COVER

Knowledge Shared

A ~~not so~~ BRAVE NEW WORLD

JANUARY 2022

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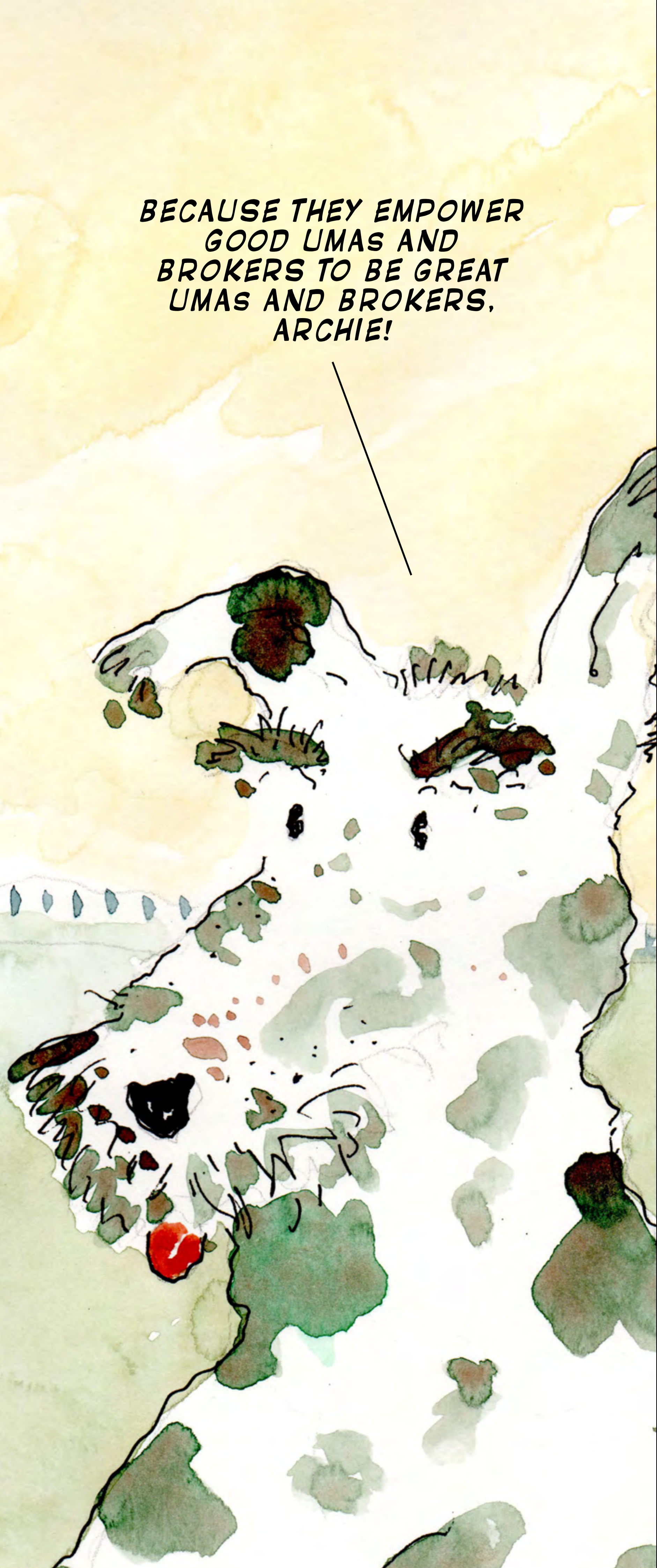
WHY RENASA,
ROGER?


BECAUSE THEY EMPOWER GOOD UMAs AND BROKERS TO BE GREAT UMAs AND BROKERS, ARCHIE!

OUTLOOK 2022

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30

Vuyo Rankee

As complex new risks emerge, we must continue to innovate and be prepared to underwrite the risks that threaten our businesses and economic vitality to remain relevant.

38

Wayne Abraham

We should carefully evaluate the negatives and positives of the past two years and cautiously look out for brighter days ahead.

45

Nico Conradie

Reinsurers do not have a crystal ball to glimpse into the future; but they are armed with data and statistics that allow them to identify and analyse trends..

59

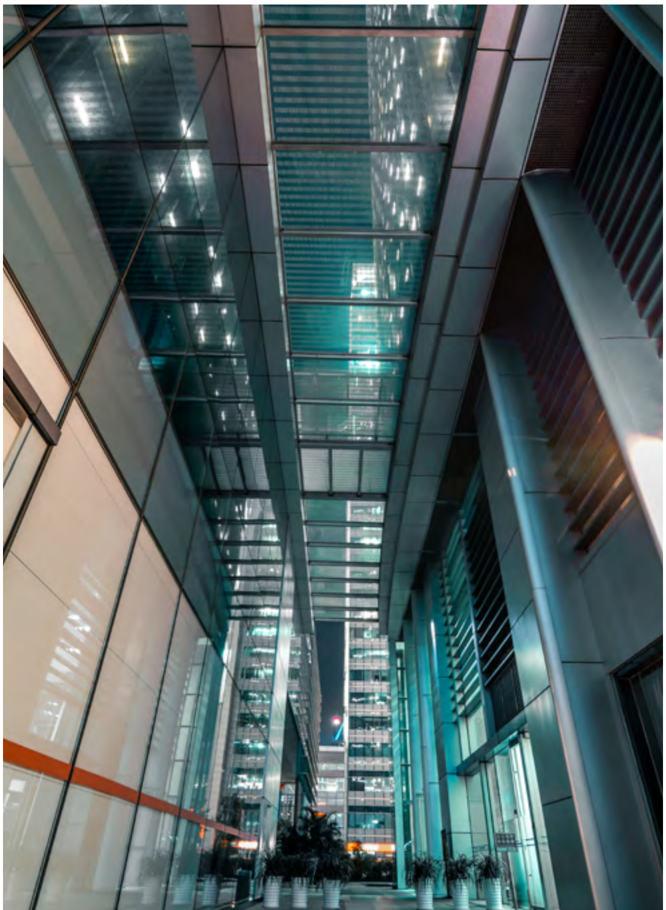
Bryn Hatty

For Outlook 2022, CIO at Stonehage Flemming, says we must look beyond Omicron volatility.

62

Sean Hanlon

Executive Director Sales and Distribution at Brightrock: The Covid 19 Pandemic has set the scene for a savvier consumer.



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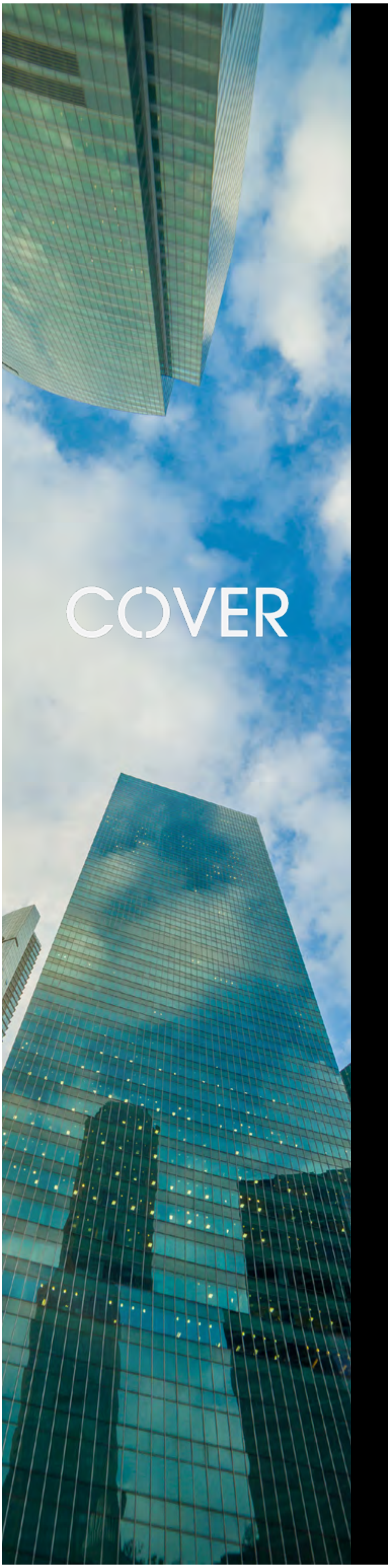
CONTENTS PAGE.

SHORT TERM

FINANCIAL PLANNING

TECHNOLOGY



“Dare to be brave today, and trust that when you extend your wings, you will fly.”

-Mary DeMuth.

Welcome to

COVER

Knowledge Shared

Editor Note

TONY: EDITOR IN CHIEF

YES WE CAN

Have we been brave enough during the past two years? Have we stared the devil of a pandemic in the face, or have we cowered in its possibilities? Only time will tell if we were brave enough. However, we now have a second chance. In 2022 we can extend our wings and fly. **Wishing you new heights and great success.** Tony

Outlook

SHORT TERM INSURANCE

We have developed the skill to work and meet remotely when necessary but please let us do that only when necessary to be safe and not lose out on the social interaction so important to our own wellbeing.

-Sharon Paterson, CEO Infititi.

#whyCIB?

cib

Understanding your world, we offer insurance done properly, in a personalised way.

Who we are

- One of the **largest Underwriting Managers** in South Africa
- Focused on **short-term insurance,** across Personal, Commercial and Niche classes
- **Entrepreneurial** mindset
- One of the **lowest claims rejection rates** in the industry
- We partner with **like-minded brokers**
- **200%** growth rate in the last 10 years
- Over **R1.4 Billion annualised premium** income
- Premium increases **below inflation** every year for the last 5 years
- Guardrisk, our license carrier is a **level 1 B-BBEE contributor**

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Service Excellence

Personalisation

What makes us **different?**

- Our suppliers adhere to our standards of excellence and share in our vision
- Exceptional turn around times with consistent and efficient claims processes
- Comprehensive underwriting processes upfront to ensure peace of mind and no underwriting at claims stage
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- Ensuring we provide diverse expertise and technical skills throughout CIB, resulting in the best possible service to brokers and clients alike

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Broker **testimonials**

- "We are extremely proud to be associated with such a company!"
  - Riana Wiese, PSG Meesterplan
- "CIB makes it very hard not to do business with them"
  - Greg Brits, Jurgens Group
- "CIB is committed to establishing long term relationships and continue to raise their level of service to brokers. Their open communication policy makes it easy to do business, engage in high level discussions and find solutions for all parties involved."
  - Wickus van der Walt, FNB Insurance Brokers
- We would like to express our appreciation to the CIB directors and all their staff for their high standard of service and support. Always going the extra mile and taking the time to listen to our needs.
  - Féthon Zapheriou, Insurisk

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AGRICULTURE, TECHNOLOGY & ECONOMIC GROWTH

LIZA DE BEER

Product Development Manager, Old Mutual Insure

> South Africa's agricultural sector has expanded notably over the past decade and is currently enjoying another good season.

The Covid-19 pandemic has brought new appreciation for the pivotal role that South Africa's agriculture sector plays. The pandemic has also helped people to have a new appreciation for what farmers do every day and to start thinking about where their food comes from.

Last year, the agriculture sector performed exceptionally compared to other sectors of the economy. This momentum is continuing, and the latest gross domestic product (GDP) data released by Stats SA confirmed South Africa's agricultural economy is in good shape.

Notwithstanding challenges, unpredictability and dependencies experienced across the value chain, and drivers involved when it comes to the complexities of sustainable farming, food security and climate change, agriculture is anticipated to be a key role-player of economic growth and recovery.

A wealth of work has been done over the past few months and input has been provided by various role-players on how to address these challenges.

Food Demand

Sustainable farming practices are a high priority not just in South Africa, but as a global issue. Farmers need to increase production to help feed a growing local and global population and this has never been so critical and challenging as it is today.

Consumer Trends

Healthy eating habits and a healthier lifestyle are top of mind for many consumers. They are interested in where their food comes from and becoming more conscious about food safety, the content and quality, as well as the impact on the Earth.

Transparency is important, as consumers increasingly ask how and where their food is produced. This means that role players in the agriculture and food value chain are under pressure to improve the traceability of the food and to also share more information about it.

Environment and Natural Resources

There is also an increased focus on the use of natural resources and technology to optimise production while reducing the impact on Mother Earth. This includes the need for sustainable solutions to respond to water and electricity shortages by promoting innovative practices.In short, the long-term health of the agricultural sector relies more and more on sustainable farming, with farming practices that is environmentally friendly.

The Use of Data and Technology

Technology has completely transformed agriculture and the continued use of new technology and data will help the agricultural sector to modernise at an even faster pace. Adopting technology and the use of data has become very important, especially in the wake of the pandemic. I believe that the quick progression of technology adoption has not only brought about a new mindset, but also resulted in farmers who welcome the future with an open mind by giving old and new technology a chance.

The application of advanced technologies such as artificial intelligence (AI), remote and geospatial sensing, machine learning (ML), unmanned aerial vehicles (UAVs), biotechnology, the Internet of Things (IoT) and Internet of Behaviours (IoB) all have the potential to transform the agricultural sector and to address emerging challenges and needs.

Skills Shortage and New Skills Required

South Africa has a highly diversified and market-oriented agricultural economy, but overall, South Africa is facing a shortage of skills in the agricultural sector, especially in one of the important focus areas, namely the ability to fix the environment.

The recruiting and development of the next generation of farmers and agricultural specialist across the value chain should be a priority for the next decade as food security in an ever-increasing global population continues to be major concern. In the face of this changing agricultural landscape, digital literacy and technology skills are essential for innovation to address emerging challenges.

Key Driver of Economic Growth

Agriculture and food value chains are among the most complex sectors in the world and important drivers of economic growth and recovery. That is why we have great respect and appreciation for producers, various role-players in the value chain and the agriculture sector's valuable contribution, sometimes under very challenging and difficult circumstances.

[redacted]


OLDMUTUAL

THE VALUE OF THE INSURANCE BROKER CANNOT BE OVERSTATED

Dynamic thinkers are trying to use technology to change almost every conceivable industry across South Africa and the world. Every couple of months another financial technology or "fintech'' startup pops up and says it will be able to "cut out the middleman", creating a more efficient business. Technology may make parts of the insurance industry more efficient but this should not be at the expense of the role and value that only a broker can provide to clients, writes Peter Todd, Constantia Insurance CEO.

South Africa's economy includes a financial services sector which is critical to the country's health, delivering around 20% of economic output each year, according to Statistics South Africa. This makes it the most dominant sector in the country, with insurance playing a key role within it.

Consider that many large infrastructure projects could not be developed if companies were unable to insure them against their numerous inherent risks. Think of the effect on a family's livelihood if the bread winner dies or a home burns down, without insurance in place to cover the financial consequence. But as with many other industries, the insurance industry is also facing changes brought about by technological innovation.

Insurtech emerged around 2010, with a view to making insurance products more accessible and less burdened by admin, and to drive innovation in an industry, which up to that point had hardly been at the forefront of change and innovation. Eleven years on, insurtech technologies include applications which are driven by artificial intelligence, machine learning, blockchain and the Internet of Things (IoT). Many of these technologies focus on automating distribution, administration, claims processes and even advice.

But what role does the broker have in this new insuretech world? Will we all eventually be subjected to discussing our insurance needs with a robot? Undoubtedly, insurtech can make some insurance processes quicker and easier to complete, but can it replace the role of the broker?

Asked differently, is insurtech a threat to the brokers' existence? Insurance products are complex which is why minimum qualifications and experience is required to become an insurance practitioner. In an ever changing world insurance professionals are also required by law to contiuously develop their knowledge.

Consider for a moment the recent crises faced in South Africa. Before Covid-19, not many people understood what contingent business interruption cover was and how it could protect their businesses. Before the civil unrest and looting in July, very few people realised that their insurer did not cover them against civil unrest, let alone what SASRIA stood for.

Even if a robot could do a good job in explaining the need for this cover in the specific circumstances, what could be the next crisis for South Africa or the world? How should one be protected against the rising threat of cyber crime, climate change or another pandemic? Regardless of what the future holds, the role of brokers in advising their clients should never be underestimated, both in ensuring their clients have appropriate cover in place and assisting them at claims stage.

