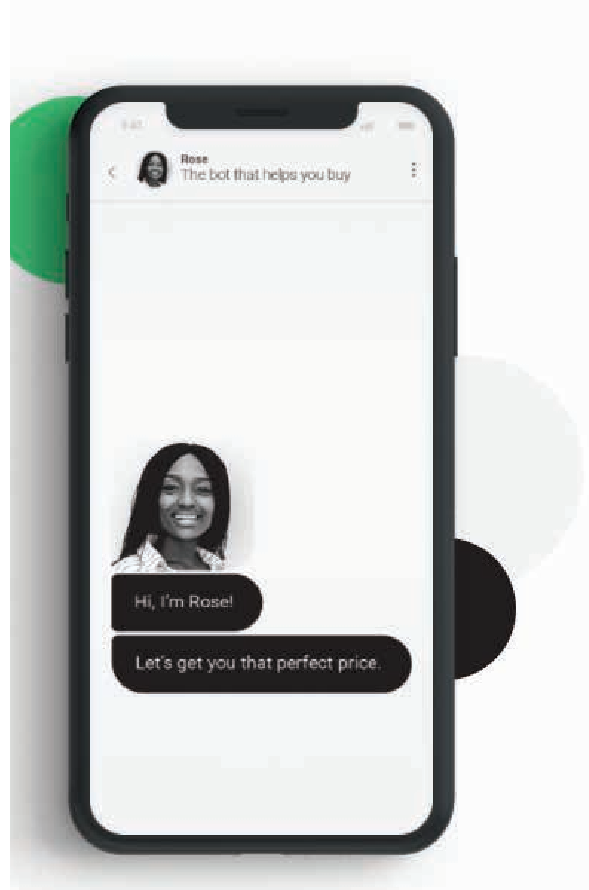
Insurance product innovation has seen insurers come to market with more personalised offerings that are dynamically tailored to your exposure to risk. Examples include vehicle telematics solutions that track your driving behaviour or your mileage, and then reward you according to how well or how far you drive. Another example is CoverPause – many customers did not drive at all under lockdown, hence paid much less on their premiums.

However, the insurance industry still has a way to go before the premium you pay is truly adjusted to your personal circumstances. Your insurance cover will still be based mostly on factors such as your age, gender, location and claims history. Around 70% of cars on South Africa's roads are completely uninsured exposing themselves to significant financial risk should they be involved in an accident that is deemed to be their fault.

What happens if there are two women of the same age living in the same street? Let's imagine they both drive exactly the same model and year of car and have a similar accident history. The first of them drives 150 km each weekday to drop the kids off at school, go to work, and check on her parents. The second is single, works from home, and only drives 100 km a week to the shops or to visit friends. They would both pay the same premium..If the second woman uses one of the telematics products, she might get a 10%-20% discount, rewards or cashback of around 5%-20%. But her real risk is at least 50%-60% lower than her peer down the road. Post-COVID, insurers will need to revisit how they structure their products to offer more meaningful savings based on each person's circumstances – especially with many driving less as work-from-home becomes permanent.

At Naked, we believe that the future of insurance lies in using advanced digital technology and rich data to offer an ever-more personalised offering, one that is tailored to the personal needs and risk profile of each customer.

Digital-native insurance companies that are not impeded by legacy systems are best positioned to lead the transition to these next generation products in the years to come.



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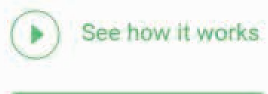
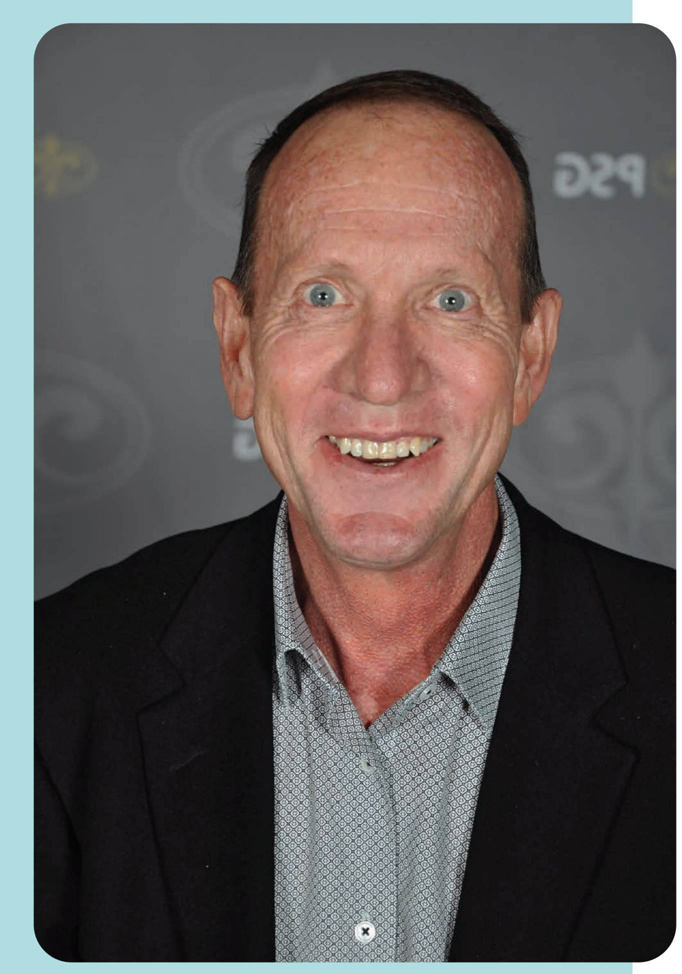


Get my price

2021 Insights

By: Bertus Visser, Chief Executive of Distribution at PSG Insure



2020 certainly highlighted the importance of good advice. Tackling a new year is often an opportunity to reflect on the year before and to devise ways to improve or sustain what is working in your business.

The past year has taught us some hard lessons, and this provides all the more reason for advisers to ensure they lay the foundation right when it comes to ensuring the sustainability and growth of their insurance practice. Here are some important steps PSG Insure is encouraging its adviser to take on this year.

REMEMBER THAT IT'S ABOUT THE JOURNEY

A journey generally takes navigation too. Giving clients access to time with their adviser (within reason) and knowledge is the core of a successful relationship. Clients want claims to go through without a hitch and to keep that outcome consistent does take time, and requires regular check-ins. This year may be even more demanding in terms of your time (although last year may have been a trial run, based no doubt on clients having many questions and concerns, surrounding Covid-19 and their cover). Stay abreast of any changes in the realm of insurance. The rules are dynamic, particularly these days, and must always be considered as they can change suddenly. Being thorough, patient and allocating time practically will be very important this year.

More than anything, clients want to know they can count on you for excellent service, so ensure you are always contactable, and be clear when managing expectations on turn-around times.

LEARN THAT LONG-TERM RELATIONSHIPS ARE KEY TO SHORT-TERM SUCCESS

Echoing the fact that it's a journey, a sustainable relationship between an adviser and client is often built on a long-term arrangement of trust. Your clients need to trust you and feel like you trust them. Open and frequent communication assists this process. If long-term relationships last and cover meet expectations, there is no reason a second or third-generation relationship can't form, providing sustainable revenue into the far future.

We encourage keeping an open-mind when it comes to looking for new business. Remember you need to grow your business consistently, even in these tough times, so make it a focus and a priority throughout.

KEEP YOUR BUSINESS SUSTAINABLE

Advisers keep clients' risks top of mind, especially those in commercial fields, advocating for a back-up plan such as emergency funds, a succession plan and of course, short-term insurance cover as vital components in business.

Last year showed us why a plan is always needed, so these same tips apply to the advisers in our network, and should always be prioritised and reviewed frequently. There may be some staff changes or system implementations that could impact an already robust plan, so we suggest always ensuring your plans are revised and kept as up to date as possible as your practice evolves.

It's important to leverage all the digital tools available too. While some clients will always opt for face-to-face advice, clients of all ages are increasingly open to digital, automated service. Saving time and working efficiently are a great combination for success, which works well towards achieving sustainable advisory businesses.

DON'T LET FEAR OR UNCERTAINTY DISTRACT YOU

This promises to be another year full of ups and downs (we of course hope for more ups), but it could take time for the world to 'normalise'. We also encourage regular evaluations on product providers to ensure the best products are being offered to clients, always. With the ups and downs of 2020 behind us, we can look ahead and hopefully make the most of the opportunities this year could bring. But by focusing on building trust, and striving to deliver excellence, you can always aim to set yourself apart from the competition.

2020: The year that changed everything

Gareth Beaver, Chief Executive Officer, SHA

We could argue that big changes were coming to the insurance industry even before the world had ever heard of COVID-19.

Over the years, there have been significant changes in consumer awareness and litigation behaviour, coupled with an accelerated decline in the quality of risk management. This combination of factors invariably led to an increase in claims frequency and severity.

At the same time, growing competition and a lack of sustainable strategies in the market meant that premiums had in fact been moving in the opposite direction. In the liability space, some areas of the business such as Professional Indemnity were in fact pricing risks almost 20% lower than they had two years before, in spite of rising claims, while Single Projects rates had slipped by 33%.

It is therefore not a stretch to say that a global underwriting correction was well on its way long before the pandemic and resultant lockdown changed life as we knew it. What has happened during the Annus Most Horribillis, is that many brokers and clients really started to experience the effects of this declining cycle for the first time.

The distinction is a critically important one because it suggests that the knock-on impact of the pandemic on the global insurance market has not actually been felt yet. Business owners could therefore still be in for further tightening of the market in 2021.

Interestingly, whilst many businesses were forced to slip into survival mode in 2020, particularly in the SME sector, we have also seen an increase in risk awareness in our market. This could be attributed to business owners looking for ways to create new efficiencies in their operations. that make up the most valuable asset in any organisation. Less employed people, working longer hours and engaging in activities that fall outside of their normal skill set will eventually lead to costly mistakes, injuries and potentially even death.

Also on the horizon are more cyber related claims and regulatory fines following privacy breaches. Many businesses found themselves hurtling through cyber space in 2020, digitally transforming operations at breakneck pace in an attempt to keep employees and customers online during the lockdown levels.

This has widened the pool of potential victims for cyber criminals who thrive in the gaps left in untested security systems. Once again, employees may find themselves operating outside of their comfort zones.

Looking forward into the coming year, we see employees being a potential source of claims across the board. Greater investment in training and education in 2021 could make the world of difference in this rapidly evolving risk landscape. At the same time, there is a real need for greater collaboration between insurers, brokers and clients if we are to recover in 2021.

Our own research has shown that a large number of businesses do not share their risk register or risk committee meeting notes with their insurer. Giving insurers access to this information can only aid in providing businesses with the most appropriate cover. While withholding this information ultimately leads to insurers making conservative assumptions, meaning that clients end up bearing the brunt. That is the best-case scenario when assessing risk without the proper information.

The worst-case scenario is a plethora of problems when there is a claim, due to the insurer not fully understanding the exposure. Trust is a vital component of any healthy relationship, certainly one where close collaboration is a prerequisite for a sustainable economic future – for clients and for our industry.

We believe that brokers have a critically important role to play in this, however they cannot do it alone. The engagement between insurer, broker and client is tripartite and requires constant cultivation of trust and collaboration for it to work, one cannot survive without the other, and the broker is at the center.

Any developing trust deficit between insurer and client must be remedied, and brokers are well-placed to bridge the gap – with a little help from insurers. Greater transparency from insurers is needed and we at SHA are committed to this

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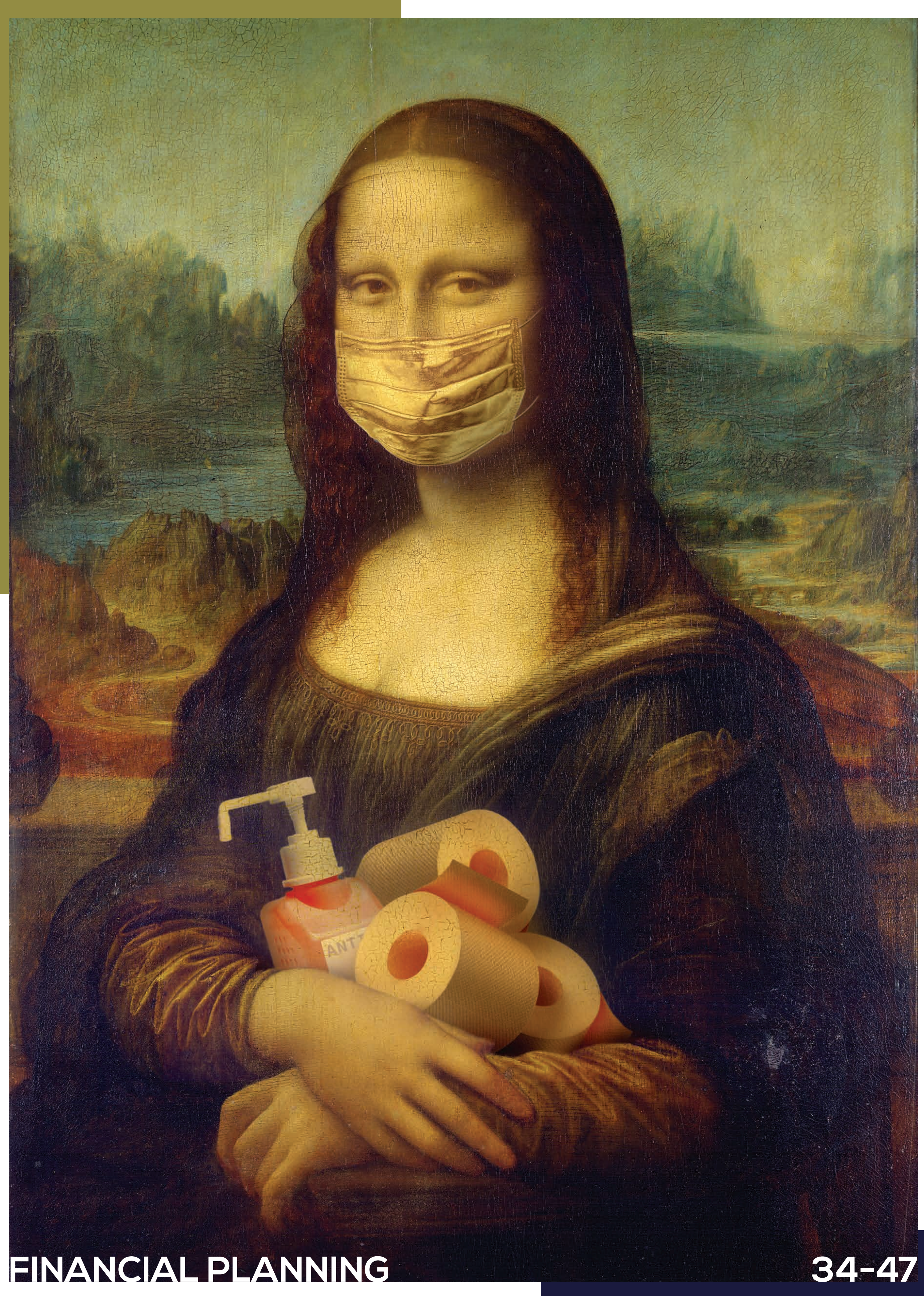

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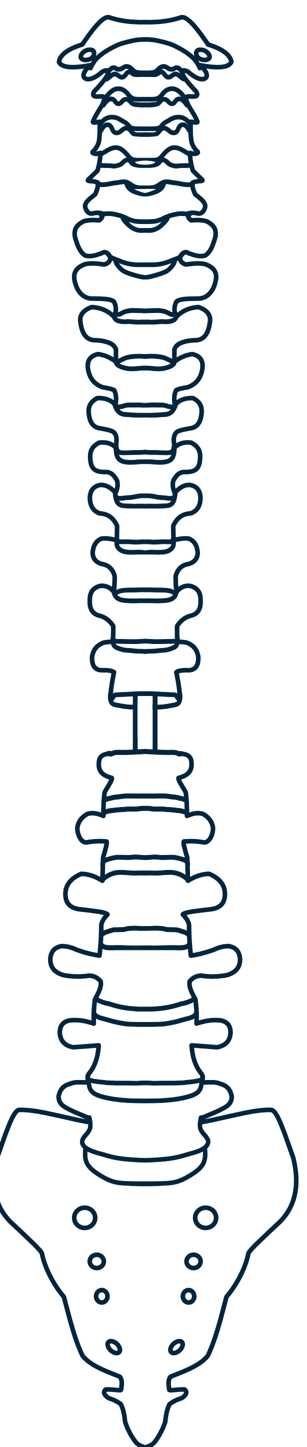

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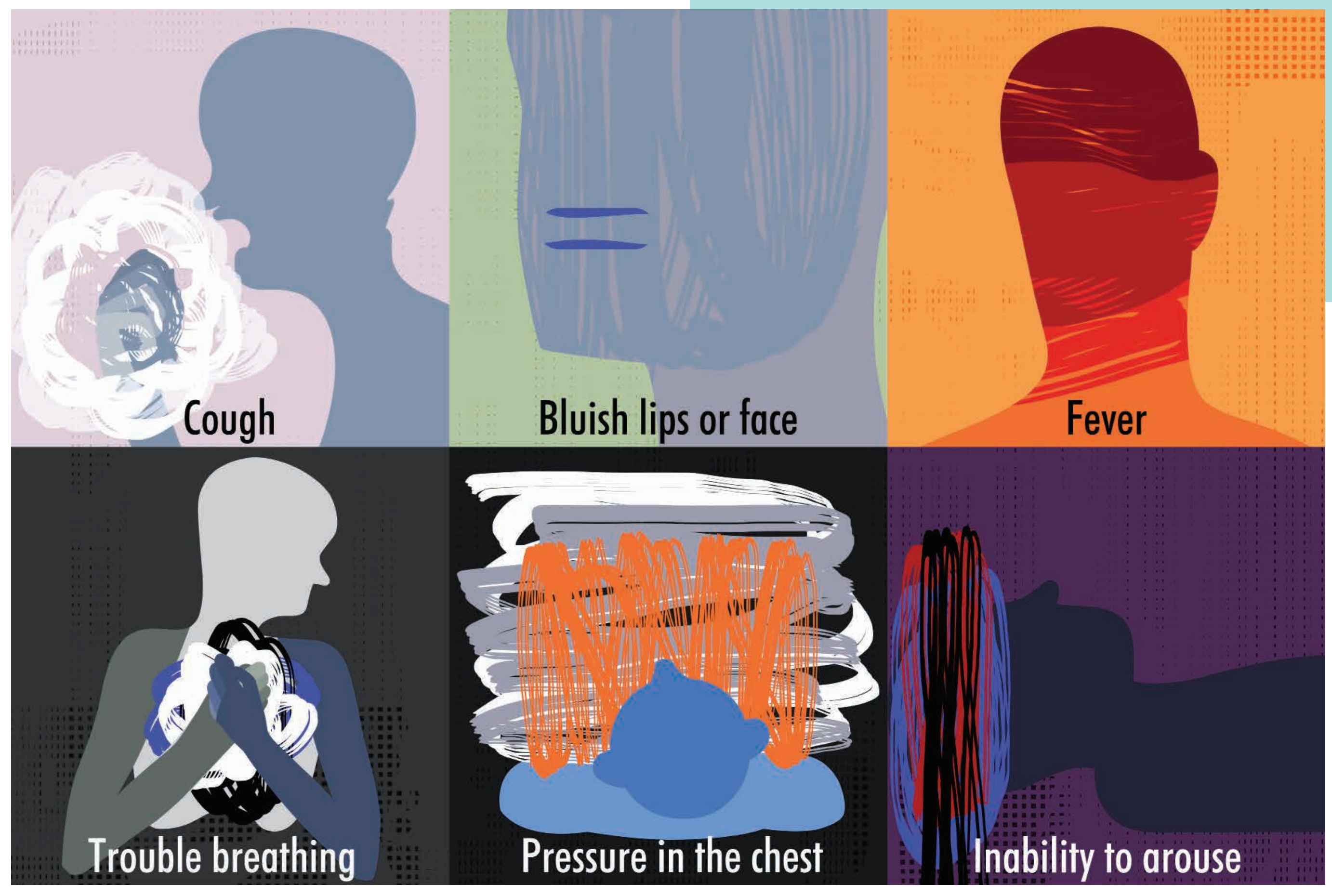

How COVID-19 long haulers may affect the workplace

Elna Van Wyk, National Head of Disability Management and Technical Underwriting at Momentum Corporate

The prolonged impact of COVID-19 on productivity and disability benefits. During the early stages of the COVID-19 pandemic, the disease was seen largely as a short-term illness with survivors seeming to recover fairly quickly. However, according to the World Health Organisation (WHO), local and global experience is showing that COVID-19 can also result in prolonged illness for some survivors.

While much is still unknown about the clinical course of COVID-19, the prolonged impact on certain patients, now referred to as "long haulers", has implications for workplace productivity as well as the management of employee disability claims.

There is a growing number of reports that a fair percentage of COVID-19 sufferers do not regain their previous health following the disease, with prolonged symptoms lasting up to 6 months. The WHO indicates that this even applies to young adults without underlying chronic medical conditions. Among those aged 18 to 34 years in good health, 20% (1 in 5) reported prolonged symptoms.

According to the WHO, symptoms that may linger for months following the disease include fatigue, cough, congestion and shortness of breath, loss of taste or smell, headaches and body aches, diarrhea and nausea, chest or abdominal pain and confusion.

These symptoms, depending on their severity, certainly have the potential to impact negatively on an employee's ability to perform their job effectively.

I also believe that the symptoms of prolonged COVID-19 may be confused with mental illness disorders like depression and even post-traumatic stress disorder (PTSD). This may complicate an accurate diagnosis and, if symptoms are so severe that the individual applies for

income disability benefits, may complicate the claims assessment process.

Up until now, we have not seen a rise in disability claims due to the prolonged impact of COVID-19 on employees' health. However we do expect claims to rise in the future due to a number of COVID-19 related factors.

WHY DISABILITY CLAIMS ARE LIKELY TO RISE IN THE FUTURE

Many people have been avoiding healthcare visits due to fear of contracting the virus, and have not been receiving the care they need during lockdown.

As a result, their health may deteriorate, in particular in the case of chronic conditions such as diabetes and heart disease. We have also seen later diagnosis of conditions like depression and cancer, which will impact on the prognosis and treatment required.

These factors will all impact on employees' state of health and their ability to remain productive members of the workforce, as well as the number and duration of disability claims.

