COVER

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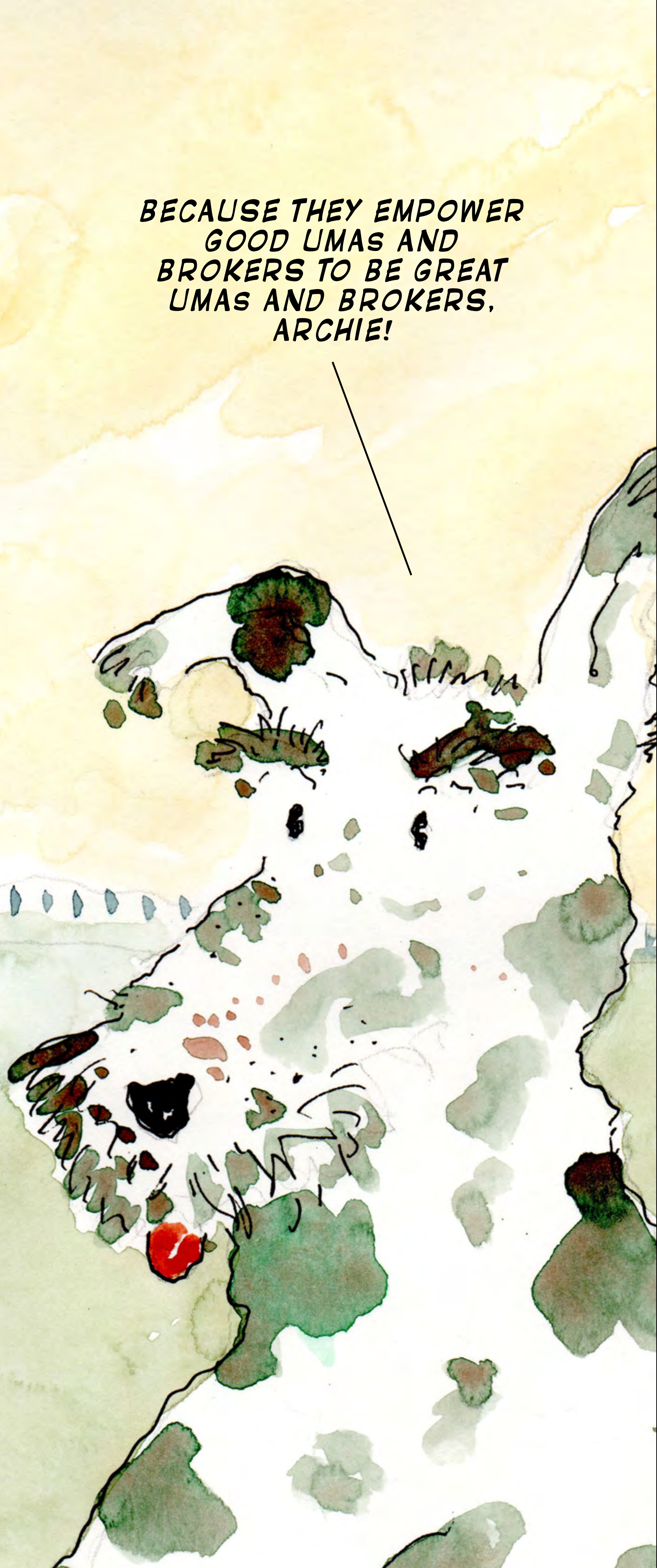
CONSTRUCTION & ENGINEERING

REVIVAL ON THE HORIZON

JUNE 2022

CPD ACCREDITED BY: IISA


WHY RENASA, ROGER?


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

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Editor's Note

Welcome to COVER

Knowledge Shared

TONY: EDITOR IN CHIEF

CONNECTING WITH THE CLIENT STILL KEY

The focus of our Insurtech 2022 Conference was on finding harmony between technology and humans. Humans being the developer, the maintainer, the product providing user, the end user and every other human that will be in contact with that technology. 25 Round Table panelists discussed the various angles and provide their comments in this month's feature.

Secondly, we focus on Construction & Engineering Insurance. Will there be a revival in this industry sector? It seems everything depends on Government Infrastructure spend. Based on the contributions to this feature, insurers still seem to be quite optimistic.

Enjoy the read.
Tony

InsurTech 2022

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BROKERS OPTIMISING TECHNOLOGY

Over the years, technology has advanced and presented many opportunities for growth and transformation in the insurance space, leading many to predict the imminent 'end' of the broker..

But not Cardinal. We have seen first-hand how brokers have embraced InsurTech and used it to their advantage. As one of the leading insurance management software providers in the South African market, we have taken our own business through a transformation process over the past three years. This has been in preparation for what digital transformation is and will demand from the industry, as well as from software providers. Through our journey, we aimed to answer the same questions brokers were asking and incorporate what we were hearing from the market and what was happening in the industry into our product innovation, design thinking and problem solving.

What we have heard repeatedly and what we know, is that everyone is becoming more digitally savvy and if you don't keep up with technological advancements and offer your existing and prospective insurance clients digital-first solutions, there is a good chance you will lose your connection with your client. That being said, it is not necessarily implying that we are going to face the demise of the broker.

While the problems that need to be solved remain the same regardless of the size of your business, the complexity of the problem is based on the maturity of the business. When we design our solutions, we know that not every broker or UMA, or insurer, is sitting at the same level of maturity from a digital transformation point of view. We identify the lowest common denominator that appeals to all of them and work our way from that to the more niche type products and services that we build into our platform.

As you look to solve challenges within your own business, keep in mind that not every solution on the market is going to work for every business. And if a provider doesn't ask the right questions and doesn't establish what it is that you need, it can become a costly exercise of just adopting technology for the sake of being compliant with what you think the industry is doing.

Our experience, in the last three years, have shown the omnichannel experience become a priority for businesses. When people started to adopt the individual, vertical channels, for digital transformation, the first being web, and mobile phones, often it was done in isolation of the solutions they already had in terms of the platforms, or any previous solutions they used.

This approach resulted in the vertical, multichannel experience not adding value in the long-term – instead, it increased costs and made the back-end administration a lot more complicated. For Cardinal, the omnichannel experience was a big priority and a big problem to solve. If you look at the insurance report 2021, there is a lot of valuable insight in terms of what the market is doing and the basics we need to focus on.

Cardinal has an enterprise insurance management system which is the core of our business, but to add value to the industry, the market, and the insurance organisations we service, we knew we needed to enable what we called the 'network effect'.

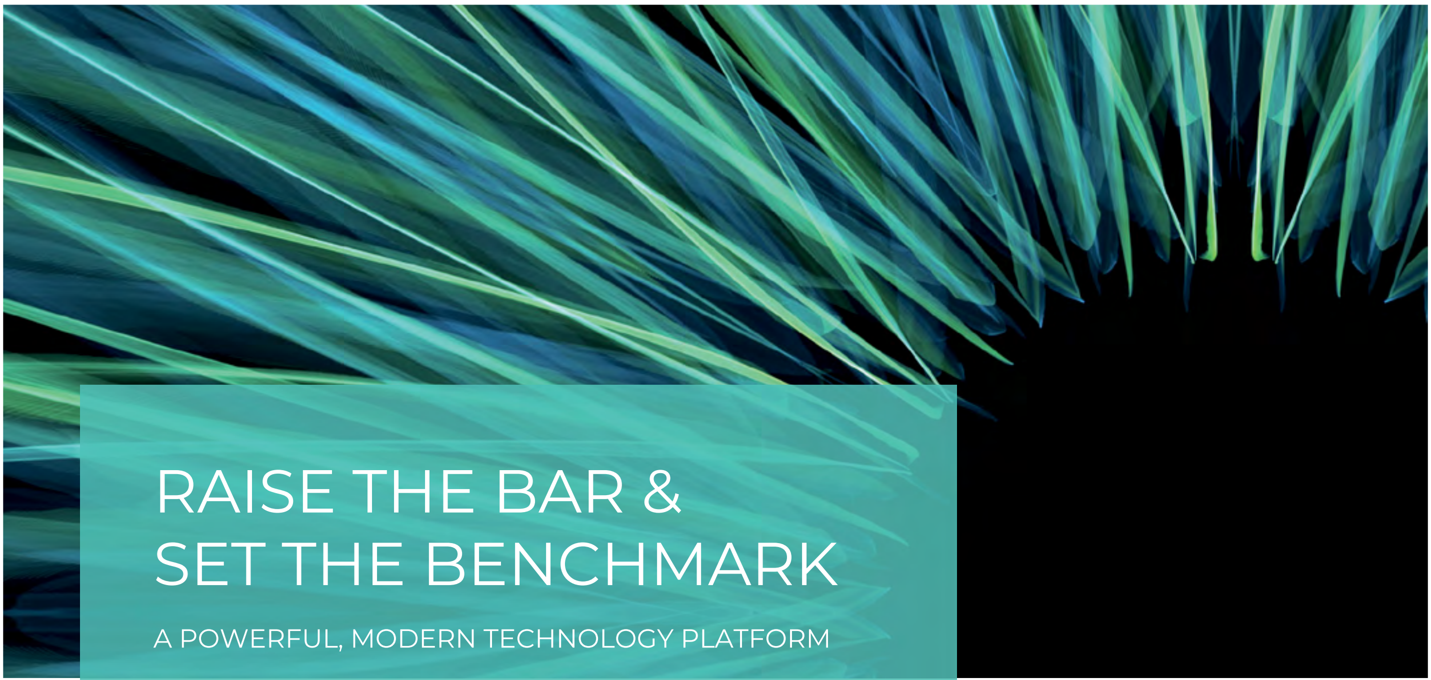
The network effect refers to collaborating with different partners to bring solutions to the table that are bigger than we can offer alone, for the benefit of all players in the industry. With delivering market value in mind, Cardinal made the decision to make our technology PAS agnostic. We know many companies are running disparate platforms, and often there can be two or three different back-end systems that have historically handled policy administration. Our front-end digital solutions work with multiple systems, meaning you don't have to have a Cardinal C360 solution in place before using our technology platform. This makes the journey of conversion a lot simpler for clients, with the digital front-end solution now having one journey for the client and talks to two or three back-end systems.

Another aspect we considered was what is the lowest common denominator. For us, it's the handset. What we want is to create digital transactions that can hold a conversation between a handset and a back-end system. Using technology, we can initiate and complete a full transaction, whether it's a policy lookup, claim FNOL, full claim submission, or a conversation between WhatsApp and our back-end system. Our clients can now access a transaction at the handset level, and not have to log in to any system. Lastly, we are solving for the ecosystem, which is critical for us to make sure that whatever we are putting into the ecosystem, gives choice to our partners and brokers.

We take care of both the current and prospective clients, as well as all partner channels. Every channel we have built is seamlessly integrated into our back-end system. With that integration, we have successfully built client journeys that provide a single point of entry.

When working with Cardinal, you don't have to take everything that we have to offer we have a basket of services that we have built into our platform to enable broker choices that are both cost-effective and relevant. For more information on our ecosystem, visit our iPlatform page.

Cardinal



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iPlatform extends the capabilities of your business and core platform while rapidly driving your innovation and competitive advantage.

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HARMONY BETWEEN TECH AND USERS

DEBBIE HOLROYD

Chief Executive Officer, CEO at Scottfin Insurance Brokers

The biggest mistake that a leader of any business can make is to minimise the strategic importance of the staff compliment.

I have attended many conferences over the last 10 years focusing on insuretech. The common theme is how to improve customer experience and reduce operational costs. As Scottfin, we also go caught up in this mad dash to see who can give the customer the fastest, most efficient service.

> **"The basic premise is to give your customer what they need, 100% complete and accurate, on time every time at the right price.**

My light bulb moment was a few years back when we were in our budget season. I was working with one of our branch managers and I realized that there was most definitely a skill shortage when it came to using excel to assist her with her budgeting process. She was spending more time trying understand excel and our budget spreadsheet as opposed to strategizing about her budget and how she was going to achieve it.

We then engaged with a training company to assess basic computer literacy across our staff. The results were quite astounding. With most of our staff having less than 50% capability on the basic requirements. Remembering that we work in a paperless environment!

	Percentage of staff					
Score	Excel	Outlook	PPoint	Windows	Word	Grand Total
0	3	2	3	0	0	2
1	9	2	3	0	2	3
2	17	6	19	9	11	12
3	19	12	20	6	22	16
4	11	16	15	27	25	19
5	13	16	9	15	17	14
6	9	15	19	22	16	16
7	11	7	6	7	3	7
8	1	9	2	12	3	6
9	3	11	3	0	0	4
10	2	4	0	2	0	2

Scottfin practises the LEAN principles.

The basic premise is to give your customer what they need, 100% complete and accurate, on time every time at the right price. The best way to achieve this is through continuous improvement (Kaizen) Identifying gaps, understanding the root cause of the gap and then planning a countermeasure.

It is our users who will identify gaps in our process flows and in our engagements with our clients. In order for them to be able to identify gaps and more importantly to understand the root cause and possible countermeasure, they need to have a working knowledge on what is available in the market from a tech perspective.
Legislation has forced us to spend time and money on upskilling our staff on regulatory requirements and this has left us wanting in terms of upskilling them in the technical revolution we are experiencing.

All too often, the execs of a company sit around a boardroom table and design wonderful insuretech solutions that make absolutely no sense to the people actually doing the work nor speaks to the needs of our clients. The designs are sometimes so complicated, that our users find inventive ways to circumvent them.

The complexities of some of these designs can also create the risk of our clients going to our competitors, who may have continued to remain client centric as opposed to tech centric. We believe that balance can be found between the two. There is a particular company, who brag about their tech and how innovative they are. I wish they would go onto their website and see just how user unfriendly it is.

In a Nutshell:

1. Know your customers' needs and make sure that all engagement satisfies that need.
2. Upskill your staff on tech
3. Spend time on coaching staff on the benefits of tech without compromising on your client centric culture – tech is the vehicle, not the driver
4. Create an environment where the users can identify gaps in your workflows and engagements with your clients
5. Don't expect insuretech to be your silver bullet. Users are generally weary of silver bullets – they can be one-time-wonders and not sustainable. The designs are sometimes so complicated, that our users find inventive ways to circumvent them and our clients go to our competition who understand their needs.

MAKING SENSE OF FINTECH INNOVATIONS

You are probably bombarded with the concepts of blockchain, cryptocurrency, Metaverse, NFT, AI, VR, AR and many other concepts. I am sure you have asked yourself: "***Why should I care?***

The reality is, whether Bitcoin, Dogecoin, Ethereum or the other currencies are going to survive or not, the underlying technology of blockchain is already disrupting the sharing of information, verification of transactions and the digital lifecycle of information.

MARTIN PIETERSE

Resident Futurist and Director, Ellipsys

Firstly, it is important to note that Blockchain isn't Bitcoin. Bitcoin uses blockchain technology in a public blockchain to manage a cryptocurrency, but blockchain doesn't require cryptocurrency to function. Blockchains don't have to be implemented in the public domain and for most business transactions, blockchains will be implemented on Private Blockchain, Hybrid Blockchain and Consortium Blockchains, where only selected members will be allowed access.

What is a Blockchain?

Blockchain is a distributed ledger of transactions (DLT) that are connected through a chain of blocks of data, with each block in the chain linked to the previous block of data in the chain using a unique identifier (the hash) of the previous transaction to ensure the integrity of the current transaction to provide a secured "database" of transactions on a network. A block in the chain can be thought of as a page in a ledger of transactions. Each block consists of the data of the details of the transaction, a timestamp to indicate when the transaction took place, a hash of the current block and a hash of the previous block in the chain. The first block in the chain is referred to as the Genesis block.

Blockchain transactions are immutable, which means no transactions can be amended or deleted. To reverse a transaction, a new block must be generated and added to the chain. The records of these blocks are stored across multiple machines on a network, hence the term "distributed ledger".

How a Blockchain Works:

A block of data defines a transaction including all the data and includes the timestamp of the transaction. Using a cryptography key (public/private key) like SHA-256 the data is encrypted and a hash total calculated. The new block is added to the chain and includes the hash from the previous block. In this way the chain is created. To hack a transaction in a blockchain all the subsequent transactions must also be hacked, as well as more than 51% of the nodes on the blockchain network.

Using Blockchain for Smart Contract:

By adding rules to the blockchain technology that executes automatically when certain conditions are met, smart contracts are created. Because smart contracts are coded programs on the blockchain they can be defined with simple logic:

IF <<condition>> true THEN

execute <<action 1>>

execute <<action 2>>

END IF

Multiple conditions and scenarios can be defined and when these conditions are met the smart contract will self-execute the defined actions which could include releasing of funds to the defined party, sending notifications, registering a claim or cancelling a policy.

