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ADVICE IS KEY

JULY 2022

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IT TAKES 78
SPECIALISTS
TO CHANGE
A SKYLINE.

Welcome to COVER

Knowledge Shared

Editor's Note

HIGH NET WORTH
ADVICE IS KEY

Our focus on High Net Worth insurance this month has brought up many questions.

With statistics showing a large increase in emigration, most of which would be high net worth individuals, are there still opportunities in this segment? If there are, what are their specific needs and what has changed over the past few years?

Then, for those looking after the wealth of these individuals, what are the risk management requirements? These and other questions are answered or probed by the various contributors to our feature.

I look forward to seeing our various clients and readers at Sun City from the 24th of July for the annual AIE Conference. My first big live event and I am super excited. As always, look out for our stand. Don't miss out.

TONY: EDITOR IN CHIEF


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FINANCIAL PLANNING

"Traditionally, insurance underwriting has been the one part of the life insurance offering that has seen the least innovation"

- EDWIN THERON, SANLAM INDIE

THE RISKS OF BLINDLY TRUSTING

CONVENTIONAL WISDOM

If you have spent some time with a toddler, you probably know that they can often become very attached to a specific object. Whether it is a favourite soft toy or blanket, small children can often derive a sense of security from this familiar and well-loved object. Woe betides any parent if said object goes missing (or needs to be washed)!

In many respects, markets can behave like toddlers too. The previous time when the US Federal Reserve (the Fed) decided to taper its quantitative easing (QE) policy in 2013, the market responded by throwing a 'taper tantrum'. In the end, the panic proved to be short-lived, but the deeply emotional response to the 'loss' of stimulus the system had come to take for granted, was every bit as intense as the best effort any two-year-old could put forward.

Markets often become emotional when something happens to upset their sense of security, or, to put this in financial parlance, when the fundamental assumptions decision-makers operate on, are called into question. When the emergence of the coronavirus caused economies to shutter across the globe at short notice in March 2020, the local market responded by falling 20% in the space of about 20 days, as expectations for future economic growth evaporated overnight. In this case, the emotional response was disproportionately large, and the market reached its pre-correction point a mere 88 days after the initial crash (JSE All Share Index, excluding weekends). The economic shutdown, although painful, was temporary, after all. Sometimes emotional market responses can be short-lived, but investors should be aware that the more deeply held the original belief, the more intense the response may be that follows (the difference between the blankie falling out of the crib vs the blankie falling out of the stroller at the mall and being irretrievably lost).

We believe that we are seeing an inflection point in markets that potentially marks a fundamental departure point from the macro environment of the past decade. Many had come to believe the low inflation, low interest rate environment of the past decade marked a 'new normal' where growth and long duration assets could continue to outperform indefinitely, driven by a new relationship between risk and return. This 'new normal' doctrine became an underpin to the way market participants thought about the performance of various assets and asset classes, and accepted as a 'conventional wisdom' security blanket which provided justification for why 'this time is different' (four very dangerous words in investing).

Now that rising inflation and interest rates seem to be more than just a temporary blip, the market is being forced to come to terms with the fact that one of the assumptions on which it had based assessments of risk and return may have been fundamentally flawed. To get back to our earlier analogy: the toddler is slowly waking up to the reality that its security blanket might be irretrievably lost, and a tantrum is sure to follow. When assumptions fundamentally change, it requires an important rethink of where we are likely to find sources of risk and return. This can be a potentially painful process, as the required recalibration is unlikely to be a smooth transition. We believe we are only at the beginning of what is likely to be an uncomfortable and a volatile recalibration process in markets, especially since many investors have failed to appreciate how impactful the current shift is. The assets that have rewarded investors well over the past decade are unlikely to prove to be the winners in the years ahead, and portfolios that still embed the old logic are likely to disappoint investors in their attempts to build wealth going forward.

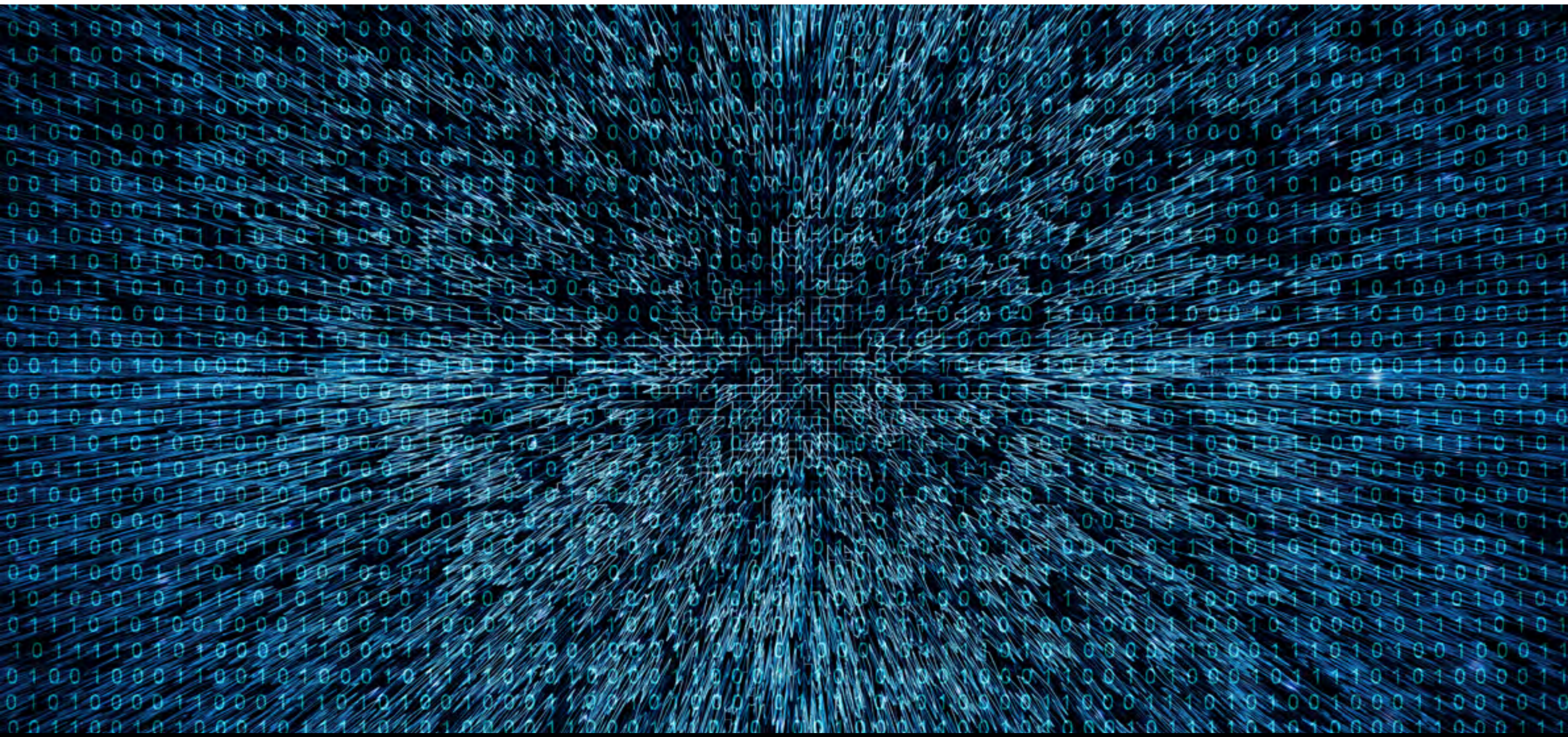
What is required when fundamental shifts are afoot, is a sober assessment of the beliefs that underpin the portfolio construction process. Letting go of a long-cherished security blanket is no easy task, but we believe investors who are able to do so, are far more likely to succeed in the changing investment environment. The benefit of partnering with differentiated thinkers should not be underestimated, since relying on conventional wisdom at times like these may lead to disappointing outcomes down the line.

INSURANCE UNDERWRITING REIMAGINED IN A DIGITALLY-DRIVEN WORLD

Traditionally, insurance underwriting has been the one part of the life insurance offering that has seen the least innovation. This leaves lots of room for disruption since the bar has been set pretty low. The process that insurers undergo to evaluate a client's risk profile based on factors like their medical history, underwriting is usually a very lengthy, tedious exercise.

EDWIN THERON

CEO at Sanlam Indie



It usually goes something like this. Once you decide on the product you want to buy, you'll need to meet with a broker, fill out a lot of paperwork, conduct various tests, potentially repeat some steps along the way and submit more medical forms depending on your test results and, if you're lucky, several weeks later, you're insured. Because large, well-established insurers have to standardise much of their application processes to speak to everyone, each and every customer has to navigate this sales journey to get a policy, regardless of who they are or the type or size of cover they're after.

In a digital environment, underwriting looks a little different. Digital underwriting makes use of emerging technologies, integrates with more services and uses different data sources to streamline the process of signing up for a policy. It's possible to do so because technology can automate much of the time-consuming, error-prone manual tasks and the repetitive administrative work that consumes a large portion of a typical underwriter's day.

Because we started off as a digital business, we've had the opportunity to do underwriting differently; redesigning the process from the ground up. In doing so, we've been able to cut down the entire process – from the time a customer starts applying for a particular insurance product to the time the policy lands in their inbox – to under 10 minutes. This has been done without reducing the comprehensiveness of the product by relying on more exclusions or by charging inflated premiums. This might seem unbelievable but there are several reasons why this kind of efficiency gain is possible. Here are a few things we learned about how to get digital underwriting right.

NARROW YOUR FOCUS

For starters, we narrowed down who we were targeting. For example, unlike traditional product ranges, we were very deliberate about not trying to target everyone and not trying to be everything to everyone. In streamlining who we were going after – digitally savvy, younger, urban, first time insurance buyers – we could customise the process to speak specifically to this type of client. When you are selective about who you want to attract, your approach is far more effective than just throwing a massive net out to sea and hoping we'll catch something good. It's not about prioritising some demographics over others or pushing some customers to the side, it's about knowing who your customer is and creating products and services that address that segment directly.

AVOID UNNECESSARY JARGON

As part of this, we put a lot of effort into making sure that we presented all the information along the buying journey as simply as possible. Where possible, try to use plain English and avoid insurance jargon to ensure that your clients understand exactly what they're buying. This may seem like a simple thing, but we've found that content is one of the most powerful tools to make the underwriting process easier. We actually have a team of content writers who spend ages putting our wording together to minimise confusion and to make sure that clients grasp what you are asking. And it's important to constantly review your content to assess what is and isn't working and that you complement it with help articles, which provide additional information that you think might be necessary to give customers additional clarity.

"In a digital environment, underwriting looks a little different. Digital underwriting makes use of emerging technologies, integrates with more services and uses different data sources to streamline the process of signing up for a policy."

DO YOUR RESEARCH

We've also spent a lot of time doing user research and testing to see what works and what doesn't. Everyone claims to put the client first but we have seen the value in getting real perspective from our clients rather than relying on our own insights. A great example of this saw the team coming up with creative ways to help customers who are applying for insurance but who don't know how tall or short they are, figure out their height. One way we suggest that people can measure their height is by standing in a doorframe if it's a standard door it'll be around 2m so they can make an estimation of their height based on this known measurement.

INTEGRATE WITH OTHER PARTIES TO STREAMLINE YOUR PROCESSES

With our process being an entirely digital process, it's possible for us to integrate with other sources of data on the backend so that we can verify that the information that clients share is accurate. In doing so, you don't have to send people for countless tests or ask them to fill out a ton of forms to determine if you should take them on as a client or not. Obviously there will be clients who need to take a few extra steps along the sales process undergoing medicals or providing additional information but the idea is very much for this kind of thing to not be the norm.

KEEP THE FRONTEND IN-HOUSE

While we do plug into a range of systems and APIs to control different backend processes and to integrate with different partner platforms, we have been very deliberate about how we develop our frontend, the part that the customer actually sees and interacts with, in-house.

When you do so, everyone on your team takes ownership for their work and understands their contribution to the final product. If you look at the industry today, it's clear that expectations have shifted. Modern consumers expect taking out an insurance policy to be as simple as signing up for a service online, which, let's face it, is pretty simply. And going forward, these processes are only set to get smarter.

Already, we're seeing savvy startups inferring things about a client's health based on a single photograph. With this in mind, using digital to make risk management faster and easier is a must today so that we are well positioned to tap into the technologies that will shape the industry in the future. All of this serves to help the insurance industry stay on par with other, more digitalised industries, improve ways of working and attract customers in unique ways.

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BUILDING YOUR OWN PRACTICE TAKES TIME AND DEDICATION.

Every thriving financial practice has its own story of growth and success that is grounded in the founder's vision of how they can offer advice, and best build stable financial futures for their clients.

However, anyone starting out in the financial advice business will need clients, which means that you are going to need time to build this base over time. When clients sense your honesty and dedication, it will create a bond that links their financial aspirations to your vision. While this could be one's personal recipe for success, the principle of the role always stands firm. As a financial adviser, I consider myself a coach. Not only do I provide advice to my clients, but I train and motivate them on their journey to financial wellness. For many South Africans, having a fixed, monthly savings plan in place often gets put on the backburner when times get tough, or they are forced to dip into their existing savings to help make ends meet.

In my experience, when you advise a client to put their money away for the unforeseeable future or a big life event such as retirement, they need to know that there is a positive, long-term outcome. The latter may not always be obvious, but it is up to financial advisers to paint a bigger picture for their clients, reminding them why discipline is important when it comes to saving. Future plans should always be viewed as an exciting step forward in a client's life, giving them the freedom to do the things they have always wanted to, but perhaps never had the time for due to work and family life.

In building your practice, your reputation and role as a professional should not be underestimated. You will find yourself becoming a significant member of the community, partaking in events and meetings which would provide you with the opportunity to meet and network with prospective clients. You will be relied and called upon when it comes to offering sound financial advice and education to your clients future and existing.

This means that you would need to set aside a significant amount of time to build relationships, being patient and attentive in your conversations with prospective clients. Soon you will find yourself yielding great results by building a reputation for yourself, which will form part of your own success in the long run.

Again, I would like to reiterate the idea of being a coach, and not just simply an adviser. Your clients need your support, and require that you walk the road with them from a long term perspective, to help them accomplish their goals. You provide them with sound advice when it comes to saving money, for example, but it is the ability to coach people into realising their dreams and aspirations into reality that makes a real difference. This takes time from an adviser's perspective, but it is time well spent and will grow your practice. When you show up with vigour and integrity, your clients will see you as an ally who is committed to their life goals, and your relationship will grow from there because of this commitment and positive attitude.

TAKE THE LONG VIEW

It is fair to say that 2021 was an extraordinary year in so many ways. Ex-US president Donald Trump refused to admit defeat in the US presidential election, the US finally withdrew its forces from Afghanistan, the Olympics took place in Tokyo two years later than planned and chaos erupted when one of the world's largest container ships blocked the Suez Canal for six days to name but a few examples (and not even including the continued Covid-19 lockdowns globally).

DEBRA SLABBER

Portfolio Specialist at Morningstar Investment Management SA

"Markets are and will always be complex. There is a constant oscillation between euphoria and depression and/or celebrating positives and obsessing over negatives. Markets are inherently unpredictable over the short term and driven by factors no machine or person can predict accurately."

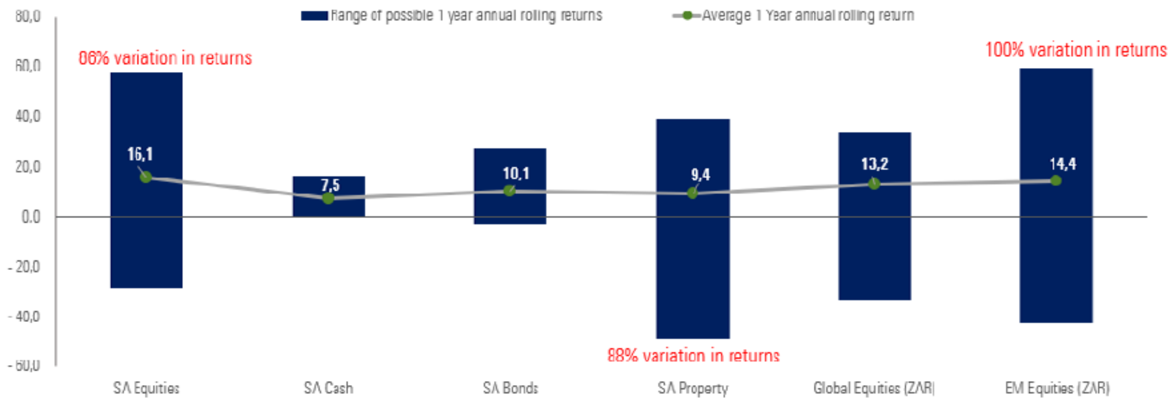
From a market perspective, there were definitely a few landmines but there was also ample opportunity and money to be made. Overall markets were kind to investors and 2021 had one of the lowest annual volatility levels and performance drawdowns on record. Fast forward to four months into 2022 and we are back to a period where market volatility and uncertainty are the order of the day. Investors are navigating their way through a time when it feels like everything is going up (and not in a good way) – inflation, interest rates, the oil price, geopolitical tension and possible rate hikes, to name a few. Understandably, clients are asking "where to from here?". Today, more than ever, there are enormous pools of capital that are driven by sophisticated algorithms and aided by leverage. Should sentiment be swayed in any one direction, be it via a constant flood of news headlines and/or Robinhood traders, price movements can be amplified in magnitude and speed from one day to the next.

Howard Marks once said that no one can succeed in predicting things that are heavily influenced by randomness. And the world today is filled with randomness. Over time, humanity has developed highly sophisticated financial models to predict anything from currencies to GDP and so too, very comprehensive risk management tools which are widely used. Still, none of these sophisticated systems could predict that Covid-19 would bring the world to its knees, or that Russia would invade Ukraine and the massive repercussions that would follow for capital markets.

It is easy to fall into the trap of thinking the world is unusually complicated these days and to long for simpler times. At times like this I think back to lyrics from a song by famous country singer Kenny Rogers - "They don't make 'em the way they used to". While the troubles of today usually seem very difficult at the time, and we often like to remember the halcyon 'earlier' days, the past certainly wasn't as comfortable as we remember it, and there were often more challenges than we recall.

WHAT TO DO ABOUT SHORT TERM VOLATILITY?

Markets are inherently unpredictable in the short term; the range of outcomes is wide and investors have very little advantage in trying to predict what will happen from one day to the next. The chart below shows you the range of possible outcomes over any rolling one-year period per asset class that is broadly investible from a Rand perspective. The green dot is the average annual one-year rolling return per asset class. What is quite clear is that the variability in returns is far greater than one would think. Emerging market equities for example have gone from -40% to +60% in one year, giving it a 100% variability rate. That is pretty extreme.



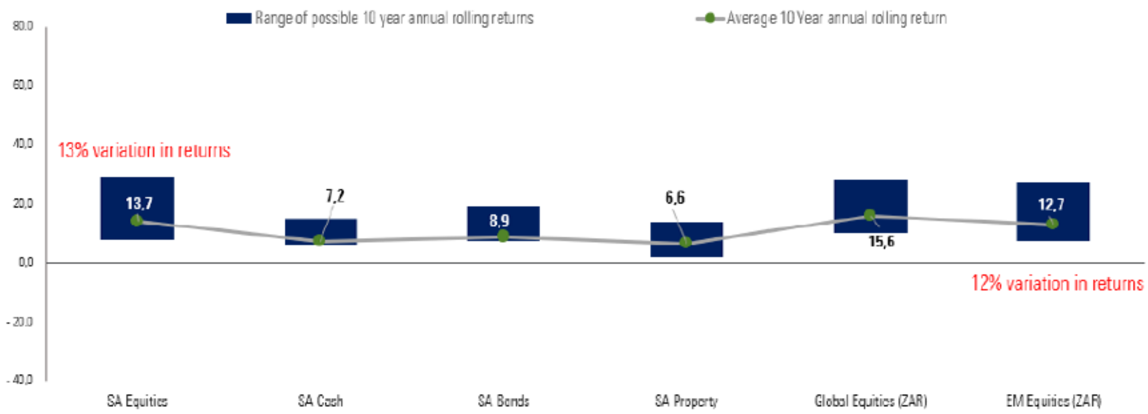
Source: Morningstar Direct. Data as at 31 March 2022. Past performance is not an indication of future returns. For illustrative purposes only. *Note: Emerging markets equity data ranges from the earliest track record data available from 31 March 2012 to 31 March 2020.

WHAT ABOUT THE LONG VIEW?

If you look at the same graph, but on a rolling 10-year basis instead, the picture looks materially different. Two observations that can be made from the graph below:

1. All asset classes are positive over any 10-year rolling period.

2. The variability in returns is drastically reduced.



Source: Morningstar Direct. Data as at 31 March 2022. Past performance is not an indication of future returns. For illustrative purposes only. *Note: Emerging markets equity data ranges from the earliest track record data available from 31 March 2012 to 31 March 2020.

