COVER

JUNE 2021 ISSUE

CONSTRUCTION & ENGINEERING

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MAIN STORIES

VIVA THE CLAIMS DEPARTMENT

Claims is a people business. Most insureds have more contact with the claims department than any other department. The claims team can inform underwriting if the insured is satisfied with the product or how it can be tailored to the client's needs thus permitting the organization to retain or even increase its business. It can also provide risk management advice to help reduce similar claims in the future for the insured.

CONSTRUCTION & ENGINEERING

This segment of industry, on all levels, usually signals the health of a countries economy and the prosperity of its people. We can read so much into the activities that come out of it. Protecting all stakeholders is crucial. Read more about the latest developments in this feature.

PANDEMIC HIT THE LIFE INDUSTRY

However, according to PWC, the Life industry will emerge stronger after the pandemic. What will be the drivers of this? For a fascinating take on this, read what Dewald van den Berg, PWC Insurance Partner, has to say.

45 YEARS OF AFRICAN REINSURANCE

Africa Re celebrates 45 years in reinsurance and, as a major role player in shaping the insurance industry across the continent, their growth should be celebrated by all. I spoke to Dr Korneille Karekezi, GMD CEO of Africa Re about the business, insurance in Africa and where we are heading.

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Insurtech21: Think Again

Tony van Niekerk, Managing Editor, COVER Publications

Our Insurtech21 conference theme is appropriately titled: Insurtech Think Again. The "mainstreaming" of insurtech and the fancy apps are now close to a decade old and, with a great hand up from the COVID-19 pandemic, there is a lot to "Think Again" about.

When working on this, one of the great myths about technology, going digital and innovation kept popping up in my mind, especially the regular comment from my kids, OK Boomer, when I comment on things technology or online. Well I said, pushing my spectacles aside while closing Twitter, Instagram and Youtube on my phone. Having just driven home listening to Eminem via iTunes, I was in the mood to clean out my closet. So I let them have it:

It was the Boomers who brought you the personal computer, the laptop, the cellphone. We birthed this baby, and it was no mean feat. Hell, I was there with the arrival of the Bic pen, Microfish (with a hundred miniature pages on a single postcard), and the Fax machine. I carried around my first steel encased, 15kg personal computer, creating nothing but a plain text document with all but 4kb RAM.

I had to figure out what a word processor was, when Wordstar and Wordperfect made their appearance, Google it. (By the way, Google is a Boomer innovation). Microsoft, Apple, Alibaba and Amazon are all Boomer inventions.

We are as adaptable as they come and we are great at dumping stuff once we create better things. From Floppies to Stiffies, external hard drives to memory sticks. We created the 8-Track Car stereo, dumped it for cassette decks and multi component stereos. Then we flipped from CD's to iPods and Bluetooth, iTunes and Spotify. We may be nostalgic about many of these relics, but we spend thousands on the latest. State of the art electronic toys.

Now marry the above with the fat wallets of Boomers, and even Generation X, and ignore them at your peril when starting that next unicorn in your garage. That is why we are taking delegates back to the drawing board to Think Again about insurance technology and the future of insurance in the digital environment.

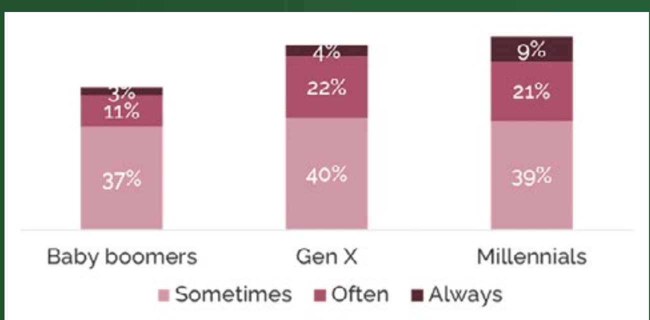
This year we structured eight Round Tables where 24 presenters from various industry stakeholders will debate amongst others:

- Searching for the soul of the industry
- When Ecosystems Collide – Opportunities Abound
- Alternative Distribution goes mainstream
- How should we approach digital transformation to ensure holistic and sustainable benefits?
- Bite size insurance – A future of choice

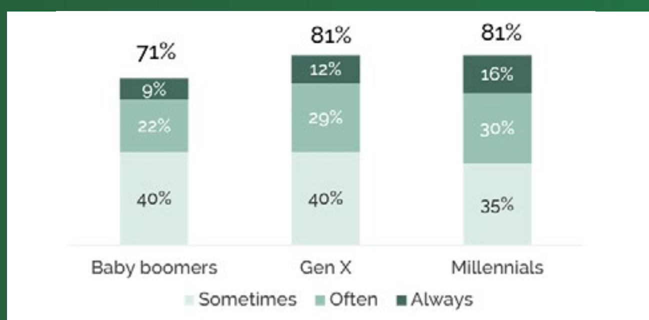
27 and 28 July from 09h00 to 13h30 on a screen very close to you. www.Insurtechconference.co.za

The latest research on online shopping habits is a very clear myth buster:

Showrooming:



Webrooming:



Source: Walnutunlimited.com

Nothing is guaranteed, except a guarantee

Uncertainty about the future has proven the crucial need for construction contractors to provide employers with the security of a performance guarantee.

There have been shockingly hard lessons and knocks for a broad range of contractors over the past five years. For those who survived the pre-COVID-19 economic meltdown, the pandemic may have been the final straw, causing many defaults of contracts relating to construction work. These disruptions have challenged project execution and vastly changed attitudes towards the acquisition of performance guarantees, which have generally been considered a grudge purchase.

Clinton Spence, Head of Santam Guarantees, explains: "Unlike with traditional insurance, here, a third party is involved. Construction projects are based on an agreement between a contractor (the principal debtor), working on behalf of a beneficiary (employer/owner/creditor). Should a contractor fail to meet its obligation in fulfilling that contract, the project is at risk.

"This is where a performance guarantee comes in. It indemnifies the beneficiary of the project against a default or non-performance by a contractor, which, in return, puts an obligation on a guarantor (the insurer) to make payment should a specific event occur. But although contractors facilitate and pay for the premium on a guarantee, they do not realise any direct financial benefit should there be a claim."

The construction sector comprises 90% of Santam Guarantees' underwriting, 70% of which is performance-based. "It is a highly specialised and extremely technical, risky business," says Spence. "A guarantee issued today pushes our resources because the underwriting is made far more intensive. For example, we can't judge how a company will be performing in a year's time, let alone in six."

Full-spectrum offering

There are three types of guarantees that together contribute to the majority of business within the Santam Guarantees product suite: Performance, which covers elements of quality, specification, and scheduling; Advance, which covers the expenses incurred to create the facilities that a site requires and addresses initial negative cash flows relating to the procurement of capital goods, and Retention, which comes into play at the end of the construction period, and addresses employer risk associated with defects.

"This full-spectrum offering makes it incredibly difficult for underwriters. They have to consider whether the contractor has the financial and technical means to complete a job, and *not* fail. Ultimately, that's what we are guaranteeing – non-failure!" says Spence.

Insurance good and proper

Underwriters have to consider an immensely complicated list of checkboxes, including contractor liquidity, performance over the previous five years, application of building standards, risk ratings, and technological and finance audits, to name but a few.

Time frames vary, but generally, the process from the day the application is submitted to when the guarantee is issued, can take up to a month. However, this only applies to the local market; foreign clients can expect the process to take up to three months because of the varying security checks and compliances.

Currently, 40% of the business Santam Guarantees underwrites is local; the balance is foreign. "At any one time, we have some 30 foreign guarantees in play, and only 25% of those are motivated through SA companies looking for support of their projects in other nations."

Spence concludes: "There is always a point in processing this type of insurance where you hold your breath because the risks are so great and so complicated. But ultimately, we abide by our decades-old mantra: to provide insurance good and proper. And we believe we do that well."

Call Santam Guarantees on 011 912 8478/8354/812 or send an email to surety@santam.co.za for more information.

Santam specialist

SHORT TERM

PG11-23

Fires at sea

Malcolm Hartwell, Master Mariner, Head of Transport Practice at Norton Rose Fulbright

An ever-increasing hazard after 5 000 years of shipping. On 18 May 2021, the fire and resultant probable loss of the brand new container ship, the mv X-Press Pearl, along with all her cargo off Sri Lanka is a timely reminder of the devastating effect of fires at sea on seafarers and ships.

It is also a continuing reminder of the ever-increasing hazard caused by containerised shipping and the failure by regulators to force shipowners to develop ships able to safely carry many containers and extinguish fires before they spread. The 2021-built vessel with a capacity of 2 700 containers was on passage from India to Singapore when a container caught fire.

Despite the best efforts of salvors and firefighting tugs, the fire spread and the crew were evacuated, fortunately without any casualties. Efforts are underway to tow the blazing hulk out to sea to begin oil spill mitigation measures. Some containers have fallen into the sea and it is possible that all of the cargo will be destroyed and the vessel will ultimately declared a constructive total loss.

The shipping and insurance industries have seen numerous fires of this nature over the previous several years on container ships, some much larger than the mv X-Press Pearl. Although fires at sea have been a seafarers' worst nightmare since the first large wooden vessels were launched by Egyptians several millennia ago, container ships are particularly prone to suffering extensive loss to cargo and ship due to uncontainable fires. This is for a number of reasons. Firstly the containers are packed by the shippers of cargo and the owners are reliant on the shippers' declaration regarding the containers' contents. Many container ship fires are as a result of the mis-declaration or inadequate packing of hazardous cargo. Secondly, the design of container ships with their closely packed massive stacks, rows and tiers of containers make it almost impossible for ships' crews to get to the seat of a fire in order to control and extinguish it. This problem has been exacerbated by the reduced number of crew, due to automation on board modern vessels.

Long line of cost: Cargo and shipowners and their insurers carry the risk of loss which includes not only the value of the cargo and ship but also the costs incurred in attempting to extinguish the fire, salvage the ship and cargo, and prevent or mitigate pollution. In addition shipowners may have to tranship cargo to its final destination and recover the costs of doing so through the lengthy and costly process of general average.

The resulting litigation involving owners, cargo, salvors and any third parties affected by pollution is protracted and expensive. Of course, the seafarers, who seem to be invisible to consumers and the world media, face the risk of losing their lives. Under the various versions of the Hague Rules which are the liability regimes covering most oceangoing cargo, an owner or carrier has a defence to cargo claims caused by fire. To overcome this defence the cargo owner can show that the owners of the vessel failed to exercise due diligence to make the ship seaworthy at the commencement of this voyage and that this failure caused the loss. Evidence of this failure is difficult for cargo owners to gather. With the fires caused by a misdeclaration of hazardous cargo, the ship owner and other cargo owners may have a claim against the owner of the misdeclared cargo. In practice however such claims may be worthless as the owner of the misdeclared cargo may disappear overnight or not have sufficient assets or liability insurance to meet claims which may exceed USD 100 million.

The reality is that existing ship construction regulations and firefighting equipment regulations were not designed to cater for the particular problems of fires on container ships. In addition to the inaccessibility of most fires on container ships, fixed firefighting systems which enable the crew to flood the ships holds with CO_2 simply do not work with container fires. This is because the CO_2 cannot get to the seat of the fire to smother it. In addition the lack of heat resistant boundaries between the large holds on container ships which were designed solely to increase carrying capacity and revenue, means that fires spread quickly throughout the ship. **Classification societies and insurers have developed a number of possible solutions, but none of them has been adopted by regulators. Until ship and cargo insurers force owners to deal with the peculiar problem of container ship fires, it is likely that the mv X-Press Pearl will simply become another item on the long list of catastrophic container ship fires.**

Risks and exposures in professional practice today

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

During a recent webinar presented by Natasha Naidoo, senior associate in Norton Rose Fulbright's Insurance Litigation Team in Johannesburg, Naidoo gave examples of some of the claims for injuries which she has dealt with over the years – with a view to emphasising the importance of accurate recordkeeping, informed consent according to the guidelines and professional front-office support.

We deal with a number of cerebral palsy cases, where the allegations are usually that there was a failure to monitor a patient's labour in accordance with the maternity care guidelines. Sometimes, there is a failure to perform a C-section on an urgent basis; the treating doctor did not consider the size of the baby's head in relation to the size of the patient's pelvis; and other factors were not taken into consideration, such as maternal age. Additional examples from case law involved those of prematurity, where the allegation was that the premature baby was not monitored in terms of the South Africa guidelines for prevention of blindness; there was a failure to monitor, or inadequate monitoring of oxygen saturation levels; or there was a failure to monitor the baby for screening at an appropriate stage of his or her life, which resulted in permanent blindness. Moving on from the high-risk speciality of obstetrics and gynaecology, Naidoo mentioned that during her consultations with hospital staff some aspects of care were not noted properly, or at all, in the clinical records. Then there are cases where patients are admitted to undergo a specific surgical procedure and complications arise, or the patient develops a hospital-acquired infection… Even in the most well-renowned hospitals in the world, it is not always possible to prevent a hospital-acquired infection. But, it will only be evident from the clinical records of the patient that bloods were, in fact, taken at every possible interval to keep an eye out for possible infection – these being highly treatable via antibiotics.

Very common also are claims against doctors not attending to hospitalised patients timeously when their condition takes a turn for the worst, and when he or she requires, e.g. mechanical ventilation. Sometimes a doctor may, in his defence, plead that he did in fact attend on the patient but there is no record of this because the notes were not included in the clinical records. With the above in mind, the importance of accurate medical recordkeeping cannot be underestimated for its vital role in providing evidence in medical malpractice litigation. While healthcare professionals and facilities are required, by law, to keep contemporaneous medical records of their patients, it is worth examining exactly what good medical recordkeeping really involves.

THE CASE FOR METICULOUS RECORDKEEPING

Personal particulars should be recorded accurately, and patients should be afforded the opportunity to update their details on a regular basis. As part of their training, reception staff should ensure that patients consider what basic information is held on file, and make changes if necessary to update the file. Then, the bio-psycho-social history of the patient, allergies and chronic medication should all be noted. The date, time and place of every consultation is vital and should be noted on the records. You should state precisely what your assessment of the patient entailed, details of routine examinations, the patient's temperature, heart rate and blood pressure. The proposed clinical management of the patient, which would include diagnosis, treatment options going forward – all forms part of obtaining informed consent (see below*). Then, medication and dosage prescribed, of course, must be noted. Ensure that all information relating to the patient, including the blood test results, X-rays and results for any diagnostic tests, are all kept together in the patient's file. Where you refer a patient to another practitioner, it is imperative that you note this

and include a copy of the referral letter, stating why the referral is being made, what your views are, and what that particular practitioner should consider. Where a patient may raise a serious genetic issue, you should advise the patient to look further into it – even under circumstances where he or she does not present with any signs or symptoms of the inherited condition. Notes must be made legibly and be easily decipherable.

Further, it is not only important to note what you told the patient, but also what the patient told you during the consultation. Then, where a patient is hospitalised, and you are placing the patient under another doctor's care, a brief to the practitioner to whom you are handing the patient over should also appear in the records. Much of what I have said thus far in relation to good recordkeeping applies, also, to nursing staff. A nurse should bear in mind, at all times, that any notes or records taken while he or she is on duty constitutes a potential legal document which can be used in court.

WHAT EXACTLY IS INFORMED CONSENT?

Moving on to informed consent, Naidoo advised that it is a patient's right, which flows from various legislations including the Constitution, to be placed in possession of all information necessary to make an informed decision on any medical issue. Informed consent must be obtained when prescribing any form of treatment or undertaking any surgical procedures on behalf of a patient; an informed consent form should appear within the patient's file, signed by both the patient and yourself.

The requirements regarding informed consent, as per the webinar, are as follows:

• an actual discussion must be held with the patient, during which he or she is informed of all conditions of which he or she has been diagnosed;

• the patient must be informed precisely what options are available to him or her;

• where there are different types of medication available, the patient should be informed of the full scope;

• a recommendation should be made, as to his or her best options; and
• where there is an alternative to surgery, the patient must be informed of exactly what this entails.

So often a doctor will say, 'I prescribed X and Y because I knew the patient couldn't afford the most effective treatment, or had run out of medical funds,' but the patient should be told irrespective. Withholding this information is not helpful because the patient may be able to obtain the funds from a friend or relative, had they known about the most effective option. A last note on informed consent: the patient should be provided with the opportunity to ask questions. All the information provided to the patient would place him or her in a position to make an informed decision.

And, of course, the informed consent form, signed by both parties, should form an integral part of their healthcare records. So how exactly it is possible to mitigate the risks of medical recordkeeping, where practitioners are faced,

on a daily basis, with saving lives under highly pressurised conditions within a frantic environment. Well, it does not matter, for litigation purposes, whether notes were hand written or kept electronically; all that was required was that they be stored safely so that the practitioner, or any other person – such as within the legal fraternity, or in court – was able to determine what, precisely, had transpired during the treatment.

VITAL ROLE OF SUPPORT STAFF

Dictating notes, to be typed up by a secretary, may be helpful where the practitioner is doing ward rounds or even consulting with their patients in rooms. Brief handwritten notes may be made and, at the end of the consultation, the practitioner may take a few minutes to dictate these, using an app on their mobile device. A concern about accuracy, in the case of notes being typed up by another person, can be eliminated were the secretary, for example, cross references those dictated transcribed notes with the practitioner's brief handwritten notes. Or, where the secretary highlights and later clarifies any queries with the practitioner directly.

Of interest was a research study on medical recordkeeping, cited during the webinar, which revealed the following points as barriers to accuracy:

• 76 percent of practitioners said that it was too time-consuming to make comprehensive notes;
• 51 percent said they were too busy;
• 18 percent said they lacked computer skills;
• 41 percent said they kept records in a particular manner as a matter of habit and it worked for them;
• eight percent said they believed it unlikely that they would receive a complaint or claim against them; and
• 33 percent said they lacked the requisite training for accurate medical recordkeeping.

While good recordkeeping is a tedious administrative task, it should be considered part of the treatment process of the patient. Training and workshops should be held on an ongoing basis so that practitioners, including nursing and reception staff, are alert to the requirements. From a legal perspective, attorneys are faced with various difficulties in medical malpractice claims. There are, at times, no medical records available; the file is lost; we are unable to defend the action; and the client must then consider conceding liability due to the lack of evidence in their defence…

To avoid this unfortunate state of affairs, a plan of action should be implemented to ensure adequate recordkeeping is practised and implemented effectively within your practice.