Momentum Corporate's claims experience shows a correlation between a weak economy and high income disability claims. The financial pressures of potential retrenchment, static or reduced salaries and the unavailability of jobs in a stagnant economy are already taking their toll on employees' physical and mental health.

Remote working is also having an impact on physical and mental health. Musculoskeletal-related claims are already one of the top 3 claim causes according to our claims experience. These claims may well rise in the future due to the poor ergonomics of home-based offices. Furthermore, feelings of isolation and lack of connection that can accompany remote working, coupled with financial stressors, are expected to fuel mental health claims, which are already on average 9% of all disability claims received by Momentum Corporate.

REVIEW DISABILITY BENEFITS STRUCTURES

A rise in the number and duration of claims will mean that disability benefits become more expensive and, in some cases, unaffordable for employees based on the current structure of benefits. She urges employers to review the cost and disability benefit structure to make sure that it is the best use of employees' money. A better option may be to consider a lower benefit structure that is fairer to all employees, like a scaled benefit structure. Although benefits may be slightly lower, the cost saving would increase employees' contribution towards retirement savings or take-home pay.

RETURN TO WORK

While a speedy and successful return to work minimises workplace disruption and is good for productivity, employees returning to work after a COVID-19 absence, potentially suffering from prolonged symptoms, or after a disability-related absence, are likely to require additional support to facilitate their successful reintegration.

HEREWITH A FEW TIPS TO MANAGE A SUCCESSFUL RETURN:

- Establish whether or not the employee is fit enough to perform all duties.
- Negotiate a phased return to work, giving the employee time to adjust and build strength.
- Find out if the employee is still taking medication and its potential side effects.
- Agree with the employee what support will be available during their initial return.
- Arrange for a colleague to act as their "buddy", helping the employee with any difficulties in the first few weeks.
- Monitor the situation closely for the initial period to make sure the employee is coping.

I suggest that if the employee is returning following a period of absence due to disability, find out what services the company's disability insurance provider offers to help insured employees return from a disability and successfully integrate back into the workplace.

How life insurers can transform the customer experience in 2021

Gareth Quinn, Chief Technology Officer at FMI

If Covid-19 has shown us anything, it underlined the fact that the future of life insurance belongs to the insurers who go out of their way to make their customers' lives simpler and easier by delivering exceptional customer experiences.

The pandemic didn't change consumer expectations, as such. What it did was to force insurers to consider how effective their engagement mechanisms are for the sales, underwriting and onboarding processes. Customers remember both great and bad experiences: when we build a great experience, we deepen our support from advisers and customers alike. But if we make people jump through hoops to just do business with us, we'll lose them forever - and probably lose others by word of mouth.

"More than ever, consumers expect life insurers to present their offerings in the most elegant, understandable way possible"

Here are the five top customer experience trends we're seeing in the South African life insurance industry – and they're only going to gather momentum in 2021.

HIGHLY PERSONALISED CUSTOMER EXPERIENCES

More than ever, consumers expect life insurers to present their offerings in the most elegant, understandable way possible, that's tailored to their specific needs. Life insurance is complex, and people run from ambiguity or complexity. So what does a great customer experience look like in life insurance terms?

- Easy to understand competitor product comparisons. They want an apples-for-apples comparison: I pay x for y.
- Digital application and self-service capabilities. Often, consumers don't want to spend half an hour on the phone with you. They want to engage online, or even better, via an app.
- Support offered across a variety of engagement options to suit customer needs. It's the old story: they want to engage with you when and how they like.
- Rapid, automated under-writing that makes onboarding easy. They want their risks to be assessed quickly and painlessly, with minimal steps in between.

FASTER DIGITISATION OF ADVICE, APPLICATION AND SERVICING PROCESSES

During the lockdown, much of the life insurance industry ground to a halt because advisers couldn't meet clients or complete paper-based documentation. This has to change, quickly. Insurers and advisers are acutely aware that digitisation doesn't just improve the customer experience, but creates a more robust operating base that can function under any circumstances.

What Covid-19 also showed was that when forced to, even the most old-school advisers will adopt newer, more streamlined processes. This paves the way for insurers to be more aggressive in making big process changes that require buy-in from their distribution channels.

MORE AUTOMATED, ALGORITHM-BASED FINANCIAL PLANNING

Customers want to feel confident in the product they're paying for every month, so insurers need to work at showcasing their value and figuring out ways to stick with clients through affordability cycles and changing life circumstances. They also need to demonstrate that their projections are based on real-time data that talks to their specific needs and pain points.

LIFE INSURERS WILL PARTNER MORE WITH INSURTECHS TO DELIVER INNOVATION FASTER

To bring innovative tech-enabled solutions to market quickly, insurers will need to consider how to innovate through partnerships if they're going to stay relevant and competitive. Insurers will also look to transition to cloud services with more pace after Covid, given the heightened need for remote access and the new landscape of partnerships with web-based tech providers.

MICRO-INSURANCE TARGETING SPECIFIC EVENTS, DELIVERED DIGITALLY

The major issues that customers have to navigate in the life insurance space are largely centred around product and process simplification. It's hard enough convincing customers of the value of life insurance; if it confuses at the point of sale and frustrates at the process level, the insurance gap will remain, if not increase larger than it already is. One way forward could be micro-insurance, where people insure specific events, like hospitalisation or illness, for smaller premiums.

The pandemic has shown us how quickly life insurers can adapt when they pushed to. With the lessons of 2020 fresh in their minds, I'm confident that 2021 will see more life insurers looking for ways to reduce friction and remove admin from the customer experience – and the entire industry will be better for it.

The effects of retrenchment on financial well-being and retirement insecurity

Laurie Wiid, Senior Private Wealth Manager, NFB Private Wealth Management

The South African pension industry is worth an estimated R1.8 trillion. A further R1.6 trillion resides in the Government Employees Pension Fund. These numbers place South Africa in a very unique position for an emerging market.

Unfortunately, the effects of COVID-19 on our economy will have devastating ramifications on the retirement security of many South African households. Most individuals will expect to work until age 65 or beyond and would expect to substantially grow their required retirement nest-egg in the last 10 years of employment. However, poor market returns for the past five years and the threat of retrenchment or forced early retirement for many employees poses a significant risk to their retirement security.

According to the CCMA's 2018-2019 financial report, 38 588 workers were subject to section 189a retrenchments in the 2019 year. In the period 1 April 2020 to 25 June 2020 a massive 98 818 workers were subject to section 189a retrenchments. The retail sector has been hard hit with Edcon issuing 22 000 workers with retrenchment notices. In addition to the retrenchments, companies have also been forced to invoke early retirement packages on thousands of employees.

According to Stats SA, the official unemployment rate is 30.80% at the end of the third quarter. The reality, however, is far worse: on the expanded definition of unemployment, the unemployment figure is a staggering 43.1%. The number of unemployed people rose by 2.2 million to 6.5 million between the second and third quarters in 2020. The sectors most severely impacted by the lockdown include construction, manufacturing, hospitality and tourism, private transport workers, personal service workers and retail.

The South African economy shrunk by 51% in the second quarter (annualised) to record the worst decline in over 100 years. The year-on-year decline is 17.1%.

The effects of retrenchment on both the employee and his or her broader family have far reaching implications. Many retrenched individuals will have immediate financial pressure in terms of meeting commitments such as school fees, health care, retaining short term insurance cover and life policy premiums, to name but a few. They will battle to service debt payments, including home loans and car repayments. Parents unable to meet their children's post matric, college or university fees will jeopardise the future of the next generation.

Retrenched individuals my suffer depression and even anger towards their former employer. This can manifest into further psychological and emotional conditions that affect the whole family.

Retirement planning requires long term commitment to ensure financial security in the retirement years. Even prior to the onset of the pandemic, many South Africans fell short of the required sum needed for retirement due to a multitude of reasons including contributing too little to their retirement plan, starting their retirement savings later in life or withdrawing their retirement savings when changing jobs and not re-investing these savings. Add retrenchment or forced early retirement to the equation and instead of saving for retirement many people will find themselves having to draw on their retirement funds.

Financial advisors tend to run complex models to determine the capital sum required at retirement. However, in the absence of a complex model, the general rule of 20 can be used. How this rule works is that if you retire at 65 and expect to live to age 85 - you require 20 years of income. So, if your monthly budget is R50,000 - you are required to have a capital sum of R12,000,000 at retirement.

Let's use the example of Peter who has saved 15% of his salary since age 25 at an average growth rate of 9% p.a. At the age of 60, Peter's salary is R90,000 per month and he has R9.3 million in his retirement fund. Over the next five years the retirement fund will grow to R15.3 million and Peter can expect to receive a pension of 75% of his final salary, escalating by 5% per annum for 20 years.

However, should Peter be retrenched at age 60 and is able to cut his costs to 75% of his salary – by the time he is 65, his retirement fund would have declined to R8.99 million. At this stage his pension would be 10% less than his original pension income. The next 10 years would deplete his retirement savings and Peter would be destitute for the remaining 10 years of his expected life.

Now consider his financial position if he were to be retrenched at 45 and still had young children to raise and educate? There is no question that the financial impacts of retrenchment are absolutely devasting to anyone who is not able to find employment soon after retrenchment.

Be agile and adaptable, but set your goals

Florbela Yates, head of Momentum Investment Consulting

2020 was a year full of challenges, but also one full of opportunities for those agile enough to embrace the unknown and try new things. For us at Momentum Investment Consulting (MIC), it was a year of innovative thinking, embracing technology, learning new skills and growing the business.

When we sat down as a team in early January of 2020 to strategize on the best ways to increase efficiencies in the business through better use of technology, none of us could have foreseen that this included the way we engaged with our clients. But merely six weeks later we were forced to use Zoom, Microsoft Teams, and Skype to continue engaging with asset managers and advisers during the lockdown.

Our philosophy has always been to encourage each other to think outside the box, be flexible, put ourselves in our clients' shoes and adapt to changing conditions. Successful businesses are those who spot the opportunities and run with them, rather than get bogged down by the challenges.

While we had to acclimatise to working from home (or rather living at the office), MIC had a successful year. Our assets under management grew significantly and we had positive net flows every single month, despite investment markets not always delivering positive returns.

If 2020 has taught us anything, it's not to be too anchored in our plans. We need to be agile and willing to adapt to the environment, which sometimes results in making new plans. But having a goal is essential as it sets the direction and allows us to set the course towards achieving our goals.

Our outcome-based investing philosophy allows us to align our investment outcomes with our clients'

Expected Real Returns are falling

Capital market assumptions – SA Equity

SA equity - real returns

8.50%
8.00%
7.50%
7.00%
6.50%
6.00%
5.50%
5.00%

Where will it end?

Long term historical realized
2008
2011
2013
2014
2017
2018
2020

Source: IRESS, JSE ALSI returns as at 31 August 2020

investment goals. Success relies on ensuring that we have the optimal strategic asset allocation and exposure to the best strategies in each asset class. We believe that the journey is as important as the destination. And our clients value the expertise and time that we put into constructing diversified portfolios which focus not only on getting them to their desired outcomes but also make the journey as comfortable as possible.

As the graph shows, real returns from South African equity have been falling consistently over the past decade despite certain pockets having done well. For us, as investment managers, we need to continuously evaluate our investment opportunity set and ensure that we have exposure to various asset classes, both locally and globally, to continue to deliver on our CPI+ objectives for clients. By carefully allocating mandates to the best-of-breed managers in each asset class, we are able to build diversified portfolios with exposure to a range of active, passive and smart-beta strategies as appropriate. This approach has allowed us to produce consistent returns for our investors. The focus for the new year is going to be on finding new investment opportunities in an environment of lower real returns.

One of the biggest advantages of belonging to a big group with a solid balance sheet is our ability to collaborate with investment experts across the wider group, giving us access to investment products, wrappers and mandates that are not available to traditional retail investors. In an ever-changing and lower-return environment, our focus must be on using these to structure better solutions for clients.

Another advantage is our ability to select skilled asset managers with sustainable businesses. Our manager research team currently monitors over 250 investment mandates with 80 asset managers. This allows us to access the best managers to execute on each of our strategies and has been particularly important during the past year, where a shrinking asset base and the sustainability of some asset management businesses has come under pressure.

Towards the end of 2020 some boutiques closed or merged in an effort to survive, and we also saw a movement of portfolio managers between various asset management businesses. This trend may continue for the foreseeable future.

We continue to see the value of sticking to a solid investment philosophy and remaining invested for the longer term, despite short-term volatility in the market. We look through the cycle in building long-term sustainable portfolios, but our portfolios managers are

constantly monitoring the opportunity set and evaluating the current environment to ensure that they take advantage of any shorter-term opportunities as they present themselves.

And lastly, the relationships and partnerships between our team, the financial advisers and the underlying asset managers allows us to deliver well-priced, consistent performance for our mutual clients.

Momentum Investment Consulting (Pty) Ltd is an authorised financial services provider (FSP32726) and part of Momentum Metropolitan Holdings Limited and rated B-BBEE level 1.

Not quite the new year?

Izak Odendaal and Dave Mohr, Investment Strategists at Old Mutual Wealth

Did 2020 ever end? It doesn't feel like it. In the first few days of 2021 we've seen Covid-19 infections rising unabated, lockdowns, load-shedding, political chaos in the US and wild Bitcoin swings.

Importantly though, we've also seen the hope that better days lie ahead. Millions have already been vaccinated against the coronavirus in the past few weeks, mainly in developed countries at this stage. Although this is still only a drop in the ocean, it's a solid start that puts several countries on the road to herd immunity.

Traditionally this is the time of year when the big themes for the coming 12 months are presented from the point of view of South African investors. This year, humility demands that we pose five questions instead of making predictions. Our job is not to forecast but to build portfolios that can withstand a range of outcomes.

QUO VADIS COVID?

The first question is on the coronavirus itself. Several countries have re-imposed strict lockdowns in response to alarming increases in Covid-19 cases and hospitalisations. The UK in particular has reeled from a new variant of the coronavirus, as has South Africa. But while Britain went into a third lockdown just before Christmas, most South Africans have got off lightly. Curfews, beach closures and alcohol bans are an inconvenience, but not debilitating, unless it's your main source of income.

Only successful mass vaccinations will assure that lockdowns will become a thing of the past. Although we cannot afford to mess this up, South Africa's vaccination strategy has underwhelmed, to say the least, but fortunately we do benefit indirectly from other countries' vaccine roll-outs.

From a medical point of view, the second wave has been every bit as bad or even worse than the first in

CHART 1: EQUAL WEIGHTED DOLLAR COMMODITY PRICE INDEX

Source: Refinitiv Datastream

most countries. However, the economic impact has been much milder. This is partially due to the less restrictive lockdowns (particularly in the US) and the fact that the shock factor has waned and people have adapted to new ways of working. It also helps that China, the world's number two economy, has not experienced a second wave and is enjoying very strong economic growth. It posted 6.5% year-on-year growth in the fourth quarter, becoming the only major economy to surpass pre-pandemic levels of economic activity.

The latter is one of the main reasons 2020's commodity price gains have continued into 2021. The decade-long commodity bear market also meant that mining companies were circumspect about bringing new supply on stream, which supports prices. It also means that investors view it as an asset class with upside potential. It is hard to overstate the importance of higher dollar commodity prices for the local economy, the fiscus, the rand and the stock market. The FTSE/JSE All Share Index hit a new record high last week, while the rand has recouped most of its early 2020 losses. Among major commodities, oil is the laggard, but that suits us as an importer.

POLICY AND POLITICS IN THE US

The second question is on policy, particularly US policy, since US markets set the tone for the rest of the world. Just before Christmas, the US Congress passed a $900 billion spending bill that included extended unemployment benefits, support for small businesses and one-off $600 direct payments to many Americans.

The political situation subsequently took a dramatic turn, and most of the media focus has understandably been on the incredible scenes of rioters storming the Capitol building, egged on by their own president as he continued to refuse to accept defeat in the November election. For inciting this insurrection, Trump was impeached last week in the House of Representatives for the second time. A Senate trial now awaits, but only after Wednesday's inauguration of Joe Biden.

From an economic policy and therefore investment point of view, the more significant development was that Democrats won both run-off elections in the state of Georgia, giving them effective control in the Senate. There are now 50 Senators from each party, with the vice president casting the deciding vote in the case of deadlocks.

This increases incoming President Biden's ability to execute his domestic agenda, since Congress (comprised of the House and Senate) controls the purse-strings. He duly announced his plans for another $1.9 trillion spending package that will expand on the earlier one and also include support for state and local governments that would otherwise be forced to lay off more workers, including teachers and police, and cut spending to balance the books. Already more than a million government employees have lost their jobs due to the pandemic.

With slim majorities in both the House and the Senate, these proposals are subject to change and will possibly be watered down, but it does suggest that fiscal policy

CHART 2: TRADE-WEIGHTED DOLLAR INDEX

Source: Refinitiv Datastream

will be accommodative in the world's largest economy in 2021. One negative from the point of view of shareholders is that the 2017 corporate tax cuts could be rolled back, at least in part. We also know that monetary policy will remain supportive, since the Federal Reserve has explicitly said so after its December meeting. Chair Jerome Powell re-emphasised this point last week in an online discussion. The same goes for the world's other major central banks. Our own Reserve Bank's Monetary Policy Committee will meet this week and we will discuss the domestic inflation and interest rate outlook next week.

DOLLAR DIRECTION

The third and related question is on the trajectory of the US dollar. The consensus view is that the dollar will continue weakening this year (it fell to a three-year low at the end of 2020), but the consensus can be wrong. On the one hand, the large scale fiscal and monetary stimulus in the US relative to other major countries does point to a weaker currency. On the other hand, if more stimulus leads to faster growth (and upward pressure on interest rates), the dollar could benefit. Either way, the euro, yen, yuan and pound all have their own shortcomings, so in a sense it is a matter of finding the cleanest dirty shirt.

For the time being, however, a softer dollar is good news for many. The world runs on dollars and if the dollar is too strong, it can be like grit in the wheels of global commerce. The world also largely borrows in dollars, and a stronger dollar increases the debt burden for those borrowers, particularly those in emerging markets. Finally, a strong dollar is usually a sign of investor risk aversion, so a softer dollar tells you investors are feeling more confident.

BUBBLE-SPOTTING

The fourth question is also a tricky one: is there a bubble in stocks, particularly US technology shares? The S&P 500 Equity Index is trading at 22 times 12 month forward earnings, led by the giant technology platform shares. The last time it was this expensive was in 2000 as the dotcom bubble was deflating.

They say the most dangerous phrase in finance is "this time is different", but there are three main differences from that 1990s bubble. Firstly, interest rates are at record lows. At the turn of the millennium, the 10-year Treasury yield was 6.6%, compared to less than 1% currently. As interest rates fall, the present value of future profits rise, making firms with good earnings prospects like the tech companies more valuable. Bubbles always have a psychological dimension and depend on irrational optimism and narratives about a paradigm shift. This might be present in some corners of the investment universe such as Bitcoin. But to the extent that stock valuations are underpinned by low interest rates, it reflects a fundamentally pessimistic view. After all, interest rates are not rock bottom because everything is hunky-dory.

It also suggests that rising bond yields could be the biggest threat to the valuations of the high-flying growth shares. However, rising bond yields would most likely occur with a stronger economy, which would be a boost to other companies whose shares have lagged in the K-shaped recovery. Since the first vaccine news broke back in November, giving hope for a stronger economy, we have seen signs of the cheaper value shares and small caps improving relative to the more expensive growth shares.

Secondly, we are at the start of a new economic cycle, not the end. That means some companies can conceivably grow into their valuations. Thirdly, the big tech companies

CHART 3: S&P 500 FORWARD PRICE: EARNINGS RATIO

Source: Refinitiv Datastream

are already profitable, unlike the dotcom bubble when all manner of loss-making firms were being hyped (though there are plenty smaller listed companies who are not profitable yet, but have seen their share prices rally).

Tesla is exhibit number one for those who cry bubble, but it is at least (finally) profitable. It had to show four consecutive quarters of profit to qualify for S&P 500 inclusion. In fact, Tesla's explosive share price (which has made founder Elon Musk the richest person on earth) tells us something about the market, as James Mackintosh pointed out in the Wall Street Journal.

You would expect the share prices of other car makers to fall proportionally to Tesla's rise as Tesla will presumably take market share from them. But they haven't, suggesting that we are dealing with two very different groups of investors. The one group is made up of traditional investors who look at a shares' fundamental prospects, while the other group sees investing as a form of entertainment.

Either way, the outperformance of tech stocks cannot last forever, even if the underlying technologies (like electric vehicles) continue to gain traction. Big tech is already 25% of the S&P 500. If it continues outperforming forever, it will eventually become 100% of the benchmark.

Valuations give no indication of when trends reverse, so investors always need to weigh the potential downside of investments that appear expensive with the potential upside that remains. Unable to predict the future, we prefer diversification as the approach to this question, including diversification across investment styles.

TURNING THE CORNER

This leads us to the fifth question. Is this the year when things finally get better? The past number of years each saw weaker-than-expected economic growth even after economists lowered their forecasts. In turn, this meant that tax revenues disappointed and the government's budget deficit widened instead of narrowing as promised. Covid-19 completely blew up the deficit, making the road to fiscal consolidation more urgent but also more difficult.

2021 should see pretty decent real growth of 3% to 4%, but this is largely just the snap-back from 2020's big contraction. Only towards the end of the year will we know whether there is renewed underlying vigour in the economy. The global economic recovery should certainly help.

Domestic reforms might also start having a positive impact, though implementation seemingly always proceeds at a snail's pace. The most important challenge remains a reliable electricity supply, but there are plenty of other stones the government should roll out of the way to make it easier for businesses to expand and grow.

Stronger economic growth is the best way to deal with the government's debt burden. But until it arrives, spending discipline will be key. The government won its December court case against public sector unions over the 2020 wage freeze. While unions have appealed, it does suggest that government is serious about capping the wage bill and has a reasonable chance of success in doing so.

Unfortunately, neither the appeal nor the salary negotiations for the next three years will be concluded by the time of the February Budget Speech. Investors will have to wait a bit longer for clarity, but progress seems likely.

The road to recovery both abroad and at home is not going to be a straight line nor will it be smooth. There will be bumps in the road, both financially and economically, and unexpected twists and turns. For the time being, however, there is reason to be optimistic.**While it doesn't feel like 2020 is quite over, it has ended.**

"When a King has good counsellors, his reign is peaceful"

African proverb

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A new Voyc in insurance

There's a new voice on the insurance block – Voyc, a voice analytics and call data monitoring software provider. After nearly two years as a successful startup, the team pivoted to focus on insurance and financial services – one year ago today. We chatted to Voyc from their new office in Amsterdam to find out how they're shaking things up in one of the thorniest aspects of the industry – the call centre – by getting policyholders heard.