ARE MARKETS MORE PREDICTABLE OVER THE LONG TERM?

Yes, markets are more predictable over the long term and the reason for this is that ultimately the price of securities is driven by fundamentals (earnings growth, inflation, starting valuation). That is why at Morningstar we spend very little time trying to predict the near-term future, and we don't try and forecast geopolitics or macro factors.

SO WHERE DOES THAT LEAVE US?

Markets are and will always be complex. There is a constant oscillation between euphoria and depression and/or celebrating positives and obsessing over negatives. Markets are inherently unpredictable over the short term and driven by factors no machine or person can predict accurately. If, however you extend your timeframe, the behaviour of the market and asset classes look much more certain and the range of outcomes mostly always narrows.

So, take the long view on your investments and ensure your portfolio is diversified to withstand bursts of volatility that may be experienced in the short term and accept that you will find very little advantage in trying to predict the future from one day to the next. Patience, perseverance, good savings habits and a good sense of value will help you reach your financial goals.

LOOMING PUBLIC HEALTH CRISIS

HIGHLIGHTED BY A KAROO COMMUNITY


Actuarial Society of South Africa

ACTUARIAL SOCIETY OF SOUTH AFRICA

The number of South Africans suffering from diabetes increased by 257% in the decade to 2019, while cancer and cardiovascular illnesses are responsible for 55% of claims against critical illness policies. According to healthcare actuary Shivani Ranchod of Percept, a health and financial services advisory firm, South Africa is facing an unprecedented public health emergency driven by a growing prevalence of Non-Communicable Diseases (NCDs) like diabetes, cardiovascular disease, cancer, asthma and mental health conditions.

Ranchod adds that the country's looming public health crisis is likely to be compounded by the large number of South Africans living with HIV as well as the arrival of COVID-19, which impacts most severely on people with NCDs.

UNDERSTANDING THE DEPTH OF THE NCD BURDEN

Concerned about the impact that NCDs are having on the country's public healthcare system, especially as the country moves towards a system of universal health coverage, Percept joined forces with public health specialist, Dr Beth Vale, the Actuarial Society of South Africa (ASSA), the Board of Healthcare Funders (BHF) and RGA Reinsurance Company of South Africa to conduct deep dive research into the growing burden of NCDs. The research was conducted by Percept and Dr Vale, and was funded by ASSA, BHF and RGA. The findings were recently published in a series of 14 briefs, each exploring a different aspect of managing NCDs in the South African context.

The ASSA Public Interest function initiates and funds research that has the potential to influence public policy. According to Lusani Mulaudzi, ASSA's public policy actuary, the general prevalence of NCDs has never been quantified making it almost impossible to project the impact on healthcare costs in South Africa. "This research work done by Percept will help to enhance the understanding and management of NCDs in South Africa and ASSA is honoured to be part of this initiative."

Ranchod explains that the research on NCDs in South Africa is much more than just a set of quantitative data: "What makes these briefs incredibly relevant is the qualitative data gathered by Dr Beth Vale through in-depth ethnographic research in a community situated in the heartland of the Karoo."

NCDS AND SOCIO-ECONOMIC FACTORS

The Karoo community became the focus of the research because, despite being removed from the country's key urban centres, it has some of the highest rates of NCDs in the country. Ranchod says this highlights the link between NCDs and socio-economic factors. Previously considered "diseases of lifestyle" that afflicted high-income countries, she points out that the rate of NCDs is increasing rapidly in low- and middle-income countries where healthy food options are either not available or unaffordable. She adds that 86% of the world's NCD-related premature deaths occur in low- and middle-income countries, with sub-Saharan Africa facing the highest NCD mortality risk.

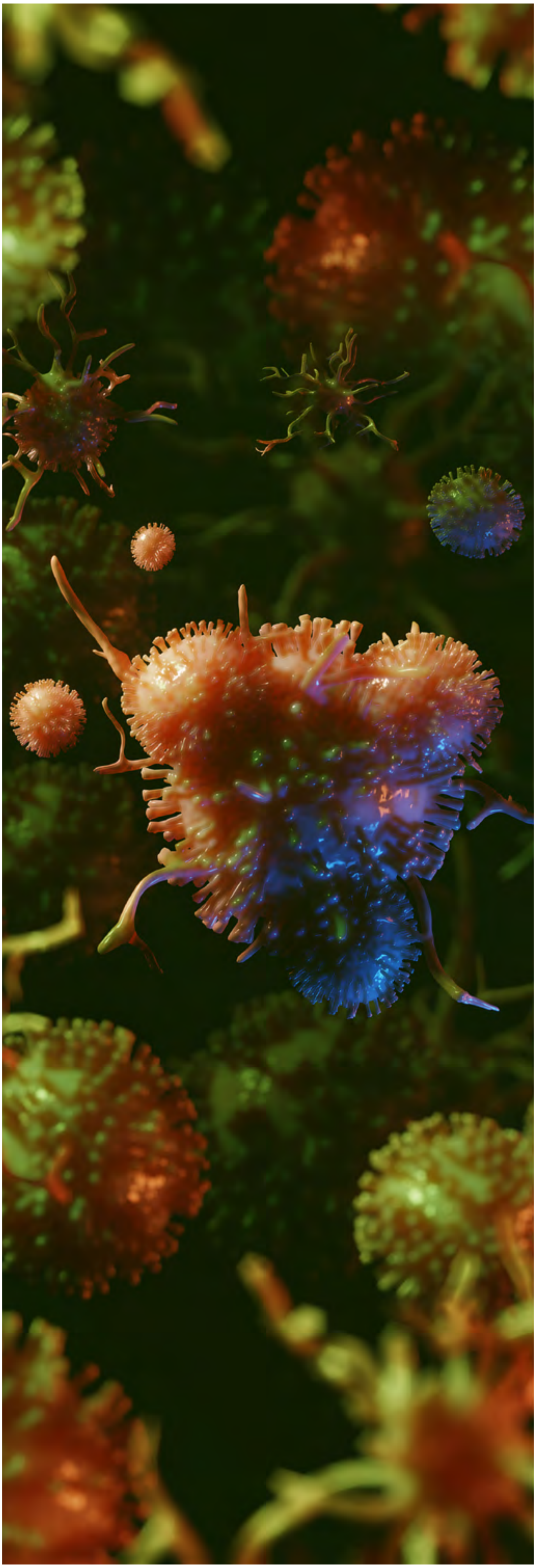
The research also lists "exploitative working conditions" as a key driver of NCDs. According to Vale, the complex change from lifestyle farming to commercial farming in the Karoo has had a significant impact on the food environment for farm workers. "Payment has moved from a package of farm food and very limited wages, to a purely cash-based system based on a hard-won minimum wage," explains Vale. She adds that many workers now travel long distances to buy food at month-end, often with a preference for processed, non-perishable food that can stretch across time and budgets.

Vale found that many members of the Karoo community, which was the focus of this research, live with multiple NCDs, sometimes in addition to being HIV positive. This leaves health workers having to manage drug interactions, adherence to prescribed drugs and juggle supply shortages on an ongoing basis.

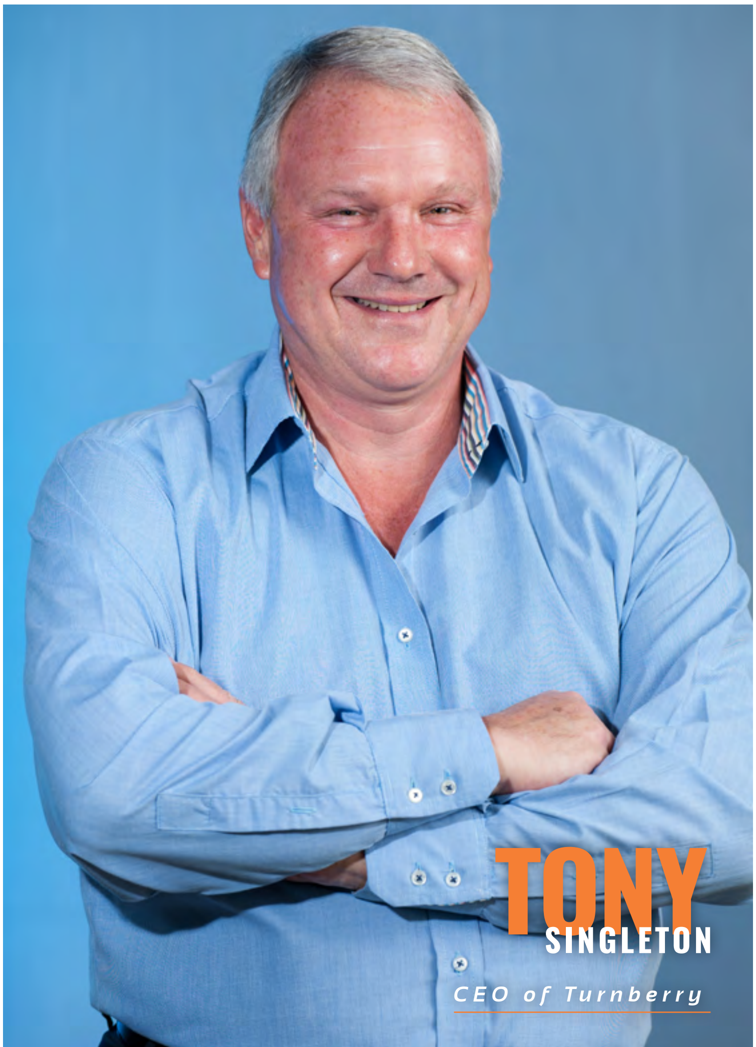
CREDIBLE INSIGHTS AID PLANNING

Ranchod says the direct cost burden on the country's public health system as well as the indirect impact on the economy are substantial. In addition to the cost of pharmacological interventions and consultations with health workers, a large number of individuals are missing work regularly because they are either too ill to work or in queues seeking help from a stretched health system.

Ranchod points out that on a national scale, the growing rate of NCDs is also impacting life insurers who are seeing significant changes in claims experiences. "Correct measurement of the risk and accurate pricing is crucial in enabling life insurers to provide sustainable financial protection for death, disability and critical illness." She points out that there is very little reliable data or research on the prevalence of NCDs in South Africa, because the conditions are not notifiable and also because the focus has been on HIV. "Not having credible insights into the state of the health of your population hinders your ability to plan. Equally, it also prevents life insurers from deriving accurate pricing for risk products. This research is the first step towards building a comprehensive dataset that paints the picture for the entire country."



WHEN IT COMES TO BIRTH, IT PAYS TO KNOW YOUR OPTIONS



A report by the Council for Medical Schemes states that in 2018, the rate of Caesarean section births among medical aid scheme members was a staggering 76.9%.

While C-sections are a necessary operation that can save lives, they are often unnecessary in the majority of normal, uncomplicated births and deliveries and are on average at least 75% more expensive than natural vaginal deliveries, which means for members, the likelihood of significant medical expense shortfalls is increased. However, there are other options for birth, which will also be covered by medical aid, including midwife-led care.

CHANGING OPINIONS

C-sections have become the norm among medical scheme members in South Africa, as indicated by the statistics from the Council for Medical Schemes. In the public sector, the rate is far lower at 44%. However, these stats are all from before Covid-19, and it will be interesting to see how things have changed. The pandemic has led women to explore their options, including the option of home birth led by a midwife, because giving birth in a hospital during the height of the pandemic meant medical providers in full PPE, partners not permitted for the birth, a lack of emotional and physical support...

HOW DOES MIDWIFE-LED CARE WORK?

Midwifery is the health science and profession that deals with pregnancy, childbirth and after birth support. A midwife acts as the primary healthcare provider throughout a woman's pregnancy, performing regular check-ups including monitoring the wellbeing of both mother and baby, supporting the mother's emotional health, and answering any questions she may have. Midwives are professionally trained experts and will always refer patients to an obstetrician if any concerns are found, and for ultrasound scans of the baby.

However, for most women, pregnancy and childbirth is uncomplicated, and the option for a home birth can be a safe choice that might suit lifestyle and preferences better than a hospital. Home births are covered by medical aid and attract a lower cost than hospital births, which means that any medical expense shortfalls will be a lot less.

WHERE DO DOULAS FIT IN?

Doulas are not the same as midwives – they do not offer pregnancy and childbirth care. They perform the role of emotional and physical support that can be helpful during the birthing and after birth phases. If the doula is also a nurse and has a practice number, their fees may also be covered by medical aid for the birth.

WHY DO I NEED GAP COVER?

There often are medical expense shortfalls, regardless of the birth option that has been chosen. With C-sections, this shortfall can be in excess of R35 000, and although a midwife-led birth will have reduced medical expense shortfalls, there is often still a medical expense shortfall involved.

Having to worry about paying off significant sums of money when you are just starting out on your family journey is a stressful experience that nobody should have to deal with. Gap cover will cover the shortfalls for childbirth in a hospital setting, including the services of a midwife in a hospital, as well as for home births that have been authorised by medical aid, if there is a payment from the risk benefit of the medical aid. Gap cover may also cover the shortfalls for two follow up consultations with your midwife to ensure proper support after birth.

EXPERT ADVICE FOR PHYSICAL AND FINANCIAL WELLBEING

Having gap cover in place will ensure that any medical expense shortfalls, from whichever birth option you choose with the guidance from your healthcare provider, will be covered, so that you can start (or continue) your family journey on the best note. ***When it comes to your financial needs, always speak to your broker or financial advisor, who will be able to give the best advice on cover to protect your financial wellbeing.***

HEALTH & MEDMAL TRENDS: WHAT YOU NEED TO KNOW

There's a crossover between the experiences of medical health schemes and those of professional indemnity insurers that can aid the approach of a medical specialist. Read on for the latest research and how it relates to you.

The latest Global Medical Trends Survey, published annually by Willis Towers Watson, provides feedback on medical costs from a global network of 209 insurers in 61 countries. A brief synopsis of the survey results is provided below.

The survey reveals that the unpredictable course followed by the pandemic across the world has resulted in "considerable volatility in healthcare utilisation and costs". Healthcare costs dropped to an average of 4.8 percent in 2020, and ricocheted to 8.1 percent by the end of 2021 when the report was published.

The anticipated healthcare-benefit-to-cost trend is likely to continue at more or less this rate. Another nugget from the report: "Three quarters of health insurers anticipate a higher, or significantly higher medical trend, over the next three years" probably due to the unpredictable trajectory of COVID-19 across countries.

KEY FINDINGS COVER FOUR MAIN AREAS, AS FOLLOWS:

- Claims related to musculoskeletal disorders soared, most likely due to poor ergonomic set-up in the work-from-home office followed closely by cardiovascular and respiratory conditions. Cancer appeared to drop in significance, despite it being a top condition affecting medical cost most likely due to a deferral of treatments over the pandemic.

Notably, insurers expect mental and behavioural disorders to be on the rise in terms of claims over the next 18 months, which could prove a factor in the work of many medical specialities.

- If you've not yet begun offering telehealth in your practice, which allows specialists (including obstetricians and gynaecologists) to examine, remotely diagnose and treat their patients, you may like to get on the bandwagon. Insurers and patients alike are noticing the improved cost management of this medical offering, which can serve to swell the scope of your potential patient base.

- Medical practitioners should be wary of the overuse of care. Sixty-four percent are suggesting too many different types of treatments, and costs are rising in tandem. The report also shows that 58 percent of insurers believe overuse of care by insureds is rendering the care that bit more costly.

- Last up, it goes without saying that some nations are seeing a heightened demand for services now that it is safer to sit in that waiting room or schedule that procedure in hospital – especially if you are a high risk patient, such as diabetic, pregnant, or undergoing oncology treatment, for example. Others may only witness this resurgence in 2023 or beyond. What's good news for medical practitioners is that a waning pandemic can only be beneficial in terms of the volume of future treatments they will be called upon to perform.

SPOTLIGHT ON MEDICAL MALPRACTICE INDEMNITY

Moving on from medical schemes to the insurers offering professional indemnity (PI), here's look at trends of relevance to the medical malpractice sector.

Firstly, it's important to state that PI is a necessary ill for all professionals. Therefore, many of the sentiments expressed in Thomas Harban's piece for DeRebus (aimed at legal practitioners and practices), refers equally well to the medical profession and its specialists; especially those in private practice.

Harban writes: "The effects of the COVID-19 pandemic on PI claims will only become known in time, when there is sufficient data on which to analyse the trends. It will be appreciated that the nature of PI claims is long-term …, as there will be a long lapse of time between the plaintiff becoming aware of the breach of the mandate or duty of care on the part of the … practitioner and them embarking on the process to pursue a claim against **him/her.** Many … practices were not able to operate optimally for long periods since the onset of the pandemic. The change in the operating environment also affected the risks that firms face."

including medical practitioners, is this one: "Practitioners pursuing practice in high-risk areas must reinforce their internal risk management measures. Many of the claims arise from mistakes that could have been avoided had a common-sense, prudent risk management approach been applied."

The gist of his piece is that professionals in private practice across the board should chat to their PI brokers or insurers to mitigate falling victim to these risks, which could range from the need for more accurate record-keeping, to ensuring that informed consent is taken in the most protective way.

Click here for the full Willis Towers Watson "Global Medical Trends Survey". Find other sources here.

HIGH NET WORTH

"Although private wealth in South Africa declined by 12% from 2011 to 2021, we're still the country with the most millionaires on the continent with more than 50% of all HNWI in Africa."

-TARINA VLOK, MD, ELITE RISK ACCEPTANCES

WEALTH MANAGEMENT ON THE VERGE OF DISRUPTION

At Momentum Wealth, we believe the time is now for platforms to invest capital to ensure that our business-models are ready to respond to disruption, and enable advisers and clients to be ready for a different future world of wealth management.

HYMNE LANDMAN
Head of Momentum Wealth at Momentum Investments

THE WORLD OF TODAY

According to the 2022 digital global overview report1 , South Africans aged between 16 and 64 spend 10.5 hours on the internet every day, almost double the global average, and this has increased by almost 30% over the past three years. Despite spending the majority of their day online, e-commerce adoption rates locally are much lower compared to the rest of the world. However, if online banking trends are anything to go by, financial advisers and platforms should prepare to meet clients where they spend most of their time online.

Every year Momentum Wealth partners with NMG Consulting in the UK to obtain in-depth market feedback from around 150 face-to-face interviews with independent financial advisers. In the latest study, conducted in September last year, financial advisers expect linked investment service provider (LISP) platforms, advice models and practice management as the three areas in our retail wealth industry to be most susceptible to disruption.

Our view is that the experience of advice and wealth management will be radically different in the next few years. And that is why we are investing in the required capabilities to enable our financial advice partners for a world that will look different. As an example, **data and algorithms will likely power the future of advice** and will enable us to anticipate clients' changing needs to adapt advice and solutions accordingly.

We believe that, as a platform, we will increasingly embrace the power of data and information in our systems to hyper-personalise **client experience**, such as communication and reporting. An example of how data can be used is Momentum Investments' research on behavioural finance. Using unsupervised machine learning, the behavioural finance team identified four different investment personalities, which behave differently under certain market conditions. Our future platform envisions insights for advisers where predictive analytics can be used to empower them when markets tumble. For example, during the 2020 volatility in global markets, the number of switches on the Momentum Wealth platform increased by 60%. If we were able to warn advisers and clients to stay invested and avoid the so-called 'switch itch', clients' returns would have been 6.5% per year higher on average. By establishing these capabilities, we believe that we can significantly enhance the advice processes of financial advisers and strengthen their client proposition.

With us, investing is personal and we believe that people will remain at the core of client relationships. Partnering with digital technologies in the right way will enable our advisers to serve clients in a more effective and personalised way. Despite the strides in artificial intelligence (AI), we believe that nothing can replace the value a financial adviser adds to the lives of their clients. AI, however, will aid advisers in many ways to enhance the value they add.

TRANSFORMATION NEEDED

While many platforms have been experimenting with blended models, local capabilities are still evolving and adoption rates have been relatively low. The Covid pandemic has proven that human-digitech hybrid models are needed, that these models can work, and that they are indeed now part of the 'new normal'. The industry needs to use this momentum for further digital support to enhance client experience. Our future will require a seamless blend of human contact and technology interactions, where clients will increasingly want to self-serve and interact in digital formats.

This transformation has more benefits than an enhanced experience for all:

- Advisers can spend their valuable time where it matters most, with their clients, optimising the investment strategy and giving advice. We have experienced the time taken on some of our processes reduced by days, taking only minutes to complete end-to-end.
- Moving away from paper-based processes that used approximately 1.3 tons of paper saves 32 trees a year.
- Lower operating costs for financial advisers, clients and platforms alike.

Advisers and platforms should work together to leverage technology to unlock some of these benefits so that we can invest where the human impact matters most. We believe that the time is now for platforms to accelerate our own capital investment to ensure that we invest in building the core foundation of technology that in future will provide us the agility and flexibility to respond to the needs of financial advisers and their clients. That is exactly what we are doing in building the future of Momentum Wealth.