Claims teams: the human face of insurance

Dr. Dexter Morse

Claims is a people business, writes Dr. Dexter Morse, Former Director Global Insurance & Risk Management at the International Air Transport Association (IATA). There are so many lessons to be learned from the claims department.

The cost of claims is a major concern for insurers and reinsurers in all markets. Claims departments are faced with increasing demands and expectations from all stakeholders within their organization as insurers and reinsurers are being accused of failing to manage claims effectively and efficiently.

Claims manager are constantly questioned about the accuracy of loss reserves. How does this headline loss impact our balance sheet? Are we paying too much? Are we properly supervising our claims management agents, loss adjusters and outside counsel? Are we compliant with local laws and regulations? As a result great emphasis is being placed on claims and claims practices. So how should a good claims operation look?

IT INVOLVES THE FOLLOWING:

C –ommunication with the insured should be clear and open. The insured should be fully informed of the stages of the claims process and any investigations being made (such as instruction of loss adjusters or lawyers)

L – iability. The claim should be investigated swiftly and thoroughly and a decision taken on liability early on.

A – ctive and attentive. The claims team should respond swiftly to all correspondence received and verbal communication should be followed up with written confirmation to avoid misunderstandings.

I – nvestigation. If there are policy issues or liability matters, the claims manager should deal with these promptly and professionally and have a definite action plan in mind.

M – oney. Payments should be made promptly (after all this is why insurance policies are incepted – to pay claims). In the event that the claim is not covered by the policy then the claims manager should advise the insured as soon as reasonably possible in writing.

S –ubrogation. If there is the possibility to recover from a third party such actions should be pursued swiftly and zealously to ensure success and to avoid any time bar issues.

Claims departments are a mine of valuable information that is frequently overlooked by the wider organization. The claims department is perfectly placed to see if the insurance policy responds in the way the underwriter actually intended (assuming the underwriter knew what he intended in the first place) or if the wording was too wide or obscure.

MANAGING CLAIMS EFFECTIVELY

Claims is a people business. Most insureds have more contact with the claims department than any other department. The claims team can inform underwriting if the insured is satisfied with the product or how it can be tailored to the client's needs thus permitting the organization to retain or even increase its business. It can also provide risk management advice to help reduce similar claims in the future for the insured. For the claims department this can increase its visibility.

The claims manager should encourage the wider organization to listen to the "lessons that can be learned" from claims. For example, large losses can be presented to representatives from underwriting, actuarial, accounting, finance and top-tier management in a "learning session" so that weaknesses can be exposed and hopefully improvements made for the next time around. Claims success stories should be celebrated! This could be a claim that was declined because it was not covered, a fraudulent claim that was uncovered, or a large loss that was reduced because of proactive claims management or a successful subrogation action. These lessons should be published in internal communications to heighten awareness.

It is surprising how many subrogation and other recovery opportunities are overlooked. A systematic approach to pursue negligent third parties or their insurers needs to be adopted and files closely diarized to ensure recoveries are aggressively pursued. Outside counsel are often instructed to assist with recoveries – while they can achieve excellent results, the benefits need to be carefully weighed against the likely recoveries achieved and they need to be monitored closely to assess their effectiveness.

The claims manager and internal audit should conduct regular reviews of the claims files handled in the department to ensure consistency of approach, accuracy of reserving, proactivity of claims management, compliance with claims-handling guidelines, to ensure recoveries opportunities have not been missed and to identify any future training needs for the claims-handler. Such reviews should be well documented for compliance purposes.

Actuaries are heavily involved in the pricing and reserving practices of insurers but the claims department can add words and meaning to these figures. For example, a sudden negative loss development for a client might raise alarm bells with underwriting – but this may be explainable as a significant isolated litigated claim in a specific quarter but that the account will return to profitability in subsequent quarters.

Underwriters cannot know their accounts if they do not know their insured's claims. Underwriters must work closely with their claims colleagues to understand the problem areas and where significant exposures may lie. If underwriters are the mouth of an insurer then claims are its eyes and ears.

RENEWAL MEETINGS / NEW BUSINESS

Where possible claims and underwriting should work hand in hand to project a united front to the client. To facilitate this underwriters should do their claims homework prior to renewal meetings to appear professional and knowledgeable and make the client feel valued. Underwriters should include their claims counterparts in such meetings.

Claims departments also have a valuable role to play in relation to the business the insurer has on its books by way of pre-underwriting reviews. A brief analysis of the claims of an insured prior to writing the business and interviews of key personnel (risk managers/claims handlers etc.) can be enlightening in determining whether to write the risk in the first place and, if so, that it is correctly priced.

The claims function is legally oriented and therefore claims handlers are perfectly placed to know what trends and developments are likely to happen in the legal world which might impact the business in the future – such information should be regularly shared with underwriting and actuarial.

OUTSOURCING

Insurers and Reinsurers constantly debate whether to centralize or outsource their claims activities. Centralization ensures claims are serviced by nominated staff who know their customers, attuned to their wishes and thus behave in a manner which consolidates and compliments the insurer's brand and makes the client feel of stable and secure.

The benefits of outsourcing are flexibility and value. It enables you to tap into an established knowledge and skills pool. A company that outsources its claims does not have to deal with the employment problems associated with fluctuations in claims workloads. When workloads fluctuate, the company does not have to train claims-handlers quickly or make them redundant; it simply passes this on to the outsource provider, who as a result of their scale are better able to deal with them.

An additional cost of outsourcing is the regular audits required by the claims department to monitor the standard of the service provided by the outsource provider. By outsourcing the insurer is passing control to a third party and entrusting them with the company's money and reputation.

CLAIMS AUTOMATION

Certain types of claim, especially non-injury motor and household are becoming increasingly automated. Research indicates a fundamental positive shift in attitudes toward claims automation as insurers are increasingly open to automation. Currently the focus is on how artificial intelligence and machine learning can assist with decisions around damage assessments, segmentation and payouts. They are also starting to experiment with more innovative technologies as they develop trust and competency in virtual processes.

Prior to the COVID-19 shutdown, less than 15% of claims were handled virtually. Based on research by LexisNexis, after the first shutdown was implemented, virtual claims handling increased to nearly 100%. Almost a year later, virtual claims handling has settled to a level of just over 60%. The public is actually embracing this movement online since 62% of people surveyed viewed the convenience of being able to submit a claim anytime/ anywhere as a perceived benefit of automated claims handling. Other perceived advantages included the faster settlement of claims (55%), increased transparency (45%), and increased accuracy (34%).

Customer ages have a role to play - Millennials and GenXers tend to be more comfortable with technology, are especially receptive to automated claims processing and the many benefits it affords. Two-thirds of Millennials and just over half of GenXers say that COVID-19 has had at least some influence on their being more open to filing a claim online. Research in 2021 indicates that 79% of Millennials and 64% GenXers are now comfortable with automated claims processes, which is a significant increase on 2019 figures. Convenience, faster claim cycles, greater peace of mind, and increased accuracy and transparency are all cited as benefits of an online claims process. For these two groups in particular, appreciation

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of these benefits has increased by as much as 11 per cent over the past two years. For Baby Boomers their focus tends to be on ease-of-use of an insurer's website or apps, rather than on having the option to use online tools to file a claim and they remain quite uncomfortable with technology in the claims process. Although most consumers embrace virtual claims processing, they are dissatisfied with some of the tools. Generally, the more questions they have to answer through a self-service process, the less happy they are with it. While they like the idea of self-service, the reality is leading to some disappointments, especially for more complex claims.

Worries also exist in relation to security with more than 60% of the consumers surveyed raising concerns around the security of their personal identifying information (PII) when submitting claims virtually. This is consistent across all age groups. Research by LexisNexis Risk Solutions indicates eight out of 10 claims executives see identity verification as a primary concern with virtual processing. They understand the importance of cybersecurity but are struggling with how to ensure it in their claims processes.

TRAINING & ONGOING EDUCATION

Training and ongoing education are vital to success. It is imperative that claims staff are informed of the latest laws and regulations and changes in public attitudes (since the public compose the juries which make awards, especially in the US) to ensure reserves are accurate, contracts are interpreted appropriately and sound decisions are made regarding whether to settle or fight a litigated or arbitrated claim. Control of training is important to ensure claims staff have a consistently high skills level, access to detailed, comprehensive, up-to-date reference material and are able to contribute to and draw from an extensive pool of expertise. Naturally a large central claims department provides economies of scale and the opportunities to cross-train and produce multi-skilled staff who are able to meet changes in the portfolio and market place. It facilitates the development of an extensive knowledge pool, avoiding the unnecessary duplication of expertise.

Staff are the most valuable resource any claims department has – large centralized claims departments can provide interesting and varied career paths - leading to increased job satisfaction and better staff retention rates. Obviously this is better for the organization and the customer since the best claims service is offered by happy and experienced staff.

Clear, measurable performance goals should be established which reflect the organization's goals and aims and are fully supported by the claims team. Senior management should be open and involve the claims team in the setting of the goals and objectives to ensure a complete "buy in." The claims team must handle claims in good faith, especially if operating in the US.

THE HUMAN TOUCH

Most consumers prefer a mixture of self-service and claims handler interaction and desire the opportunity to opt out of self-service and access a representative whenever they wish to.

Whilst online self-service and virtual processes are valued for their convenience nothing can replace the human touch of speaking to a real person which increases the consumer's comfort levels and proves at the end of the day - claims is and always will be a people business.

Debunking the myths of D&O insurance

Guardrisk | Tailored Risk Solutions

In an increasingly litigious society, and with growing emphasis on personal accountability of company directors, it comes as no surprise that companies are buying more director and officers (D&O) insurance than ever before.

According to a recent report issued by global ratings agency, Fitch Ratings, "a compilation of industry statutory data from D&O supplemental filings shows incredible 40% direct written premium growth in 2020 to a record $10.7 billion. This expansion follows 20% premium expansion for 2019".

But, despite the growth in demand for D&O cover, unfortunately, as is often the case with all types of insurance, many D&O policyholders don't fully understand – or interrogate – their cover until they need to claim.

Organisations routinely provide D&O liability insurance for directors and officers, who can be held personally liable for company losses. But this type of insurance is not a catch all cover and it is important that directors understand exactly what is and what is not covered. It's a complex insurance offering, requiring specialist skills to both underwrite and sell correctly. That's according to Walter Cronje, Executive Head, Conventional Risk at Guardrisk.

Basically, D&O insurance covers the legal liability of directors and officers for damages arising from a "wrongful act". In this context, a wrongful act is a breach of duty or trust, or an error, misstatement or misleading statement, or employment related act. Generally, the cover also provides for legal expenses in the defence of an allegation of a wrongful act, and in the event of civil, regulatory, statutory or administrative proceedings.

"There is a common misunderstanding that D&O policies would automatically be paying out huge amounts in claims in event of institutional failure, but that is not necessarily the case. Sometimes things go wrong in business and a D&O policy would not automatically pay aggrieved third parties when a company fails. In such instance, the onus would be on the third party to prove that a wrongful act on the part of a director or officer led to its loss," says Hendré Horne, Executive Head, Specialist Liability at Guardrisk.

D&O insurance does not cover acts of fraud or dishonesty committed by an insured person, in fact, such acts are specifically excluded in all such policies. While the policy would pay the legal defence costs of a director or officer to defend such allegations, those costs would have to be reimbursed if it is found that the individual acted fraudulently or dishonestly.

In addition to what is covered it is important to note who is covered by D&O insurance. Typically, it is the directors and officers, not the company itself, that are covered. While individual policies would have their own specific wordings, D&O insurance generally covers board members, the company secretary, board committee members and employees acting in managerial and supervisory capacities.

"From the company's point of view, it is important to know that the policy belongs to the directors and officers, not the company (other than in instances where securities cover is purchased by a company). Thus, a company cannot lodge a claim under 'its' D&O policy because it suffered a loss due to the wrongful acts of one of its directors or officers. The cover is there to defend the individual directors and officers against an allegation of a wrongful act and aggrieved parties don't have access to claiming directly against these policies," says Horne.

While D&O insurance is not compulsory in terms of company legislation, it is an important arrow in the quiver of prudent corporate risk management and it certainly serves to provide an element of comfort to the directors and officers of a company.

The payment of medico-legal damages in services not money

Donald Dinnie, Director , Norton Rose Fulbright South Africa Inc

The problem facing departments of health around the country is how to improve service delivery to the public and the quality of medical care provided to patients and so significantly reduce the number and quantum of medico-legal claims. Instead of funding healthcare programmes and facilities, a large portion of the annual budgets is allocated to medico-legal liabilities.

The reality is that the excessive medical malpractice litigation against the State does undermine the health departments' ability to provide healthcare and will continue to do so because an already overwhelmed and underfinanced public healthcare sector is exposed to an ever-increasing amount for medical malpractice claims.

Our law as it stands requires a court in a medical malpractice claim to determine the patient's damages once and for all and to compensate the patient by way of a lump sum payment. Currently our law does not for example permit a court to order payments in instalments of any damages if not agreed by the claimant. That often results in significant, time-consuming and costly disputes about a claimant's longevity which in turn affects the quantum of future damages, for example future medical treatment and loss of income. A significant portion of the lump sum damages awarded may lie in funding the award in circumstances where longevity may be other than that initially determined by the court. There may be future treatments never used but paid for in the lump sum so that in effect there is an overpayment. Or it can work to the detriment of the claimant who lives longer than the longevity determined by the court used to calculate the lump sum and finds themselves short-changed.

Our law has not until recently (and those matters are on appeal) allowed for the claimant's damages to be made good by way of the provision of medical services. In 2018, the Constitutional Court in the matter of MEC for Health and Social Development, Gauteng v DZ obo WZ considered the need for the development of the "once and for all" rule and the rule that damages for medical negligence must be paid in money and said that where "factual evidence to substantiate a carefully pleaded argument for the development of common law" is properly adduced and sufficiently cogent "it may well carry the day".

In opining as it did in the DZ matter, the Constitutional Court said that the common law rule that damages must be paid in one lump sum may be reflective of a pre-constitutional era where individual loss-bearing was prioritised and the right of access to healthcare services did not exist. The Constitutional Court held that compensation in a form other than money is not incompatible with the basis of awarding delictual damages and that periodic payments or services which are subject to a top-up or claw-back will fit in with the general principles of compensation for loss.

Nothing for instance prevents a defendant from proving that the necessary medical services of an acceptable standard could be obtained at a lower cost in the public sphere. The 1 April judgment of the Constitutional Court in Member of the Executive Council for Health, Gauteng Provincial Government v PN, with the MECs for Health, Kwa-Zulu Natal, Northern Cape and Eastern Cape Provincial Departments also involved, is the most recent judgment to acknowledge the possibility of developing this common law.

The court interpreted the lower court's order in a way that promotes the right to have a dispute regarding the development of the common law fairly resolved by the courts, taking into account the right of "everyone" to have access to healthcare services and of "every child" to "basic" healthcare services. The court confirmed that a department of health is entitled to lead evidence

on the desirability and practical implications of the development of the affected common law rules. At the same time the court acknowledged this does not mean that the individual interests of the claimant and similarly placed individuals must be relegated to insignificance: "Each must be afforded an appropriate remedy and compensated fairly for loss suffered." The power of the court in determining quantum to develop the common law in accordance with section 173 of the constitution should not be limited. One should not forget that civil damages awarded are compensatory and not punitive.

Bearing that in mind it is useful and important to distinguish between any debate in principle regarding the development of the common law in this respect, and the question of justice and fairness to all parties in the context of constitutional values which can be awarded through periodic payments or the rendering of treatment and services at a public sector hospital, and the practical execution and implementation of such orders. Criticisms may often lie not in respect of the principle but arise from concerns about implementation. Those concerns are properly raised.

If our courts develop the common law to allow for compensation by way of periodic payments or the provision of healthcare services, a court would in each case still need to decide on the facts whether such an award is appropriate. That would include consideration of the type of services required by the claimant, whether there are appropriate state facilities in the vicinity of the claimant capable of timeously and expeditiously providing an appropriate level and quality of services and, whether, considering the psychological and psychiatric status of the claimant, it is appropriate to require the claimant to return to the same place, and be treated by the same healthcare professionals, where the harm was initially suffered.

In addition, the details of the order specifying the mechanism by which the services must be accessed and provided or periodic payments made must be carefully crafted. But the relevant department of health would have every incentive to ensure that such an order is successfully implemented. Failure to comply with the order would mean that the courts would not readily grant a similar order in any subsequent cases.

It is a pity that the department of health has left the development of the law in this regard to the courts when proposals to amend the State Liability Act to provide for periodic payments and in some cases the provision of services for damages awarded against provincial and national health authorities as a result of wrongful medical treatment, has lain dormant since 2018. That draft bill has already been the subject of extensive commentary.

While the bill would benefit from tidying up, the drafting of the bill could with multi-party support provide appropriate and detailed rules for the awarding of periodic payments and medical services as compensation for damages by the end of 2021, avoiding the protracted route that the development of the common law in that regard would need to follow through our courts.

CONSTRUCTION& ENGINEERING

PG25-35

Beyond tangible property

Kobus van Niekerk, Senior Underwriter at Consort Technical Underwriting Managers

Most short-term insurance products insures tangible property. In some cases it may also cover liabilities and to a certain extent consequential loss.

Engineering insurance: more frequently goes beyond that. It extends to insure a dream, an ambition, a vision, or a passion, to become a reality. This can be a house, a factory or even that super sports stadium you have always dreamt of building. However, dreams may become nightmares by the unfortunate interference of a misfortune. Whilst Consort cannot wish misfortunes away or assist with all of them, we certainly can make the dream come true by fixing physical loss or damage to the subject of the dream and share with the Insured the joy of a dream coming true. Contract Works insurance is vital to ensure the successful completion of projects.