"We're helping insurers evaluate 100% of their calls with up to 80% less Quality Assurance assessors, leaving the QA teams to free up their time more for things like coaching agents," says one of **Voyc's founders Matthew Westaway**, in charge of sales and marketing for the young company. "Primary use cases include our software automatically assessing 100% of calls against a script to identify potential risks, identifying reasons for non-sales and picking up sales calls that have a higher risk of not collecting and customer experience monitoring to be proactive against potential complaints and retain customers."

Voyc, consisting of just ten people in two countries, is run by Westaway and his **co-founder Lethabo Motsoaledi**, two engineers with a passion for treating customers fairly, which quickly got them noticed by the client-centric world of insurance.

"We tried our best to avoid getting into the insurance world," jokes Motsoaledi, "because it's such a complex, involved ecosystem with so many solutions – we thought that surely insurance, which relies so heavily on its call centres, would have some way to monitor all its calls already. But the more and more we talked about how Voyc identifies that one needle in the haystack complaint call, the more we realised that this was the perfect solution for insurers. We give call centre managers super powers."

"We've been catering to the insurance sector since December 2019. In fact, it's been one year now to the day," says Westaway. "For a quality assurance assessor to evaluate a call on Voyc is five times faster - and that's after Voyc has pinpointed the exact call with an issue. More than 2200 hours of PhD-level research has gone into our dynamic script which we use to grade the calls. We are now monitoring the calls of 176 agents at various insurers, including 1Life, Momentum, Bryte and MiWayLife. We also monitor all the travel insurance calls for Standard Bank, Investec, Nedbank and Absa banks. Our number of interactions is growing at 42% month on month. We've doubled our team size from 5 to 10 and revenues have grown 300% this year."

Difficult to believe that a sub-par cereal box and a hundred dollars were all it took to get such a game-changing software going.

"We met in our final year of university, in the engineering lab on campus" recalls Motsoaledi. "Matt was actually my tutor – he has a Masters in Engineering and I have my BSc in Engineering. We are both serial complainers and he was telling me about how he found a screw in the cereal box that he'd bought from Checkers!"

Westaway, not one to wait in an interminable line at Customer Services, emailed one Whitey Basson directly, expecting profuse apologies and a crate of cereal boxes in return. Instead, he was sent a single cereal box to replace his 'screwy' one. Then and there, the two engineers decided to develop something that changed the customer services game forever.

That something turned out to be Voyc – a voice analytics-driven call centre monitoring software solution that allows insurers to listen to 100% of all their calls, which are flagged ahead of time by Voyc for which ones could be potential complaints, sales leads, issues for the ombudsman and more.

"The primary gap in the market we've seen is that insurers need a software solution that's easy to use. Most solutions sold to the insurance industry seem to be intentionally complex, so that huge sums need to be paid for training and onboarding of staff, as well as for frequent service requests. We don't have that, and also Voyc is easy to buy in the first place, the IT decision really easy for an

(from left to right): Mandia Roux (Front-end Engineering Team Lead), Jean Weeber (Lead Engineer), Tendani Netshitenzhe (Front-end Engineer), Cameron van Eck (Machine Learning Team Lead), Lethabo Motsoaledi (Co-founder & CTO), Matthew Westaway (Co-founder & CEO), Phuthi Mahanyele (Head of Operations & Finance),Tatiana Pitsiladi (QA Analyst), Damien Pond (Machine Learning Engineer), George Sithole (Back-end Engineer).

insurer's IT dept to make, because we're compliant, we're secure and obsessed with data privacy and it's really easy to set up and use."

According to Motsoaledi, the team were keen to steer clear of the age-old engineers' problem of 'engineering solutions there isn't a market for.' So, to create the best scripts for the often-complex call centre processes of life insurers, Voyc designed everything with the collaboration and input of its first insurance customer, 1Life. "We learned everything from co-creating with the customer," says Motsoaledi. "Voyc as it is today didn't exist then, it was built from the ground up with insurers, for insurers.

It was a steep learning curve for two people whose background is building algorithms, not relations with policyholders. "The first thing that really surprised me was the length of the scripts we were analysing," says Westaway. "Some of them are ten pages long! I know now that at the end of the day the script is the conduit to fairness, so I see why it's important, but it took me by surprise. I remember thinking 'how dry all their mouths must be!' We were thinking of even doing Voyc lozenges for the agents," he jokes.

"I couldn't believe how siloed the industry is – except silos actually work!" adds Motsoaledi. "We learned that the underwriting teams and the scripting teams, that write what call centre agents have to say, seem to be completely different groups of entities that don't talk to each other. And the call centre managers and their agents have another way of doing things entirely. And we've introduced some conflict, I would say, to that system – the disruptive thing we're doing now is merging the two."

It is for precisely this reason that Motsoaledi and Westaway don't feel the difference between insuring and engineering backgrounds to be a disadvantage – far from it.

"The one advantage we had to servicing the insurance industry was that we didn't come from it," says Motsoaledi. "Had we known what we would be expected to solve, the sheer size of the problem that we've fixed for companies and all that entails, I don't think we would have undertaken what we have. The analogy Matthew uses is Elon Musk with Space X, because he wasn't in the rocket-making business, but that was what helped him successfully disrupt it."

Journalist: Katya Stead

Photographer: Danie Nel.

What to expect in 2021?
2020 lessons pave the way for better New Year decision making

By Nicholas Riemer, FNB Wealth and Investments

South Africans are ready to start the year on a healthier and brighter note. This time last year many of us had vastly different expectations than where 2020 took us, including:

- We expected muted economic growth as policymakers and the private sector were set to continue to muddle through the complexity of implementing meaningful structural reforms.
- Globally, lower equity market returns were anticipated. The same was expected from the JSE, although we anticipated that the local market performance would exceed money market returns.
- We expected fiscal pressure due to problematic SOEs and an anticipated ratings downgrade to junk.
- While we expected the rand to depreciate slightly, we anticipated a benign inflation environment and a single 25bps rate cut.

For the first two months of 2020, these expectations played out. However, the world was turned upside down in March when Covid-19 spread to the rest of the world and stringent lockdown regulations took effect globally.

THE JSE

The JSE All Share Index (ALSI) started 2020 just above 57 000 points. On 24 March the index dropped to just above 38 000 points – a 33% decline. April and May, however, saw a strong recovery with the index rebounding to just above 51 000 points at the end of May. As of 8 December, the ALSI had reached 59 000 points and has delivered a total return of 7%.

LESSON: STICK TO YOUR STRATEGY

Investors who stayed the course despite the major volatility experienced in March would have been happy with the returns achieved – particularly against a backdrop of a global pandemic.

A common mistake made by investors is to sell out of investments during an adverse market event and then enter the market again when stability occurs, which can result in permanent capital losses. Long-term investors need to ride out waves (or tsunamis) of short-term volatility, keeping their long-term goals in mind. Chopping and changing positions frequently is not a successful long-term investment strategy.

GOLD

The price of gold at the beginning of 2020 was just under R21 000 per ounce. Gold reached a high of just over R36 000 per ounce in August and was up 31% year-to-date as of 8 December.

The increase in August was a combination of both an increase in the physical commodity as well as rand depreciation. The strengthening of the rand towards the end of the year saw the price per ounce decrease to just above R28 000.

LESSON: PHYSICAL COMMODITIES MOVE DIFFERENTLY TO THE EQUITY MARKET

Commodities like gold are a powerful diversification tool, in that they act as a safe-haven investment during adverse market events. The world tends to turn to physical commodities when there is market uncertainty.

The incorporation of gold into a portfolio can assist in spreading overall risk and shelter investors from equity pullbacks during times of uncertainty.

A common mistake made by investors is to sell out of investments during an adverse market event and then enter the market again when stability occurs, which can result in permanent capital losses. In a bull market, diversification can be overlooked by investors as prices are increasing.

However, when the unexpected happens, the impact of weak diversification is magnified. Commodities like gold are a powerful diversification tool, in that they act as a safe-haven investment during adverse market events

A common mistake made by investors is to sell out of investments during an adverse market event and then enter the market again when stability occurs, which can result in permanent capital losses.

A balanced portfolio means investing in assets that do not necessarily move together. Looking at past data only confirms how crises resulted in gold price increases; confirming the balancing effect a physical commodity like gold can have on a portfolio. Gold can also act as an effective hedge against rand depreciation. As gold is valued in dollar terms, a depreciation in the rand is positive for investment return.

BONDS

Local government bonds received a double whammy in 2020. An expected downgrade to junk by Moody's saw the country's sovereign instruments fall out of global investment-grade bond indices, which resulted in selling pressure leading into March. Global risk-off sentiment following the announcement of hard lockdowns globally resulted in a further spike in bond yields.

The South African 10-year government bond yield stood at just over 9% at the start of 2020 but peaked at 12.38% on 24 March. The yield on this instrument, which acts as a proxy for the bond market, has since steadied to 8.85% as of 8 December. The JSE All Bond Index delivered 7% in 2020 – a decent return for patient investors, despite the challenges faced in this area of the market.

LESSON: A LESS POPULAR ASSET CLASS THAT CAN PROVIDE A STEADY INCOME STREAM TO INVESTORS

Government bonds are bought by investors as they provide a predictable income stream in the form of regular predetermined payments. In times of market uncertainty, fixed returns well above inflation can offer investors a solid platform to outperform the increase in the cost of living as well as spread their risk.

When held to maturity, investors receive their capital back and thus preserve capital over a fixed period. Like gold, bonds behave differently to equities providing investors with another useful tool in balancing their portfolios. Government bonds are one of the less popular asset classes, due to their complex nature. However, investors can consider these types of fixed income securities in their portfolio when looking to reduce portfolio risk through different asset class composition.

US MARKET PERFORMANCE

The Nasdaq Composite index fell by approximately 2 400 points in the four weeks from 12 February to 11 March but has since recovered to 12 349 as of December 2020. In February 2020 the Nasdaq Composite index stood at a little over 9 700 points, resulting in a 39% increase in the index.

The Dow Jones Industrial Average fell just over 10 000 points to 20 000 points during March but recovered slightly towards year end. Year to date, the Dow Jones Industrial Average is up 5.89%.

The S&P 500 fell just over 1 000 points to 2 600 points during March but has since recovered to just over 3 600 points. The S&P 500 index achieved growth of 14.1% during 2020.

LESSON: DO NOT PUT ALL YOUR EGGS IN ONE GEOGRAPHIC BASKET

The JSE makes up less than 1% of global market capitalisation. Successfully diversifying a portfolio means investing in different geographies outside of South Africa. The US market allows investors to obtain exposure in technology stocks, something the JSE can only offer through Naspers. Investments in US technology companies found investors obtaining exposure to a new sector that was set to thrive under the lockdown regulations.

The global lockdown resulted in increased demand for technology, thus we saw a major increase in the prices of the stocks exposed to the sector. Diversifying your share portfolio not only relates to different sectors, but geographic locations as well.

Should the JSE see a reduction in growth, your international performance might balance returns out. By limiting your investments to South Africa only, all your risk is concentrated in one location. Risk needs to be spread globally, giving your capital the best chance to outperform the increased cost of living and to achieve sustainable long-term returns.

IN CLOSING

Although 2020 presented many obstacles along the way, it also gave us a new outlook on life. Boardrooms were replaced with Zoom and Microsoft Teams and parents juggled family and working from home. Many of us became more comfortable with using technology for everyday purposes like buying groceries, clothing and medication.

One aspect of investing that was magnified during the lockdown was the importance of diversification. Introducing different asset classes and geographies into a portfolio can certainly be put down as one of the major lessons from last year. Perhaps the most important lesson learnt was to "stay the course". Long-term investing goes hand in hand with being patient and recognising that big short-term movements are exactly as described – short term. The lessons learned in 2020 must be taken advantage of and used to make better investment decisions into the new year.

Outlook 2021: Brave New World

By: Sanisha Packirisamy, Economist at Momentum Investments

Pharmaceutical breakthroughs have fed optimism for a faster global snapback, though we still view the road to recovery as uneven and uncertain.

The ebb and flow of COVID-19 infections around the world, the success of vaccination campaigns and greater global co-operation to guarantee an efficient distribution of vaccines worldwide are likely to be hugely influential in determining the outlook for the economy and financial markets in 2021. Although the balance of probabilities is in favour of a positive vaccine outcome and hence a conducive environment for riskier asset classes like equities in 2021, we acknowledge that there could be sporadic downside risks for these assets during the year in case of disappointments on the vaccine implementation front.

Continued fiscal support and an ultra-accommodative monetary policy stance are crucial in keeping the economy afloat and will lessen lasting economic damage from the crisis. A premature withdrawal of stimulus could however pull the rug out from under the nascent recovery if the private sector cannot pick up the economic growth baton. In general, a better global growth picture should reward less risk-averse investment behaviour in 2021. In such a risk-on environment, investors should be positioned for a weaker United States (US) dollar and a drift higher in US bond yields.

Investors should also expect support for more risky asset classes such as equities and credit and should further be prepared for some equity style rotation from growth to value and from a more defensive US equity market to non-US and emerging equity markets. In contrast, safe-haven asset classes like global bonds, cash and gold are likely to face headwinds in a cyclical recovery phase, with bonds facing the additional challenge of mildly higher inflation.

Meanwhile in South Africa (SA), a likely rise in bankruptcies, electricity supply constraints, a poor jobs outlook, and material fiscal constraints lower the ceiling on SA's expected recovery. After contracting at around 8% in 2020, SA growth is expected to increase to a below-consensus 2% in 2021 before slowing to 1.6% in 2022. Against this tepid growth backdrop, the major rating agencies have flagged that fiscal consolidation and the Economic Reconstruction and Recovery Plan face high implementation risk. Further negative rating action can be expected later in 2021 if government fails to arrest the increase in its debt burden through extensive wage bill cuts and capping additional financial support to poorly performing parastatals.

A more favourable terms-of-trade and positive momentum behind global vaccine hopes should support the rand in the interim. Nevertheless, we continue to see a depreciating bias in the local currency in the medium term given SA's deteriorating macro-fundamentals on a relative emerging market comparison. We see inflation rising in the medium term from an expected 3.2% in 2020 to 3.9% in 2021 and 4.7% in 2022. As such, additional monetary policy easing is less likely from here, unless SA suffers another growth setback induced by a renewed country-wide tightening in lockdown restrictions or if there is another sharp dip in inflation.

We project a shift higher in interest rates in the second half of 2021 given the SA Reserve Bank's warning against the dangers of running negative real interest rates for a protracted period. The fortunate reality for investors in the SA equity market is that the local economy is only a secondary driver, with less than a third of operating performance coming from SA.

Moreover, it looks like the stars are finally aligning for the SA equity market, with a strong expected profit recovery in 2021 providing fundamental support on top of an envisaged conducive global risk-on environment, while a more favourable valuation underpin after years of poor performance should enhance potential upside. The almost zero real return available to investors from local cash looks unappealing, in contrast to the high real yields offered by SA inflation-linked bonds (ILBs) and vanilla bonds. The expected rise in SA inflation as 2021 progresses should provide a positive fundamental underpin for ILBs.

Although listed property fundamentals have weakened considerably in recent years, this is already discounted by share prices. To bolster weak balance sheets, some property companies will be forced to do capital raises.

2021: Adapting to Change

By Tanya van Lill, Southern African Venture Capital and Private Equity Association CEO

VUCA, an acronym which stands for Volatility, Uncertainty, Complexity and Ambiguity, was first used in 1987 based on the leadership theories of American scholars Warren Bennis and Burt Nanus.

However, the term became main stream in the late 2000's after the 2008 Global Financial Crisis and was not only taught in business schools, but also frequently used by politicians and business leaders to describe the changing political, social and economic conditions of that time.

For most of us we could relate to VUCA in some shape or form. But never before has VUCA moved from mainly a theory to a more tangible reality, with what the world experienced in 2020.

Never before have we experienced such volatility, VUCA, an acronym which stands for Volatility, Uncertainty, Complexity and Ambiguity, was first used in 1987 based on the leadership theories of American scholars Warren Bennis and Burt Nanus.

uncertainty, complexity and ambiguity which have all been thrown together in one great cocktail, in such a short space of time. At the start of 2020, the dawn of a new decade, there was renewed energy and vigour for what 20Plenty had to offer. What we didn't anticipate was the VUCA business and life lessons we were going to learn during 2020. Lessons of vulnerabilities, inequalities and how some of our personal and business behaviours have become unsustainable.

Regardless of how tough 2020 was, it did leave us with food for thought. My expectation for 2021 is that we reflect on the lessons learnt and we implement the changes we want to see personally, in our businesses and ultimately in the world.

FROM A PRIVATE EQUITY AND VENTURE CAPITAL PERSPECTIVE, OUR EXPECTATIONS FOR 2021 ARE AS FOLLOWS:

- Although fundraising has slowed down in 2020, we expect to see it pick up again in 2021 as fund managers adapt their fund strategies to meet new market demands and opportunities.
- Fund managers that have been able to raise funds and have dry powder, will continue to invest and we expect the 2020/2021 vintages to outperform, similar to what was experienced with the vintages post the Global Financial Crisis.
- We will see a spurt of new innovations for venture capital fund managers to invest in, given changing consumer behaviour and vulnerabilities that were exposed during the 2020 crisis.
- With the changing world of work and remote work being proven as a productive alternative, we may see more flexible working conditions and arrangements – which would not be unique to the private equity and venture capital industries as an employer, but it may present unique investment opportunities for fund managers to invest in solutions that address the changing needs of the world of work.

Fund managers will continue to emphasise Environmental, Social and Governance (ESG) as part of their investment and due diligence policies, and value creation strategies.

However, we also anticipate an increased focus from mere responsible investing to more Impact Investing, intentionally investing to generate positive, measurable social and environmental impact alongside a financial return.

I am sure we are all excited to wave goodbye to 2020 and would prefer not to hear the following words or phrases in 2021: "You're on mute", "unprecedented", "new normal", and so on. But one gift we can take from 2020 going into 2021 comes from the wise words of Charles Darwin who said: "It is not the strongest of the species that survives, or the most intelligent; it's the one most adaptable to change".

The year 2020 amplified the social inequalities and we anticipate more investment into addressing these inequalities, as well as expect increased investment into industries such as education, healthcare, telecommunications, energy and industries related to food security.

I am sure we are all excited to wave goodbye to 2020 and would prefer not to hear the following words or phrases in 2021: "You're on mute", "unprecedented", "new normal", and so on. But one gift we can take from 2020 going into 2021 comes from the wise words of Charles Darwin who said: "It is not the strongest of the species that survives, or the most intelligent; it's the one most adaptable to change".

2020: Lessons for the long-term investor

Jean-Pierre du Plessis, Head of Equity Management South Africa and
Ryan de Kock, Senior Analyst Equity Investment South Africa

By the end of 2020, investors were in a better position to digest the fundamental impact of the Covid-19 pandemic and what lessons can be learnt. Our principal takeaway thus far is that strong, adaptable businesses deliver under even the most trying of circumstances.

An investment approach emphasising the qualitative aspects of management stewardship, business strength and sustainability of growth, complementing rigorous valuation and risk disciplines, should be well positioned to deliver under even the most uncertain of market conditions.

QUALITY MANAGEMENT SHINING THROUGH

What matters during times of severe stress is how effectively management teams can adapt to factors beyond their control. A central theme amongst the best management teams has been the focus on efficient cash flow management.

Branded goods producer AVI delivered a 14% increase in operating cash flows to R2.3 billion for the financial year ending 30 June 2020, driven primarily by a material improvement in working capital. Capital expenditure was reduced by 22%, supporting free cash flow generation of nearly R2.0 billion.

SURVIVAL OF THE FITTEST

Companies entering the crisis with appropriate debt levels and a durable competitive advantage have proven resilient. A key source of competitive advantage for global packaging and paper group Mondi stems from its low-cost asset base and conservative, 'through-the-cycle' balance sheet management.

Mondi entered the crisis with net debt to equity of 55% and a 19.8% return on capital generated in the financial year to 31 December 2019. This has served the group well and was evident in the businesses interim results where Mondi retained its investment grade credit ratings and resumed dividend payments.

GROWTH SUSTAINABILITY

Few companies have avoided the impact of Covid-19 at the revenue line. Astute management teams have used their competitive positioning to adapt business models appropriately, achieve efficiency gains or even gain market share.

This has alleviated some profit line pressure and positioned these businesses to deliver optimal and sustainable future growth.

In addition to ongoing market share gains, Clicks has further benefited from a 'location tailwind' in recent months, with 70% of stores located in convenience and neighbourhood shopping centres. This has supported relatively robust top line growth, which together with stringent cost management saw the business deliver earnings growth of 14% in the 12 months to 31 August 2020.

OPPORTUNITIES FOR BEST OF BREED COMPANIES WILL PERSIST

Management teams and business models are facing unparalleled operating conditions. We will likely see further disappointments from lower quality companies. Given the elevated levels of pessimism and generally depressed valuation levels in the domestic listed equity space, investors may be tempted into investing into companies at 'bargain-basement' prices.

The key lesson for us is to remain steadfast in our process emphasising quality, value and risk – especially when many businesses are trading at optically attractive valuation levels.

1. AVI-Consolidated-Annual-Financial-Statements-30-June-2020

2. Mondi plc: Full year results for the year ended 31 December 2019; Interim results for the half year ended 30 June 2020

3. Clicks Group Limited – Financial results for the year ended 31 August 2020.

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Working together to improve SA's healthcare

Lee Callakoppen, Principal Officer of Bonitas Medical Fund, talks about the reality of a National Health Insurance (NHI)

NHI is the proposed health financing system that is designed to pool funds to provide access to quality and affordable personal health services to all South Africans. Every South African is set to benefit whether employed or unemployed, low income or high income earners, it will be based on their needs, irrespective of their socio-economic status.

'The need for universal healthcare is not debatable,' says Callakoppen, 'it is the mechanisms around its implementation that stimulates continual debate, challenges, disagreements and proposals.'

It is envisaged that NHI will offer all South Africans and legal residents access to a defined package of health services. It is not clear how comprehensive or wide this range of services will be. That is dependent upon funding available for NHI – that and structures remain one of the biggest questions and challenges.