OFFSHORE PENSIONS A KEY PART

OF GAINING FINANCIAL FREEDOM

How do I retire comfortably, and maintain the lifestyle I've become accustomed to? That's the question many of us ask ourselves at some point and there's no single right answer. Everyone has their own circumstances and goals.

Lately, though, we're seeing three emerging trends in financial planning. One is a clear shift towards family and legacy planning. Call it the impact of Covid-19, if you will, but growing numbers of individuals are considering family within their retirement planning. People want to leave a safety net for their dependents and loved ones. Another trend is that people are starting to plan their futures earlier. Fact is, planning for retirement is not only for the middle-aged anymore.

Also, some individuals are looking beyond the usual array of local retirement plans to offshore international pension options. Local pensions have their place in a portfolio, but they have limitations that international options can cover. That's why many investors are investing in the global market for growth purposes and saving offshore for retirement with legacy planning options.There are several good reasons for this. For one, international retirement plans have no limitation to equity exposure, which means they can invest in a range of global funds. Local pensions only allow up to 30% of global fund selection.

Secondly, international plans are not restricted by the location of the investments. They are typically in hard currency (such as the Pound, USD or Euro), which are less volatile than the Rand. Thirdly, international pensions are more flexible. The retirement age can be anywhere between the age of 50 and 75, and members can draw down ad-hoc amounts that suit their specific needs, with no constraints around the amount of cash that can be withdrawn or the need to purchase an annuity. This allows the funds to remain in equity investments even when the member is in drawdown. Fourthly, and importantly, international pension fund members can draw down from their contributed capital, which means they don't trigger capital gains tax. Members only pay capital gains tax in South Africa when they draw from the capital gains component. This allows for tax free growth within the international pension. Capital gains is only tapped into once the capital component has been depleted, and every time a member contributes, they increase the capital amount.

Fifth, a member of an international pension may appoint discretionary beneficiaries, which allows legacy planning. On death, the assets would be passed into a trust or international pension plan, which would provide for the beneficiaries - usually the member's spouse and children. This option offers asset protection beyond the death of the member, instead of returning the funds to South Africa. The payment of death benefits will not trigger a capital gains or income tax charge when the transfer takes place. The gains accumulated thereafter will be taxable when distributed to the beneficiaries. Six, and a growing consideration, is the portability of the pension if a taxpayer emigrates. International pensions are completely portable, whereas local retirement annuities and pension funds are not. A financially immigrated individual will have to prove they have been non-tax resident in South Africa for three full consecutive years before they can move their SA pensions or RAs out of the country.

By using a combination of the annual foreign investment allowance and annual discretionary allowance, the SA Revenue Service and the Reserve Bank allow South African investors to invest up to R11 million per taxpayer per year offshore. The funds will always be net of tax, being used for further pension and retirement planning with beneficial factors to enhance your entire retirement portfolio, as it will consist of a mixture of your current local pension/s and the addition of your international pension plan. Lastly, look at retirement planning with diversification in mind for pension provision and legacy planning alternatives. Also, ask the right questions to ensure the trustee is administering the international pension plan in line with pension regulations. Ultimately, international pension plans are designed for retirement purposes, and the trustees will have to administer them in accordance with pension provision regulations.

DEATH, WILLS, AND INTELLECTUAL PROPERTY LEGACIES

Death and taxes are inevitable, but how do intangible assets such as trade marks, copyrights and other forms of intellectual property and their related income streams, transfer to heirs in a deceased person's estate?

Immovable tangible assets are usually foremost considerations when drafting a last will and testament, but intangible assets, such as intellectual property, are often overlooked. Like immovable property, intellectual property has the ability to continue to generate an income stream after the owner's death, and if managed correctly, some forms of intellectual property, such as trade marks, may appreciate in value over their lifespan. For example, the legacy that author of the Harry Potter series, JK Rowling, will leave behind will endure long after her death, but what happens to the copyright that has formed the foundation for the more than £800 million, that she is estimated to be worth?

Copyright subsists automatically (without the need for registration) in a work resulting from the skill and labour of the author. The copyright in Rowling's literary works will expire 50 years after her death a comparatively long period for intellectual property rights. The market value and the mechanisms by which intellectual property in all of its forms, will transfer to an heir, are usually not considered in any detail in a will.

REGISTERED RIGHTS

An owner's rights in a patent, design registration or a trade mark registration, which entitles him to the exclusive use of an invention, design or trade mark, are recorded in registers at the Patent, Designs and Trade Mark Office. The respective statutes governing these forms of IP provide for them to devolve to heirs by operation of law. A letters patent, design or trade mark registration certificate are in this way, analogous to a title deed for an item of immovable property. Much like with immovable property, the heir must be recorded as the new proprietor in the relevant IP register. The rights will not be enforceable by the new proprietor until this step has been taken.

COPYRIGHT

Devolution of copyright, although unregistered, is also specified by our copyright legislation to be assignable by testamentary disposition. Furthermore, it may be 'sliced and diced' so as to apply to only some of the acts which the owner of the copyright has the exclusive right to control, or to a part only of the term of the copyright, or to a specific country or other geographical area. In this sense, copyright can be thought of as a bundle of discreet and separable rights to prevent different things, in different areas for different periods of time. It would therefore be possible, for example, to dispose in a testament, of some rights of copyright in a particular work (such as an artistic, literary or musical work or a computer program) to one heir for a first territory and to another heir for a second territory. It would also be possible to dispose of the right to licence others to perform a work (e.g. a musical work) to one heir but the right to reproduce and distribute copies of the work, to another heir. Similarly, one heir could inherit the right to use and adapt a work (e.g. a computer program) but not to license others to do so (which may be the exclusive right of another heir).

KNOW-HOW AND TRADE SECRETS

The devolution of common law rights in know-how (such as trade secrets) are at best, uncertain. The nature and transferability of rights in know-how (i.e. information which is not generally known or readily ascertainable) are not regulated by statute. While an action for unlawful competition would certainly be possible under common law, the requirements, circumstances, or conditions which bestow such a right on a plaintiff are not as clear. Would a plaintiff have a protectable interest in know-how only if they created the know-how? What of circumstances where they arranged for and paid someone else to create it? Would acquiring knowledge of it legally entitle them to enforce rights in the know-how?

When adjudicating on the issue of unlawful competition, our Courts have relied heavily on public perception and the *mores* of the community on what constitutes fair and just. A dilemma that might present itself is what would happen if a Plaintiff, purporting to have acquired knowledge of and rights in know-how, in the form of a bequest, institutes legal proceedings for misappropriation of this know-how. Is an heir entitled to institute such proceedings even though it is common cause that it was the deceased's know-how on which a claim would be based?

In the **Schultz v Butt 1986 (3) SA 667 (A)** the Court stated the following when considering the unlawfulness of the Defendant's actions: "In South Africa the Legislature has not limited the protection of the law in cases of copying to those who enjoy rights of intellectual property under statutes. The fact that in a particular case there is no protection by way of patent, copyright, or registered design, does not license a trader to carry on his business in unfair competition with his rivals. In my view there is not in the present case any sufficient countervailing public interest to displace one's initial response to Schultz' methods of competition."

It would appear that, even if there are no registered rights protecting the know-how and no legislation governing the devolution of these rights to an heir, a regard generally, for the public interest may still prevent unfair use of the know-how by another person, in competition with the heir.

UNREGISTERED TRADE MARKS

It is generally accepted that common law rights in trade marks (i.e. rights in trade marks that are used but not registered) form part of the goodwill of a business and are only transferable as part of the business that used the trade mark and established the reputation. Generally, the owner of common law rights in the trade mark is entitled to prevent passing off by others.

To succeed in a passing off action, the trade mark must have an established reputation and the use by another person of the same or a similar mark must be the cause of confusion in the market (i.e. the products/services of a competitor are being associated with the trade mark by consumers). If a deceased operated a sole proprietorship in association with an unregistered trade mark and an heir took over this business, they may not immediately be entitled to institute a passing off action.

It is unclear whether the goodwill of a sole proprietorship (including common law rights in an unregistered trade mark) transfers to an heir by testamentary disposition. This is one more good reason to register your trade marks!

CONCLUSION

In summary, you may not have copyrights as valuable and significant as J.K Rowling, but it may still be worth considering how your intellectual property rights should devolve to your heirs and taking steps now, such as registering unregistered rights or ceding unregistered rights expressly while alive, to ensure that this transfer is as simple and certain as possible.

RAAZIA GANIE

Head of Investments at NMG Benefits

INCREASED OFFSHORE INVESTMENT LIMITS ARE GREAT NEWS FOR PENSION FUNDS

The recent announcement that South African pension funds can now invest up to 45% of their portfolios offshore is great news for anyone who invests in a company retirement fund or their own retirement annuity fund.

The move means investment managers now have greater flexibility when it comes to allocating assets and opens a wealth of additional opportunities globally. This will lead to improved diversification of portfolios, and should see better risk-adjusted returns over the long term. Until earlier this year, retirement funds and members could invest a maximum of 30% of their investments offshore in terms of Regulation 28 of the Pension Funds Act, which governs all retirement annuities, pension, and provident funds in South Africa.

The changes to Regulation 28, which were confirmed by the SA Reserve Bank in February, can have potentially far-reaching effects for members, as it gives investment managers more options to diversify their investments. This doesn't mean you're going to see any dramatic changes immediately, though. While the industry has welcomed this increased allowance, it will probably take some time for investment managers to assess their options and offshore opportunities.

For individual members, it's important to think carefully about your long-term goals, objectives and capacity to take on additional risk when choosing an investment portfolio. For retirement funds, the process may take a bit longer. The boards of trustees of retirement funds will have to ensure that the overall investment strategies of their funds remain focused on their mandate of helping their members reach their goals within the new regulatory limits.

HEALTHY OCEANS

CRITICAL TO LIFE AS WE KNOW IT

Oceanic and coastal ecosystems provide numerous services that support our economic, cultural, spiritual, recreational and nutritional needs. Globally, the ocean economy is estimated to be USD1.5 trillion and this is expected to double by 2030. In South Africa, Operation Phakisa is set to unlock our Ocean Economy with the aim to contribute R129 - R177 billion to our GDP by 2033. Beyond this, the oceans moderate weather patterns and help to combat climate change by removing carbon from the atmosphere and locking it away in sediments. As such, well-functioning ocean environments are not only important for people that have a direct connection to the sea, but they play a fundamental role in shaping economies and life as we know it on our planet.

Are our oceans under threat?

Unfortunately, the services that created our connection to the seas and underpin its value to humanity and society are now threatened more than ever. Centuries of development and over fishing, paired with ever expanding global and coastal populations (currently 40% of world's population lives in coastal regions), failing management of effluent and waste waters, unsustainable generation of litter and global warming are pushing the oceans to a tipping point. Without appropriate management, the projected local and global growth in the Blue Economy will undoubtedly push the oceans beyond this tipping point. The oceans, however, are a dynamic and complex space to manage as there are many diverse stakeholders that are trying to coexist and survive on limited resources. Management has had to continually adapt through time as the opportunities to gain economic advantage have diversified and we have learnt that resources are exhaustible, and that pollution, habitat destruction and climate change compromise the ability of the marine environment to support human needs. At the same time, advances in both the social and ecological sciences have improved our knowledge about how marine and social systems function and co-function.

What is the solution?

There is now an established set of management tools that allow for comprehensive and inclusive marine spatial planning to accommodate stakeholder needs while trying to ensure that the individual or cumulative actions don't jeopardise ocean sustainability. However, the continued need for adaptive measures suggests that in many cases management interventions alone are not able to cope with current threats facing South Africa's and global oceans. It is becoming increasingly evident that collective action and responsible stewardship is required from all people who have a shared interest in maintaining the integrity of our oceans. This requires responsible decision making on how we as individuals and communities use the oceans and holding others accountable for their action or inaction. This can simply include learning, following and promoting management regulations, participating in restoration projects or making sustainable seafood choices. Collective action also requires engagement in management decisions (e.g. by participating in stakeholder engagement workshops or providing comments to government gazettes) and ensuring that relevant stakeholders are included in the decision making process. While the outlook is pessimistic, not all is lost and we can still change things around if we all do our bit to be part of the solution not the problem. Keep our oceans clean, pick up litter, Help to create an ocean environment that your grandchildren and their grandchildren can enjoy.

Anthony Bernard, marine scientist, South African Institute for Aquatic Biodiversity

Anthony Bernard is a marine scientist working at the South African Institute for Aquatic Biodiversity, a facility within National Research Foundation. He manages the facilities marine remote imagery platform (MARIP) and specialises in assessment of demersal and benthic fish populations (i.e. those found near the sea-floor) using remote video and visual census sampling techniques. Anthony's work concentrates on how the environment and human activities influence fish populations, how standardised research can support effective management and capacity development.

Infiniti Insurance is inspired to contribute in this way toward developing awareness, sharing knowledge and building capacity, in support of the achievement of Sustainable Development Goal 14 on Life Below Water (SDG 14) for a more sustainable world.

14 LIFE BELOW WATER

#NOTIMETOWASTE

The increase in offshore exposure is substantial and there may be additional considerations that trustees would need to consider. These include the potential for currency hedging, offshore manager selection and fees for offshore investments. There would also be administrative impacts which need to be considered, such as for example withholding taxes and custody issues.

That's why it's generally advisable to take external advice from retirement and investment specialists before any revisions of investment policies and mandates. Any changes to the investment strategy must also consider government's ongoing restructuring of the retirement system, such as the proposed 'two-pot' system that allows for greater preservation and partial access to funds.

Ultimately, any changes in approach to offshore investment will need approval of the trustees of each fund. We're excited about the opportunities that the amended regulations bring, and look forward to discussing these with clients to improve outcomes.

HIGH NET WORTH: A DECLINING SEGMENT

How has the increased pressure on our economy, the devastating crime statistics and the emigration trend affected the high net worth sector in South Africa. Is this sector shrinking or are we lowering the criteria for high net worth?

The realities of the South African economy for the high net-worth sector are highlighted in the 2022 Africa Wealth Report by Henley & Partners. This report shows the stark reality relating to the declining size of the segment and the drivers behind it. However, it also includes the 2031 forecast, and it is not all bad news. The report clearly highlights to us that there is room for specialist insurers in the South African market to service the sector, and there are various growth opportunities for insurers and underwriters who specialise in the segment over the next 8 to 10 years.

Although private wealth in South Africa declined by 12% from 2011 to 2021, we're still the country with the most millionaires on the continent with more than 50% of all HNWI in Africa. The factors that attract HNWI's to South Africa, include our weather, fantastic high-end residential areas, the JSE, free media, and a well-developed banking system and wealth management sector. The decline has been largely attributed to the depreciation of the Rand, a sluggish property market, a large number of businesses closing down in the period and the ongoing migration of wealthy people.

More than 4,500 HNWI's left the country in the period 2011 to 2021. One of the main drivers of this migration according to the report, is the attraction of citizen investment programs, which are widely accepted wealth management and legacy planning tools. This trend is not unique to South Africa, however.

This trend is further supported by post-Covid working models, where people can work from anywhere in the world. This also created the trend of migration to smaller towns and more remote locations. The fastest growing areas for high-net-worth individuals in South Africa are the Cape Whale Coast (particularly the Hermanus area), the Cape Winelands and the Garden Route (especially Plettenberg Bay). These three areas represent a combined growth percentage in the HNW sector of 70%.

There is also a notable rising trend of estate living. About 48% of South African HNWI's live in or have second homes on lifestyle estates. When it comes to purchase preferences, luxury vehicles remain top of the list, especially luxury SUV's (Range Rover, Porsche Cayenne), mostly because of high road clearance (think potholes), safety features, interior space, and off-road capabilities. Supercars as investments are also listed, specifically Bentley, Ferrari, Aston Martin, Rolls-Royce, Lamborghini, and McLaren).

Our high-net-worth clients still love their luxury clothing and accessory brands, like Louis Vuitton, Burberry, Gucci, and Rolex to name a few. The report predicts an overall growth of 38% in the high-net-worth sector in Africa over the next 10 years. This indicates that, despite negative factors like crime, and poor economic performance, the HNW sector in South Africa is alive

the segment will continue to grow. The important insight is the changing living trends, and the opportunity for speciality insurers like Elite is to focus on the growth areas.

Whether insurers decide to lower their acceptance criteria, will depend on the appetite and other product suites associated with the insurer. We believe that there is much opportunity for profitable growth in the high-net-worth segment.

WITH MOST INSURERS HAVING SOME FORM OF DEDICATED TEAM FOCUSING ON THIS SECTOR, WHERE DOES THE DIFFERENTIATION LIE AND WHAT ROLE DOES THE ADVISER PLAY?

Product differentiation does not represent true differentiation, as it can be copied with ease, something we've seen across various product offerings. Service offerings are slightly more difficult to replicate, but not impossible.

True differentiation is threefold: Excellent service, Understanding the target market and Relationships. Ours is an industry that is built on relationships and herein the intermediary plays a pivotal role. Although usually financially savvy, HNWI's still prefer to work via intermediaries.

Understanding that these are the most valuable clients to the intermediary and building and maintaining the relationship with the broker is key to ensuring that these clients' possessions are correctly insured.

A broker once told me that he does not do business with companies, but with people. This rings true for our business, and will stand us in good stead as we continue to service the growing HNWI market.

HIGH NET WORTH SEGMENT NEEDS A NICHE APPROACH

The recent COVID-19 pandemic has increased levels of uncertainty for individuals and the economy as a whole. This has led to questions being asked as to what the future may look like, and whether the global elite are looking elsewhere for opportunities. Thankfully, national statistics show that this is not necessarily the case. While there has been some movement of people out of the country, there has still been an increase in the total number of high net worth individuals in South Africa. There are evidently still plenty of people who believe in our country's potential and our own data supports this point.

DARRYL
GRATER

Executive Head of Distribution for Discovery Insure

Firstly, to contextualise our offering and by way of background, the Discovery Purple offering to high net-worth clients was launched as a value-add across the Discovery Group. The Purple Plan products offer clients a high-end solution, specifically tailored for this niche group of individuals (these Purple Plans were introduced across Vitality, Discovery Life, Discovery Insure, Invest and now Discovery Bank).

Our unique Discovery Insure Purple Plan offers the following bespoke insurance coverage and key benefits for our clients:

- We provide risk mitigation strategies, offering a uniquely tailored service to these clients, who often have complicated portfolios. These clients tend to be incredibly busy, and part of our service is aimed at providing them with financial advice, and specialised advisers, who are able to serve this need.

- The Purple Plan includes innovative features, specifically tailored to our high net worth clients (HNW), such as:
- Multi-vehicle benefit allowing for reduced premiums where many vehicles are owned but only one is driven at a time.
- Flexible, world-wide cover for portable possessions with high insured limits.
- Free annual mobile phone upgrades.
- Majority of non-motor claims being excess-free.
- Access to a dedicated Service Executive.

Additionally, all Discovery Insure clients qualify for the following innovative benefits:

- They can join Vitality Drive where they get access to up to 50% fuel cash back every month for driving well, safety innovations (Impact Alert, emergency assistance with the Vehicle panic button and Motion Alert) and up to 25% off Uber trips.
- More efficient claims process with online/smartphone claim submission, the fast tracking of claims, Xpress repairs and Auto claims. Clients also get access to Claims view where they and their broker can enjoy real-time claim updates.
- The Legal Support Benefit that provides clients with easy and affordable online or telephonic access to an array of top legal support services

How has the increased pressure on our economy, the devastating crime statistics and the emigration trend affected the high net worth sector in South Africa?

According to BusinessTech, while there have been some people leaving the country, the total number of high net worth individuals (HNWI) in South Africa is still steadily increasing and is projected to continue doing so. Fundamentally, we see the market as continuing to grow steadily, and this is backed by our data.

Encouragingly data from Discovery Insure also reveals a decrease in crime-related claims from clients which hopefully is a sign that crime is also on the decline across the country.