Trying to quantify the insured loss of profits following a business interruption event, can be extremely complex, with material consequences if you get it wrong. Insurtech should complement the role of the broker by providing more efficient processes and reducing their administrative burden, thereby allowing the broker to focus more on advising their clients. But the focus seems to be more about replacing the broker and automating advice.

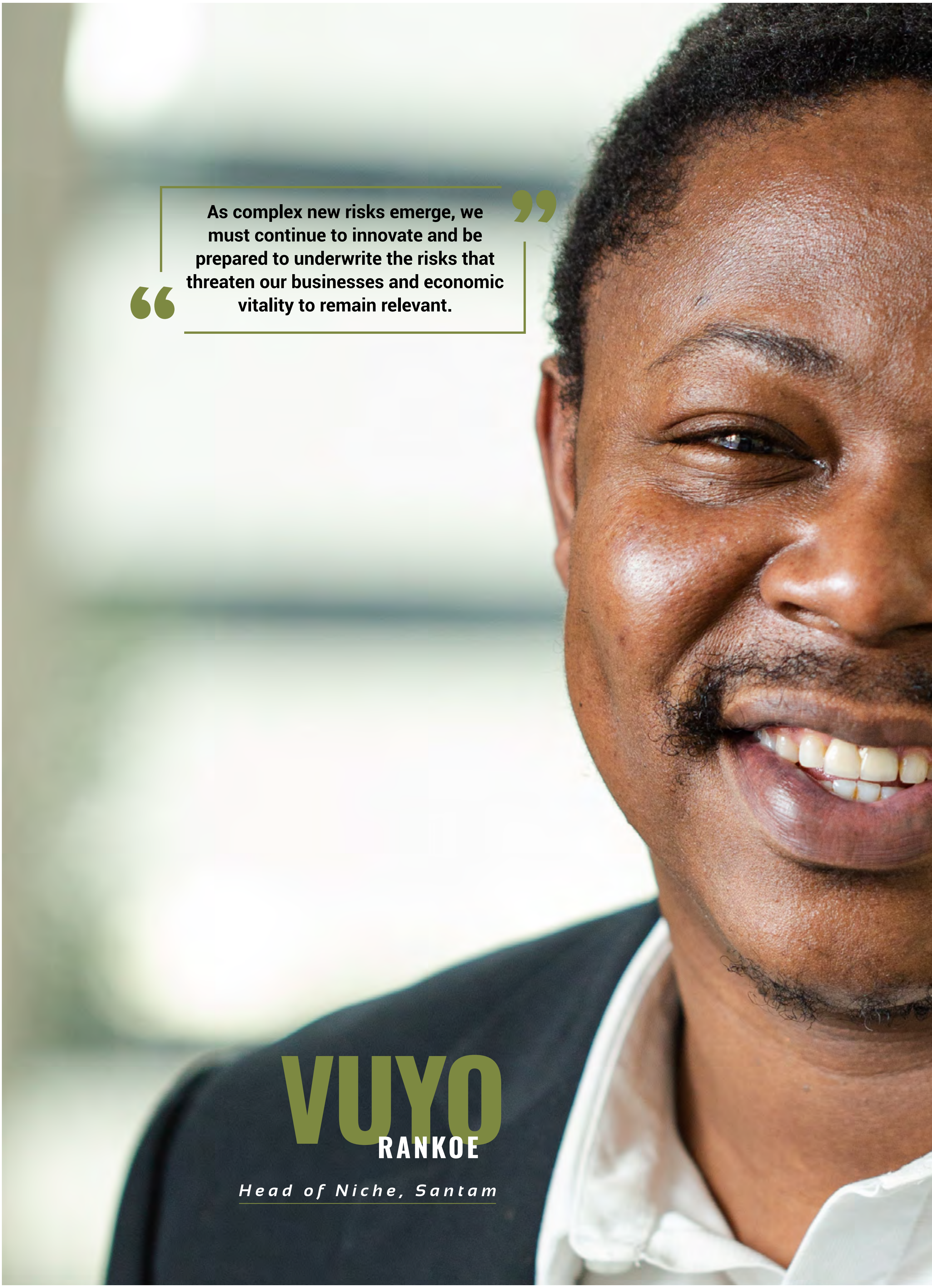
Insuretech initiatives always stand alone and are considered a distinct channel, competing against the "broker channel". It seems some insurance providers are hedging their bets - if insurtech does succeed in replacing the broker, how quickly will they turn their backs on the brokers that built their businesses in the first place?

Either approach entirely on its own is wrong. We must recognise the important role that brokers play in our industry and embrace insurtech in a way which enhances their role and does not replace it. More than ever we need people to have access to the right insurance products. We live in a world with an increased fragmentation of risks, with new ones emerging all the time. Not only could South Africa face more riots and looting in the future, but how we live is also changing.

South Africa is battling through an energy distribution and management crisis and the evolution of the power grid to move away from coal to alternatives will be complex, delicate and arduous. Things will break and people will suffer heavy financial losses.

Having a broker on-hand to advise and ensure that individuals and businesses have the correct insurance products is more important than ever, to ensure the sustainability of our economy. If SASRIA had not existed, what would the June riots have taken from our economy?

> **Insurers should ask themselves how much they are spending on insurtech versus the development of brokers. Then there is also the question of whether as a country with an offical unemployment rate of more than 34%, we would benefit more from investing in people and skills rather than from investing in technology designed to remove people from the equation?**



As complex new risks emerge, we must continue to innovate and be prepared to underwrite the risks that threaten our businesses and economic vitality to remain relevant.

VUYO RANKOE

Head of Niche, Santam

COLLABORATIVE RISK MANAGEMENT CENTRAL TO A NEW INSURANCE PARADIGM

According to Santam's research, 62% of commercial entities cite the struggling South African economy as their biggest emerging concern.

Taking Stock

In the last two years, we've seen industry consolidation and reduced insurance cover. Some of this should reverse as the economy recovers. We've also seen property and liability classes remain relatively stable for medium- to large commercial entities. There is real scope for growth in these two categories, but this will be driven by the SMMEs and related strategies.

Many businesses have pivoted their business models, exposing themselves to new and unfamiliar risks. Furthermore, companies moved to skeleton staff, resulting in larger losses and rising costs of claims as risk management practices we deprioritised.

The Emerging Risk landscape

In terms of emerging risks, the corporate and commercial entities surveyed ranked their top risks as:

- the COVID-19 pandemic impact on business interruption (BI, 57%)
- political unrest (48%)
- social change (44%)
- cybercrime (36%)
- climate change (35%).

While climate change ranks lowest as an emerging risk, we've seen a notable increase in severe weather events worldwide.

Fire damage and its impact on business interruption is the biggest traditional risk businesses face. Recently, South Africa has seen several large-scale fires and explosion-related losses including the Table Mountain National Park fire, the Charlotte Maxeke Academic Hospital blaze, and Astron Energy oil refinery explosion.

The State of Insurance

The past 18 months have seen risks, especially liability-related risks, intensify the world over, causing global reinsurance rates to rise. Higher reinsurance rates have impacted local insurers who have taken on more risk. Consequently, premiums have increased.

Large corporates aren't reducing cover but are shopping around for the best value products, often delaying their policy renewals. At the same time, some niche industries have seen clients amend their cover.

Risks Per Sector

The above has been the case in the construction sector (given less infrastructure development) while businesses in the marine and heavy haulage industries have amended their policies to match their reduction in turnover. Consequently, insurers may look to narrow their offerings away from unsustainable lines, fuelling further consolidation. The segments that are most at risk are the construction, transport, and travel lines.

Aviation: Our insurance volumes for the outbound travel business are roughly 30% of where they were a year ago. The aviation business has also seen lower volumes given reduced charter flights and the closure of flight schools (80-90% of whose students are international).

Aviation has also seen frequent and severe losses, notably arising from mechanical or maintenance issues due to disuse, rather than pilot error, which traditionally accounts for 90% of insurance claims.

Transportation: Our research shows 80% of respondents in the commercial transport sector reported profit loss in 2020. Numerous business closures increased the workload of those still operating, which means employees (including truck drivers) work longer hours, increasing the chances of fatigue-related truck accidents. The poor maintenance of the country's roads compounds the problem. Plus, imported vehicle parts are increasing in price.

The cost of repairs has risen by as much as 40%, partly due to original engine manufacturers (OEM) producing far more sophisticated trucks that can cost up to R2 million.

It is additionally due to a constrained supply chain causing a delay in parts supply.

It is no surprise that we have experienced higher frequency and severity losses in the heavy haulage industry. Our claims data show an increase of 25% in volume and 30% in the average cost of claims.

Public-owned Infrastructure: We are concerned about water supply given the dire state of reservoirs and pump infrastructure. Functioning safe infrastructure is a crucial building block for economic growth.

Risk Management, Not Just Risk Transfer

The prevalence of underinsurance has become more evident due to the pandemic. This was particularly true regarding business interruption (BI) cover. We believe this is mostly due to a lack of understanding of the risk exposure and cover.

Simplified policy wording and better education for intermediaries and clients around what is and is not covered would lead to clarity on expectations and provide a solid foundation from which to address areas of underinsurance. Effectively managing risk leads to fewer claims, resulting in more affordable insurance premiums over the long term. This is preferable to reducing cover and risking underinsurance.

The Specialist Market in 2022

Rebuilding the economy should bring opportunities for growth in the specialist markets. This will come from market consolidation, insurers exiting unprofitable lines, and opportunities materialising from emerging risks, like those associated with cybersecurity and drones, which will be especially helpful for the growth of the aviation and liability lines. There is also demand for contingency business interruption cover.

As complex new risks emerge, we must continue to innovate and be prepared to underwrite the risks that threaten our businesses and economic vitality to remain relevant. We believe each time there is disruption in the market, underwriting discipline is key to who survives. Overall, we see the specialist market as robust going into the rest of 2021 and into 2022.

SHARON PATERSON

CEO Infiniti Insurance Limited

2022: HERE WE COME!

As we approach our second Christmas in lockdown it is difficult to believe that life will ever get back to normal where we can go out without masks, without fear of contracting the dreaded Covid, and without clearing the area around us if we happen to sneeze.

Maybe as more and more people get vaccinated and the treatment of Covid and vaccines become more and more effective, it will, like so many illnesses before it, be conquered by medical science and we will no longer have to fear it.

But for now, we need to embrace the new normal. We need to wear masks and maintain social distance and isolate ourselves if we show any signs of illness, like our grandparents and great grandparents needed to do before antibiotics.

We have developed the skill to work and meet remotely when necessary but please let us do that only when necessary to be safe and not lose out on the social interaction so important to our own wellbeing and the success of our businesses. What does 2022 hold for Infiniti Insurance Limited? Our loyal and long-established partners, both Brokers, UMA's and Specialists have continued to support us and place good solid business with us and for that we thank them. Without them we would not have a business. Currently I am meeting with partners to strat the way forward and make sure that we align our strategic imperatives with theirs. This will continue into the new year.

We look forward to growing these books of business over the next year and together, giving our customers, both new and old, the best possible service and insurance cover at reasonable rates. We are seeing new business opportunities that we have not seen in the market for some time now. Brokers and customers alike are needing a breath of fresh air and we are run-

ning hard, engaging with them, and introducing them to the uniqueness that is Infiniti. We are certainly open for new business and have geared up our team accordingly. As we write new business, we will continue to employ experienced and competent people to boost our team and maintain our service levels.

What do we have to watch out for as a company? In tough economic times businesses, and indeed private individuals, find themselves under pressure to take short cuts to save money. This can result in an increase in fire risks and other claims because of poor maintenance or decreased security. We are conscious of this threat and so are surveying more and more of the businesses and homes that we insure, working with customers so as to be certain that there are no tragic losses for them and that avoidable claims from a few customers don't result in increases for all customers. We have to balance growth with responsible, solid underwriting.

As 2021 comes to an end, in closing, I thank our partners, suppliers, and the Infiniti team for their support over this torrid time, their understanding when a ball has been dropped as we have learnt to cope with the new normal, and the care that they have shown to all of us. I also thank our shareholders and board for continuing to give us, the Infiniti team, the benefits that we have always enjoyed. I know that not all South Africans have been nearly as fortunate as we have been.

"As complex new risks emerge, we must continue to innovate and be prepared to underwrite the risks that threaten our businesses and economic vitality to remain relevant."

2022 OUTLOOK: CHALLENGES ARE GUARANTEED, BUT SO ARE OPPORTUNITIES

GARETH BEAVER

Business Leader at SHA Risk Specialists

Another difficult year is behind us, having brought continued challenges and prolonged uncertainty with various levels of lockdown that now seems unending. However, when I look back at 2021, I don't only see challenges; the last 12 months have brought both negative as well as overwhelmingly positive developments.

On the positive side we saw the finalisation of many Covid-19 related contingency business interruption (CBI) claims in the courts. This has been very good for all parties involved, since it at least brought closure to these claims after a lot of uncertainty.

Whilst the courts, in the majority of such cases ruled against insurers in favour of insured's, this matter and the ensuing judgements helped to highlight the risks associated with a major industry issue, being contract certainty – i.e. the wording and construction of policy document clauses and the direction that the courts will take when there is any element of uncertainty.

As a result, we believe there will be an even bigger focus from insurers in future to ensure that policy wordings are unambiguous and crystal clear as to intent in order to capture a meeting of the minds between insurer and insured.

On the negative side, we witnessed the tragic events of the politically motivated looting and riots, where the evil intent of the RET (Radical Economic Thieves) faction manipulated the plight of the most poor and destitute citizens of this country purely for their own gain, that of continued corruption and grand theft of the resources of our nation. This did nothing but give rise to more fear and uncertainty, driving the poor and destitute people of South Africa deeper into poverty, whilst unnecessarily fanning racial tensions between different communities.

The impact of this on the insurance industry and corporate South Africa is catastrophic from a long term risk perspective.

2022 Awaits

Overall, there is no getting away from the fact that the economic landscape for the country is generally considered to be negative: inflation is most certainly expected to move upwards and with that interest rates too. Furthermore, business confidence within the private sector is in a slump having taken a hard knock following the inconceivable riot and looting scenes which remain firmly planted in our minds. More recently the looming uncertainty of coalition politics, Eskom's continued power outages which have been amplified by growing incidents of internal sabotage, top-off an already challenging 2021.

While the insurance industry may well think it has seen the end of the dark days of 2020 and 2021, there are many other potential systemic risks lurking in the system that could come to the fore at any point.

On account of all these factors, our advice to all industry players is to remain risk averse. We sincerely believe that it would be a mistake to take on more risk at reduced rates in order to meet top-line targets. Now is not the time to reverse some of the hard market trends and gains made over the last 24 to 36 months – it is way too early as the potential for large un-expected losses remain ever-present.

> *We encourage our peers to face these challenges head on, stay focused and embrace them by exploring opportunities to innovate in order to keep driving our dynamic industry forward.*

There is Good News Too

That said, our outlook for the year ahead isn't all pessimistic – as always, with risk comes opportunity. A host of new risks have emerged including cyber, kidnap and ransom, environmental and climate change, brand and reputational risks and class action suits, to name a few. However, the opportunity to offer innovative risk solutions is as robust as ever. The biggest challenge for insurers is how to price these risks to ensure profitability and sustainability.

At SHA we believe that our human capital is our greatest resource and investing in it ensures that we are always creating value for our stakeholders. We will keep investing to ensure we have the best human capital, and that our available human capital is motivated and energised to lead the charge with our brokers and their clients.

Delivering superior client service at every touch point, enhancing this service and our niche product offering with the highest level of expertise is our commitment to navigating the future

IN A YEAR OF CONTRASTS, BRIGHTER DAYS AHEAD

Business conditions have been unusual since COVID first struck in late 2019. While the brunt of dramatic change was faced through 2020, the past year has delivered a mixed bag of negatives and positives. However, the harsh truth is the positives are somewhat few and far between however brighter days lie ahead.

WAYNE ABRAHAM

AIG Sub-Saharan Africa Managing Director

WHAT LIES AHEAD

The largest impact on the insurance sector is the lasting effect of losses directly related to COVID. The industry was not initially expected to bear these losses, but legal interpretation meant it had to. The effect of a wider interpretation of what was intended with a local event has meant that this cover has been completely excluded going forward to mitigate further losses from all Property policies. The unfortunate result of this is that this cover is sorely needed – for example, if a retailer must close shop and decontaminate after an infectious person has visited, they now would unlikely find cover for this eventuality.