COVID: THE GOOD, THE BAD AND THE UGLY

In order to discuss NHI it is imperative we reflect on the Covid-19 pandemic. Covid-19 has put a spotlight on healthcare in South Africa. There has been a lot of positive comment around the collaboration between the private healthcare industry and public health – working together to tackle the pandemic. There were wins, losses and many lessons learnt. The reality is we are still a long way from making sure all South Africans have access to quality, affordable healthcare. I believe it's not a single system; we need to find a balance, to take the leadership lessons from Covid-19 and apply these to find workable, sustainable solutions.

The public healthcare service is the training ground for all doctors and specialists in South Africa and an excellent one at that. So it would be unjust to criticise public healthcare without mentioning the positives. The way in which the Covid pandemic was dealt with and how we have managed the TB crisis in our country, highlights the fact there are indeed elements of excellence in the public healthcare.

THE COSTS

Currently South Africa spends R450 billion on private and public healthcare – around R220 billion in the public healthcare sector supporting around 80% of the population and the other 50% is spent on private healthcare. It doesn't take actuarial skill to see that this equation is unbalanced.

It is estimated that NHI will cost R256 billion and be rolled out in 2026. Although these figures have been bandied about it is unclear on how this budget was reached. It is concerning that healthcare inflation is not taken into account. I believe that until a figure is realistically reached or what informs the current assumptions, we cannot decide how funding will take place and if that will create enough budget. This is even more important in light of the macro-economic impact that the pandemic had on South Africans.

THE SOCIAL CONSTRUCT AROUND HEALTH

As much as we have a regulator, we must appreciate the social construct around health. It's not one dimensional. We need to consider what is happening in the broader socio-economic aspect of things (fiscal implications, unemployment, education etc). Rather than being critical and negative around NHI – we need to stand up as leadership. We require government and community involvement to find sustainable solutions for South Africa and in particular the healthcare system.

"universal healthcare is a right, not a privilege"

It would be naive to approach NHI without putting it in the context of the current situation in South Africa and our legacy. If you consider our unemployment, low GDP, socio-economic status, SEO failure and service delivery we cannot blithely adopt a universal healthcare system that works in another country. It is simply not feasible, South Africa is unique

IT'S NOT A COMPREHENSIVE COVER

We must also bear in mind that NHI will not cover everything. In terms of private healthcare, NHI is not an invitation to 'throw the baby out with the bathwater'. There should be room for existing private healthcare for medical services not included in the current proposals for NHI. These include but are not restricted to: Medicines not included in the national formulary for drugs and diagnostic procedures outside the approved guidelines and protocols as advised by expert groups.

NHI NEEDS TO BE AN ECOSYSTEM OF COLLABORATION

Just as collaboration is and will continue to be the cornerstone of dealing with the pandemic, so I believe it will be in the implementation of NHI. There are many stakeholders in the healthcare system. We need to engage both the public and private healthcare sector to find a way forward to address the challenges faced by South Africans. Negotiations, strategising and robust discussion will enable us to roll out the most viable and

sustainable system in our country. The only way for the healthcare system in South Africa to evolve is through inter-dependent relationships.

We cannot depend on a single system, balance is needed. And if there are individual elements within that which are failing, then we need to fix them - both in the private and public healthcare system. But if it works well, as many individual systems in public healthcare do, then we need to develop the positives and weed out the negatives.

TAXES

There has been talk of using the tax base to fund NHI but two issues exist with this. There are efforts to restrain the amount of tax paid by the current taxpaying base while widening the base so there is a more equitable contribution towards universal healthcare.

If the current tax rebate received by those on private medical aid is abolished, funding could be raised for NHI but this would also severely affect those who rely on this rebate in their personal budgeting. There are clearly unintended consequences that might flow from the current proposals.

LEADERSHIP AND EMPOWERMENT

It is imperative that any national healthcare system is led strategically and by example. It is undeniable that we need to empower everyone through healthcare education. It is common knowledge that lifestyle diseases such as diabetes, high blood pressure and obesity is a pandemic on its own in South Africa. Rather than treating the symptoms only, a system of Primary healthcare should include Managed Care, where 'prevention is better than cure' becomes the mantra. The burden on our healthcare system, both public and private, as a result of chronic lifestyle diseases is massive and by monitoring these and proactively addressing them we cannot only reduce healthcare expenditure but ensure that South Africans have a better quality of life.

REGULATION

The administration of the proposed central system of healthcare will need strict governance as existing medical aids are strictly regulated. NHI too, would be a not-for-profit organisation owned by its members. In the private medical aid environment the fund is overseen by luminaries in the business, financial and government spheres. They are under strict scrutiny and undergo public audits as they are obligated to the members of the medical aid which is in essence a Trust Fund.

So we are back to the beginning, asking if the NHI is viable for South Africa. My answer is I believe it has to be – universal healthcare is a right, not a privilege. That said, there are more questions than answers and it will take many years before the detail is ironed out. And until then we need to focus on working together, strong leadership, accountability and dealing with social-economic issues as an integral part of the process.

Assupol on a sustained upward trajectory

Assupol Holdings Ltd

As the dust of 2020 settles, Assupol Holdings Ltd remains optimistic about the future as the organisation maintains its strategic intent of transforming South Africa for the benefit of all her citizens.

This year, even with its many conflicting priorities and uncertainties brought about by Covid-19, Assupol continued to aim for satisfactory results where performance targets are concerned. Set against efforts displayed during the 2019/2020 financial year which saw the Group deliver a net profit attributable to ordinary shareholders of R564 million (R907 million: 2019) on a gross insurance premium revenue of R4 billion (R3,4 billion: 2019) and a 12.8% return on equity (23%: 2019),

Assupol's 2021 outlook is optimistic in keeping with the organisation's intentions in ensuring sustainable growth and quality delivery on stakeholder value. "Although the Covid-19 pandemic tested virtually every aspect of our business, from our balance sheet to our ability to quickly respond to the unexpected, our strategy remains relevant and will focus greater attention on our client engagement efforts, building and strengthening strategic partnerships and growing consumer education initiatives," said **Riaan van Dyk, Assupol Group CEO**.

Assupol achieved a B-BBEE Level 1 rating in 2020, from Level 3 in 2019. "We believe that this positions Assupol as one of the most transformed insurance businesses in South Africa. We strive to maintain our Level 1 rating," said van Dyk.Strategic partnerships are critical to help facilitate an upward trajectory of any business. Diversification is an exciting and pertinent aspect of Assupol's approach in cost effectively and efficiently providing clients with access to relevant solutions.

"We have concluded a partnership agreement with Ackermans, a large national retailer that will allow Assupol to grow its presence over time into as many stores as may prove viable–expanding the Group's accessibility within existing and new prospective markets," stated van Dyk. In 2020, Assupol concluded a partnership with Citadel (one of the leading independent wealth management businesses in South Africa) where Assupol Investment Holdings (Pty) Ltd owns a 51% share in Assupol Wealth (Pty) Ltd, a registered financial services provider co-owned with Citadel. "Assupol Wealth will be able to provide access to a comprehensive, world-class advisory solutions, flexible investment products as well as fiduciary services for our clients. We look forward to the successes that this partnership will yield," van Dyk added.

With Assupol's great appreciation of quality service and client satisfaction, the organisation will continue to remain true to its promise of paying valid funeral claims within 24 hours, in fact, continuing to pay 76% of valid funeral claims within just 4 hours. Furthermore, all efforts channelled by the business have been cognisant of the importance of considering the bigger picture. This is why Assupol continues to invest in social cohesion and upliftment of local communities. In a time where other businesses may be inclined to cut back on their citizenship initiatives, Assupol remains unwavering in its efforts to invest in South Africa's future.

Strategic partnerships are critical to help facilitate an upward trajectory of any business.

"Our support for early childhood development (ECD) through the Assupol Community Trust is a source of immense pride for us. And our CSI partnership with the Department of Basic Education is another way we serve the youth; building 100 proper sanitation facilities at primary schools, under President Cyril Ramaphosa's Sanitation Appropriate for Education school initiative.

To date, construction has been completed at 30 schools in some of the most rural parts of Limpopo, KwaZulu-Natal and the Eastern Cape. We are also active participants in the President's Yes4Youth initiative that aims to put 1 million youth into formal employment by giving them 12-month paid internships, all these attempts are driven by our great appreciation of the potential which this

The impact of retirement reform in South Africa

Dolana Conco, Regional Executive – Consulting, Alexander Forbes

Changes to retirement benefits for provident fund members, initially meant to come in five years ago and now scheduled for next March, will see tax uniformity for all who contribute towards retirement.

RECEIVING THE SAME TAX TREATMENT

These changes, in terms of the Taxation Laws Amendment Act, will also encourage greater savings, something South Africa desperately needs as it seeks to crawl its way out of an economic hole. One of the aims of retirement reform is to create a uniform retirement fund system for all types of retirement savings vehicles, such as pension, provident and retirement annuity funds.

This will allow all members to receive the same tax treatment of the money contributed and how benefits can be paid at retirement.Alexander Forbes Member Watch analysis shows that about 50% of members retire with less than one-fifth of their final salary to live on in retirement. Many reforms have been implemented over the last few years, but it has been a long journey for this next vital step. The changes are beneficial for most retirement fund members and encourage greater savings for retirement and address issues in the retirement system, Currently provident fund members can take their retirement benefit as a full cash lump sum and do not have to buy a pension (annuity) from a registered insurer when they retire. However, pension fund members must use at least two-thirds of their retirement benefit to buy a pension, unless the total benefit is less than R247 500.

HOW RETIREMENT REFORM AFFECTS MEMBERS

From 1 March 2021, retirement benefits from provident funds will be treated in the same way as pension funds for the part of the benefit based on contributions.

The changes for provident fund members are:

- Provident funds will have the same annuitisation rules as pension funds. This means that members will have to buy a pension (annuity) from a registered insurer with at least two-thirds of their retirement benefit, unless the total benefit is R247 500 or less.
- Vested rights will apply. Retirement savings will be ring-fenced as follows before the new legislation takes effect:

Any provident fund balance saved before 1 March 2021 plus the future growth on this until retirement won't be affected and can be taken in cash on retirement not be affected by this change at all if they stay a member of the same provident fund (or provident preservation fund, as proposed in the draft Taxation Laws Amendment Bill until retirement. This means that the retirement benefit will be treated in the same way as it is currently being treated when these members retire. If these members transfer to another fund, they will still have vested rights, but contributions and growth on this to the new fund will require them to buy a pension with two-thirds of their retirement benefit.

The benefit of this change is that funds will be able to transfer members' savings tax efficiently. Employers who have multiple retirement funds consider consolidating these funds, as pension funds, provident funds and retirement annuity funds will be harmonised in the tax treatment of contributions and the retirements benefits at the time of retirement.

Consolidation requires many other factors to be considered. One such example is understanding the implications on vested rights when transferring provident fund members who are 55 or older on 1 March 2021.

OTHER FACTORS INCLUDE:

- the size of the funds
- potential cost savings or cost implications
- Section 14 transfer requirements deregistration
- liquidation requirements of the transferor fund and so on

The changes to ensure further harmonisation between pension funds, provident funds and retirement annuity funds take effect on 1 March 2021. It is important for trustees to start implementing project plans to get ready for these changes. Amendments to rules, communication to members, and fund consolidation will be some of the matters to consider.

High hopes for revolution of the life insurance industry in 2021

Sean Hanlon, Executive Director and co-founder of needs-matched life insurer BrightRock

A recent study by McKinsey entitled "Beyond COVID-19: Charting the road to recovery for South African insurers" posits that life insurance will be the worst insurance subsector affected by the aftershocks of the pandemic.

The report goes on to predict that gross written premium will potentially contract by 18%, due to poor returns, reduced customer demand, declining disposable income, and disrupted distribution. Because life insurance is seen by many consumers as a discretionary purchase, the McKinsey study also foresees that new business could fall by 25 percent as consumer spending comes under pressure, and renewal premiums could decrease by 12 percent.

THE FUTURE IS DIGITAL

Our experience at BrightRock over the past year does offer some hope, however. 2020 was a year that galvanised innovation and a new perspective in the insurance industry and a move towards digital became critical for the survival of our sector. At BrightRock, we were able to initiate policies for hundreds of new clients using WhatsApp, digital signatures for counter-offer letters, video conferencing for client consultations and tele-underwriting.

We also implemented underwriting concessions where consumers were able to get life insurance cover without needing to undergo medicals. As a result of this rapid move to a paperless system, BrightRock saw a 4% increase in new business sales during the second quarter of 2020 versus the same period of 2019 compared to an average market reduction of 38%. We've also had record new business months since July, once the hard lockdown was lifted – pointing to an increased interest and appreciation among consumers for the value of insurance.

Clients are looking for reassurance and advice that speaks to their personal needs and worries – an aggregator or online insurance application cannot do this.

Using available technologies such as AI, intelligent automation, the Internet of Things and big data technologies should definitely be a priority for the life insurance industry in 2021 and beyond. These digital tools will allow us to better support our clients as they will enable us to significantly streamline and enhance processes such as underwriting, the handling of claims, fraud management and interactions with our clients. The use of technology is where the industry is going, and we are fully embracing this opportunity.

YET PERSONALISATION REMAINS KEY

People often believe that technology alienates because it treats people as data rather than individuals. While that does have some element of truth, one of the reasons why most of us love technological innovation is that it customises its services for us – think streaming services and food delivery apps, for example. But people still want a friendly face while technology is making their lives easier. While we don't need someone to help us with what takeaways to choose on a Friday night (although sometimes those decisions take longer than they need to!), individuals want the personal touch when it comes to navigating the life insurance landscape. Now more than ever, people are thinking about life policies and taking out these policies has become even more of an emotional

People often believe that technology alienates because it treats people as data rather than individuals. While that does have some element of truth, one of the reasons why most of us love technological innovation is that it customises its services for us

undertaking. Clients are looking for reassurance and advice that speaks to their personal needs and worries – an aggregator or online insurance application cannot do this. As financial advisers, your business has always been heavily reliant on personal relationships and your ability to establish and maintain these relationships.

Over the past year, you have had to adapt to the limitations forced upon us by COVID-19 and approach clients differently in order to help these relationships thrive. Technology has now become the best tool to facilitate connection with our clients.

With BrightRock's offering which allows advisers to meet clients' individual needs, we believe we're able to showcase and enable financial advice. The independent financial adviser is, ultimately, the best aggregator and the most sophisticated technology available to clients.

As financial advisers, you are uniquely qualified to find the perfect fit for your clients' risk cover needs. This is important work, especially in an uncertain environment.

In conclusion then, while we agree with the McKinsey report that our industry is likely to face many challenges in the year, we at BrightRock believe that 2021 will also be a year of positive developments in the life insurance space. 2020 catapulted us into uncomfortable, unfamiliar territory where we were forced to change our old, outdated habits to more updated, client-centric ones.

2021 will be the year that we continue to upend the traditional business model for our sector and make more progress in not only developing unique solutions for our clients but also doing business with them in a way that is more agile, secure, connected, and digitally enabled.

SA's financial services sector isn't close to being transformed. Here's how to fix that.

Anthony Govender, founder and CEO of ASI Financial Services

The South African financial services industry, and in particular the asset management sector, is not even close to being transformed enough to reflect the country's population and to respond to the needs and interests of the majority of the country's people.

Furthermore, at present, the vast majority of financial advisors are 'tied' to one of the 'Big Five' insurance institutions, with significantly less than 20% of brokers in South Africa being able to give truly independent financial and retirement advice to clients, without the spectre of conflicts of interest compromising the integrity of their advice. When it comes to the stockbroking industry, a tiny minority of the market share is held by black stock brokers, and the barriers to entry in this sector are the same as in other parts of the financial services industry: it's impossible to launch into this space without significant capital and investment in technology.

While the playing fields in the sector may have been levelled on paper in 1994, the truth is that the five big insurers that dominate the market now had already had decades – and international injections of capital – to establish their positions, while black individuals who wanted to launch into the sector had to start from scratch. The playing field may have been level, but the starting line certainly wasn't even close to being the same. There are a number of black owned players in the industry now – but they're fragmented and isolated, and tend to protect their own interests rather than adopting a more inclusive approach to transforming the industry. I believe that the currency of financial advisory is trust – trust between an advisor and their client, and trust between the advisor and the asset managers they engage with. It's time for transformed, transforming, and black-owned asset managers and financial services advisory firms to find ways to collaborate more, to come together in a more meaningful way. This could be by several smaller players coming together to consolidate their businesses to build stronger voices in the industry – building potential competitors to the legacy players.

It's also important to remember that transformation is about so much more than ownership. How transformed is a business, really, if it is 100% black-owned, but its board of directors doesn't represent the demographics of the country? How meaningful is that transformation of the board doesn't have an intimate understanding of the issues that impact on the daily lives of its customers and investors? And how transformed is a business if it doesn't have a preferential procurement policy that prioritises transformed businesses, because we can only lift South Africa if we work together, lifting one another. Government has a significant role to play in transformation in the sector too, and I urge the Department of Trade and Industry to reconsider current planned interventions in our industry that are going to lead to the extinction of independent financial advisors.

Our industry can only offer true value to South Africa's people if there is space for independent advisors – and this is truly an industry where an emerging and growing cohort of independent black advisors can help the country's majority learn how to make the most of their finances, plan for the future, and create generational wealth.We do welcome Deputy Finance Minister Dr DavidMasondo's commitment to look at ways that retirement funds are also held accountable to the financial sector's B-BBEE scorecard requirements when they appoint asset managers, which should in turn promote transformation in the sector. This is important because, sad though the truth of it is, policy won't drive transformation on its own – policies need to be enforced. That, along with a commitment by black asset managers, stock brokers and other players in the sector to work together – whether by coming together to build bigger firms, by appointing truly representative boards, or by procuring everything possible from black-owned businesses, is the only way we will see true transformation in the South African financial services sector.

Saving for a retirement that lasts and lasts...and lasts

James Fraser, chief operating officer at PPS Investments

Markets have historically rebounded from crises, but this provides little comfort to investors as they witness a sharp decline in assets they have accumulated over the years.

The effect of the stock market decline on future retirement income will depend largely on whether the stock market recovers some or all its losses, and the age of impacted investors. In 1994, US financial planner William Bengen introduced the 4% withdrawal rule using historical simulations. wHe found that a first-year withdrawal rate of 4%, followed by inflation-adjusted withdrawals in subsequent years, should allow capital to last at least 30 years.

In rand terms you would need an invested amount equal to annual expenses multiplied by 25. A study by Wade Pfau in 2010 contradicted Bengen's finding, establishing that a 4% real withdrawal rate is surprisingly risky given that it only provides a safe retirement in four out of 17 developed market countries over 30 years. In addition, at least 50% of growth assets (like equities) were required to maintain the withdrawal rate.

This is particularly concerning given that the average annual percentage withdrawal in SA is about 6.5% according to a Just SA study. Another issue is that people are living longer. Planning for a 30-year retirement used to be sufficient, but data from PPS members suggest that the average professional male will live to 95 and the average professional female to 100.

Depending on their retirement age, people will likely have to start planning for their retirement to last around 40 years. In their 2019 Global Investors Study (GIS), Schroders looked at investor behaviour during market volatility.

During the fourth quarter of 2018, the MSCI World index of global equities fell sharply amid concerns for the global economy. In direct response to this period of market volatility, most investors surveyed made changes to their risk profile (70%). Of these, 37% moved some of their portfolio into lower risk investments, and 35% moved some of their portfolio into higher risk investments. One in five people (21%) moved some of their portfolio into cash. In recent years, a similar trend has been observed amongst South African investors.

ASISA industry data has shown a substantial increase in net flows into fixed interest categories, while South African equity has seen outflows since 2016. Historical returns from asset classes, both locally and abroad, he adds, have shown that equity consistently outperforms cash and bonds over the long-term. "While local bonds currently provide attractive yields, interest rate cuts have substantially curtailed returns from cash. Moving into a lower risk profile can reduce investors' exposure to volatility, however it could reduce your ability to reach desired retirement goals.

The economic turmoil caused by Covid-19 has resulted in some investors dipping into their savings, while others paused their monthly retirement savings to cut expenses. While temporarily halting pension contributions may seem immaterial in the long run, says Fraser, the opportunity cost of missing out on the tax relief and the lessened effect of compounding exacerbate the negative impact. Investors who are unable to increase subsequent contributions to make up for periods of reduced savings can find themselves struggling during retirement.

In the professional market that we service, 7% of investors paused their contributions since March 2020, while 15% reduced their annual debit order escalation. It is also encouraging to see that only 1% reduced their risk profile indicating that they have chosen to maintain their savings goals despite theww headwinds this year," says Fraser. "While market declines are unpredictable and difficult to forecast, it's a natural, inevitable part of investing.

It is also encouraging to see that only 1% reduced their risk profile indicating that they have chosen to maintain their savings goals despite the headwinds this year," says Fraser. "While market declines are unpredictable and difficult to forecast, it's a natural, inevitable part of investing.

A diversified portfolio, he adds, provides investors with an opportunity to create a smoother return profile over the long run, as it is better able to withstand fluctuating market conditions. A blend of asset managers is best suited to take advantage of opportunities, both locally and abroad, at different times in the cycle, offering optimal diversification to augment portfolio.

The evolution of the financial adviser

Theesan Moodley, General Manager Intermediaries, Sanlam

How has the role of the financial adviser shifted? Theesan Moodley, General Manager: Intermediaries, Sanlam, shares insights on how 2020 has brought three major evolutions.

It's no exaggeration that, vaccine or not, we won't be returning to what used to be 'normal' anytime soon. The changes we have all been forced to make in light of COVID-19 will be with us for the long haul – meaning less face-to-face interaction, more digital savviness and increased levels of worry.

This invariably has an impact on the role of the financial adviser, with the natural evolution we'd already started to see, being fast-tracked. We see this in two distinct aspects: the role of technology and the change in client expectations.

What clients expected from a financial adviser relationship in the past and what they expect from it today is different.

THREE AREAS WHERE CHANGE IS MOST NOTICEABLE

THEN: IN-PERSON MEETINGS
NOW: ZOOM CALLS, WHATSAPP AND THE WAVE OF TECHNOLOGY

The way we communicate has changed. Twenty or thirty years ago, the flow of information was very limited. But today, it's a lot quicker – think of a family WhatsApp group. And to a large degree, open communication is what clients are looking for. They're not necessarily looking for a phone call, but they want to be kept in the loop. We can also ascribe this to clients wanting more control over their finances and wanting to understand what's going on. Sanlam has been ahead of the curve with adopting future technologies. In 2020, we saw an exponential rise not only in video calling but also usage of our e-signature platform. We instituted the e-signature platform in 2016 already. It effectively allows you to sign a document anywhere in the world. You can literally be on the golf course – as long as you have access to a network and a mobile device, you can sign the document.