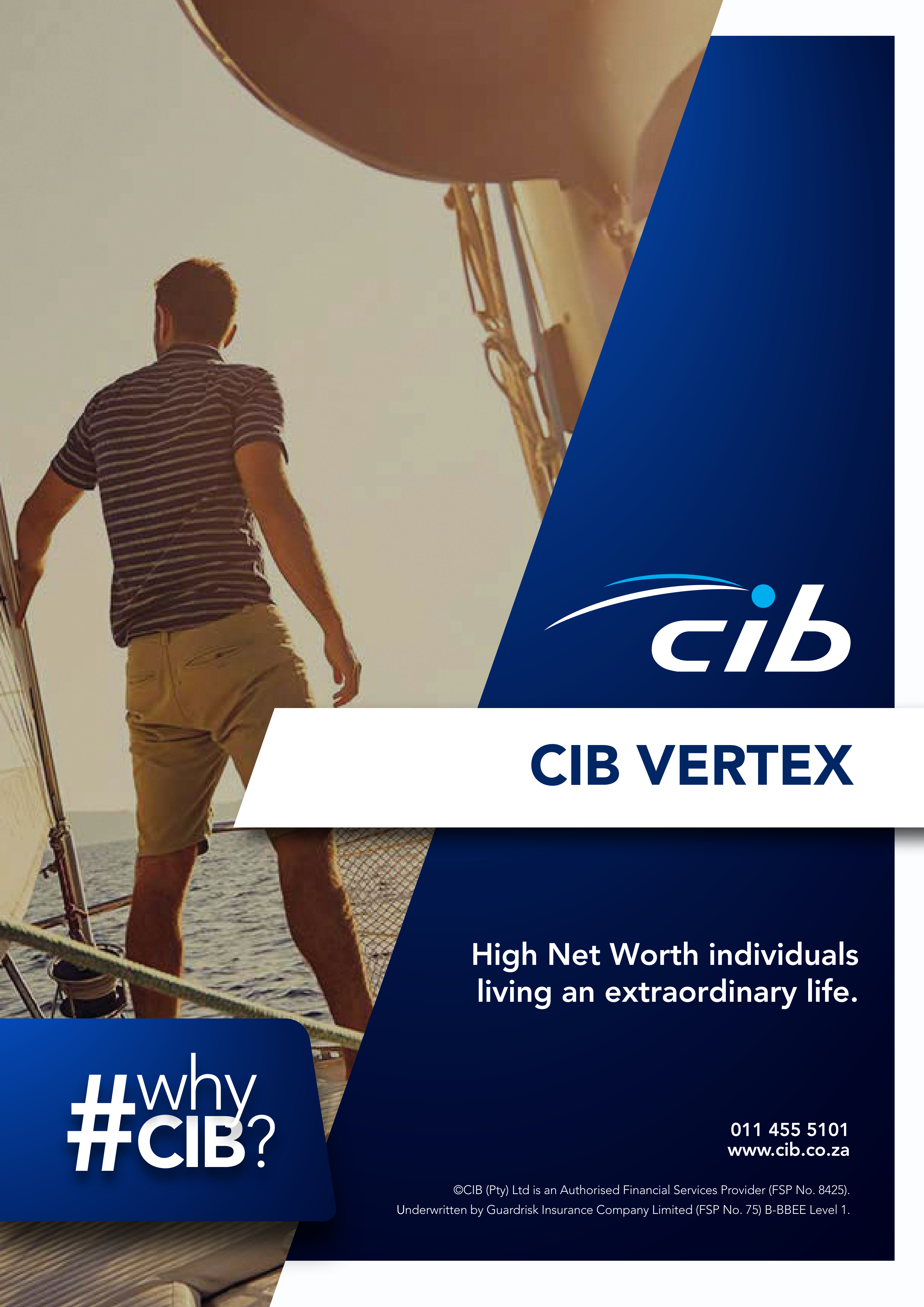
Discovery Insure's definition of a HNWI has remained consistent, with clients qualifying for the Insure Purple Plan where they have an insured asset portfolio of over R5 million. The number of clients on our book who qualify for our HNWI-product has grown by **12%** over the last year, contributing to a 14% growth in this cohort's sum insured. In terms of the take-up of our Purple product, we have recorded a **17% increase** in the number of clients over the last year, with an 18.5% growth in the sum insured.

Is this sector shrinking or are we lowering the criteria for high net worth?

Our criterion for clients to qualify for our Purple Plan has remained the same (over R5m in assets to be insured, across property, vehicle, and household contents). As the data shows (both our own, as well as independent data cited in the media), the number of HNW individuals has grown over the last years.

We see South Africa's economic elite as a relatively stable market-segment, which by all accounts looks set to grow steadily, and who will continue to expect a sophisticated, comprehensive and bespoke insurance solution that gives them back time, exclusivity, safety and security.

The value of the broker in tailoring this cover for the client remains imperative, especially in this market segment where assets can be more complex and require a structured risk management solution.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PLAYING THE LONG GAME IN THE HIGH-NET-WORTH

SHORT-TERM INSURANCE SECTOR THROUGH STELLAR SERVICE

The high-net-worth sector in South Africa is shrinking on the back of a prevailing trend towards emigration.

Amongst other influencers, this trend is being driven by increasing inflation, stagnant economic growth, record high unemployment figures, as well as the negative local crime statistics, which certainly plays into the negative narrative that adds to the attractiveness of emigration.

While external factors (Russia/Ukraine conflict, supply chain shortages) are also negatively impacting the global economic performance, the increased political uncertainty within South Africa, is resulting in the long-term local economic outlook being gloomy. This makes international destinations more attractive for high-net-worth individuals. Consequently, the high-net-worth market in South Africa is not increasing and by our estimation, it is steadily reducing. Looking at the insured market in general, there is a reduction in available new business, and given that insurance, in general, is attractive to those owning assets, the same rings true for the high-end of the market as well.

At Momentum Insure, we believe that the whole offering must be fit for purpose, whilst offering consumers choice where relevant: the Envoy product, offered by Momentum Insure is specifically aimed at the high-net-worth market and has

options that suit this specific segment. To mention a few; the optional cover can be taken on a motor vehicle to replace vehicles with a new one in case of total loss for up to 3 years, and personal belongings one would sometimes take with you when traveling can be covered for up to 30% of the total sum insured (assets all risk). In addition, we have added a new section called Personal Enthusiast cover. This cover is for clients who have hobbies (such as cycling, hunting, golf, etc.) where they have more than one similar item, they can now cover these items in full against theft at the risk address.

For example: If you own 10 bikes with a total value of R100 000, with the value of each bike being R10 000. On any day, you are more likely to take along, at most, 3 bikes out of your home. The sum insured should be R30 000. This is the maximum value you are more likely to lose in the event of a loss or damage. The remainder of the bikes will be covered under the Contents section when in your home. Lastly, something that resonates with the high-net-worth market is our Momentum Safety Alert. Safety Alert is a panic button feature available on the Momentum App, which gives clients access to a network of armed responders in an emergency for free. You can also nominate a loved one, to have access to this feature.

In terms of differentiation for this segment, we believe that for the high-net-worth market specifically, a face-to-face engagement works best to ensure that appropriate advice is given and that there is a real match of product benefits to the needs of the client.

For this reason, we offer this product through an internal face-to-face consultant or the existing trusted independent adviser of the specific client.

Whilst growth in this sector will most probably not be coming from new business opportunities, upselling and expanding service offerings will play a role in delivering some growth. For example, traveling, be it local or international, has started picking up again. Our all-risk cover is becoming popular within this segment, which includes Personal Enthusiast and the assets all risk extension mentioned above, offers cover worldwide and is an absolute must for high-net-worth individuals who travel frequently.

Ultimately, it is our combination of a highly targeted offering tailored to the bespoke needs of high-net-worth short-term insurance clients and personalised service through advisers or consultants, that we will strengthen our relationship with this segment and expand upon it as the needs of high-net-worth clients evolves.

ADVICE AND THE NEED FOR INSURANCE

COVER's Tony van Niekerk talks needs matched life insurance with Schalk Malan, CEO of BrightRock.

Tony: We have seen quite a bit of activity in terms of claims over the last two years and as we start getting back to normal people are going to evaluate how they should be doing their financial planning. I think one of the important things, as BrightRock have said from the start is; what are the reasons for buying insurance? Many people must have thought deeply as to what exactly their need for insurance is. Please give us your thoughts on that?

Schalk Malan: Firstly, some interesting stats that I think supports this discussion. If you look at a recent survey by Remark, a study showing that people are looking and re-evaluating the value of insurance in the South African market, more than 56% of people are seeing more value in their life insurance.

That has given way to stats of up to 38% and even a higher percentage of people buying more cover, as a result of COVID. We have all felt the impact of COVID on our families and our lives and it has been devastating. This has unfortunately seen a lot of people faced with the circumstances of utilizing their life insurance policies. That just illuminates the purpose of life insurance. We exist to protect those families, to help them in times where they are not necessarily able to help themselves.

For BrightRock it has been an amazing journey. We have been in the market now for over 10 years and it has been something that we came to market with, and you illuded to, the need for life insurance has existed for many decades. Where BrightRock came into play was to say that, as a life insurer, we understand your needs, and those needs are typically wanting to protect your future income streams. We recognised the elements that really make up the need for life insurance. Before BrightRock, insurers looked at those needs in one bundle, and life insurance companies would traditionally put them all together and work out that you need X million rands of life cover. Let us say for argument's sake, that it is R3 or R5 million loss cover, that 5 million will react the same irrespective of the underlying needs that it covers.

When we came to market, we decided to unpack and price them as per the need. We allow the client to adjust it over time. Buy more if needed and convert it if the need has expired but making sure that every single need is priced effectively and efficiently. The result has been unbelievable, because now a consumer buying the product can strip out waste and buy just what is needed.

They know that they have peace of mind that if their needs change, they can do that and they can generate savings in their premium of 30 to 40% or buy more cover for the same spend. When buying a BrightRock policy, clients can buy as much as 10 million rands worth of cover over time without the requirements of underwriting. They can move their premium if the debt needs have expired because, and re-channel that premium and buy, for example, more cover for your children's needs. Being able to use technology, being able to present it in a manner that a client can understand and relate to, that really gave BrightRock the edge, which we have been building on for the last few years.

Tony: Have you seen any activity where people come in and ask for certain changes that are different from what you have seen before the COVID pandemic? Is there a bigger focus on amendment of life insurance?

Schalk Malan: We are seeing that our clients are looking, as I mentioned earlier, to cover their needs in a bigger way than ever before. We as an industry have often spoken about the insurance gap being in the tens of billions of rands, specifically for death cover and permanent disability cover. We created that ability for the client and adviser to see what the need or gap is and how it changes, by how we present it to them. The product in a way, performs and helps aid the advisor in having that needs discussion. The product illuminates how far short they will fall when compared to their existing solution.

More bang for buck: We saw a lot of that. Having said all of that, on the other side, we have also seen that consumers are under financial pressure, economic pressure and it is a reality not just in South Africa but in the world. So, what we are seeing here is the ability of clients to flex their cover and go into areas where their money can be more effectively or efficiently applied. So, all these things are starting to come through. The other element as well, which is fascinating, is just how the world of work is changing. People are demanding more flexibility in the cover as they might have various streams of income, they might move out of the formal employment space and into more of a consulting role. So, there is a lot of engagement and change happening as our customers are seeing their future world developing. These are all things that we as life insurance companies must deal with and I think advisors in particular, are challenged by it.

More human: Then lastly, people are just expecting to be engaged with in a world where they want to understand what they buy. As the millennials start becoming consumers of insurance products, we must realise that their need, in terms of understanding not just the product that they are going to buy but the requirement to be engaged with in a different manner, is also presenting a very different world to get used to, and to work with.

Tony: Our recent InsurTech conference had the theme "Tech when we need it and human when we want it," because all of this is providing the advisor with an opportunity to prove themselves and their value and why they are there. How do you see these influencing financial advisors over the next couple of years and how do you see them taking advantage of that?

Schalk Malan: I cannot agree more on the importance of the role of the advisor. In a very noisy world, there's so much white noise in the system, so many being misleading and being taken out of context. These days, when we have an ailment, we go onto Google and we Google what is wrong, and we learn 10 different diagnoses of what could possibly be the problem.

And it is very similar in life insurance or financial services, as a topic you should not self-diagnose, it is a very complicated situation. As I mentioned earlier, every single client is unique and different. For me, the trend is, and we at BrightRock believe it and we have been consistent in saying this, not just a return but a strengthening of the role of advice. The strengthening of the role of that human engagement, that peace of mind, and a lot of the FinTech's and Insurtech's have been built around trying to eliminate the role of the advisor, basically trying to get direct to client. There is an amazing opportunity for advisors to build on that platform where clients realized the need for insurance over the last two years. There is now much more of a pull situation than a push where clients are open and willing to listen to an advisor. And then, from there, we have a conducive environment for bridging that insurance gap.

The final thing that I think we all must take another look at and think about, is that we must appreciate consumers are definitely more educated than ever before. They are not just going to take things on face value, and we cannot just accept that they will.

HIGH-NET-WORTH: IS THERE STILL OPPORTUNITY?

Are there still opportunities for brokers in the High-Net-Worth segment? Christelle Colman, CEO/ Founder of Ami Underwriting Managers (a Constantia UMA), thinks so and shares her reasons for being optimistic.

Tony: We are specifically talking about high-net-worth insurance and the opportunities and challenges. South Africa is a country of significant differences in terms of income, with much talk of the wealthy leaving the country. From your experience in this segment, which you will be targeting with AMI, please give us your views?

Christelle: High-net-worth insurance must be my favourite topic to discuss! My first stint at MUA was in 2004, when we launched SA's first real high-net-worth policy to the independent broker market. So, I have many years of experience in this market segment, and I have seen it grow from an exciting new market segment with very few players to today, where we have quite a few competitors in this space.

Many people ask me what Ami means. Ami Underwriting Managers is a new UMA we are launching to the independent broker market in October 2022. Ami means *friend* in French, but it also means *my nation* in Hebrew and *much loved* in one of the Hindu dialects. Friends are there for each other in good and bad times.

They're reliable, compassionate, and understanding. They know and live in each other's worlds. This is the vision of Ami… to be a friend to brokers, clients, and communities by providing straightforward, easy-to-understand, and socially aware insurance.

I absolutely believe that there is much more opportunity in the high-net-worth space. Otherwise, why would I leave a very secure job in a company I started to do it again? There's an opportunity to do it better and improve on current offerings. Every time a step closer to what our policyholders and brokers want.

One of the reasons why insurance is a grudge purchase is because we give our clients too many surprises at the claims stage, already a very traumatic time for them. Insurance is complicated, and it is complex to deal with insurance companies.

It is not easy to get hold of insurers; it is not easy to understand the policy wordings. Even though most personal lines wordings have been adapted to plain language, the wordings are still very long and cumbersome to read. At Ami, we will focus on making communication on all levels accessible, making processes easy to navigate, and providing service as fast as possible without overcomplicating things.

All of this will be supported by the best people we can find in the industry using digital tools to always enable service excellence. Those are just a few reasons why I think there's an opportunity for us to do wealth insurance better and easier.

Tony: In this segment, although advice and personal relationships play a crucial role, technology also plays a key role. How do you manage to merge and balance those?

Christelle: If we look back over the last few years, including the many technology conversations we have had with you, technology has undoubtedly been a differentiator for many of the underwriters and insurers. Research shows that technology is not a single differentiator anymore; it is simply a ticket to the game. And for us as underwriters, what we need to do now is to use technology to make it easier to do business with us so that we can bring our skills and expertise to the forefront quickly and efficiently.

15 years ago, when we were underwriting motor insurance, a broker would fill in a one-page form; we did not even ask for an ID number or much else. It was just date of birth, occupation, value of car, and where you live. Then it was sent through to a quote desk, and someone sent you a quote within half an hour. Now you must capture pages of date fields with many complex rating factors.

We have complicated pricing to a point where you need so much information, making the process longer and more difficult. While I agree all of this is very important to manage underwriting results, we must admit that technology does not always help in improving the service experience to the end consumers especially in the intermediated space. We want to not use technology to differentiate us per se, but to instead focus on the service vacuum that exists in our industry and make doing business with us as easy as possible.

Ami wants to step into this service vacuum and help our brokers to service our collective clients more efficiently. You must be able to contact us through any channel you prefer; phone, email, WhatsApp, online chats, etc. We have built a very efficient multi-channel communications platform that will, in our view, give us a clear strategic differentiator.

Tony: You are clearly optimistic about the high net worth segment of the market but considering the current economic environment, do you still think there is an opportunity in that segment?

Christelle: There are several reasons why we believe there is still considerable opportunity in the wealth insurance segment in SA. Apart from the growing middle class, there is growth from gen Z and the young millennial segments that are moving up in life and needing more sophisticated insurance solutions. Furthermore, although we have many high-net-worth underwriters, the insurance interpretation of the market segment is not adequately defined, as for instance, in the banking industry.

The generally accepted global definition of an HNWI is a person with a net asset value of more than 1 million USD or a Dollar millionaire. Regarding insuring individuals in the wealth segment, we do not consider net asset value but insurable assets, whether financed or purchased in cash. It broadens the segment quite significantly.

We have seen that individuals with complex personal asset portfolios are often insured on perils-based policies in the direct space. We believe that a more significant and complex portfolio needs a deeper level of understanding and advice from a broker on the various offerings available in the market, including insured property valuations services which are vital to combat the effect of underinsurance.

As a result, insurers with HNWI products and specialist underwriters are still seeing good growth as these HNWI clients migrate to the correct policy offerings. There is still scope for growth in this regard.
Lastly, in many established markets, there is an opportunity for a new entrant to come in and do things slightly better and to take some business away from the established players.

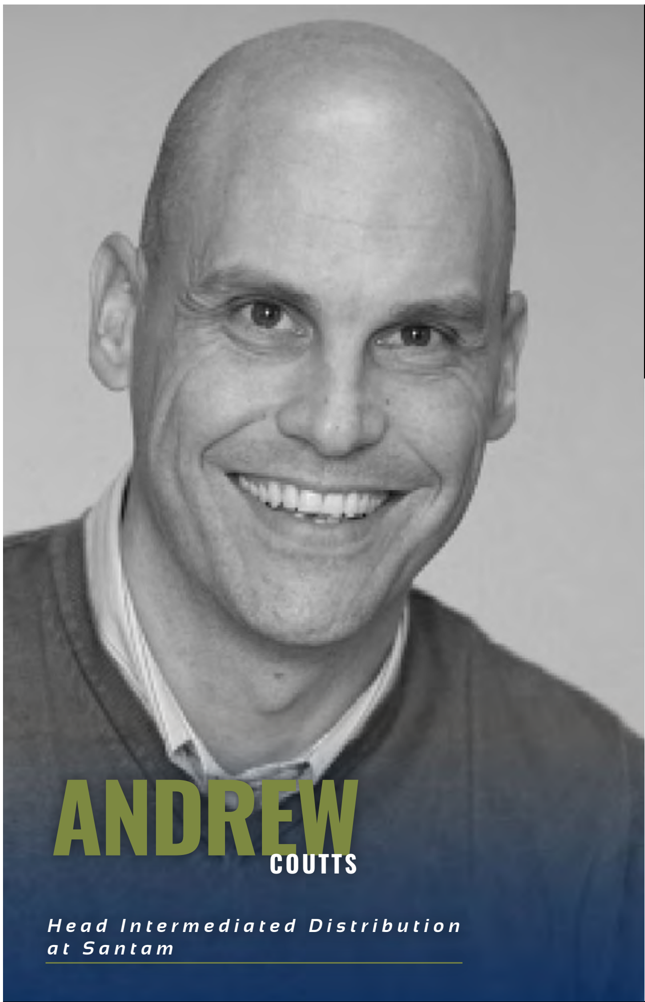
Tony: Just in closing, an update on going to market?

Christelle: We are planning to launch to market in October 2022. As Marcus Aurelius, former Roman emperor, said, "To go fast, you have to go slow." I think it is vital to spend time on the build to ensure that you have your house in order before you open that front door for business. ***We will not be doing direct business, and we will not just be doing high net worth. We have two products; the Ami Personal Plan and Ami wealth Plan, and we will blow your socks off with our innovation. We are incredibly excited to tell you more about it in October.***

SHORT TERM INSURANCE

"South Africa is in desperate need of the long awaited infrastructure spend to gain growth momentum and pull its economy out of the mud it currently finds itself in."

- CHRIS CHARLTON, MANAGING DIRECTOR AT CONSORT TECHNICAL UNDERWRITERS



BECOMING REAL-TIME RISK ADVISERS TO BUILD A FUTURE-FIT BUSINESS

What's the next black swan likely to be? A black swan is a potentially dire unexpected event the pandemic being a perfect example.

An Eskom grid failure could be next. Or another devastating drought? A massive cyber-attack? The emerging risk landscape is evolving fast. The financial services industry is needing to change tactics to keep abreast with the pace of change. In the past, risk transfer was the name of the game. Now, intermediaries need to act as real-time risk advisers, proactively helping clients to forecast and mitigate threats. Brokers and insurers must be futurologists custodians of the future. 2021 was a year of doing. A year of bolstering resilience in the face of a future we're only now beginning to grasp. 2022 will be a continuation of that journey.

TRICKY TIMES OFFER OPPORTUNITIES FOR INNOVATION

The question is how to ensure the financial services industry is set up to withstand the challenges ahead. The pandemic brought a flash of change and complexity that was not an anomaly, but part of a larger global trend. Risks are on the rise: shifting weather patterns are catalysing extreme flooding or drought; there's deteriorating water and power infrastructure; and increasing instances of cybercrime, to name a few. Other challenges include higher than anticipated losses in certain lines, an industry that's still mostly dependent on face-to-face interaction for growth, a decrease in new business, a rise in fraud and cyber risk, and shifts in client expectations. As emerging risk advisers, intermediaries need to explore likely future scenarios for clients and advise on relevant, nuanced insurance offerings accordingly. A move to a proactive risk advisory model is key.