That's just one part of how insurers have seen difficult times. While 2020 still saw some growth, there has been very little through this year. In fact, some segments have gone backwards, with others showing marginal increases only because of rate increases. Precious little organic growth through this year is a concern going forward, although there are expectations of some green shoots for 2022.

Working from home has proven a major win. Not only has it demonstrated the South African propensity for 'just getting on with things', but it has dispelled any fears managers may have had over productivity concerns. People have shown they can and do keep things moving even in extenuating circumstances. Flexi-arrangements have worked well for most companies including AIG, where we still have a mixed rotation workforce. Getting back to the office has been well received, particularly by those with challenging work from home environments including parents of small children, and those susceptible to load shedding. The pendulum which swung decisively towards work from home will likely move hard in the other direction, before a balance sets in.

However, along with that is the rise of cybercrime; working from home didn't create cyber risks but there is a need for employees to be cautious of potential cyberattacks. Boundaries have shifted, and no doubt, with more time on their hands through the pandemic, bad actors have stepped up their activities. As a result, there has been an increase in loss trends locally and globally, which is a worry. Customers are well advised to get cyber cover, but with the increased losses expect rates to harden through 2022 not only in cyber, but also other areas of corporate insurance and specialty segments including Financial Lines, Liabilities, and Corporate Property. As for SME and consumer lines, this year saw reducing appetite for insurance, so the market is expected to be soft at least initially in 2022, though insurers will push to regain customers throughout the year. This means while there may be inflationary premium increases, anything beyond that is unlikely.

The industry is resilient and sustainable, but with low economic growth expected, there will be some industry specific challenges. Consolidations and mergers can be expected at both the insurer and broker level, with this being more of a reality with smaller and independent companies. This is due to the insurance industry being dependent on scale and volume along with the correct pricing which is both attractive to the customer yet profitable to the provider.

A final note on talent. Finding and retaining good people is and remains a significant topic for all insurers. Insurance is a crucial industry and even a barometer for the economy: when things go well, people can afford and easily see the value in insurance. When economic conditions deteriorate, the value proposition doesn't change, but perceptions of it do. Good and skilled people are crucial in providing affordable insurance which delivers the protection customers need.

These are undoubtedly tough times on a global basis and more acutely for South Africans given the additional challenges we face. However, South Africans have proved themselves to be resilient and will see through the tough times. While marginal economic growth is likely next year, it should put us on track for future growth. As for AIG, we will continue differentiating ourselves as the insurer of choice by working with our valued brokers and business partners to provide a comprehensive product range, and technical expertise while listening to our clients and responding to their needs.

FOUR TRENDS THAT WILL SHAPE THE

SHORT-TERM INSURANCE INDUSTRY IN 2022

GIDEON GALLOWAY

CEO at King Price Insurance

COVER

It's two years into a world ravaged by the Covid-19 pandemic – and just when you thought it was safe to start living a relatively normal life again, along came Omicron. But the new variant is unlikely to have a major impact on the South African short-term insurance industry, which is looking to grow in 2022 as demand for insurance continues to rise.

In fact, the biggest challenges facing the industry in 2022 will be non-pandemic related. These include staying abreast of evolving consumer preferences, the ongoing transition to hybrid work, and continuing to invest in emerging technologies.

4 MAJOR TRENDS THAT WILL DRIVE & DISRUPT THE INDUSTRY IN 2022

It's a Matter of Trust

Insurance has long been a grudge purchase for many consumers, but the pandemic has seen a surge in insurance cover as clients look to better manage their personal risks in an increasingly unpredictable world.

We're not just people who provide insurance. We're partners to our clients. We're key role-players in building resilience into our society, and as such, the industry has a massive opportunity to really build new levels of trust with its clients and stakeholders in 2022.

This will see insurers working to become even more customer-centric, making it easier than ever for consumers to do business with them, and creating products that can meet rapidly-evolving market needs.

Digitalisation Gathers Speed

The industry as a whole has been investing heavily in technology in recent years. In 2022, digitalisation will reach new levels, with automation and artificial intelligence (AI) becoming embedded into practically every aspect of insurance operations.

We've been talking about technology being the biggest disruptor in the insurance industry for some time now. This trend will grow exponentially in 2022 as insurers look to digitally transform their operations, with even more effective claims and underwriting processes, and a smoother customer experience

A Renewed Focus on Cybersecurity

To hear security experts tell it, cybersecurity is a bigger threat to the world right now than Covid-19. Depending on whose numbers you believe, cybercrime cost the global economy anything between $1 trillion and $6 trillion in 2021 alone.

Why does this matter? Fact is, the cost of a cyber-attack can literally put a small to mid-sized company out of business. Globally, an Inc.com study suggests that 60% of small businesses close their doors within 6 months of an attack.

The scary thing is that most SMBs in South Africa are totally unprepared for an attack. One survey suggests that 56% of companies do not have a plan to either prevent or respond to a cyber-incident.

Adding an extra layer of complexity is South Africa's Protection of Personal Information Act (POPIA), which took effect on 1 July. We all know that POPIA fundamentally changes the way businesses deal with consumers' personal information.

The kicker is that if a leak occurs, companies have to disclose it immediately, and take steps to rectify the situation. Don't get caught off guard. Do everything you can to 'vaccinate' your business against cybercrime. And have a plan in case you do get hacked. It's the biggest risk facing our businesses right now.

Changing Mobility Patterns

The biggest trend in vehicle insurance is not the rise of electric vehicles, but a broader shift in mobility patterns and how we own cars. People are increasingly able to get around without owning cars, especially if they live in urban areas. At the same time, younger generations simply don't see cars as status symbols in the same way that older generations do: They see them as a way of getting from A to B.

> There's no doubt that EVs are going to become a way of life in South Africa sooner than we think. But ultimately, changing ownership patterns will have a greater impact on the insurance industry than EVs.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2021 IN REVIEW, A RESILIENT 2022 AHEAD

The COVID-19 pandemic has been a gruelling litmus test for the resilience of modern-day society. It has presented us with another year of managing dynamic risk at a pace, keeping business ever more agile as we adjust to unplanned events. With the global pandemic still a looming reality and vaccine programmes rolling out slower how we live and engage continue to be impacted. This is why it is essential to pragmatically assess the ongoing and emerging risks that continue to challenge our resilience and ensure that we all consolidate our competencies in a way that provides the ability to forecast and navigate change.

JP BLIGNAUT

Chief Underwriting Officer, Bryte Insurance

The collaboration between insurer and broker remains a critical component of how clients are futureproofed effectively against risk well into 2022 and beyond.

The reliance that businesses have placed on insurers and intermediaries has increased exponentially as company leaders try to build risk mitigation strategies and resilience into their organisations. This has strengthened partnerships across the insurance value chain as we all work to ensure our mutual clients are covered against unforeseen risks and events.

A great example of this is how brokers and insurers worked alongside Sasria to assist businesses severely affected by the unrest in Gauteng and KwaZulu-Natal earlier this year. To date, over R5 billion in claims have been paid out, with effective agreements being brokered to rebuild damaged properties; all to get the economy fully functioning again.

Considering the current socio-economic and political realities, these might not be the last protests our clients' experience. Therefore, as insurance professionals, we must do more work to evaluate potential risks and put strategies in place to prepare and protect our clients.

Weathering a Different, but No Less Urgent, Storm

Nations across the globe are recognising the urgent need to slow down the pace of climate change. COP26 saw several countries committing to initiatives to prevent another 1.5 degrees Celsius increase in temperature including the landmark agreement between the world's two most significant economic adversaries, the USA and China. Other commitments include boosting clean energy, alleviating deforestation and working on a transition to a net-zero global economy.

Reports state that as there's an increase in the warming of the Earth, a larger proportion of the population — approximately 5 billion people could be exposed to climate hazards that include drought, floods and water stress. And in South Africa, a significant risk that has become hard to ignore is drought. In 2018, the Western Cape government estimated that the province took a R5 billion economic hit due to the impact of the drought on businesses, agriculture and infrastructure.

The likelihood of drought conditions as a regular occurrence is increasing, which increases the potential risk exposure of the agricultural sector — and those who insure it. As such, brokers need to ensure there is a better understanding of the severity of such events and, more importantly, how to manage them proactively.

This **includes protecting livestock**. Water shortages place enormous pressure on farmers to cull their livestock before they become causalities of drought. Loss of livestock places severe financial pressure on farmers, thus making it important to have insurance that can cover losses sustained and avoid insolvency.

Cyber Risks

The number of cyber incidents continues to increase each year, from ransomware to good old-fashioned phishing. As the world digitises, so too do those who make a living from preying on companies and people who have not equipped themselves with effective cyber security measures.

With South Africa accounting for the third-highest number of cybercrime incidents worldwide, costing R2.2 billion a year, more effort needs to be placed in safeguarding businesses.

The likelihood of attacks increasing in frequency and severity is high, making it important for insurance professionals to assist clients in understanding how to better protect themselves from a potentially devastating cyber incident.

Mitigation measures can include:

- Equipping clients with better information around cyber risk realities and ransomware attacks
- Encouraging clients to invest in more sophisticated IT skills (inhouse or external) and software
- Partnerships with expert institutions that work towards combating this risk and safeguarding businesses
- Getting the right level of cover to protect a business from cyber attacks

A Joined-up Approach to Risk Management

Businesses continue to feel the impact of several disruptions including increased load shedding, water shortages and political protests. In light of this, having a joined-up risk management and mitigation plan is essential to reducing the impact of unforeseen events. There is also a greater need to improve the ability to transfer risk away for customers and help them develop strategies to become more proactive in managing and mitigating risks.

Comprehensive risk management will continue to require an invested and effective partnership between insurer, broker and customer. Engagements with a qualified, expert broker help customers forecast and assess the scope and scale of insurance cover re-

ANTOINETTE SHAND

Partnerships Executive, Lombard Insurance

DEALING WITH THE UNEXPECTED

I addressed a forum of brokers recently as a prelude to a webinar by Clem Sunter (a well-known South African futurologist). He spoke about scenario planning by summarising chapters from his latest book, and how it is so important to regularly look towards our future and adapt as we go. Two things struck me as poignant for 2021; 1) spend as much time breaking your strategy than setting it and 2) only focus on the things that you can control.

Our industry is built on risk, and whilst there is a certain element of prevention and management, part of why we exist is that our policyholders rely on us to be there when things happen out of their control. No one can predict the future with certainty, and haven't the past two years been a reminder of that?

We can't ignore that there may be more to come with a once unimaginable prospect of an Eskom grid failure or significant water provision and quality issues. Our businesses have been born and bred in an unstable environment and whilst it is understandable to react by being more risk averse – every risk has a price and with technology advancements, risks can be understood and managed better.

Whilst many have suffered and were unable to recuperate, the past year has shown us that businesses (and more importantly, the people and communities behind them) are resilient. Our trade credit insurance team visited Durban after the riots and were so encouraged by the South African spirit of community and entrepreneurship as they held together to protect and resurrect what was lost. This same team faced the prospect of losing their own business, and whilst many difficult decisions had to be made, they have been able to digitise at a speed and in areas that otherwise might never have happened. Another take out from Clem Sunter resonates – "Emotion propels us into action".

From PUSH to PULL

What can you expect from us in 2022? The focus in the industry for some time has been on the shift from risk transfer to risk management – nothing new here, but so many more players in the value chain are making this a reality.

We are exploring industries and taking a holistic approach to risk management by looking at what can be done to prevent and mitigate risks, and working with our brokers onwhat other services and offerings would make our policyholders' lives easier, leveraging IoT, digital solutions, AI etc. The shift is from PUSHing insurance products to PULLing policyholder wants and needs and creating a solution where theresidual risk is absorbed by an insurance product.

We're also pursuing algorithmic underwriting and there's still a raft of work required to ensure we have reliable data. The opportunity for underwriters is to transform their role to be less about process, and more about thinking and relationships. Whilst there is a slower shift in the more complex risk areas, our partnership with Explore.ai has resulted in exciting advancements in this space.

Being There vs. Seeing There

I don't remember where I heard this term first (it isn't mine), but I really like it! We firmly believe that magic happens organically and in-person and less often on scheduled Zoom calls. We support flexible working and being productive in the way that works for our employees, but equally we want people in the office a few days a week to make magic. Being together enables our culture and values, it is a large part of who we are.

There are many studies that prove trust is more easily built in person and probably more importantly, it's not the same having a digital glass of wine together. We are enjoying industry events again and get-togethers with our broker network and have many more planned for next year (fourth wave depending).

So, cheers to resilience, making PULL solutions reality, and collectively propelling ourselves as an industry to make magic in 2022.

INSURANCE INDUSTRY OUTLOOK 2022

TARINA VLOK

Managing Director,
Elite Risk Acceptances

> "What you do makes a difference, and you have to decide what kind of difference you want to make."
> - Dr Jane Goodall, Scientist & Activist

As we entered 2021, there was a global feeling of exhilaration that 2020 is over and that the world can look towards "normalisation". However, 2021 had its own set of challenges, escalating systemic risks for insurers: The resurgence of second and third waves of Covid-19 with its associated lockdown regulations, worldwide riots, natural disasters, the devastating July riots in KZN and Gauteng and of course the demise of Eskom. All these trends had a profound impact on the insurance industry. For insured individuals and businesses, insurers played a key role in the recovery of the economy and livelihoods after insured losses. For the uninsured, the devastation had and will sadly continue to have a long-lasting effect.

The expectation is that all the systemic risks will remain in place during 2022. It is therefore important for the insurance industry to acknowledge and address the impact of these risks, not only through rating models, but also supporting our clients through e.g., proactive risk management tools, weather warnings and innovative risk transfer solutions. According to McKinsey, it will be valuable for Property and Casualty insurers to build resilience through (amongst others) predictive models that "assume nonstationary risk and de-emphasise historical data..". It is therefore expected that there will be much greater focus on data acquisition to enrich existing actuarial models and respond appropriately to these risks.

As a collective, insurers should commit to the reduction of carbon emissions, work with government and support or generate green electricity. I have no doubt that insurers will continue to encourage staff and reward clients to get vaccinated against Covid.

Elite Risk Acceptances Looks Forward to Growth in 2022

2021 was not all doom and gloom. The shift to a work-from-home model afforded Elite's staff much more flexibility to juggle personal and professional responsibilities, whilst mostly not compromising on productivity and service levels. Elite continued to grow thanks to the support of our various intermediated channels.

COVID-19 vaccination roll-out has proven successful, with almost all of the Elite staff having received at least one vaccine. We will continue to focus on our growth strategies in 2022 by providing excellent product and services, continuously updating our offering to ensure alignment to market trends and trends and building and nurturing relationships with our broker partners. With the strong support we have from Old Mutual Insure, we will also continue to work closely with our internal stakeholders to ensure that our pricing, marketing initiatives and our distribution networks remain competitive. We will make a concerted effort to meet most of our business partners face to face, subject to COVID-19 protocols and of course barring the introduction of stricter lockdowns due to increased numbers and additional variants.

Elite continues to work from home, but we have identified the need to enable in-person engagement with our colleagues and business partners. To that end, we are planning to arrange new Elite offices during 2022. We will also continue to focus on the physical and mental wellbeing of our staff. Elite will be involved in all Old Mutual Insure initiatives especially those that deliver value to our brokers and clients and are aligned with our target market and its preferences.

TOP TIPS

TIP-1

Have their gutters cleaned annually to avoid flooding during periods of heavy rainfall.

TIP-2

Make use of any digital innovations their insurers offer, e.g. downloading and using the insurer apps.

TIP-3

Ensure their properties are safeguarded with appropriate and reliable security systems.

TIP-4

Protect their electric and electronic installations against power surges following load shedding.

TIP-5

Ensure all electric appliances are switched off when load shedding starts.

TIP-6

Maintain their properties, especially roofs, on a regular basis.