As a practical example of how digital adoption has grown: in the first quarter of 2020, an average of 12 500 documents were being uploaded to our e-signature platform per month. By the second quarter – mid-lockdown – that number jumped to 40 600, with a record 57 800 uploaded in July. Advisers knew they would have to adapt quickly to new technology. There is also not a generational divide between tech-adopters. There's a bit of a misnomer that younger clients are more comfortable with digital, but the underlying requirement is about convenience. Generation X, Baby Boomers and millennials all feel the same way about this – they don't want to waste time, they want things to be convenient. Even grandparents are now on Zoom!

THEN: IMPERSONAL ONCE-OFF SERVICE
NOW: EMPATHETIC, KNOWLEDGEABLE AND IN-DEPTH SERVICE

Clients' needs have changed. Not only what they want from the relationship, but how they engage with us in that relationship has changed quite significantly over the last couple of years. No longer do clients want to sign a document and only hear about it again when the debit order goes off. They want to know the details of the process and follow along every step of the way.

Clients also have access to more information than ever before, which is another factor that advisers have to skillfully navigate. Just like people googling their symptoms before going to the doctor, clients will have more input than before – and it is the adviser's role and responsibility to consider the client's needs holistically, to identify, prioritise and to provide satisfactory solutions. It's about being able to demonstrate the expertise and then advise clients on the most appropriate to address their needs systematically.

THEN: ADVISERS ONLY PUSHED PRODUCTS
NOW: ADVISERS BUILD RELATIONSHIPS

In the past, it was often seen that a person would simply push products, whether life cover or insurance or retirement solutions – and often they would specialise in one type of product. Today, many advisers have moved to a more holistic, and client- approach. These days, it's moved on from being purely about sales to helping clients make the right decisions around their financial freedom. During the COVID-19 pandemic, the adviser's role was undoubtedly to reassure clients, ensure they stay the course, even though it may be difficult and even though

The adviser should not only have technical knowledge about all the products in their portfolio, but they should also know their clients on a granular level, looking at their aspirations and delivering on that.

other factors are impacting on their finances. The adviser should not only have technical knowledge about all the products in their portfolio, but they should also know their clients on a granular level, looking at their aspirations and delivering on that. It's about going back to basics, and wearing many hats – that of supporter, mentor and financial coach. And if you don't know what they need, ask.

Ask your clients what they want and what they expect in terms of contact. Talk to them regularly and personalize your communication with them. It's up to us to make a difference to our clients' lives, and the generations beyond them.

Zooming into 2021: Online financial advice can still be meaningful

By Henry Van Deventer - Chief Specialist: Advice Model Design: Liberty

We all know that financial advice is about trust. For many advisers, trust is built upon building close relationships with clients, usually in face-to-face settings where an atmosphere of openness is established.

To have discussions about a client's money – and bringing about meaningful change to their finances – a level of engagement is needed to allow an FA to become a coach, manager and even a psychological councilor. Throughout 2020, we've had an opportunity to re-examine how these relationships are formed, and we were relieved to see that while there were some teething issues at first, many clients have been open to developing these relationships online.

Talking about money, your own or that of others, never fails to be an engaging subject. In the case of one's own numbers, physical meetings with FAs reinforce the atmosphere of confidentiality. This is necessary since the bank balance represents an absolute truth of an individual's material worth. However, we've noticed that once a client realizes that it's safe to use online forums to discuss their finances, they still open up and relationships can be built. Before the COVID pandemic this sort of thing was rare, but with changes in the working environment taking place, FAs have been asking themselves how they can extend the value of their relationships online.

TIME AND ACCESSIBILITY

On one level online meetings save a great deal of time. Studies have shown that once clients become comfortable with their adviser relationship having a virtual dimension, the vast majority are satisfied with this medium for certain future engagements. Along with precious time is the issue of accessibility. An online Adviser can be requested for discussion much faster than they would in the physical world of traffic jams and over-running meetings. Therefore, many have woken up to the fact that FAs can in many instances be engaged just as successfully on a virtual platform as they can in person.

WHAT CLIENTS REALLY WANT

Liberty's research shows clients do not lie awake at night worrying about the performance of their funds. They worry about the impact of real-life events. Having another child, where to educate your children, the holidays you go on, whether you can afford to eat out once you've retired. These are the sorts of questions genuinely worry people. The more adept our Financial Advisers become at speaking to these issues, the more valuable their advice becomes. With the advent of internet-based financial services, people are now in a position where they can buy almost any financial product themselves in the digital marketplace. Although this is convenient, choosing appropriate products can be difficult without help. There has been a shift away from planning for specific events such as retirement, paying for education or losing your ability to look after your family's financial needs. This has now pivoted towards planning for sustainable lifestyles, known as financial life planning. With the evolution of financial planning software, it is now possible for FAs to help their clients understand the long-term consequences of their decisions so that they choose a standard of living they cannot afford to maintain.

OFFERING REAL VALUE ONLINE

Given the magnitude of most financial decisions, achieving open and productive discussions online is becoming more achievable as we become attuned to virtual meetings.

Clients are showing a preference for using internet-based meeting solutions like Zoom, Skype or Microsoft Teams to have in-depth conversations and receive financial advice that makes sense to them. So far, these medium's appear to be trusted conduits for confidential discussions.

This means that the advice technology used by Financial Advisers needs to provide a clear, powerful and meaningful virtual experience. The development of this solution for Liberty is on the cusp of completion and will be piloted with our Advisers in the final quarter of 2020, with a view to a broader launch early in 2021.

These technologies are just another way for our FAs to remain close to their clients, being there when they need them the most to make a real difference to their lives. As long as this advice has meaning and can provide a measurable and memorable impact on the life of a client, the medium doesn't matter.

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2021: Remaining agile, yet steadfast

By FMI (a Division of Bidvest Life Ltd)

A virtual roundtable discussion with some key leaders at FMI – Steve Piper, Chief Distribution Officer; Jane Fehsenfeld, Distribution Marketing Manager; Jessica Beattie, Head of Brand and Customer Marketing; Gareth Quin, Chief Technology Officer; and Leza Wells, Chief Product Actuary.

"Agile" and "steadfast" are two contradictory traits, but both are equally important in business – the ability to not only adapt in times of crises but to also remain focused on the end game and not to allow uncertainty to drive us into a reactive mode. In March 2020, on the eve of the first lockdown, FMI were able to adapt, literally overnight, by gearing up our systems and internal processes to allow for networked teams like claims, client care and underwriting to all have the capacity to work efficiently and effectively from home.

Our adviser events for the year were all held online, the success of which can also be attributed to a pre-emptive shift to digital prior to the pandemic. As Fehsenfeld, says: 'By embracing the digital evolution already identified, we had planned digitising our campaigns through webinars, podcasts and virtual launches before lockdown. In 2021, we will continue to focus on highlighting sales opportunities and delivering technologies to support our business partners and of course, enhance the customer experience.'

'2020 also saw us redefine how we meet the needs of a growing market by expanding the range of occupations we're able to insure. As such, our evolved product offering makes FMI relevant to a changing workforce, thereby placing us in a position to embrace change and the growing need for income protection, no matter what an individual does for a living or how they earn their income,' says Beattie.

The ability to cover more occupations than ever before has never been more relevant in the uncertain world we currently live in, but it was instigated through improved methods of risk assessment even before the pandemic, to cater for a growing market, increasingly defined by a range of business owners, independent contractors and those with multiple income streams. Piper says the decision to expand FMI's range of occupations eligible for cover, to include occupations which other insurers aren't always able to protect, is in line with FMI's core belief that everyone should be able to protect their income against the risk of injury, illness or death – the "Income First" approach, as we at FMI call it. This is why we exist and will therefore continue to be the driving force behind everything we do, in 2021 and beyond.

'Insurance companies exist to protect customers during times of crises. Therefore, there needs to be ongoing developments in risk assessment processes and product development, to ensure we remain relevant and continue to offer the most appropriate protection for our current and future customer,' reinforces Wells. FMI has also made major advancements in technology to support service delivery. Quin says that amidst the uncertainty and change of 2020, FMI managed to maintain focus and improve every single business process to streamline turnaround times and make doing business with FMI easier. Tech advancement has been accelerated due to the pandemic and this will continue to be a key focus at FMI in 2021. Particularly in the area of new business processes and the launch of a new client application – a fully digital process that "intelligently" delivers applicants the questions relevant to their profile and assesses how they answered the question before.

This forms part of FMI's move away from paper applications where we can start to provide immediate answers to applicants and elegantly guide them through the underwriting process in a much more efficient, pain-free way. Quin says that digitisation of new policy applications and servicing processes doesn't just improve the customer experience by making underwriting and servicing faster and easier, but it also creates a more robust operating base able to function under any circumstances.

FMI's innovation in insurance products and new business processes has not only geared us up to support advisers and policyholders in the backdrop of the Covid-pandemic, but with a longer-term view into the future as we continue to embrace a virtual world, remain steadfast in our plans, but agile in times of uncertainty.

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Trends Shaping 2021

By: Andrew Duvenage, Managing Director, NFB Private Wealth Management

Four themes we expect to find traction during 2021 are coronavirus and the vaccines deployed against it; reflation; a global move toward even tighter regulation; and crypto assets, as opposed to only crypto currencies.

THE RACE FOR A VACCINE

No outlook for 2021, and beyond, is complete without including Covid-19. This year will be more about the vaccines deployed against the disease than the disease itself. South Africa plans to vaccinate its healthcare workers by the end of February, a noble and well-placed goal, and 20 million South Africans by the end of the year.

Arguably, this latter goal is ambitious from a logistical point of view. There are also likely to be difficulties acquiring and even financing suitable quantities of the vaccine. For context, the Philippines has a population of 100 million people. It plans to vaccinate 100% of its population – but only by 2023. Cause for optimism is that at least five major vaccines are available to the world: the three major 'Western' vaccines and one each in Russia and China, together with a number of others in various stages of global development. What this means is that ultimately, there will be many channels from which to acquire a vaccine. The key trend for 2021 then is for extended periods of variations on lockdown to buy time with which to achieve herd immunity. The lighter the lockdown and the sooner immunity is achieved the less economic damage. On the other hand, the longer this takes the more likely the economic damage is to be of the kind that cannot be recovered from.

REFLATION: INFLATION IS DEAD, LONG LIVE INFLATION

From an Organisation for Economic Co-operation and Development (OECD) perspective, inflation has been a non-issue for the better part of the 2000's but even more so since the global financial crisis. This has been true for South Africa as well given that inflation has been within the target range since 2010.

For large, developed market economies, inflation peaked between 12 and 16 percent in the 1970's, mostly as a result of the OPEC oil supply crisis, and has been trending downwards ever since. With massive monetary and fiscal stimulus directed at supporting economies and their people during Covid-19, countries' balance sheets have never expanded more rapidly. At some point this must be inflationary.

It wasn't, however, in the period post the massive stimulus associated with the global financial crisis. So why should it be any different now? There are three factors at play: firstly, the demographic benefit of population growth driving down marginal labour costs is abating; secondly, the deflationary impact of technology is also abating (a trend which is being accelerated by the regulatory aspect); and thirdly, a move toward localisation away from globalisation which also removes some of the pricing advantages enjoyed by the world economy for the last 40 years.

Combine this with supply bottlenecks as a result of logistics channels being coronavirus constrained and the elements are there for the re-emergence of inflation.

REGULATION, REGULATION, REGULATION

No one particularly likes regulation, until things go awry. We expect to see much more regulation in 2021. As an example, South Africa's Protection of Personal Information Act (POPIA) goes into full force on the 30th of June this year. The European Union is likely to continue to evolve their stance on GDPR which inevitably affects the

There is no question that tech companies are playing a growing role in censorship – and even shaping news flow which is become increasingly problematic.

big tech companies that have been such darlings of the markets for the last few years and which are now subject to greater and greater levels of distrust and anti-trust lawsuits.

One of the most jarring confluence of regulators, tech companies and users in recent months has been the way US President Donald Trump has very effectively used platforms like Twitter to get his particular message out to market. In response to the recent violence which took place at the US Capitol, a number of platforms, including Twitter, banned the president from their platforms, inevitably sailing very close to being the arbiters of free speech and justice; behaviour which is arguably well outside their purview.

There is no question that tech companies are playing a growing role in censorship – and even shaping news flow – which is become increasingly problematic. Expect to see more regulation in the months ahead, including more aggressive tactics out of China where business entrepreneurs like Jack Ma of Alibaba have been almost entirely derailed through the failed listing of Ant Group. This is culminating in speculation that entities that become overly large are increasingly subject to the risk of nationalisation.

CRYPTO ASSETS

One area in which we see a more liberal market approach from regulators is in the crypto or digital assets space. Our own regulator, the Financial Sector Conduct Authority (FSCA), took a very smart path in deciding to regulate crypto assets rather than just crypto currencies. This essentially future-proofs the South African regulatory environment from what is very likely to be rapid evolution in this space.

That bitcoin has rallied so significantly over the last year - even if that does come with extreme levels of volatility - only serves to reinforce what we think is likely to be a key trend for 2021: more and more mainstream acceptance of digital assets, primarily blockchain-based and in spaces we perhaps didn't see coming: digital mortgage contracts anyone?

2020 : A year in review - the auto and property industry

by Lightstone

Covid-19 proved to be the kind of global disruption some have been warning could happen. It affected the global economy, the way people work and put tens of millions out of work. It changed the way societies have engaged with themselves, and with each other. And of course, it wreaked havoc in healthcare systems in both developed and developing countries.

From Lightstone's perspective, it significantly altered the property and automotive landscapes. The forecasts we made, and the stories we wrote, reflect some of the ups and downs of what has been a mostly turbulent year.

1. Quick And Easy Asset Valuation:

The Lightstone Property and Vehicle Valuation reports, historically only offered to business clients, have since lockdown been made available to all consumers. The reports help home and car owners evaluate their assets and make better purchasing and selling decisions.

LIGHTSTONE AUTO

2. Recovery Will Take More Than A Year, Say Industry Players

Our April MyEcho survey this year found an optimistic industry that anticipated economic activity would increase in the six months to follow – although 40% of respondents believed it would take more than a year for the industry to return to a 'pre-covid' levels of activity.

In a follow up survey conducted in August 2020, results revealed that the level of activity in the market would only reach 42% by July, however in June, the market activity performance sat at a more optimistic 53%".

3. The Auto Confidence Indicator

The automotive industry will take more than a year to recover from the negative impact of Covid-19 and the lockdown'. That's what more than 2 600 respondents across the motor industry said who participated in the Lightstone Confidence Indicator in September.

4. Lightstone Recognises 2020 Top Motor Body Repairers In South Africa

Over the last three years Lightstone has hosted the EchoMBR (Motor Body Repairers) Ranking Awards, highlighting the top Motor Body Repairers (MBR) in South Africa.

LIGHTSTONE PROPERTY

5. The 2020 Property Forecast (Pre-Covid)

Over the last several years, Lightstone has accurately forecasted residential house price inflation rates. After the economic recession in 2008, house prices grew modestly, peaking at 6.35% at the end of 2014.

In 2019 house price inflation came in at just below 2% - under Lightstone's "low road scenario" which had not foreseen the pandemic.

6. Post Lockdown Forecast

Before the Covid-19 crisis hit, Lightstone estimated that during 2020 national house price inflation would drop below 0% for the first time since the 2008 economic recession. Following the outbreak of Covid-19, Lightstone offered three scenarios as to how the property market could play out.

that more and more families were looking to swap the hustle of big city living for the coast - where nature, family and lifestyle come first. Read more

7. Will Covid-19 Accelrate A Shift To Coastal Living?

Covid19 could reshape South Africa's work landscape – and with it where many people choose to live. While the full impact of the pandemic is yet to be felt, it is creating opportunities throughout the residential property market – and high up on the list is coastal property sales.

As South Africa moved to Lockdown Level 1 on 21 September, it appeared that more and more families were looking to swap the hustle of big city living for the coast - where nature, family and lifestyle come first.

8. Single Women Dominate Sa's Home Market

During Women's Month each year, Lightstone reports on the position of women in the property Industry – and this year focused on the fact that more women are first time home buyers in South Africa than men.

According to Hayley Ivins-Downes this trend has held true for the six years between 2015 and 2020, "and that is despite the dramatic falloff in sales this year".

9. **Where Are First Time Buyers Buying?**

On average more than 90 000 South Africans buy a home for the first time each year. Read more about where they buy, and why.

LIGHTSTONE SPATIAL DATA

10. **Lockdown Saves Commuters Travel Time**

Lightstone's study of traffic trends during the year found that commuters travelling from Pretoria to Johannesburg and back again in August spent 10 hours a month less on the road when compared to February. Read more about this and other key routes.

11. **Lightstone And Tracker's New Shopsafe App Provides Consumers With Best Shopping Times**

Given the Covid-19 risks consumers face when visiting high density shopping centres, Lightstone, in partnership with Tracker, introduced the ShopSafe app. It provides up-to-date information on vehicle numbers at shopping destinations they visit and helps shoppers find the least busy time to shop. Read more

12. **Small Centres Take The Lead As Shopping Destinations**

Globally, shoppers have been moving towards visiting destination malls as online shopping lures customers away from larger, regional malls. Much the same has been happening in South Africa, and it was a shift accelerated by Covid-19. Read more about the shift here.

13. **Revealed: How Black Friday Has Impacted Foot Traffic In Malls**

Black Friday has become one of South Africa's most anticipated retail calendar events and although the ecommerce arena has grown exponentially over the last three years, many consumers continue to opt for the tangible in-store experience – albeit with strict Covid-19 protocols in place this year.

Earlier in November Lightstone anticipated what might happen on Black Friday.

Early media releases reported that consumers could expect some of the biggest discounts ever, but did this

Technology landscape of 2020 & associated challenges posed by the new work from home environment

by Ellipsys Technology

Working remotely and even working from home is not a concept introduced by the COVID-19 pandemic. In 2009 IBM allowed 40% of its 386,000 employees in 173 countries to work remotely.

However, in 2017, when revenues fell IBM management called back thousands of employees to the offices. Similarly, Bank of America, Yahoo and AT&T had to recall staff working at home back to the office as these companies felt that creativity, innovation and serendipitous solutions were suffering as well as employee loyalty reducing as employees working remotely felt marginalised.

What COVID-19 did however, was to remove choice from the equation. Most countries, including South Africa introduced very strict lockdown protocols to prevent or at least reduce or slow down the spread of the virus, forcing many companies to close down their offices and enforcing work from home restrictions. Currently there is no evidence as to when the need to work from home will fall away and longer and longer timelines are being projected.

So, what prompted companies like IBM, Yahoo and even Cover Magazine to have applied work from home approaches when there was no pandemic enforcing it? There are the apparent benefits of working from home, which include:

- Reduced office space requirements for the employer;
- Reduced costs for the employer for coffee, water, electricity, sanitation etc.;
- Reduced parking space requirements resulting in saving for the employer or employee dependent on the agreements and provisions;
- Reduced commuting for the employees, resulting in reduced costs and time saving;
- Shorter breaks required by the employee;
- Less time lost on illness due to exposure to other ill employees.

However, many work place challenges don't disappear, they simply move around, like the mythical balloon being squeezed. Whilst employees working from home might not require space at the office for the restricted period, they need to create a dedicated space at home from where to conduct Zoom, Webex or Teams meeting in as professional manner as possible. And if the employer is not planning to make working from home part of their ongoing strategy the empty office space must be retained until the employees do return to the office. During the time that the employee is working from home the costs of the data connectivity, electricity, sanitation, water and so forth could move to the employee, which might not be offset by the expected saving in travelling costs. And while the employee might be saving time by not commuting, some employers might expect that time to be for their benefit. If the employers do provide compensation for the employees' additional costs, it will result in many employers doubling or significantly increasing their operational costs.

These challenges were, however, not the main drivers for the early adopters of work from home strategies to review their strategies or to recall the workers. The main drivers were:

- Inefficient communication;
- Loss of creative interaction;
- Perceived reduction in performance; and
- Concerns for employee wellness.

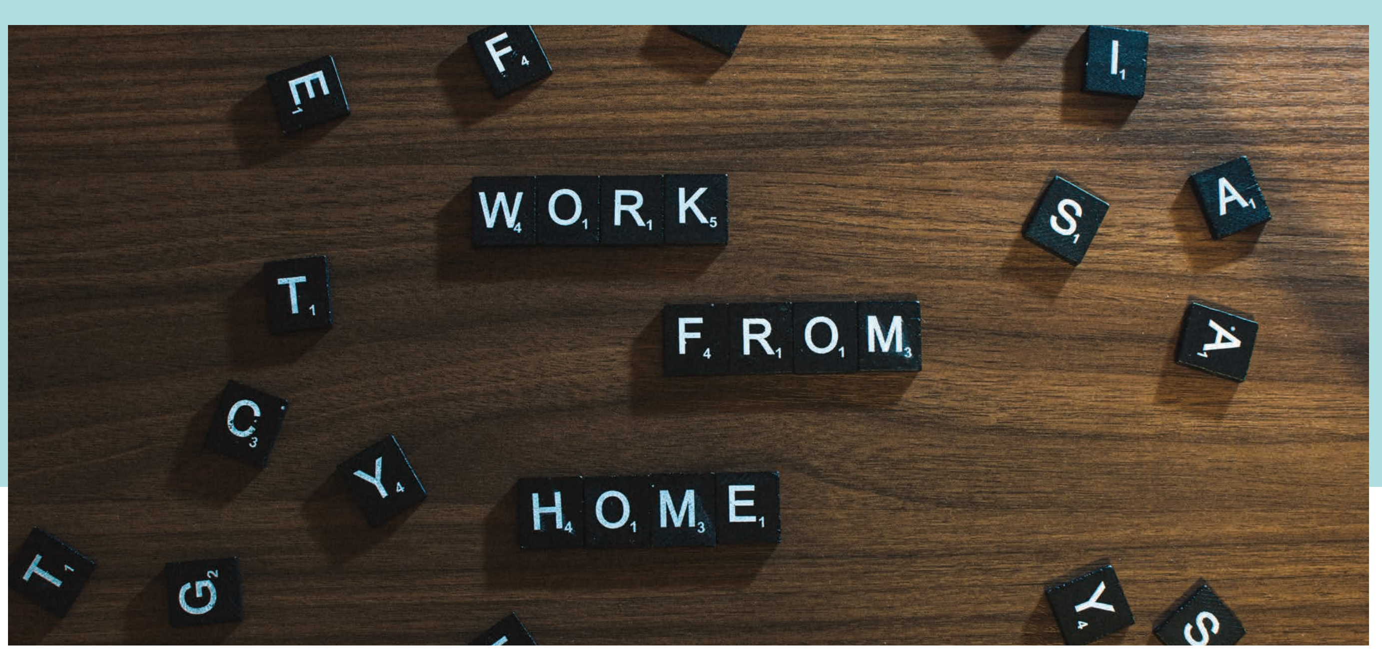
ADDRESSING COMMUNICATION

Fortunately, technology has come a long way since the early days of working from home where the only tools available were teleconferencing facilities that limited the number of dialled in users, emails and one on one phone calls. Most communication packages now offer video conferencing, screen sharing, whiteboards and instant messaging.