MAKING THE MOVE TO BE RISK ADVISERS

At Santam, we believe a natural next step is for brokers to monetise their advice offerings, so they can embrace the role of risk adviser without being solely reliant on product sales. The days of intermediaries simply selling generic products are over. With the escalation of risk exposure, plus affordability issues and cheaper alternative channel solutions, product-push-only business models are outdated. Remaining relevant is dependent on shifting focus to mapping out new risks and offering bespoke solutions to these. That means client-centricity will be core. Its imperative intermediaries are armed with the tools and knowledge to know what clients need now and in the future.

Risk prevention was already a focus in 2021 and will continue to be so in 2022. During the pandemic, many intermediaries became champions for their clients through strong claims advocacy and a proactive restructuring of policies to cut costs and ensure the appropriateness of cover. Next, they need to push their client relationships further. This means becoming an everyday adviser; unlocking the power of real-time, personalised data; adopting a nimbler, more responsive approach to clients' needs, and managing every touchpoint of the client experience.

SPELLING OUT POLICY EXCLUSIONS

Policy wording is notoriously tricky to understand. Intermediaries will need to continue to focus on building expert product knowledge and keeping a thorough record of advice. Clients must know what's covered by a product and equally, if not more importantly – what is not. Policies need to be explained in detail and a record of the conversation must be kept.

Cybercrime is a prime example of the need for this. Should a client get hacked and have no cyber cover, they may try to claim against another part of their policy, which could create a resource-draining claims dispute. With cybercrime becoming so pervasive, it's imperative that brokers keep it top of mind as a major risk to mitigate.

BECOMING DIGITALLY LED ENTITIES

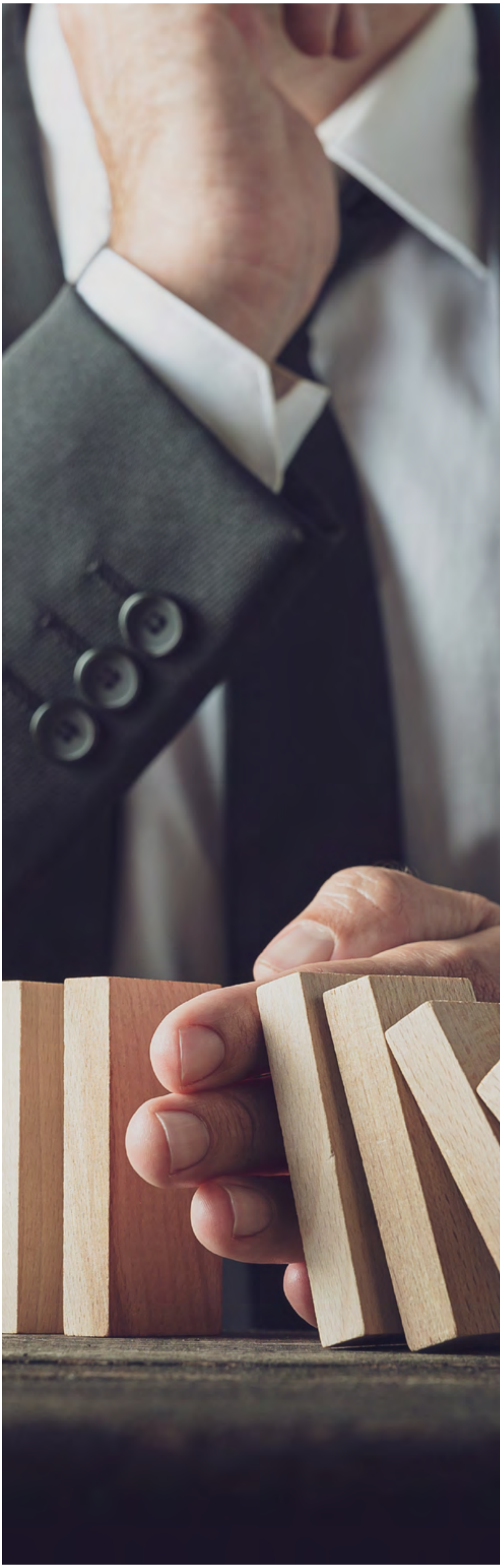
In 2021, brokers also entrenched more digital solutions into their businesses. The demands of regulatory change and the pressures of the pandemic may prompt more consolidation within the industry in 2022. The upshot of this is that it provides the scale necessary for brokers to invest in technology – an imperative in the digital age. Digital marketing and online multi-quote technologies offer a wealth of relatively untapped opportunities.

Entrenching digital ways of working should form part of a 'no regret' culture that empowers brokers to make iterative step-changes. Brokerages need to consider agile ways of working across cross-functional teams, with more automation and AI when appropriate. Crucially, granular client insights will allow brokers to offer hyper-personalised advice and relevant product pushes.

CONCLUSION

To future-proof their businesses, brokers need to focus on becoming risk advisers with strong product knowledge and immaculate record-keeping. A broker can't be an expert on everything, so we're likely to see more industry specialisation in 2022. Insurers and brokers will need to continue to work closely together to ensure a broader selection of relevant cover options at different price points. Client education will also be top of mind as the move to a risk prevention model is made.

Santam is committed to working alongside our broker partners to provide future-fit products, advice, and support. Right now, resilience is key. And brokers that offer clients value through relevant advice will win in the long term. Right now, it's about making incremental changes to improve existing offerings for current clients, while plotting evolutionary, exponential changes to create new offerings that meet the demands of the client of the future.



NATIONAL ROADMAP TO INFRASTRUCTURE DEVELOPMENT

On the 11th March 2022, the Minister of Public Works and Infrastructure, Patricia De Lille, published the National Infrastructure Plan 2050 (NIP). The objective of the plan is to provide a roadmap with some really clear objectives and measurables to ensure South Africa starts to achieve the goals set out in the National Development Plan (NDP) that was published way back in 2012. South Africa is in desperate need of the long awaited infrastructure spend to gain growth momentum and pull its economy out of the mud it currently finds itself in.

CHRIS
CHARLTON
Director at Consort Technical Underwriters

"South Africa is in desperate need of the long awaited infrastructure spend to gain growth momentum and pull its economy out of the mud it currently finds itself in."

With stubbornly high unemployment rates and little to no growth in the GDP, South Africa is on the edge of a prolonged full blown recession. Public infrastructure spend has been proven to be a good stimulus to jump start an economy due to its multiplier effect, which basically means that for every rand that the public sector spends there is a multiple spend by the private sector and hence a ripple effect through the economy. There is however a condition to the multiplier effect and it hinges on timing. Timeous spending, without delays and unnecessary roadblocks in getting projects completed will maximise the effect but delayed or drawn out public sector spending, as we have seen with previous infrastructure plans nullifies any progress that may be made by the stimulus.

With the publication of the National Infrastructure Plan, it seems there has been a realization of where South Africa's infrastructure has fallen short and what is needed for South Africa to move forward into the modern world. The plan is focused on development of what it calls the "mission critical network infrastructure", which is comprised of Energy, Freight Transport, Water and Digital Communications. The price tag assigned to meeting the infrastructure requirements exceeds R6 trillion with Energy and Transport accounting for the bulk of the spend.

The plan takes an honest look at each of the sectors making up the critical network, and sets out what its needing to achieve with a big focus on a public private partnership model for all aspects of the projects from planning, financing and delivery. A key area of the plan is around how to deliver the projects sustainably. South Africa's construction and engineering sector has been decimated of late and this is a concern for the deliverability of the Infrastructure Plan. With the majority of the larger, well resourced players either closing their doors or dramatically changing their operating models over the last decade, there is a huge opportunity for the remaining construction companies as well as the up and coming mid cap companies to position themselves and take hold of what's coming down the line. Positioning along the lines of the priorities of the Infrastructure Plan being Energy, Transport, Water and Digital should ensure that the engineering and construction sector can achieve some really good growth following the covid induced free fall of 2020. The South African engineering insurance sector has withstood a suppressed market for many years now. The size of the market has remained relatively stagnant and opportunities have been few.

The private sector has contributed in keeping the construction industry somewhat afloat during this time but the sector has been in a holding pattern. A result of a stagnant market and few opportunities is immense pressure on premiums and the increased risk of poor quality being delivered. The engineering insurance market has remained resilient and shown its worth by sticking by the construction sector and being available when adversity struck even through the tight market conditions. Covid, the July Riots and most recently, the KZN Floods have proven the need for a strong, well resourced Engineering Insurance sector.

There now seems to be some light at the end of the tunnel. The Infrastructure Plan, National Budget Allocation and a good focus on Infrastructure Development by the President's SONA, it seems we are not merely still making plans to make a plan. It is early days but there is some measurable activity taking place, for example, SANRAL already has 9 projects valued at R 18 billion currently underway as well as a further R 20 billion having been awarded. As an insurance sector, we have been given the opportunity to position ourselves accordingly to take hold of the upcoming growth and continue to provide value and sustainability to the sector and do our part in seeing the full effect of the National Infrastructure Plan realized with South Africa being firmly placed on an upward growth trajectory, achieving some of its massive potential.

MANAGING RISK IN AN AGE OF EXTREME WEATHER

In the coming seasons South Africa is expected to emerge from the La Niña phenomenon topping off a decade characterised by frequently alternating La Niña and El Nino events. The increased severity of flood and fire associated with this scenario, while extreme, is not unprecedented.

Already we have seen the devastating impact of singular events characterised by extreme weather: The recent devastating KwaZulu-Natal floods was among the deadliest and costliest South African storms on record, causing widescale catastrophe in the province. While the area focusses on rebuilding, it is important to acknowledge what the data is telling us: As our climate changes, and global warming in particular increases, the levels of damage and loss incurred over the last decade point to a future where volatile and more intense weather becomes the norm.

And the insurance implications of this new normal stretch way beyond South Africa. Insurance is a globalised industry. To date, the local insurance industry has generally not resorted to passing weather-related losses on to policyholders in the form of premium increases. Beyond normal inflation and standard operational increases, the costs of a decade of volatile weather have, on the whole, been absorbed and managed by South Africa's well-capitalised risk sector.

Going forward, however, if historically large floods in Germany, wildfires in California and Australia and droughts in Japan become the norm, increased global reinsurance costs will inevitably drive up the cost of cover in South Africa. In a globally interconnected climate system no one, or no one country, is immune from climate risk. While long-term global warming scenarios have been clearly mapped, right now there are no shorter-term predictive models that can confidently say when we will see another weather phenomena like the La Niña event; whether next year this time or in six months' time. According to Willem Landman, professor in meteorology at the University of Pretoria and specialist in seasonal to decadal forecasts, oscillations in weather patterns are difficult to predict, and it was impossible to predict that La Niña would last for a second consecutive summer, the impact of which we have already felt in places like Gauteng and Kwa-Zulu Natal this year.

And yet, predictability and the planning that it enables are key to managing risk and the cost of insurance. The more predictable a risk, the easier it is to manage and the cheaper it is to price. The short-term weather volatility emerging in response to long term climate change is, however, currently not possible to predict. In age of climate change driven by global warming, unpredictable short-term weather phenomena are challenging the insurance industry's predictive pricing models. As such, the risk sector in South Africa and around the world is struggling not only to find a way to calibrate the impact of long-term climate change, but also to predict and calculate the immediate costs of short-term weather volatility.

Bringing predictability to the long and short-term impacts of climate change demand a response able to blend client data and global and regional climate trends supported by accurate local weather tracking and measurement. Asset managers, for example, are increasingly calibrating ESG risk as a measurable component of asset value. If insurers are to begin developing similar models, the industry needs to work much more closely with the climate scientists to develop integrated predictive, climate, damage and loss models. The implications of building more data around changing weather patterns are, however, far broader than their impact on individual policyholders.

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In South Africa, for example, only a very small percentage of citizens have insurance. Yet the vast majority of South Africans, without any form of cover at all, experience the same volatile weather damage and loss as the insured minority. Much of the flood and storm damage occurring on South Africa's East coast over this and the last year, for example, was sustained by communities and individuals largely without insurance. How does insurance or, in its absence, compensation work in such scenarios? What is the role of the state? Should South Africa have national flood insurance, like the United States or the newer arrangements in the United Kingdom? What about fire loss in informal settlements?

In developing societies in particular, climate change and volatile weather is impacting the edges of urban centers disproportionately. Flood and fire, for example, affect urban fringes the most, where infrastructure is not fully developed, or human infrastructure is surrounded by bush or forest. Any predictive climate change model would, therefore, also need to factor in where people live or where property is located. And where you are in the world will also make a difference. Looking at the long-term and going beyond individual or personal loss, Landman also argues that if average temperatures in South Africa increase by even a few degrees over the next few decades, the kinds of crops being planted now will no longer grown in South Africa in 30 years' time. As rainfall patterns and crop varieties change, will South Africa be able to continue to feed itself? Extrapolated globally, what will this mean for migration, immigration and food and national security around the world? What are the implications for borders, nations states or the current world order?

None of these questions nor any of the risks can be answered or managed without a calibrated, integrated, and predictive global climate and local weather risk model. The big challenge in both the risk and the climate science communities is to build the quantitative linkages between long-term global warming and climate change, short-term weather volatility and individual, business and industry risks.

Key in this will be a model need to leverage the skills, disciplines and data required to understand and predict the impact of global changing weather patterns on the short and medium-term weather phenomena, currently causing so much damage.

HOW TO NAVIGATE COMPLEX RISKS

IN AN EVER-EVOLVING LANDSCAPE

COVER

There is no mistaking that the world is changing rapidly. The rate of climate change is powering increasingly adverse weather events, the changing world of work has supercharged cyber threats and some countries are even making plans to build volcano powered crypto cities to help futureproof themselves.

In this kind of environment, knowing how to navigate the complex nature of risk is a vital part of any businesses' plans to remain future-fit. Given the surge in new and complex business risks, companies can ensure they have one less thing to worry about by taking out insurance cover that protects them adequately against events and perils that could harm their operations severely. Companies wanting to navigate today's and tomorrow's complex risks try the following tips:

KEEP UP TO DATE WITH OUR CHANGING RISK AND PRODUCT ENVIRONMENT

Part and parcel of mitigating one's risks in the current landscape means understanding what risks affect your particular business and what insurance solutions are available and appropriate to protect your business. For instance, a security consultancy will probably have little need for drought insurance but would really benefit from Cyber insurance.

HERE ARE SOME EXAMPLES OF RECENT DEVELOPMENTS TO CONSIDER:

- Cybercrime costs South Africa R2,2 billion per year, and it can cost small businesses anywhere between R50 000 and R250 000 to recover from cyberattacks. Any business that uses some type of digital technology is vulnerable to such attacks and should consider its data and system risk management protocols as protection provided by Cyber insurance.

- Climate change is one of the major issues of our time. Across the country we are seeing its effects in the form of floods in KZN, fires across the Western Cape and droughts throughout the central regions of the country. These events can affect a range of businesses and as such it is crucial to be in touch with your insurance broker to ensure every potential angle of risk is covered.

- The accelerating rate of change, both technologically and systemically, has resulted in significant changes in our behaviour and has had a profound impact on the insurance industry. In some instances, for example, where risk has decreased as many people now work from home and spend less time in their cars on the road, it has led to innovative insurance products like SmartPark, a distance-based vehicle insurance benefit that uses AI and machine learning to determine a client's insurance premium based on how much he or she drives. Clients who spend less time on the road are less exposed and therefore pay less for their car insurance.

PREPARE FOR THE WORST

Consider what could go wrong and impact your business detrimentally. Develop risk management and safety protocols to help limit the impact and make sure you have adequate and appropriate insurance cover in place. Skilled intermediaries can act as real-time risk advisers and advise you on insurance cover options that best suit your needs.

ENSURE YOUR COVER EVOLVES AS THE BUSINESS EVOLVES

At least once a year, on your insurance cover renewal date, you should do a comprehensive review of your cover and assess whether it is still appropriate given the risk landscape and your insurance needs. Your financial adviser is well placed to assist you in this regard. Also remember to make changes as your risk profile changes during the year, for example as you purchase more assets, or change your business in any way that impacts your risk. Whatever your business needs, building a relationship with a Santam broker or intermediary will strengthen your business's ability to withstand whatever may come its way and give you the freedom to focus on what makes your business great.

CHALLENGING BUT ALWAYS DEVELOPING

Mark Barrow, National Marketing Manager at Mirabilis expands on the current Construction & Engineering environment and the implications for the insurance industry.

Tony: When we talk about engineering insurance, what do we mean and what is included or excluded?

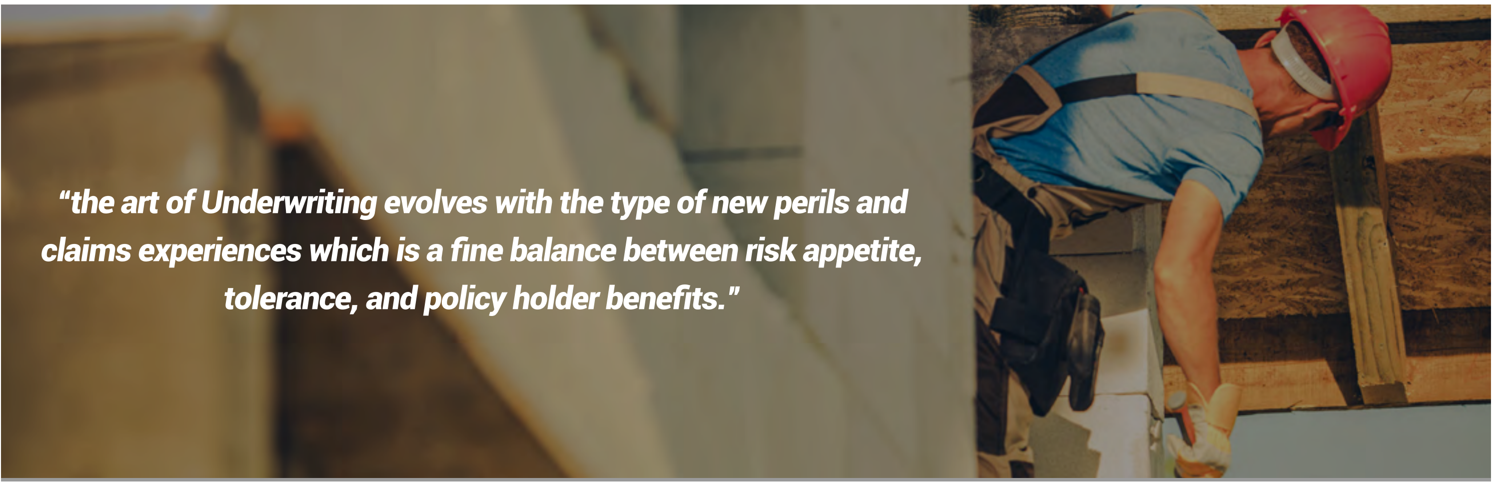
Mark: We don't sell insurance, we sell the ability for development, which allows human activity. Those activities being; to learn, to work and to play. We use insurance to be able to achieve this. As humans, we all want to have houses, roads, shopping centres, hospitals and schools. That is where the engineering really comes in. This is what most people understand engineering to be, that we cover the construction works of civil society infrastructure.

That includes government infrastructure, corporate infrastructure and private infrastructure, such as; houses, roads, dams, factories, warehouses, hospitals and the likes. Besides that, what a lot of people don't see, is the machinery and electronic equipment that is operating in these buildings. Then further afield in the mines, people are digging down into the earth, extracting all the natural ores and the processing of those resources. The plant that is used to extract the ores or the natural resources is also covered under engineering insurance.

Tony: The broad spectrum means that there are a lot of risks that influenced this sector. Can you take us through a few of the factors that influences risk in this sector?

Mark: We cover the construction of buildings from the ground right up until a building is completed and the keys can be handed over. As we have so many different scenarios that we insure, we do it on an All Risk basis as opposed to a defined risks basis as a standard fire insurance policy does. The major risks that we cover are fire, natural elements, theft, accidental damages and your liabilities that come along with the construction and plant activities. We learn constantly from our claim's experiences as to what the extend of our cover really is in an ever-evolving risk landscape as the cover is All Risk with several exclusion and perils that are possible today may not have existed or may not have been so likely a few years ago.

Climate change is having a significant impact on our coastal areas. That is one of the major risks that we are concerned about as we see more housing and related business development happened in our coastal areas. The other are theft elements such as; copper cabling, general theft of working sites, and wear and tear consequential losses on plant. As we now also move into an era of renewable energies development without much insurance experience data in South Africa, we will also be faced with many challenges and hard lessons to learn.



Thus, the art of Underwriting evolves with the type of new perils and claims experiences which is a fine balance between risk appetite, tolerance, and policy holder benefits.

Tony: We need growth in the country, and we need growth in the engineering and construction sector to be able to facilitate that. The national development plan is supposed to be a big influencer of growth to help us there. Which network sectors do you think will be the biggest benefactors in this regard, when it comes to engineering and construction?