WHEN DREAMS UNEXPECTEDLY COME TO A STANDSTILL

Let's put this concept of insurance further into practice. Dairy farmers are dependent on milk processors, so are meat producers on the abattoir and the fruit producer on the cooling facilities at the fresh produce market or the canning factory. At any time, despite regular maintenance, cooling and processing plants can break down. If this should happen, not only will the appropriate engineering insurance compensate for the repair of the breakdown, but also compensate for the financial loss following the deterioration of the stock or the extra cost in hiring compressors to keep the fridges going. Even the loss of profits may be insured. The food industry is vital to our country and for that reason engineering insurance plays a fundamental part in the food industry. Consort is a trusted partner in providing specialised insurance to keep the wheels of the manufacturing and processing industries running.

Electronic Insurance: originated in the mid-sixties of the previous century, mainly to insure data processing media and equipment. Today, the world is experiencing the fourth industrial and an ongoing electronic revolution. Electronics have become indispensable not only in the industrial and commercial world but also in our daily lives. For instance, today cars are built by robots and entire factories are computerised. Electronic Equipment Insurance not only insures the traditional insured perils but also electrical and mechanical breakdown. This means that your computers are insured, as well as cameras, surveillance equipment and anything else which is electronically orientated or controlled, for example, medical equipment. We insure the full spectrum of electronic equipment including the consequential loss following an occurrence.

INSURANCE FOR THE FUTURE

After electricity replaced steam as a source of energy, huge power stations were built. These power plants are primarily powered by coal but in some cases oil and gas is also used. Due to the pollution effect of these activities, another source of energy has become a necessity. The first obvious choice was nuclear. However, the inherent dangers and exorbitant costs forced the attention to renewable energy. Solar and wind energy are fast growing sources of energy and Consort identified the need for a specialised insurance program for the renewable energy industry. In conjunction with our London office and other specialist Underwriting Management Agencies in the Lombard Insurance Company Ltd stable, we developed a Cradle to Grave insurance product designed for our local environment. Should I be asked to define insurance in short, my reply is "WE SELL A PROMISE". Consort strives to be an industry leader through the ongoing engagement of our values; to act responsibly, in good faith and with integrity, to maintain our passion and vision, to continually enhance our knowledge and expertise, and to always honour the promise contained within the cover we provide.

Plant all risks: key considerations for an informed decision

Mike Winstanley, Head of Construction and Engineering at CIB

Plant all risk is a highly niched product that requires careful thought, both at implementation and renewal stage.

Advisors should be aware of a number of key considerations before entering into agreements with construction and engineering clients to ensure the right levels of cover are in place and to reduce the risk of frustration at claim stage. Plant and equipment constitute a considerable amount of a contractor's investment in any project.

As insurance practitioners, we all want to make sure a policyholder's expectations are met when it really matters, which is invariably when a claim is submitted. This is where we promise to uphold our contractual obligation to place the insured in the same position they were in before suffering a loss. This is also a key touchpoint where we are judged by our clients, so it's important that there are no hiccups.

As a niche offering, plant all risk insurance should be structured to meet the specific needs of a policyholder, whether they operate in the civil, electrical or mechanical industry. A key consideration is the basis of indemnification. Plant insurance offers a choice in its basis of indemnification, which is intrinsic to how claims will ultimately be handled, be it through a partial or total loss.

There is an important difference between plant and private vehicles and, to some extent, commercial vehicles – which makes plant vehicles, and the market they operate in, unique. The plant models may have a very long life span, where certain basic models may be upgraded to accommodate developments in safety, technology and legislation. It's not unusual to find plant that's still in good working order after 20 years.

These circumstances lead to potential large differences between the new replacement value and the actual value of a plant item. If you combine this with the provision to rate plant policies on replacement value, it culminates in a disproportionate premium when compared to the actual value of the aged machine. This has forced underwriters to re-examine certain parameters when it comes to the basis of indemnification, which led to the choice of agreed or market value as the basis on which to rate the policy.

New replacement, market and agreed value options have implications that may influence the choice a prospective policyholder makes when implementing or renewing a policy. It is therefore vital to ensure that the appropriate bases of indemnification are applied to meet the specific needs of each prospective policy holder. Choosing the wrong basis could lead to unpleasant arguments at claim stage, especially on partial losses, which make up most of the losses in the market. This is seen most often when indemnity is limited to the proportion that the sum insured bears to the new replacement value when new parts, spares and components are required to return the machine to working order.

How do we avoid these disagreements at claim stage? Firstly, it's imperative that policyholders are made aware of any potential shortfall. Insurers cannot be expected to place the insured in a better position after suffering a loss. But most importantly, whatever basis of indemnification you have chosen, it's imperative to make sure each plant item sum insured reflected on the schedule is as close as possible to the actual market or new replacement value of each item.

What would be the best way to try and ensure this outcome? A strong case can be made at policy issuing stage and on renewal each year to employ a professional evaluator to determine the market and new replacement values on each plant item. Although there will be a cost to go through this process, often it will be far less than a potential shortfall the insured may suffer at claim stage if plant items are found to be heavily underinsured.

If a plant item has been valued correctly, insuring on replacement value would be the best option. If this route is pursued, no betterment would be imposed in the event of a partial loss when new parts are required to replace second-hand parts in order to return the machine to working order. But again, the specific needs of the prospective policyholder would need to be considered.

The premium implication to insure items on a higher new replacement value when compared to the market value of the same item in question, may not be affordable. This goes back to ensuring that the policyholder is made aware of the potential shortfall on a partial loss when betterment may be required, replacing old parts with new parts, if the policyholder chooses to insure on market value.

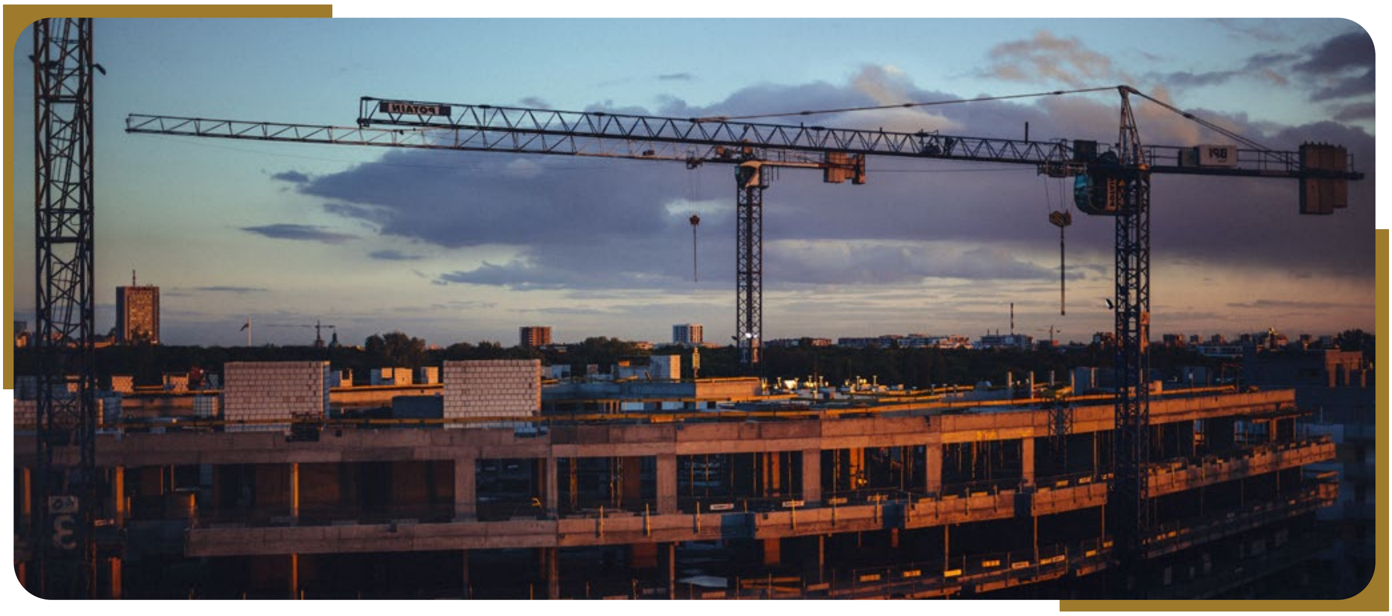
HIRED-IN PLANT

Contractors often choose to hire in items to assist with the completion of a project. Depending on the conditions of hire, they could be responsible for insuring the machines in question. It is important to note that hired-in plant is not automatically covered by a standard all risk policy. A separate section has to be incorporated and rated individually. It is important for policyholders to obtain contractual security when entering into a hire agreement,

notably around the issue of who is responsible for taking out the insurance – the hiring company or the contractor. Policyholders are advised to refer to the Contractors Plant Hire Association (CPHA) hiring conditions clause within their policies to provide clarity in this regard. At the end of the day, the best course of action for brokers is to consult a construction and engineering insurance specialist to assist in navigating the nuances of plant all risk insurance. **With clear communication and sound advice – and being cognisant of the specific insurance requirements of each individual policyholder – we can meet and even exceed client expectations every time.**

Positive growth signs for insurance in the construction industry

Infiniti Insurance



Construction industry stakeholders maintain there is cause for optimism in 2021 and beyond despite the persisting pandemic and slow economic growth.

This is according to a report in Engineering Week, while industry sources point to the R500 billion stimulus package that supports the need to fast-track civil projects announced by the Minister of Finance, Tito Mboweni last year, as part of the government's infrastructure build programme which underpins transformation through inclusive economic growth to combat the impact of the Covid19 Pandemic. "This optimism should be bolstered by taking into consideration lessons learnt during Covid," says **Infiniti Insurance Chief Executive Officer Sharon Paterson.** "Engineering and Construction is a sector that has many small and medium businesses involved in addition to the larger players. Decisions taken as the industry re-emerges in this sector of the economy will affect ongoing viability particularly if another pandemic wave is experienced.

The support of Infiniti Insurance has enabled the Engineering division to withstand the severe economic downturn, explains **Jim Connolly who heads-up the portfolio for Infiniti**. "We stood by our clients during tough times with discounts on Plant and, where turnovers decreased, by absorbing the resultant premium decrease in our Contractors business. He says the company's engineering portfolio is expected to grow by some 25 percent in 2021/22 as recovery plans post the lockdown period are implemented. Paterson suggests that companies revise every aspect of their operations to provide a more secure future amid changing business and social environments.

"We see 2021 as a rebuilding year and have positioned ourselves to add value to brokers and clients on both major construction and engineering projects as well as the smaller start-up contractors in South Africa and several countries south of the Sahara.

"The direct and indirect impacts on businesses recovery plans now need to be prioritised and resourced in the risk management process and address disruptions in the non-life insurance market through a value network developed from a powerful combination of professional brokers, a team of Infiniti experts and independent specialists.

"The application of technology, in conjunction with the company's innovative products and strong, close up-front, on-going preventive engagement philosophy is helping to reframe the role of risk mitigation, operating in an increasingly complex marketplace."

"A solid platform for moving forward with sustainability is largely based on mitigating risks. The prudent way of running a business is to establish and maintain an appropriate risk management programme that builds resilience and is not just about meeting a legislative requirement but it speaks to general business principles, ensuring sustainability, and the retention of customers," she concludes.

Construction sector critical to post-COVID recovery

Michael Viterenwa, Senior Broker in Aon South Africa's Construction & Engineering Broking Centre

Traditionally, the development of risk management plans is tailored to address assessed and quantified risks.

There is however always the 'the unknown factor'. Enter the COVID-19 pandemic. Of course, we have faced localised pandemics before, but never one on such a globally synchronous scale, thanks to global travel and trade. It propelled the entire world into unchartered territory as mass economic and travel lockdowns were implemented, and contingency plans were hurriedly rolled out. For many industry sectors and businesses already teetering on the brink, it has been a crisis of unprecedented scale - a black swan event that simply cannot be quantified or dealt with, without the benefit of hindsight.

Government is the biggest spender on infrastructure in SA's construction industry. With the onset of our national lockdown, government diverted infrastructure spending to alleviate the economic and social crisis facing the country, cutting traditional expenditure by 80%. This brought a large portion of the country's economy, including the construction industry, to a grinding halt. At the same time, restrictions on construction activity under lockdown regulations added further pain. Projects were left standing, deadlines were missed – the consequences of which are enormous.

DETAIL ON SOME OF THE EMERGING AND CONCERNING TRENDS IMPACTING THE CONSTRUCTION INDUSTRY AND WHILE MANY EXISTED PRIOR TO COVID-19 THEY ARE NOW EXPONENTIALLY AMPLIFIED:

Community Forums: Better known in the industry as the 'construction mafia', local 'community forums' have been springing up around virtually every construction project – from a commercial project to the roll-out of fibre in the suburbs. Members demand their cut of the 'work' pie by applying pressure on contractors to employ local 'community' members, many who do not have the experience or skills required to perform the job. If contractors don't comply, they are typically threatened with disruptions and even the safety of their employees and projects – some of these disruptions and threats are so severe that contractors are either forced to comply at huge cost, or in some instances, abandon the projects entirely as the situation becomes untenable and not worth the risk.

It's a serious and growing threat to the construction industry and the much-needed infrastructure development in SA – law enforcement, local authorities and construction bodies need to find common ground to resolve this issue and regulate the practice – the practice is likely to worsen as South Africa shed a further two million jobs in the last quarter alone.

Pricing: With work and projects in short supply, pricing wars are leaving contractors exposed to the risk of unexpected costs or delays, that are often met with penalties that contractors will simply not be able to meet. Cutting corners and costs inevitably means cutting skills, quality and safety.

Currency: The Rand's declining value against the US Dollar (26% in the last five years) has severe financial implications for an industry that relies on the import of machinery and specialised materials.

Supply Chain: Given the global nature of this crisis, supply chains across all geographies have been disrupted with extended and costly delays on key components and materials, not to mention skills.

Credit Risk: The failure of businesses across the spectrum is bringing capital availability problems into sharp focus. Accounts receivable is often the largest uninsured asset on a company's balance sheet, constraining cash flows and having huge implications for creditors when debtors go into business rescue or liquidation.

Skills Shortages: Uncertainty and volatility around politics and economics are likely to widen SA's growing skills shortage as an exodus of skilled people takes place. Companies are under pressure to afford and retain top talent. Increasing crime rates and growing social unrest as a direct result of the Covid-19 fallout are likely to further push skilled people into the arms of emigration to seemingly safer shores and better social structures.

Property Portfolios: During lockdown, many companies gave up their office space in a bid to cut costs as the work-from-home trend took hold. As a result, many companies are not spending on building new offices or renovating existing office space. It's likely to be a long-term trend as many corporates realise that staff can successfully work from home, and that prime floorspace might not be as necessary as once thought. Shopping centres and malls are also under severe pressure with many large retailers having to cull stores and jobs as a result of the lockdown and depressed consumer spending.

To say that times are incredibly tough and uncertain would be a gross understatement. In a bid to cope, many construction companies have cut capex by 50% – 60%, jobs have been cut, work hours have been reduced and property rentals in industrial and commercial properties are likely to never return to pre-COVID levels as remote working becomes part of the new normal.

Construction companies, landlords, developers and contractors will need to explore ways of managing the impact and complexity of a radically changed environment. It is vital to engage with all relevant parties to renegotiate contracts and clauses. These may include authorities, owners, lenders, contractors, subcontractors, suppliers, clients, and so on. Aon Global Risk Consulting (AGRC) has been working with organisations to identify, assess and quantify the short- and long-term impact of Covid19 on construction projects which can then be used as a basis for negotiation with external stakeholders and help communicate the situation internally.

TO THIS EXTENT, THE APPROACH CONSISTS OF:

- Identifying construction project components which can generate high financial impacts, from a cost and delay perspective.
- Preparing a register listing and justifying each high financial impact and grouped by generating component.
- Quantify the overall financial losses associated with each impact and creating multiple impact scenarios from a cost and delay perspective.
- Comparing the results of impacts quantification to the contingency plans in place and existing insurance policies.

Insurance matters related to projects that are still on the go remains a concern. Many companies are opting not to renew their insurance policies due to cost-cutting, which could be detrimental to their operations on projects that are still in progress. Companies have a legal obligation to ensure that cover is maintained up to the conclusion of a project, as the financial and liability repercussions could be catastrophic if anything should go wrong.

The industry will pick up in the coming months and we are already seeing a commitment from Government to infrastructure spending, and positive signs on the energy front with a determination by mineral resources & energy minister Gwede Mantashe to procure 11.8GW of additional electricity in the coming years from Independent Power Producers. Government has also committed to expedite the implementation of at least 50 infrastructure projects with a total investment value of more than R340 billion in the coming months as part of South Africa's economic recovery plan.

It is crucial that construction companies maintain their covers and conditions of cover as far as possible. As reinsurers and insurers prepare for their major renewal season in January 2021, they may find that they will not have access to the same type of cover, pricing and terms and conditions from insurers that they have now.

A conversation with a professional broker that specialises in construction risk is crucial in order to anticipate any changes in policy wording, terms and conditions, pricing and potential exclusions to maintain a workable and affordable level of cover during these trying times, and to avoid the potential for costly and potentially uninsurable liabilities.

As a key driver of South Africa's economy, and a key pivot in the country's post-COVID recovery, more than ever the industry sector needs to maintain and grow its resilience and embrace change to emerge leaner, focused, having mastered new technologies and a new world of work in a very different new normal. **Suitably scoped insurance and risk management practices remain fundamental to being able to embrace risks for the opportunities they present in the coming months.**

Navigating the construction dilemma

Juan-Pierre Holmes, National Head: Specialist Property Line of Business at Bryte Insurance

Plagued by factors such as subdued economic growth, reduced infrastructure spending, skills shortages and rising input costs, South Africa's construction industry has been on a path of steady decline over the past four years.

Major construction players, such as Group Five and Basil Read have succumbed to the pressures while others took to diversifying their focus to keep afloat.

Sadly, this burden has intensified since the pandemic with construction truly being at the coalface in terms of industries worst affected. During the most stringent phase of the lockdown in 2020, the industry's growth reduced by 30.7%. Add to this prevalence of supply chain interruptions, constraints faced due to reduced workforces (which is impacting both productivity and profitability) and the added workplace safety compliance costs, and it's understandable how the industry's contribution to GDP dropped by 20%, from R104 billion in 2019 to R83 billion in 2020.