TIP-7

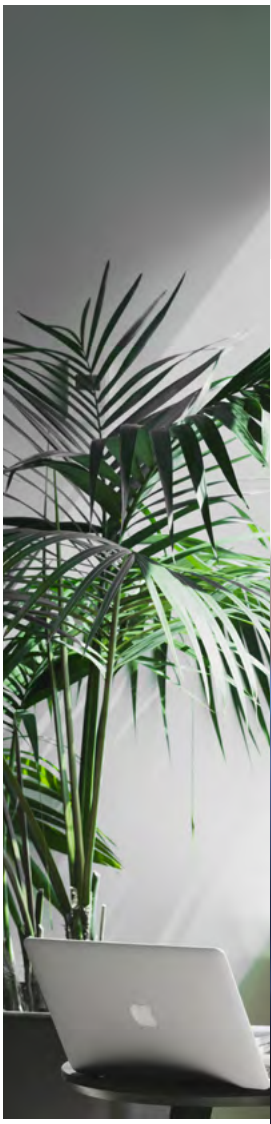
Have tracking devices installed in their vehicles.

TIP-8

Keep yourselves and your staff safe.

TIP-9

Participate in roadshows and events arranged by insurers.



REINSURANCE IN UNCERTAIN TIMES

NICO CONRADIE

Chief Executive Officer, Munich Re of Africa

> As an optimist, I am looking forward to positive surprises for all of us next year for a change.

It is that time of year when the inboxes of industry executives are flooded with media requests for our views on the challenges and opportunities facing the re/insurance sector in the coming year. What they ask is what do we expect in 2022? And how do we intend steering our businesses through the economic, political and social uncertainty as the world emerges from the pandemic?

Reinsurers do not have a crystal ball to glimpse into the future; but we are armed with data and statistics that allow us to identify and analyse trends and reflect on the impact that these trends may have

on our clients, our partners and our underwriting experiences. As we enter 2022, much of our focus remains on the impact of systemic risk on the long-term sustainability of the insurance industry. The Covid-19 pandemic is 'top of mind' in South Africa, and globally, as we study the disease's impact on mortality and morbidity experiences; and consider the potential effect of long-Covid on society.

The pandemic environment is dynamic, and it is impossible to predict how the pandemic risk will evolve through 2022. At the time of writing this, we had just learned of the emergence of a new Covid variant (Omicron), which was followed almost immediately by tough travel bans on South African passport holders.

Suffice to say, reinsurers will, for example, spend many hours over the coming months in proposing insurance solutions for future pandemics, perhaps in partnership with governments worldwide.The pandemic is not the only systemic risk we face going into 2022. The recent COP26 Climate Change Conference has refocused business and political leaders on the need to take meaningful action on climate change, and there will be renewed pressure on reinsurers to use their significant influence and capital position to contribute to achieving net-zero carbon emissions targets by 2050. From an Africa perspective, we remain concerned with the number of climate vulnerable countries on the continent, with the entire Sub-Saharan Africa (SSA) region being susceptible to drought, flood and extreme weather events.

Cybercrime has also emerged as a major concern for the reinsurance sector. The rising frequency and severity of cyber events demands a comprehensive approach from underwriters, who will turn to risk mitigation and prevention strategies and alternative forms of risk transfer to reduce exposures through traditional insurance arrangements. The best response to adversity and uncertainty is for reinsurers, our clients and the end insureds to take a disciplined approach to risk management and find ways to prevent losses from occurring. This is a better alternative to simply relying on the industry to cover every loss following a disaster.

The losses suffered by global insurers and reinsurers over the past two years suggest that hardening market conditions are likely to persist. We can therefore expect tough renewal negotiations and ongoing upward pressure on premiums in the coming year.

This is especially true in South Africa, where both life and non-life insurers paid out billions in pandemic-related claims during 2021. To make matters worse, the country's special risks insurer recently confirmed that it had received claims totalling ZAR32 billion following unrest in KwaZulu-Natal and Gauteng in July 2021.

And yet, we also see – and certainly strive to leverage – some positives of the changing landscape. For example, the struggle with the pandemic, which has been ongoing for almost two years, has led to an accelerated and irreversible adoption of technology and fast-tracked improvements to many operational aspects of insurance and reinsurance businesses.

We will focus on maximising the potential in technology. Globally, new solutions are being developed using advancements in augmented underwriting, improved risk assessment models that integrate at point of sale and enhanced claims rules engines, among other innovations; locally, our efforts will be aimed at customising these solutions for the SSA market.

A LOCALISED PERSONAL TOUCH

With the fourth wave of COVID Still hanging over us in middle December, I spent some time with Jonathan Rosenberg, the CEO of Renasa Insurance, looking back at 2021 with its economic challenges and social unrest, asking him for his perspectives and his thoughts for the future.

Jonathan kicked off the conversation by saying how he enjoys being able to work from the office again, after 20 months of remote working, despite the fact that Renasa operated efficiently in that remote environment. "While settling well north of R2b in claims over this period, I don't think I have had five complaints in respect of more than five of those claims, which leaves me comfortable with the fact that our staff embraced the remote working situation well and they were productive".

JONATHAN ROSENBERG

CEO of Renasa Insurance

He did however say that he feels that communication, in a remote environment, is just not the same and that much is lost from an interpersonal point of view. Jonathan thinks, as a result, in one way or other, relationships have suffered, and he thinks that this pandemic, this disaster, has left both people and businesses damaged. “I think there's going to be a new normal, which I don't think will ever mirror what existed before, but hopefully, will be a hybrid of what we had before and what we experienced during the height of the pandemic pre vaccination era”, he said.

Jonathan said that he looks forward, in this new environment, to renewing the relationships which have been restricted to Teams and Zoom meetings alone for the past 20 months, and he looks forward to the undoing of all that's wrong with the remote method of operation. However, he stressed: “I'm very grateful that we had the opportunity to work remotely, for an extended period like that, and I think it has contributed to keeping our staff safe in the way we have, so we haven't lost anyone. I'm very grateful for that and consider us very fortunate. But in terms of our way of doing business and how we operate, I think that the environment generally is damaging to interpersonal communications”.

How I have come to know Renasa over the past 16 years is that the insurer is very much a personal relationship business, with brokers as the exclusive distribution channel. I asked Jonathan how he thinks the broker environment adapted to all this, considering his views expressed above.

According to him, the whole system seems to have operated almost in a seamless fashion. Policies were renewed, premium was collected, claims were initiated and claims were paid. He mentioned that he has just come from a meeting with a broker who said that they've grown through the period and that Renasa itself continued growing, even experiencing renewed growth now. He said they had, in the early stages of the pandemic, a significant fall off in premium, which took maybe five months to recover. They were then stable for a few months, before growth resumed.

This, he said, came about through no special effort in terms of external marketing initiatives, other than what is done through industry media, such as COVER. With no events of any description, very few visits to brokers and the like, they still managed to maintain what was entrenched and cemented before and, as business recovers now, they see the benefits in this renewed growth.

The Lasting Effect

Jonathan is of the opinion that there will be significant, lasting changes for the insurance industry, and especially brokers, after these two years. “I think it applies to all business, not just the insurance space. So, I think everyone is going to adapt to the new normal. On routes, like the Pretoria/Johannesburg highway, we may see levels of traffic like what was experienced previously, but I certainly don't experience the same levels of traffic on the way in or on the way home at night”. He said that, to him, it seems that much of the world must still be operating remotely, and that they are returning on a rotational basis, observing all the necessary COVID protocols of social he world operating in this fashion until such time as the scourge has been licked, if it indeed it can be licked.

He hoped that scientific progress is going to be on our side and said that the impact of the pandemic has been tantamount to that of a war, not human on human, but with the same sort of fallout, in many respects. It has the same psychological impact, same fears and same damage, as a war.

He said: "So, yes, I don't think this is not going to leave the world untouched and I don't think it will ever be the same. I think there will be a new normal that might approximate more closely what we had before but I don't believe it will ever be the same".

I then asked him to, with his insurance industry hat on, share what lessons we should take from this period? Said Jonathan: "The industry has been under criticism on several occasions throughout this period and I think that the industry can be justly proud of how it acquitted itself. It operated largely without skipping a beat and it bore the brunt of enormous pressure and criticism, which I believe, was unfairly levelled. I think, if we as an industry continue to perform to that standard, then the industry will continue to deliver, it will continue to perform as it has and, economic circumstances permitting, we will see some welcome growth again".

On the subject of the need for advice on risk, risk management and risk mitigation, which have really come to the fore and on which they could capitalise on as an insurer, Jonathan had the following to say: "We've had many years of striking growth, growing for 13 years preceding the pandemic, at a compound growth rate of something like 26%. It was a strategy of ours to grow at pace to achieve critical mass. So, following those years of strides and growth, our focus for the next while will be on quality rather than quantity and on doing what we've been found to be good at, which is delivering to intermediaries in the outsource segment of the market what they value".

> So, local presence is important and we prefer delivering our brand of personal service through that local presence, supported by technology, rather than simply using technology as replacement".

This, according to him, is access to decision makers, quick decisions, and a service level which helps them to outcompete their own competitors. That is therefore what they are going to focus on. They will continue to employ, technology to support the personal service that Renasa delivers and give to their brokers, and they will continue developing their popular technology. He said they will also continue to extend their reach, wherever it's appropriate.

In conclusion, Jonathan confirmed: "As part of this, we have started planning a new branch, believe it or not. That would seem to go against the grain of how business is being done now, with everything being centralized, especially since you can operate remotely and people are closing branches rather than expanding. But, for us, our relationships run deep into the communities we service.


OLDMUTUAL

INSURANCE IN AFRICA
A VIEW FROM THE TOP

Thusang Mahlangu, CEO, Allianz Global Corporate & Specialty (AGS) South Africa shares thoughts on the opportunities and challenges for insurers and brokers on the continent.

Tony: We are talking a bit about hindsight as to how 2021 went and looking a bit into the future for 2022 to get some of your thoughts on the environment. We've had some economic recovery, which varies across the continent which you operate on. What was your overall experience of the year?

Thusang: When compared to 2020, it was a better year, in terms of economic recovery, and as you know, in South Africa, the GDP contracted by almost 7% during lockdown. Now we are coming out of that sluggish year, and we've seen a positive shift, but it has been hampered. It has been hampered by the riots and looting that happened last year. That caused a negative impact in terms of the outlook, and for 2022. As we are all aware, several businesses were impacted, we are looking at about R50 billion impact on the economy. That would also have had an impact on how attractive we are for foreign direct investments being made, but we are still seeing some positive signs following the COP 26 and our shift to the much-needed renewable energy projects.

Funding of about $8.5 billion was made available from COP 26. So, I would say that there is a positive outlook, but one is cautiously optimistic. We expect the growth rate to be slightly lower than 2021. But, in the region itself, I would say that it's promising for countries as we see quite significant growth. According the IMF, East Africa and Kenya, will be around the 5% mark, we know that Ghana will be around the 5% mark. Nigeria is a bit slower than that, around the 2% mark the IMF has given. You can see there's a varied growth pattern across the continent, depending on each country, some improvement in certain countries and slowdown in other countries.

Tony: A lot of your business is as sophisticated business, big business, energy, oil and gas, big corporates, all of those sorts of things. So, you must rely a lot on brokers and broker advice, managing the risks on the ground. How's this broker fraternity responded to the challenges and, from your perspective and your learnings across the region, what sort of recommendations do you have for them going forward?

Thusang: I think what the lockdown has taught us is that relationships are very important in our business and working with Zoom, MS teams and WebEx, limits that interaction. Our business is a people's business, to be in front of clients and customers and looking for solutions. I think the pandemic has hampered innovation, discussing and exploring ideas with clients on a face-to-face basis.

I think as we are opening up now, with more people getting vaccinated even though I know the percentage is quite low in Africa with almost 10% vaccinated and globally averaging almost 50% we need to get creative in terms of the structures for clients or solutions for clients. For example, clients are looking for innovative ways how they can restructure their policies. There are certain lines of business where you've seen a shortage of capacity and increasing rates, and I think a lot of clients are looking for brokers to come up with alternative structures.

For example, virtual captives, and alternative risk transfer solutions. I think that is where brokers will need To assist clients, and where clients can retain more risk, at the same time using the conventional market to insure potentially large unexpected exposures. So, I think that's the area that I would say brokers could work on.

Tony: In terms of business lines, segments of the industry, where do you think the opportunity is going to come from for the insurance industry?

Thusang: Cyber is an opportunity and a threat to the industry. The Marsh survey indicated that the cyber market would quadruple to about $20 billion in the next three to five years. Now, cyber insurance penetration is very low. Not a lot of companies buy cyber, and if they do buy cyber, they don't buy enough limit. We have seen that hackers have taken advantage of the lockdown.

We have seen it in both the severity and frequency, especially the more frequent ransomware attacks. As a result, the premiums that come in over the years for cyber is not enough to meet the claims that have been coming through. Therefore, we have seen markets that have reduced the capacity and increased the premiums. We've seen premiums almost double in this period. The question is, how much more premium do we need to get for the exposures that we take on as an industry.

So Cyber is one of the growth areas, I would also say - renewable energy. That's obvious, as markets are now sensitive to climate change and global warming, and a lot of industries are pivoting to green energy, so, there's a lot of potential for wind, solar, hydro, across the continent, and across the globe. That will be one area where, especially in Africa as we rely heavily on coal, we need to begin shifting to clean energy. Therefore, renewable energy is one of those growth prospects or growth opportunities we see.

Tony: In closing, from a business perspective, but maybe a little bit personal as well, has the past two years made any difference to how you look at business, in general, as well as a business strategy?

Thusang: I think, what's key, are two things. One is the issue of business resilience and business continuity planning; the lockdown has shown us that this should be at the heart of your business. And as a result, ESG matters are also topical issues on that. The newer ways of working, that's also critical including employee wellbeing, making sure that the staff can perform their role, whether in the office or at home. As a result, at AGCS we have introduced flexible working hours and a hybrid working model, which allow our staff to be able to choose when and where to work.

We must have a proper work life balance and be conscious about mental health which is topical at the moment. Lockdowns have had a negative impact on mental health. We have lost colleagues, family members and friends, many are still trying to heal. As a result, we need companies to be sensitive about their employees' mental health. For example, we gave all our staff a day off to focus on their mental health and themselves, so that they can be more energized when they come back to the office.

Outlook

FINANCIAL PLANNING

Fast moving new entrants are going to chip away at margin and market share, but the big risk lies with the banks and telco's who have distribution, existing relationships and loads of data on their customers.

- Ant Miller, CEO, Simply.

OUTLOOK 2022:

LOOK BEYOND THE OMICRON VOLATILITY

Economic Resilience, Opportunities in Unloved Markets and Attractively Priced Local Markets

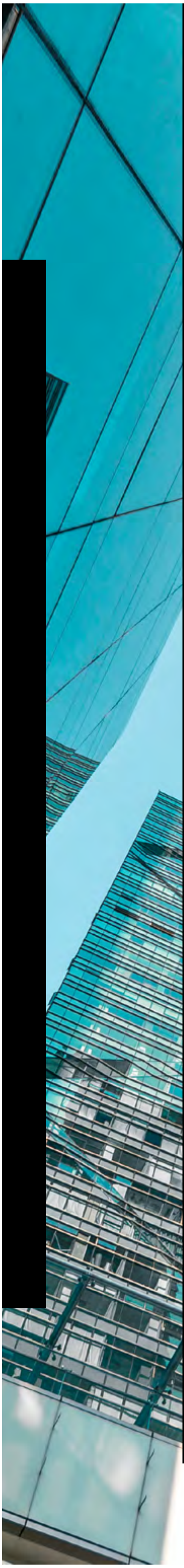
After a rollercoaster year for global markets, the early unwanted gift of Omicron has added another layer of uncertainty to an already muddied investor outlook. While many investors puzzle over how the new variant will impact portfolios and affect their bottom line, it's important they avoid a knee-jerk reaction.

While being mindful of potential pitfalls is sensible in any economic climate, investors with a long-term horizon need to look beyond the market noise created by Omicron, and rather draw on core observations from the year gone by to identify new investment opportunities.