Mark: That is an interesting one. Government is a big role player in the construction industry in terms of providing national infrastructure that are the arteries of the economy of any country. Things like roads, harbours, ports and rail networks are key amongst many others.

We are hoping for and have received news coming out of government that they intend to start to roll out the target of the National Infrastructure Plan 2050. So, there is going to be upgrading and expansion happening in our Energy, Freight, water and Digital sectors. That will allow South Africa to take advantage of the demand that we now see in our natural resources and also allows our SADC neighbours to participate in the global economy using our infrastructure, our networks and roads and our ports and harbours to do the importing and exporting.

Tony: That brings me to my final question for discussion, where the takkie hits the tar. How positive are you about the sector and the potential for growth for insurance?

Mark: It would be great if government does come on board and start spending on infrastructure because they can do a massive turnaround in the actual construction industry. But the resilience of the south African private sector is showing. We have come through some very tough years, and we still have a few more tough years ahead, but the private sector is slowly standing up again. Human activity will always continue. We have seen that in the market. With events like the baby boomer wealthy generation retiring, the mining sector seeing good growth, governments NIP 2050 implementation there is positivity on the horizon.

We have a large previously disadvantage population sector being educated, who in turn are increasing the skills pool, wanting to moving into urban areas where there are job opportunities and good living standards in the cities. This will increase the middle class, who are the driving factor of any consumption-based economy. This leads to all kinds of developments associated to cater for their demands of living.

Thus, although we are having tough times in the construction industry, there will always be something happening, in terms of all these varied factors and demands that are constantly playing out in South Africa, such as development of solar, wind, gas, and hydrogen.

Many factors are constantly changing in South Africa that will require construction. That is where we come in and we facilitate the means for these constructions to happen. It is all interlinked, and we should not be thinking that we are doing things on our own as we can only thrive as a nation by collaboration.

"Collaboration is key, and without collaboration, we will never be able to move beyond who we are."

CYBER RISKS FACING THE RETIREMENT INDUSTRY

Contending with the intensity and frequency of cyber threats to business operations is a 24/7/365 challenge. While the banking sector has intensified its cyber defences, threat actors have set their sights on the retirement industry. Not only is the financial quantum at risk huge, but the wealth and sensitivity of personal data sitting within retirement funds places the employers, administrators and trustees of retirement plans at significant risk in an environment that is increasingly litigious.

ZAMANI NGIDI

Cyber Solutions Client Manager at Aon South Africa

The retirement industry is governed by a strict set of fiduciary responsibilities when it comes to the administration of personal and financial data. On the one end of the spectrum the industry needs to remain compliant with regulations set out by the Protection of Personal Information Act (POPIA), while on the other end of the spectrum, addressing the demand for digital capabilities such as online access to funds and records, which increases their exposure to cyber threats. According to Aon's 2021 Cyber Security Risk Report, tougher decisions need to be made in an increasingly complex environment where the continuous rush to transform has organisations playing catch-up in the cyber security game.

REDUCING CYBER RISK ACROSS AN ECOSYSTEM

Addressing the cyber risks that retirement funds face requires working across the entire ecosystem of the value chain which includes administrators, technology, legal and human resources teams, along with any third-party contractors and clients themselves. "The space where the retirement fund and technology meet, creates a complicated playing field where the inherent responsibilities of IT, finance and HR operations overlap. It needs these groups to rally around a common goal that focuses on keeping cyber security risk front and centre, especially as it relates to the sensitive nature of the information retirement funds are custodians of," says Zamani Ngidi, Cyber Solutions Client Manager at Aon South Africa. Aon's 2021 Cyber Security Risk Report outlines four major areas for retirement plan administrators to consider in order to balance risk and opportunity through better decisions.

NAVIGATE NEW EXPOSURES: RAPID DIGITAL EVOLUTION

The continued drive towards innovation, for example the Internet of Things (IoT), Internet of Bodies (IoB), and Smart City initiatives, will continue to pose yet more cyber risk. Operating in this environment, organisations are called on to weigh the projected benefits of a digital agenda against the cyber risk introduced by adopting new technologies or business models. As part of an enterprise-wide approach, it is essential to identify the cyber risks and threats; mitigate risks as appropriate through best cyber security practices; prepare and be ready for incidents; and consider which part of the risk to transfer off the balance sheet through insurance, and then scrutinise current and available policies to ensure new risks are covered.

KNOW YOUR PARTNERS: THIRD-PARTY RISK

It is crucial to evaluate the cyber risks arising from supply chains in new ways and with heightened concern as it takes just one undefended back door to compromise a business' information integrity. Explore key risks arising from supply chains, map them to key cyber security controls and determine actions your organisation can take to close the cyber security gaps. Social engineering continues to be a top method for cyberattacks, which is why it is important for all players in the retirement plan administrative ecosystem to educate staff members on basic cyber security awareness.

CONCENTRATE ON CONTROLS: RANSOMWARE

Ransomware is no longer confined to the simple model of 'pay to decrypt' as data may be extorted, breached, or even erased. With 24% of South African companies having experienced a ransomware attack in the last year according to findings in the Sophos' State of Ransomware 2021 white paper, significant business interruption is highly likely. It is critical to take steps to reduce your organisation's exposure footprint and minimise the impact of data infiltration. A good place to start would be to engage with qualified cyber security professionals who will be able to identify vulnerabilities, stress test security measures in place, establish business continuity plans and assist with breach response.

PERFECT THE BASICS: REGULATION

The Protection of Personal Information Act (POPIA) came into effect on 1 July 2020 in South Africa, making it essential for businesses to process personal information in line with regulations. According to Aon South Africa's Insurance and Data Privacy report, even a retirement plan administrator needs to be aware of and co-ordinate the appropriate steps to mitigate the impact of POPIA on its day-to-day business activities. "Data processing is becoming a litigious minefield with a swath of global data privacy laws adding to the fray, such as the EU's General Data Protection Regulation (GDPR), the California Consumer Privacy Act (*CCPA*) and Brazil's General Data Protection Act, Lei Geral de Proteção de Dados (LGPD) along with POPIA. It is creating greater awareness of the financial impact of cyber risk as well as emphasising the need for organisations to increase its understanding of cyber insurance," says Zamani.

PROTECTING DATA AND ASSETS

"The retirement industry is striving to diversify its product offering while optimising investment strategies, which converges with the need to protect data. Making informed decisions in this space requires concrete data and analytics from a seasoned cyber risk expert in the field, who will be able to aid you in taking the necessary steps to protect information assets and data, whilst holding business partners and suppliers to similar standards, in order to mitigate any supply chain risk," concludes Zamani.

FLOODING: MORE LIKELY, MORE EXTREME,

AND MORE UNPREDICTABLE

Thusang Mahlangu, CEO of Global Corporate & Specialty (AGCS) Allianz South Africa

Businesses and communities along parts of the east coast of South Africa were devastated by catastrophic flooding. What was once a relatively well-defined risk has become more erratic, if not unprecedented, meaning effective business continuity planning is more vital than ever, writes Allianz Global Corporate & Specialty (AGCS) South Africa CEO Thusang Mahlangu.

Parts of KwaZulu-Natal (KZN) received between 200mm and 400mm of rainfall in 24 hours on April 11 and 12, 2022. All parts of the province were affected by the rainfall. The province has been dealt a triple blow — the Covid-19 pandemic, the July riots, and the floods. Streams swelled, burst their banks and then the flash flooding started. Cars and houses were washed away. Streets were inundated and covered in mud and, as the rain continued to fall, it triggered massive landslides.

The natural disaster affected more than 100,000 people and almost 500 people died in KZN. Operations at the Port of Durban, one of Africa's busiest ports, were interrupted, with the risk of major supply chain disruptions across Southern Africa as a result of extensive damage to the Bayhead Road, which links the port to the rest of the country. The route handles 13,000 heavy vehicles per day.

There has also been extensive damage to public infrastructure. It's estimated that it will take around 600 million euros to rebuild the province. The Eastern Cape Heavy also experienced heavy rainfall and flooding where roads, bridges and houses were extensively damaged. As Allianz, we have contributed EUR50,000 towards the KZN disaster relief through the South African Red Cross Society. The funds will address four areas: food security and livelihoods, shelter, healthcare; water, sanitation, and hygiene to support over 100 households. We are also supporting our affected clients to ensure we can place them in the same position they were in before the floods.

Flood catastrophes result from a complex web of climatic, hydrological, and social factors. Scientists were quick to see the direct impact of climate change on the disasters. After all, for years, they have warned that climate change will result in more flooding. For every degree Celsius of warming, the atmosphere can hold about 7% more moisture1 , which can supercharge rainstorms. Respondents in South Africa ranked climate change number six in the Allianz Risk Barometer's top 10 business risks for 2022.

The flood risk landscape, previously well defined by historical and government flood maps, and to some extent local knowledge, is being challenged with erratic and unprecedented weather patterns.

What we accepted as 'normal' is being changed by new realities of climate change, rapid urbanization, and human development. It is creating specific new risks for companies.

CLIMATE CHANGE IS HERE

The United Nations' Intergovernmental Panel on Climate Change (IPCC) issued a stark warning that without immediate and deep emissions reductions across all sectors, limiting global warming to 1.5°C is beyond reach. The IPCC has previously warned that disasters, such as the recent floods, will become even more severe as the water cycle continues to intensify as the planet warms. Each fraction of warming will bring greater rainfall, higher rises in sea levels and more intense droughts and extreme wildfires.

Flood damages can also occur outside mapped river floodplains. The damaged picture of the recent KZN flooding is likely to illustrate this, with companies outside larger hazard zones but close to small rivers or even streams affected by massive flooding. And the losses suffered by the victims of flash flooding are often higher than those incurred along rivers, largely because of the unpredictable nature of flash floods.

But record rainfall and flash floods are only part of the risk picture. Flood depths and rainfall levels get widely reported, but other contributory factors such as the speed of the flood and flood 'missiles' like cars, tree trunks or household appliances ramp up the potential risk. Companies need to prepare for such natural events with a flood contingency plan, also known as a business continuity plan, to reduce potential losses. Current events show how important this is.

BUSINESS CONTINUITY MANAGEMENT IN FOCUS

Many companies in KZN were shocked to discover that their emergency plans were quickly overwhelmed in the face of the masses of water. Our risk engineers recommend that all companies use early warning systems and draw up a flood contingency plan to reduce potential losses and be adequately prepared for extreme events.

It is not possible to make all sites equally resilient and measures should be weighed up against risk exposure such as geographical location and the risk of natural disasters, along with the importance of the site for value creation and its place in the supply chain. In addition to sandbags and other physical barriers, flood mitigation methods could include securing empty containers that might be washed away, the reinforcement of roofs, especially in the corner and edge areas, to dissipate the acting storm forces, and the fixing roof superstructures, such as solar panels.

Companies are often reluctant to make the effort of creating a business continuity plan. However, there are always good examples of clients who can pull this plan out of the bag in the event of a loss and thus have a decisive speed advantage in getting back into operation quickly. Business continuity planning for crisis events and floods are just one scenario among several must be prepared in advance and revised regularly. Once an event has occurred, business owners need to react quickly to ensure the interruption remains minimal.

First, it is important to shut down electronic supplies and prevent runoff of pollutant-containing liquids so that any heavy metals or oils do not get into the groundwater. It is also important to secure and store important items and preserve machinery and production equipment. Important documents should also be secured. The second step, and a critical one for the later insurance claim, is to inspect and record the damage with the insurance expert and take initial drying measures in the production halls.

Flooding is always an exceptional situation entailing increased risks during recommissioning. Machinery and equipment primarily high-value and production-critical equipment must be cleaned and dried comprehensively. Electrical equipment should be inspected before being switched on and repaired, if necessary, to prevent short circuits and subsequent ignition.

Any debris from the interior and exterior floor inlets, gutters, downspouts and catch basins must also be removed. Ultimately, the safety equipment must be returned to service as quickly as possible, and ignition sources must be eliminated to avoid fire.

INSURANCE IN THE AGE OF CLIMATE CHANGE

One of the questions arising with an increase in extreme weather events is whether companies should increase their insurance or if insurance companies will have to increase their premiums. In general, companies are better insured against natural hazards than private households. Usually, classic property insurance for companies also includes coverage against natural hazards.As an insurer, we have to expect increased exposure to flooding in the future, especially after heavy rain. In our estimation, this will also have an impact on capacity allocation.

Customers who convince us of the suitability of their risk management concepts will have advantages when purchasing insurance cover.

The premium for natural hazards insurance depends on individual risk, coverage, and the customer's property contribution. Other relevant criteria are the location of the risk, protection concepts, vulnerability of insured property, precautionary measures for business continuity management and maintaining/resuming operations after a loss event.

The recent catastrophe reports on weather extremes around the globe are an overdue wake-up call. Insurers and their corporate clients must prepare themselves for the fact that previous once-in-a-century events may well occur more frequently in the coming decades. Climate change is a reality.

Floods are just one example of weather extremes that businesses must be prepared for – heavy rain, drought and extreme cold can also take their toll. AGCS can help clients evaluate their emergency plans as part of its preventive loss prevention consulting services and recommend improvements where necessary. AGCS also offers a valuable **Flood Checklist** that provides tips, actions and advice to be

THE IMPACT OF THE RUSSIAN/UKRAINE WAR ON SA BUSINESS INSURANCE

The Russia-Ukraine conflict has set in motion a domino effect that continues to have widespread consequences for several sectors, including the local insurance industry.

All insurers have war clause exclusions for acts of war including invasions, insurrections, revolutions, military coups and terrorism as this protects them from potentially catastrophic losses caused by war-related events. The unfortunate reality is that most insurance companies will be unable to remain solvent in the event of large-scale conflicts. War-related loss and damage can have devastating financial effects and pose a serious risk to the sustainability of the industry, and therefore also the economy.

The war clause in insurance policies protects insurers from this calamitous risk which is usually covered by War and Strikes insurers in accordance with the War Damage Insurance and Compensation Act 85, 1976 (No. 85 of 1976). However, due to the nature of Russian/ Ukraine conflict, insurers have cancelled all War cover in Russia and Ukraine. Local insurance product providers have issued war cancellation notices to all their affected clients, meaning that there is currently no alternative solution in place for the Russia-Ukraine conflict.

The direct impact of this is that marine-based businesses who import/export goods to the affected regions around Ukraine and Russia are potentially at risk of suffering substantial losses due to the war clause cancellations as well as the existing sanction limitation and exclusion clauses. Import/export businesses also need to be aware of the sanction limitation and exclusion clauses in their policies. This clause states that no insurer will provide cover or pay any claim or benefit, if doing so exposes them to sanctions, prohibitions or restrictions under United Nations resolutions or the trade of economic sanctions, laws or regulations of the European Union (EU), United Kingdom (UK) or United States of America (USA).

The UK, USA and EU have now implemented strict sanctions against Russia, listed businesses and certain named individuals. Insurers are legally obligated to abide by these restrictions and as a result, have issued notice to all their clients and advisers where there are policy contracts in place.

My advice for businesses who have existing shipments enroute to Russia or Ukraine: If sanctions are imposed after a shipment commences its voyage and there is a claim, the product provider may not be able to pay the claim, as the payment could be in contravention of the international sanctions by the UN, UK and USA. Affected businesses are urged to speak to their advisers about the potential risks of sending cargo to these war-affected regions, as a loss may no longer be viewed as fortuitous or unforeseen.

Another war-related risk that may affect South Africa businesses relates to cyberwarfare, which historically, increases when geopolitical tensions are elevated. In fact, immediately after the conflict broke out, suspected Russian-sourced cyber-attacks were observed at an increase of over 800% over a 48-hour period. United States intelligence and security services, the FBI, and the Department of Homeland Security have all shared high alerts covering threat levels, preparedness, and response.

Cyberattacks can stretch far beyond what might be expected, not only including infrastructure or services necessary for survival like power stations and water treatment plants, but also financial markets and companies linked to opposing governments. These events have highlighted the importance of cybercrime insurance for businesses and also, how critical it is for those business owners to understand the clauses in their policies that relate to compliance.

In conclusion, the immediate potential cyber-related risk exposure for anyone doing business in Russia is related to outstanding payments. A business may be requested to make payments on outstanding accounts into a different bank account. It is important that any request for payment on any invoice be verified with the supplier as interception of invoices might become a bigger risk.

Furthermore, making payments to a country on a sanction list is another risk, and we strongly advise clients not to make payments of any nature on outstanding accounts for products imported from Russia without obtaining legal consent that the payment can be made.

50 YEARS OF HOME-GROWN INSURANCE SOLUTIONS

Kalim Rajab, CEO, New National Assurance Company talks to Tony about celebrating 50 years as a leading empowered insurer. The fascinating journey from community-based organisation to fully fledged national insurer.

Tony: 50 years of new national assurance is a fantastic achievement for a medium sized insurance company. Especially, to stay independent for so long without being swallowed up. Please give us some background on new national assurance company because you have been operating a bit under the radar for quite a while.

Kalim: It is a wonderful milestone for us, I was going to say it is a culmination of a journey, but of course it is not. We want to go on and strengthen even further from here. I must start off by saying that the roots of our company go back even further than 1972.

Although in its current guise we were formally incorporated in 1972. KZN is really where we came from and it is still our history, still our DNA and how we see ourselves as a medium sized insurer.

We come out of the structures of apartheid, when black businesspeople were not allowed, or found it exceedingly difficult to enter financial services. It was a segment largely ignored by the traditional insurance companies, not just in Natal but throughout the country.

And the genesis really was when a community of businesspeople in the Natal and Transvaal came together and said, how are we able to access community funds and pool it to protect a community and provide insurance to a community who, as I said, were largely ignored.

I always feel that as managing directors or CEOs, part of the brief should be to be a storyteller. Companies of a certain history and age should have great stories to tell. And it is important that these stories are told and retold. I certainly see one of my roles as being that, as being the person who tries to recall and disseminate these great stories.

We were born in great adversity. People of a certain generation would remember, a year after we were formed in 1973, was the seminal dock workers strike in Durban, which certainly brought that region, but also large parts of the country to a standstill because of the importance of Durban and the harbours.

We are a unique nation, always seemingly written off by lots of people, but we have resilience in our blood, always hopeful. So, New National has been doing that for 50 years, hoping and striving against adversity.

Tony: The challenges insurance start-ups faced in those days, were they related to competition, to distribution issues, to regulatory issues? What was it that made it difficult to get going?

Kalim: It was on multiple fronts, chief among them was capital. How does a small, and what was in those days still a community-based insurance company, deploy enough capital to survive and operate.What it meant was that, for many years, the capital base was internally generated, we did not have help from large outside shareholders or institutions and profits that we made had to be ploughed back into the business.

We had to maintain our reserves, very prudently. And so now, 50 years later, we are in a wonderful position where we can deploy a significant amount of capital nationwide, across hundreds of thousands of policyholders, across most major classes of insurance. But it was not always like that.

Tony: Now 50 years later, obviously 1994 came and we had lots of hopes about rapid growth in the economy bur we are facing several challenges. How do you see new national in this new environment. What is your vision for the future?

Kalim: Again, I use the word resilient, but we have also got to be very tactical, it is difficult to do business. It is also difficult to do business where things change so radically and so quickly. We have seen it in the last three years. Every year since 2019 there has been a new challenge that everyone, not just us, have had to face. You can have great vision, a great strategy, great idea of where you want to go, but unless you react quickly and tactically, you are not going to be able to do that.

I am reminded of this nice phrase, which is; a rising tide lifts all ships. In good times it is almost easy to do well, but it is only when the tide goes out that you see who has not been swimming with swimming trunks. The last three years have forced us to be agile and to be quick and decisive about what we do.

You cannot over analyse things too much; you have got to react and do things. We have seen it during this time, there have been several other insurers which have not been able to maintain their solvency levels or have unfortunately gone under and there has been consolidation in the market.

We fortunately have been able to evade that and been able to trade through these tough times. We are saying to ourselves that it is not going to change materially for a little while. It is going to be pretty difficult for the next little while and we have got to manage through it.

But we have a great support structure of brokers who have been with us for decades, they have supported us through thick and thin. We have a great pipeline of UMA's, many of whom we have nurtured from scratch, and we have created a highly effective ecosystem. We want to attract more brokers and more partners to come and work with us. But we are not naive to the challenges that all insurers will face.

Tony: You are still not looking at joining bigger groups? You talk about consolidation, will you stay independent?

Kalim: It is a great question, and we would be bad businesspeople if we did not think about such things. I have to say though, we are moved, rightly or wrongly, but we are moved by a different type of vision, a different type of passion. We are a company which has not just been around for 50 years. We are also the largest and the oldest empowered short-term insurer. This is an important thing to bring to the industry.

There is a national project in financial services, if you step back and look at it philosophically, which is that this industry should not just be for the select few, it should be open to all people with talent. We see this as a mission, to open avenues of opportunity.

It is a wonderful thing that there are several insurers, that the financial services space in general is full of agile competition, pushing and shoving and making things better for the consumer, by offering different choices.