It thus stands to reason that in this climate of uncertainty and disruption, the quagmire of challenges faced translates to the road ahead not just being long and winding, but also riddled with potholes and missing a few bridges. Nonetheless, with infrastructure being a critical catalyst for economic growth, and the construction industry accounting for almost 13% of the global GDP, there is light at the end of this tunnel. However, to optimise the potential of the construction industry - and our economy, it is imperative for all parties in the value chain to actively participate in meaningful ways.

EMBEDDING ENABLING TECHNOLOGIES

From a construction business perspective, there is just no alternative but to survive (and perhaps even thrive). This necessitates creative thinking, broader-scale innovation and perseverance. Teams are under increasing pressure to complete projects on time, on budget, with reduced workforces and in the safest possible way. In this environment, the use of drones, robotics, 3D modelling, visualisation, etc. can help alleviate some of the pressures across businesses of all sizes. Equally important is ensuring that the technology is in place to enable effective remote working, where this is an option.

THE VENTURE CAPITAL ACE UP THE CONSTRUCTION SLEEVE

Disruptive innovation is truly playing a major role in the survival of SMMEs and big businesses in construction. Companies are integrating supply chain optimisation tools which allow them to better extract the benefits of a global supply chain network and assists in more informed purchasing decision-making. While technology investments can come with a hefty price tag, businesses certainly have access to more investor opportunities when one considers that from 2016 to 2018, venture capital investment into construction technology grew by a staggering 1700% to $6 billion.

Adding to the hope on the horizon is government's decision to fast track more than 50 major infrastructure projects to bolster job creation and economic recovery. Worth R340 billion, this will see the development of affordable housing, roads and dams - among others.

NO TO SILOS

What's more, once notorious for working in silo's, construction has been turning a corner – and how. Key players are forming tactical partnerships which are vital for integrating processes and enhancing their competitive advantage. This collaboration is allowing wider access to products, solutions, skills and technology that is helping to secure as well as deliver more complex and large projects. It is also promoting future-forward ways of thinking and the development of progressive business models which are heralding a shift in processes and the redesign of projects that bring to the fore concepts such as modular buildings.

Additionally, this allows for wider training and skills development opportunities and the incorporation of more agile approaches to pandemic-proof construction businesses.

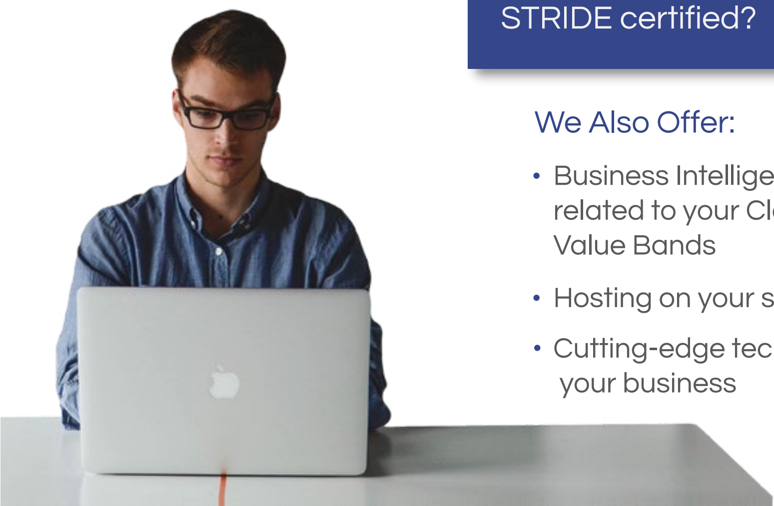
In a manner of speaking, this opens more doors for SMMEs (the bedrock of our economy). These businesses often bring with them a strong appetite for work and flexible approach to pricing, making them much more attractive to work with. The added value is the expanded opportunities for larger business to facilitate the strategic transfer of skills to SMMEs.

BROKERS AND INSURERS AS RISK TORCH-BEARERS

From an insurance industry perspective, understanding the depth and diversity of risks - which are continually evolving, takes advisors and insurers with deep insight as well as foresight. Efficient exposure management is multi-faceted and brokers have an integral role to play in this process by understanding their client's business, their industry and the layers of exposures faced. Brokers are well-placed to collaborate with insurers to identify risks, predict trends, create awareness of - and an appreciation for - exposure management measures that help prevent or moderate risk.

"Disruptive innovation is truly playing a major role in the survival of SMMEs and big businesses in construction. Companies are integrating supply chain optimisation tools which allow them to better extract the benefits of a global supply chain network and assists in more informed purchasing decision-making."

In equal measure, it is also about providing an accessible and effective safety net so businesses can aim towards new heights, with confidence. This is where brokers can support to ensure the necessary risk mitigation measures and insurance covers are in place (and at the appropriate value), so businesses are not left out-of-pocket when disaster does indeed strike. Also important is ensuring that traditional products are redesigned to optimise risk responsiveness. From cover for machinery and equipment to project delays and cyber threats – effective risk partners look at risk holistically and pragmatically, presenting bespoke solutions that help drive resilience in challenging times. **Ultimately, collaboration is essential to ensure the construction industry is well-prepared to weather each storm, emerging more resilient than ever before.**



FINANCIAL PLANNING

PG37-53

What advisers want from investment platforms

Hymne Landman, Head of Momentum Wealth at Momentum Investments

The needs of financial advisers and the trends shaping advice models in South Africa and globally remain a key driver of business strategies of investment platforms.

The role of technology, the ever-changing regulatory landscape and the effect of the broader investment industry, also play a part in shaping what platforms will look like in future. Generally referred to as LISPs, investment platforms are now officially known as Category III Administrative Financial Services Providers that are governed by the Financial Advisory and Intermediary Services Act (FAIS). The retail wealth industry in South Africa remains largely intermediated, with less than 12% of investments placed on investment platforms directly, ie being invested by clients who transact digitally themselves or clients who make use of a digital advice solution like a robo adviser.

We believe in the value of financial advice, and our investment platforms place financial advisers at the heart of it. Partnering with our financial advisers for the long term is what sets us apart. We make it personal for advisers, and their clients. The effect of the Retail Distribution Review (RDR) already reflects in our local advice businesses, but of course, still needs to run its full extent when implemented in South Africa. Advisers certainly look at platforms to run efficiently and that their service and administration requirements are handled timeously. But most importantly, that they maintain their regulatory obligations in an environment of increasing costs. The paradigm shift would seemingly have begun as advisers and consumers alike demand more, but at a similar or lower cost. In future, successful platforms will be those that can enable integration with advice practices and support the creation of efficiencies for advice businesses, better than their competitors. Change ensures that we continuously deliver value to our advisers. Our role is to continually invest and optimise our platform through technology innovation to ensure that advisers can increasingly remove the burden of administration from their daily operations.

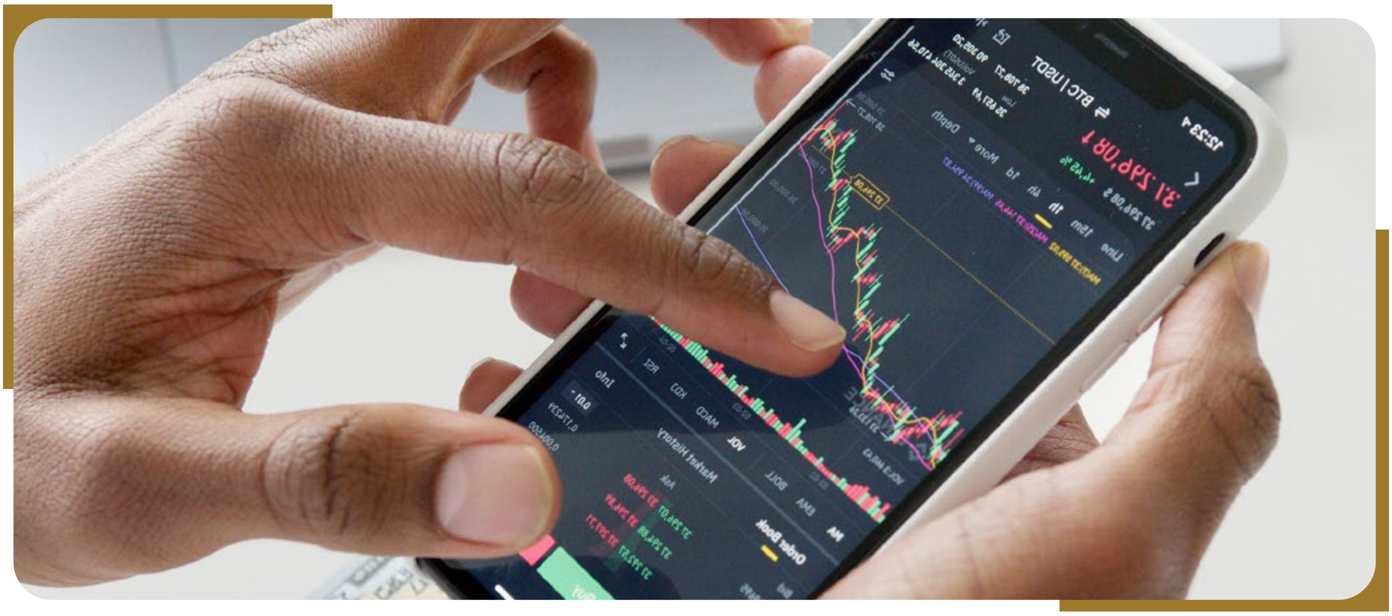
Successful platforms provide a comprehensive suite of capabilities for financial advisers to customise solutions for their clients' specific investment needs. More than 30 years ago, platforms started to give clients easy access to collective investment schemes (or unit trusts) across several different investment management companies, at lower required minimum investment amounts because of their ability to 'bulk' or aggregate investments across multiple clients. Although platforms continue to fulfil this role, the needs from advisers and their clients have shifted materially. Today, successful platforms play a key role across the entire investment industry's value chain.

Many advisers are moving away from using a broad range of unit trusts and exchange-traded funds to a narrower set of solutions to meet client needs. The preference for solutions has resulted in the increasingly important role of discretionary fund managers (DFMs). Platforms play a key role in enabling seamless integration with DFMs and ensuring that their capabilities allow for the efficient administration and reporting of model portfolios. Although platform fundamentals such as offering market-leading access, choice and seamless switching between investment components, facilitating transactions, consolidated and transparent reporting for clients, ease of use enabled by technology, eradication of duplication of work between advisers' offices and their own, are essential, these are no longer distinct differentiators. Advisers now compare platforms on how well they play holistically across the various parts of the industry. There is certainly a lot more to platforms than just the administration layer.

As we build our platform of the future, we at Momentum Wealth are placing our financial advisers at the core of our design. It is our commitment to make sure that by choosing us, advisers will experience a trusted and personal partnership for the long term.

Inflation: ghosts and ghostbusters

Old Mutual Wealth Investment Strategists Izak Odendaal and Dave Mohr



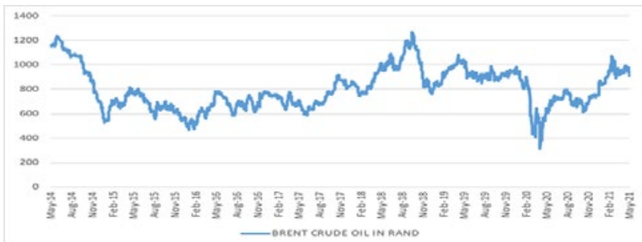
Inflation is still very much in focus globally. Investors are nervous that sharply higher inflation will put pressure on central banks to raise interest rates, potentially knocking the global economy and short-circuiting equity markets.

After a strong run, most global equity indices pulled back in recent days as risk aversion increased. This despite most US and European companies reporting unexpectedly strong earnings growth. Of course, markets never move up in a straight line, so a correction every now and then should not by itself be cause for concern. Rather, the question should be whether something fundamental has changed, causing a complete repricing of the outlook. As discussed further below, that does not seem to be the case. Last week the spotlight also turned to domestic inflation, its future trajectory and interest rate implications.

South Africa's consumer price index rose 4.4% in April from a year ago, slightly faster than expected by economists. This is quite a jump from March's 3.2%, but not a surprise since base effects play a big role. Fuel prices were 21% higher than a year ago, largely reflecting the fact that global oil prices slumped in April 2020 and have since returned to pre-pandemic levels. Food prices were also 6.7% higher than a year ago, reflecting global food price increases. A big monthly increase in oil and fats cannot be blamed on base effects, however. Though food inflation is at its highest level since mid-2017, the outlook is fortunately better. South Africa was recovering from severe drought conditions then, whereas bumper harvests should offset the impact of sharply higher global food prices. The firmer exchange rate also helps to ease price pressures. The big drought in 2015/16 coincided with a weak rand, which compounded the misery as South Africa was forced to switch from being a food exporter to importer.

The rand traded around R14 per dollar last week, despite the increase in global risk aversion. It means the increase in global oil prices over the past few months has basically been neutralised, and no petrol price increase is expected for May. It also limits the impact of rising global inflation more broadly. Over the last year, the rand appreciated 20% on a trade-weighted basis, and 8% over the past six months. It is basically flat on a two-year view.

CHART 1: OIL PRICE IN RAND



SOURCE: REFINITIV DATASTREAM

Core inflation, which excludes the impact of volatile food and fuel prices, was at 3% year-on-year in April, off the record low posted the previous month. This suggests that the underlying inflation trajectory has probably bottomed out as the negative impact of Covid-19 on items such as clothing, medical services (regular medical check-ups) and restaurant visits eases up.

REPO RATE UNCHANGED

Against this backdrop, the Reserve Bank's Monetary Policy Committee (MPC) unanimously decided to leave the repo rate unchanged at 3.75% as expected.

The Reserve Bank expects inflation to average 4.2% this year, 4.4% next year and 4.5% in 2023. This compares favourably with the Bank's 4.5% inflation target. It noted that the relatively strong exchange rate would counter global price increases, while a lack of pricing power on the part of firms and bargaining power on the part of unions (both a consequence of an economy still not running zat full steam) will contain the inflationary pressures stemming from food prices and electricity tariffs.

However, it noted that its forecasts are more likely to underestimate than overestimate inflation (The risks to the inflation outlook are to the upside, in central banking speak.) One of the items on its list of potential risks is higher import tariffs as a result of government's policy to encourage more domestic production. Tariffs typically only have a once-off impact on inflation (similar to a VAT increase), but it depends to what extent firms can pass costs on to consumers.

CHART 2: SA REPO RATE AND INFLATION, %

SOURCE: REFINITIV DATASTREAM

In terms of real economic growth, the Reserve Bank upgraded its growth forecast for 2020 to 4.2%, though of course the impact of a possible third wave of Covid-19 infections is uncertain. Growth for the following two years is still expected to be above 2%. It is worth noting again that local economic growth averaged only 0.5% in the five years before the pandemic, so while 2% average growth over the medium term does not sound impressive, it will be a huge improvement.

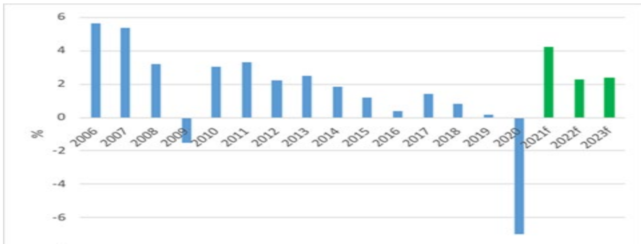
Overall, the MPC statement was not particularly hawkish. Like its global peers, the MPC is cognisant of inflation risks but also recognises that the economy still needs plenty of support and will take time to return to pre-pandemic levels of activity and employment.

The Bank's forecast model suggests two rate increases of 25 basis points each this year, but the MPC has not always followed this guidance and is unlikely to in this instance. Barring any dramatic changes, rates should remain at current levels for the rest of the year. As average inflation rises towards the midpoint next year, the real repo rate will turn negative, which is not something that has historically sat well with the MPC. Rates should therefore rise gradually from next year on if the SARB's projections materialise.

THE GLOBAL PICTURE

The MPC always pays close attention to the direction of monetary policy in the rest of the world, especially the US, and with good reason. An abrupt shift in the US Federal Reserve's policy could provoke capital flight, putting upward pressure on long-term interest rates and downward pressure on the rand. A weaker rand in turn can lead to higher inflation, though this impact (or pass-through) has declined significantly over time.

CHART 3: SA REPO RATE AND INFLATION, %



It helps greatly that South Africa is currently running a current account surplus and is not as vulnerable to capital outflows. In contrast, South Africa was running a massive 6% of GDP current account deficit the last time there was an unexpected major shift in market perceptions of Fed policy, the infamous 2013 'taper tantrum'. The Reserve Bank expects a current account surplus of 2% of GDP in 2021, shifting to a modest 0.6% deficit next year.

The Fed's public messaging has been clear: we don't expect the inflation surge to last, and we want to be sure the recovery is on a sustained footing before making any changes to the bond buying programme or interest rates. Minutes from the most recent policy meeting suggest Fed officials are starting to wonder whether the time to start considering making changes is drawing closer. Or to paraphrase an earlier comment from Jerome Powell, that it is time to start thinking about removing the emergency support measures.

That day will inevitably come, and the next month or so will provide important data points to guide the decision. Markets will constantly price in these expectations. Things can therefore be choppy for the next while as both investors and central banks assess the situation. However, we need to remember four things.

Firstly, while central banks are not in the business of bailing out markets (their official targets are typically inflation and unemployment), they are nonetheless very sensitive to market movements, since financial markets are key channels through which their policies impact the real economy. They will therefore be very careful not to pull the rug out from under markets, but rather signal their intentions as clearly as they possibly can. Secondly, central banks, the Fed in particular, have learnt the lessons of the past decade on overdoing interest rate hikes. They will probably err on the side of caution. Thirdly, it matters why they are tightening policy. If it is because they see their economies as substantially healed and no longer in need of emergency support, it is a good sign. Hiking in response to sustained higher-than-expected inflation is a different matter.

Four, some investments are very sensitive to higher interest rates, either directly or indirectly. But others are more likely to respond positively to the stronger economic growth conditions that give rise to higher rates. It will become increasingly important to distinguish between the two. Clearly developed market bonds and similar 'duration' assets (like technology companies whose earnings growth prospects are far into the future) will be harmed, but cyclical companies such as banks, miners and industrials can benefit.