Expanding Smart Contracts to Create NFTs:

A Non-Fungible Token (NFT) is a smart contract that is used to implement a sales agreement between the NFT owner and a buyer where the smart contract verifies the ownership of the token and allows the ownership to be transferred. To have a conversation about NFTs we have to understand the fungible part first. Fungible means that the asset, item or whatever it is can be replaced by another similar item that is similar in function and value. If the asset (physical or digital) cannot easily be replaced with another asset, the asset is non-fungible. An asset is also non-fungible if the ownership is registered. In this sense motor vehicles and real estate are non-fungible. A motor vehicle has a unique VIN number that is associated to that vehicle, allowing the vehicle registration and ownership to be stored in an NFT.

Smart Contract in the Insurance World:

Smart contracts are being implemented in the financial and insurance industries to encapsulate the details of a contract as well as the terms and conditions of the agreement. Smart contracts are a very capable mechanism to define an insurance policy and the self-executing part of the smart contract is used to register and manage claims including the payment of claims.

INSURTECH NEEDS TO BE CELEBRATED

The role of insurtech is evolving in the world. There has been much hype driven by inflated expectations, valuations and technological claims to be juxtaposed by a market that is seeing slashed valuations but a continued frenzy of funding. But what determines the potential for insurtech to join the winner's enclosure?

Firstly, don't forget insurance fundamentals. Insurance's purpose is to drive underwriting profit. Investment income, reserve releases and other insurance income are just vanity. Sanity is premiums exceeding claims and the cost of going to market. Tip Number 1: Don't chase market share it's a sure fired road to failure. There are many rotten risks out there, and courting them to gain policies and volume will only result in frightening combined ratios. As Adrian Jones, MD of HSCM said "Insurance is a get rich slowly business". Winning the right business takes time.

Secondly, hype is the enemy of business. Many start-ups have fantastical valuations based on inflated market growth expectations (see point 1 above for where this leads!). Many of these same start-ups have obtained a great deal of money from willing investors even though they are not scheduled to get into the positive side of the P&L for many years to come.

Then they don't. Many of these companies spent too much time in fundraising and networking to keep their eye on the commercial ball, and less time on selling what they have. So Tip Number 2. Make sure that you get your commercial fundamentals right. Create a product that can be sold at a rate people can afford, is available, is novel and makes you money – base what you do around this rather than a forecast of where you will be or investor expectations.

"Insurance's purpose is to drive underwriting profit. Investment income, reserve releases and other insurance income are just vanity."

Thirdly and finally for this piece, regulation is useful. The regulatory framework should be studied. It can help you with Tip Number 1. Make sure that you don't underestimate the impact of being in a regulated market, the time it takes you to get things done and that regulation is arguably your friend. Tip Number 3: See how you can use regulation to prevent insurance mistakes.

Ultimately Insurtech is something to celebrate, and South Africa has some of the most impressive start-ups I have seen, built for social good and leveraging technology in this quest. Insurtech has brought a fresh perspective to the market and made insurance cool again. I for one wish to see a vibrant, challenging and stable insurtech market. Many of the current insurtechs have come up with products and technologies that are good for your technological and innovative soul. Long live insurtech.

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WIMPIE VAN DER MERWE
CEO, Global Choices

TOTAL EXPERIENCE THE FUTURE OF CUSTOMER EXPERIENCE DESIGN.

Experience is everything. As designers of value-add products (VAPs), we strive to provide the best user experience when designing products, services and applications. It is about taking every advantage to optimise the total customer experience.

Total Experience Strategy is based on the fundamental premise that human nature remains constant. As humans, we relentlessly search for meaning and we mark and measure our lives in stories of our experiences and the experiences of others.

Design thinking anticipates the human experience first. The core differentiator of design thinking is to focus on the client. More importantly, though your focus should relate to an overall goal, realistically analysed in the greater context of the bigger system. The foundation of design thinking is empathy.

Total experience is based on the idea that no experience operates in a vacuum. Employee experience impacts customer experience. User experience impacts employee experience, and so on. They are interconnected and interdependent. And yet, because of how they evolved as business disciplines, they are rarely treated as such. Often, companies have teams and software solutions dedicated to a particular experience (customer experience, user experience, etc.), and those teams and solutions run independently of one another.

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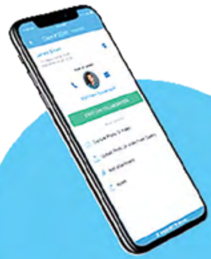

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Consider the experience, in the shoes of a client, from obtaining an insurance policy, submitting a claim and paying an excess, to understanding their risk profile and liabilities, creating an asset register or renewing their policy with you, as an insurer. Once insurers recognise that they are in the experience business, they will be able to overcome a cultural shift. Even in today's era of rapid change, it appears a lot of insurers are trying to create innovative solutions and customer experiences, yet continuing with their traditional ways. To overcome future challenges requires a completely new methodology and approach.

The experiences an insurer delivers will have the biggest impact on attracting and retaining policyholders in the future. To be future proof, insurers cannot afford to deliver sub-par experiences for their clients. This requires a total experience strategy to optimise multiple objectives. In recent years we have seen the rise of customer experience, user experience and employee experience prioritised.

Total Experience is a strategy that creates superior shared experiences by combining the following four disciplines:

- Multi-experience (MX): How an experience is enhanced and delivered simultaneously across multiple devices, platforms and touchpoints
- The customer experience (CX): How a customer interacts with and feels about an insurance brand
- Employee experience (EX): How an employee interacts with and feels about the insurance company they represent
- User experience (UX): How a user interacts with and feels about a product, service or experience, especially in the digital space

Total experience focuses on the relationship a policyholder has with their insurer, made up of all the interactions they have had with a business, from the first contact with their insurer, up to the present day. Closing the gaps on any policyholder's interactions is vital to the total experience. The conditions of these experiences shape an insurer's reputation and affect the quality of their services overall. Through the integration of all the user experience touchpoints, insurers can offer seamless engagements and functions with a smarter edge. Companies should make every effort to design a connected customer experience from the first interaction and throughout the entire customer journey. The handoff points, or intersections, between teams and/or departments, (i.e., from sales process to onboarding the policyholder), are often the most disaster-prone. These points are crucial to focus on when developing a total experience strategy. ***Total experience is the future of experience design. It focuses on holistically streamlining the overall experience.***

A DRIVE NEEDED TO REALLY UNDERSTAND THE CLIENT

One of the best ways for any company to burn through a large amount of money very quickly without any return on the investment is to invest in technical infrastructure and/or software solutions to change, improve or, worst of all, define business processes.

This is in fact an easier trap to fall into than you might think and for me, the highlight of the 2022 InsurTech Conference, **"Tech when needed, Human when wanted"**, specifically session 5, "**Tech in Financial Planning"** that I was fortunate to get the opportunity to contribute to was to hear a unified voice from various SMEs across the sector where the drive is to really understand the client more, create more intimate relationships with the individuals and then use the technology available to find opportunity to streamline and optimize these processes.

Finding that right balance and working with our clients, specifically remembering that they are humans and not just another number, is the key and perhaps with all the devastation that the COVID pandemic has created, and continues to create; finding the opportunities to re-think, re-work and re-imagine have been brought to the forefront of all our minds and a great example of cutting edge tech innovation that ticks all the boxes that came out during the session was using artificial intelligence as a front line customer support and assistance solution.

Ticks all the boxes, except, people simply hate talking to a robot, and in understanding what works and does not work for each of us, trying, failing, and trying again is the success of this balance, perhaps even **Human when needed, Tech when wanted.**


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TECH WHEN WE NEED IT. HUMAN WHEN WE WANT IT.

If there is anything that the pandemic has taught us, it is that technology solves many but not all problems. People need technology but sometimes, they want humans too. It is up to organisations to determine where the line needs to be drawn regarding where tech ends and humans take over. In order to understand human-technology relations, we need to recognise how worldwide technology trends and themes affect how we interact with technology, how we create technology, and more importantly how we should all potentially see technology over the next few years. The following themes outline how technology impacts our digital & commercial world, our lives in South Africa and the world of insurance.

TAVIO ROXO

CEO & Co-Founder of OWLS Software

Technology Infrastructure

The progression and advancement of technological infrastructure is evident in the increased internet access globally which has ultimately changed our lives personally and commercially. Globally, we are deploying approximately 60 satellites every 2 weeks. The development of technology has allowed companies such as Alphabet and SpaceX to launch more satellites into space in the last 12 months. This is creating a vast network of communication infrastructure in the sky, creating a broadband connection to an internet terminal anywhere in the world, blanketing the globe with high-speed internet.

There will no longer be a need to trench holes in the ground to lay fibre and people in the most rural of places will have access to the internet, and of course create greater access to digital insurance products.

Cloud Computing

We cannot discuss technology infrastructure without speaking about cloud based services. We all use them on an average of 40 times per day. The new notion of **tiny-AI** is an emerging generation of specialized AI chips that pack more computational power into a tighter physical space and train the AI locally on devices. This will enable high-latency to achieve faster processing times and will allow for real time mobile-based medical image processing or real time trend analysis to determine anomalies.

An example could perhaps be utilising the phone's **tiny AI** chip to process medical data analysis to predict if someone is about to have a heart attack and whether or not they should pull over before they potentially crash, or they are directed to go to a hospital to avoid a funeral claim. This could prove to be a game changer in the insurance industry.

Data Privacy

This **tiny AI** technology idea, primarily stems in part from the advancement in technology hardware and software, but also from the idea that data is private and should either be stored locally or encrypted in transit and ultimately at rest. In the last 12 months we have seen an increase in the focus on privacy of an individual's data. Worldwide there has for many years been legislation enacted in various jurisdictions to ensure the privacy of said individual's data. In South Africa, the adoption of the POPIA legislation has been enacted to ensure data remains anonymous and private.

Security is something that must be ever present in any technology buildout. We need to understand that security breaches are happening everyday and must consider the data and associated security impact of where the tech stops and us, as humans, take over. There are risks in both areas both from a machine or tech point of view, or with a human. As insurers, UMAs, intermediaries and tech providers there will always need to be a recognition that we are dealing with sensitive data and should do what we can to protect it! One way to secure systems could be through the use of **Blockchain technology**, **distributed ledgers** and **NFTs** (non-fungible tokens). NFTs exist on a blockchain and they all are premised on the fact that there is a ledger or a record that holds information in a decentralised way across multiple pieces of hardware, and this mere fact makes it more secure.

Conclusion

It is more important now than ever, to understand where our technology starts and where our technology ends, and where humans step in during all the various stages of the insurance policy lifecycle. One has to seriously take a step back and look at the whole picture of your organisation before determining its needs and wants - Tech when we need it and human when we want it.

There just simply is no one size fits all answer to this question. But all in all, no matter how you try and reconcile the question in your mind, there seems to always be a combination of both tech and human. It is only with this knowledge that we can build insurance products, and technology, to service these millions of customers that we simply did not have access to a few years ago.

INSURANCE ON AUTO-PILOT

As the world moves swiftly, toward an increasingly digital lifestyle, which is impacting virtually all sectors of society, so will the expectations of consumers change.

InsurTech is the current fourth industrial revolution, digitisation is at the order of the day, computers are communicating without human intervention, autonomous vehicles, microchip implants, machine learning robots, only to mention a few, all are here to stay... We are living the reality of smart factories and a new dawn of technological innovations. At every conference, every Broker breakfast we attend, every insurance Magazine we open, InsurTech is mentioned. Conferences are being held around the Globe with InsurTech being the buzzword of late.

Times are changing fast, even our strategic business Partners are using Apps and doing virtual sales to complement their distribution channels. "Trov" is heard of less and less but "Lemonade" is impressing the New York Stock Exchange. InsurTechs are popping up all over the world, in South Africa Hollard introduced us to "Naked", Bryte went fruitful with "Granadilla", Constantia came up with "Ja-Sure" now owned by Santam and "Pineapple" claims to be leading the way, what else will follow next? Our own Brokerages will become more proactive and less time will be wasted if we embrace the technology InsurTech is delivering. For the first time your technology will elevate your revenue with relatively very little human input required. But that is on condition you do it well and adopt the correct technology to enhance your expertise. The network of computers is more efficient to share information, capturing our data, than humanly possible, all there to assist the client at his fingertips... The true power of Revolution 4.0 is upon us, whether we like it or not.

A new opportunity has arrived which it truly ground-breaking, a reality check in many ways catering for the expectations of the "new client". But speed is of the essence, the expression "First come, first served" has never been truer, our landscape has changed forever. How many Insurers are there prepared to support your initiative? It is a short term window of opportunity for Insurers and Brokers alike to use digital platforms and make it part of their value proposition.

Doing so will set them apart from the competition and thus creating a uniqueness in their offer. The self-explanatory concept of "being out there" from the origin, from the beginning, needs no elaboration. Don't be oblivious to the challenges, embrace it and optimize the offer with a proactive approach... Make this revolution your own. As Generation Y begins to invest in more insurance products as this generation matures financially, it will become increasingly important

"Our own Brokerages will become more proactive and less time will be wasted if we embrace the technology InsurTech is delivering."

to appeal to this market in a manner in which they expect to be engaged with. The cherry on top was possibly Covid (C-19) and in our opinion the aftermath of such will still be felt for many years to come.

Additionally, Generation X will favour a more convenient, digital means of obtaining and managing insurance, if presented with this as an alternative to current methodologies. Truck & Plant On-demand appeals to the needs and expectations of Generation Y and Generation X and this is the key motivator for us believing that this initiative will be highly successful throughout the world, African continent and other emerging markets, not excluded.

At Truck & Plant On-demand we have captured the core of Short Term Insurance, the offer, the service, the support and the "promise we made". We have learnt from practical involvement, we've been taught by our own mistakes and reproduced you the initiative, in one awesome Web Portal and Mobile App.

Truck & Plant On-demand is a Web Portal and Mobile App which can easily be changed and resemble any Broker's or Insurer's look and feel. Your own piece of InsurTech at a fraction of the cost. "Insurance-on-the-Go", "On-Demand", "Pay-as-you-go" does not matter how you refer to it, it is On-demand insurance cover at your fingertips. You decide what you want to insure and how you want to insure... no more wasting premium where a fluctuating risk is rated at like the historical old, a fix rated policy.

We ventured on your behalf, combined our experiences, summarized the intention of the competition, requested the input of many and now we are ready to roll out and supply the need. We are there to support you, not only in the supply of this awesome Web Portal and Mobile App but also an alternative to the norm, one amazing business opportunity too.

We believe that our system design and service management framework, as well as our marketing strategy, provided in conjunction with leading associate experts in the digital insurance arena, is the most conducive to an all-round operational success. We are offering you Insurance on Auto-Pilot!

HARD TECH AND SOFT TOUCH

The pandemic taught us many lessons, including that technology solves many problems but not all problems. People need technology but sometimes, they want humans. It is up to us to find out where the line is drawn. Whilst digital connectivity has answered the need for convenience, we've all experienced the frustration of dealing with an automated interface when all you want is to speak to a human. Let's say you're in need of an answer to a query or want to inquire about a specific service or offering. A bot might have the solution, but sometimes we need to connect with a person. So, how do we get that delicate balance right? It's a question that's becoming more prevalent within the world of insurance.

TYRONE MOODLEY

Chief Operations Officer at Constantia Group

The rapid rise of connectivity and what it means for short-term insurance

Access to the internet continues to expand at an exponential rate. China offers us a view of this, as connectivity among its consumer base via 5G technology has gone far beyond simple tasks requiring basic internet communication. For example, the advantage of 5G's reliable and faster data transmission (estimated to be 1000x faster than 4G), will inspire confidence that a road network with driverless cars can navigate the route safely due to uninterrupted real time street data guiding the journey.

The convergence and synergies of 5G connectivity, cloud computing and the Internet of Things (IoT) will result in improved data collection, speed of data analysis and better artificial intelligence decision making. According to the State of the ICT sector 2022 Report released by ICASA, smartphone subscriptions in South Africa have dramatically increased from 24 million in 2016 to over 65 million in 2021 and rapidly growing. Even if you were to make an extreme assumption of four devices per user, our market dynamics are similar to China, in relation to smartphones having a foothold, making this a likely platform to continue to dominate distribution, communication and payments across many sectors.