Global Economic Resilience

While the pace of global economic growth has slowed from high post-crisis levels, it has held key consumer-led tailwinds, made possible by successful global vaccination campaigns. Even with the rise of the new Omicron variant, Covid-19 is increasingly contained by vaccination, which should limit the impact of future infection waves.

Locally, I expect economic growth to moderate after the strong bounce back post the Great Lockdown. While the country's fiscal and current account balance is likely to benefit from a persisting commodity windfall, I believes the local economy will continue to



> **For investors who can tolerate a little more risk, the historically steep yield curve still provides attractive opportunities.**

muddle through. We expect the slow pace of structural reform to continue, and that the new Finance Ministry will balance this with social support for the most vulnerable. What's more, the commodity windfall is likely to persist, although at a lower level, benefitting both the fiscal and current account balances.

On the inflation front, rising inflation risks are impacting many investors' risk appetites. While the pandemic has undoubtedly induced the current bout of inflation, we are keeping a close eye on how this develops over the next year.

Supply chain disruption and rising wage pressures on both sides of the Atlantic are likely to underpin price inflation and although we are not expecting a return to 1970's style stagflation, we are keeping a close watch on developments.

Attractive Opportunities in Unloved Markets

Although the US remains a core holding in Stonehage Fleming equity allocations, the firm is finding opportunities in other unloved developed markets like Europe, and in particular the UK.

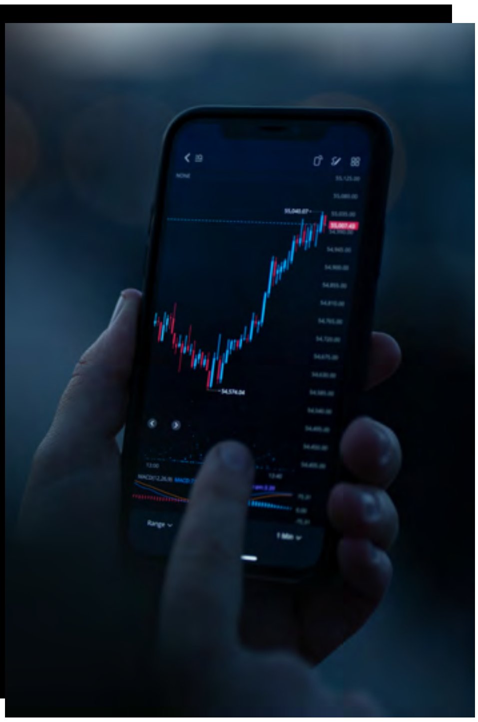
Non-US markets combine lower valuations and emerging tailwinds as the global economy remains robust, while emerging markets have faced multiple headwinds, most recently in China, at roughly 13 times forward earnings these markets offer potentially attractive long-term returns.

Sentiment towards more cyclically sensitive "value" sectors has reversed following their strong performance from "Vaccine Monday" through to the first quarter of this year. It is important to maintain some exposure to these parts of the market as they will benefit from the reopening of the global economy.

Outside of equity markets we are finding opportunities in some emerging market bonds as well as more alternative areas like catastrophe bonds.

Local Markets Still Attractively Priced

The so-called SA Inc' stocks – those that generate the majority of revenue from South Africa, have performed strongly this year, and there are good quality local businesses that are still attractively priced, resulting in the current de-listing 'boom'. While commodity stocks also appear optically cheap, this will depend on the future path of commodity prices. The local bond market is also attractively priced. is also attractively priced.



BERNIECE HIECKMANN

Head of Metropolitan GetUp

HOW A PESKY PANDEMIC RESHAPED INSURANCE

Covid-19 catalysed an evolution of the insurance industry, creating more value for consumers

Words like 'pivot', 'agility' and 'digital transformation' have become so prevalent this past year that they have started to lose their significance. Yet, it is true that Covid-19 has changed just about every facet of life as we know it - and for the financial services industry in particular, there will be profound, unnerving and exciting shifts in how we, as insurers, do business in future.

Within the realm of insurance, sales have typically been conducted by members of a physical sales force, who sell financial products to individuals, usually through a face-to-face interaction. As we find ourselves accelerating into a digital world, insurance companies - which tend to move at the glacial pace of a three-legged tortoise - are clamouring to transfer their operations online, while simultaneously expanding their digital service channels.

While this has been met with varying degrees of success thus far, one thing has become abundantly clear: we can expect a rise in innovative, more agile financial solutions that are adapted to our new reality, delivered via a seamless online experience.

The proverbial silver lining is that Covid-19 has given insurance a much-needed wake-up call, which is set to create far more value for consumers in the long run.

Less Complexity, More Flexibility

Insurance has traditionally been sold by intermediaries, in an interaction that sees them giving advice to clients. It stands to reason that products have been tailored to accommodate the insights and needs of these intermediaries, resulting in solutions that are layered and complex to cater for high levels of advice personalisation. Intermediaries *need* to validate the value that their advice adds to the sale of a product - because, if consumers can access simple products and clearly understand all the fine print in what they're buying, why would they need intermediation? While valuable in helping consumers navigate complex choices, advice does come at a cost, usually built into the product.

While there is no disputing that clients need a level of guidance, affordability and value are just as important to cash-strapped consumers - and thus a gap has been created for simpler, more intuitive products, digital advice and online service channels - such as that offered by Metropolitan GetUp. We need to leverage this new context to drive adoption of digital direct strategies, which will lower the cost base for consumers, while empowering them to make informed choices about their finances.

Consolidation to Climb

Even before Covid-19 arrived on our shores, we saw a proliferation of financial solutions, driving an oversupply of commoditised funeral products, in particular. With consumers now experiencing a heightened awareness around illness and death, several new players have entered emerging market insurance, resulting in a growing number of clients who may be 'over-exposed' in terms of their funeral cover. With consumers under increased financial pressure, a consolidation of cover will free up pockets of income that consumers need to navigate tumultuous times.
We can also expect to see more emphasis on the consolidation of debt.

Twenty-twenty taught us that the future is far from predictable, and while one cannot anticipate with any degree of certainty the trajectory of an industry, the pandemic has presented an opportunity for us to become more in-tune with our clients as we enter into 2022.

As borrowing soars, consumers will find themselves facing steep debt servicing fees. Solutions that are designed to consolidate multiple loans will assist consumers in affordably meeting their financial commitments.

Partnering for Expertise

This period of transition has given us an opportunity to scan for gaps within our eco-system that will allow us to offer more value to consumers, by partnering with those that are experts in their respective fields. Businesses can create a more holistic value proposition through leveraging the talents of selected partners, co-creating solutions that are tailor-made to the changing needs and preferences of clients.

Redefining How We Perceive Digital

Created by Dr Ruben Puentedura, the SAMR model is a framework that categorises progressive degrees of technology integration within the edtech field. SAMR refers to 'substitution', 'augmentation', 'modification' and 'redefinition', and while intended for the field of education, we can apply this same lens to our current context. You cannot simply 'substitute' or repurpose intermediated products and in-person client advice to digital channels, and expect a seamless iteration - these need to be redefined with the nuances of the channel in mind. For example, products could have more flexible features or different payout profiles. They could be priced differently, given that digital channels are more cost-efficient than those that are physical.


SEAN
HANLON
Executive Director of Sales
& Distribution at BrightRock

> The pandemic has set the foundation for a savvier consumer, and we as an industry need to ensure that we continue to focus on offering value, certainty and innovative solutions to meet their needs.

HOW THE PANDEMIC HAS ACCELERATED THE INDUSTRY'S MOVE TO NEEDS MATCHED INSURANCE

Sean Hanlon, Executive Director: Sales & Distribution at BrightRock, reflects on the year that was, and how the life insurance's trajectory towards needs-matched cover looks set to continue into 2022.

The events of 2021 made it a challenging year for all industries, and life insurance was no different. But they also represented a huge opportunity for our sector to deliver on its promises and show our value. As life insurers, we promise to step in and assist financially when the bread winner in a family isn't able to provide for the people that they love. And this year has really shone a spotlight on this responsibility, and made this promise real to both insurers and our clients. From a consumer perspective, the pandemic increased the value that people attached to insurance and changed their perception of what we can offer. The Association for Savings and Investment South Africa (ASISA) reports that more people bought insurance policies in 2021 than in 2020 and fewer policies lapsed. People became more acutely aware of the fragility of life and health and turned to insurance for peace of mind.

Also, according to ASISA, from January to June 2021 the industry paid out R315.4 billion in claims and benefits – an increase of 36% when compared to the same period of 2020. And we're really proud, as BrightRock, to have been part of helping South Africans financially when they needed it the most.

The Impact of the Pandemic for BrightRock

While consumers were looking for insurance more than ever before, they were also a lot more conscious of their financial circumstances, especially during the hard lockdown, and needed to make smarter choices on how and where to spend their money. Therefore, they wanted insurance that was efficiently priced and structured so that they could get the best cover for their premium Rand. For us at BrightRock, this is exactly the reason that we designed and created needs-matched insurance - to ensure that clients get the most efficiently priced insurance, perfectly to tailored to their needs and changing as those needs change. The pandemic has catalysed the accelerated adoption of our needs-matched cover approach in an unprecedented way. New clients recognised the value and efficiency of our needs-matched insurance, and the fact that they were able to get more cover for the same premium they were currently paying with other insurers.

Our approach to initiating policies was also appealing to potential clients during the various lockdowns. We had already been engineering digital and paperless solutions for our clients before the pandemic, such as WhatsApp acceptance of cover and online capture capabilities. As this was the only way that clients could get life insurance applications submitted during the lockdown, we were the obvious choice. When it came to claims stage, it also became evident to clients and financial advisors that BrightRock pays out claims that other providers would not, as well as pays out more than our competitors.

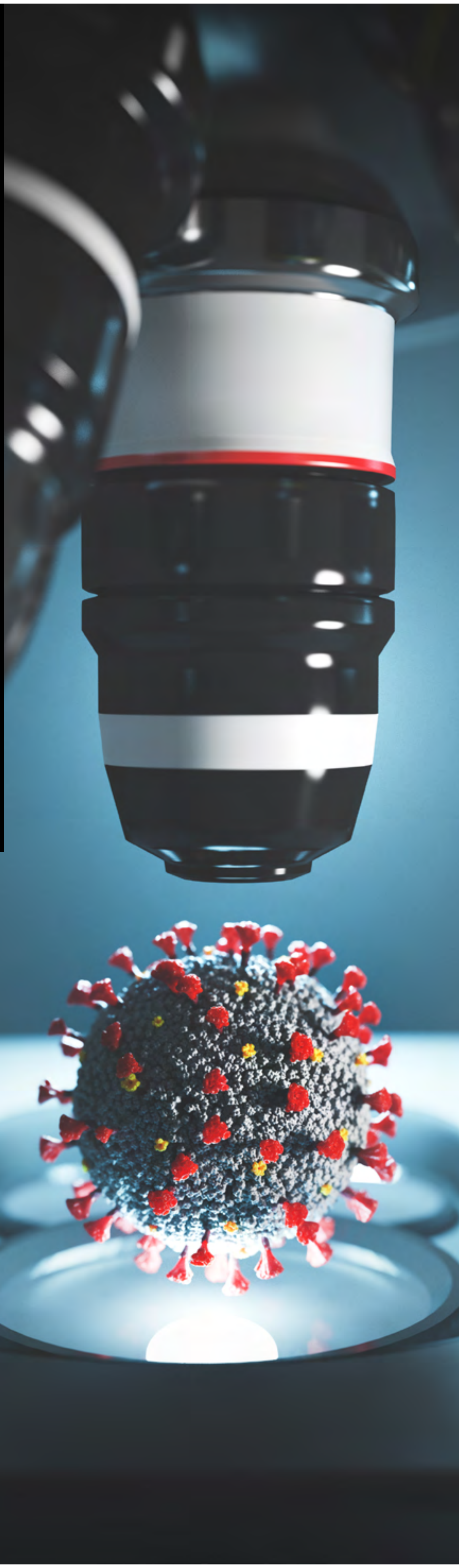
We have countless examples of claimants over the years who've benefitted from taking life insurance that was designed to have as few reasons as possible not to pay out. Also, having the world's first temporary, permanent disability and death cover where claimants and beneficiaries could decide at the point where the claim is approved if they want a lump-sum or recurring pay-out, gave our clients the added flexibility to make decisions about their claim payment, taking into account their financial circumstances at the time.According to a recent NMG SA Risk Market Monitors, if you compare the three months in Q2 2019, to Q2 2020 and Q2 2021, BrightRock was the only insurer that grew year on year over this period. Most insurers in our market segment lost ground, making BrightRock quite the outlier during this time. We believe that BrightRock's growth has been due to the fact that we have been able to provide clients, potential clients, and financial advisors with what they need most from their insurance during an unprecedented time.

What We Expect in 2022

The pandemic has put the spotlight on quality of cover and the value of insurance and has also made people more focused on understanding exactly what they're buying. As a result, we do expect to see more adoption of needs-matched insurance generally in the South African market, by financial advisers, clients, as well as competitor insurers. We have always believed that needs-matched cover was the next step in the life insurance industry, and the circumstances of the pandemic have short circuited the adoption of needs-matched insurance and the time it will take to reach a critical mass.

In 2022, we believe that the market will be forced add features and benefits and make product changes aligned with needs-matched thinking to keep up with clients' demands for value.

People are increasingly going to be demanding quality, efficiency and transparency from the insurers that they trust with their financial future.



THOUGHTS ON 2021 & THE IMPACT

THE UNCERTAINTY HAD ON THE INDUSTRY, POSITIVE & NEGATIVE

COVER

ANT MILLER

CEO of Simply Financial Services

2021 has delivered mixed fortunes for Simply and other players in the life insurance space. On the one hand, demand for cover has soared with searches for 'life insurance' reaching unprecedented levels globally and life insurance being seen as a necessity rather than a grudge purchase. On the other, payment rates have deteriorated and claims have increased dramatically.

At Simply, we've benefited overall from strong sales growth – driven primarily by brokers on our online platform. The Covid pandemic brought forward the industry's digital adoption trajectory by at least three years, and we were fortunate to be in the right place at the right time with a compliant digital solution.

We're building a better mouse trap. Watch this space.

It hasn't all been plain sailing, though. With SMMEs being particularly badly affected by the pandemic, our unique SMME group life product took a significant hit and is only now getting back to pre-Covid levels.

Outlook for 2022

At Simply we're feeling optimistic for 2022. We're at the intersection of three strong forces – improving business confidence, sustained high demand for life insurance and a swing to digital financial services products. We're also fairly confident we're through the worst as far as Covid claims is concerned.

Having said that, I think traditional players face significant challenges in 2022. Many have not modernised meaningfully and run the risk of being left behind by their more agile competitors.

Fast moving new entrants are going to chip away at margin and market share, but the big risk lies with the banks and telco's who have distribution, existing relationships and loads of data on their customers.

Guidance to Industry Players on How to Make the Most of The Current Environment

Covid has ramped up demand for and appreciation of life cover materially. Life insurers have largely conducted themselves well through the pandemic and enormous amounts of money have been paid out. I think players should use the good will to expand penetration of life, disability and critical illness cover, which remains low relative to funeral cover. I also believe players should consider entering adjacent markets banking, telco for strategic reasons while customer affinity is strong.

Players need to really pay attention to collections. The SA economy appears to be heading in the right direction, but is definitely not out yet of the woods. Consumers and businesses – especially SMMEs – remain very stressed and collections are likely to be a challenge for the foreseeable future. Collections is a function of willingness to pay rather than ability to pay, so players need to show visible value to get customers to want to pay.

Opportunities and Challenges for The Various Stakeholders

I've covered many of the challenges and opportunities faced by market players in my comments above. What I haven't covered is what regulators can do to improve customer outcomes. For me, an obvious opportunity for regulators is a review of group commission regulations.

Group cover is generally way cheaper than retail cover and there's strong logic for employers to arrange or buy cover for their staff. The challenge is that commission is regulated at such low levels that it just doesn't make sense for brokers to sell group life cover to SMMEs, which account for over 60% of formal employment in the country.

If regulators increased commission rates on smaller schemes, they'd close the insurance gap materially in a short period of time.