The most likely path of global inflation is still, in our view, that it will moderate going into next year. Firstly, the base effects will fade. To use a simple example, the oil price rose 80% over the past year as it recovered from bombed-out levels. It is not going to rise another 80%. If it stays around current levels of $65 per barrel for the next 12 months, oil inflation will be close to 0%.

Secondly, the big reopening boom is likely to be fairly short-lived. People are desperate to travel and visit fancy restaurants and watch live sports and so on, but there is a limit to how much they do even once it is safe. People are not going to eat in restaurants seven days a week, for instance. The pent-up demand is mainly for services. On the goods side, people have been consuming all the way through the pandemic. Thirdly, supply will eventually respond. If there is massive demand for something anywhere, firms everywhere across the global have every incentive to meet that demand as soon as possible. To use an example from a recent Wall Street Journal article, a year or so ago, getting hold of a bottle of hand sanitiser was difficult across the globe. Today the world is awash in hand sanitiser, and retailers are running promotions to clear shelf space for other items. Supply responded to demand. For some items, the response is slow. Increasing food supply is weather dependent and increasing the output of minerals and metals often requires expanding mines. Therefore, the prices of raw materials can remain elevated for some time. But that is not the same as inflation.

Finally, technology remains a disinflationary force. And while it may be too soon to tell if it is the start of a trend, productivity growth seems to be making a comeback. For instance, US productivity growth hit a decade high of 4% in the first quarter. Productivity growth means firms can absorb higher input costs – wages and raw materials – without it leading to higher inflation.

INVESTMENT IMPLICATIONS

The first and most obvious point is that money market returns will be close to zero in real terms over the medium term since they are closely linked to the repo rate. This is in contrast to the generous positive real returns in the pre-pandemic years. However, if inflation is to be around 4.5% over the medium term, it is a very achievable hurdle for other asset classes to achieve.

A very simple metric is the starting yield, which is around 6% for SA equities (forward earnings yield), 9% for SA bonds (10-year government bond yield) and 9% for SA property. All are well above inflation. Global investments are not quite as attractive from a starting valuation point of view, and fixed income in the developed world remains outright expensive.

But offshore investments remain an important diversifier to SA-specific risks, as well as sources of returns not available locally.

The systematic decline of active funds

Rupert Hare, Co-Head of Multi-Asset at Prescient Investment Management

Active funds have been subjected to continuous waves of attack from passive alternatives, and the gist of the argument is that they are in some way inferior to their passive peers.

The reasoning is mixed, but the argument's primary drivers are historic under-performance over the past five years, lower fees and fund costs, and high tracking errors vs what investors are expecting – i.e., you invest in "SA equities", but often get a completely different animal with an active approach, with returns drifting away from the market. While these points are valid, they're also often subject to some serious framing by passive funds looking to aggressively capture AUM from other asset managers. They leverage off emotional biases of investors like the anchoring of views on recent performance and a degree of framing bias. For example, if you tell an investor that a fund is "one of the most expensive in its category", that sounds rather gloomy on its own.

But if you instead tell the investor that "while the fund is one of the most expensive in its category, it has by far the highest performance", it will frame the fund in a completely different and more positive light. The point is that the most important thing investors can do is to focus on the facts and leverage off them in their judgement. That brings us to the heart of this article, which may at first glance seem like the same topic the industry's been talking about for the past five years – how and why active funds are losing money to passive alternatives. While that may be the case, there's a lesser-known approach that could be a solution for investors and allow them to capture the best of both worlds – known as systematic investing, or process-driven asset-management leveraging off large amounts of data to make investment decisions. The key is to be able to take the best of active investing and combine it with the benefits of passive investing. "Systematic" funds require smaller, more specialised teams with a background in both data science and asset management to process large amounts of data – which a traditional manager would require many boots on the ground for. The translation comes directly into the investor's pocket, with lower fees required to cover fewer analysts.

Lower fees are the surest form of alpha. Looking into the evidence over the last five years for the ASISA Multi-Asset High Equity category, investors made an additional 0.53% for every 1% saved on fees. So why then is that relationship not 1 for 1? The answer lies in active management lifting that line up at the higher end of the total investment charge (TIC) spectrum through the creation of alpha. In other words, you can indeed get more by paying less, as well as earn more by paying more – both active and passive asset management have their place in a portfolio.

How can a fund then combine low fees with that positive alpha profile from active management through investment decisions? At Prescient, we believe the multi-asset investment nirvana is to combine low fees offered in passive funds with the potential for positive alpha offered in active funds. We do this by running our Prescient Balanced Fund with an efficient strategic asset allocation to anchor the portfolio similar to a passive approach, plus a systematic approach to taking tactical asset allocation tilts using reams of data distilled into simple investment decisions. We implement this by investing in predominantly passive indices using our portable alpha process rather than picking stocks. **These three approaches, combined with one of the lowest fees in the market, allows the Prescient Balanced Fund to print small, consistent amounts of alpha year in and year out. And consistency, no matter which way you frame it, is just what investors are looking for.**

SA's life insurance industry set to emerge stronger from the COVID-19 pandemic

Dewald van den Berg, PwC Insurance Technical Partner

In 2020, SA's major life insurers were negatively impacted by an unprecedented financial and operating environment arising from the COVID-19 pandemic.

Despite the challenging macroeconomic uncertainty, the major insurers remained resilient and delivered credible financial results. The strength and resilience of capital management strategies and balance sheets were evident in the reported results of the insurers. Solvency capital ratios (SCR) remained within targeted ranges with cautious approaches towards dividend declarations, albeit mostly within the dividend cover ranges. These are some of the highlights from a report recently issued by PwC - "Humanity and innovation: The new tomorrow for insurers" - which analyses the major life insurers' results for 31 December 2020.

PwC's analysis of SA's major life insurers presents the combined results of Discovery Holdings Limited, Liberty Holdings Limited, Momentum Metropolitan Holdings Limited, Old Mutual Limited and Sanlam Limited. The financial performance of the major insurers in 2020 clearly reflects the challenges and uncertainties that the industry faced. The life insurance industry plays a critical role in providing financial stability to individuals, families and employees in the advent of loss of income that may result from the death of a family member, their own disability, illness or retirement.

Their financial wellbeing is influenced by several factors such as illness and death, financial market conditions, employment and income levels which impact policyholders' ability to pay their premiums, as well as new sales.

While some of these risks can materialise independently, the COVID-19 pandemic demonstrated what can happen when adverse experiences occur in all these areas. Life insurers are both bearers and expert managers of these risks, and their results for 2020 demonstrate how they have performed during an unprecedented and extremely challenging year.

The report focuses on the embedded values of the life insurers, as well as their financial performance measured by their IFRS earnings.

EMBEDDED VALUE

The COVID-19 pandemic and the current economic climate resulted in the five insurers losing R8bn of value in 2020, compared with R32bn created in 2019. The combined group embedded value/equity value (EV) of the insurers fell 9% over 2020. Ignoring capital movements, the embedded value (EV) earnings were -2.2% or -R8.3bn. This contrasts with the EV growth observed in prior years, in particular in the 2018 and 2019 years where there was a return on EV of 9.3% and 7.8% in aggregate, respectively. The decline in EV in the current period was driven largely by the assumption changes made to allow for the expected adverse claims and persistency experience (COVID-19 reserves), as well as the poor investment experience and changes to interest rates over the year.

Operating assumption changes accounted for a R16bn decline in embedded values, whilst the net investment returns and economic assumption changes caused a decrease of R12bn. It is also notable that the value created from selling new business in 2020 was only 63%

"Despite the challenging macroeconomic uncertainty, the major insurers remained resilient and delivered credible financial results."

of that achieved in 2019 as a result of the lockdowns. The value of new business written in 2020 was 37% lower than that written in 2019 (2020: R4.7bn; 2019: R7.4bn).

IFRS EARNINGS

The insurers posted a total comprehensive loss of R870m compared to total comprehensive profit of R22.1bn reported in 2019. This reflects the higher levels of mortality claims and the challenging macroeconomic environment of 2020. COVID-19 was the major contributor to the decline in combined IFRS earning in 2020 from prior years. This was mainly due to: an increase in claims payments and the establishment of additional reserves for future COVID-19-related mortality claims; general insurance impacts that include contingent business interruption claims and offset by benefits from general insurance personal lines underwriting result; premium payment relief and intermediary support programmes; and elevated impairment provision levels.

In response to the impact of COVID-19, the companies raised significant reserves. By far the biggest contributor to the R15bn increase in reserves relates to expected mortality claims over the near term. In addition to COVID-19 reserves directly impacting the IFRS earnings of insurers significantly, there were other notable contributing factors to the decline in IFRS earnings. These contributing factors were: devaluation of investment property portfolios to the extent they relate to shareholder assets that do not back policyholder liabilities; decrease and write-off of property rental debtors due to rental concessions; significant credit market volatility and increases in expected credit losses under IFRS 9 on loans and advances books; the lack of any positive mark-to-market adjustments on investments; offset to an extent by positive foreign exchange differences recognised in other comprehensive income.

The insurers have forecast a third wave of the pandemic as the virus mutates and we head into the winter months. The insurers believe they hold adequate reserves for the expected level of mortality claims. However, they have warned that this is dependent on an effective vaccination roll-out. Should this not be successful, then future waves cannot be ruled out and additional reserves will need to be set up.

PLANNING FOR THE FUTURE

Recovery to pre-COVID-19 profitability levels has been communicated by the insurers to be in the next 18 to 24 months. Accelerating digital investment such as direct-to-customer engagements, automated advice, digital underwriting and cloud and cybersecurity coverage capabilities is seen as a key driver of growth to achieve this recovery. Insurers acknowledge that customers expect better digital experiences. This is similar to the findings of PwC's Annual Global CEO Survey 2021 in which 62% of the insurance CEOs noted that they planned to significantly increase investment in digital transformation in the short term. Other areas of increasing investment by insurers are cybersecurity and data privacy (40%), initiatives to realise cost efficiencies (33%), leadership and talent development (31%), and sustainability and ESG initiatives (21%).

THE REPORT SETS OUT SEVERAL KEY PRIORITIES WHICH WE BELIEVE WILL HELP TO STRENGTHEN THE INDUSTRY AND MAKE IT MORE RESILIENT IN THE POST COVID-19 CRISIS WORLD.

Transforming risk into trust through corporate purpose, including ESG strategies: The last year has seen a rally towards environmental, social and governance (ESG) products and ESG integration globally. This trend is likely to further accelerate over the coming years as for among other reasons there are expected regulatory developments in Europe, with some momentum being seen in South Africa.

Realigning cost structures and sharpening productivity: Efficiency and productivity are once again front and centre of the strategic debate. Productivity is a continuing challenge that insurers need to resolve, and not just a temporary issue caused by the current circumstances. Functions such as distribution, customer service, underwriting and IT are ripe for transformation.

Supercharging digital transformation to create a digital enterprise: Across the industry, operations continue to be beset by overstaffing, over-reliance on manual workflows, fragmented technology and difficulties in making the most of available data.

Carving out new revenue streams: To capture new markets, insurers need to design products that reflect today's evolving needs such as usage-based insurance, employment loss protection for gig workers, pandemic business interruption coverage and cybersecurity for remote working.

Preparing the workforce for the new world: Reskilling requires careful assessment of desired skills and competencies to be targeted, investment in a learning environment, assessment of the impact of change and a systematic way to measure the return on upskilling investment.

Strengthening capital efficiency: Capital management focused on the impact of lower interest rates, greater hedging costs, heightened market volatility and defaults, and increasing tax rates.

IN CONCLUSION

The COVID-19 pandemic has forced insurers to leave the status quo behind. More change has occurred in the industry in the past year than in the previous several years combined and its pace is accelerating. The industry is clearly focused on how to come back stronger after the crisis while carefully monitoring the development of mortality claims experience in the near term.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Why the Zulu King's Last Will & Testament is so important for South Africans

Alex Simeonides, CEO of Capital Legacy

The late King Goodwill Zwelithini, King of the Zulu nation, the largest monarchy in South Africa, passed away earlier this year after ruling for more than 53 years on the throne. His passing has set off a series of dramatic events that are still playing out in the public eye, and in the courts.

Firstly, in his Will, he appointed his wife, Queen Mantfombi MaDlamini-Zulu, as Regent of the grieving Zulu nation. Bearing in mind that the King was in a polygamous marriage and there are several wives and children that may want to claim their stake in the estate, one would have expected some jostling to occur. However, no one expected the newly appointed Regent to pass away only a few weeks later and for her Will to appoint her son as the new King.

This move was quickly contested by the late King's first wife, Queen Sibongile Dlamini, who is claiming a 50% stake in the estate as she claims she was married in civil law and therefore in community of property, since 1969, to the late King. Moreover, the Queen's two daughters also filed a court application contesting the King's Will, stating that the signature of the King was forged and hence the Will is not valid. Both these cases have been consolidated and will be heard later this month, leaving the Zulu Kingdom in a state of suspension and the royal household at odds with each other. So why is this case important for us as South Africans you ask? The reality is that over 75% of South Africans pass away without a valid Will in place. You may not be a Zulu King with millions in assets, but you are certainly king of your own kingdom and master of your own (and your family's) legacy.

Irrespective of what you may think of the Zulu King, he set a tremendous example for all South Africans by taking the time to get his affairs in order and draft his Will. Too many South Africans procrastinate until it's too late and this can create devastating consequences for their families and dependants. Even with a Will in place, the winding up of an estate can still be a lengthy process with many issues that may arise not least of which is contestation of the Will by other family members and cash shortfalls due to lack of liquidity in the estate.

WITH THIS IN MIND, HERE ARE A FEW SIMPLE GUIDELINES TO HELP YOU SECURE YOUR KINGDOM

Don't procrastinate: You know you need to get your Will done – so get it done. Put a reminder on your phone. Write it on your to-do list. Put a note on your fridge. Whatever it takes, just get it done.

Speak to a professional: Yes, you can do a DIY Will or download a template if you want – but why would you want to risk such an important task. You don't know what you don't know, but a professional knows to ask the right questions. You only really draft and update your Will a few times in your life, so why not make sure it's done properly the first time around – the consequences of making a mistake are dire.

Handwritten amendments: These can sometimes be unclear and therefore unenforceable. Or in the case of the Late King Zwelithini, a reason for someone to contest the validity of his Will, which in this unique case ultimately affects the succession to the throne. Rather draft a new version if you want to make amendments or updates so that there is absolute clarity with regards to your final wishes.

Sign your Will: Sounds silly to make this a point, but the reality is that too many people go through the effort of having their Will drafted but then never get around to signing it. An unsigned Will is viewed as an invalid Will

"75% of South Africans pass away without a valid Will in place. You may not be a Zulu King with millions in assets, but you are certainly king of your own kingdom and master of your own (and your family's) legacy."

by the courts. It's important that you sign your Will in the presence of two witnesses who could be called to court to testify that they saw you sign your Will, if your signature comes into question. The witnesses will also need to be able to testify that they saw each other signing.

Your witnesses should be independent: Independent witnesses are considered as people who do not stand to benefit from your estate. Therefore, the Wills Act excludes your beneficiaries, your spouse, your executor and trustees, guardians you may have nominated for your minor children, and the spouses of any of these parties.

Keep your Will safe: Make sure you don't pass away with no-one knowing where your Will is. This happens every day and nullifies the efforts you went through to ensure you've diligently captured your final wishes. Keep a copy with you in a safe place and ensure your executor has a copy too.

THIS HAPPENS MORE THAN YOU REALISE

The fate of the heirs to the Zulu Kingdom now sits in the hands of the courts. Chances are this may end up being a lengthy and messy battle as there is so much at stake. This storyline plays out almost every day with regular South Africans' estates being contested and messy legal battles between families that result in them being torn apart – but obviously very few get the media attention that the late Zulu King's is getting.

Hopefully, the one positive that may come of this case is that more and more South Africans will realise that they don't need to be royalty to get their affairs in order.

Longevity favours the rich, but poor also benefit in new generation life annuities

Dean Moore, CEO of Retirement Income Specialists at Just SA

Most conventional life annuities are priced against just two factors that influence longevity – age and sex. Yet there is a host of other factors that should be considered in arriving at a fair price for each person.

This is one of the reasons that life annuities fell out of favour for over a decade. "People from lower income brackets started to question their value, and they were right," says Deane Moore, CEO of retirement income specialists Just SA. Unlike living annuities, life annuities provide a guaranteed income for life. This is achieved by risk-pooling to evenly spread the risk among policyholders (essentially how insurance works). A guaranteed life annuity's total value is the sum of its starting income and the expected future increases over a long-term investment horizon. The question is how much income does each person receive? Or, looked at another way, what price does each person pay for an income for life?

A JUST PRICE, BASED ON INDIVIDUAL RISK

South Africa is a very diverse country with vastly different levels of economic opportunity, and access to healthcare, nutrition, and education. As a result, higher incidences of serious diseases such as diabetes and heart disease are more prevalent among those in lower income brackets. Consequently, those from poorer backgrounds tend to have a shorter lifespan than those who are wealthier. When the funds of a wide variety of people are pooled together in a conventional life annuity, the poor, who tend to die sooner than expected, subsidise those who live longer than expected – which is likely to be the wealthier policyholders. In South Africa, where the differences between diverse segments of the population are so vast, it is not just to price as if they are. This was also recognised by Treasury in its series of retirement reform papers published between 2012 and 2014.

UNDERWRITING HOLDS THE KEY

"People have a right to purchase a life annuity at a price that fairly reflects their individual risk," says Moore. One way to achieve this is to use underwriting to find out a lot more about a retiree than his or her age and sex to assess their life expectancy more accurately. While life insurance policies use medical underwriting to charge those who are ill a higher premium, life annuities use underwriting as a fair way of ensuring you get the right income, for life.

This gives you confidence that you are getting the highest possible starting income for your retirement savings, which is important as any subsequent increases are based on your starting point.When a potential client applies for any of the annuities that Just offers, they are likely to be asked a series of medical, income, education, and lifestyle questions. If their answers put them at risk of dying younger than the average person, their policy is priced accordingly. This could result in, for example, a 10% 'uplift' in their monthly income as they are only expected to live 18 years as opposed to 20 years.

"This is especially fair for lower income individuals as their chances of living a long life into their 80s or 90s are unfortunately limited by the factors we've mentioned," Moore says. In fact, over the past five years, 40% number of Just SA's policyholders are enjoying a higher monthly income than they would have without any underwriting.