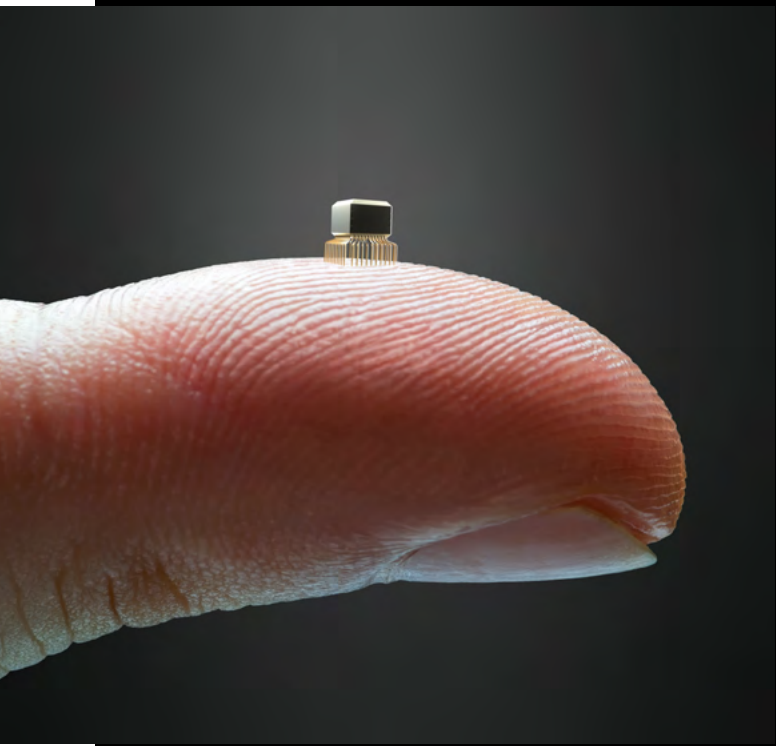
So, what does this mean for short-term insurance? For a start, increased connectivity and quality of data connection will enable richer and more real-time data to be collected and analysed. This will in turn improve insurer's ability to rate risk, thereby allowing for more personalised insurance products.

In addition, there will be more room for the automation of certain processes as well as additional channels of engagement between policyholders, brokers, suppliers and insurers. Importantly, we must not lose sight of the fact that technology is not a 'silver bullet', certainly not on its own. People remain the *start and end point* of any successful technology implementation and the key to solving existing problems, from creating satisfying customer experiences to executing future strategies and plans.

What are the main problems we need to solve?

For example, as an industry, most of our systems are fragmented, having developed piecemeal over time. This creates a problem for independent brokers trying to operate across multiple insurance channels. Solving this issue will greatly improve efficiency and the solution need not be a novel piece of tech but rather the integration of existing tech applied to the insurance landscape. The challenge is deciding what such a solution should look like. To do so we need to fully understand the problem that we're trying to solve and then decide how technology could assist in solving the issue.

In this regard, it's important to consider where and when an end-to-end technology solution is appropriate across different points in a partner and customer journey. We know that technology cannot replace the value of a skilled broker assessing a complex risk or offering empathy and detailed assistance at a claims-stage. For this reason and more, technology shouldn't be seen as a replacement for the intermediary but rather an enabler of the unquestionable value and experience they provide.



How? By taking care of certain administrative tasks and freeing up more time, technology can assist an intermediary or broker to be nimbler and more responsive to their client's needs which can include, among others, assessing a risk profile, giving tailored advice, ongoing risk mitigation advice and providing claims assistance.

Toward a more human-centered tech approach

In the past, new clients would complete a simple one-page quote form. As we began introducing technology into the equation, these questionnaires grew in complexity. We started collecting more data to price risk more accurately. While this removed some volatility from our business, it didn't necessarily improve profits. Instead, we made things more complicated for our brokers and clients.

To avoid this in the future we need to remember the People, Process, Technology framework (PPT). This system helps structure how we think about the people faced with the problem we are trying to solve which, in turn allows us to help better understand the needs of our policyholders and brokers by first mapping the processes then overlaying a technology solution.

The key here is to recognise that people are the starting point of any technology's success. This requires us to keep the people developing the software in mind, as well as our end users. If we're able to strike a balance in how we communicate and understand expectations, developing the technology itself is simple. From the insurance industry's point of view, this means considering everyone in the intermediated value chain, from UMAs to brokers, suppliers and ultimately, the policyholder.

The Broker is critical as they are the ones interfacing with clients - if we can address their needs, we're a lot closer to satisfying everyone else. So, if we want to innovate and hit the correct mark, we must ask our brokers, what will help you do your job better?

As insurers, we are weighed down by legacy thinking and systems. *We can't do this because the system can't do it. We can't do that because we haven't done it like that before*. If we remove these sorts of barriers by fusing institutional 'people' knowledge with technology that enables increased efficiency and faster decision making leading to a better customer experience, we might start delivering better on some of our industry's demands.

CONSTRUCTION & ENGINEERING

"Construction along with many other sectors in South Africa has experienced incredibly difficult times"

- MIKE WINSTANLEY, CIB

THE KZN FLOODS HAVE TAUGHT US TO BE PREPARED

Construction along with many other sectors in South Africa has experienced incredibly difficult times, especially over the past two years.

According to Stats SA, the construction industry contracted by 1.9% in 2021 the fifth consecutive year of decline. This downward trend comes on the back of a general decline of 6.4% in economic activity in 2020. We are, however, positive that there will be a rebound in the short to medium term, with government acknowledging the urgency to invest in new infrastructure as well as maintaining what we already have. The importance of maintenance resurfaced after the devastating KZN floods in April. Reinforcing this drive is government's recognition that infrastructure spend has an automatic knock-on effect of creating employment opportunities. Additionally, we believe infrastructural policy certainty and implementation will build momentum, which will then spill over into unlocking private sector investment into the construction space. Things are looking more positive in 2022. We have seen an increase in construction activity and overall insurance spending since the easing of lockdown. Unfortunate events in KZN, such as the 2021 riots and this year's floods, have led to increased activity in the construction market. However, we do need to acknowledge that these increases have come off a low base. We are still very much in a suppressed construction market and have seen policies being cancelled as contactors are not able to fulfil premium obligations due to a lack of work.

The Impact of the KZN Floods

Between 9 and 12 April 2022 a strong cut-off low weather system along the KwaZulu-Natal coast resulted in downpours of over 300mm in a 24-hour period in some areas. This represents about a third of the annual rainfall in the region. The impact on construction projects especially those nearing completion, and particularly in catchment areas and close to flood lines was devastating. The region experienced landslides and mudslides that caused major damage to construction projects in progress, destroyed existing infrastructure and sadly led to loss of life. eThekwini and its surrounds are characterised by hilly topography and particular soil types which, when subject to intense concentrated water flow, especially in urban areas, can result in catastrophic landslides if there are insufficient flood water and drainage systems in place. Insurers will need to ensure that when construction is undertaken, especially in these areas, they are satisfied that adequate run-off and drainage systems will be designed to handle concentrated flow over a short period of time through the course of a construction project, to at least mitigate catastrophic damage.

Additionally, insurers may specify certain design requirements a contractor would need to comply with in order for the construction policy to trigger in the event of flood damage. It would therefore be prudent for brokers and their clients to be aware of any additional specific conditions imposed. Overall, evidence continues to show that climate change is increasing the intensity and frequency of storm systems across the globe, which will directly correlate to an increase in insurance claims and construction is no exception!

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THE TIME TO ACT IS NOW FOR THE REVIVAL

OF THE CONSTRUCTION & ENGINEERING INDUSTRY

Tasked with answering a couple of pertinent questions focusing on Construction and Engineering Insurance in South Africa, I pondered how to tackle such a mission and considered the prospect of 'poetic licence' but the reality is that the facts demand we should gather the forces and advocate for robust and immediate investment into meaningful projects that will move the economy.

My research found significant reasons for a positive outlook based on our rich and often volatile history and as such I commit the following to you.

The first question should be relatively short to answer and asks:

Minister of Finance Mr Enoch Godongwana and President Ramaphosa committed to a strong focus and budget allocation to infrastructure and spending, will that be enough to get an ailing Construction and Engineering sector going?

In the 2022 Budget review the Minister certainly did commit to an aggressive public Infrastructure spend with the National Treasury confirmed their expenditure is expected to grow at an average rate of 7.9% from 2022, through to the 2024/ 25 period.

On the same topic, the Construction Industry Forecast is of a 9.1% increase for the 2022/23 period bottoming out at 4.3% annually thereafter until 2025. Some exciting projects which have been approved or are in the process of approval are as follows which place our Industry on a positive footing:

- SANRAL to receive an additional R9.9 billion for the maintenance of non–toll road works

- Approval for several water projects including the Clan William Dam to service the Western Cape and Umgeni Water Board – Lower Umkhomazi Bulk Water Supply schemes in Kwa Zulu - Natal. I have seen one of these cross my desk therefore I have full confidence that the finance minister will push the balance through.

- Project to modernise 6 border posts

- Expansion of the existing Gautrain Lines and Infrastructure

- Growth in expenditure for Municipalities which we hope will see it,s way to more infrastructure projects.

Construction, one of the biggest industries in the world, represents 13% of the global GDP. In South Africa, its contribution to GDP is currently below 7%, a position I choose to see as a massive opportunity. **The ability of a revitalised Construction & Engineering industry to stimulate the economy calls for decisive action.** Accelerated economic growth is not optional for South Africa, it is at the heart of our economic survival and it is extremely urgent. **This is a moment when a strong and dynamic collaboration between Government and the Private sector, to reinvigorate the construction industry, needs to lead the charge.**

A galvanised Construction industry is critical to combating unemployment and the growing socio-economic crisis. It will ignite demand down the entire value chain, creating employment, across skilled and semi-skilled groups in the process, making this a most significant sector in the recovery strategy for our Nation.

We also see some local and worldwide circumstances that I believe should have a positive effect on our 'ailing Construction and Engineering sector'.

- Power supply has not kept up with post-apartheid South African requirements and Eskom is working seriously on upgrading the supply

- The war in Ukraine has set in motion a need for European Countries and the EU to seek resources elsewhere and Africa has been targeted for the replacement of Russian Gas supplies. Although this will initially only benefit leading gas suppliers in Algeria, Egypt and Nigeria, it is believed that there will be a requirement for resources therefore we are well positioned to benefit from this in South Africa

- In the same vein as the above our mining sector is poised to capitalise as it becomes more evident that green energy in Europe cannot hope to replace fossil fuels as a mechanism for energy and heat at this stage

- Reconstruction and rehabilitation contracts coming through following the KwaZulu Natal flooding and the SASRIA claims

I am confident the aforementioned infrastructure spend, as well as prevailing circumstances will be enough to kick start the sector, and believe that this will in turn benefit our Construction and Engineering Insurance sector as we plan for the future.

The second question asks:

What is the Industry doing to withstand the pressure on premiums and increased competition?

The boom in the lead-up to the World Cup saw new roads, infrastructure, Gautrain, new hotels, and stadia going up across the country, despite insurance rates and terms that had become severely compromised relative to earlier years. Our market flourished during this period mainly due to this increased infrastructure spend.

The last decade and, post the 2010 World Cup, has seen turbulent times in South Africa, and has led to less spending in infrastructure which has resulted in power shortages and disruption of services, water supply and other critical failures in the provision of basic services.

Economically we have struggled with the effect of Covid and the devasting impact of the shutdowns on the economy in general. Our Engineering and Construction sector has suffered setbacks on progress with important infrastructure development plans and investment.

I am genuinely excited for the future of our industry following recent events and believe this is the real beginning of those ' green shoots ' that have been spoken about for years now. There is still a high degree of skills and expertise in the Construction and Engineering field and I hope that these expertise are shared with our younger generation to equip them in leading the industry forward having learned from our experience.

MORE TO GUARANTEES THAN MEET THE EYES

Lucien Mundie, General Manager, Guarantee Credit Suretyship at SGI Guarantee Acceptances and Contractors all Risk and Engineering, both divisions of Constantia Insurance Co Ltd takes us through the importance of Insurance Guarantees in the construction industry.

Tony: Please give us an overview of the types of guarantees that form part of the construction industry and the solutions that you provide?

Lucien: Based on our years of experience, we can offer our clients most types of guarantees. These include five main categories of guarantees:

- Construction related guarantees such as Bid Bonds, Performance Guarantees, Advance Payment Guarantees, Retention Guarantees, etc.
- Solvency Guarantees such as Custom Bonds, Rental Deposit Guarantees, Supplier Payment Guarantees, Mining Rehabilitation Guarantees, etc.
- Court Bonds in respect of Liquidations and Sequestrations
- Educational Guarantees on behalf of Private Educational and Training Providers.
- NHBRC Late Enrolment Guarantees.

In the last few years, we have seen a huge uptick in Advanced Payment Guarantees because it assists with the liquidity of the construction company. Especially during COVID where construction companies have used their cash resources to survive the COVID slump. On the other hand, to also assist civils projects with liquidity, we have seen a good take up of Retention Guarantees. During our 35 years in the industry, we have been at the forefront of developing and initiating several innovative products. Some of these include the NHBRC Late Enrolment Guarantee and Educational Guarantees for Private Educational and Training Institutions. This means we now have a broad scope of guarantees to offer Brokers and their clients. Having said that, we do however restrict ourselves from issuing certain guarantees because of the higher risk inherent in the type of guarantee. One of the type of guarantees that we are cautious about are Fuel Guarantees. In the last few years there have been several claims in the industry. We will only consider underwriting it where we are in the position to recover a 100% in the event of a claim.

From our side, we are willing to walk the walk with the broker and do the training, hold their hands, and assist them through the process so that they can deliver a good product to the client.

Tony: Like all businesses, the industry is struggling now that our economy is a bit sluggish. There has been a bit of revival in certain areas. How do you see the outlook for the next 12 months in this space, taking the current economic climate into consideration?

Lucien: Our research has concluded that for the next 12 months, the construction industry specifically has a positive outlook, based on numerous factors substantiating my point. Number one is that Government is quite committed to the National Development Plan. Government is putting forward in the region of about R33 billion on just a few projects that is incorporated in the national development plan. This means that we will see more Government and Private Sector programmes coming through. Other sectors such as petrochemicals etc , which are very specialized and growing in South Africa, especially Saldana Bay, Mossel bay, KZN (KwaZulu Natal) and East London, is also providing opportunities for the construction industry and more specifically the engineering sector. Then there is also some positive fallout from the war in Russia in that the international market now looks to South Africa to supply certain commodities from our Mining Sector.

This is showing in the number of guarantees that we issue in the mining sector. We were in a fortunate position where we have different facets and different sectors that require our guarantees. If one sector is in a downward cycle, the other one is up. I am happy to say that things look positive for us for the next 12 months. In the last two years, regrettably, the industry has lost two Guarantee players. Santam Guarantees and One Guarantees. What has happened is that there has been a contraction in the Guarantee industry, fuelling demand in the market. You may recall that during 2015 to 2021 several large, listed construction companies either went into liquidation or went into business rescue. All this has impacted the market in diverse ways. Unfortunately, several of my colleagues and competitors in the market sustained a number of claims in the market and their reaction to this was to put up the rates and collateral levels, while taking a much tougher stance on the underwriting. Fortunately, we did not incur any of these large claims and we are reaping the benefits of our lean years. It is very buoyant now for us.

Tony: That is also good news on the broker side because you work through broker distribution to reach your clients. What is required from a broker to be able to do business in this sector?

Lucien: The first thing is that the broker must appreciate that Guarantees is not your usual short-term commercial or personal lines policies. When they understand that, then the balance of the training or understanding of the product becomes much simpler. Usually, we will receive a request from a broker for a guarantee to be issued within a few hours. When I receive such a request, I know that, firstly, the broker does not understand the product and secondly, does not appreciate the effort and process required to set up a Guarantee facility for a client.

Not having the required knowledge of the product can easily lead to mis selling in terms of TCF (Treating Customers Fairly). On the broker's advice the client signs contracts and invests in projects. It mostly has to do with the understanding of the process. Applying for a guarantee facility, is similar to applying for a loan from a Bank. If they understand that, they will realise that it takes time and information about the client to set up the facility. We must go through a process of understanding the character of the management of the company, the capital, and the financial analysis. All of that takes time as we are not issuing small amounts in the Guarantee industry. The Guarantee values are large and are based on the % of the project value.

We have therefore developed a broker induction pack which assists the broker in understanding the details of this product. We also undertake several training sessions with brokers so that they understand our product. SGI has been around for 35 years and we are able to advise, guide and reason with brokers on these guarantees. When a broker approaches us, we can revert to them within a day to say,' sorry we will not be able to assist you here, you must obtain this guarantee elsewhere.' Our model and our processes and procedures are structured around working with brokers and we value their input.