Although video conferencing tools don't replace a warm handshake it does allows users to see each other and read those ever-important facial expressions that improves non-verbal communication. Being able to read an audience during a presentation is always preferable to doing a presentation where all the users are muted and you feel completely disconnected, but by inserting breakpoints in your presentation and opening up discussion the audience engagement and interaction can be improved.

IMPROVING CREATIVE INTERACTION

Similarly, communication tools with screen sharing, whiteboards and other collaboration tools are improving the ability to share in the creative process and track ideas.Whilst these tools won't replace the spontaneity experienced at the metaphorical water



cooler in the office, it does improve sharing of ideas and complimentary problem solving.

MANAGING PERFORMANCE

The challenge of managing efficiency and performance has always been a tricky one in the insurance industry, even when supervisors and team members were co-located. Measuring the efficiency of a claim's technician is complicated when the types of claims assessed and managed differ or where the frequency of claims are unpredictable. Increase the ambiguity of employee performance by placing the insurance consultant in a remote location where connectivity issues, stability of electrical supply and domestic factors increase the unknown variables and managing consistent performance becomes very challenging.

It is important that the employee's performance against quantifiable KPIs be transparent and visible and that the employee can compare their performance against the KPIs over a period of time and against team members with the same deliverables so that they can quickly and easily identify where they need to improve or highlight where a measurement is outside of their control so that it can be addressed fairly. It is important that the employee be challenged to maximise their efficiency but they should not be surprised with a negative performance review when they have been pushing beyond their capabilities and been hampered by factors outside of their control. It is also important to increase the frequency of performance reviews when the employees are working from home to ensure constant feedback and adjustment.

FOCUSING ON WELLNESS

The emotional wellness of employees working from home during this pandemic must be treated as a very high priority by management and the reality of employee burnout must be considered and support provided to employees to ensure good mental health. The World Health Organisation defines burnout as a syndrome resulting from chronic workplace stress that's characterised by feelings of exhaustion or energy depletion, negative or cynical feelings related to a job, and reduced professional efficacy. With employees working from home the boundaries between home and work are being blurred. Employees would normally have a very clear transition from work life to home life at the end of the day when they leave the office and return home. Without that transition, work simply continues and employees don't implement boundaries to separate their "home" time from their "work" time. If the employee has a dedicated space to work at home, they should force themselves to leave this space and if they don't, they should engage in a formal "end of work day" ritual to make the emotional transition from work to home life. Management must respect these boundaries and should not expect employees to be available during traditional home time periods.

In return, employees must respect their work time, and apply the same discipline and rigour to managing their time as if they were at the office.The human need for interaction and stimulus must also be considered during times of isolation that the pandemic has forced on workers. Besides the financial fears of job loss and economic uncertainty there is also the fear of getting COVID-19, losing loved ones, feelings of helplessness, frustrations and many other stressors that are pushing everyone to the edge of reason with a lack of support systems to help employees cope with these feelings. Employers should consider virtual team building exercises like quiz games, murder mysteries or just online get-togethers to allow employees to deflate from the stress. Employers should also consider formal life coaching and support plans for all staff to assist them in managing the stress that they are experiencing.

FINAL NOTE

COVID-19 is going to extend the work from home lifestyle for the foreseeable future. And while applying technology might solve some problems, the deepest impact is going to be on ensuring employee wellness.

Flexibility will be key to achieving resilience in 2021

Michael Davies, CEO, ContinuitySA a Dimension Data company

My vote for Word of the Year for 2020 would have to be pivot—a verb that was suddenly on everybody's lips to describe the abrupt and often radical changes that were needed in a world suddenly turned upside down.

When the crisis hit and lockdowns began, it was all hands-on deck, and technology played a major role in helping organisations come to grips with the new reality of distributed workplaces and interrupted value or supply chains. Eight months on, technology remains important, of course, but there is growing emphasis on the other two components of true business resilience: people and process. Based on an extensive series of meetings with clients across the continent, these issues can be expected to define 2021:

A NEW WORKING ENVIRONMENT.
Many of Continuity's clients are planning to ask staff to return to work early in the new year, but it's clear that the new work environment will have to be more flexible.

Already we are seeing apps that automate the whole process of booking visits to the office to ensure that headcounts are kept within the parameters of current social-distancing regulations. Apps will also make it easy for people to complete the necessary health questionnaires and generate QR or other types of admission codes per visit. Apps will also automate the process of applying for necessary permits for work/ travel during curfew times.

A hybrid work from home and work from office work style is also being seen as a way to reduce the office footprint and save costs in a recessionary business climate. Organisations are looking at a hub-and-spoke approach with smaller head offices complemented by satellite offices that employees visit intermittently. Already some clients are opting for managed office space at our facilities to provide this more flexible infrastructure.

NEW WAYS OF MANAGING PEOPLE IN THE NEW WORKPLACE.
The emerging hybrid workplace means that managers must devise new ways of managing remote employees. A greater focus on outcomes- or activity-based productivity measurement is becoming evident; managers will have to learn new tricks. Technology is likely to play a big role in this type of management. Another management challenge will be ensuring the wellbeing and engagement of isolated employees. A related challenge is the difficulty of maintaining a vibrant corporate culture when employees do not habitually work together physically—

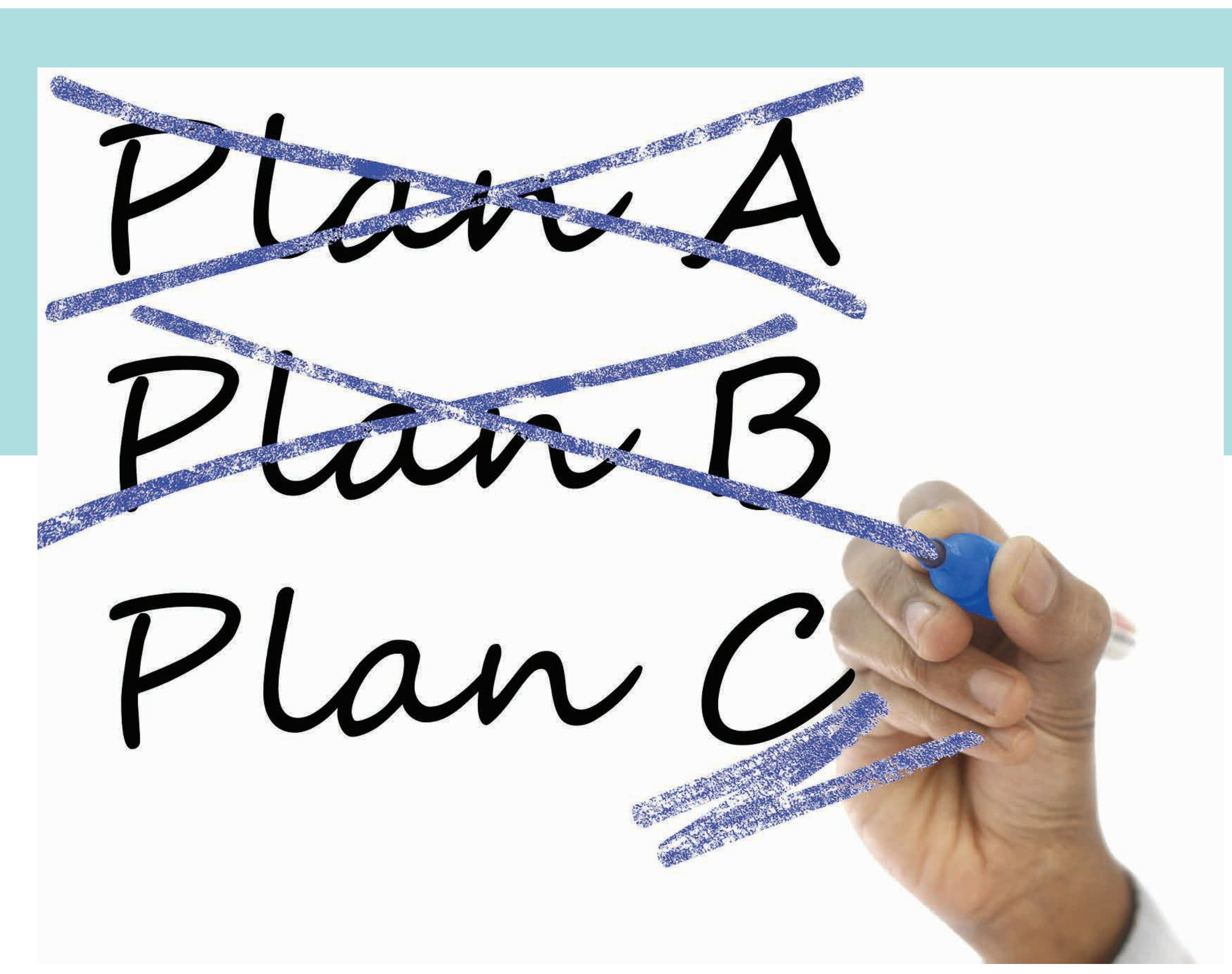
and how will new hires acquire it when they may spend large amounts of time working remotely?

A NEW APPROACH TO ASSETS.
Remote working has meant that company assets—furniture and equipment—migrated to employees' homes. Now that it is clear we won't be returning to the status quo ante; organisations need to work out how to track those assets. How will they be insured and, if they break, how will they be repaired?

Another huge question mark is the impact of a larger than before hybrid work environment on the provisions of the Occupational Health and Safety Act.

CYBERSECURITY WILL CONTINUE TO BE A TOP PRIORITY.
Many of these distributed corporate assets are electronic. External hacking is one aspect of a growing security issue, but remote working can also compromise data security in other ways—consider, for instance, flatmates working on confidential information in a common work area in a shared flat.

"COST TO COMPANY" WILL BE REDEFINED.
Changing work patterns will mean that commuting and business travel costs will go down, but employee connectivity and '*working from home*' costs will increase. All of these factors will have to be integrated into employees' remuneration packages.



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VIRTUAL MEETING FATIGUE WILL PROMPT A NEW ATTITUDE TO MEETINGS.

Many of our clients report that in-person meetings are becoming more popular as a concept, based on the realisation that virtual meetings are not as rich in non-verbal cues. I predict that just as the work model will become a hybrid one, the approach on how meetings are to take place will also become more flexible. We will not go back to the old days, but some in-person meetings will be judged essential.

Other issues will doubtlessly emerge as 2021 progresses, but one thing is clear: adaptability and flexibility will remain critical. We can expect uncertainty to remain a characteristic of the business environment, and so the resilience conferred by a well-constructed and constantly updated business continuity plan will be absolutely essential for sustained success.

2021 – The Year of POPIA

Charl Cilliers, Practicing attorney and director at Cilliers Law Inc

DEADLINE FOR IMPLEMENTATION

South African entities, both private and public, must comply with the Protection of Personal Information Act 4 of 2013 ("POPIA") by 30 June 2021.

The Information Regulator, the regulatory authority for POPIA, has recently confirmed that this deadline will not be extended. It goes without saying that this leaves less than 6 months for full compliance.

PURPOSE AND SCOPE OF POPIA

The main purpose of POPIA is to protect the personal information of data subjects whilst balancing their rights to privacy against other rights, such as the right of access to information.

POPIA applies to virtually all South African businesses, regardless of their legal structure. There are some exclusions, which will most probably not apply to the businesses of readers.The financial services industry in particular will be severely affected as a consequence of the level of personal information that it processes.

Penalties for non-compliance are harsh. In terms of Section 107 of POPIA, any person who is convicted of an offence is liable to pay a fine, or to imprisonment, or both. Depending on which sections have been contravened, the duration of imprisonment can be up to 12 months or 10 years respectively. In terms of Section 109, a fine of up to R10 million may be payable.

It would thus be wise for those who have not yet started with a POPIA compliance project to start as soon as possible in order to meet the looming deadline. For readers who have not yet started preparing, here are some ideas to consider as a starting point.

IMPACT ASSESSMENT AND GAP ANALYSIS

A good first step would be to do an impact assessment and GAP analysis to understand exactly what the impact of POPIA is on your specific business. This will be determined, among others, by the size of your business, the extent to which it processes personal information, and the data protection controls already in place.

LEGAL CONSIDERATIONS

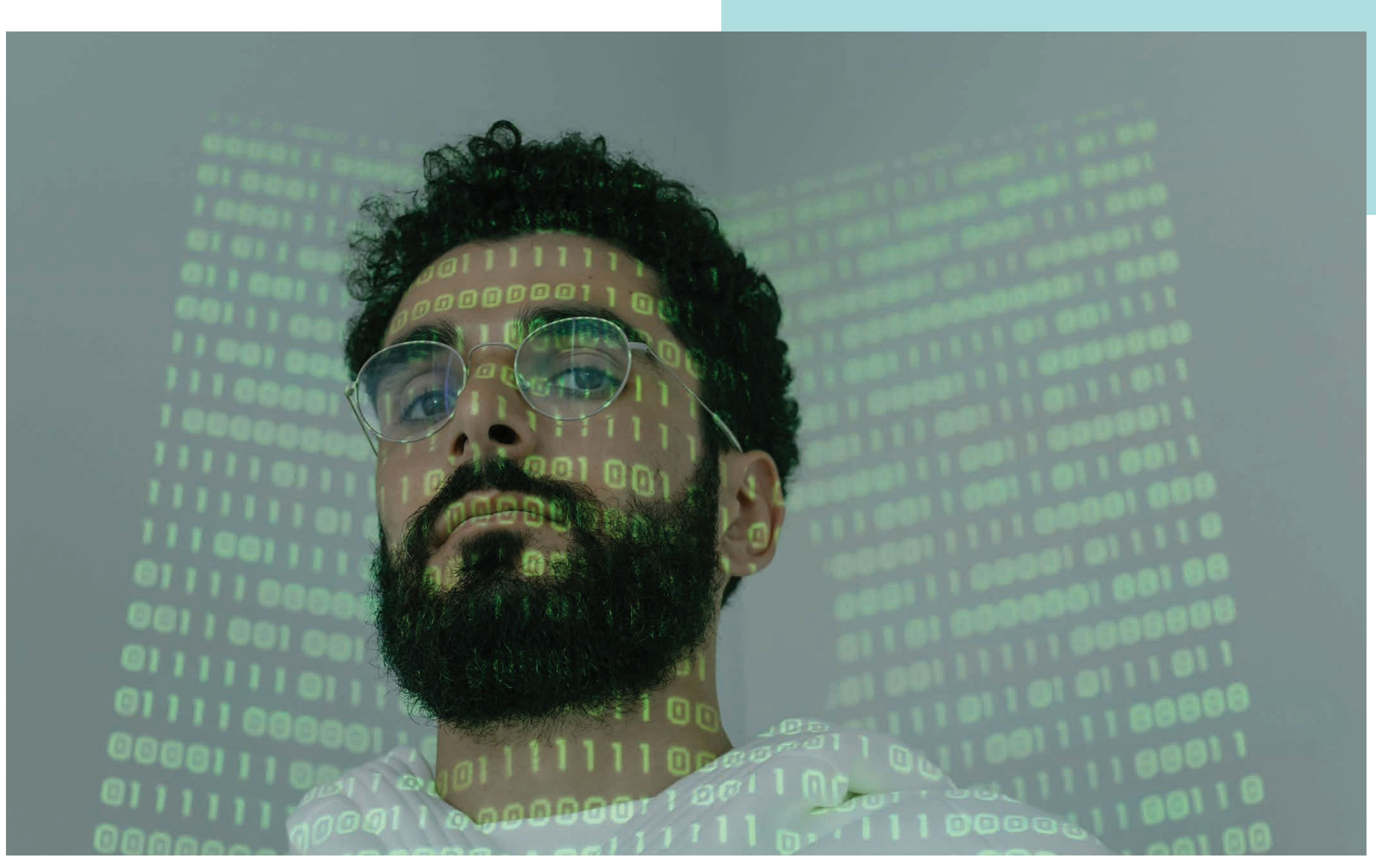
Ensure that data protection and other policies are in place, such as a record retention policy, a clean desk policy, an incident response policy in the event of a data breach, and a bring your own device policy.

INFORMATION TECHNOLOGY

It is important to attempt to prevent any form of data breach and the possibility of reputational risk as a result thereof. Encryption will protect personal information from interception. Examples of available tools are Bitlocker to encrypt data storage devices, or SSL certificates to encrypt data message channels.

SALES AND MARKETING

Section 69 of POPIA deals with direct marketing by means of unsolicited electronic communications, which includes automatic calling machines, facsimile machines (for those who still use them), e-mails and SMS's.



The main purpose of POPIA is to protect the personal information of data subjects whilst balancing their rights to privacy against other rights, such as the right of access to information.

It is important to note that you can only use these forms of communication once, unless you have obtained specific consent from a lead or prospect. You are allowed to contact existing customers more than once, but only under certain circumstances.

HUMAN RESOURCES

Ensure that you have a secure exit procedure for employees that resign or are dismissed, including revoking access rights to any business information, and personal information of other employees, customers and prospects.

FINANCE

The protection of account numbers is a vitally important aspect of POPIA, as this is the type of personal information most targeted by hackers. POPIA punishes data breaches related to account numbers by a fine of up to R10 million or 10 years' imprisonment.

IMPORTANT POPIA TERMS

- **Processing:** The different ways in which personal information is handled in both physical and electronic format.
- **Personal Information:** Any information that identifies a natural or juristic person, such as contact details, race, gender, bank accounts, medical history, employment, education and criminal history.
- **Information Officer:** The person responsible for ensuring that the responsible party complies with the conditions of lawful processing of personal information.
- **Data Subject:** The person to whom the personal information relates.
- **Responsible Party:** The person that processes personal information.
- **Operator:** The party that processes personal information for the responsible party.

This article is not comprehensive and does not constitute legal advice, as POPIA is a vast and complex field.

Readers should consult appropriate experts for advice. www.cillierslaw.co.za

3 Top insurance technology predictions for 2021 (and beyond)

Laura Drabik Guidewire Chief Evangelist

Well, that just happened. As P&C insurers continue to grapple with the fallout from the hot mess that was 2020, they may want to keep an eye on key technology trends that will gain new urgency in 2021.

FAIR WARNING: THE PAST YEAR WAS JUST A WARM-UP ACT.

Despite a few bright spots, COVID-19 has already hit insurers with more than $110 billion in losses from pandemic-related claims, and potentially far more in reduced premium volumes across major lines.

And it could be mid-year before vaccines reach anything approaching wide distribution. Longer still before the economy fully recovers.

Meanwhile, the seismic shift we've seen in consumer adoption of digital channels for buying and managing insurance will keep expanding. It'll also fuel rising expectations for digital convenience and value, long after SARs-CoV-2 is safely in the rearview mirror.

Put it all together, and you can see why Guidewire is focused on enabling insurers to engage customers digitally, innovate rapidly, and achieve efficient, sustainable growth no matter how quickly marketplace dynamics change.

Because here's the thing. The pandemic didn't create new technology trends. It accelerated them. And most so-called "Black Swan" events like COVID-19, weather-related catastrophes, and cyberattack-driven disasters are actually more like "Gray Rhinos"—sky-high probabilities ignored, rather than unforeseen. With all of this in mind, here are three insurance industry technology trends that will continue to gain momentum in 2021 (and beyond):

#1 THE CUSTOMER EXPERIENCE GETS MORE PERSONALIZED—AND PROACTIVE

Thanks to digital-first brands like Amazon, Google, and Netflix, today's most coveted consumer segments have come to expect highly personalized, proactive interactions from every company they do business with—including insurers.

Whether it's through mobile, IoT, smart home devices, or personal voice assistants, insurers must engage their customers with the right messages and services, at the exact right time, or risk falling behind. To learn more, see https://evangelist.guidewire.com/insights/#insights-videos-section

This includes the deployment of automated, conversational AI-based services that make shopping for policies as easy as saying, "Hey, Alexa," and filing a claim as simple as capturing images with a mobile phone. It also

includes the use of big data and predictive analytics to move from "protection-based" coverage to "engagement-based" models designed to save customers time, money, and energy on an ongoing basis.

Just look at Metromile, CAA, and other insurers that leverage telematics to price auto insurance based on actual miles driven and the policyholder's personal driving habits. This kind of usage-based insurance (UBI) is expected to grow 50% in 2021, and could account for 20% of all vehicles within the next three years.

Meanwhile, a growing number insurers will start to follow the lead set by Hippo, Aviva, and others that use home-based IoT devices to monitor for things like water and gas line issues, proactively shutting off leaks and preventing small problems from becoming major disasters.

There are other models as well. State Farm's Sundial mobile app and Alexa skill, for instance, helps older adults live independently while enabling family and friends in their "care circle" to do quick check-ins, coordinate tasks, and manage daily activities and appointments collaboratively.

Though not directly related to insurance, connected, value-added services like these create brand affinity and can make a big difference in people's lives. They also offer insurers additional points of contact that can be leveraged to offer coverage recommendations based on evolving needs—boosting loyalty and lifetime value for the long haul.

#2 THE FRAUD CURVE GETS FLATTENED IN THE BLINK OF AI

Consumer adoption of digital channels isn't the only trend the pandemic has accelerated. Faced with mounting economic uncertainties, cybercriminal rings and otherwise honest consumers and businesses have collectively doubled the assumed fraud rate in claims, according to a new survey from Guidewire partner FRISS.

Today, 18% of claims now include some element of fraud, up from the average 10% seen over the last decade. Seeing sharp rises in the past year: staged accidents, vehicle theft, procedure billing, phantom services, and faked accidents occurring at home.

At the same time, consumers doing legitimate business via digital channels are increasingly impatient with even the slightest delay on a quote or approval on a claim. As a result, look for more insurers to embrace AI, machine learning, and behavioral analytics to assess fraud risk while simultaneously reducing friction for trusted, but increasingly fickle, customers.