UNDERWRITING FOR SPOUSES

Something to understand is that if an individual wants to buy a life annuity policy and leave a legacy of an income for life for his or her spouse, both people will go through the underwriting process. **"If one of the spouses is ill, but the other is healthy, we have to take both lives into account when pricing the policy," Moore concludes.**

Behavioural finance

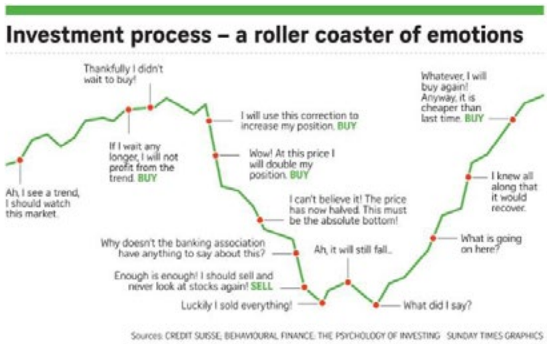
Anil Thakersee Executive: Marketing & Business Development at PPS Investments

Behavioural Finance is a relatively new field of study that looks at how our emotions and psychological biases affect our decision making.

Amos Tversky and Daniel Kahneman, winners of the 2002 Nobel prize in Economics, helped develop this field of study with their development of Prospect Theory. Prospect Theory was developed as model of human judgement and decision-making and attempts to explain how people manage risk and uncertainty. Tversky and Kahneman found that people's attitudes and responses varied when faced with the prospect of gains versus losses.

They found that while investors are inherently risk-avoiding, when faced with the probability of losses, investors can become risk-seeking in their efforts to avoid taking losses. Traditional economic and financial models and theory is based on the assumption that individuals act rationally and consider all available information in their decision-making process and hence markets are efficient. Behavioural finance provides a different lens on understanding how investors and markets behave and attempts to address the many market anomalies not addressed by efficient market theory.

"People tend to assess the relative importance of issues by the ease with which they are retrieved from memory—and this is largely determined by the extent of coverage in the media. Frequently mentioned topics populate the mind even as others slip away from awareness…". Daniel Kahneman – Thinking, Fast and Slow (2011)



By understanding behavioural biases and how they affect decision-making, investors have the opportunity to moderate and adjust the inputs and improve on their economic outcomes. Below we list some of the more common behavioural biases.

ANCHORING BIAS

Anchoring is the tendency to use the first piece of information or a specific level or value as a focal point or reference for decision-making. Any additional or newer information is now interpreted with reference to the initial piece of information. This limits the ability of this additional information updating or upgrading the base case formed from the initial piece of information.

CONFIRMATION BIAS

This is the tendency to favour and seek information that confirms existing beliefs and reject information that contradicts existing beliefs. We all have our favourite commentators or publications and, in many cases, these are favourites because the views expressed are in alignment with our own. In recent years, we have seen confirmation bias play out in politics as voters become more polarized, with each side holding strong in their beliefs. These are favourites because the views expressed confirmation bias play out in politics as voters become more polarized, with each side holding strong in their beliefs.

FRAMING EFFECT BIAS

Framing bias occurs when the way data and information is presented (framed) affects decision- making. In investing, this bias can cause investors to focus on the sensational headlines of any negative development in markets and not adequately process the positive factors that remain in place despite the recent negative development.

As the field of Behavioural Finance develops further, many asset managers have already incorporated learnings and behaviours from this field into their investment processes.

The nature of financial markets means that volatility and uncertainty are a regular feature and as these events unfold, they have the ability to trigger psychological biases and reactions.

This makes it even more important to have a sound financial plan focused on the long-term, supported by a financial adviser.

Let's get technical: Cover for business owners

Elmarie Samuel, Product Marketing Specialist at FMI (a Division of Bidvest Life Ltd)

As one of the main drivers of economic growth and job creation, all business owners should not only protect themselves, but their businesses too; so that no matter what happens to them, their businesses are protected and can continue operating.

Since inception, FMI has supported business owners by providing a monthly income to cover their salaries and business overheads when they couldn't work due to injury or illness.

Over the years, we've innovated our product to include a combination of income and lump sum benefits that provide a payout for injury, illness and death. At our recent monthly Technical Tuesday webinar, I sat down with our Chief Product Actuary, Leza Wells, to chat about FMI's cover for business owners:

HOW DOES FMI CATER FOR DIFFERENT TYPES OF BUSINES OWNERS?

We offer two versions of FMI Individual – Comprehensive and Event Based cover. Our Event Based cover solution offers cover to those individuals who may not qualify for Comprehensive cover due to their specific occupation insurance risk. This gives more people access to insurance and allows advisers to access a wider pool of customers in the market.

WHICH BENEFITS ARE RELEVANT FOR A BUSINESS OWNER?

As a financial adviser, there are two key considerations when selecting income cover for your business owner clients, namely business overhead income benefits and continuation of income if they pass away. We see the ability to protect the income of the business owner as a primary need. In addition to income protection, we also offer business overhead protection, which covers business operating expenses in the event of a business owner falling ill or getting injured. A Life Income policy for your business owner clients ensures the continuity of the business in the event of their death by paying up to R150 000 per month for either 6 or 12 months. This can assist with providing a monthly income to pay for the ongoing monthly expenses while a suitable successor is found or trained to take over their responsibilities, which could make all the difference for a business' survival.

WHAT MAKES FMI'S INCOME PROTECTION FOR BUSINESS OWNERS DIFFERENT COMPARED TO OTHERS IN THE MARKET?

Loss of income claims criterion: Many insurers assess business overhead claims under a *Loss of Income* criterion, which can be difficult to prove if the loss of income doesn't coincide with the period of injury or illness. That's why it's important to choose a policy which allows a claimant to choose between loss of income *or* percentage of duties unable to perform, whichever is greater for them.

Speed of payments: Speed of claim payment is crucial for business owners who need to pay staff and suppliers. FMI's Fast-Track Event claims, for example, offer a simplified claims process with payments based on receiving objective medical evidence. This results in faster claim payments because we don't have to wait for medical professionals to complete an occupational disability assessment. Plus, the first 60 days of the guaranteed claim period are paid upfront on acceptance of the claim.

Shorter waiting periods: While it's common for business owners to qualify for a 7-day waiting period on their temporary income protection benefit, this often isn't available for manual occupations. At FMI, the 7-day waiting period is also available to most occupations that perform manual duties such as self-employed plumbers, electricians and mechanics. And on our Event Based cover, business owners can claim from day one for most injuries or illnesses. There is a massive knock-on effect if a business owner cannot work due to injury, illness or death. Our product solution doesn't only protect the business owner, but it also provides security for the business as a whole, the employees and all those who depend on them.

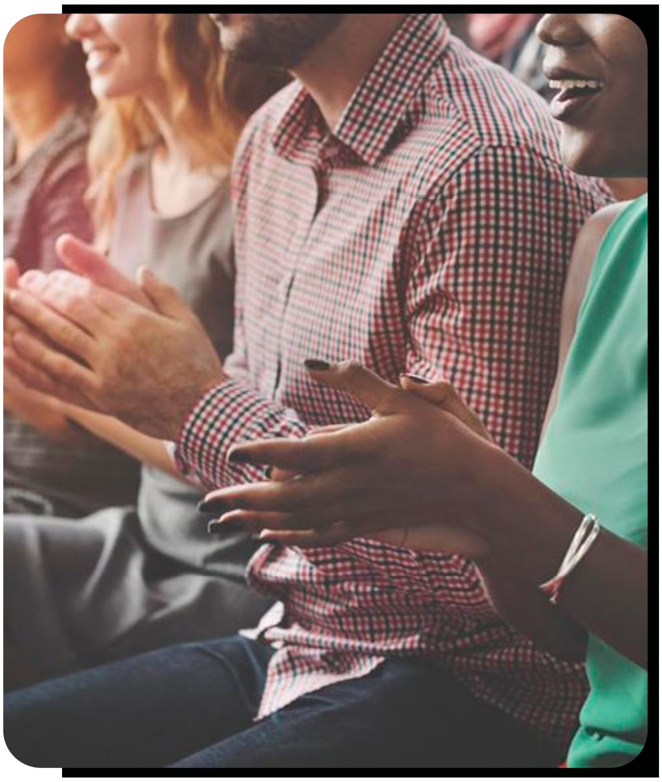
If you enjoyed this excerpt and would like to watch the full Technical Tuesday webinar, **simply click here. to watch business owners, brenda and eben's impacter stories, go to www.fmi.co.za/impacters**

GENERAL

PG55-63

PSG celebrates unity, top advisers and offices

PSG held its annual conference in May. This year's event was entirely virtual, and although the special atmosphere at Sun City, where the event is usually hosted, is difficult to replicate online, there can be little doubt that a digital conference also brings some unique advantages.



PSG used the opportunity to include more staff attendees and had greater access to high profile international speakers due to the reduce travel (and time) demand. The 2021 theme was *Unity in Opportunity*, highlighting what is possible when we work hard together. Some key highlights of this year's conference included US economist at the Brookings Institution and former Chairman of the Board of Governors of the Federal Reserve, Dr Ben Bernanke, who shared his insights on global economics.

Other speakers included Irish economist David McWilliams, futurist Graeme Codrington, Caroline da Silva (formerly from the FSCA), and agri-preneur Mbali Nwoko who shared how to properly manage a growing farm. The session also featured a panel discussion by international fund managers hosted by broadcasting personality Bronwyn Nielsen. The digital format also allowed for more product provider participation, sharing thoughts, trends and triumphs with both their Wealth and Insure adviser networks. The conference marked a great year for PSG overall.

SURVIVING AND THRIVING

"It has always amazed me what we can achieve – against all the odds - when we work together, and this year has been no different. Had I told you last year that PSG would be stronger, better and smarter in a year's time, you would have thought we were being naively optimistic. However, a year on, that is exactly what we have seen," remarked Francois Gouws, PSG Konsult CEO who opened the conference this year. PSG is immensely proud of its top advisers and offices, and all that has been possible despite the constraints of living during a pandemic.

PSG'S ANNUAL AWARDS RECOGNISE ADVISERS' SUCCESSES

PSG typically awards its winners at the annual conference gala evening in the Superbowl at Sun City, but this has not been possible for the last two years due to the pandemic. However, the firm invested great effort in ensuring this year's digital event was memorable to nominees, award recipients and spectators. PSG is pleased to announce that 420 financial advisers are part of their Millionaires club as they have each generated over R1 million gross revenue in the past financial year. PSG's Gold club qualifiers are the financial advisers with more than R5 million in gross revenue over the past financial year, which has grown to 74 advisers.

There are 58 advisers who have qualified in PSG's Platinum club, who have achieved over R10 million in gross revenue over the past financial year. PSG is immensely proud of these achievements despite the challenging business conditions we have seen over the past year.

PSG'S TOP OFFICES AND ADVISERS FOR THE 2020/2021 YEAR

PSG's annual awards encourage healthy competition among it's network and this year sees several winners receiving an award for the first time, along with some repeat nominees and winners, proving PSG's strength and resilience. While profitability plays a role in the award selection, the extent to which advisers embrace the trusted PSG processes and live it's values are also key considerations. **These awards are given to top performing offices and individual advisers in various categories.**

The winners are...

OFFICE OF THE YEAR:
PSG Wealth Silver Lakes & George Central take the title. Marius Kruger accepted this first time win for the office.

EMPLOYEE BENEFITS OFFICE OF THE YEAR:
Route21 Employee Benefits secures another win. Nerine Brink received this award on behalf of the office.

WEALTH MANAGER OF THE YEAR:
Johan Borcherds from PSG Wealth Pretoria East wins this highly competitive award.

WEALTH ADVISER SECURITIES OF THE YEAR:
Struan Campbell from PSG Wealth Umhlanga Stockbroking wins this award after several nominations.

WEALTH ADVISER OF THE YEAR:
Emile Janse Van Rensburg from PSG Wealth Paarl Cecilia Street wins for the first time.

INSURE ADVISER OF THE YEAR:
Markus Fourie from the PSG Insure Olympus Midas Avenue Short-Term office wins this award for the first time.

THE WORLD HAS CHANGED BUT WE'RE MAKING THE MOST OF IT

Dan Hugo, Chief Executive of Distribution at PSG

Working has changed since the pandemic started, and rather than being temporary, these changes may prove permanent. Holistic advice and hyper personalisation are the cornerstones to building lasting relationships of trust, as every client has unique needs and goals.

We believe that a hybrid of technology and advice as we know it, will be key to success, and there are many opportunities available. PSG aims to be a highly-respected, advice-led, financial firm. Being prepared for a digital future before the pandemic hit, stood us in good stead to weather all that has followed since March 2020 and South Africa's lockdown.

Client service and engaging with our clients is our core focus, along with finding new ways to do this, given how the world has changed. Futurist Graeme Codrington, in his talk at the event, quite rightly suggested that the trend of the future will not so much be work from home as work from anywhere. The world is certainly changing and reaching clients through technology allows us to keep up, wherever they may be.

PSG has been fortunate to operate seamlessly remotely and it's all thanks to technology. We collaborated with our advisers to get their input on what was needed digitally to best service clients, and this is something we continue to improve.

NEW WEBSITE, ADVERTISING CAMPAIGN AND CORPORATE IDENTITY (CI) TO MATCH

PSG has launched a new website with better functionality and a bright new look, along with a bold new CI more suited to the increasingly digital world. The bold cyan and black colour palette sets the tone for the next chapter for PSG, and shows the firm's intent to continue boldly growing into the future. While PSG has not revised its CI over the last five years, the next five years are likely to look quite different, so a fresh and modern new look is a fitting way to signal readiness for the new challenges that lie ahead.

UNITY IS WHAT IT'S ALL ABOUT

PSG is always looking to increase it's adviser network with the aim of serving clients better wherever they reside. Thus, PSG has not let the pandemic set client engagement efforts back: rather it has invested in sharing bigger picture ideas even more broadly in the digitally enabled environment. The ***Think Big*** webinar series continues to offer thought-leading subject matter, tackling all topics close to South African hearts from Covid-19 vaccines to education, to rugby and all things in between. We encourage viewers not to miss any of our upcoming sessions, but recordings to all previous webinars are available on PSG's Youtube channel.

LOOKING AHEAD POSITIVELY

PSG has always been optimistic. However, rather than sitting back and waiting for the future to arrive, it opts to actively work on creating the future it wants. It's no wonder then, that they believe the future looks bright. PSG comprises three divisions, namely PSG Wealth, PSG Asset Management and PSG Insure. It also has one of the largest networks of financial advisers in South Africa and Namibia, within its PSG Wealth and PSG Insure offering. The firm had 563 wealth advisers and 369 insure advisers, and 263 offices, as at 28 February 2021.

PSG

PSG Wealth Financial Planning is an authorised financial services provider - 728

Oak Tree Annual Fishing Challenge 2021

Tanus Bot, Actuarial Analyst at Oak Tree Intermediaries

This year's Annual Fishing Challenge turned into a Biennial Fishing Challenge following the world halting to the Covid-19 pandemic.

We were lucky enough to get a small group together to complete Oak Tree's 2021 Annual Fishing Challenge. We left early Sunday for the tournament to begin on Monday. All our anglers ended up having the privilege of landing a Tiger by the end of day 2. The fishing was phenomenal. Lake Jozini and the surrounding Pongola game reserve offer some amazing sites in between reeling in the Tiger fish. We arrived to a curious Giraffe in our campsite and on Tuesday morning, we met a herd of elephants at our favourite fishing spot by the water's edge.

The tournament was held over four days, the winner being awarded based on total bag weight. This year, the competition was tight but Team Guardrisk (Engineering) - formerly C&G, made up of Keith Barlow Jones and Timothy Paramasivan, swept the trophy with a combined bag weight of 11.9 kg's - quite a bit better than the last couple of year's bag weight too! There were some consolation prizes for best chefs (won by Osprey Underwriting Managers – Richard Pearson and Colin Moodley – Terra Marine) the largest fish (Tim Paramasivan – Guardrisk Bonds and Guarantees) and even a booby prize for the smallest fish (not to be named, for the sake of embarrassment). All in all, some great memories were made and a good time was had by all. This being my first Oak Tree fishing trip, I wasn't sure what to expect but an all-boys trip is a good way to get to know some of your clients in a more relaxed setting. If I have learnt anything from the trip, it is do not under any circumstances bring bananas on the boat (google it). In fact, don't bring any fruit on the trip just in case there has been any amendments to the 'fisherman's superstitions diary'.

The Tiger fish in Jozini were very cunning and it ended up being quite a rewarding experience to bring one of them on board. The live bait fishing was a lot of fun as you can't look away from your rod for too long without your name being shouted out! The weather was great and the company was better. On to the next one! Tight lines ...

The power of future-thinking for your business in a radically changed world

Dion Chang, Founder of Flux Trends

In a 2020 article on WIRED – How businesses can reorganise for an unpredictable world – they introduced a new acronym B.A.N.I (don't try and google it, your search will point you to, Ban Asbestos Network of India).

BANI, they recommend, is much more appropriate for a pandemic-impacted business world than the more commonly used acronym VUCA. **VUCA,** which stands for, **volatility, uncertainty, complexity and ambiguity** is frequently used by executives and business schools to illustrate, navigate and map strategies for a disrupted business environment – specifically business disruptions associated with the 4IR.

The acronym was popularised by the US Army as a result of the extreme conditions in Afghanistan and Iraq. These conditions were totally new and changed the nature of warfare, hence the parallels to tackling digitalised and ever-changing business environments. **BANI,** on the other hand, stands for **brittleness, anxiety, nonlinearity and incomprehensibility,** which sadly, better illustrates the COVID-19 world of 2020/2021.

The article states that, "businesses would look to a linear model of how the world worked. That's good up to a point. And the point at which it ceases to be good is the one that we have reached very definitively over the past few months". Every business owner would agree that it is not only the past 12 months of lockdown that have been devastating to their business, but now there is the added insult of uncertainty for 2021. But forge ahead we must. And when we do, we need to frame our business challenges using the BANI acronym and be specifically mindful of the last two letters of the acronym: **nonlinearity and incomprehensibility.**

In a previous article on anticipatory grief I wrote that, "re-starting your business is becoming less about simply reviving it, but considering very carefully, how (and more importantly, if) your original business model fits into a changed and radically altered societal mindset." And therein lies the key. Is your current business model still relevant to a radically changed world? If you embrace nonlinearity and incomprehensibility, you might need to come to terms with the harsh reality that your original business model – or some of it – is frozen in a pre-pandemic state and needs reframing. But if nonlinearity and incomprehensibility are all you have to work with, how do your strategise for goalposts that are not anchored?