INSURANCE SECTOR & GOVERNMENT'S ACCELERATED INFRASTRUCTURE PUSH

Government's plans to invest hefty amounts into infrastructure development to boost the country's economy is good news for South Africa, particularly for the ailing construction industry, which has been in decline over the past few years.

During his State of the Nation Address, earlier this year, President Cyril Ramaphosa announced that government would invest over R100 billion in infrastructure projects to support economic growth and better livelihoods, especially in the energy, roads and water management sectors.

The Finance Minister, Enoch Godongwana reiterated this factor in the National Budget Speech. He said that the government would be accelerating infrastructure investment to boost economic growth. Godongwana also laid out plans to improve financing prospects for infrastructure through the public-private partnerships (PPP) framework.

Various industry bodies have applauded the said announcements. The Steel and Engineering Industry Federation of South Africa (SEIFSA) expressed its hope for the creation of 200 000 downstream jobs through the injection of funds into the manufacturing and infrastructure development projects.

Reacting to Gondongwana's announcement, the Construction Alliance South Africa (CASA) said it welcomes the budget speech and is thrilled about the investment commitment to infrastructure development. The Alliance also stated that the industry is keen to collaborate with government in its efforts to boost infrastructure development. CASA unequivocally supports the government's plans in this regard, as it is positive that the move will be good for job creation and economic growth.

Is it Enough?

While government's approach towards the construction and engineering sectors has been generally applauded, some have questioned whether the endeavour will be adequate for the resuscitation of the already ailing construction and engineering sectors.

At this point, it would be fair to say that any significant investment in these sectors, which were hard hit by the COVID-19 pandemic, is welcomed. Whether this investment plan will be a catalyst for economic recovery or not, only time will tell. There is consensus within the industry that cooperation between the private and public sectors will be needed to get building projects going before growth can become a reality.

Questions have also been asked about whether the economic pressure and urgency to kick-start the infrastructure projects could result in compromised standards in the construction industry, thus increasing risk. Considering this, concerns have also been raised about what the insurance industry is doing to withstand the pressure on premiums and the increased competition. Firstly, I would argue that it is an unfounded fear that the pressure and urgency placed on the construction sector could result in inferior infrastructure projects. South Africa has previously seen largescale infrastructure projects rapidly rolled out.

World Cup Projects

One good example is when South Africa embarked on an accelerated infrastructure development programme in preparation for the 2010 FIFA World Cup. According to a research paper on the topic, published in Structural Engineering International, the awarding of the tournament to South Africa resulted in 10 stadiums having to be either upgraded or newly constructed for the event. Additionally, major highway upgrades were also carried out in Gauteng ahead of the World Cup, under the banner of Gauteng Freeway Improvement Project.

All the work in question was carried out in record time. None of the projects nor the quality of the work carried out was compromised. In fact, in its conclusions, the paper notes that the stadiums developed in South Africa for the 2010 World Cup presented an opportunity to the South African construction industry to showcase its skills and capabilities.

The local insurance industry is mature, stable, and quite capable of absorbing a vast number of largescale infrastructure projects. KPMG's South African Insurance Industry Survey 2021 highlights the contribution of the insurance industry to the stability and financial soundness of the South African economy. The survey demonstrates the capital strength, resilience, and the ability of the industry to adapt, innovate and show up when needed.

I am confident that from a capacity perspective, our industry has many world class underwriters that are poised to handle any liability risks emanating from the government's accelerated infrastructure plans. After all, South Africa makes up the largest and most established insurance market on the continent, accounting for 70% of total premiums in the region.

SA INFRASTRUCTURE SPEND BOOSTS AILING CONSTRUCTION SECTOR: FACT OR FICTION?

Kalim Rajab is the managing director of New National Assurance Company (NNAC), which celebrates its 50th anniversary this year. Caught in the middle between increasingly negative market forces and increased competition, insurers have to differentiate themselves by their technical skill in their assessment and management of risks.

KALIM
RAJAB

Managing director of New National Assurance Company

Our Government committed to infrastructure spend in the 2021 budget with an estimated investment of R791 billion for public-sector infrastructure over a 4-year period. R287 billion of the planned spend was allocated to transport and logistics and about R150 billion for the energy sector. Over the longer term the government plan to spend R2.2 trillion on transport, energy, industrial and housing developments.

The building plans passed by municipalities in 2021 increased by about 5% on the norm, which indicates optimism by property investors and this probably kickstarted what slight recovery we are seeing. The plans noted that economists were only expecting to see significant growth of more than 9% in 2022, followed by sustained growth of about 3% per annum thereafter. This is possibly very optimistic for various reasons and realistically growth may be slower, hopefully gaining momentum only much later than expected.

A project doesn't spring forth fully grown, like the mythological Athena who emerged from Zeus' head. The idea is converted into a conceptual design, followed by financial viability studies, engineering design, tender documents for construction, a tender adjudication process and finally the award to a suitable contractor. The process can easily take 6 months and there are challenges even before the contractor establishes on site, only to be faced with irate community members, business forums and lack of materials which delay the commencement of the works.

Difficult Operating Environment: The status of the construction sector is difficult to measure but many medium to large construction companies have either closed or are finding it too difficult to operate in South Africa for various reasons. Engineers and experienced contracting personnel are emigrating to various first world countries to further their careers and ensure the future of their families. In other words, there is a brain drain and the majority of immigrants coming to South Africa from elsewhere in Africa generally have limited technical skills. New engineers are awarded professional status before they gain adequate knowledge and the SME's have limited experience and are often not prepared to learn from the remaining experienced engineers when assistance is offered. This attitude is politically driven and sustained by the client's acceptance of poor workmanship in many instances.

The question whether economic pressure results in lower standards is valid. The answer is of course, a resounding YES but we need to look at the reasons for the economic pressure. Despite all efforts, the roots of corruption have penetrated deeply and we have government officials requiring payment for awarding tenders, we have tender-preneurs in the mix and business forums/community demands to participate in profits. At the end of the day the contract value remaining after deductions could be inadequate to complete the planned works to standard.

The risk of underwriting infrastructure construction projects has been increasing for some time, initially because of the tendency to cut the engineer's fee to such an extent that they no longer do site visits and accordingly don't assist with quality control or guidance for the contractor. Now we also have inexperienced engineers who use designs from previous projects rather than do an appropriate design and contractors with inadequate experience to anticipate problems. Even the projects where the main contractor is suitably qualified is exposed to more risk by the government agencies' delayed appointment of inexperienced sub-contractors.

Absorbing Losses: So, what is the Insurance industry doing to maintain premium levels under the circumstances? It appears that the industry will continue absorbing losses without increasing premiums, because of the competition for business. Insurers are under pressure from the fiduciary authorities to pay claims and this will also contribute to the pressure on premiums; however, it is likely that premiums will only increase when insurers are faced with reinsurance costs rising after posting poor results.

The question is then how insurers will maintain reasonable premium and loss ratio's. The only approach lies in the assessment and management of risks before offering insurance and thereafter in ongoing support when claims are reported. For example we at NNAC, via our exclusive partners the AC&E Group, employ engineering specialists and only uses highly skilled loss adjusters who can provide the Insured with guidance when investigating claims. AC&E offers broker training and technical support during underwriting and claims stages.

EFFECTIVE MEASURES

FOR ABRASION RESISTANCE

JP HOLMES

National Head: Specialist Property Line of Business, Bryte

COVER

The construction sector is a key contributor to gross domestic product (GDP) and local employment, providing approximately 8% of jobs in South Africa, making it a vital industry for economic recovery. Considering South Africa's current economic state and high unemployment rate, the impact of the revival of the construction industry has greater implications beyond the sector itself.

Multiple risks continue to burden the industry and how it operates. Since the start of the COVID-19 pandemic, supply chain interruptions have been a consistent occurrence. With several key concerns that include policy uncertainty and low economic growth, the construction sector will need more time to get back to its pre-COVID numbers, where its contribution to GDP was more than R100 billion. The industry's prospects for growth look promising. Several essential projects valued at R21 billion are expected to start through the government's Infrastructure Fund. This will see contributions from the government, the private sector and development finance institutions. With the sector expecting to rebound in 2022 and possibly stabilising at an annual growth rate of 3.1% between 2023-25, more opportunities lie ahead for industry players to capitalise on meaningfully.

The government's investment in transport, energy, residential and industrial projects is also expected to play a significant role in boosting business confidence within this sector. However, there remains general concern about the country from foreign and local investors. These stakeholders question whether it is wise to commit to projects. At the same time, South Africa continues to grapple with government corruption and electricity supply instability that remain key constraints on economic activity for every sector. From an insurance industry perspective, intermediaries face the task of understanding the depth and diversity of risks – which continually evolve and require advisors with deep insights to assist customers effectively. Some of the new age risks vary and require different methods to deal with them:

Sustainability: The global transition to a more sustainable future, including efforts to reduce carbon emissions, is likely to have significant implications for risks related to construction. The UN's Environmental Programme has reported that buildings and the construction industry already account for over 38% of all energy-related carbon dioxide (CO_2) emissions. Direct building emissions are expected to reduce by half by 2030. This will require new materials and construction processes, resulting in an increased risk of defects, unexpected safety, environment, and health consequences.

Utilising Renewables within the Energy Sector: Many countries have committed to transitioning to more sustainable and greener forms of power supply, which requires massive investments in new sources of renewable power, storage capacity and distribution infrastructure. Hydrogen gas has been identified as one of the key sources to move away from fossil fuels. Renewable energy is seen as a solution to power sectors such as the petrochemical and construction industries.

However, newer power sources such as hydrogen pose a risk. It is highly flammable, and leaks are quite difficult to locate before these cause disasters. The recent Medupi power plant explosion caused severe damage, affecting the power capacity of the entire country. The financial costs of the explosion also highlight the importance of having appropriate cover for such unforeseen events.

Integrating Enabling Technologies: The outbreak of COVID-19 alongside disruptive innovations, manufacturing machinery and equipment, has seen more reliance on digitisation, which has facilitated the emergence of new trends within the industry. This necessitates broader–scale innovation, with teams working intensely to complete projects on time while using reduced workforces in the safest possible way. Furthermore, more modular construction is being done, which goes hand in hand with the possibility of serial loss potential and increasing risks. These include the improper usage of materials in several projects, even before the fault has been identified.

Insurers will be expected to utilise collaborations and implement proactive risk controls to ensure early catastrophic breakdowns and systems failures are identified much quicker. It is also about brokers providing support to ensure the necessary risk mitigation measures and insurance covers are in place so businesses are effectively protected should an incident occur. It is also about approaching risk holistically and pragmatically and applying bespoke solutions that drive resilience.

CONSTRUCTION & ENGINEERING INDUSTRY IN A TIGHT SPOT

Shane Graham, Executive Director: Mirabilis provided us with some comments on the current environment in which the construction and engineering insurance industry operates.

Both our Minister of Finance and President Ramaphosa committed to a strong focus and budget allocation to infrastructure spending. Will that be enough to get an ailing construction & engineering sector going?

While commitments and promises made are certainly a step in the right direction, what the country now needs is a focused approach and commitment to "prioritised" implementation and use of resources.

According to a report in Business Tech almost a quarter of South Africa's R340 billion worth of strategic infrastructure projects have been delayed or put on hold.

Government and business' focus should be on basic infrastructure necessities aimed at getting our country fully operational and efficiently running to generate income without interruptions. This would include prioritised focus on sustainable power, water supply..

Water is our most precious natural resource, and along with other infrastructure, is a prerequisite to economic growth. There is a notable need for public-private partnerships as this will have a positive impact on economic growth.

Does the economic pressure result in lower standards in this industry, increasing risk?

Ongoing economic pressure has undoubtedly resulted in the top five construction companies either closing down, or battling depleted order books. In many instances, this has lead to skills and expertise being diluted or no longer available. Smaller companies with only portions of the corporate memory and expertise are simply not enough to deal with and handle the snowballing demands on the country and its economy.

While ground-level skills may very well be sufficiently available, this is nowhere near adequate when attending to the everyday operations, tenders, and administration required for a successful company. This results in processes being diluted which means a domino effect on overruns, delays, the risk of higher claims, and ultimately increased consumer costs.

Budgetary spend, or lack thereof, is the key contributor to the lowering of workmanship and standards in the construction industry, again opening doors to escalating risks for the insurer.

What is the insurance industry doing to withstand the pressure on premiums and increased competition?

Less than two decades ago, the construction industry enjoyed a 15% profit margin – this is now often forfeited just to keep staff and resources working. The risks for insurers are constantly increasing, leaving very little or no room for onsite errors, and forced lowering of premiums. Some of the major contributors include theft of steel and cables, also contributing to electricity outages, rapidly changing weather patterns – noting that insurance premiums are based on statistics of past events.

To this extent, it is surprising to see the significant number of new entrants to the insurance market (i.e. increased competition) despite the already lowered premiums being offered. While the pressure is on the industry and increased exposures can be addressed to an extent, insurance serves a vital purpose, and will be around to support economic growth and enable development.

RENASA SECURES INVESTMENT AND IS POISED FOR GROWTH

Since recommencing operations in 2005 following its restructure, Renasa has cemented its position as the preferred insurer servicing independent intermediaries.

With a dedicated focus on the outsource market, and its particular brand of supervised intermediary independence, Renasa has successfully developed into "the broker's best friend". During the thirteen years preceding the pandemic, Renasa grew its national footprint throughout South Africa at an annual compound rate of 26%, delivering a personal service to intermediaries.

Not only has Renasa been one of the fastest growing insurers in South Africa and Africa, it has regularly garnered recognition from intermediaries, for example, dominating the Financial Intermediaries Association Awards between 2017 and 2019 before they were interrupted by the pandemic. In 2017, Renasa was adjudged **Insurer of the Year in Commercial Lines** and **runner up in Personal Lines**. In 2018, Renasa was adjudged **Insurer of the Year in both Commercial Lines and Personal Lines**.

In 2019, Renasa was adjudged **Insurer of the Year in Personal Lines and a finalist in Commercial Lines**. This exceptional performance emphatically affirms Renasa as the "preferred insurer" in its sector.
According to **Jonathan Rosenberg, CEO of Renasa**: "Several years ago, Renasa anticipated the combined impact of its massive growth and pending changes to legislation in the short- term insurance market, both in terms of the supervision of conduct and solvency. Renasa also predicted the impending consolidation in risk carrying and intermediation and knew that in order for it to retain its standing, and develop to the next level, additional capital backing would be required."

Renasa has secured the investment sought, and Telesure Investment Holdings Proprietary Limited ("TIH") will be acquiring Renasa. "TIH is a highly capitalised company and with this partnership, Renasa has secured all the capital it needs for the future. Renasa will continue to go from strength to strength and deliver the service levels and products for which it has long been recognised by its valued partners," says Rosenberg.

While the investment is subject to regulatory approvals, advice received is that no obstacles are anticipated.

TIH is part of the international BHL group. BHL has a vast global footprint, operating in eight countries including South Africa, the UK, Australia, France, Turkey, China, Thailand and Singapore. The Group also owns the Saxon Hotel named the World's Leading Boutique Hotel since 2000; and Steyn City, a visionary residential and lifestyle estate in northern Johannesburg. **Tom Creamer, CEO of TIH**, says the company is extremely excited to join forces with such a well-respected business.

"The synergies between TIH and Renasa are numerous. In Renasa, we see an entrepreneurial spirit and the quest for repetitive excellence that we ourselves pursue. While TIH stands out with its multiple-channel, multiple-brand approach, for us, the highly regarded independent intermediary segment, where Renasa has categorically made its mark, is largely uncharted.

"This partnership strengthens Renasa measurably to the benefit of Renasa's policyholders, its intermediaries and its employees. TIH's investment will leave Renasa unchanged in terms of its operations and offering. Renasa will continue to operate under its own independent license. Renasa's Exco team will continue to steer Renasa, and Jonathan Rosenberg will continue as CEO, leading the same executive team which has built Renasa and steered its progress. Renasa's ethos will continue as it has, and its management and the Renasa team will, as always, remain directly available to Renasa's brokers and UMAs.

"Renasa's approach to business will also remain unchanged and business will continue as usual. Additionally, given that TIH is also a leader in its field, highly advanced technologically, and also a Financial Intermediaries Association award winner, Renasa can be expected to gain from advancements to the benefit of Renasa's competitiveness and, importantly, the competitiveness of its intermediaries," says Creamer.