Using Guidewire as an example, our built-in capabilities combined with anti-fraud solutions from FRISS, Shift Technologies, Clara and other providers combine AI and machine learning with out-of-the-box business rules to accomplish two objectives. Provide straight-through claims processing for meritorious claims by automating fraud scoring in real time, and support for detecting and investigating fraudulent claims.

With hit rates of 75% or higher, these integrated solutions deliver rich, accurate, real-time fraud scoring that is central to disrupting fraud while delivering fast, friendly customer experiences at every digital touchpoint.

#3 GEOSPATIAL ANALYTICS GAINS SERIOUS ALTITUDE

Remember what I said about Gray Rhinos? While the chaos unleashed by COVID-19 continues to barrage insurers, potentially costlier events are occurring with alarming regularity–including weather related catastrophes. In North America, damage from tornadoes and other storms caused $21 billion in insured losses during the first half of 2020, the worst losses in a decade.

According to the Fitz Ratings, losses from hurricanes, fires, and other natural disasters may outpace pandemic-related costs for P&C insurers, once final figures are tallied. Recent California wildfires and insured losses from Hurricanes Laura and Sally alone could top $20 billion.

In 2021, look for the combined nature of the pandemic and rising CAT risks to give geospatial analytics new prominence throughout the sector. Geospatial analytics providers analyze, manipulate, and display data and imagery gathered from satellite and drones. Using computer vision and AI, these providers extract structured data such as roof and property conditions for underwriters, and will increasingly be leveraged to assess damage after natural disasters.

If our year of living dangerously has taught us anything, it's that insurers require a whole new level of agility to achieve new process efficiencies, exceed rising customer expectations, and thrive in an industry where technological trends can (and will) hit the fast-forward button without a moment's notice

Traditionally, underwriting and claims have involved time-intensive, on-site inspections. As someone who started my career as an adjuster assigned to adjudicate claims after a major hurricane, I can tell you just how arduous, and downright dangerous, onsite inspects can be even in "normal" times. But when integrated with Guidewire, geospatial analytics solutions from Cape Analytics and Betterview offer insurers improved visibility and actionable insights into damage or risk so they can more accurately price, underwrite, and adjudicate commercial and personal lines.

NEW YEAR, ENDLESS OPPORTUNITIES

If our year of living dangerously has taught us anything, it's that insurers require a whole new level of agility to achieve new process efficiencies, exceed rising customer expectations, and thrive in an industry where technological trends can (and will) hit the fast-forward button without a moment's notice. For insurers, relying solely on in-house resources to attain that kind of technogical prowess is no longer realistic—or even necessary. Today, insurers can quickly switch on new capabilities that take full advantage of the data and functionality built into an existing insurance platform such as Guidewire. As the insurance industry (finally!) rings in a whole new year, that's definitely something to cheer about.

Outlook 2021: Brave New World

By Sean Pyott, MD of thryve

For the first time in 64 years, Disney won't be paying out a dividend. This action seems shocking, yet the market responded positively when Disney followed up with solid financial results. Is it a change in company behaviour, a move away from focusing on stakeholder value over shareholder value? Many began asking such questions.

Yet others counter: it's not an anomaly, but demonstrates how companies will need to adjust behaviour to survive. Stable- to low-growth businesses pay dividends, while high-growth businesses do not. That's not a reflection on their performance, but a reality of their markets. If you sell apples and most people buy apples from you, you aren't going to have a sudden growth spurt. But you do have a stable consumer base. So you can invest heavily in improving processes that will only gain marginal efficiencies, or you can reward those who invested in your business.

Stable- to low-growth businesses pay dividends, while high-growth businesses do not. That's not a reflection on their performance, but a reality of their markets.

Similarly, if you are in a high-growth area, you must invest in better ways to do business. Rewarding shareholders too much in that regard would be foolish - you risk killing the golden goose, and you may have to start diversifying in costly ways, such as through mergers and acquisitions. My point is that the future won't - or shouldn't - make shareholder or stakeholder capitalism mutually exclusive.

We risk believing that there is a single optimal way to operate a business. Instead, and something economic theorists have argued over, companies have different modes available to them - and selecting the right elements from those modes is what creates ongoing success in a dynamic world. For several decades, digital technology had been poking at the orthodoxy of a single way to run businesses. For example, and relevant to this audience, risk management started demanding

What the pandemic did was force our world to act despite fear. It will impact how we run economies and politics, and whether we will have the guts to face serious emerging issues such as growing inequality or global warming. Maybe I'm a little too holistic in my thinking, but I do think there is a connection between the risks we take every day in our companies and how we feel about the greater issues facing our world. The chance to realise that connection is what the brave new world of 2021 offers

a more strategic role than where it sits peripherally. The proof came in the technology systems that made such a change possible: enterprise risk management (ERM) and integrated risk management (IRM) (and what we call 'sense and respond' risk management.) Yet such proof hadn't been enough to change entrenched habits. Amazon has long suspended dividends and only paid those out every few years. Instead, it aggressively invests earnings into moonshot projects. Some failed, but others became very successful. More proof that there isn't just one way to run a business, yet companies such as Disney never took the advice.Then the pandemic happened. It's forcing the hands of economies to consider alternatives and behave differently. Some have taken this behaviour change to mean a total switch, such as to stakeholder capitalism. But it's a mistake to think there is only one lane available. The highway has many lanes, and companies should be more agile to switch when necessary. They must also build the wisdom and guts to switch when needed. Galvanising this for me is how risk, after years of motivating itself as a strategic asset, now suddenly is a very strategic asset. One virus did what decades of proof couldn't.

Hopefully, 2021 will be characterised by the lack of orthodoxy. There are many different ways to run a business, and we have at our disposal technologies that can make people and processes more responsive and aware. Why did Disney never suspend its dividend? Fear. It feared it would look weak, and it would get attacked by shareholders. Above all - it would destabilise a behemoth by not doing what it knew worked. It took fewer risks than it could. But add some better visibility and agility to that, and those types of fear can diminish.

Riding the waves of change

Dean Richardson, Director of Sales at SSP

COVER Magazine connected with Dean Richardson, Director of Sales at SSP, a global insurance software provider, to discuss their 2020 experience and the opportunities presented for 2021.

COVER: Please can you give us a bit of your thoughts on 2020. Which part of the role technology played in general, stood out most for you?

Dean: I guess, personally, we have all been impacted by this global pandemic and whilst I am not sure we will ever return to "normal", we revert back to a hybrid model a "new norm" of working from home and the office. I think, individually, we have all learned or relearned what is of value to us, which isn't the material things we have craved in the past, but experiences, our family and our health. Professionally though there have been moments in our history that marked significant turning points for the industry, and I believe we're just coming to the end of one of these moments for insurance.

If 2020 was defined by a single global market shock, the COVID-19 pandemic, then 2021, in the business sense, will be defined by how organizations respond to this new norm. There are also key lessons from recent history which we should look to learn from. If you look back to the most recent example of a similar shock, which was the 2008 financial crisis, then our industry, financial services and insurance, must learn the lessons of the aftermath of that. After that financial crisis, the following years, we were so preoccupied with recovery and compliance to new regulations that were introduced as a result, insurers and UMAs took their eye off the investment in new technology that could provide a competitive advantage. That led to the rise of the Fintechs and Insurtechs, etc, as banks and insurers were distracted. It opened up the market for new high-tech entrants, such as Lemonade, etc. Post COVID-19 we are looking at a new norm focused on investment in new technology so that we don't allow a gap in the market again.

COVER: Even before COVID, we knew that we needed to digitize, we knew we needed to get closer to the consumer, but we again needed a burning platform. So, as an insurance software provider, looking at the insurance industry from that perspective, what do you think were the most challenging issues for insurers last year?

Dean: I guess the most challenging issues and the insurance response was fairly consistent globally. Initially it was all about existing customers. There was an immediate pivot to providing existing customers with self-service online, while insurer and UMA staff couldn't get into the office. Even though there was a lockdown, customers and policyholders still needed to be served and customers needed to access their accounts online, retrieve their policies, print insurance certificates etc.

This initial response subsequently evolved as insurers started moving back into growth mode. They wanted to introduce new quote and buy capabilities to support new customer acquisition. At SSP the demand was so high that we changed our strategy in 2020 as a response to the demand that we saw globally; launching a new Customer Quote & Buy component as a wrap-around for insurer and UMA legacy policy admin systems, just.

COVER: So from an innovation perspective, did you see insurers sort of step up in terms of coming up with innovative ideas, or did they still rely quite a bit on you as the software provider to assist him or to come up with the ideas?

Dean: I think the challenges insurers faced, without having agile tech platforms that are customer centric, that support how a customer wants to engage when a customer wants to engage, were problematic. Those insurers and UMAs aren't going to be winning any awards in 2021! The market is waking up to the fact that insurers need technology platforms that can pivot fast and react to all kinds of scenarios, even ones that we don't contemplate at the moment. So, we've seen a significant drop in what I'd call "point-in-time systems". There is no place anymore for small sticking plasters to address whatever today's business problem may be. That strategy won't survive in 2021. We've seen a massive increase in insurers and UMAs, beefing up their digital strategies and, in Africa specifically, a willingness to adopt and benefit from cloud technologies.

From a technology perspective we're seeing a massive acceleration in this change. The pace of change has significantly increased and our forecast now is that we will move from where we were in 2020, to where we thought the market would be from a tech perspective in 2025 in a 12 month period.

COVER: Do you think insurers and UMAs have started thinking a bit more holistically about their digitalization strategies, and are looking at it more as an overall business strategy, rather than just sort of certain issues within the company?

Dean: Oh, absolutely. We're seeing the changing landscape in front of us. Policy admin systems of old have been core to an insurer's operation forever, but the pandemic has been the wake-up call. It is causing insurers to realize that monolithic systems will not support them going forward and they have got to be customer centric and digital first. We are seeing the rise of the "platform era", where the tech is seen as the core of the business and not just a system of record, with platforms that comprise a pre-integrated best of breed components that in turn support the network effect.

So, the more application/provider contributors to the platform, the more users will use it, which attract more application providers to the platform.

But, let's not forget the "new norm". We also have to support our distributed workforce. We have all experienced some form of lockdown globally when the majority of us worked from home. I am not sure we will ever fully return to the office. There will be some form of hybrid model so, from a system or platform perspective, it has got to support the workforce, working anywhere they are, at any time of the day.

COVER: Based on your past experience in Africa and especially lessons from the diversity from country to country, is there anything specific or any angle that SSP will be focusing on in 2021, when it comes to Africa?

Dean: I think when it comes to Africa, SSP are well positioned insofar as we began our own transformation journey four years ago. As a business we invested $50 million in defining, building and delivering a single cloud native insurance platform that will serve all of our global territories, for all the different segments; whether it be broker, UMA or Insurer. We have been able to prove this by delivering our SSP Insurance Platform for customer across five continents now. In 2020 we became the first insurance software vendor to deploy its software in the AWS Cape Town region, to support our growing African customer base. We have transitioned from deploying software on-premise to being cloud first and by the end of 2021 will be cloud only. The benefits are just huge. Aside from providing outstanding customer and broker journeys, giving insurer staff a holistic 360-degree view of their client, our platform consumes third party data both as a proxy for rating and pricing and to inform the customer journey by reducing the question set, whilst providing real-time business analytics and predictive modeling so insurers can steer their business.

The thing I am most excited about, especially for our African customers, is the adoption of cloud technology and a cloud-native platform. Functional benefits aside, our "DevOps" model, will provide small incremental upgrades for our insurers and UMAs to the platform every 10 weeks, each one delivering new capabilities and building upon the benefits of the last one.**This continuous process of platform improvement means that our customers will stay evergreen and the best is that it should be the last upgrade our customers ever make.**

2020:Exciting changes to build on

Tavio Roxo, co-founder and CEO of Ongawari and OWLS™ Software gave us his thoughts on 2020 and his expectations for 2021.

OWLS™ Software gave us his thoughts on 2020 and his expectations for 2021.

COVER: As an insurance software technology provider, what are your thoughts on 2020?

Tavio: 2020 had a profound impact on the way that people operated and use technology. No massive changes, but lots of small incremental changes, which individuals and businesses implemented over the course of the year. You know, it's all these sort of minor or minute little changes, as a whole, and which everyone makes, that have a complete shift and a profound change in the way people operate. Little things, like moving from face to face meetings on to zoom and then making sure that they have the infrastructure at home with the Wi Fi etc. Where some didn't have Wi Fi before, everyone now has Wi Fi at home, even a full structure set up. And with that comes quite a strange little nuance, which is instantaneous expectations, which people are expecting when they are interacting with any cloud piece of software to buy a plane ticket or book accommodation. Similarly, with insurance, we have found that people are expecting things to happen on a much quicker rate than what they were satisfied with before.

COVER: So that would have a whole lot of knock on effects, but I think mostly probably good. Where do you think the industry lacked, strong response during this time?

Tavio: By and large, I actually think the industry did quite well. There were lots of premium holidays, and lots of the people that work in the industry were very quick to shift from face to face to an online environment. Some of the guys who were perhaps lagging in terms of technology, were quick to understand that they were lagging and, at

least from where I'm sitting, we certainly were inundated with requests for upgrades from paper based systems or XML based systems to more up to date technology based systems. This assists with automation and in bringing the workforce collaboratively together. I am sure that this will probably continue in 2021.

COVER: Do you think that the industry managed to bring policyholders with, in terms of this shift to a more digital environment?

Tavio: I think the first thing that has to happen is that you have to set up that new environment, and I think that 2020 was a year in terms of which people were setting their whole infrastructure up. I would say that, if the trend continues on the same path that it's going at the moment, over the next six months to a year, there definitely will be a shift where they'll start incorporating the policyholders and bringing them into this new technology infrastructure. So, to answer your question, I think they did as much as they could, but with the constraints which they had. I expect further big changes in 2021.

COVER: So, from your perspective, how did your clients react and how does this response then carry through to 2021? What was the first thing that happened for you, from your client side?

Tavio: I think, for us, one of the biggest ones is that in technology implementation you typically have a lot of face to face meetings in order to inspect a system and to define the parameters of the system, prior to implementation. And those meetings, traditionally, always happened face to face. In previous years we tried to insist that the meetings happen virtually.

There are many efficiencies in virtual meetings, such as that you can record the meeting in real time and that you can bring in many people, from all over the country, into the very same meeting, without much logistical effort. But people were very reluctant to do it.

Now, since COVID, that is the way that business operates and how implementations happen in our world. This shift, which we had hoped would have occurred five years ago and just didn't occur, now had to happen. Now everyone's arms were twisted and I think that we are all better for it.

COVER: As a software provider, what will you be focusing on in 2021?

Tavio: One thing which we've always known, that has become even more apparent, is that we have to focus on our people, both internally and externally. Because, if our people aren't healthy, or safe, business won't happen .So we're going to focus on the actual people, on the staff and their clients, in terms of making that journey frictionless. Then to focus on the technology. There are shifts and there are profound shifts in the way that people operate and the way people express their expectations of clients. The expectations of our clients and their clients. We therefore have to make working with insurance much easier.

We have to make working with insurance simple for the clients and their clients to understand. You therefore have to evolve your technology landscape, to simplicity, ultimately. So it's a journey, which we are on as a technology provider, in terms of trying to get better and better at removing all the heavy lifting technology in the path of the client.

This way they just see a very simple interface, a very simple product and a very simple benefit structure. But meanwhile, in the back end, there is a fair amount of technology, running all of that which our clients, and their clients, do not need to see any of.

COVER: Are you excited about those opportunities?

Tavio: Very much so. I am more excited than I have been in years past. I've been trying to move into a place where it is a virtual world, a cloud based world, a world where things happen instantaneously, quickly, efficiently. And now, with the landscape that we're in, it's providing us the opportunity to be able to really harness it. So yes, we are very excited.

COVER: Lastly, from a personal perspective, what do you think has been the biggest change that you might carry through after this?

Tavio: I think one of the difficulties that I had last year was this morphing between work and personal life. Being available doesn't mean I am available, if you know what I'm saying. Just because I can work all the time, doesn't mean that I should be working at 10 o'clock at night. So, one of my focus areas for 2021 is to try and have that distinction between when I'm working, and when I'm spending time with my family and friends and trying to almost switch off from work during that time.

That was one of the biggest difficulties that I had last year and one of the things that I'm looking to, hopefully, change in 21.

Supercool Insurance **Software**

When life gives you lemons...

Lelané Bezuidenhout CFP®, CEO of the FPI, reflects on the year that was and sets out her stall for the one which lies ahead.

While we were all hopeful that 2021 would see the world return to some semblance of normality, the virus clearly had other plans for us. The challenges posed by Covid-19 will define our generation. But it's not all bad – at least not from a professional perspective.

THE YEAR THAT WAS (AND WHAT A YEAR IT WAS)

Like almost every other organisation on the planet, the pandemic pushed all of us at the FPI way out of our comfort zones. But we pulled together like never before and came up with sustainable, long-term solutions to the short-term challenges posed by lockdown. I always ask my team, 'What is the silver lining to this dark cloud?' And last year we saw a few silver linings.

We decided in 2019 to move our software to a Cloud platform – little did we know how timeous this decision was. It meant that we could operate from anywhere in the world at any point in time. Team FPI was, therefore, ready to mobilise shortly after our first "family meeting" in March 2020.

Like thousands of other IT departments across the world, our IT department suddenly became one of the strongest pillars in our organisation. Having the right IT solutions for your business is pivotal to your survival post-2020. Then, soon after lockdown hit, we took the bold decision to move almost all of our events, including our annual Professionals' Convention, online as a digital event. While this took a monumental effort from every single member of our team, it really paid off. Not only were we able to continue to serve our community, but going digital actually allowed us to expand our footprint to more remote areas of South and Southern Africa.

Going online also had the unexpected advantage of allowing people to 'attend' sessions up to six months after the live event. If you still want to register for the Convention and earn CPD hours – you can! Simply visit www.fpi.co.za or contact events@fpi.co.za

In addition to going digital with all our social events, CPD training sessions and annual refreshers, we also hosted our first ever online Professional Competency Examination (PCE) sessions. Thankfully, these were a resounding success. In fact, moving forward, candidates will be able to sit all of our exams remotely.

This will greatly reduce costs for many individuals and ensure that the knowledge and professionalism that go hand-in-hand with the CFP®, FSA, and RFP professional designations can reach our region's furthest corners.

(The RFP and FSA professional designations are our Advice designations whilst the CFP® designation is our only Financial Planning designation. All three professional designations are registered with the South African Qualification Authority. To find out more, contact businessdevelopment@fpi.co.za)

2020 was a year for all organisations to change their business models to adapt to a new reality. This ranged from changing the way the products are accessed, through to using lean and robust technology to be able to adapt to situations quickly and seamlessly.

As a members' body, we embarked on a massive project to move our membership systems to a new platform. More about this in future communications – it is a very exciting time for the FPI as we gear up for 2021 and beyond.

CONFRONTING THE CHALLENGES OF 2021

We'd be kidding ourselves if we didn't acknowledge that Covid-19 will continue to present obstacles for all financial planners and advisers – and their clients. But I worry that the pandemic might divert our attention from some of the other challenges facing our profession.

Which is why I am going to do my utmost best to ensure that we as a community do not lose sight of the following issues:

- **Improving diversity and inclusion among Financial Planners and advisers in South Africa** must be a continual work in progress for every business in our industry. The FPI, via our Human Capital Committee, revised our D & I strategy late last year and will kick off 2021 by constituting a brand new D & I committee.
- **Embracing financial planning technology (FPtech) within Practice Standards.** What was a matter of debate a few years ago is now a done deal – FPtech is here to stay. Instead of attempting to stem the inevitable tide, why not go with the flow and use it to your advantage? Judicious use of technology can greatly improve efficiency in your practice. It can also help you to appeal to the increasing number of millennials and Gen Zs who are creating and inheriting wealth.
- **Remaining profitable as compliance costs increase.** If you haven't already done so you need to start automating your back-end processes. And if you have started, keep going! This really is the way of the future.

ON MY WISH-LIST

- **Retirement crisis –** Did you know that only 6% of South Africans can afford to retire? Improving this figure is a monstrous challenge for our profession, our government and, frankly, our citizens. Towards the end of last year, Treasury issued an exchange control circular that announced the reclassification of inward listed debt and derivative instruments as well as exchange-traded funds referencing foreign assets. But then, due to confusion created by some FSPs, they pulled the circular back. It is important to note that the circular issued (and then withdrawn) regulates exchange control and cannot determine Financial Sector Regulation without proper consultation with the FSCA and other bodies. It is therefore very dangerous to assume that Regulation 28 was almost "changed" by this circular. What this whole incident highlighted, though, is that Regulation 28 is indeed in need of an urgent review.

- **Consumer Education –** The FPI took our consumer education programmes (like MYMONEY123™) online and onto our social media platforms. The latest series is entitled "Wills and Estates – Mistakes made by the Rich and Famous". Consumer education on this topic is critical, especially in times like these.
- **Creating awareness around FPI professional designations –** Consumers need to understand the value of working with a professional member of the FPI. Our social media campaigns, as well as our television and radio interviews, will all focus on this. Our members commit to a robust Code of Ethics and are held to very high competency standards that ensure that the customer always comes first. Everything we do at FPI is centred around our vision statement: *Professional Financial Planning and Advice for all*.

On a personal level, I always have a few 'keywords' for each year. This year, my words are: Recalibrate, Personal Resilience and Stamina – all will be needed to stomach the second (and hopefully the last) wave of the Covid-19 pandemic.

With this, I need to let you go as I am sure you cannot wait to either complete a CPD webinar (Complementary to professional members of the FPI) or, to apply for FPI membership.

Fiduciary profession : challenges and opportunities

By Louis van Vuren, CEO of the Fiduciary Institute of Southern Africa (FISA)

Change is one of the few certainties in life and will always be with us – it is just the pace of change that varies.

The last twelve months all of us were subjected to accelerated change due to the Covid-19 pandemic. In January 2020 many fiduciary practitioners went to work in an office every day and would have argued that it is essential in order to get the job done. Today we know that it is possible to do almost everything in fiduciary practice online - including consulting on estate planning - with the exception of most of the functions of the primary regulator, the Master of the High Court. There are still situations where it would be much easier to explain things face-to-face, but practitioners have adapted quite well.

WILLS

One area where we still face challenges is in the execution of a valid last will and testament. During the hard lockdown there was (for most people) no legal way in which to sign a will in the physical presence of two witnesses over the age of fourteen who are not potential beneficiaries under such will.

While other countries, e.g. New Zealand, Canada, and certain states in the USA, could temporarily change requirements for the execution of valid wills, the South African Disaster Management Act, 2002, does not extend any powers for such emergency changes of any other legislation to the relevant Minister.