This is where transient, short-term strategies have to be tested. There are no fixed rules, and this state of limbo will continue well into 2021. It's time to adopt the sailing manoeuvre of **tacking:** the art of turning the bow (front) of the boat through the headwind so that the wind changes from one side of the boat to the other side. One way of ensuring your business is best prepared and better placed to forge ahead in the right direction is by means of the *Futurist in Residence* service by Flux Trends.

"Every business owner would agree that it is not only the past 12 months of lockdown that have been devastating to their business, but now there is the added insult of uncertainty for 2021"

Futurist in Residence provides businesses with access to fifteen years plus of local and global trend research, forecasting and future-thinking insights distilled specifically for the organisation to keep abreast of the latest business and consumer trends to maintain a competitive advantage.

The depth of uncertainty for the rest of the year is unsettling, which is why long-term strategies are now futile. No one knows how the world will emerge from the pandemic, so the best you can do now is ensure your business survives, whatever it takes. In most cases that means trial by error: test new services, new product offerings, new communication avenues and language.

Some ideas might even seem illogical or off-centre from your core business model, but if they help weather the storm, it's all that really matters. Who knows, you might ditch the transient strategy when the pandemic is under control, or you might just find you've inadvertently pivoted your business into something more appropriate for a post-pandemic world. **But you'll never know unless you tack into unchartered waters.**

45 Years of reinsurance excellence

Corneille Karekezi, GMD CEO of Africa Re

COVER Magazine: It's been over 45 years now that Africa Re was established. Can you go down memory lane on the successful journey of the Corporation till this day?

Corneille: The African Reinsurance Corporation (Africa Re) is a successful pan-African story that has gone through the different stages of growth to become the renowned financial institution that it is today. The Corporation went through a difficult birth in 1976 during one of the challenging periods in the history of the continent. There were political, economic and social hurdles that seemed insurmountable. Our operations started in 1978 with an authorized capital of USD 15 million of which USD 10 million was subscribed and USD 5 million was paid up. Africa Re survived a tumultuous youth due to the lingering socio-economic uncertainties and political instability, which many thought the Corporation may not survive. Under its successive visionary and stable leadership, the institution has evolved into a blossoming adult and is currently providing a significant portion of the indigenous reinsurance capacity on the continent.

Today, Africa Re has an authorized capital of USD 500 million of which USD 285.86 million is paid-up. Based on the 2019 audited financial statements, the Corporation achieved a gross written premium of USD 844.79 million from over 80 countries and a net profit of USD 99.90 million. Shareholders' funds stood at USD 975.18 million and is expected to exceed the USD 1 billion mark in 2020. The cumulative gross written premium income and net profit amount to USD 11.35 billion and USD 1.16 billion respectively. With an A financial rating and creditworthiness by A.M. Best and A- rating by S&P, we remain the highest-rated African reinsurer that operates from Nigeria, Kenya, Morocco, Mauritius, Côte d'Ivoire, Egypt, Sudan, United Arab Emirates, Ethiopia and South Africa, providing reinsurance services to the whole of Africa and key strategic international markets.

The Corporation has performed exceedingly well and ranks among the topmost financially performing property & casualty (non-life) reinsurers in the world. Over the years, we have given steady and sustained financial and non-financial returns to stakeholders and the continent at large whilst fulfilling our development mandate. The Corporation continues to declare a decent dividend (USD 8.80 per share in 2019 and 2020) while steadily growing its shareholders' funds. Africa Re remains committed to its development mandate as outlined in the mission: to foster the development of the insurance and reinsurance industry in Africa; to promote the growth of national, regional and sub-regional underwriting and retention capacities and to support African economic development.

Despite the stiff competition in the reinsurance industry, we will continue to collaborate across the financial and the insurance industry value-chain. This will be done by deepening insurance penetration through financial inclusion initiatives, partnership with public authorities and product innovation for emerging risks such as climate change, pandemics and cyber risks. As a significant portion of the African reinsurance business is written by international reinsurers with the premium leaving the continent, Africa Re will continue to retain more and more business in Africa by increasing its underwriting capacity and offering a highly rated security.

COVER Magazine: In your estimation, to what extent has the Corporation fulfilled its mandate and achieved its objectives as a pan-African entity?

Corneille: The Corporation has performed well with regard to its mandate with the growth and attractiveness of the industry as one concrete evidence. Africa Re has also received several national, regional and international awards. Some of the contributions are summarized below based on the three (3) pillars of the corporate mission. Firstly, on fostering the development of the insurance and reinsurance industry, the Corporation conducts regular training and provides targeted technical assistance to

reinsurance industry, the Corporation conducts regular training and provides targeted technical assistance to industry stakeholders for relevant capacity building. This was recently complemented by the Young Insurance Professional Programme that has enrolled 3 cohorts of 2,250 trainees from 46 African countries. The trainees, who are mostly between 28 and 32 years old, enroll for a year-long training programme in 13 customized reinsurance courses. Our industry recognition initiative, "African Insurance Awards" held its 6th edition. Four award categories recognized companies with good profitability, strong corporate governance and innovation including the strategic leaders of those companies. Also, various initiatives financed through the Africa Re Foundation have aim at building the technical and organizational resources of many African insurance regulatory authorities, as well as their IT capacities.

Secondly, as regards promoting the growth of national, regional and sub-regional underwriting and retention capacities, the Corporation has the strongest capitalisation compared to national, regional or international reinsurers on the continent, expected to exceed USD 1 billion in 2020. Africa Re also has the strongest financial strength and credit ratings from AM Best and Standard and Poor's and also provides inward retrocession capacity to other African reinsurers. As part of our market leadership, the Corporation manages other continental initiatives to strengthen retention like the African Oil & Energy Insurance Pool (AOEIP), African Aviation Insurance Pool (AAIP) and Energy & Allied Insurance Pool of Nigeria (EAIPN).

Lastly, with regard to supporting African economic development, the Corporation contributes directly and indirectly to the labour force. We help to reduce foreign exchange pressures by accepting insurance premiums in local currency, which is not done by the international reinsurers. The Corporation invests in real estate that stimulates the local economy. As a reinsurer, we hold different investment instruments including cash, equities and bonds across Africa. Our investment assets are expected to hit USD 1.4 billion in 2020. Africa Re supports African economies through its corporate social responsibility initiatives coordinated by the Africa Re foundation.

However, there is still a lot more to do in the area of personal insurance. With the continued support of governments, industry regulators and industry associations, there will be improvements in the not too distant future.

COVER Magazine: To what would you, as the GMD/CEO attribute the successes of the Corporation and what is Africa Re doing differently?

Corneille: After 45 years, all I can say is the strong belief in the pan-African story and commitment to the Corporate mission by successive generations of staff, executive management and board of directors sustained by the unwavering support of our shareholders. Those are the factors responsible for the success story of Africa Re.

Africa Re is an African organisation largely owned by Africans and solely run by Africans whilst complying with international standards. Our resilient workforce, strong corporate governance and stable leadership are critical elements of the enviable achievements seen today. Needless to add that Africa Re has been spared from political interference from its African member states. Indeed, strategic and managerial decisions are taken based solely on the best interest of the Corporation and the fulfilment of its mission.

Our business model is built around client focus driven by our philosophy of proximity, cultural intelligence and market knowledge as well as a motivated and competent workforce. While we benefit from a compulsory cession as outlined in our establishment agreement with member states, almost 95% of our business comes from voluntary cessions. This is testimony to the fact that our earnings are based on competition and value-for-money determined by the client. The choice of the client is based on our distinctive competencies of relevant technical assistance, prompt claims settlement, risk-adequate pricing and bigger underwriting capacity as well as superior financial strength and credit ratings.

COVER Magazine: The Covid-19 Pandemic has been around. As a responsible Corporate Citizen, and from a non-contractual obligation perspective, is Africa Re participating in the fight against the Covid-19 pandemic and if so, how?

Corneille: The pandemic has disrupted the world resulting in a significant economic turmoil that has led the African economy to its first recession in 25 years according to the World Bank. With the impact of the pandemic, governments and citizens are struggling financially and emotionally. Bearing in mind that pandemic risks, despite the legal interpretations in the courts, are generally not insurable, the only available safety nets lie with the government, socially responsible organisations and other affluent citizens to rise to the occasion.

Through the Africa Re Foundation, the Corporation approved a donation of USD 3.32 million channelled to various governments and private institutions at the forefront of the fight against the pandemic. This support is directed towards awareness campaigns, preventive measures, acquisition of medical equipment and personal protective equipment. This is currently being disbursed to the beneficiaries. The entities to receive the donations are the Africa Centres for Disease Control and Prevention (USD 500,000), eight countries that host Africa Re offices namely; South Africa, Nigeria, Kenya, Côte d'Ivoire, Ethiopia, Egypt, Mauritius and Morocco (USD 250,000 each) and 41 insurance associations of Africa Re member states (USD 20,000 each).

For our staff, we have put policies in place to comply with the guidelines from local authorities. At the moment, most of our staff are working from home and we will be adopting the hybrid model once normalcy is restored. We also issue continuous updates on relevant guidelines and safety precautions.

COVER Magazine: What is Africa Re doing to improve the very low insurance penetration on the continent?

Corneille: Africa Re supports the insurance industry through highly-rated reinsurance capacity, technical assistance in insurance product development and capacity building of human resources. In addition, we support awareness campaigns in some markets on the relevance of insurance as a safety net in the day of trouble as most African families rely on debt and family members. Agriculture being the mainstay of most African economies, agricultural insurance is also an initiative we support through the development of parametric insurance products for small-scale farmers to guarantee loans from governments. This is a multi-stakeholder endeavour that seeks to provide insurance on a large scale.

The Corporation also encourages technology companies through the recently launched InsurTech category of the African Insurance Awards. This category recognizes technology companies that are enabling the insurance value-chain especially in the distribution of insurance via digital platforms as embedded or standalone products. We also sponsor research and development in the insurance industry on relevant insights that could support industry innovation. One of such initiatives is the African Insurance Pulse that shows the trends, challenges and opportunities in the insurance industry.

COVER Magazine: Where do you see Africa Re in the next 5 to 10 years?

Corneille: With the development of Covid-19 vaccines whose rollout campaign has recorded slow progress on the continent, we expect a gradual reopening of economies. Most countries have launched initiatives to rebuild their economies. Due to the divergent economic profiles of African countries and the consequences of Covid-19, we expect a multi-speed recovery.

The foundation of Africa Re is strong and we will continue to collaborate to drive the changes needed by our industry. Our clients will remain the focus of our strategic orientation and their needs will influence our strategic choices. Africa Re will continue to support programmes and initiatives that are aligned with our corporate mission.

We will continue to harness our distinctive competencies for a better value proposition to our stakeholders as we support African economies, regulators, industry associations, insurance companies and other contributors to the industry value chain. Our social initiatives are also expected to grow as we continue to deploy up to 2% of our annual net profit to social and industry-related projects through the Africa Re Foundation. This is a time for the industry to come together as one on digitalization initiatives, sustainability considerations, market integration and product innovations while discouraging unhealthy competition. We need to brainstorm on how to bridge the protection gap with initiatives that are in tune with our cultural orientation and beliefs. The African Continental Free Trade Area (AfCFTA) agreement holds significant promises that we can only unlock together for significant impact.

Though all the above ambitions sound more socio-economic, developmental and inclusive, this is our DNA. The Corporation will continue to deliver relatively above industry-average financial returns to shareholders, as in the past. Africa Re will retain its strong international financial ratings and corporate governance standards. As the saying goes, **the industry will survive, revive and thrive.**

TECHNOLOGY

PG65-74

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Artificial intelligence bolsters call centre performance to reduce regulatory complaints

Lisette Lombard, Independent Financial Journalist

Momentum reduced regulatory complaints by 22% in the last year by addressing negative client call centre experiences.

Momentum Life, which manages four call centres to field thousands of calls every month, introduced new technology that uses artificial intelligence to improve client experiences and ultimately reduce regulatory complaints in the last year. Subsequently, the company saw a 22% drop in Ombudsman complaints in one of its first call centres that used the Voyc solution in the last year. The company wanted to not only tick the box in complying with Treating Customers Fairly legislation but endeavoured to improve client experiences significantly. One of the critical outcomes of Treating Customers Fairly is to ensure that clients are heard, their complaints are dealt with fairly and reasonably and that financial services companies can demonstrably deliver on this outcome.

"The cause of the drop in the Ombudsman complaints is as a direct result of monitoring by Voyc," said Esther Nkosi, Head of Client Care and Client Experience at Momentum Life, in a recent interview. Voyc uses artificial intelligence to identify post-sale barrier complaints by monitoring critical keywords and phrases in client interactions with Momentum Life. Momentum Life saw a significant improvement in reducing complaints where Voyc alerted the team when a client expresses dissatisfaction helping to resolve potential issues before they escalate into formal complaints. The solution also helped improve the handling of complaints by their call centre agents. As such, Momentum rolled out the solution to two of its other call centres in Q4 of 2020, Nkosi said.

She notes that Voyc's alerts feature has s helped the company to identify client concerns early on. "The Voyc alerts have helped us to address client concerns before they escalate. The solution has identified clients' burning issues so that we could attend to those early on and service issues are rectified much quicker than before." Companies use artificial intelligence, machine learning and big data globally to improve business outcomes. The technology is broadly used across industries. Artificial intelligence software is not new to the financial services industry. However, it is an innovative approach to mitigating negative client experiences in call centres.

Matthew Westaway, co-founder and CEO of Voyc, noted that it is vital to distinguish the signal from the noise to improve client experiences by using artificial intelligence. "Imagine if insurers could proactively identify key phrases before client complaints escalate to a reputation-damaging level?" notes Westaway. "Our voice analytics and machine-learning technology makes this possible and eases the client interaction process for financial services companies to treat clients fairly as part of their culture."

SPEECH ANALYTICS PROACTIVELY IDENTIFIES ISSUES:

Voyc uses speech analytics artificial intelligence software to help firms in the financial services industry automatically identify interactions of regulatory importance, such as complaints and vulnerable clients, and create operational capacity to focus on business improvements that drive positive client experience.

"Apart from flagging specific words and phrases for complaint alerts, fraud alerts, product or advice objections, and vulnerable customers, the solution also identifies potential cross-sell opportunities," says Lethabo Motsoaledi, Voyc co-founder and CTO. She notes that the technology extends beyond TCF requirements and adds value in fraud detection, product development, client experience and cross-selling for sales CRM systems. Nkosi agrees and says that the Voyc solution complements traditional industry tools , that are not enough by only using VOC and silent listening tools.

"We found that the existing industry tools don't allow for proactive engagement. With these systems, you cannot monitor all 500 calls a day and just hope that bad ones get picked up. Meanwhile, call centre agents become very robotic when they are monitored via silent listening," says Nkosi. "We want to be proactive in identifying client issues before they become problems and help upskill our call centre agents in the process to provide a better client experience."

Voyc's advanced analytics automatically identify high-risk compliance breaches, customer complaints or when a caller displays signs of vulnerability and pinpoint calls that require further attention, according to Westaway. He notes that the client's unhappiness is addressed by calling back clients as a result of alerts flagging dissatisfaction. "Alerts, or what the regulator calls under-reported complaints, are mostly not serious enough to pay attention to. However, it may lead to overall client

dissatisfaction with more complaints coming to the fore. A typical example is someone who complains about their name being mispronounced. 'You are addressing me as Mr Bothma and not Botha.

I want to speak to a manager. However, that may lead to further unhappiness with the company and could ultimately lead to further complaints," says Westaway. Nkosi notes that the solution also assisted in improving call centre agents' performance to better client experiences ultimately.

VOYC SOLUTION HELPS TO UPSKILL CALL CENTRE AGENTS:

Momentum's contact centres saw an improvement of 14%, where the no adherence rate to contact centre scripts improved to 15% from 24% year on year. The lowest-performing contact centre agents that did not adhere to contact centre scripts improved by almost 50% to 17% from 33%. Voyc alerts indicate which agents require coaching. "We started to see certain agents featuring more than others in alerts.

So, we looked at various high and low volume call takers and started coaching them, and now some of these agents have the highest VOC ratings," says Nkosi. "Specifically, we coached one of the agents, who never had high VOC ratings, on how to handle calls better. She is now trending on VOC ratings and is getting written letters of compliments."

VOYC ARTIFICIAL INTELLIGENCE IMPROVES CLIENT SATISFACTION METRICS:

The improvement in complaints handling by contact centre agents will most certainly impress the regulator. It will hopefully lead to more financial services companies making use of big data, artificial intelligence and machine learning to significantly improve client experiences in the industry without complaining via the media or social media or the Ombudsman for Long-term Insurance or The Pension Funds Adjudicator. Improvements to client satisfaction metrics is due to a direct result of contact centre agents that receive coaching and improved VOC ratings due to the Voyc solution. According to Momentum, overall social media complaints reduced by 27% to 72 from 98 complaints received over the last two years in the Investo contact centre that started as the pilot contact centre with the solution.

The statistics underscore the vital need for companies to use artificial intelligence as a necessity to improve overall client experiences by flagging contact centre staff that need coaching and calling clients back who are dissatisfied, thus reducing widespread complaints. **The technology goes beyond just simply ticking another regulatory box. "Companies that use the Voyc solution are Momentum Life, MiWayLife, 1Life and Bryte Travel, which uses the technology to monitor all their calls from corporate financial services clients (Investec, Nedbank, Standard Bank and Absa Travel)"**

Balancing and optimising ecosystems

Part two of a fascinating discussion with Andre' Symes, MD, Genasys International.

When starting to explore insurance industry ecosystems, it is firstly important to realise that ecosystems also overlap.