Rosenberg concludes: "Policyholders will be the ultimate beneficiaries in terms of both improved service levels and competitiveness. This further supports Renasa's longstanding objective of putting its intermediaries in a position to outcompete their competitors. These advancements will supplement Renasa's current initiatives to raise service levels now that normal operations have resumed after the remote pandemic operating regime.

"We have worked hard to develop Renasa to where it is today, no small thanks to our intermediaries, our staff, executive and board. I am truly inspired to drive for the next goal, the transformation of Renasa into a financial institution of equal stature with its peers, some of which have been in operation for more than a century."

tih
TELESURE INVESTMENT HOLDINGS

RENASA
INSURANCE COMPANY LIMITED

SAMANTHA BOYD

Chief Executive of Specialty Insurance at Old Mutual Insure

STUMBLING STATE INFRASTRUCTURE DRIVE AND CLIMATE CHANGE DAMAGE UNDERSCORE NEED TO MANAGE RISKS

The recent cancellation of multibillion-rand construction projects by the South African National Roads Agency Limited (SANRAL) has highlighted the tenuous nature of the State infrastructure project rollout, and the possible financial risks that contractors who are tendering on these projects are exposed to.

It has become an axiom that building infrastructure is one of the key pillars of the post-COVID-19 economic recovery, yet the recovery in the sector has stumbled, placing more pressure on sectors far beyond construction. One of these is the non-life insurance industry, which forms an important part of the construction and engineering value chain.

Construction is an industry that is fraught with risks. From safety hazards that lead to work accidents and injuries, managing change orders, incomplete drawings, and poorly defined scope, unknown site conditions, damage or theft to equipment and materials and natural disasters such as the recent devastating floods and mudslides in KwaZulu-Natal province.

Climate Change as a Fundamental Risk

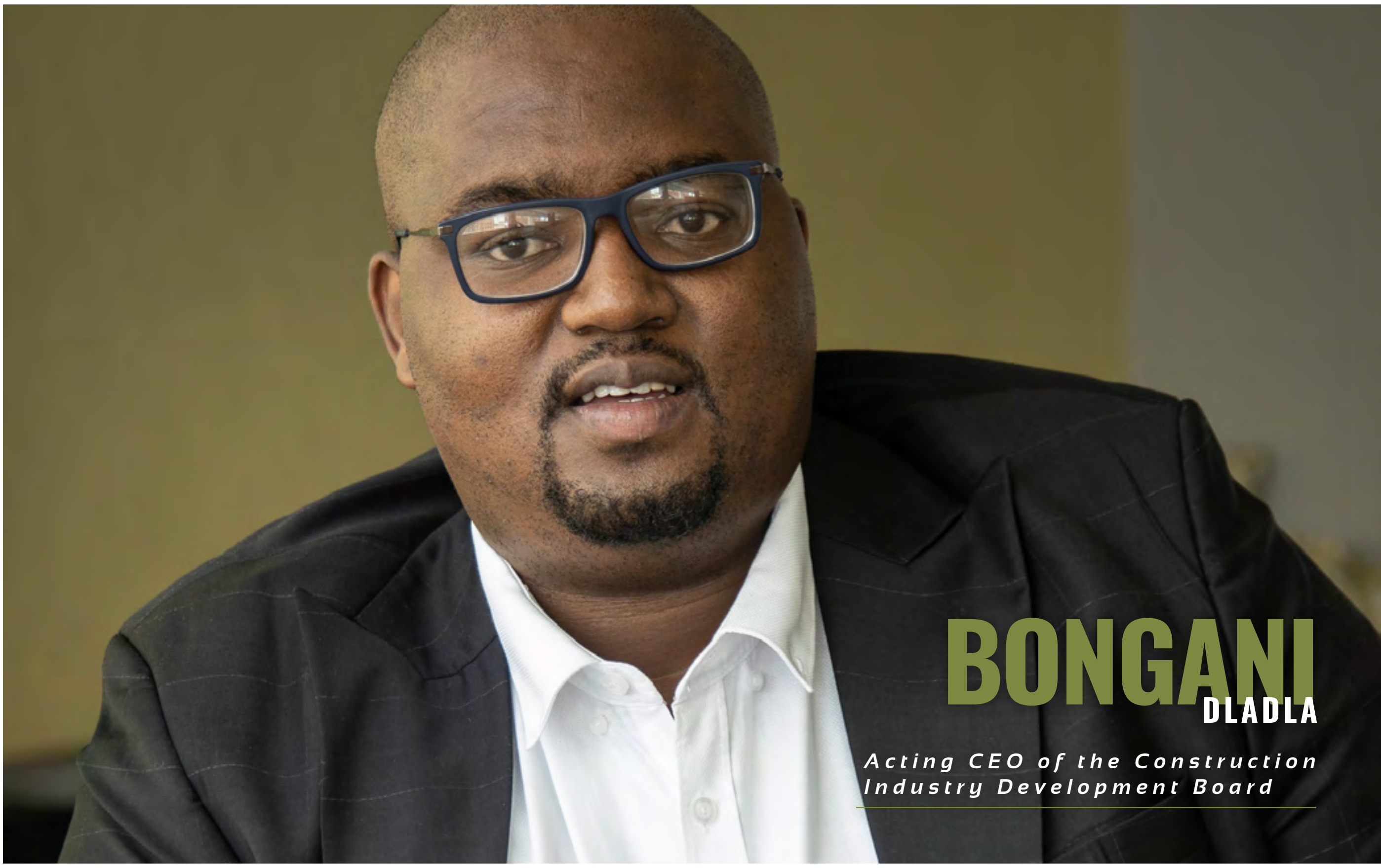
The recent devastating flooding in KwaZulu-Natal on two separate occasions in rapid succession has also highlighted the increasing risks to Construction sites and projects from natural disasters. We have seen recently developed coastal resorts, some still in the construction phase, all succumbing to the power of nature. All these myriads of risks make Construction insurance a necessity for successful project completion. Our Construction Risks Policy provides cover to our customers for their construction projects not only for loss or damage to the works but also the third-party losses arising from the performance of the project, from the time they break ground until the project is completed and handed over.

To be fit-for-purpose in a depressed economy and to deal with risks coming from weather-related damage, the insurance industry needs to innovate and adapt. One way we have done this is with our tailored insurance solution across several of lines of business which provides a single product for mega projects that require cover from the marine stage, through to construction and then operational cover including the associated liability exposures. There is also a need for an increased emphasis on actuarial and computer-based risk modelling to better understand and evaluate risk exposures at any stage of a project. While technology is part of our future success, the Engineering model is based on customer intimacy.

While we capitalise on technological solutions, we are determined to keep our focus on working with customers and brokers to better understand and solve the risks and challenges they face.

CONSTRUCTION TECHNOLOGY CAN HELP

TO MITIGATE NATURAL DISASTERS



The devastating floods in KwaZulu-Natal should focus renewed attention on the contribution that the construction and engineering sectors can make to provide sustainable shelter for marginalised communities.

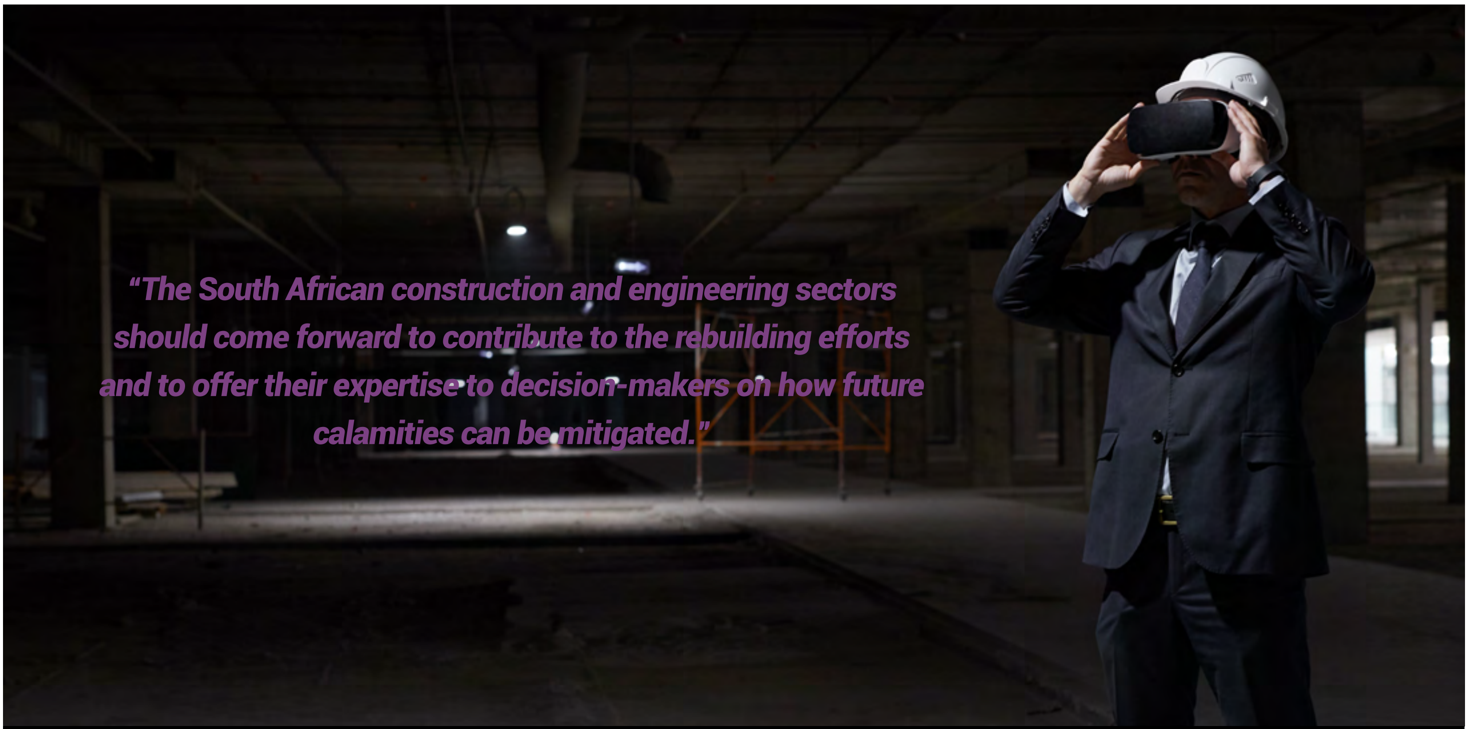
"Build back better" has become a core theme of government's efforts to reshape South Africa's socio-economic landscape in the wake of the revelations about state capture, the sharp economic downturn, and the ravaging impact of a global pandemic. The phrase takes on a deeper meaning in a wake of natural disaster that wreaked havoc on low-income communities, claimed the lives of hundreds of people, destroyed infrastructure, and will cause untold hardship in the region for months to come.

The South African construction and engineering sectors should come forward to contribute to the rebuilding efforts and to offer their expertise to decision-makers on how future calamities can be mitigated. This can be achieved by both large and established companies within the sector as well as emerging enterprises who are often rooted within communities and have extensive knowledge and expertise about practical solutions that can be implemented to ensure higher levels of sustainability.

The Construction Industry Development Board – cidb – can play a pivotal role through our actions to promote effective and efficient infrastructure delivery extensive database of research material on construction and engineering in a developing economy. In recent months the cidb has become an important clearing house for research on the benefits that can be derived from 4th industrial revolution trends and the application of green technologies in the building industry. Such research complements our primary mission to transform the construction sector through inclusivity, high ethical standards and championing the participation of emerging contractors.

Sadly, the urban profile that has developed over decades in the flood-afflicted areas around eThekwini has become a feature of many cities on the African continent and in the rest of the developing world. Nearly a quarter of the South African population live in informal settlements.

People build structures on open spaces that are located close to economic opportunities. A growing number of informal settlements are springing up in risky areas that are vulnerable to flooding, landslides, and other natural disasters. Moreover, such settlements lack access to basic amenities such as storm water drainage, well-



“The South African construction and engineering sectors should come forward to contribute to the rebuilding efforts and to offer their expertise to decision-makers on how future calamities can be mitigated.”

constructed roads, waste removal services and other basic municipal services. This situation is replicated across the African continent. In a recent study the non-profit organisation, Habitat for Humanity, concluded that floods and droughts, taken together, account for 80% of deaths and 70% of economic losses linked to disasters in sub-Saharan Africa. Recovery from such disasters is costly and takes long to achieve. The provision of temporary shelter, housing repairs and the replacement of household goods represent at least 50% of total post-disaster recovery costs.

As we brace ourselves for the next wave of extreme weather it makes sense that we start planning for worst-case scenarios. Across the globe home builders and public sector regulators are looking at enterprising solutions to improve the ability of homes to withstand future natural disasters.

This will require a “whole-of-society” approach. The different spheres of government will have to improve their planning processes to guide future housing development and to bring communities closer to economic opportunities in a more structured manner. Communities should be better informed about the dangers inherent to building structures on steep slopes or within low-laying flood plains.

Following his visit to the flood ravaged areas President Cyril Ramaphosa made it quite clear that there will be a renewed focus on the performance of local government in the delivery of service such as sanitation, waste removal and road construction – all factors which aggravated the impact of the floods. But this is also an opportunity for the construction and engineering sectors to come up with technological solutions which can contribute towards more resilient structures. The reality is that materials used in the building of houses in low-income settlements are mostly substandard and not able to withstand recurring floods. Access to good quality building materials depends on income levels, and low-income communities living in flood-prone areas mostly use substandard building materials to construct their dwellings.

Recent advances in construction technologies and building materials offer affordable solutions to such communities. Across the globe the industry is increasingly looking for measures which utilise low-cost technologies and require low technical skills. The emphasis is on the utilisation of existing skills and resources within communities to produce resilient building materials.

The South African construction and engineering sectors should be leading research in these fields and offer their technical know-how and skills in finding solutions. This knowledge is also found within emerging enterprises where contractors have acquired vital experience through their participation in local construction activities.

The cidb – as a body which promote the interest of the emerging construction sector – can play a vital role as a clearing house for research and knowledge and by ensuring small and medium enterprises play a critical role in the reconstruction of disaster-affected areas.

COVER

THE ROAD AHEAD

The construction industry in South Africa has had a challenging couple of years, from the loss of jobs to the closing down or unbundling of large players in the construction sector. For this reason, the economic recovery and rebuilding plan announced by President Ramaphosa will go a long way in aiding the recovery of the sector and the creation of employment opportunities.

KOKETSO SHABALALA

Head of Underwriting at SHA Risk Specialists, a division of Santam

A key focus of the recovery and restructure plan is around a massive infrastructure rollout through a robust pipeline of infrastructure projects which is of course good news for the construction industry in South Africa. Since the beginning of 2022, we have seen a surge in optimism from construction companies who are beginning to declare higher estimated turnover figures for the upcoming year than they have in the past several years.