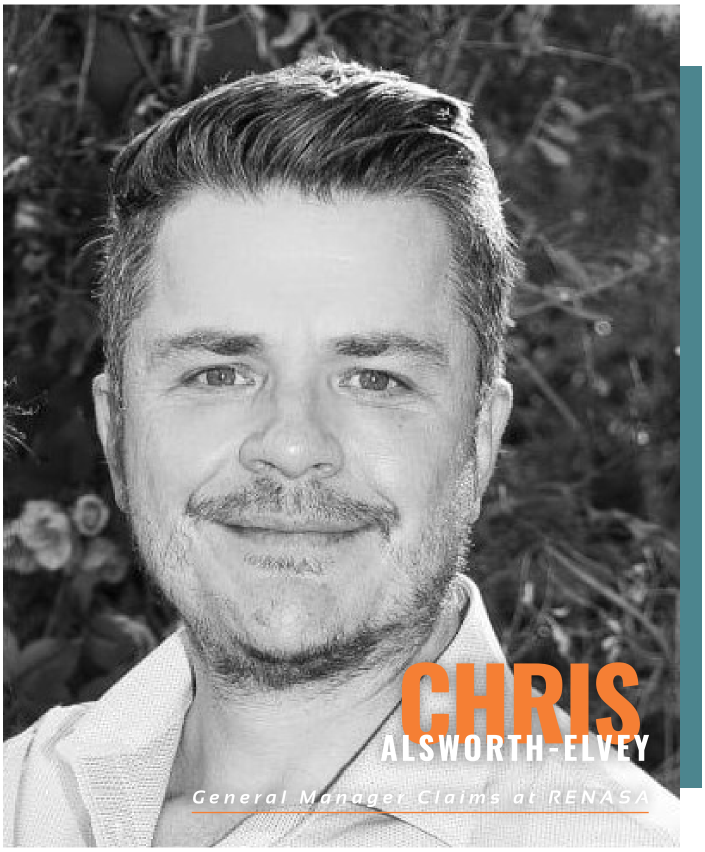
I am personally moved by that, by this idea of a mixed economy, full of agile and responsive competition. The brand and what I bring to the insurance sector is something that I would like to pursue.

Tony: Lastly, looking back at the early day struggles, how do you feel about transformation in the industry, both in terms of youth as well as the previously disadvantaged?

Kalim: In the 10 to 11 years that I have been in the industry I have noticed quite a change in all those things that you mentioned. I certainly agree with you that there are much younger people coming into the industry and on your second point I am so glad to see faces of colour entering our industry. The other thing is that I see is people from with different skills environments coming in, which I did not see a while ago.

We have great data scientists, and even actuarial science which was traditionally not really focused on non-life insurance, has changed. We are seeing behavioural economists come in looking to change insurance, shake up insurance. It is wonderfully exciting to be in the industry today.

CLAIMS: WHEN WE REALLY PROVE OUR WORTH



An in-depth discussion with Chris Alsworth-Elvey, General Manager Claims and Sean De Jager, Manager Specialised Claims Division about the insurance industry claims environment, the impact of the KZN floods and the role brokers play in ensuring client retention.

After a few extensive national claims events it would be great to get some of your insights. To start off on your side, Chris, in insurance we talk a lot about the fact that we sell hope. People get a piece of paper, and they hope that if anything unforeseen happens, that a claim will be paid and will lessen the loss they have suffered. In other words, when it comes to the claim time, that is when they realize what they have bought.

So, from your perspective, what are the most crucial factors influencing that experience?

Chris: In the Renasa environment, claims go so much further. For us, it is an opportunity to shine. It is an opportunity to deliver a claims service which outperforms that of our competitors in the intermediated market. Ultimately, your claims experience and how you service your clients is the shop window into Renasa and how our clients will view us and how they see us.

The crucial factors for us, would firstly be empathy. Having a true understanding of your client's post-loss circumstances, focuses our efforts in indemnifying the client. It helps us determine and establish what is required and how best to go about putting the client back in the position that they were prior to this loss.

Another fundamental for us, is the understanding that, in addition to the legal obligation that exists and the contractual obligation that exists between us and our client, there is also the moral obligation to make sure that your client is indemnified as soon as possible and as transparently as possible throughout the process. Other factors that we consider to be important would-be responsiveness. Speed is critical. The sooner you can admit liability and give your client the comfort of knowing their loss is covered, the better.

Then we have certainty and their transparency, for us the insured is entitled, as mentioned, to know straight away whether that loss is indemnified or not. The comfort that brings the insured goes a long way in buying us some mileage in the process. Communication is another key factor. The claimant should be well informed of all the information required from the outset and the steps involved in the process of claiming in our environment. Then, more importantly, providing the client with regular feedback during the life cycle of a claim is crucial for us.

Tony: I can give Renasa a bit of a punt here, because I saw in the latest OSTI report, that in terms of complaints per thousand, Renasa did exceptionally well compared to its peers. This brings me to my next question, because I am sure that a large part of that is because brokers play a key role in the whole claims process. That benefits you because you focus on the broker market.

Chris: Correct, their involvement in our claims settlement process is vital. So vital in fact, that we have, throughout the years, dedicated a vast amount of resources to develop and maintain a web-based claim settlement service to which they have access. Our national network of service providers has access to the system too. We believe that giving brokers direct access to our networks, speeds up the claims settlement process in our environment.

Roughly 85% of all claims within the Renasa environment are settled within the broker's office, within their mandate, courtesy of this infrastructure that we have made available to them. This goes a long way toward ensuring the speed and promoting transparency, which I alluded to earlier. Not only do they take care of clients during this challenging time, but they also care for the clients. Spending time with the clients' aids us in the assessment of risk and future risks, which in turn contributes toward preventing losses of this nature.

If you can prevent these losses, surely you can reduce, minimize, or prevent the stress and anxiety that is coupled with submitting an insurance claim to an insurer. I cannot state or emphasize enough the importance of the broker's role in this process and in ensuring that the claims experience with Renasa is an experience that one wants to forget, but which one will not forget because of the service and attention you were given.

Tony: Sean, from your side, we spoke earlier on claim times when the rubber hits the tar, and there is no better way to describe the rubber hitting the tar than in a major weather event like the recent KZN floods, because that puts every process within an insurance company to the test. Can you explain what the main challenges are at a time like that, when it is multiple claims, big disasters, and everybody is panicking?

Sean: So, just to add to that, as Chris mentioned, the brokers are your shop window and that is of utmost importance to us. We rely on brokers, but we also rely on brokers to give us information to assess and validate those claims accurately and as quick as possible. These floods, like what happened last year with the riot event, was an overnight situation that we woke up to. What we would suggest is, assess your claims, quantify your claims, and immediately plan to go forward. So, it involves service providers, it involves coordination in repairs while evaluating the risks of increased costs of repairs, reinstatement.

The immediate important thing for us, was getting the correct information to handle and to make informed decisions as and when it occurred. My answer would be to understand exactly what you are dealing with, to share that understanding with them, and to make them aware of the process going forward. So, a challenge for me personally, would have been data, getting the right data and identifying the right claim. Ensuring that your brokers work hand in hand with you goes a long way here.

SEAN DE JAGER

Manager Specialised Claims Division at RENASA

Tony: So, you also have the added problem, especially during a disaster like the floods, that there is a lot of pressure on your supplier partners. Those people that must execute on repairs, maintenance etc. How do you manage that process? Because you are competing for resources with other insurers, during a time like that.

Sean: That is correct. We utilize specialist lost adjusters, specifically on the more specialized claims. So, you would have a lot of engineering firms that were affected, for example, and your normal domestic client. Getting the right person or panel on site to assist engineers was a challenge. Quantity surveyors with reinstatement was a challenge.

So, we were fortunate in that situation because Renasa's model is that our service provider panel is structured in such a way that we had these people in place and we had standby facilities in place with loss adjusters from Johannesburg to assist, should we not be able to cope with the influx of claims.

It was about setting the model up, and as Chris just now alluded, the service providers and the brokers all engage on the same operating system. So, all of us could work on the claim and coordinate the claim. That was especially important for us.

Tony: A question to both of you and we can start on your side Chris. What lessons should we, as an industry, learn from an event like this, about the value chain, from the claims division right through to the broker, the suppliers, the client. Are there any specific lessons that you can think of that we should learn from this?

Chris: For me, the big lesson out of this was embracing flexibility, being prepared as an insurer to deviate from your normal standard operating procedure. And by that I mean the information you would call for from the insured, to approve the claim. To be prepared to deviate from that, to understand what the minimum requirements or minimum information was that you could get away with to start processing the claim.

We were able to to say to the insured that, ordinarily I would need a certain amount of information from you but, due to the pressures on the resources and the lack of materials in the province, we are prepared to indemnify you and propose settlement, even with you only having the minimum information available to us. I think the key for us was being flexible in our model and being prepared to deviate, because of the circumstances, from what we would typically do in an event like that.

Tony: Sean, on your side?

Sean: Yes, just to go back and add to what Chris has said. He mentioned the word empathy. Having worked through, and worked with some of these clients, situations were not that easy for them. And Chris is so correct in that summary; to deviate from your SOP, to have an understanding that a client cannot do a certain requirement or certain document at that stage. We must also understand, it is especially important, that we are dealing with people's lives on a personal space and on a business space.

So, for us the empathy part of it was of utmost importance. The KZN area was hit by this catastrophe, it has happened previously. So going forward, what do we do to minimize future losses. And to understand that we help ourselves by helping the client as well. So that is the lesson that I have personally taken from this.

Tony: Going forward, we must take changing weather patterns into account. With that comes all sorts of things about previous standards, in terms of building requirements and zoning of developments and all that sort of thing. Looking at severe weather events occurring at a more regular basis and taking that as a growing pattern.

Sean: With regards to your previous question, lesson learned, it is certainly something that we will address with our risk department, and it is certainly something that I personally monitor as well.Something to look forward to. It is also, for us, about using technology to create awareness on future exposures. I would certainly press for that and consider it.

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ENABLING INSURANCE ECOSYSTEMS

In conversation with Herman Schoeman the CEO of Guardrisk and Xolani Nxanga, Insurtech Lead

Tony: Herman, please give us some background on Guardrisk awnd starting the LAUNCHPAD initiative.

Herman: This is a new chapter in the evolution, and hopefully the revolution, of the Guardrisk business. The business started way back in 1993 and Guardrisk has positioned itself as a business with a very strong entrepreneurial culture. We are always looking at the next innovation where we can innovate to the benefit of our clients who own cells in Guardrisk and obviously to their end customers.

It's part of our DNA and it's part of our culture. When you look at the external trends that have appeared over the last two years, with some linked to COVID, we see that no one can talk about a business of the future without deeply referencing digital or digitization, especially because of the focus on the needs of the customer.

When you are a B2B business like Guardrisk, you immediately think that it is not for us and only happens in the retail space where there's end users and end customers. But we sat back and looked at the future of the business and the future of the market, taking note of all the local and international market trends, which led us to the decision to also be part of this digital and digitization environment going forward. The question was how to apply that in a business that traditionally has other businesses as clients. We certainly recognize the need to bring the cell captive and new ideas to the market at a much faster pace, especially in the corporate area where we play.

We recently partnered with an Insurtech business called Root, allowing them to participate with Guardrisk and introducing them to our client base in the retail space, to assist our clients to monetize their customer base through insurance. Together with Root, we have assisted our clients to build insurance ventures in a truly short space of time, to launch new products and take them to market. It is this initiative that we are now taking forward in a much bigger step. Through an independently managed venture capital fund, which Guardrisk and our parent company Momentum Metropolitan hold an economic interest in, we participated in Root's most recent fundraise.

We have just under three hundred cells in the business and if you think about it, each cell in the Guardrisk business is almost a start-up. If it is not a start-up, it has been a business that we have assisted to scale using insurance capabilities that has allowed them to scale on their customer base. It is now about putting the digital element and component to that. This is really the reason we have embarked on this initiative. New business models are requiring us to do this, to think about future proofing the Guardrisk business model, not just for ourselves and our own shareholders, but certainly for our cell owners and our cell owner shareholders.

Venture building these days, in this space, is a hit and a miss. The failure rate in the open venture capital world is high. With Guardrisk, and Xolani will tell you further about LAUNCHPAD specifically, we are really providing access to our ecosystem in the Guardrisk environment, so that we can narrow the risks associated with it. We want to connect the dots and really increase the odds of these entrepreneurs being successful in an ecosystem that is very close to us in the cell captive environment.

Tony: All this now hinges on finding those entrepreneurs and there being enough entrepreneurs. Xolani, just from your experience, do you get many entrepreneurs approaching with innovative insurance ideas?

Xolani: Absolutely, I think just by the very nature of our business model, we are not competing with the entrepreneur or the cell owner, so we get approached because the entrepreneur knows that their IP (Intellectual Property) is going to be protected.

Further, the entrepreneur takes all the economic benefit out of that business. So certainly, we do see a lot of ideas especially around health innovation, where you can check your vitals using your smartphone. We are seeing various ideas every day, but we know that these entrepreneurs face a lot of challenges.

Tony: What are those needs and challenges that they face that you are hoping to address?

Xolani: There is no lack of ideas, but we see that a big challenge is access to funding because some of these ideas require massive investments right up front, being technology driven.

Although you get the benefits later, you must get the right skills, get the right technical people to support you as an entrepreneur in areas that you may not be good at. You want to bring in other partners in your business and you must pay someone a salary and yet there is no revenue coming in. So funding is required to start the business.

Then, the other challenge that we have seen in the insurance environment is that insurance is quite a technical environment. I do not think it gets the recognition that it deserves being such a technical industry. Some of the entrepreneurs may have a very solid understanding of technology, but not necessarily insurance. This is where Guardrisk comes in, given our vast knowledge of the industry.

The third one, which is very crucial and has played out several times in our business, is access to clients and access to distribution. You can imagine starting out with this new venture, needing clients to buy policies. We know that is extremely hard, and we want to make it easy for the entrepreneurs.

Tony: In that context, the cell captive obviously must play a key role in this environment. How do you see that?

Xolani: The cell captive model is the most cost-effective way to get into insurance. You are getting all the benefits of a full insurance licence at a fraction of the price through the cell captive model. That is why it has been very attractive, not just to big corporates, but people just starting out. You and I can start a cell captive tomorrow, without needing huge sums of money to start an insurance business. The set-up costs and the ability to outsource some of the functions make it extremely attractive, as it enables you to get your business going within a short space of time.

Insurtech certainly needs cell captives because it is the most cost-effective way to get your business off the ground.

Herman: The first point Xolani raised was about capital and access to funding for these entrepreneurs. When you start a new business, as a start-up, the funding you required just to get your idea into a business is huge. That is why there are large venture capital funders. Now, when you add insurance over and above the working capital to just get your idea into a business, you need solvency capital and you need regulatory capital.

If you just put those numbers together, it is a significant undertaking for an entrepreneur to start an insurance business, which is where we come in with the efficiency of the cell captive model. Look out for the next article where we are going to talk about how Guardrisk's LAUNCHPAD initiative enables those entrepreneurs on the ground.

TECHNOLOGY

" As the automobile industry becomes increasingly integrated with IoT technology, vehicle telematics is being driven by technological advances in 5G technology, electrical engineering, vehicle technology, and Artificial Intelligence (AI). "

- CLIFFORD DE WIT, CHIEF TECHNOLOGY OFFICER, NETSTAR

VEHICLE TELEMATICS BEYOND 2021

Telematics technology has come a long way since its inception in the 1980s. Today, it is revolutionising the way insurers approach vehicle cover.

A brief history lesson: Before telematics infiltrated insurance, the technology was a covert military tool used during the Cold War. In the decade that followed, governments invested heavily in the technology, looking to improve road safety and reduce their environmental impact. By 1993, GPS technology had spilled over into the consumer market. Fast-forward to the early 2000s, and telematics was being used in web-based fleet management systems that fed real-time updates to remote networks. It was only a matter of time before the technology trickled into usage-based insurance (UBI).

Telematics was initially used to track vehicles on a map, says Clifford de Wit, Chief Technology Officer of vehicle-recovery and fleet-intelligence provider, Netstar, a subsidiary of Altron. The industry really took off when telematics started being applied to the commercial sector, in managing fleets and general logistics. Most technology starts in the commercial sector as it's often too expensive at first for the general retail market, De Wit notes.

The telematics sector has evolved rapidly since then, especially with the advent of the Internet of Things (IoT), and the cost of the technology becoming more affordable of late. "We started tracking many more things, and we're adding more by the day," says De Wit, referring to the industry in general. "UBI was originally promoted as a tracking system and featured in premium cars," says Peter Olyott, CEO of Indwe Risk Services. Today, UBI systems are numerous and varied, and include embedded "black box" tracking systems, OBD II–based telematics, and tethered smartphone-based solutions. Where early UBI programmes calculated premiums based on mileage alone, today's models can account for a much greater variety of data input, enabling insurers to fine-tune policies to a T. Pay as you drive (PAYD) programmes, for example, a form of UBI that is increasingly being rolled out in the industry, uses technology that examines how a driver performs and sets insurance premiums based on those findings, and is now ubiquitous in South African insurance. "It's evolved to a point where we're not just collecting positional data," says De Wit.

"Most of our units also measure accelerometer data, which means we know variables such as speed and location, but also crucial data such as changes in G-force," he says. When you wrap this data and offer it to insurers in a tidy package, that's where the value comes in. There's no shortage of data around us, but it's in the way that this data is processed where value is derived. "While telecommunications manage the flow of information, informatics handles the data retrieval, resulting in more efficient operations that are cost-effective and safer for users," Olyott says. As the automobile industry becomes increasingly integrated with IoT technology, vehicle telematics is being driven by technological advances in 5G technology, electrical engineering, vehicle technology, and Artificial Intelligence (AI).

Telematics is becoming especially relevant in the South African commercial sector. "We have extensive fleet management solutions of which the majority are used to proactively mitigate risk for insurers," says Justus van Pletzen, Insurance Markets Consultant for Netstar. De Wit explains that there are two conversations around the value of telematics for risk managers. One is providing behavioural data on policyholders, and the other is in providing aggregated data for proactive risk management. These tools are not only used for managing fleets but also the cargo being transported, which are two different risks entirely. "It's one thing to ensure that drivers are keeping to the rules of the road but ensuring the safety of the cargo requires a different set of solutions," Van Pletzen adds. Insurers usually pick their jaw up from the ground when they realise what can be done using telematics, Van Pletzen says. "They can't believe that we're able to do the things we do."

WHERE TO FROM HERE?

Telematics, inside the vehicle and out, is being touted as one of the defining technologies of the future. Olyott says it may become more mainstream as the development of autonomous vehicles continues and companies eventually seek to monitor these vehicles. Connected vehicle options offered by large vehicle manufactures have also become readily available. So, if cars are rolling off the assembly lines with telematics pre-installed, will it change the way we drive? Of course, says Olyott. "When something is being measured, the results are always better than can be attributed to human behavior," he says.

Van Pletzen predicts positive changes across the board for road users. "I see more benefits in telematics in terms of mitigating accidents, improving driver behaviour, and combating theft and hijacking," he says. This is good for clients and insurers alike. "We are likely to see a reduction in the frequency and severity of accidents, which will ultimately result in reduced premiums," Olyott says. The transport and logistics industries are changing, says De Wit. Covid-19 has had a huge impact on online deliveries and ride-hailing services, for example, which will be future drivers in changing the way insurers think about their clients. "As there are commercial clients that run fleets, there may be ride-hailing organisations seeking insurance," he says. The level of data that these companies generate will be invaluable to insurers in providing ultra-tailored insurance to these types of companies.

TELEMATICS IN SA

There's never been much doubt about the capabilities of South Africa's technology providers – our tech is regarded as some of the best in the world – it's been more of a case of persuading the various sectors to adopt these technologies. But we're slowly getting there, says Van Pletzen. "The telematics is of the highest quality, and the data is of the highest quality, but it's very underutilised in the market." Van Pletzen sees a marked increase in telematics adoption in insurance within the next few years, "from the user and the risk carrier." Telematics has proven invaluable to insurers over the last few years, also with regards to the more traditional services such as vehicle tracking and recovery. In the long run, these technologies will play a big role in underwriting methodologies, says Van Pletzen.

MORE VEHICLES ON THE ROAD

Bernard van der Walt, Sector Head at BDO South Africa, a global consulting firm, explains that the unprecedented growth in online retail has had a knock-on effect on the logistics sector and thus the telematics industry. "In meeting rising demand, industry players have had to embrace innovative technologies to scale their operations," says Van der Walt. "With more vehicles on the road transporting larger volumes of shipments, innovative uses for a telematics solution that goes beyond vehicle tracking is crucial to keep stakeholders and consumers connected."

As telematics continues to improve with data analytics and machine learning, so too will the applications and insights coming from this field, says Gideon Galloway, CEO of King Price Insurance. "For insurers, there are huge potential benefits in the greater use of telematics," he says. "We are massive evangelists of new technologies, especially where they help monitor and reduce risks."