How You and Your Business Aim to Add Value to Stakeholders in 2022

We have a number of key stakeholders, the most important of which are our end-customers and our supporting brokers. Our aim for 2022 is to fundamentally improve their lives.

Our primary objective for end-customers is that they get the benefits they need at a price that makes sense in one simple policy. We have a number of product, user experience, pricing and collections improvements in the pipeline – all aimed at improving customer value.

On the supporting broker front, our objective is to give our brokers great products for their customers and help them do more sales in less time. Key to this is ongoing improvements in benefits, 3rd party data use, risk management, compliance and collections.

2022 OUTLOOK: THE GLOBAL ECONOMY

Schroders chief economist Keith Wade gives his views on the outlook for the global economy in 2022 when growth is expected to cool after a very strong 2021. The emergence of the Omicron Covid variant has reminded us of the uncertainties which remain around the global pandemic.

Despite these, we expect 2022 to be another good year for growth as the global economy continues its recovery. We do, however, see growth cooling following an exceptionally strong 2021, as the massive support offered by governments and central banks during the pandemic's initial stages begins to fade. Inflation should moderate, but policymakers and investors face a difficult period in the interim.

KEITH WADE

Chief Economist & Strategist at Schroders

WHAT TO EXPECT

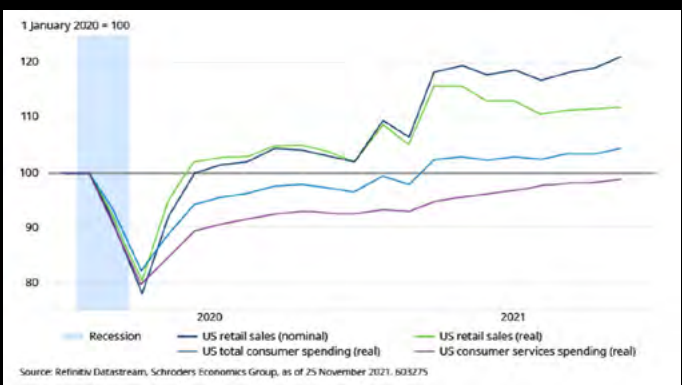
Our forecast is for 2021 global GDP growth of 5.6% to be followed by 4.0% growth in 2022. We see global inflation at 3.4% for 2021 and rising to 3.8% in 2022.

The economic recovery following the pandemic has differed from economic recoveries of the past. This has thrown up unanticipated problems in supply chains which have been beset by bottlenecks. We've also seen issues with labour markets, where companies have struggled with worker shortages. Bottlenecks and shortages have pushed inflation and wage rates higher than expected.

The unbalanced nature of the recovery can be seen in figures tracking the spending patterns of the highly important US consumer (see chart 1). These show that retail sales volumes, or real retail sales, are now more than 10% above their pre-pandemic levels. In contrast, real service sector spending remains some 2% short where it was before Covid-19.

The recovery has disproportionately been driven by the goods sector and this has created extraordinary pressure on supply chains and commodity markets. It took four and a half years for retail sales volumes to surpass previous levels by this degree after the Global Financial Crisis had ended in 2009. On this occasion it has taken 18 months. The impact of bottlenecks is apparent in the recent loss of momentum in retail sales volumes. This loss

Chart 1: The US consumer recovery



primarily reflects the impact of higher inflation as retailers faced with restricted supply have succeeded in passing on their own cost increases. In nominal terms, sales have continued to forge ahead and are some 20% above pre-pandemic levels.

Higher inflation reflects an imbalance between restricted supply and strong demand. Whilst central banks cannot affect the former (speed the delivery of cargo, say, or, in the case of renewable energy, make the wind blow harder), they can restore balance given they have the tools to address the strength of demand.

Policy Support Fades in 2022

We expect the withdrawal of emergency levels of support by central banks and governments to play an important role in shaping economic activity in 2022. The massive fiscal stimulus policies (government spending and taxation policies designed to support economies over the short term) in response to the pandemic are already winding down in the US and UK.

Although government spending will remain strong, overall fiscal policy will be less supportive in 2022. This should not be a surprise after the "shock and awe" fiscal largesse of 2021. In the US the Bipartisan Infrastructure Deal will start up next year and the larger Build Back Better package currently winding through Congress should help (if it gets through the Senate). The overall "growth impulse" from fiscal policy however will be less than in 2021.

It's a similar story in the UK where corporate and income taxes are set to rise next year along with higher National Insurance Contributions (payroll taxes). In contrast, the eurozone stands out as fiscal spending is expected to remain strong due to Europe's recovery plan. Stimulus is slightly less than in 2021, but still significant.

Meanwhile, China is expected to keep fiscal stimulus going in 2022 through higher local government borrowing, but some of it will be due to banks being encouraged to lend more.

With regards to monetary support (short-term policies by central banks designed to stimulate economies) we also see a move in a less positive direction in the US and UK. Here central banks are ending pandemic related quantitative easing (QE) programmes which have been used to inject money directly into the financial system. The Bank of England (BoE) and US Federal Reserve (Fed) are also poised to raise interest rates.

We expect the BoE to raise rates in December 2021 (when the bank's Covid-era QE programme is also on course to reach its full size) and February 2022. Meanwhile, a patient Fed is expected to raise rates in December next year after fully tapering asset purchases in June (these asset purchases are the means by which many central banks have injected money into the financial system under QE). We then expect interest rates in both economies to rise further in 2023.

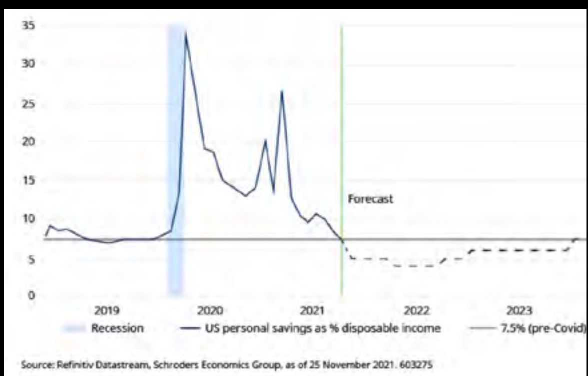
Our judgement is that central bank policy goes from positive to neutral (rather than negative) as interest rates are still low relative to the "equilibrium" rate. When an economy is at full capacity this is the rate required in order to avoid either overstimulation (and possibly undue inflationary pressures) or under-stimulation (possibly resulting in economic contraction and the risk of deflation).

Private Demand to Step Up?

These changes should not be surprising as support had to come to an end once the recovery had taken hold. However, for growth to be maintained we need to see a hand-off from governments and central banks to the private sector.

On this front the consumer is critical and here we are looking for households to spend the savings they accumulated during lockdowns. In practice this would mean a fall in the savings ratio below its pre-pandemic average of 7.5% as excess savings are spent (see chart 2, below). The US savings

Chart 2: US savings rate (actual and projected)



At this stage it is too uncertain to judge the macro impact, only that it adds to the stagflationary risks in the world economy.

rate has already fallen significantly in 2021, but it is critical for consumption that it continues to decline in 2022. This is because of the squeeze on real earnings from higher inflation, albeit we expect US and global inflation to moderate in the second half of next year.

The story in the eurozone and UK is similar although we estimate that households in these economies are at an earlier stage in running down their excess savings. Judging the situation in China is more difficult due to a lack of data, but it's believed there are less excess savings than in the West.

Divergent Policy Outcomes

For each of the main economic blocs we have scored the different components of monetary and fiscal policy and the potential for pent-up demand. On this basis we see considerable swings between 2021 and 2022 for the US and UK, from maximum stimulus to a more modest or neutral stance. The eurozone remains more full on, while China swings toward more stimulus on both the monetary and fiscal side (see table, below).

We expect the divergence between the US/UK and eurozone/China will create opportunities in bond and foreign exchange markets. We also note many uncertainties around inflation and growth, not least those resulting from supply chain bottlenecks and labour shortages persisting. Higher wage growth feeding through into costs and prices could result in higher-than-expected inflation and weaker growth, at risk of a "stagflationary" outcome.

Growth scoreboard – 2022 (versus 2021)

	US	Europe	
		Eurozone	UK
Monetary policy	0 (+)	+ (+)	0 (+)
Fiscal policy	0 (+)	+ (+)	- (+)
Pent-up demand	+ (+)	+ (+)	+ (+)
Total	**+ (+++)**	**+++ (+++)**	**0 (+++)**

Note: +/0/- : positive/neutral/negative growth impulse.
Source: Schroder Economics Group, as of 23 November 2021. 603275

The emergence of the Omicron variant occurred after we finalised our forecasts, but clearly increases the risk of new restrictions on activity and renewed supply side disruption.

MOMENTUM 2022 OUTLOOK

2021 marked the second year in the global fight against COVID-19 and in many ways brought back some form of normality to many. While we are still behind the curve, South Africa's vaccine drive brought with it a relaxation of lockdown restrictions and hope that the fourth wave will be less devastating than those before.

Markets worldwide recovered further following the March 2020 sell off and delivered strong returns over the last year resulting in inflation beating returns to many investors in multi-asset-class portfolios, after a prolonged period of average returns. The drive for investment management firms to consider environmental, social and governance aspects in their investment decisions gathered further steam and impact investing, investing for the greater good of the community is also top of mind, especially in the South African context.

At Momentum Investments we are dedicated to responsible investing. While our primary objective is to deliver returns for our clients, when doing this, we consider how we can use investment opportunities to create a better future for our investors, their communities and society.

THEO TERBLANCHE

executive head of investment management at Momentum Investments

Businesses have had to come to grips with the reality of hybrid working conditions and to assess the impact of this on their culture and general wellbeing of their staff. The investment management industry has not been spared. At Momentum we have weathered the storm. We are in the fortunate position of having been mostly unaffected by lockdown restrictions and blessed with employees who are dedicated to our clients and their investments. It has been a stressful two years for investment teams globally who had to navigate clients' investments through times of great uncertainty.

Looking ahead the investment landscape becomes a little murkier. The rebound is starting to lose momentum and concerns regarding rising inflation and a slow-down in economic growth in China is taking centre stage globally. Commodity prices are decreasing after a period of sustained growth and this windfall to the local economy is waning, bringing structural slow economic growth and a lack of job creation back into focus. The political landscape in South Africa also changed considerably following the local government elections in November with coalition governments now the order of the day.

This brings with it the opportunity for better run municipalities, provided that smaller parties can work together towards a better future. All this points to a moderation of returns over the short to medium term and investors would do well to not become too obsessed with short-term fluctuations but to focus on their longer-term goals.

This is the crux of our outcome-based investing philosophy at Momentum Investments. Outcome-based investing that makes investing personal is centered around defining your client's investment goal and time frame and then staying invested throughout to maximise the probability of achieving those investment goals. We believe in long-term investing and the value of a well-diversified investment portfolio.

Investment teams will have to think out of the box in future to achieve decent returns for their clients, whether this is through exposure to alternative asset classes, different styles of investing, or focusing on lower-cost solutions. This includes infrastructure investments, passive and smart beta portfolios, thematic investing - all solutions that Momentum Investments are already offering as stand-alone funds and incorporated into our multi-asset-class portfolios.

The world is forever changing, and the future is uncertain. But as the world changes, your clients' long-term investment goals shouldn't. In times like this you need a partner you can trust and one that puts your needs first. With us, investing is personal. We have the solutions to help meet your clients' financial needs and achieve their goals effectively.

ASSESSING 2021 & THE OUTLOOK FOR 2022

The South African (SA) economy and equity market both benefited in 2021 from the reopening of the global economy, improving commodity prices, and negative real interest rates. According to the South African Reserve Bank (SARB), the SA economy should grow by 5.1% in 2021, while the equity market delivered close to 20% returns by mid-November 2021.Despite these improved metrics, the SA economy, after having contracted by -6.4% in 2020, is not expected to regain its pre-COVID-19 growth trend any time soon, with sub-par growth of less than 2% p.a. expected in 2023 and 2024. And the SA equity market, despite improved short-term returns, has still underperformed international equity markets for more than a decade.

While short-term interest rates in SA remain at levels not seen since the 1960s, consumer inflation is now 2% higher than it was at the start of 2021, and the SARB raised rates by 0.25% at its Monetary Policy Committee (MPC) meeting held in November. In addition, compared to pre-COVID-19 levels, longer-dated SA bonds still trade at yields around 1% higher than before the crisis.

South Africa is not the only economy grappling with higher inflation, and the big unanswered question whether other central banks will need to respond assertively with positive real short-term interest rates. Late in 2022, the US Federal Reserve is expected to start increasing short-term interest rates, although expectations could be brought forward should US inflation prove more persistent than expected.

Despite this, few commentators are expecting US inflation to remain above 3% in the medium term, and most acknowledge that the neutral rate of interest is probably closer to 2% than the 4% it was in the past. The forward guidance from the SARB is for a further eleven 0.25% interest rate increases. In other words, unlike most other central banks, the SARB is still targeting a 2% real repo rate in the medium term. It will be interesting to see whether this will still be necessary, especially if developed economies continue to have lower real interest rates in future.

The other profound structural shift taking place is how to transition to a greener economy. Most economies' plans are not on track to limit global heating to less than 1.5 degrees above pre-industrial levels, and (according to MSCI) neither are 90% of listed global companies. The ability and willingness of our industry to successfully manage this transition could be the defining feature of the next few years.

South Africa is vulnerable to climate change, and our commodity basket will only indirectly benefit from the transition. Nevertheless, the transition provides an opportunity to reset the economy and reduce dependence on Eskom. While the funding that SA secured from the COP26 is encouraging, as is the greater ambition of our National Development Plan, the government lacks credibility. Unless SA can implement the necessary structural reforms to raise its long-term growth rate above 1% p.a., it is hard to see that SA will be able to borrow at longer maturities at funding costs less than the nominal growth rate. Given the steepness of the yield curve, the market is not expecting this anytime soon.

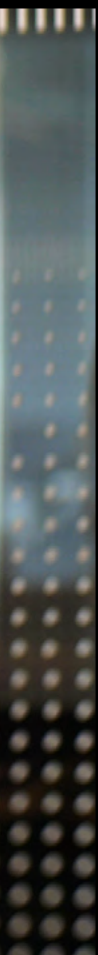
We expect the global environment to remain supportive of equities in 2022 (the famous "There is No Alternative" (TINA) paradigm), and while SA has valuations on its side, a lack of decisiveness from the government makes it hard to identify the catalysts that will emphatically put the economy on a higher growth path. Investors, as always, face an uncertain future, and should consciously try to construct portfolios that are resilient to different outcomes materialising, by focusing on diversification and finding managers best positioned to exploit the opportunities.

TAKING STOCK & REFLECTING ON THE YEAR THAT WAS

VICTORIA REUVERS
Managing Director, Morningstar Investment Management South Africa

> Price is what you pay, but value is what you get.
> *- Warren Buffett*

As a runner, the change in seasons gives me time to reflect. Summer was short and feels like a distant memory. Autumn (my personal favourite) always reminds me that change is the only constant. Winter (which has felt never-ending this year) reminds me of all that's lost, the hardship of life for so many and the brevity of daylight hours. As we move to spring and back to summer, I am reminded of the new life, new colours, and new daylight hours that come with this season and reminded of how the cycle continues.



If We Reflect on The Past Year of Investing, it too Has Experienced its Seasons and its Cycles.

At face value, it appears as though markets have performed well, however, broadly speaking there have been some bad landmines that simply could not have been avoided by all investors. 2021 was also by no means a dull year global bonds bottomed out, the Evergrande debacle, Chinese tech stocks slumped and the contagion of it all to emerging markets.

S.A. Equities are Making a Comeback

After a seven-year drought of returns for domestic equities, the past 18 months have seen a strong rebound in S.A. equities with broad-based returns across the sectors. While 2020 saw resource shares (mainly platinum and diversified miners) performing well, 2021 has seen a rotation into more unloved areas of the market. If we look back at 2021, the strongest performing areas have been what we would term “S.A. Inc.” shares, namely banks, retailers and select industrial shares.