The positive sentiment is not only focused on government spending but is also fueled by more investment from the private sector, which we are seeing mainly in the renewable energy space, the mining sector and the technology sector. The growth from the renewable energy sector is driven by a need for cheaper and more reliable power to drive foreign direct investment. The mining sector's investment growth is driven by expansion projects in mines which are geared towards increasing outputs from previously untapped mineral sources. On the technology front, we are seeing more data centers being built given the need for the decentralized storage of data, thanks to the advent of cloud storage technologies. The reconstruction and recovery plan will enable significant expansion, but it will also come with a unique set of challenges. The construction and engineering sector has also observed a shrinking workforce and the loss of skilled labor, which may put additional pressure on the existing workforce when it comes to delivering these pipeline projects timeously and at a high-quality. This means that there will be a greater need for contractors to share work and sub-contract some of their functions on their projects, which will provide smaller to medium contractors with the opportunity to grow and more importantly create employment opportunities within the sector

A major challenge will be the expedition of projects and shortening of timelines to deliver projects in a more time-effective manner, which may have an impact on the quality of work delivered and an increase in human error. In the past, we have seen that with some sub-contracted works - there is a risk that some of the controls that are present at main contractor level may not necessarily be present at sub-contractor level. We may see an increase of defective workmanship claims, injury or damage to third party property during the execution of these expedited projects. This may impact pricing of insurance negatively with an increase in premiums due to a higher perceived risk. However, we as SHA will endeavor to mitigate the premium impact on our clients as best as possible, as we understand that they are in a rebuilding phase and are looking for ways to mitigate additional expenses. ***In conclusion, spirits are high in the construction sector as this sector will be at the center of the rebuilding of the country's infrastructure and ultimately, the economy too.***

FINANCIAL PLANNING & INVESTMENTS

"For many people, the biggest financial decision they face when they retire is how best to use their accumulated retirement savings"

- FRANZO FRIEDRICH, MOMENTUM INVESTMENTS

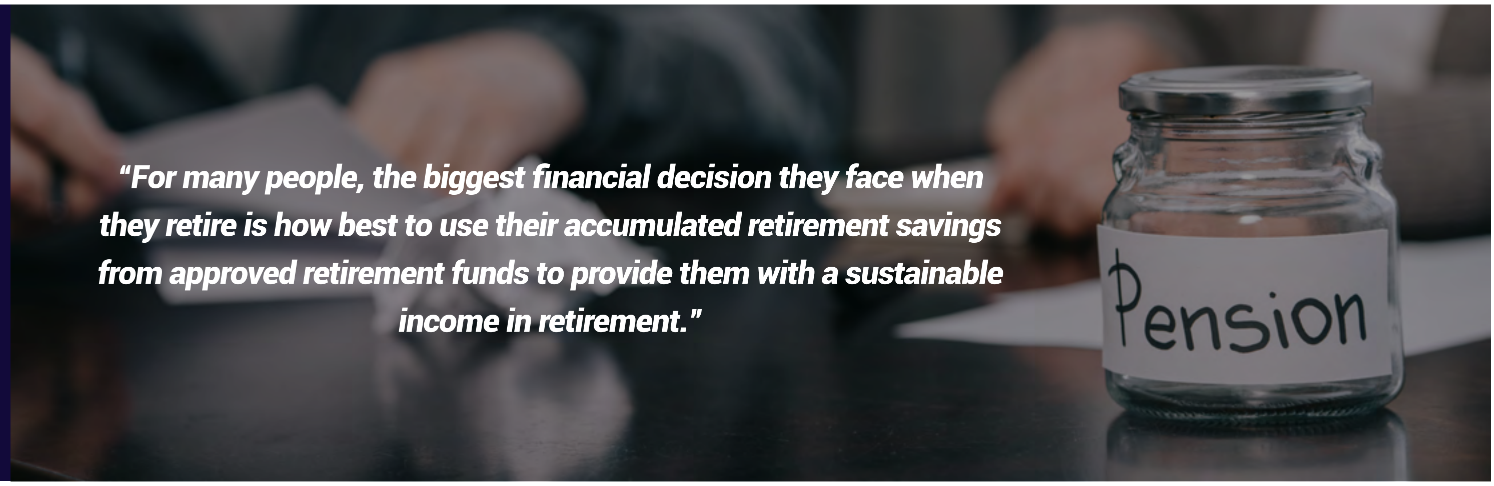
RETIREMENT INCOME PLANNING REIMAGINED

For many people, the biggest financial decision they face when they retire is how best to use their accumulated retirement savings from approved retirement funds to provide them with a sustainable income in retirement.

Traditionally, the choice was between a life annuity and a living annuity, each with its own unique features and rules. Even if people decide to use some of their retirement savings to purchase a life annuity and some to invest in a living annuity, they may end up with two separate retirement income products that can make it difficult to manage their income during retirement. There is a better way for financial advisers to help their clients plan and structure their finances when they retire to solve the need for certainty and flexibility.

Enhanced Retirement Income Option

We have enhanced our living annuity product, the Retirement Income Option on the Momentum Wealth platform, to help clients structure their retirement income plan better. They no longer have to choose between the certainty of a life annuity and the flexibility of a living annuity clients can have the best of both in one retirement income solution.
This solution has numerous benefits to clients and their advisers.



This hybrid structure introduces richer advice opportunities for financial advisers. With traditional solutions, the relationship between the adviser and client in many cases reaches the end phase once the client chooses the life annuity. There is therefore a single point in time where advice is required.

Contrast this with a world where clients' needs can be better met by blending a life annuity with a living annuity. In this structure the life annuity becomes one of many components that a client can choose from within a living annuity. Financial advisers can continue to be involved in advising clients during their retirement years for example about how to manage expenses in the context of returns, when to protect income, and how much income to protect.

By allocating a portion of their retirement savings to a life annuity component within their living annuity, financial advisers can help their clients personalise their income plan by helping them decide:

- how much of their retirement savings they want to use to cover their essential 'life expenses'; and
- how much they want to use for their more flexible 'living expenses'.

This product enhancement will help financial advisers and their clients make more informed decisions about their retirement income planning.

Clients can choose to allocate a portion of their retirement savings to the new Guaranteed Annuity Portfolio that will pay a guaranteed income for as long as they live. At the same time, they have the investment flexibility to benefit from potential growth from investment markets and the possibility to leave a legacy, all in one living annuity. The Guaranteed Annuity Portfolio is a life annuity, which is available as an optional investment component to clients starting a new Retirement Income Option or who already have a Retirement Income Option.

Investing is Personal

We understand that a client's investment is not just another investment – it's something personal – and it helps them to achieve their financial goals on their life journey. When something is personal, it really matters. That is why with us, investing is personal.By blending the best of both worlds the income certainty of a life annuity and the investment flexibility of a living annuity we are partnering with financial advisers to help clients:

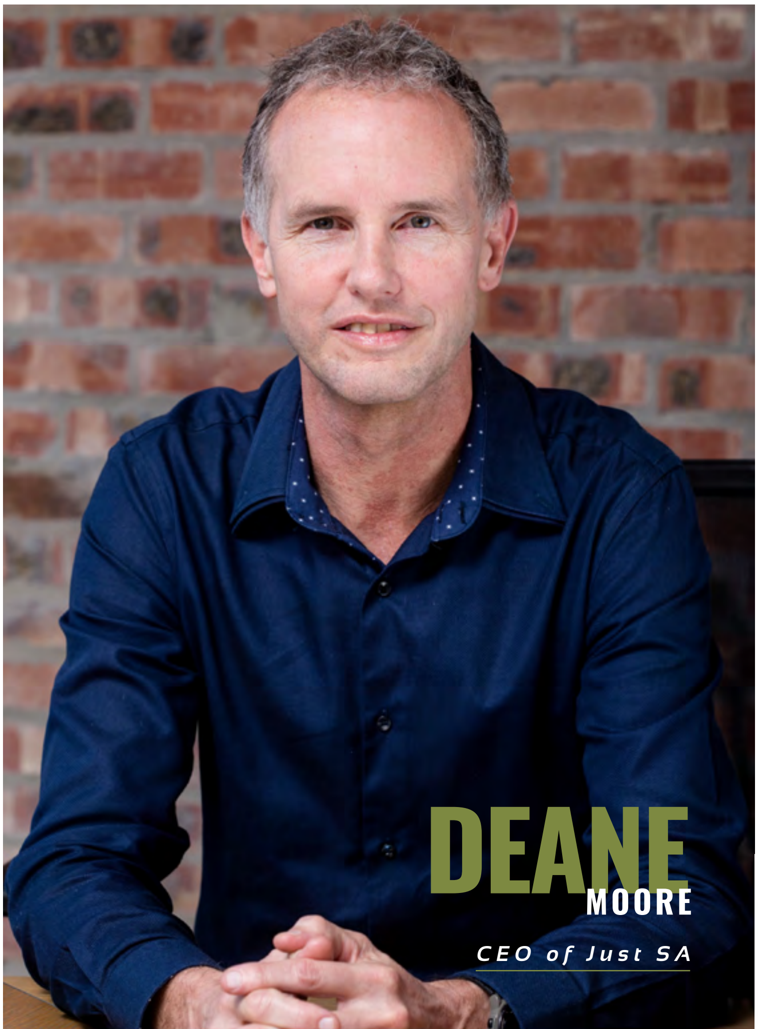
- make better decisions about structuring and implementing suitable income solutions when they retire; and
- optimally manage their income during retirement to cater for changing income needs.

The Best of Two Worlds

Our blended product solution gives people the best of two worlds: the flexibility of a living annuity that can give clients investment growth and the certainty of a life annuity that pays them a guaranteed income for life. With our new Guaranteed Annuity Portfolio financial advisers can help their clients make the rest of their life, the best of their life.

It's retirement reimagined.

BEST OPPORTUNITY TO BUY A LIFE ANNUITY THIS DECADE



Current market conditions allow pensioners to secure 30% higher income that is guaranteed for life, than they could at the start of this decade.

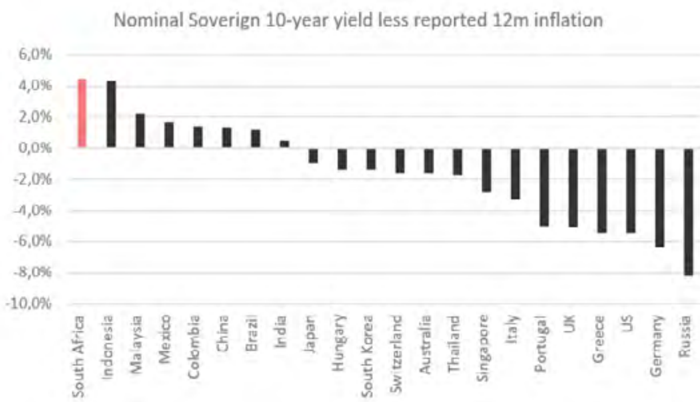
This is a window of opportunity for pensioners to lock in certainty of income for life, against an increasingly uncertain and volatile future: escalating war in Europe, rising global inflation, stalling global growth and the unpredictable future course and impact of Covid. This is particularly important when you consider the Just Retirement Insights survey that showed that 74% of pensioners would need to adjust their lifestyles if investment markets fall below 10%.

I urge pensioners and their advisers to act now. We regularly see people seek the security of a guaranteed income after they lose money in a market crash. Rather use this great buying opportunity for life annuities to secure peace of mind for your retirement.A with-profit annuity is a life annuity where increases are linked to the smoothed return of popular balanced funds provided by boutique asset managers.

Two factors are combining to make the price of with-profit annuities attractive in current market conditions:

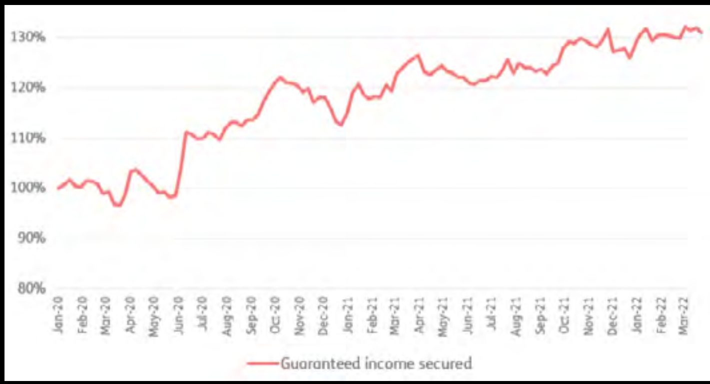
- **Pricing alignment:** The price of the with-profit annuity moves more-or-less in line with the market value of the balanced portfolio to which it is linked, so a retiree gets a similar level of guaranteed lifetime income whether markets go up or down.
- **Rising fixed interest yields:** The with-profit annuity has become cheaper as fixed interest yields have risen. Higher long-term interest rates often translate into good value for money for life annuities.

In fact, South Africa currently has the highest real interest rates in the world, as shown in this chart:



Source: NinetyOne (3 May 2022)

As a result, a person reaching retirement with their money invested in a balanced fund is able to purchase 30% more guaranteed income for life from a with-profit annuity linked to that same balanced fund, than they could two years ago. This graph illustrates how that level of guaranteed lifetime income has increased since 1 January 2020.



Source: Just SA

The table below illustrates this numerically for a typical retired couple - a male age 65, with a female spouse age 62. The annuity rate quoted is the income that is guaranteed to be paid for life. It also includes an income legacy it is paid for a minimum of 10 years regardless of when death occurs; and after that, 75% of the income is paid to the surviving spouse for the rest of her life.

	Market value in balanced fund (R)	With-profit annuity rate*	guaranteed lifetime income pa that can be purchased (R)
1 January 2020	1 000 000	6,9%	69 000
1 April 2020 (Covid-19 market crash)	879 000	8,1%	71 200
Today	1 276 000	7,1%	90 600

*Just Stablegro targets increases in line with inflation.

I suggests that pensioners should lock in sufficient income that is guaranteed for life to cover their essential expenses. They can secure this both in a standalone life annuity or as an investment option in certain living annuities.

MANAGING BUSINESS RISKS IN THE

CURRENT ECONOMIC ENVIRONMENT

In an uncertain world where markets are volatile, interest rates are rising and a war is raging, it is easy to lose perspective and focus on those events over which we have no control and cannot change.

In PPS's annual Professional Market Survey compiled by Catalyst Research and Strategy, we gauge our members' perceptions on several issues affecting their professions, including unemployment. The majority of the participating members agreed that the main effect was that skilled professionals could not find appropriate jobs and were emigrating. Another common trend was that professionals are over-worked due to staff shortages. When asked about the impact of the COVID-19 pandemic on their businesses, most participants believed that business opportunities decreased and their income reduced by more than 20%.

An overwhelming majority of the participating members believe South Africa should focus on economic recovery over the next 12 months. This study resonates with many professionals and it is easy to be drawn into uncertainties about the future. However, Steve Maraboli, in his book Life, The Truth and Being Free says that "incredible change happens in your life when you decide to take control of what you do have the power over instead of craving control over what you don't".

So, instead of worrying about events we cannot change, let us focus on what is important and in our control. One way to do this is to focus on addressing one of our biggest concerns: How do I protect myself, my family, my business and my employees against all these variable uncertainties? One of the easiest ways to achieve this is through business assurance. Business assurance refers to various life assurance solutions that protect the business owner against risks that might arise from the owner's death, disability and critical illness. These factors are known as wealth altering events.

"most participants believed that business opportunities decreased and their income reduced by more than 20%."

They have a primary effect on the business owner and – in the case of a deceased business owner his or her estate. However, they also have a secondary impact on the business, remaining owners and employees. In my experience, business owners are so focused on building and expanding their businesses (and rightly so) that they are often unaware of the various risks that their personal estates and the business can face. Therefore, it is critical for each business to do a business needs analysis regularly to identify the various risks and put in place a proper risk mitigating solution to address the identified risks.

The main risks the business owner and the business can face are as follows:

Buy and Sell

- **Risk:** If one of the business owners dies or becomes disabled, what will happen to their shareholding in the business?
- **Solution:** The business will be sold to the remaining owner(s) or a third party. A buy-and-sell agreement is put in place to enforce and regulate the sale, while a life insurance policy will be used to fund the sale.
- **Advantage:** Avoids the deceased owner's share in the business being inherited by the family who cannot and/or are not qualified to continue with business operations. Provides liquidity in the deceased owner's estate for the benefit of the deceased's beneficiaries and ensures continuity of the business.

HEALTHY OCEANS
CRITICAL TO LIFE AS WE KNOW IT

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

Are our oceans under threat?

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

What is the solution?

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

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

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

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

14 LIFE BELOW WATER

#NOTIMETOWASTE

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infiniti insurance

Credit Loan

- **Risk:** Where a business owner has a credit loan account in the business, this loan account is an asset in their estate on their death. Once the business owner passes away, their estate has a claim against the business to settle that loan.
- **Solution:** A credit loan policy is put in place by the business to provide the business with the necessary liquidity to settle the loan.
- **Advantage:** This type of cover provides liquidity to the company to pay the claim, which they might not have had at that stage. It also ensures that the administration of the deceased partner's estate is not delayed as a result of the company's lack of sufficient cash to pay the claim.

Contingent Liability

- **Risk:** Where a business owner has signed a personal surety for a debt due by the business, they bind their personal estate to that business debt. If the company does not settle the loan, for whatever reason, the financial institution can claim settlement of the loan from the owner or their estate which in turn can have a devastating effect on the owner and/or their beneficiaries in their estate.
- **Solution:** A contingent liability policy can be taken out to insure the outstanding loan. Should the surety still be in place when a wealth altering event occurs, the cover will pay out to the company, which in turn is obliged to settle the loan. A contingent liability agreement is put in place to compel the company to use the proceeds from the life assurance to settle the loan.
- **Advantage:** Insuring the contingent liability risk provides the business with sufficient liquidity to settle the business debt, thereby releasing the deceased's estate from the surety once cancelled in writing.

Keyperson

- **Risk:** A keyperson is usually someone (owner or valuable employee) who is key in the management or operations of the business. Should this person no longer be able to work due to a wealth altering event, the business will be severely impacted.
- **Solution:** The company puts a policy in place insuring them against the loss of the keyperson. This cover is used to supplement the business's income until it can recover the losses made or to recruit and appoint a new person in the keyperson's place.
- **Advantage:** This cover ensures the continuity of the business and protects the business against any unnecessary losses.