Looking at some of the ecosystems that Genasys has built, especially for motor insurance, it is clear that people in your ecosystem will have additional ecosystem partners. This makes it very important to understand what additional aspects can be brought into your business, because the value isn't always just directly related to what you can bring and what revenue you can generate from this, or how you can improve your customers' value. There is also power in the network effect. Having ecosystem partners feeding off each other, you don't always have to be the central nucleus, and you can become a symbiotic partner in the ecosystem, sharing in the benefits of the ecosystem.

It's also good to understand that the power of the network effect is really, really important. The starting point is therefore whether they take an open API approach? Can you connect? If they don't have an API, you're just going to waste your time. However, not all API's are the same. A lot of people will stick an API sticker on the tin saying we have API enablement. Well, is that dynamic? Is it hard coded? Are we going to incur technical debt or future legacy that we're going to have to re-engineer ourselves out of, because every time we want to bring someone in and out of this ecosystem, we have to then create new code, or create a new Nokia cable? Partners have to adopt universal standards to make this integration easy.

CHANGE BECOMES SIMPLE

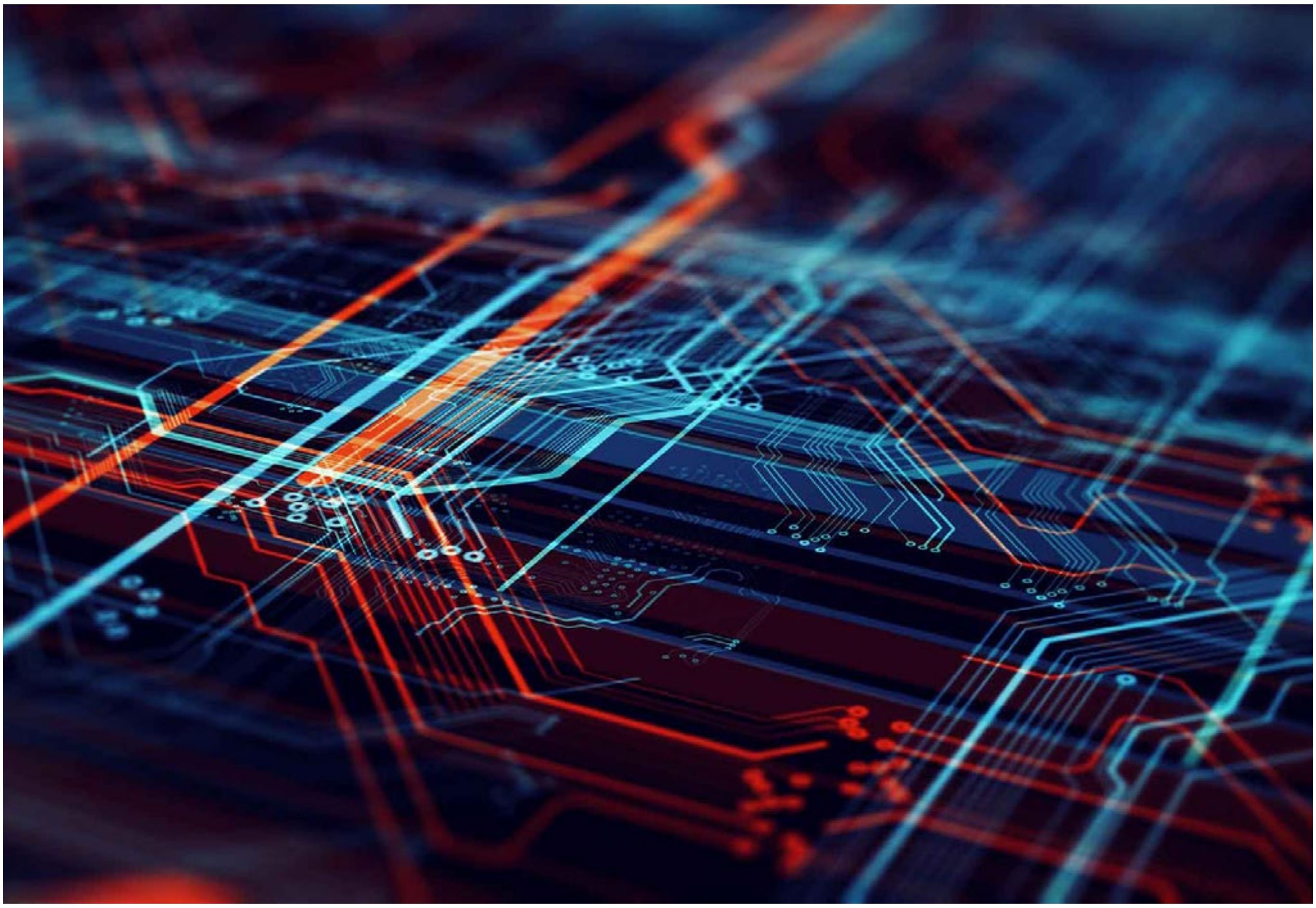
The whole point of the ecosystem is that you can couple and decouple partners very quickly. If you can't do that quickly, then you're just creating more legacy and, when the next disruptor comes, you're going to be stuck. People love this ecosystem idea, but when we start doing the cost analysis of ecosystems, we also need to make sure that it is financially viable. The one advantage we always talk about is monolithic systems being super expensive and heavy. But you know, once they are built, you could bring down their run costs. In an ecosystem you have 10 or 12 people all trying to generate revenue off the same customer.

Those that are not incremental addons can add up quite quickly. So we just need to make sure everybody understands that everybody has to make money, everybody has to have a slice of the revenue. But it can't be disproportional, because that creates imbalance in the ecosystem and you will de-stabilise it. Making sure that everybody is financially aligned is very important. We can't have everybody saying they want 1% of the gross premium on this particular policy because then you're going to end up leaving the brokers, the UMA, and insurer with nothing, making it unviable for them. It probably won't even make it past their business case representation to the board when they want to do this.

VIABLE FOR ALL

Ecosystem partners need to understand that we all need to come to the party when it comes to the financial viability of this flexibility in the ecosystem. Having said that though, there is also a case to be made whether you pay a slight premium for the ecosystem, because that buys you the flexibility not to have to do big re-platforms in the future. So you are kind of buying freedom upfront. But again, you can also maintain this equilibrium of cost in the ecosystem.

Because, if a vendor or a partner in this ecosystem becomes a bit greedy, well, guess what, you just decouple them and you plug someone else in. As we know, there are hundreds of InsurTech's, insurance companies themselves or b2b service providers. You can change them if you need to. So you do have that ability in the SAAS world. To couple and decouple quickly, which means that you do protect yourself a bit from the long term financial commitments that you need to make.



COMPATIBILITY

We then also need to make sure that the people in our ecosystem partners, whether tech or service providers or carriers, have a culture fit. If there isn't a culture fit it might again de-stabilise our ecosystem. You need to do good due diligence on all of the partners to ensure a good fit for your customer. Are they a good fit for you and everyone else in the value chain? With the right partners, we have options.

PICTURE MR POTATO HEAD

If you have a good core platform or backbone that you can build your ecosystem on, like the blank Mr. Potato Head, you can couple and decouple various bits of this ecosystem to create unique offerings with each one, or with the same partners. If you have 200 ecosystem partners in a core and you can connect into all of those, the variations that you can create, creates IP on its own. So, using a little bit of this ear, and a little bit of that nose, you create a unique offering. Now, bringing it back to insurance, this is just an example of an ecosystem partnership that we've created in the motor space. Effectively, as an example, you could have Autotrader, where you can buy your motor insurance directly off Autotrader, talking to the embedded insurance concept. This is done by an API talking to the core system.

Now we know that the policy has been initiated and we can create a customer record in your CRM so that you can start tracking this customer a bit more to your preference. During the quoting journey you can use a further provider to really drive down the number of questions asked, someone that augments the data from multiple data sources, which means that you drive down equations, and you can quote a customer in less than 60 seconds, enhancing the customer experience. You can also understand your risk a bit more, by linking up a rating engine that can then pump out the cost of their premium, or auto adjust it, depending on how those rates change over time, with a further link to someone that does your payment connection. Then someone for claims and fraud, telematics data to assist with assessment and so on. The opportunities for partnering are endless.

All of this can happen in seconds, all because of API's and ecosystem partners. So that's just how you can change someone's life in a real way. With ecosystems. That's why we find it so exciting.

So please, let's not be dinosaurs. Let's not get hit by an asteroid. We often joke about the insurance industry being a bit like the dinosaurs, but we can change that. Let's open up and create better ecosystems to enhance our customers. Just adopt the outlook that accepts we don't know what is going to happen tomorrow, then have an open mind about being able to plug and play as we go along.**Lastly, have a vision and create your insurance art by getting some experts in to help you paint the ecosystem and the journey that you want in the insurance space.**

Broker technology: Providing the competitive edge

Rudi Bedeker and Jason Judge, Joint MD's at Concourse IT.

COVER: I have noticed that in the past brokers have simply seen technology as replacing paper, when actually it should be used as an enabler for so much more. Can you give us your perspective as to how technology is developing in the broker space?

Rudi: Initially, in the eighties and nineties, technology only replicated what you did on paper. So where you had to complete paper forms to get something done, that was simply replicated into a computer environment. You still went and completed that form but it was a paperless environment. Therefore, the first step was really to go paperless, with technology saving cost and time. Then obviously, as people move more and more into the technology space, things evolved and we started talking about automating processes, and workflows, etc.

Jason: It was a natural outflow that, when people went paperless, they realised that this technology can benefit them in many ways. Over the years we've seen the emergence of the internet, collaboration and online cloud systems. All those types of platforms have really enabled people to get together from remote geographic locations, and collaborate online. Especially with COVID, never has it been more important that technology is an enabler of collaboration, communication and workflows. So it is now really about making that technology work for you in an environment that is unprecedented. Who would have thought that everybody would be at home for over a year, and still trying to work? So this type of enablement that technology has brought to the table has been absolutely critical. If COVID had happened 15 years ago we would all be much worse off.

COVER: Between increasing regulations, trying to cut costs and reducing time spent on tasks, we are all looking towards technology. How do you see that coming through in requests from brokers?

Rudi: Starting off with the cost aspect, I think the automation, workflow and the evolution of technology has reduced input costs for the brokers quite substantially. Historically, in the 80s and the 90s, you were kind of required to have everything on a desktop or on a server inside your premises, and the associated costs of backups etc. But as technology has evolved, and we move more into cloud technologies over the past 10 years, those kinds of costs have been reduced drastically. Then the other aspect of the cost, is the human cost. As with any automation in any industry, it takes less people to get the work done because there's automation, because there's workflow, etc.So from a broker's perspective, where the system start-up overhead has probably been one of their biggest overheads, technology now takes away quite a lot of that cost as well. I also think that as the whole industry has evolved and, along with brokers and others in the value chain, been placed under more pressure from a regulatory perspective, additional overheads have emerged. Technology has definitely played a massive role in reducing those efforts and overhead costs.

Jason: From a regulatory point of view, what we've seen over the last five years, is that they are trying to, in many ways, regulate what a lot of people feel as natural in doing. So, for the sake of argument, making sure everybody's got the same copy of the data creates this huge data dissemination challenge where we are down to daily data dissemination now. The fundamental reason behind this is because of the need to make sure everybody has the same version of the truth.

A great assistance here is cloud computing and everybody needs to be involved as part of that process to access the information and contribute to the process. So it is a catch 22, the regulator comes along and says we want this and then we have to decide, as a technology enabler, how do we provide that to the markets? It is therefore very important that everybody keeps up with this ongoing evolution of technology.

COVER: That brings me to a statement by Rudi that your platform, Nimbis, is a filing cabinet in the cloud. Maybe you can tell us a little bit more about that?

Rudi: As Jason alluded to earlier, the impact of COVID over the course of the last year has really made everybody look at business differently. A year ago we would all be sitting somewhere in a boardroom talking to each other across a table, now we have all adopted these online technologies to assist us with these kinds of conversations and meetings. I think everybody out there, the whole intermediated market, has had to take a relook at their business, from insurers to administrators to brokers. The large insurers have people working from home and collaborating and it's working. The same for all the brokers that typically would have been in some form of an office setup, they have had to be able to work remotely and still be able to access everything. In that context, we have had many discussions with brokers over the past year around having access to a central place from anywhere.

Not just because of what has happened in the past year, but over the past couple of years, as this industry has evolved, you cannot be office bound anymore. It has become a very volumes driven kind of environment.

So for the broker on the ground, being able to be out and mobile, and still have access to everything that they need in terms of their office, has basically brought about this concept of an office in your pocket, or your filing cabinet in the cloud, where brokers can access everything that they need to run their business, from any mobile or internet enabled device. That is literally everything related to their client, the client details, client files, the quotes, policies, documentation, as far as communicating with the clients from the system while on the move and receiving communication back into the system, I think all of those requirements have become even more accentuated, specifically over the past year. As it's a cloud computing environment, as far as the Nimbis system is concerned, it has opened up a new world to a lot of the brokers that they have not necessarily previously had access to or even thought about.

I had a discussion with a broker earlier this morning, who said she's never thought about a business in this kind of context, where all of a sudden, you opened up to a lot more potential avenues of products for your customers from a bigger variety of product providers in a centralised space. That has really opened up the market for them because, if you think about it, ultimately, depending on where you sit in the value chain and where you are involved as an intermediary, it is all about getting the new clients on board and to sign up on a product. The more options there are available, the more likely it is that you are going to have an option that you could sell to a specific client profile.

Whereas, historically, looking at this specific broker as an example, she was tied to a specific insurer, with specific products and a filing cabinet in the corner of her own office. Now, all of a sudden, her office is on her phone, and the world has opened up in how she now has a multitude of insurer products. In the past the specific product might not have suited the needs of a specific client. Now she has an alternative option that she can give to that client. It really is empowering for the industry as a whole and it's very empowering for the brokers on the ground, because they are under a lot of regulatory and administrative pressure and overload. They need to be able to bring a very cost effective solution with a very low cost of entry to the table. So, a much wider range of options has been very empowering for the brokers and the other product providers, from insurers to administrators.

Jason: Another thing that's very important about this strategy, for us as company, is the barrier for entry into the market for new brokers. If you have a look at an individual who decides that they want to get into the insurance market, then traditionally there was a lot of setup cost that they potentially could have. So if they were going to work through somebody else, as a sub broker, yes there's going to be less. But if you were trying to set up a brokerage, then there would be all kinds of IT costs that you would have to have up front. Servers, computers, networks, internet connections at your office, and so on. You could even potentially have had to go and have an office somewhere allocated in your house. With Nimbis and the MyNIMBIS initiative, we have a very low barrier to entry into the market. Bringing people onto this platform is very low cost to them and the only equipment that they need to worry about is potentially a laptop or a tablet that they can operate the platform on. Going from that point on if you look at all the regulations that they have to then adhere to, such as daily backups and making sure that the data is disseminated to the correct insurer. You name it, there's tons of stuff the platform takes care of for them, automatically. Bringing new people into the market now becomes much easier for them, because they have this sort of filing cabinet in the cloud through Nimbis, which they can leverage off.

As an added benefit now, if they are then collaborating with an administrator, or a UMA or an insurer that happens to be working on the platform as well, it takes away all of that other sort of legacy type of communication that they had to do. When they wanted to incept a policy, how did they do it? Nine times out of ten it was an email with a filled in application form which the administrator or the insurer had to then capture again. Because they are collaborating online now, the broker can actually do what they're good at, which is collecting client information, providing them with information, and then that information gets automatically sent to the administrator without, and this is the important part, without any duplication of information.

Nobody has to sit there and capture it again, into whatever system the administrator is using. That whole workflow of the broker comes online, if the administrator is online as well, and they can review and approve those policies almost in real time. So what we're doing through the MyNIMBIS initiative, if it is used in its full sense, is taking on the direct insurers, because they have this capability built in house, you phone their call centre, or the call centre probably phones you, let's be honest, they take your information online, they fill it in, and then they've got underwriters, or they've got systems that automatically approve all of this stuff already. By the end of the telephone call, you can have a policy number and can be under cover, the traditional intermediated market could never compete with that really, because they didn't have those type of systems that enabled it.

With this initiative we are saying, Mr. Broker, capture the information on the platform, talk to your insurer or administrator, whoever it happens to be, they can do the underwriting for you. Within a very short period of time, you can have a policy, which you can provide to your clients, almost in real time and compete with the direct market. Then there's just one story that I want to tell you and I'm probably stealing Rudi's thunder here. The idea really is that the broker goes out to see his client, who happens to be a farmer in the back end of beyond and he has got his tablet there, he sits down with the farmer and they capture all the details online, submitting that to whoever the underwriting department is.The underwriter can then review the policy, they can comment on it, they can request changes. While the broker is having a nice visit with the farmer, the underwriters can approve it online and the broker will get the policy documentation on his tablet, which he can email onto the client. It's ultimately about the broker being able to deliver a good experience to the client and serve their needs.

Rudi: Ultimately, it's about speed to market, speed of distribution. You know the quicker you can get your product out there as an insurer, your new product idea, your amended product concept, the quicker it gets into the hands of the brokers, the quicker the broker can get a quote on that product into the hands of a client and, finally, the quicker the deal is closed. The legacy processes have not been very conducive to that speed, or multitude of options, whilst collaborating, whilst sitting in front of the client and actually getting their option to them immediately.

That's essentially what the game has become. If it's going to take you 24 hours to get the quote to a client, chances are that he's gone somewhere else already. Furthermore, in terms of the concept of collaboration, it doesn't even require that all the role players are actually full utilisers of the NIMBIS system. You can have somebody logging into the system from an insurer who might be using their own mainframe platform, to collaborate for that instance on the Nimbis system to get the quote approved or to get something done on the system and all you require is an internet connection, username and password.

Because it's a cloud hosted system, insurers have eyeballs on all the risk of the underwriting on a 24 hourly basis, as required by regulation.

COVER: What I'm hearing is that, through this collaboration process, you can draw any part of the ecosystem into your brokerage, expanding and exploring other opportunities through the same system.

Rudi: Hundred percent. As a broker you might have different relationships with different product providers, needing different levels of collaboration. The system will control that, to make sure that you don't accidentally go and do something on the system, that places an insurer under risk that does not have that agreement in place with you.

There you would require somebody higher up the value chain to get involved and do their bit in order to get the product issued and underwritten. I think the best example is probably domestic type products versus your agri and your commercial type products, where there is much stricter controls from an insurance perspective.