What has caught many investors by surprise this year, has been the sharp fall in the Naspers and Prosus share price. Market darling Naspers, combined with Prosus (its European listed counterpart) account for almost 20% of the All-Share Index. A combination of concerns regarding the Chinese government’s interference in their market with regards to the new regulation for select tech companies alongside the disappointment surrounding the Naspers Prosus share swap and/or company restructure has proved to be strong headwinds for these shares.

Fixed Income, has not Been so ‘fixed’ Anymore

Fixed income managers have not had an easy year, with 2021 not being the year for income assets. What had appeared to be a stable (and dare I say “boring” asset class) was no more, as 2021 saw fixed income assets experience a lot of volatility.

S.A. Government Bonds Bamboozled

S.A. Government bonds remain perplexing. We are seeing good value in this asset class, with S.A. government bonds offering a yield of around 9.5%. This is almost 5% ahead of cash and 4% ahead of inflation, which is unheard of in global markets. Yet despite this attractive yield, foreigners have not been investing in our bond market to the levels they have previously. As a result, this asset class is generating a decent yield for investors but has been subject to market volatility this year due to the lack of foreign support.

Cash is Still Out in the Cold

We see little room for holding cash in portfolios. Not only is the nominal yield low (around 4%), it is in fact offering a negative real yield, given that inflation is close to 5%.

If We Turn to Global Markets, it Seems Nothing Can Stop this Bull.

While value shares and unloved sectors (such as energy and UK equities) have certainly rallied and have been solid contributors to portfolio performance, the tech stocks in the US have reached stratospheric levels (both in terms of performance and in price). In our opinion, this sector is starting to carry a striking resemblance to the tech bubble of the late 90s. Firstly, the market is trading at extreme valuations and is experiencing new IPO’s (stock listings) in the magnitude last seen in the late 1990s.

(If it walks like a duck and talks like a duck…) We would prefer to be cautious at this point. We remain materially underweight US large-cap tech shares.

Despite emerging markets selling off sharply on the back of the Chinese government's interference in capital markets and the restrictions and regulations placed on their tech companies, we are seeing good pockets of opportunity in emerging markets.

S.A. fixed income managers had a tough time in 2021; however, it was even worse for global fixed income managers. Global bonds have been one of the worst performers in 2021. With starting yields at low levels and bond yields rising throughout the year, this has led to bondholders experiencing meaningful capital losses.

Looking forward Onwards and Upwards to 2022

In the wise words of Warren Buffett – "Be fearful when others are greedy and greedy when others are fearful". There is much exuberance, easy money and excitement in certain areas of the market. This level of optimism and crowding makes us "fearful".

There will be good news stories for companies and sectors that will be extrapolated into the future with investors prepared to pay extreme prices just to own these golden companies. Remember that "Price is what you pay, but value is what you get" – another valuable lesson shared by Mr. Buffett. Now is the time to be vigilant and to ensure that you are getting value for what you buy.

You may hear some commentators saying that "markets are expensive and now is not the time to be invested" whereas others say that "things will just keep going up". To this we would say there is never a "right time" to invest, the key is just to be invested and to remain invested.

INVESTMENT 2022:

CLIENT COMMUNICATION IS KEY

Tamryn Lamb, the head of retail distribution at Allan Gray, gives us some insight into the current and expected Investment landscape.

Tony: Based on your research and client experience, please share some insights from the past two years, as a backdrop to 2022.

Tamryn: To say the last two years "have been very interesting" is probably the understatement of the century. 2020 felt like one of those years where we were all just kicked into this defensive mode, trying to make sure that our business models

Keeping in communication with clients going, is certainly is critical.

carried on as per normal during a very tough period. We were also responding to the volatility in the markets and engaging with our clients. Then 2021 has been more of a how do we carry on in this mode for a longer period, when will this end and how do we deal in a sort of protected period of uncertainty. Set against that, we have had a significant period of economic and political instability, which has added to an already pre-existing level of client anxiety, and I'm sure everyone listening to us or reading this today, will agree with that wholeheartedly.

When I look back now, it is interesting to observe that, despite a very difficult and uncertain period, we have actually seen a significant recovery and flows across the industry in 2021. Now, I'm not looking at all the data points, but taking, for example, the platform industry, which is around R2 trillion now, that's grown well over 10% year on year, and we've seen some quarters where the quarterly flows are closer to 30 billion, and on average, they are normally 20 billion.

It feels like a bit of cognitive dissonance, how can the platform industry have continued to grow when we know that we have got increased unemployment, and we are seeing very volatile growth in GDP.

Tony: Based on what we learnt from this, do you think that any of the ways that we approach the market, and look at investments, should be adapted going forward? Or, do you think it's the same as we have done in the past and just monitoring it and keeping the long-term view?

Tamryn: It's always a balance of both, isn't it. We must always learn from our mistakes in our current environment, but we should never be held hostage by them. That's a quote that Alan Gray, the individual, always use to say. You must hold what is important to your process and focus on the long term, but you must also continue to learn and never be complacent about your environment. So, maybe the process doesn't change and maybe the approach to managing investments doesn't change materially, but you must adapt to your circumstances. So, let me try and answer your question more specifically.

We have seen some significant shifts in markets over the past two years and there are certain signs, for example, that global inflation is one macro trend, which is becoming increasingly spoken about amongst investing circles. But interestingly, portfolios don't appear to be positioned to benefit from increased inflation or to protect against an increase in inflation. I think one thing that we should learn, maybe not just so much from the last two years, but perhaps the last 100 years of investing, is that sometimes trends can persist for a very long time until they don't.

I think the last two years has continued to be supportive of certain growth-oriented businesses, if you had an online business, working from home accelerated and pulled forward some of the earnings that you might have over a five-year period into two. I think that it's become even harder for investors to see where we are in the cycle, because of the dynamics and because we've had a major shock in the exogenous environment over the past two years.

I think there is a little bit of - okay so these trends have happened for so long, they have survived throughout COVID so, maybe I just shouldn't be worried about them anymore.

To try and be more specific, certain global equity markets look very extended, global government bonds yields are starting to increase, but have been low and depressed for a very long time. It's still unclear what the extreme levels of quantitative easing that we've seen injected by developed governments around the world, will do to asset prices over the next five to ten years.

I guess the lesson here is, yes, learn from our environment, understand what's happened over the past two years, but also make sure that you are really taking that long term perspective and ensuring that you're protected on a valuation and risk perspective.

Tony: If you look at Alan Gray specifically, and your environment of retail distribution, is there any specific focus of theme for next year, what are you aiming to achieve?

Tamryn: Our focus in each year, sort of stays unchanged. But what we try and implement or deliver on in the year will vary. So, for our strategic objectives, we want to make sure that we deliver great performance for clients. And to do that, we must make sure that we earn and maintain clients' trust and confidence. To do that, you need to keep engaging with clients and advisors, you need to communicate, you need to make sure that your service quality stays high on your offering, that you maintain that trust and confidence through the cycle.

Next year, our key initiatives are around making it easier for clients to invest. Firstly, we're going to be launching an offshore endowment. That's very much in line with what I was saying earlier, if you're going to invest offshore, we think it should be an important part of your portfolio.

But you should do it with a long-term view in mind and have a systematic kind of framework that you apply and do it consistently rather than just do it in the knee jerk reaction to local or offshore news.

And we think that offshore endowment is a good tax efficient, long-term solution for clients to invest offshore. Secondly, we're going to be managing around some regulatory developments.

I think there are going to be some interesting pieces of legislation that have been waiting for a while to get some clarity on from the FSC. The one is the retail distribution review and that will impact advisors. The other is the proposals that have been floating around in the last couple of months around the two-part Retirement System, which I think will also be a key piece of legislation that we will all need to get our heads around over the next couple of years.

Then finally, I think we're also going to be making sure that we can continue to make our services and our offerings more streamlined, easier to use digital interfaces that are secure and efficient for clients, really taking that friction out of investing, while at the same time, keeping what we think is a very important personal touch to how we service clients and advisors.

Tony: You spoke about the personal touch in advice. Given the background and how we see clients have behaved, going forward, with the uncertainty still hanging around, what comments do you have for advisors?

Tamryn: The last few years have really reaffirmed and underscored the importance of good advice. You can see, when we look at the data on our platform, clients who stayed the course who didn't switch out in February and March last year into the money market, and then try to time the market as it recovered, have really been well rewarded.

I guess my advice to advisors, and take it from whence it comes is, we do think that these types of big market shocks tend to meaningfully change client and investor risk appetites. We have seen when we run the data, let's say on our platform for the last 10 or 20 years, it's interesting to note that, depending on when you start or let's say when you retire or when you receive a lump sum, your long-term asset allocation can be meaningfully impacted by the periods that ensued right before your starting point.

So, I do think that advisors should be thinking hard about how COVID will have impacted their clients risk appetites, and how that might influence some of their long-term asset allocation, and then how to diversify the portfolio is the advisors place of expertise. But there are some significant behavioural impacts that we want to try and make sure that we manage over these very volatile periods.

Then the classic is obviously to try minimise switching behaviour, diversify, but do so for the right reasons. I also do believe it's going to carry on being quite noisy, at least for the next couple of weeks and months, as we manage through the impact and consequences of what I hope was the final big fourth wave of COVID.

I think South Africa has got several issues that we continue to work through and that's going to be noisy to say the least. It's important to try and distil the facts from the noise and make sure that we are investing in some of those local opportunities that looked like they're a great risk reward trade off.

Cybercrime amidst a pandemic

KINGJAMES 54594

By Simon Colman, Business Head of Digital and Financial Lines at SHA Risk Specialists (a division of Santam)

Covid-19 has changed the cybercrime landscape. With more people working remotely, employees are inadvertently creating opportunities for hackers to forge tunnels into company networks through often unsecured connectivity. It can be expected that this trend will continue as businesses adopt hybrid work from home/office strategies. Last year, South Africa had the third highest number of cybercrime victims globally, according to Accenture. Phishing remains a significant trend. And we're seeing more state-owned entities, banks, law firms, SMEs and healthcare providers get hit. It should be a business imperative to proactively mitigate cybercrime risks.

How SA tracks globally

In 2020, South Africa suffered 577 malware attacks every hour, with fraud via mobile banking apps doubling within a year. Cyber-attack losses totalled R2.2 billion. Due to less robust cybersecurity systems, Accenture speculates South Africa might be a testing ground for malware. Globally, the country ranks 59th out of 182 countries for cybersecurity, and it comes eighth on the continent.

A slew of recently reported attacks have seen some of the biggest names in banking, insurance, transport and the public sector affected. Most recently, the justice department also announced that it was a victim of a cybercrime this year, demonstrating that no system is safe.

Over the past two years, (SHA Risk Specialists) – a division of Santam – conducted surveys of almost 1600 randomly selected business owners, the vast majority of which were in the SME sector. We found that 30% of these had experienced a cyber-attack within the last 24 months. Another 25% had fallen victim to a ransomware attack. Astonishingly, however, almost 50% of businesses still didn't believe they were at risk.

This lack of awareness and worrying level of complacency may render South Africans particularly vulnerable. One of the problems might be that the country is so exposed to crime, that incidents that don't involve violence don't make the news. So, there's less awareness of the prevalence of this kind of activity. Many SME business owners also incorrectly assume that the data they hold has no value to hackers and they therefore will not be targeted. The vast majority of SME incidents involve ransomware which is often a completely random attack.

Cybercrime in the current COVID-19 landscape and what to look out for

We are seeing a cybercrime spike. Currently, more people are working from home and connecting back to the office without using VPNs. It's tricky to detect when data has been compromised – gone are the days of a virus showing up as a blue screen with a smiley face. Now, a trojan or piece of malware lurks unseen in the system, 'sleeping' or actively extracting data for an external source.

- **Phishing** – when a person is targeted via email, phone or text by someone posing as a legitimate (and often known) institution or individual to extract personal information like credit card details or passwords – remains a top trend over this time. Just think about how many emails you receive in a day. Would you be able to spot a cleverly worded request from your 'boss' asking for the password for your company site to do some very creditable-seeming updates?

- **Ransomware** – involves encrypting all the data on a company's hard drives and servers and demanding a ransom in exchange for its return. This type of cyber-attack is also rife at the moment.

Local banks and the online retail, healthcare and legal sectors are currently being hit hard. Healthcare has always been a big target overseas, so it's unsurprising this trend is coming to South African shores.

What can be done to mitigate cybercrime?

It starts with awareness training for an entire team, irrespective of company size. Interactive training tools should be explored, as it's imperative to understand the current cybercrime landscape and trends.

Then it's about putting proactive mitigation measures in place. Do regular backups and invest in antivirus protection. Our survey found that 25% of SME businesses ended up paying ransoms that averaged about R25 000. Out of the 25% that paid, a further 20% got hit a second time. The first time, hackers attack randomly. The second time, you're a 'paying client' to them. It stands to reason that if regular backups of critical data are not maintained, that the business owner may think the only solution is to pay the ransom.

Those numbers were dwarfed by the cost of business interruption and downtime. About 12% of the victims of cybercrime in our survey experienced business interruption that cost them in excess of a million rand in downtime. Losses can stack up faster than you can imagine.

The important role of the intermediary

It's crucial to have the right cover in place that combines risk management services and insurance to cover business interruption costs, ransomware, forensic costs and more. We believe that **intermediaries will be key in driving broader and sustained awareness around cybercrime**. They have an important role to play in educating their clients about the benefits of cyber insurance and explaining how the cover works. Intermediaries add the most value where knowledge and expertise is required to identify risks and find solutions that match client needs. Such knowledge and expertise will, undoubtedly, be required in the case of a complex, emerging and as-yet relatively unfamiliar risk like cybercrime.

Visit www.santam.co.za for more information about Santam's cybercrime insurance.

santam specialist

HELPING CUSTOMERS TO SAVE IN A PANDEMIC ECONOMY

Millions of South Africans are trying to find ways to juggle a shrinking pocket with increasing expenses. Although the Department of Mineral Resources and Energy backtracked on the petrol price increase, dropping it from an 81-cent increase to 75 cents in December, the new price still breaches the R20 mark at R20.07 a litre (Inland price differ from Coastal provinces). The last five years have been rough in terms of inflation and rising living costs. The Old Mutual Savings and Investment Monitor (OMSIM) 2021 reveals that 87% of respondents said Covid made them change the way they think about and manage their finances.

A bit of foresight and careful planning with your clients can mean the difference between them having the means to financially survive the year ahead and a "mean" year where financial stress and worries are the order of the day..

A Household Affordability Index by the Pietermaritzburg Economic Justice & Dignity group showed that the average Household Food Basket increased by R98.08 (2.3%) month-on-month, and R400.83 (10.2%) year-on-year.

In October 2021, the average Household Food Basket cost was R4,317.56 and the group is predicting further food price increases in the year ahead.

In the face of these rising costs and what seems to be a never-ending onslaught of new Covid variants, many are quietly revising their finances and buckling down for a rough year in 2022.

Below is a few tips that advisers can share with clients going into the new year.

Budget, budget, budget: 22seven is a budgeting app, brought to you by Old Mutual, helps track expenses and set up investments. The app can help clients to be mindful of their spending patterns and identify expenses they can consider cutting. Remind your clients that a budget is a living document that should constantly be revised and not a static document.

Kill the debt: the cost of borrowing is likely to get more expensive after the recent interest hike taking the prime lending rate to 7.25% with the South African Reserve Bank signalling more interest rate hikes in the next year. If your client has access to any money they can channel into paying off or reducing debt, encourage them to do so. You can help them draw up a strategy to pay off their debt, starting with the highest interest-bearing debt first.

Polyjobbing: According to OMSIM 2021, 47% of people now have more than one source of income and 44% are learning something new or upskilling at home. Hobbies can be turned into income streams or clients can upskill themselves so that they can move into higher paying positions. Consulting positions have become more widely available and small to medium businesses are often looking for business mentors.

Reduce taxable income with a retirement annuity: Clients can contribute up to 27.5% of their total annual income to a retirement fund (the annual tax-deductible contribution is capped at R350 000) and get a tax refund or reduction. Help your clients calculate how much they have already contributed to their retirement annuity (RA) and other retirement funds – including the contributions for January and February and then work out how much more they can "top up" to receive the maximum tax benefit. These contributions will reduce your client's taxable income and any refund that your client receives from SARS as a result can be channelled into further savings.