The common thread in all the business assurance solutions is that it provides certainty and financial liquidity. Business assurance is instrumental to any succession and financial planning process. Appropriate, tailored solutions protect your business against the inevitability of the future. In summary, it helps you control what is in your control.

Contact your trusted financial adviser today for more information on business assurance.

YOUR GOLDEN YEARS RE-IMAGINED: STAYING RELEVANT

If you're under 40, chances are that your eyes glaze over when someone mentions the word 'retirement'. What is sorely needed, is a change in mindset around what can be an extremely rewarding and satisfying time in one's life with the right planning in place.

Time really does fly, and yes, you will get there too even though it seems hard to believe right now. As with any other journey in life, you need to be prepared. The retirement journey is not one you can make up as you go along. Many mistakes at this point can't be rectified without the luxury of time, so this means that planning during your youth is vital. But enough fearmongering. Journeys are meant to be exciting…..

Reimagining Your Future Life

Think of all the things you want to do, see and experience. If you're lucky, you may tick many of those items off your bucket list in your younger years. But for the majority of us, career, family and other responsibilities take centre stage during our working years, leaving unfulfilled dreams as we approach retirement.

This is not necessarily a negative thing. It gives us the chance to reimagine how we see ourselves in retirement, and what we can still be, do and achieve. This can be an exciting time to try new things, perhaps start a small business, write that book you've always wanted to or learn a new skill or language. But to do these things, you need money and of course physical and mental health.

The Five Phases of Retirement

There are five broad phases that most people will go through, and the length of these will vary from person to person.

- The first is the pre-retirement phase. This is where you reimagine how you see yourself and plan the next stage of your life.
- Full retirement is the second stage, often called the honeymoon stage. You've just stopped working and are enjoying your new life.

- The third stage that can set in, is the disenchantment phase. The honeymoon stage has ended, and this is where you may become disillusioned if you haven't planned properly.

- Re-orientation comes next. This can be the most challenging stage as it involves analysing why you're disillusioned and creating a new identity so as not to feel a loss of purpose.

- Reconciliation and stability is the final stage and this could even be up to 15 or 20 years after you've retired, given that people are living longer. This is where you feel contentment, are less anxious and more fulfilled.

It follows that the more you've managed to align your retirement with how you imaged and planned it to be, the more at ease and fulfilled you'll be in the final stage. No-one wants to end up feeling disillusioned and not having done the things they really wanted to do.

Don't Forget to Enjoy Life Today

Industrial psychologist and author Professor Johann Coetzee cautions against focusing exclusively on the destination, at the expense of ignoring the journey. It's important to appreciate what you have and what you've achieved. Try not to compare yourself with others we're all on our own unique journey. Look at your talents, skills and what you want to do with the rest of your life and try to build on that.

If you've achieved everything you set out to, perhaps you're able to give back and to help others. Consult a qualified financial adviser to help with your planning and to act as a sounding board before making life-changing decisions. But once you have this plan in place and don't forget to revisit it at least once a year don't neglect your life now. Life is meant to be lived and enjoyed. Just don't forget that you, and you alone, are responsible for the quality of your life when you stop working.

Five Ingredients for a Successful Retirement

Professor Coetzee lists five key ingredients that need to be taken into account, for a successful retirement:

- **Health, energy and stamina:** your health is key to everything, and your physical health affects your mental health. Don't wait until you have a health scare. Start a fitness regime now and stick to it.

- **Relationships:** being able to relate to your partner, children, grandchildren and friends is vital. Stay interested in the world around you and be pro-active in your relationships.

- **Finances:** having adequate funds enables you to do the things you want to do, and to help others too.

- **The broader macro-environment:** while not something you have control over, this also affects quality of life. Maintaining contact with a financial adviser throughout retirement will go a long way towards ensuring your portfolio remains well-positioned throughout challenging market conditions.

- **Meaning:** Focus on the joy of life. Stay productive and make a positive contribution where you can.

Food for Thought

A few years ago, Glacier spoke to 82 retirees about their recipe for a happy retirement. The answers received were aligned with Professor Coetzee's ingredients listed above. During the interviews, we came across a 70-year-old who went for a daily surf, a 61-year-old completing a master's degree in Astrophysics and a 65-year-old who had founded a jazz band. All of them living life to the full and not sitting around waiting for things to happen. I wish the same for everyone reading this article.

(Source: Eric Paquette)


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FIRST AND ONLY SHARI'AH COMPLIANT

ARRANGEMENT IN THE MEDICAL SCHEME SPACE


Discovery Health

COVER

From 1 June 2022, Discovery Health Medical Scheme (DHMS) members will be able to elect to have their health plan administered in accordance with principles of Shari'ah.

DHMS is introducing the first Shari'ah compliant medical scheme arrangement in South Africa following extensive collaboration and expert guidance from leading Islamic scholars. This arrangement meets a need of the Muslim community who require closer alignment of their current health funding arrangements with all aspects of their religious practices. DHMS, in collaboration with Discovery Health as its administrator, has also worked closely with the Council for Medical Schemes over the last two years to ensure that the Takaful principles on which the Shari'ah compliant medical scheme arrangement is based, are implemented in a manner that is consistent with the Medical Schemes Act.

The Shari'ah Compliant Arrangement is available to existing and new members of DHMS on all 23 medical aid plans, and while they cater specifically for members of the Muslim community, anyone is welcome to make this selection for a plan arrangement designed with the Shar'iah principles. Firoze Bhorat, Chief Marketing Officer at Discovery said, "After engaging closely with the Council for Medical Schemes, we're excited to bring this innovation to market, effectively broadening access to medical scheme products to the Muslim community.

The absence of such arrangements historically left many of the Muslim community uninsured, and we're proud to be addressing this gap." Existing DHMS members can elect to have their current plan administered in accordance with the Shari'ah principles, without any changes to their benefits or limits. This seamless process can be done within minutes either through an accredited financial adviser, or alternatively on the Discovery app or on the Discovery website any time after 6 May 2022.

"Innovation has never been more important in the development of ground-breaking improvements to medical schemes"

"While the COVID-19 pandemic continues to significantly impact our country on multiple levels, it also clearwly demonstrated to us the importance of placing our members at the centre of care," says Farzana Baba, Head of Health Product Development at Discovery Health. "The past two years have challenged our healthcare system and shone a spotlight on the global focus on patient-centric care, and the need for improved quality of care and healthcare outcomes."

Baba adds that innovation has never been more important in the development of ground-breaking improvements to medical schemes, which ensure access is being provided to needed healthcare services which focus squarely on protecting people's lives.

The Shari'ah Compliant Arrangement was developed with this in mind and in accordance with all Shari'ah guiding principles and ethics including the Shari'ah Law regarding the prohibition of interest. Participating members also have the assurance that their contributions, and balances remaining after the settlement of claims and other relevant expenditure will be invested, in conformance with Shari'ah principles," continues Baba. "This resets healthcare funding not only for the Muslim community but also for any member of a medical scheme who prefers to have surplus funds generated by them invested in this manner," she explains.

Independently verified compliance with shari'ah principles

An independent Shari'ah Advisory Committee was established by Discovery Health to secure upfront and ongoing compliance of all DHMS products and services that are marketed as Shari'ah compliant. The DHMS Shari'ah Compliant Arrangement will be subject to regular compliance reviews and an annual compliance audit by the advisory committee comprising of leading scholars who also serve on Shari'ah boards both locally and internationally, as well as play instrumental roles in developing other Islamic products in South Africa. "Shari'ah compliant financial arrangements must meet the requirements found in Islamic Commercial Law and the broad principles of Islam and we have ensured that the model used to create this arrangement for Discovery Health Medical Scheme, is compliant and based on Takaful principles," says leading Shari'ah Scholar and member of the Independent Shari'ah Advisory Committee, Mufti Ahmed Suliman. He elaborates further that "the process involved creating a Takaful scheme in a manner acceptable to local and international Islamic scholars and further ensures that no interest is earned or paid at any stage and there is no ambiguity in the contracts that are entered into by members, thus protecting their interests and assuring them that investments will indeed be managed in a Shari'ah compliant manner."

The shari'ah compliant medical aid arrangement meets regulatory approval

Lastly, we are grateful to the Council for Medical Schemes (the Regulator) for their inputs and constructive engagements over the last two years. These deliberations with the Regulator have culminated in the first ever Shari'ah Compliant arrangement of its kind in the country that meets all regulatory approvals to ensure adequate and full cover for our members. By opting into the arrangement, existing DHMS members as well as new members can be assured of peace of mind in having their health plan administered in a Shari'ah compliant manner, which is available across all DHMS medical aid plans. Importantly, existing DHMS members' will continue to have access to their existing medical aid plan benefits when they switch to a Shari'ah Compliant arrangement," says Baba.

LIFE INSURERS UNCOVER RECORD NUMBERS OF FRAUDULENT & DISHONEST CLAIMS IN 2021

South African life insurers detected 4 287 fraudulent and dishonest claims worth R787.6 million across all lines of risk business in 2021. This is a significant increase from 2020, when 3 186 cases of fraudulent and dishonest claims to a value of R587.3 million were uncovered. The fraudulent and dishonest claims statistics for 2021, released recently by the Association for Savings and Investment South Africa (ASISA), show that funeral insurance once again attracted the highest incidence of fraud and dishonesty, followed by death cover, disability cover, hospital cash plans and retrenchment benefit cover.

Megan Govender, Convenor of the Forensics Standing Committee, The Association for Savings and Investment

I attribute the surge in exposed fraudulent and dishonest claims to the deployment of sophisticated detection mechanisms by the long-term insurance industry to stop fraud and dishonesty. The R787.6 million in fraudulent and dishonest claims detected in 2021 may seem like a negligible amount when compared to the R608 billion in claims and benefit payments made to honest policyholders and their beneficiaries in 2021 the highest ever paid in a single year. However, if left unchecked fraud and dishonesty would have the biggest impact on honest policyholders who would ultimately have to pay higher premiums to make up for untenable claims rates.

The long-term insurance industry is therefore constantly innovating preventative measures to combat insurance fraud, including the use of artificial intelligence, data sharing for early detection of trends and an increased focus on field investigations. In 2020, the lengthy COVID-19 lockdown prevented our forensic investigators from physically going out into the field, which plays an important part in uncovering syndicate operations and taking a closer look at other criminal activities such as suspicious unnatural deaths. However, by 2021 our field investigations were largely back to normal, and the success rate is reflected in these statistics.

A warning to those contemplating a crime to gain access to an insurance pay-out, the chances of being caught are extremely high with the consequence most likely a lengthy prison sentence or a hefty fine. Last year's Rosemary Ndlovu case, for example, resulted in a sentence of six life imprisonment terms for the former police officer who had several family members murdered so that she could benefit from the funeral insurance pay-out.

Similarly, a pastor and his wife in the Western Cape received lengthy prison sentences last year for taking out life insurance policies on church members with the intention of having them murdered by a hitman for the death benefits. While these high-profile cases have focused the spotlight on criminality in the funeral insurance and death claims space, dishonest disability (including critical illness) claims are also not uncommon.

While the case numbers are typically lower, the value of fraudulent and dishonest disability claims thwarted in 2021 exceeds the value of funeral insurance claims by a significant margin. The total value of fraudulent and dishonest disability claims detected in 2021 was R195.9 million, compared to R128.2 million for funeral claims.

Examples of Fraudulent Disability Claims Detected in 2021

Claiming for HIV with someone else's blood

A disability claim was submitted by a nurse under her severe illness benefit, alleging that she had suffered a needle stick injury at work which resulted in her being exposed to and infected with HIV. She supported the claim with a test result that confirmed her status as HIV positive even though antiretrovirals had been administered immediately after the alleged exposure. The life insurance company's forensic department investigated the claim and found several inconsistencies and no records of the client being treated for HIV. The nurse was requested to undergo further testing with an independent laboratory. This resulted in her admitting that she was not HIV positive and that she had used the blood of an infected person to submit her claim.

The life insurer reported the fraudulent claim to the police and the nurse received a five-year jail sentence, suspended for five years, and a R10 000 fine or six months imprisonment. The investigation resulted in the prevention of a R1 million fraudulent claim pay-out.

Taking cover on an already disabled person

An ASISA member received a claim for sudden severe dementia against a disability and severe illness policy only one month after the policy had been taken out. The claim was submitted by the policyholder's brother who had a power of attorney. A forensic investigation revealed that the policyholder had suffered a severe stroke before the policy was taken out and was unable to communicate. All signatures on the policy had been forged. The claim was declined, preventing fraud worth R8.7 million.

Fraudulent and Dishonest Claims in Numbers

Funeral claims

Life insurers detected dishonesty or criminal intent in 3 268 funeral claims worth R128.2 million last year.

Unlike the year before when fraud was the biggest concern in the funeral insurance space, in 2021 misrepresentation and material non-disclosure cases formed the bulk of the dishonest claims. Misrepresentation and non-disclosure refer to policyholders not disclosing or misrepresenting material information to a life insurer that could materially affect the terms of the policy.

Since funeral insurance policies do not require blood tests and medical examinations and are designed to pay out quickly and without hassle when an insured family member dies, misrepresentation in this space most commonly concerns the relationship that the policyholder has with the person whose life is being insured.

Funeral cover is designed to enable people to cover themselves as well as their extended families. However, when a policyholder includes his best friend and the friend's family under the policy claiming that he is a brother, this is considered misrepresentation.

	2021		2020	
	Cases	Value	Cases	Value
Funeral Claims	3268	R128.2 Million	2282	R80.8 Million
Misrepresentation/ Material Non-Disclosure	2232	R78.8 Million	863	R34.1 Million
Fraudulent Documentation	964	R44.6 Million	1383	R44.4 Million
Syndicate Involvement	68	R4.6 Million	28	R2 Million
Beneficiary Involvement in death	4	R0.2 Million	8	R0.4 Million

Death claims

While there was a welcome decline in misrepresentation and material non-disclosure in the death claims space last year, there was a significant increase in fraudulent death claims.

I believe that the COVID-19 pandemic has highlighted the importance of being able to protect your family financially with a death benefit, which has probably resulted in greater policyholder honesty when taking out life cover. In the six months from 1 April to 30 September last year, South African life insurers reported a 53% surge in death claims when compared to the same period in pre-COVID 2019. The Rand value of these claims increased by 127%.

Misrepresenting material information or not disclosing important information such as any lifestyle or health related detail that could materially affect the terms of the policy, is incredibly short-sighted. When claims are declined as a result, this is likely to have devastating financial consequences for those financially dependent on a policyholder.

	2021		2020	
	Cases	Value	Cases	Value
Death Claims	452	R460.4 Million	388	R264.3 Million
Misrepresentation/ Material Non-Disclosure	305	R238.4 Million	340	R166.9 Million
Fraudulent Documentation	146	R222 Million	41	R95.1 Million
Syndicate Involvement	0	0	7	R2.2 Million
Beneficiary Involvement in death	0	0	0	0
Advisor/Broker Involvement	1	R 20 000	0	0

Disability claims

Misrepresentation and material non-disclosure with the aim of misleading insurers was once again the number one reason for disability claims being declined in 2021. Out of the 352 irregular claims detected, 333 were rejected due to misrepresentation or material non-disclosure.

Policy applicants are compelled by law to honestly disclose all information likely to influence the judgment of the insurer when determining appropriate policy terms and premiums. Only when all the facts are disclosed honestly by the applicant is the insurer able to set premiums that are appropriate for a certain level of risk, thereby ensuring that every person pays a fair premium without subsidising someone less healthy.

	2021		2020	
	Cases	Value	Cases	Value
Disability Claims	352	R195.9 Million	325	R233.6 Million
Misrepresentation/ Material Non-Disclosure	333	R167.9 Million	306	R220.4 Million
Fraudulent Documentation	19	R28 Million	19	R13.2 Million
Syndicate Involvement	0	0	0	0
Advisor/Broker Involvement	0	0	0	0

Hospital cash plans

The number of dishonest claims against hospital cash plans increased in 2021 when compared to the previous year, but there was a significant decrease last year in the value of these claims. Hospital cash plans are easy to understand products designed to help consumers cope with unexpected expenses as a result of being admitted to hospital.

Unfortunately, as is the case with funeral insurance products, the simplicity of these products often leaves them wide open to abuse. This forces life insurers to apply heightened vigilance when processing claims to ensure the financial viability of these products.