The more people there are using telematics, the more detailed the data becomes. Wynand van Vuuren of King Price Insurance sees this as a net positive. "AI will enable insurers to provide an even smoother customer experience, with personalised interactions based on client data, while they will increasingly be able to customise coverage for specific items and events." Telematics will also facilitate the automation of claims settlement while decreasing the likelihood of fraud.

The US is seeing significant growth in telematics adoption. According to Fleet Complete's 2021 Outlook Report, fleets in North America, Europe, and Australia will add 3.2 to 3.9 million new telematics subscriptions in 2021, representing 16% year-on-year growth. But does the same hold true for South Africa? Van Pletzen believes that telematics offerings coming out of South Africa are up there with the best in the world. "When it comes to stolen vehicle recovery and data, I think we're among the leaders in the market," he says.

The opportunities are there, says Van Pletzen. The onus is on insurers to act on these opportunities. "Insurers who don't will be left behind and may miss out on the benefits of telematics, or even worse, lose clients as a result."

Data-as-a-service is the future, says De Wit. Netstar is already partnering with larger insurers in providing aggregated data that gives them insight into trends and assess risk not based on surveys alone, but on real data. Adoption of these technologies is the best way to prepare for the eventual digitalisation of the vehicle industry, but also society as a whole.

RANSOMWARE NEEDS TO FORM PART OF

ANY BUSINESS DISASTER RECOVERY PLANNING

There can be no doubt that ransomware attacks are on the rise across the globe a simple online search will reveal thousands of statistics in this regard, and South Africa is no exception.

What is also clear from numerous examples of successful breaches, is the potentially devastating effect of a ransomware attack, which can cripple a business and shut down essential services for extended periods, not to mention cost a fortune to recover from. They are, in fact, a legitimate business disaster, and need to be considered as such when it comes to disaster recovery and business continuity planning.

UNDER SIEGE

There is no shortage of high-profile examples of ransomware attacks in South Africa over the past two years, from Johannesburg City Power to the Life Healthcare hospital group, Transnet Ports to the Department of Justice and Constitutional Development. To highlight the magnitude of the problem, according to the Interpol African Cyberthreat Assessment Report, in the period January 2020 to February 2021, there were 230 million threat detections in the country.

The report also lists ransomware as one of the top threats affecting Africa, with nearly two-thirds of companies in the region affected by ransomware in 2020 alone.

MIND THE GAP

Malware can infect anything and everything that is online, and these days, almost everything is online. With the risk of cyber-attacks so high, it has become imperative to have a plan to deal with the eventuality. Prevention is obviously better than cure, but when the threat simply cannot be prevented, the ability to recover is crucial, and that is where data management needs to come into play.

One tried and tested method of protecting data, and thus of having a copy of data available to recover from, is the concept of air gapping or data isolation. An air gap can either be physical or virtual, but it is, in effect, exactly what it sounds like: putting space between the copies of your data, to ensure that if one copy is infected, it cannot infect the other sort of like social distancing for your data.

This can be done with physical copies of data, or in the cloud, by using separate clouds to store production and backup data copies. Data isolation is a similar concept, which involves removing a copy of data to another location to separate it and prevent infection. Tape is an excellent example of this, where backup data is taken offsite to secure storage and repatriated on request.

Data isolation limits access to data and creates an immutable copy through Write Once Read Many (WORM) architecture. Using WORM means that in the event of a ransomware attack, backup data cannot be corrupted or infected.

THE THREAT LIES IN WAIT

Air gapped, isolated and immutable data copies are an essential component of data management. However, ransomware often lies dormant in an environment for an extended period, gathering information before it is activated to attack. This means that there is a distinct possibility that the air gapped, isolated and immutable copy of data is already infected, and if it is used for restore purposes, the ransomware can simply be reactivated.

This is where regular maintenance, testing, threat detection, and above all, keeping multiple copies of data from multiple points in time, becomes imperative. This way, should it be discovered that a backup copy is infected, you are able to roll back further to a previous copy that is free of the malware. Data management, data protection and disaster recovery around data requires multiple tools in multiple layers to ensure adequate coverage.

BEST PRACTICES ARE BEST FOR A REASON

Following a best practice framework for ransomware protection and recovery can prove to be invaluable. One such example is the National Institute of Standards and Technology (NIST) which proposes five steps to help mitigate the risk and impact of a cyberattack:

1. Identify – assess and mitigate risks
2. Protect – isolate, lock and harden data from changes
3. Monitor – detect anomalies and threat patterns
4. Respond – analyse the data and perform the actions as outlined in the plan
5. Recover – restore clean data quickly to get business back up and running

Ransomware attacks have become inevitable and being prepared for them is key to surviving the onslaught. This means having a recovery plan that aligns with business, maintaining readiness and responding when they occur. It means having an expert partner to assist with data management, protection and recovery. It means planning, testing and responding effectively. In short, it means that cyberthreats like ransomware are a disaster, and they need to be treated as such or businesses face risk that could shut them down for good.

QUANT FUND MANAGERS BELIEVE ACCESS TO HIGH QUALITY DATA IS KEY

New research from quant technologies provider SigTech reveals there is a growing focus among fund managers on improving the quality of data.

77% of managers interviewed believe that to achieve above-average returns in the future, accessing high quality data and having the technological capabilities to process it efficiently is becoming increasingly important. This explains why 76% of fund managers surveyed expect to increase their budget for data over the next few years, with one in five (20%) expecting a dramatic increase.

The number of available data sources has exploded over the last couple of years and 84% of fund managers work with at least four different data vendors. However, nine out of ten fund managers find the process of evaluating data, ensuring it meets quality standards and negotiating with data vendors challenging.

Fixed income (58%) and equities (50%) are the two asset classes fund managers say they experience the most difficulty in accessing high quality data. Quant fund managers find it most difficult to source high quality data for forwards (59%), followed by cash/spot (57%) and then futures (46%). In the fast growing segment of alternative data, to successfully interact with fund managers, 84% of those surveyed believe data vendors need to provide data in a format that allows for rapid integration into in-house systems. Furthermore, the research suggests the importance of access to data that is pre-mapped and harmonised will increase.

Daniel Leveau, VP Investor Solutions at SigTech, comments: "With quantitative investment strategies becoming more sophisticated, fund managers' use of data is increasingly complex. This leads to growing levels of outsourcing to specialist service providers, allowing fund managers to increase their focus on core activities.

Our research shows there is significant room for improvement in terms of the quality of data provided to quant fund managers. Presenting a huge opportunity for data vendors and technology providers, by offering data that is clean, validated and operationally ready." Read the rest of the findings in SigTech's Financial Data Impact Report 2022.

10 "COMMANDMENTS" FOR STOPPING CREATIVITY AND INNOVATION IN ITS TRACKS

> "Many of the people I speak to in the South African corporate world recognise these "commandments" and see them acted out on a daily basis."

How could we craft a company that destroys and stifles creativity and innovation? The sort of company where Dilbert, the comic strip character, works.

Surely knowing how to create and encourage creativity is more useful than knowing how to destroy? I would argue the opposite. Creativity is innate and will thrive in the right environment. In the words of Frederick Brooks, the famous Computer Scientist; *"As the child delights in his mud pie, so the adult enjoys building things, especially things of his own design.

I think this delight must be an image of God's delight in making things, a delight shown in the distinctness and newness of each leaf and each snowflake." Unfortunately, the culture at many companies destroys this built-in creativity. The question is how?

Here are the 10 "commandments" that should be followed if you want to minimise creativity and innovation at your company:

1. Don't allow people to try anything new! In fact, if they take a risk and it blows up in their face, make sure to criticise and undermine - ensure they never try to do so again.

2. Occasionally, staff may come up with ideas and suggestions. Make sure to point out all the problems associated with them. Nothing should ever succeed unless it has management support. More importantly, the "higher ups" need to take credit for any and all ideas that do succeed.

3. Pull rank. Show your staff who is in charge. Don't even bother to explain your decisions because then you run the risk of having them questioned - this will undermine your authority.

4. Staff should never feel that they make a difference. They are there to follow management decisions, ideally unquestionably. That is why the company vision and any core decisions should only be disclosed on a need to know basis.

5. Always hunt for problems and under no circumstances should you recognise positive contributions from employees - after all that is what they are paid to do.

6. Positions of authority are given to friends and family regardless of merit. In fact, natural leaders are a threat to existing management and should be given as little authority as possible.

7. Micromanage. Everyone needs to work for a salary, but they don't really want to do the work so they will shirk their responsibilities at every turn. Don't trust your staff because they will stop working the moment you turn your back.

8. Enforce strict lines of communication. Lambast anyone who goes over the head of their manager or who speaks to people in other areas without going through proper channels.

9. Corporate politics is important. Make sure you cover your bases so no blame lands on your lap - always have a scapegoat at hand. The company's best interest should take a back seat to the interests of "number one".

10. Never waste time and money on growing the skills of the people that you lead. They will just increase their market value, demand higher salaries and then leave when other companies make them a better offer.

Unfortunately, many of the people I speak to in the South African corporate world recognise these "commandments" and see them acted out on a daily basis. I have no doubt that each of these would make for a great Dilbert comic strip.

In the comic strip, there is a pointy-haired boss who is the unnamed, oblivious and unethical manager of the engineering division of Dilbert's company. He is hopelessly incompetent at management, does not understand technical issues, but always tries to disguise this, usually by using buzzwords that he does not understand.

The challenge facing CEOs and other leaders is to craft cultures where the pointy-haired boss could never find a home. It is my experience that good company cultures make employees feel valued, connected and that they make a difference. In addition, employees are supported in their growth journey and are encouraged to take risks, even if it means that they will fail from time to time. These healthy cultures support a fertile environment where innovation and creativity can blossom.

SQUEEZING REAL VALUE

FROM YOUR DATA

In this session of Talking Tech with Tavio and Tony, they look at extracting real value from your data.

One of the main themes from Insurtech2022 was how to relate better to the client, how to understand the client better and how to meet them where they are.

That is the whole idea of human when we want it; trying to find that balance. What came out is that we need to understand the client on a granular basis, and this is where data comes in.

So, everybody is talking about data being the new oil and all those sorts of nice things and everyone has realized that this is a critical issue. However, it does not seem like we are really walking the talk and getting it right. What is your opinion on that?

COVER

Tavio: I do not think we are Tony, because data is very binary. Data is either right or it is wrong and there is no 80% correct. A large portion of the data which insurers and the insurance industry are utilizing is data that finds itself having been created out of perhaps older legacy systems. That data in its natural form is dirty, it is not data that you can rely on.

So, a large portion or a large function of what must happen is the data must be extracted, it must be transformed, and it must be manipulated. It must be cleaned up before it can be utilized.

Tony: So where do you think are the shortcomings currently that prevents us from getting it right? We do have the tools to everything that you have mentioned now, to be able to do that.

Tavio: Even though we might have the tools, there is a fair amount of effort between taking the underlying data and then modifying it, transforming it, and manipulating it in order to consume it and rely on it.

Even if that process takes a few weeks, it still is not live data that allows you, as an insurer, UMA or as a broker, to rely on it 100%. But more importantly, because you must do all these things to it before you can work on it, you cannot have your system rely on it either.

So, the system cannot then utilize the data to allow automation, to allow straight through processing, and so on, allowing all sorts of functions that you ultimately want to get to, but you cannot do it because there is a data gap.

Tony: It can be said that we need to look five or 10 years into the future at what data we do not need now but that we might need in the future and collecting that data now, to be able to use it in the future. Your thoughts?

Tavio: There are two aspects to this. The first is that, even if you ask the question about the data that you need now with the view that you are going to only need that data in 10 years' time, you must validate that data. You must have a pretty sophisticated rules engine that ensures that by the time that data hits your database, it is the right data.

Looking at many insurers, UMAs or brokers you will see that they have a policy listing of all their policyholders and under ID number they might have the first six digits, or they might just have a date of birth or under registration number they might have TBA, which is, to be advised or to be provided.

You have the data, but it is not data that you can rely on or use. So, I think a big component around data ought to be the validation and the verification of that data before it hits your database.

Secondly, your old data must be transformed and manipulated so you can use it. And then new data, ensuring that when you now onboard a new client, that you are checking whether that ID number is valid, in real time, checking whether those banking details are valid in real time or checking Mead & Mcgrouther to see if a vehicle exist.

So, you need to use systems with these various integrations embedded in them to ensure that when you are working with the data. It must all happens seamlessly because you cannot rely on your policy holder or your client to give you the correct data. They give you the data that they give, and you must be able to, at that point in real time, say to them; thank you very much, but I see that your surname is spelled incorrectly.

Tony: Then how do you make sure that data stays up to date because, as you say, you are collecting the data and the data might become stale over a period.

Tavio: That is always going to be a difficult one, because it ultimately relies on the policy holder informing you of the changes in their world. So, if they change address, they should notify you.

There are ways that you can get around it. You can run macros on your data sets once every quarter or once a year and you can do a mapping exercise to see whether that address is still linked to that ID number against the various credit bureaus, for instance. You then ping your client and say, we noticed that there is an updated address for you now of 115 versus 118, can you click and agree that this is the new address or not.

"The best part is that, once you get the correct data, not only does it mean that you can optimize what you currently have, you can streamline your processes, save costs and have happier clients while managing their expectations better."

But you and I both know that the chance that the client will agree and will accept is low. So, for you to keep the data from not being stale, is a bit more of a difficult challenge. The primary focus should then be on new data, to make sure that when you get it that very first time, that it is in fact correct.

Tony: This process is of great value to everyone from the one man show independent broker to the UMA and the insurer. It supports the whole value chain.

Tavio: Absolutely, and that is where your primary focus must be. In the brokers environment, where they are at the coal face with a client, ensuring that you do not onboard any new business with a TBA on a license registration number for a new vehicle. You should not be able to do it, the system should block you, the technology should block you. You should be able to get the correct information from the outset.

That will go a long way towards ensuring that the data you are working with is good data. Because once you have that correct reg number, you can cross map it against the correct address. The address can be validated in Google and now your insurer can run a claims experience heat map on an address which is real, not on an address which you know is perhaps incorrect. They can run information relating to the underlying vehicle code based on the reg number and they know that is correct information versus using, "I think it is a 1.5 litre Toyota Corolla".

THE FUTURE OF THE DIGITAL CLAIMS EXPERIENCE

Insurers are quickly entering a new era of claims management thanks to the pandemic, which caused accelerated advancements, a wave of innovation and investment that affected employees and customers alike. This new era is supported by rapid technological advancements and growing data availability. Insurers have had to accelerate their adoption of next-generation capabilities in digital engagement, automation, AI, and advanced analytics.

WIMPIE
VAN DER MERWE

CEO, Global Choices

These new improvements and innovations provide unprecedented visibility into the claims process, the shifting preferences of customers, and the expectations of a new age of employees who are requesting a digital experience. Every touchpoint in the claims journey, starting even before an incident occurs, will be supported by a mix of technology and human contribution that seamlessly expedites the process.

FOCUS IS ON A SINGLE CUSTOMER VIEW AND DIGITAL PERSONALISATION

A single customer view platform is a method for gathering all the data about your policyholder/customer and merging it into a single digital record. By consolidating every piece of information about your policyholders in one location, you get a powerful overview of every action they performed on their mobiles, or on your website. This core platform enables an API-driven, smart services, digital architecture to support analytics models, digital self-service portals and collaboration with other Insurtechs. This will assist with automation across the claims business and enable efficiency and indemnity benefits. Digital personalisation capabilities are the new competitive edge when it comes to acquiring new clients, managing claims, and retaining customers.

Customers understand that digital communication means that their insurer collects their personal data anything from behavioural data to their location or any information they have submitted. They expect an insurer to use this information to improve and personalise their experiences across the whole insurance journey and value chain. They don't look at every single interaction with their insurer in isolation. They treat any communication or interaction, no matter the channel, as a part of the whole.

So, focus on a holistic view of your claims operating models and how they fit into the overall business strategy and total experience. Experience is and will continue to be everything. This requires a total experience strategy to optimise multiple objectives at every touch point.

A TOTAL EXPERIENCE STRATEGY

Total experience (TX) is a strategy that creates superior shared experiences, by combining the four disciplines of multi experience (MX), customer experience (CX), employee experience (EX) and user experience (UX). It focuses on the customer relationship, and is made up of all the interactions a customer has had with a business, from the first contact with the company, to the present day.

It is about improving experiences at all the intersections of multiple touchpoints to achieve an innovative commercial outcome. A TX strategy incorporates the complete experience, from the employee to the customer and the user. The total experience consists of more than just taking care of customers – it is about providing an outstanding environment or platform for employees to provide an excellent client service experience.

REINVENT THE ROLE

The future claims facilitator will be at the centre of a service offering, channelled through customers' preferred means of interaction and powered by real-time access to relevant data and information. He or she, equipped with effective digital claim tools and with the support of a strong back-office, will bring claims to a faster and more satisfactory resolution for both the policyholder and the insurer.

The claims professional of the future must also be less focused on processing and more oriented on decision making, assisted by access to intelligent data and protocols. Changes in the claims operating model and the roles of who processes what will require a new set of thinking and measurement to ensure that performance objectives are aligned. In essence, today's common claims metrics, focusing primarily on "inventory" such as file counts, closure rates and average pending, are becoming increasingly less relevant in a world where a claim may be touched by several people, each with a specific responsibility and contribution to the ultimate outcome. These traditional measures will need to give way to a balanced scorecard or automated measures that are reflective of everyone's impact and efficiency on the claim's outcome.

DATA-DRIVEN CLAIMS TO FAST TRACK CYCLES

The speed, efficiency and transparency in the claims process depends on the insurer's ability to capitalise on rich claims information, make it readily available to internal and external users, and leverage it for continuous improvement. Next to the new business and underwriting process, the claims transaction is where insurers learn the most about their individual policyholders and, in the aggregate, about their businesses. This wealth of information creates new opportunities for insurers to not only improve the efficiency and effectiveness of the claims process itself, but also to improve their underwriting, pricing, risk selection and reserving.

Breaking away from the pack should not be a question of tactical steps. A true claims transformation will deeply and unbreakably connect products and claim services with the needs of customers.

PERFECTING THE CUSTOMER'S CLAIMS EXPERIENCE

Total experience extends beyond perfecting the customer's claim experience. It is about your employee and user experience, and how this will impact the policyholder claims journey you offer. Smart claim functions of the future will need to be powered by technology, data, and people as a total experience. Claims are the moment of truth for insurers it is where they are tested in terms of their ability to delight or disappoint clients. It's time to get smarter!


And all the while, the soft, maddening tick of the clock;
while households hold their breath,
waiting for the next wave to hit,
for a president to take to the airwaves.
It's 1941 when PPS starts protecting professionals' livelihoods.
Over 80 years later, nothing's changed.
Read about the R1.4 billion in COVID-19 claims and R4.4 billion in total claims paid out to our members, in the PPS 2021 Financial Results. Visit pps.co.za/2021.
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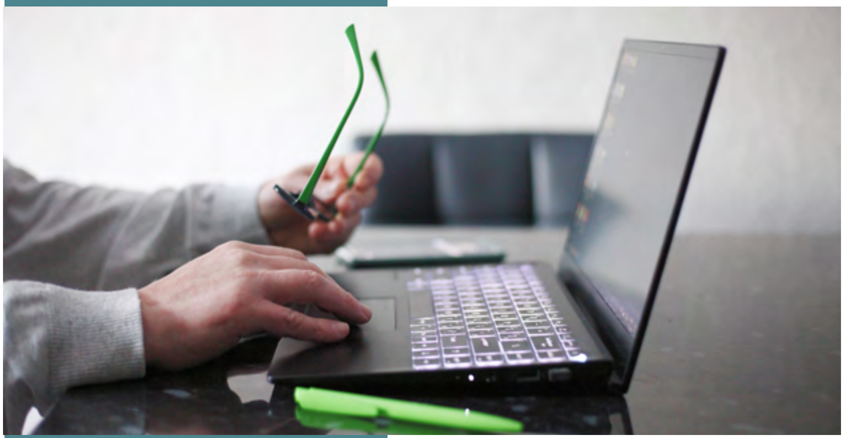
SINCE 1941
PPS is a licensed life insurer, controlling company and FSP.

EVENTS TO LOOK FORWARD TO..

FPI PROFESSIONAL CONVENTION 2022

Join us at the 33rd Financial Planning Institute of Southern Africa (FPI) Professional's Convention which will be held on the 19th and 20th of October 2022 and hosted as a hybrid event this year. The event is regarded as the largest and most significant event in the calendar for financial professionals.
Save the date!



AFRICAN INSURANCE EXCHANGE 2022

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

44th OESAI Conference & AGM 2022

The Annual Conference and AGM will be held in Zanzibar at the beautiful Madinat Al Bahr Hotel from the 28th August to the 1st September with the theme "Future proofing the insurance industry fro sustainability."
Save the date!