Loyalty programmes – 69% of the OMSIM 2021: respondents took advantage of points or rewards accumulated via loyalty programmes in the last year. Remind your clients to check who the programme's rewards partners are and change their shopping behaviour so that they earn more points. It also helps to be aware of time limits as some programmes require you to earn a certain number of points each quarter to reach a particular rewards level.

COVER

Knowledge Shared

One of the most important areas we can develop as professionals is competence in accessing and sharing knowledge.

- Connie Malamed

Outlook

TECHNOLOGY

The ability to work from anywhere, at any time, via any platform, using the tools of choice, has become key, and this is where workforce mobility solutions are critical.

- Sarthak Rohal, IT services at IN2IT Technologies.

SARTHAK ROHAL

IT Services at In2IT Technologies

EFFECTIVE WORKFORCE MOBILITY SOLUTIONS ARE AT THE HEART OF THE HYBRID WORKING ENVIRONMENT

As a result of the pandemic, we're seeing workforce collaboration being harnessed like never before, with teams often becoming more globally distributed. Today's workforce needs streamlined processes, flexibility, and digital connectivity to support productive outputs. The sudden (and potentially sustained) use of remote work arrangements, evolving business strategies and a future state that is likely to involve hybrid working, mean that workforce mobility has become essential. Central to this is increased flexibility while containing costs and improving the employee experience.

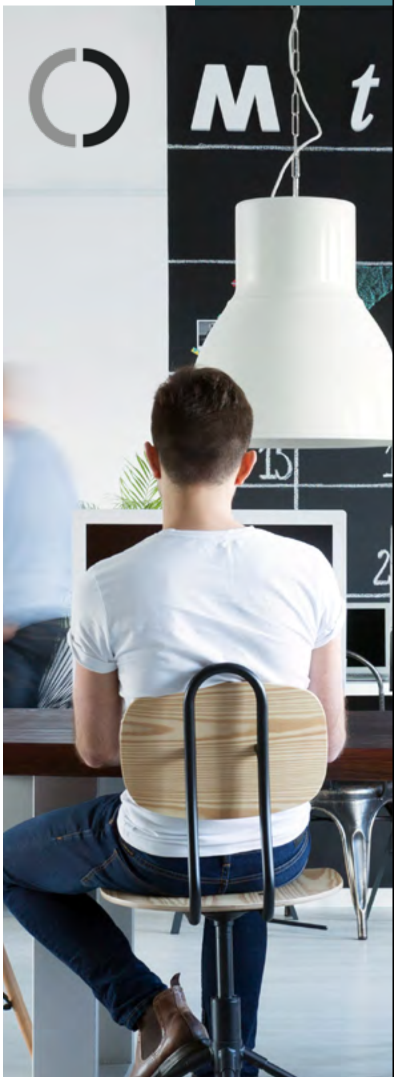
Any Place, Any Time

One thing that the current climate has proven is that the vast majority of workforces can successfully adopt remote working, and the collaboration landscape is rapidly evolving to accommodate this new diverse workforce and their elevated expectations.

The ability to work from anywhere, at any time, via any platform, using the tools of choice, has become key, and this is where workforce mobility solutions are critical. It has become essential to make use of technology platforms to enable employees to work from anywhere, supporting Best Resource Onboarding, regardless of location and flexible working hours to cater for when employees are most productive. It is also imperative to make use of a cybersecurity framework for securing data and on-demand research and analytics, and transparent digital policies and processes to build and maintain trust.

The Future is Hybrid

A hybrid workplace model caters to employees working from the office occasionally, while also working from home for the rest of the workweek. It is foreseen that many organisations will have to implement a hybrid workplace model for the long term. A hybrid work environment is likely here to stay, and companies will have to make the shift while maintaining productivity and increasing engagement levels.



In South Africa, a country where a face-to-face work environment has long been the standard, a hybrid work model is a comparatively new concept that organisations will need to adapt to. Becoming an efficient hybrid workplace will involve a significant shift in organisational culture, reshaped goals and objectives, new communication strategies and above all, flexible working hours. The right tools, such as collaboration, cybersecurity and performance tracking, also need to come into play.

Technology to The Forefront

Powerful technology platforms lie at the heart of workforce mobility and hybrid and remote working, but importantly, every user should have the flexibility to choose their own workplace devices. Alongside traditional workplace technology, such as desktops, laptops and virtual desktops, portable devices and tablets, and wearables should also be leveraged as primary work devices. Over and above the hardware, it has become crucial to focus on application modernisation so that productivity applications are accessible regardless of the device being used to access them. Organisations also require an integrated security and device management solution along with platform collaboration. Technology solutions supporting this include virtual desktop infrastructure and virtual application delivery, unified communication, collaboration and end-point management, user profile management, and hardware and software asset management, as well as employee performance and device tracking.

In today's fast-paced, tech-driven world, employees need work environments that provide a different range of spaces for many work types, with technology that works when they need it. To maintain productivity, technology needs to do the heavy lifting, taking the burden off the end-user. Additionally, a robust workforce mobility technological migration plan is vital to avoid any productivity loss. A holistic integration of process, technology and experiences is the key to successful workforce mobility.

2022: THE YEAR OF CLAIMS AUTOMATION & INTEGRATION

MARTIN PIETERSE
Ellipsys Technologies (Pty)Ltd

> 2022 will see an increase in the digital capabilities available to insurers and the largest benefits will be gained through preventing claims and reducing claims fraud.

It's no secret that I am a big fan of The Blacklist - Raymond Reddington in a tailored three-piece suit taking down the criminal underworld while building his own empire with the help of the FBI is definitely entertaining and educational. For those who are not familiar with the NBC series, the very farfetched show follows Raymond "Red" Reddington, the FBI's most wanted man, who volunteers to work with the FBI to capture other high-profile criminals in exchange for immunity and the opportunity to expand his own empire. Why do I find this series more interesting than the typical crime series, like say CSI?

The Blacklist team's focus is to prevent crimes from happening rather than solving them after the fact. And this will be the focus for Claims digitisation in 2022. The tools that automation and integration has brought into the Claims space will continue to bring efficiencies to managing the claims processes but the most benefit will be had from **Preventing claims; and Preventing claims fraud.**

Preventing Claims

One of the powerful, and less believable, assets that Reddington brings to the team is his foresight into imminent events. Reddington always knows when an identified target is going to attack/steal/pillage/de-fraud or just annoy a victim next.

This foresight would be very useful to know in advance when a claim incident could occur next and avoid the incident in order to minimise claim losses and to improve the overall experience of the policyholders. Where can insurers and administrators find their own Reddingtons to help them predict claim incidents?

Thankfully, access to Internet of Things (IoT) and other data sources mean you don't need to employ the services of a criminal. Smart devices can inform insurers of situations and events that could result in claim incidents allowing the policyholder to be informed to avoid the claim event.

Advanced telematics will inform insurers in real-time of inappropriate driver behaviour, like speeding, allowing the insurers to take action before accidents. Smart geysers can warn policyholders of high pressure and leaks allowing the geyser and water supply to be switched off before damage increases.

Preventing Claims Fraud

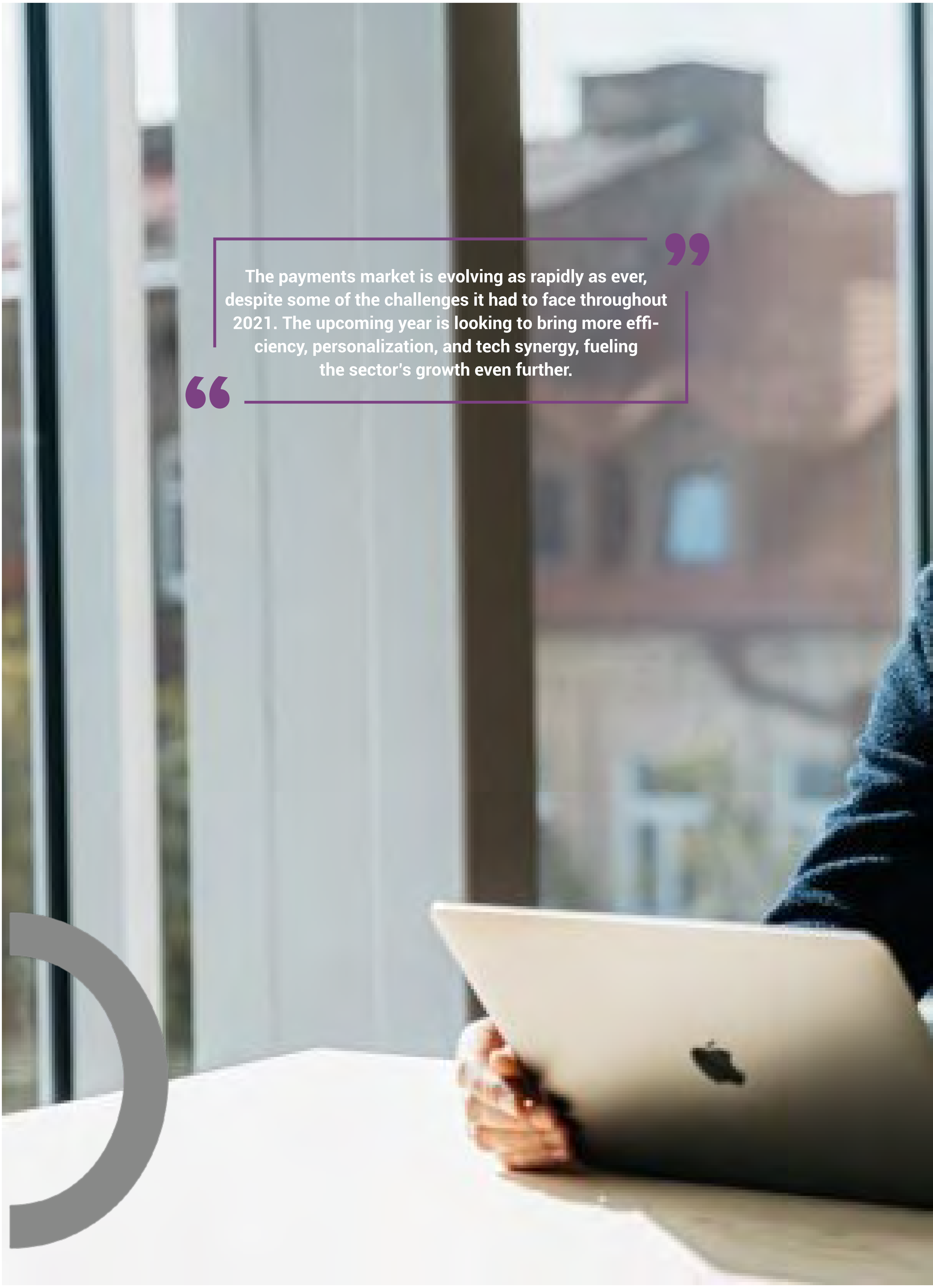
Preventing fraud in claims start long before the actual claims process - at the very first step of engaging with a potential policyholder. Reddington has a powerful network of informants throughout the underground and they can always be relied on to cough up useful information on a target being pursued.

For the insurers and administrators vetting of the policyholder against fraud databases and verifying the individual's identity can prevent future fraud by avoiding unwanted policyholders. Looking up a vehicle VIN number against a qualified source and comparing the vehicle details to what is being provided will reduce the number of incorrectly covered vehicles.

Survey photos and application forms, stored digitally and accessible at time of managing claim, will allow the claim technician to compare the item placed under cover to the item being claimed on to validate the claim. Digitally guiding a claimant through the claims process and requesting information as close to real-time as possible from the policyholder can provide information to reduce fraudulent claims.

If a policyholder is in a car accident and the insurer is notified of the accident by the telematic system in the car the telematics will record the vehicle details at the time of accident, including speed, braking information, direction of travel etc. The claim can immediately and automatically be created and the policyholder contacted to determine if they need assistance or if the injuries are minor. If the policyholder is able to, they can take photos of the accident scene as guided by their claims app on their phone ensuring all the relevant information is recorded for the claims process and to avoid disputes later. All of this is made possible through advanced telematics, geospatial analytics, data integration and deep learning.

COVER



> The payments market is evolving as rapidly as ever, despite some of the challenges it had to face throughout 2021. The upcoming year is looking to bring more efficiency, personalization, and tech synergy, fueling the sector's growth even further.

MARIUS
GALDIKAS

CEO at ConnectPay

4 PAYMENTS INDUSTRY PREDICTIONS THAT WILL DISRUPT THE MARKET IN 2022?

The most prominent disruptive forces, that are going to impact the payments industry in the upcoming year.

Having dealt with the initial pandemic aftershock, this year the key areas of focus for businesses were building economic resilience and improving customer experience. With the new year just around the corner, below I take a look at the main forces that will be shaping the payments market in 2022 and what payments market players should keep an eye on.

Internet of Payments

It is that by 2025, there will likely be more than 27 billion Internet of Things (IoT) connections. The growing number of IoT devices is rapidly shaping the everyday habits of consumers, including the way they choose to pay.

This led the financial world to coin a new term Internet of Payments (IoP) which refers to a phenomenon that enables payment processing over IoT devices, for example, smart home assistants, like Amazon Alexa, or smaller everyday accessories, such as Apple Watch.

IoP is currently at a nascent stage, however, as the market is becoming more saturated with IoT-driven devices, payments market players need to develop a blueprint on how to take advantage of this disruptive force.

The merge of IoT and payments brings consumers extraordinary convenience with reduced friction. As Open Banking enables third-party providers and fintechs take on the roles of IoP providers, this opens up an entirely new area for innovation. Also, IoT creates the opportunity for businesses to gather more data about the consumers, which will help to elevate user experiences.

BaaS Continuing to Thrive

Banking-as-a-Service (BaaS) allows embedding financial services into any company. This gave rise to a number of new market players, which took advantage of the Application Programming Interface (API) driven platforms to enter the financial services industry. The BaaS market, at $356.26 Billion in 2020, is now projected to reach $2,299.26 billion by 2028. BaaS enables companies to leverage market-tested infrastructure without the regulatory overhang, saving a significant amount of organization's resources. As the pandemic led many to redistribute their budget, outsourcing banking infrastructure became an even more appealing choice—leveraging banking-as-a-service enables them to direct more resources towards product innovation, rather than framework building. Therefore, BaaS providers will continue to fly high.

Hyper-Personalization

The need for personalized experiences followed consumers to the online space. While process automation will one of the top priorities for fintechs, the key will be finding the balance between providing efficient service and not losing 'the human touch'. To secure future success, industry experts have leveraging real-time consumer data to provide personally tailored insights and proactive advice.

With practically every business pouring investments into upgrading their tech framework, hyper-personalization becomes the main driver helping banking service providers differentiate from their competitors. That's why refining their approach to be primarily customer-centric as well as proving it at scale will allow gaining a competitive edge.

Focus on CBDCs

Throughout the year, central bank digital currencies (CBDCs) have been gaining momentum, with countries all around the globe, such as Sweden, Norway, South Korea, China, and others pushing the rollout and testing their application in the real world. The interest in government-backed e-money is not wavering, rather the opposite, it spurred new ideas, such as launching multiple CBDC systems, that could potentially cut off of transaction fees annually. CBDCs could provide a range of benefits, for example, lowering the cost of cross-border transactions, increasing financial inclusivity, and enhancing economic resilience of domestic payments systems.

This is a tool that, if implemented thoroughly, could outweigh the offerings of payment service providers, which will have to immensely step up their game. As for the multiple CBDC network, the main question of 'how long will it take?' remains, as developing a united framework seems like a Herculean task, with each countries' efforts moving at a different pace.

WHAT TO LOOK FORWARD TO..

INSURTECH 2022

We are excited to announce that Insurtech2022 is scheduled for 13 and 14 April. It will, once again, be a virtual event, but with a twist. For the first time, the virtual event will be followed by a face-to-face networking function in Cape Town and Sandton. Save the date!

ALTERNATIVE INVESTMENT CONFERENCE

The conference will host some of the leading alternative investment fund managers focusing on artificial intelligence, structured products, tech, private markets, impact investing, cryptocurrency and more. Register Here.

AFRICAN IINSURANCE EXCHANGE 2022

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