The fact that the Department of Justice did not respond to a written motivation by FISA to declare the execution of a will an essential service, contributed to a situation where some clients who were, like all of us, reminded of their mortality, could not legally do so for some months last year.

The whole issue of electronic execution of wills is the subject of some debate worldwide, with arguments for and against accepting electronically executed documents as valid wills. While such documents have been condoned by South African courts, a court application is required to obtain such condonation with the attendant time and cost implications.

DECEASED ESTATE AND TRUST ADMINISTRATION

Some of the greatest challenges have been experienced in the fields of deceased estate administration and trust administration. With some Master's Offices closing down, sometimes for several days, for decontamination after staff members tested positive for the virus, it was to be expected that backlogs would arise.

This was exacerbated by the fact that it is not possible for the majority of Master's Office staff members to work from home, mainly due to lacking infrastructure. That the Master's Offices mostly also did not accept electronic transmission of documents made matters worse.

There was also little uniformity in requirements set by different Master's Offices. While legislation requires that original wills have to be lodged with the Master, this does not apply to any other documents in the process, with the exception of certain contracts in connection with fixed property. All other documents can legally be rendered in electronic format under the provisions of the Electronic Communications and Transactions Act, 2002. While there is a fraud risk which should be managed carefully, the answer cannot be simply to keep on demanding original hard copy documents.

Delays in deceased estate administration obviously leads to depressed cash flow for practitioners, as executor's fees may only be taken once all requirements have been complied with and the distribution of estate assets to heirs and legatees can begin.

On the positive side, the recovery of investment markets after the slump in March/April 2020 makes for better values upon which fees are charged.

Although section 7C of the Income Tax Act made planning through trusts more difficult, there is still substantial interest in trusts for their asset protection features.

For some, the price to pay under this section is acceptable against the background of what they want to achieve.

So, looking to the future, what is on the wish list?

- A more agile and accommodating regulator;
- Uniformity in regulatory requirements;
- A more responsive Department of Justice;
- A speedy end to the pandemic;
- A greater acceptance of online solutions by the regulator.

Journeying through the new normal

Thokozile Mahlangu is the Chief Executive Officer at the Insurance Institute of South Africa (IISA)

"What a difference a year makes," says the opening sentence of a report by international auditing and advisory firm Deloitte, published in December 2020. The report focuses on how the insurance sector might look like in 2021 after canvassing opinions from 200 global insurance leaders.

The impact of the Covid-19 pandemic and subsequent economic lockdowns was felt across nearly all sectors, with the possible exception of the technology sector. Indeed Infosys, considered a leading technology partner by many insurance companies, reported that of the 100 global insurers who responded to their survey, more than 60 percent said upgrading their technology systems was an opportunity rather than a crisis.

Deloitte's report indicates that non-life insurers in the developed world are likely to see a flat financial performance during 2021, but the sector might rebound - carried mostly by the developing world. Of course, it is difficult to see how this predicted state of affairs could materialise in a country such as South Africa. For many years South Africa has struggled to create employment, even during times when the country's gross domestic product was growing steadily, it was famously called "SA's jobless growth".

When Covid-19 hit South Africa, many people were retrenched by corporate SA. Unemployment went as high as 35 percent, and the jobs bloodletting has not yet stopped. These challenges facing the industry and society at large necessitated a need to reposition the Institute. Management together with the Board of directors reviewed the strategic direction of the Institute and reviewed its purpose to 'elevate the credibility of the insurance profession' and reviewed its vision: 'To be the leading professional body in insurance bringing prestige to the profession'

The reviewed purpose and vision is underpinned by a compelling service offering 'accredit insurance professionals and provides programmes for skills development in the insurance industry'. The IISA strategy aims to contribute towards mitigating risks facing the industry in relation to developing relevant and required skills to take the industry to another level.

Therefore, the strategic focus going forward is on ensuring the Institute is sustainable and relevant to the industry and members. This will be done through developing and enhancing collaborative relationships, retention of Professional members & Corporate Partners as well as exploring alternative income streams.

Furthermore, the Institute will ensure social relevance and inclusivity through prudent procurement, enterprise & supplier development, and socio economic initiatives.

The new way of doing things is a double-edged sword for organisations, for IISA this requires delivering skills development programmes in a manner that supports the new way of doing business as well as optimatisation of technology.

Through the support of various corporate partners and other strategic partners, in 2020 we delivered over 70 training programmes virtually and reached over 3000 insurance practitioners. Furthermore, we launched the eLearning Platform which provides content that can be consumed at any point in time. The said content includes recording of past conference videos as well as recordings of the online sessions. We will continue to explore other platforms and means of delivering content.

Despite the challenging times we launched a Recognition of Prior Learning (RPL) which is an alternative way of accessing the professional designations. The RPL will increase access to the designations as well as diversify the member demographics in terms of age, gender and race.

The use of technology enabled us to successfully deliver an executive development programme as well as an insurance director development programme which were planned to be hosted face to face.

We had to respond rapidly and appropriately to ensure that the industry can access content that adds to their skills development and also provide a way of remaining connected albeit in a new normal. It is no doubt that we will have to continue to improve the skills development programmes we deliver to the industry to ensure that there is a pool of skilled individuals that will be ready for the future trends facing the industry.

We look forward to hosting the African Insurance Exchange 2021 together with our conference partner SAIA and FIA who is a content contributor. The theme for the conference is Reimagined to Reconnect. We have reimagined our world in order to reconnect as an industry, community and as a people, albeit in a unique convergence.

Care, decisiveness and progressive approaches will define our success in 2021

Liza Morris, President of the IIWC

I am because you are – our collective dependency on each other, our care and our actions was my big take away from 2020.

Navigating a pandemic and the many uncertainties it brings with it, is challenging enough. Doing so amidst rising financial instability and a growing unemployment rate, compounds the challenge. While people - the world over - have had to adjust to a new way of living, the current circumstances are demanding care, empathy and swift and decisive action on an ongoing basis.

As we again find ourselves in the eye of the storm with a second wave of the virus, the new year has kicked off with heightened levels of anxiety. It therefore makes it even more important to effectively consider ways in which businesses can pivot to achieve stability in 2021.

PRIORITISING FOR RESILIENCE

- Through this pandemic, businesses have continued to demonstrate resilience through relevance, innovation, agility and an unwavering focus in responding to changing customer needs. In 2021, I believe, it is vital to:
- Further entrench this focus but from a point of true care and approaching risk with purpose
- Explore avenues for diversification (product, footprint, channels, partnerships, etc.)

- Revisit how products, services and experiences are delivered. We transitioned rapidly from face-to-face interactions to a virtual marketplace, focusing on maintaining relationships and delivering our value proposition in more innovative ways
- Build on technological competencies to enhance efficiencies, optimise functionality, add value and solidify footing in the digisphere
- Most importantly, be cognisant of your employees emotional state and its impact on delivery of care and value to customers. Providing continued support to those who may be feeling very overwhelmed must be prioritised

PROGRESSIVE PARTNERING

Among the more encouraging developments in 2020 was the rise in business partnerships to overcome many challenges that impacted both livelihoods and lives, secure relevance through unprecedented circumstances and even achieve profitability. Internationally, more collaborations are taking shape between insurance and technology companies. This is delivering tremendous benefits for our industry (enhancing innovation, increasing competitiveness} and adding value to businesses.

POSITIONING TO MANAGE VOLATILITY

Other disruptions such as low interest rates, rising global tensions, supply chain disruptions, power outages, etc. continue to affect the financial services sector in diverse ways. Insurance businesses are being increasingly looked at for their ability to effectively transfer risk away from customers so that they can effectively focus on sustaining their businesses and participate in economic recovery.

The management of risk is however a 3-way partnership between Insurer, broker and customer and more collaboration should become the order of day in seeking beneficial solutions. Insurers and brokers who can efficiently draw from their resources, leverage talent, mobilise partnerships and maintain their finger on the pulse to meet and pre-empt evolving needs, will maintain their competitive edge.

COMING FROM A PLACE OF CARE AND TRUST

Most short-term insurance policies were not designed to respond to a pandemic or withstand the transfer of risk of such enormity. Considering the negative public sentiment and its impact on the industry, 2021 will thus require a broader focus on strengthening customer and partner trust through consistency in action and response.

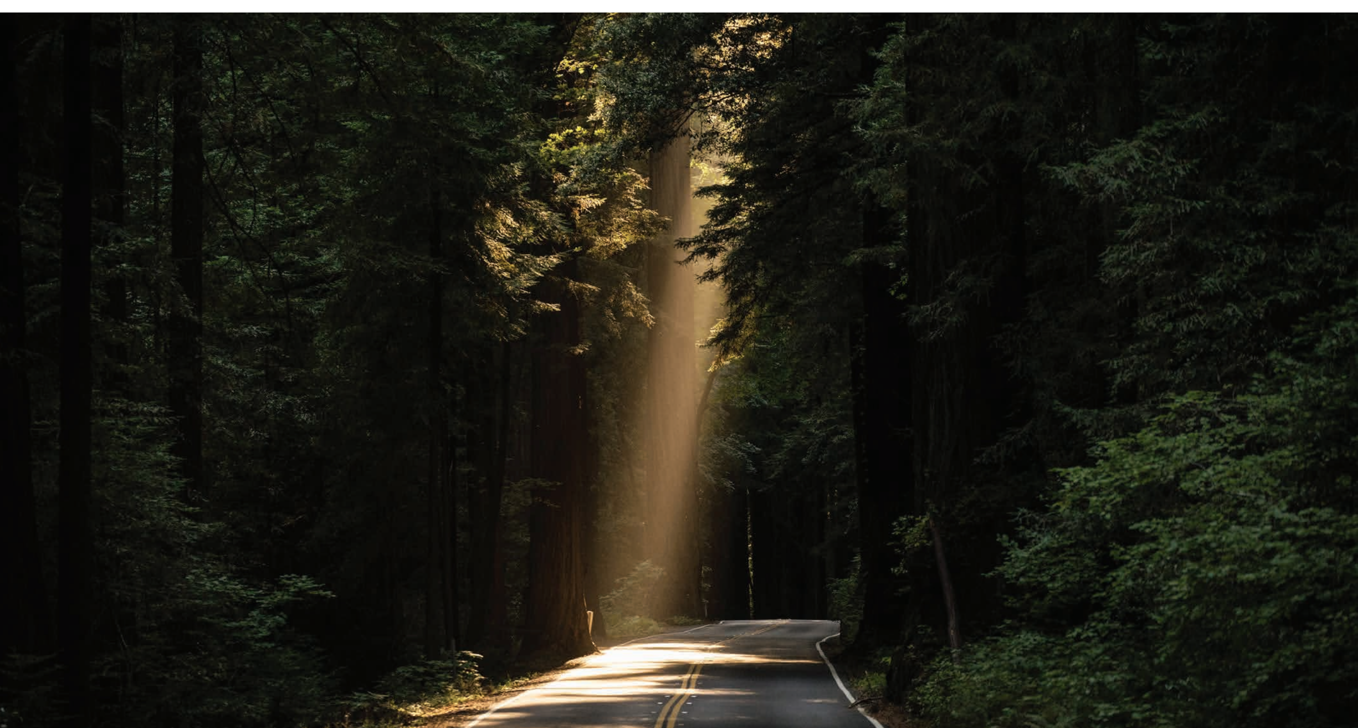
Here are a few considerations:

- **Simple and clear:** Insurers (like many other service providers) will need to focus on greater clarity when articulating covers, conditions, processes, etc. to customers to minimise misinterpretation - for the benefit of all parties. The pandemic has brought to the fore the need to ensure customers fully understand the covers they subscribe to and the risks they remain exposed to
- **Transparency, at all costs by all parties:** What the global pandemic and lockdown have further emphasised is the importance of transparent and timeous engagement with customers. Better consultations with insurers, brokers and customers can ensure sound outcomes and better address expectations
- **Securing customer information:** The unprecedented level of connectedness today comes with wonderful opportunities but equally, risks. Cybercrime levels have risen exponentially with more people working from home. Securing sensitive customer must thus continue to be a leading priority. Insurers and brokers who keep abreast of technologies that bolster security, will enhance the relationship of trust among customers and their broader value chain

Ultimately, the importance of effective communication will continue to be evident in 2021. Appreciating the challenge of physical limitations, all service-oriented businesses must deepen their focus on – and agility in - connecting with stakeholders at multiple touchpoints, demonstrating care and compassion and being responsive to evolving needs and concerns.

Hope, adaptability and a good dose of positivity to help forge the way ahead

Bukhosi Khumalo, AIISA – Marsh Client Executive | IIG Co-Opted Councillor



"I know you can't live on hope alone; but without hope, life is not worth living" Harvey Milk

The year 2020 has been like no other in many ways. For the first time in recent history, the world has been brought to a halt by what started as a seemingly possible-to-contain virus that has adversely affected individuals and businesses alike, with experts still trying to understand a lot about it. Daily, Covid-19 dominates news, conversations and headlines in various spheres of human interaction, with close to 92 million confirmed cases in 220 countries globally. Many people have lost their jobs, lives, loved ones, good health and livelihoods in the face of the virus with the trend continuing in many parts of the world.

Yet in the face of all this, the message is to keep the light of hope burning whilst adapting to change. This attitude, unique to humans, has aided our survival throughout centuries and millennia. People and organizations have found themselves having to adjust quickly to new ways of working and doing things in order to remain relevant and operational. For some, this took many in-person programmes out the window and activities that had been tradition for many years and decades had to be paused or done away with altogether - at least for now.

In the midst of all this, there have been a lot of takeaways and lessons from what has been arguably the most devastating era in recent history. A lot of it hinges on hope, adaptability and a good dose of positivity to help us forge a way ahead for the coming generations.

EDUCATION MUST GO ON

Nelson Mandela once said, "Education is the most powerful weapon which you can use to change the world". What this past year has proven to us is that education goes beyond just fields of study but also about equipping people with the skills that they need to navigate both their professions and daily life in general. Conversations surrounding the balance in professional excellence and physical / mental health have become very important with people increasingly working from home, or in environments they are not accustomed to.The IIG last year did a lot of work in educating its members and offered digital seminars and workshops that allowed members to have a lot of learning surrounding different aspects of their lives through 22 CPD accredited

workshops and training seminars, contributing 24.5 CPD hours.

LEARNING AND DEVELOPMENT CONTINUES

Ultimately, learning and development is still a need within the industry and in the wake of Covid-19, it looked like 2020 was to be a year that was to be written-off. As the IIG, we had to quickly change the format regarding how we offered our opportunities and took everything into digital mode.

27 mentees graduated from the Roots & Wings mentorship programme (largest annual group to date), 31 from the Class of, 25 from the Insurance Leadership Development Programme (ILDP) powered through GIBS Business School (best marks achieved in 2020 to date),

Nelson Mandela once said, "Education is the most powerful weapon which you can use to change the world". What this past year has proven to us is that education goes beyond just fields of study but also about equipping people with the skills that they need to navigate both their professions and daily life in general.

and we are expecting 44 learners on the Academic Programme to graduate later this year, with a further 256 students starting this same programme in a staggered approach over 2021. This is testament to the devotion of our partners, participants, sponsors, and the industry at large in driving the success of these initiatives, which targeted talent development, industry continuity and sustainability, tangible transformation and effectively, economic growth.

CPD MUST GO ON

Continuous Professional Development (CPD) programmes have been one of the best ways for professionals to keep themselves abreast with industry developments within their profession and remain relevant. With the disruption in some of the methods of delivery, this has called for the use of technology and various innovations in order to have members access the wealth of knowledge they require.

The environment today is changing almost as fast as technological advancement with many complexities surrounding topics that seemed obvious and easy in the past. During the lockdown period, the IIG enjoyed scaled attendance of the Insights sessions with some webinars attracting over 600 delegates! The IIG will continue to scale the CPD value proposition, and In 2020 finalized development of an in-person event registration application which streamlines the CPD registration and "clock" out functions (once society can attend such events again).

SOCIAL NETWORKING

With many services migrating online, why can't socially connecting with people be as easy? With restrictions in how much people can connect in-person, the use of social networking becomes even more relevant today in order to assist people to stay in touch and exchange knowledge and skills. Networking has been at the core of what the IIG stands for and allowing professionals to interact. Although some of the major events that allow for networking in person could not be held, social virtual networking definitely continued with various events such as gym workouts, a cook-along led by a professional chef, a hugely successful Ladies Day event with comedians and magic acts to name but a few.

It's probable that society will see more outdoor events in the future, even after Covid-19 vaccinations are distributed and herd immunity is achieved - #YourIIG opted for an outdoor picnic concert where *The Parlotones* entertained the crowd and celebrated the 2020 year past.

HYBRID MODEL (VIRTUAL AND FACE TO FACE)

Doing things beyond traditional methods is a permanent fixture in any strategy going forward. One of the things that we all agree on across most industries is the need for a mixed strategy between virtual and face-to-face interaction.

It not only allows for skills and knowledge transfer / sharing, but encourages collaboration across regions and continents, a true benefit of increased globalization. People can now do sessions and meetings in different geographies and this promotes the adoption of the best methods / practice in how business is done in industries.

In the face of unprecedented times, Leon C. Megginson would say only a few words "*It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is most adaptable to change*". We as the IIG will continue to adapt and remain relevant, proudly serving the insurance industry.

Intermediary sentiment in 2020

By Lizelle van der Merwe, CEO of Financial Intermediaries Association

THE GOOD

Last year was a productive year in which we worked incredibly hard to improve and evolve our service offering to members and partners. We fully digitised our CPD offering and training to members; we changed how we conduct our meetings and events, and how we share guidance notes and important industry information with members. Online platforms, such as Zoom and MS Teams, have also enabled the FIA to be inclusive and more productive. At our annual AGM, Advisory Council meeting, and various member meetings throughout the year, feedback from members was positive with regards to the FIA's performance.

The FIA's rapid response to Covid-19 and the impact on broker commissions saved the broker community millions of rands in commissions and fees due to premium holidays. The FIA's CPD offering was made available online where previously it was limited to members attending branch meetings. The FIA was also recognised by members for the positive manner in which we managed the organisation's financial position during Covid-19. Savings from travel and face-to-face meetings were used to invest in online platforms to manage meetings and events, and to develop a consumer education campaign to the general public promoting the important role of an FIA intermediary. We have also seen a significant increase in our online presence and engagement with members on platforms like LinkedIn, Facebook and Twitter. Our quarterly, CPD-accredited, FIA Insight magazine, has gone digital and now includes interactive video and podcast elements. The increase in online engagement can be attributed to the sharing of crucial information on these platforms using various media channels, which we will continue to drive in 2021. All of the above was necessary, as the market is struggling.

THE PAIN POINTS

The economic stagnation was and still is a big challenge for our industry, which means there is no underlying growth in the market. While economic sector recovery plans are underway, the second wave of the pandemic is more severe and will take a long time to recover from. Regulatory changes are ongoing and with that comes uncertainty about the future. Members continue to raise red flags about the volume of regulation considered to be disproportionate to the risks facing consumers and the industry at large. zTechnological disruption from Covid-19 was a big one for members. Intermediaries are very relationship-driven and it was disruptive for many to convert their engagements from face-to-face to virtual, but it was also beneficial in many ways.

Managing staff and company culture in a virtual environment is a tough one. Members were forced to rethink their sales approach (how to attract and grow business) and organisational structures to ensure they operate efficiently and effectively through the lockdown

period. Many of our smaller members don't have a CFO to assist them in navigating these challenges. The societal impact of Covid-19 means that many South Africans are falling further into debt and reducing immediate non-essentials, such as their short-term and life insurance policies. Households and businesses are increasingly focusing on disposable income, which also means greater sensitivity to price.

During this uncertain financial time, many clients have accessed their savings and investments, which undoubtedly has impacted our members' earning potential. This trend is likely to continue into 2021/22 as we grapple with Covid-19 and its repercussions. Small member businesses that were dependent on new business and upfront commissions were negatively impacted, however, businesses with recurring income, particularly in the non-life industry, managed to weather the storm in 2020.

Most of our member businesses are well-established. Members were also under significant pressure navigating business interruption (BI) claims. The FIA hosted a workshop with members to assist in managing their professional indemnity exposure. Another BI training workshop has also been scheduled for later this month to upskill members and position them to better educate consumers on these particular types of systemic risks.

Members with concentrated business in specific market segments, such as low-income earners, the hospitality sector, or the elderly, were forced to downscale operations. Members are uncertain, as we all are. We will have a better idea of ground sentiment following the first round of executive committee meetings coming up in February, where we will assess priorities for the year ahead.

INDUSTRY RESPONSIBILITIES

Covid-19 has accelerated business transformation, and while we are dealing with a serious crisis, it has presented us with an opportunity for organisational change. Together with our research partner, Ask Afrika, and our 2020 sponsors, we designed an industry engagement study, which focused on understanding how the FIA and insurers are able to improve our support of intermediary businesses. The key outcomes were as follows:

- Enabling a better/improved claims process
- Enabling a better/improved underwriting process
- Improved training on new product offerings
- Providing new/additional methods to attract and onboard new clients

As an industry, we must work together to rebuild trust with our clients, which has further suffered due to the business interruption saga. Intermediaries, supported by insurers, must take accountability for educating the consumer to better understand their risks and policy coverage.

FIA PRIORITIES FOR 2021

Based on the industry engagement survey conducted by Ask Afrika in 2020, our members have indicated the following areas of importance to help them navigate

their business through the pandemic crisis. Improved levels of advice to help clients make informed decisions. Considering this, online CPD training will remain a key priority area for the FIA in 2021.

Members want to assist clients with their claims handling and resolution process. The FIA will continue to represent our members on all levels, across all constituencies, to ensure stakeholders understand the intangible value of an intermediary when a claim occurs.

Members want to improve their risk management advice to clients. This again highlights the need for the FIA to host discipline-specific workshops, in respect of known and systemic risks, to educate our members.

We are implementing new systems to communicate more effectively to our members our plans, successes and challenges.

Ongoing professional representation of this integral market segment remains a key priority for the FIA. The challenges of transformation, and the increased support of SMMEs within this market segment must be addressed.

We are currently working on a market intelligence tool with our partners, Linktank and the Data Company, which will help members make better-informed decisions when placing a risk or investment with a particular insurer.

The tool evaluates the insurer's solvency ratio and operating costs in line with market averages; an ombud analysis; as well as a sentiment analysis based on public perception of a particular brand. This tool will be of significant value to members and consumers.

The FIA will remain agile to ensure we continue to evolve as the needs of the industry, consumers, and intermediaries change.

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