	2021		2020	
	Cases	Value	Cases	Value
Hospital Cash Plan Claims	204	R2.1 Million	141	R6.7 Million
Misrepresentation/ Material Non-Disclosure	185	R1.6 Million	127	R6 Million
Fraudulent Documentation	11	R0.4 Million	9	R0.6 Million
Syndicate Involvement	8	R0.1 Million	5	R 87931
Adviser/Broker Involvement	0	0	0	0

Retrenchment benefit claims

The dishonest and fraudulent retrenchment claims will continue to decline as very few life insurers still offer this cover.

	2021		2020	
	Cases	Value	Cases	Value
Retrenchment benefit Claims	11	R 976 193,00	50	R1.9 Million
Misrepresentation/ Material Non-Disclosure	9	R 913 241	31	R0.8 Million
Fraudulent Documentation	2	R 62952	19	R1.1 Million
Syndicate Involvement	0	0	0	0
Advisor/Broker Involvement	0	0	0	0

Fraudulent and dishonest claims across the provinces

The bulk of fraudulent and dishonest claims were uncovered in KwaZulu-Natal (KZN) and the Eastern Cape, followed by Gauteng and the Northern Cape.

ANALYSIS OF MAJOR LIFE INSURERS' RESULTS

Like most sectors in South Africa, local life insurers were tested last year by the economic consequences and accompanying financial market volatility caused by the COVID-19 pandemic.

Under the theme 'Sustaining Impact: Reflecting on past resilience and future challenges of life insurers in South Africa', PwC South Africa's analysis of major life insurers found that the local insurance industry was able to meet its escalating obligations to policyholders, and maintain required capital and liquidity positions, while dealing with business interruption.

Results for the year ending 31 December 2021 were analysed for five major insurers. They included Discovery Limited (Discovery), Liberty Holdings Limited (Liberty), Momentum Metropolitan Holdings Limited (MMH), Old Mutual Limited (Old Mutual), and Sanlam Limited (Sanlam). The analysis was performed to compare the results to those of prior years, which illustrated insurers' financial performance, with a particular focus on the performance of the core life business units. The results are presented in the context of rapidly changing circumstances in which insurers are conducting their businesses. Significant shifts are still occurring, the latest being the invasion by Russia of Ukraine and flooding in KZN, impacting not only the economy but environmental and social conditions. These factors, as well as ongoing shifts in customer expectations and needs, have the potential to continue to materially influence future performance. It is against this backdrop that the industry has to deliver 'business as usual' sustainable growth and profitability, deliver on its purpose and be impactful to all stakeholders.

Sustaining Profitable Growth

To sustain profitable growth, Renasha Govender, PwC Actuarial, Risk and Quants Partner, says insurers need to find new customers and address unmet, new and evolving needs, while retaining ample margin. "Whilst in the past they have been able to generate value from their investment strategies, regulatory costs and constraints have meant that innovation with regard to products, integrated services and partnerships have proven to be key necessary drivers for continued financial success within the industry globally," she says.

Key indicators for the last decade demonstrate that growth in profitability was muted even before the pandemic. Combined IFRS earnings grew in line with inflation and Value of New Business (VNB) margins trended slightly downwards.

The industry achieved VNB margins of between 2.7% and 3.1% over the period 2011 - 2015 as highlighted in previous PwC publications on the life insurers results. However, these had already decreased to 2.4% in 2018 and 2019. The VNB margin achieved in 2021 is lower still at 1.9%, but an improvement from the result in 2020 of 1.49%. In 2021, the five insurers achieved a VNB worth R6.9bn — significantly more than the R4.7bn gained in 2020, but still below the VNB results for 2018 and 2019. The present value of new business premiums (PVNBP) increased by 13% from 2019, but this was not sufficient to offset the fall in margins compared with pre-pandemic levels.

Macro-economic Factors Constraining Profitable Growth

Hampered GDP growth has been compounded by Russia's invasion of Ukraine which has led to further supply chain disruptions and a sharp rise in various resource prices globally. Given the consequent higher inflation, weaker external demand and an unreliable power supply (the country's largest growth inhibitor), we now forecast a real GDP growth rate of 2.0% this year (from 2.3% previously) with continued downside risk. Alongside this, weaker economic outlook provides even greater concern about the speed of the country's jobs recovery. There is little scope for South Africa's unemployment rate to improve this year if local business sentiment is weighed down by these factors.

Impact of higher food/transport costs on low/medium income households will impact their ability to afford new or existing insurance products

The upward pressure on food, fuel and electricity prices will adversely impact all households during 2022. However, due to varying spending abilities and priorities, households in different expenditure deciles will be impacted differently. Middle to higher income groups are re-evaluating their discretionary spending patterns and are either 'buying down' or reducing insurance and savings products.

On the other hand, households in the lower to lower-middle income categories will struggle to sustain their monthly basket of goods purchases. Given increased costs of necessities, these households will need to carefully consider the affordability of other discretionary monthly expenses, including insurance products. Low-income households spend more than half of their money on food and non-alcoholic beverages. This includes grain products (like bread and maize) which in coming months will cost significantly more due to higher international commodity prices.

As we now proceed out of the rollercoaster that was 2021, a fair amount of uncertainty lingers in the industry. Talk is now moving more towards whether cost savings insurance entities achieved during the lockdown will be sustainable, as well as what allowance should be made for the effects of COVID-19 on long term mortality and long-COVID.

Stronger performances in FY21 for the major life insurers continued to demonstrate strong operational and capital management, and the relative benefits of diversification amongst their business portfolios. The post-COVID financial 'recovery' is pleasing to see, but the pre-COVID comparison, coupled with the difficult macro-economic backdrop into the medium term, demonstrates the need for insurers to continue to innovate and invest on multiple fronts.

DELIVERING PERSONALISED ADVICE IN THE DIGITAL AGE

For many South African independent financial advisers (IFAs), Covid-19 disruptions saw them having to interact digitally with their clients for the first time.

Now, virtual interactions with customers have become a standard expectation from many policyholders and it might just be exactly the incentive the adviser community needs to embrace a more digital way of working, with massive benefits for everyone in the value chain.

Technology has the potential to bring significant innovation to the insurance industry. For advisers, the opportunity is to develop the ability to deliver personalised, high-quality advice digitally, building a profitable core of customers in the process.

The rapid advance of digital technology is allowing advisers to be remote and face-to-face at the same time. Fact is, most consumers prefer a hybrid model of digital-human services, so advisers that get this mix right will be better positioned to service their current customers and acquire new ones.

According to Stats SA, around 65% of South Africans belong to the Millennial, Gen Y, Gen Z or younger generations. The youth (18-34) make up a third of the population. They're the industry's future customers, and giving them the ability to get advice, and buy insurance digitally, isn't a nice to have – it's table stakes for any insurer that wants to stay relevant.

But customer preferences aren't the only driver for the move to digital servicing. It's cheaper and more efficient, eliminates unnecessary travel, reduces the need for extensive office space, and saves time spent getting to and from in-person meetings. This allows advisers to spend more time finding and connecting with prospects, and giving proactive advice to existing customers.

It's not just advisers who are turning digital, though. Insurers are moving rapidly to reshape their product offerings based on new customer insights and relevancy. They're also taking the entire insurance process online, from electronic signatures and telephonic recorded acceptances of policies, to digital communications and claims processing.

While it becomes easier for consumers to interact with insurers through a variety of digital channels, the role of the adviser has become more critical than ever. The new generation of customers is looking for holistic advice that talks to their specific needs – and they don't always want to get it from a call centre agent or an online bot.

Clients are looking for relationships; they want to trust that an adviser understands their financial needs and has their best interests at heart. That's always been the cornerstone of the life insurance industry. And just because we're delivering that advice, together with simpler products, over a video call rather than face to face, doesn't make it any less valuable or necessary.

GENERAL

" On the job training plays a paramount role. "

- VALDY WALTERS, JUMPCO

MIND THE GAP

Cura Administrators CEO Rudolph Ackerman explains the broker opportunities in Gap Cover

Rudolph: Thank you for having me and for the opportunity to talk about Cura Administrators and our gap cover product offerings. There are 3 main areas that differentiates Cura from our competitors. Firstly, Cura Administrators has been around since 1997 and we have years of experience when it comes to gap cover.

We therefore have a healthy underwriting surplus. We have a variety of options available that provides a choice of unique offerings that caters for a wide variety of clients from students, large and small families, and even senior citizens with both open and closed medical schemes.

Most importantly, we have a strong administration team with years of experience and a strong clinical background. This is important as it allows our team to manage claims more effectively as they understand medical procedures and medical scheme rules but also legislation that affects our clients' rights. There have been numerous occasions that this experience has assisted our clients in overturning previously declined medical scheme claims due incorrect submissions (ICD10 codes etc).

We place a lot of focus on the quick settlement of a claim, and we are proud to say that in most instances, we can settle a claim within 48 hours if we receive all the necessary supporting documents (Proof of bank account, hospital, and relevant doctor's accounts; pathology & radiology reports if requested, members medical scheme remittance advice and claim form). **We don't just sell solutions; we create them.**

Tony: There is a lot of talk in the market about Gap Cover, but it is not always well understood. Please tell us, from your perspective, not just a definition, what gap coverage really is.

Rudolph: Gap Cover is an Insurance Product that provides cover for you and your immediate family for the shortfall (Gap) resulting from any Medical Practitioner charging above the Medical Scheme Tariff for in-hospital medical and surgical procedures and even certain out of hospital procedures. In other words, the gap that will exist, resulting from any medical practitioner charging above the medical scheme tariff for in hospital medical and surgical procedures, and even certain out of hospital procedures.

Gap Cover helps you cover those unexpected, exorbitant, out of pocket medical costs, which include co-payments or when healthcare professionals charge more than what your medical scheme pays. It is important to note, however, that gap cover is not a medical scheme, and the cover is not the same as that of a medical scheme. In other words, gap cover is dependent on benefits covered by your medical scheme. The cover is not a substitute for medical scheme membership. In other words, gap cover is dependent on benefits covered by your medical scheme, the coverage is not a substitute for a medical scheme membership, and you must have this benefit with a medical scheme and then the gap cover will kick in.

Tony: What sort of role should, and can the adviser play in making sure that clients understand that there is a benefit in having both, not just having the medical aid itself?

Rudolph: I am happy to say that the industry is finally starting to move away from the word broker and starting to use the term adviser, which I believe is a better description of their role. They really are advisers, as they need to understand the client's needs, advise them of any shortfalls, and provide them with a basic solution in covering these gaps. They need to provide the clients with the right product at the right time, the right price, with the right ongoing support with medical claiming procedures and annual reviews, especially since our health needs change constantly. **Gap Cover is no longer a nice to have, it has become an essential extension to our health cover.**

Tony: So, what are the specific regulatory and legislative requirements for a broker to be able to and sell Gap Cover? Where does that fit in to their portfolio?

Rudolph: Since the FSCA changed the regulations of the Act, advisers are required to have a recognized qualification. In other words, there are different qualifications, that they recognize but it is no less than an NQF level four. You must be registered with the FSCA as a licensed short-term personal lines broker. This license needs to be renewed annually.

Tony: You explained that you work through advisers, do you work from various locations? Do you have a footprint in South Africa, and do you provide some assistance and product training to brokers?

Rudolph: Cura Administrators has a national footprint across South Africa, and it is essential that we offer continuous product training with annual accreditation. It is our responsibility to make sure that advisers are always kept up to date with the product improvements and the latest legislation, as these have changed a lot over the last couple of years, especially in the medical scheme industry, so that they are equipped to provide the best support for our clients.

We can be reached on 010 021 0260 or by email at mail@curaadmin.co.za. Advisers and clients can even contact us, submit an application, or apply to become an adviser, via our website.

In closing I would like to stress again that Gap Cover is not a nice to have. There is no medical scheme that can say they pay the healthcare providers in full. There is always a gap. If it is not only the tariffs that are more than the medical scheme tariffs, then it is a co-payment or, like some medical schemes call it, a deductible that we cover, with various other benefits. The word **"Gap Cover"** is not always appropriate as the product often covers more than just the gap with different options, from a basic option to the ultimate cover for a medical scheme member.

I believe that our advisors can do a lot for our clients and each medical scheme member out of the nine million people out there that have medical scheme membership. They should all have Gap Cover, both members of open and closed medical schemes.

CURA
Administrators (Pty) Ltd

DRIVING ROAD FATALITIES DOWN TO ZERO, CAN IT BE DONE?

"Eventually, we're going to reach a point where telematics providers partner with vehicle manufacturers to provide the features seen in interconnected and autonomous systems

Lawmakers in Europe and other parts of the world are requiring that all new vehicles are fitted with telematics devices to improve safety on the roads.

Could this soon be a reality for South Africa? And what lies ahead for the South African vehicle industry, telematics providers, and ultimately, everyday road users if this comes to pass? It's obvious that the time for interconnected vehicles is now. The majority of manufactured vehicles today are rolling off the assembly lines with telematics technology pre-installed, which is a nice-to-have for vehicle owners,

but in many countries, it's also required by law in others, it soon will be. "The latest vehicles are now manufactured with onboard telemetry solutions, which provide a wide range of diagnostic, location, and other information," says Tarina Vlok, General Manager of Elite Risk Acceptances, a subsidiary of Old Mutual Insure. "It is widely considered that it will be a standard feature in all future vehicles."

These connected vehicles generate huge amounts of data, driving the global proliferation of the Internet of Things (IoT), improving safety measures, but also challenging many lawmakers to tackle the touchy subject of data privacy legislation.

Intelligent Systems

In the European Union, the Road Safety Programme continues to be rolled out in phases. The first phase (2001-2010) centred around making passive safety devices mandatory in all vehicles, which included safety belts and airbags all standard stuff these days. The second phase (2011-2020) was aimed at enforcing mandatory instalment of safety measures such as electronic stability control, lane departure warning systems for trucks and buses, and seat belt reminders. The Commission focused on Driver Assistance Systems such as anti- collision warnings by retrofitting them to commercial and private vehicles.

Telematics plays a central role in these directives, but where it gets really interesting is in the Commission's following note:

"The Commission will propose new technical specifications under the Intelligent Transport Systems (ITS) Directive so that data and information can be easily exchanged between vehicles and infrastructure (for example, to enable real-time information on speed limits, traffic flows, congestion, pedestrian recognition.)" ITS relies on computers, electronics, sensors, telecommunications, and satellites, all working together and sharing information between the various sensors and receptors.

In practice, this would enable fairly rigid traffic processes to be more flexible in adapting to changes in current events on the road. A traffic light can turn green for an approaching bus if no other vehicles are detected in other lanes, for example, but the use cases go way beyond the flipping of a light switch. If a road network behaves as an organism that can communicate between its various functioning parts – vehicles, pedestrians, roads, traffic lights it changes everything we currently know about safety on the roads.

Under its new General Safety Regulation, the European Commission decided that vehicle safety systems such as sensing technology, cameras, radar, and laser technology will become mandatory in all new vehicles in EU member states by July 2022. These technologies either assist the driver or take over all driving duties. In rolling this out, the EU plans to bring down the number of road fatalities to zero by 2050, an initiative named Vision Zero.

Vision Zero was first implemented by Sweden in 1997 and has been adopted by more than 20 cities across the world. "It's a holistic safety approach that shifts responsibility from the people using roads to the people designing them, integrating core management and action areas to create a safe mobility system forgiving of human error," according to the Vision Zero website.

Can you imagine the insurance implications of a road fatality rate equal to zero? Commissioner Elżbieta Bieńkowska, responsible for Internal Market, Industry, Entrepreneurship and SMEs at the European Commission, says in a media release by the Commission: "Every year, 25,000 people lose their lives on our roads. Most of these accidents are caused by human error. We can and must act to change this. With the new

advanced safety features that will become mandatory, we can have the same kind of impact as when the safety belts were first introduced. Many of the new features already exist, in particular in high–end vehicles. Now we raise the safety level across the board and pave the way for connected and automated mobility of the future."

So, can it be done in South Africa? Likely not in the same timeframe given the expensive infrastructure and general rate of technological adoption in the country, but zero doesn't have to be the only goalpost. Hendrik Heyns, Chief Operating Officer at Brolink, explains that telematics is a precursor to an environment that relies more heavily on artificial intelligence and machine learning, which will ultimately create a world in which apps and telematics are connected to external data sources, creating a one-stop, interconnected environment. In other words, an ITS.

Insurers don't have it easy in adopting these solutions. It's been a challenge for the industry to implement telematics solutions, as it's been seen as big brother intervention of sorts. "It has led to a low adoption rate worldwide," Vlok says. Justus Van Pletzen of Netstar, a subsidiary of Altron, summarises: "Telematics data will continue to be very valuable in terms of determining who is at fault in an accident. Going forward, there will be many opportunities for telematics providers and insurers in the electronic vehicle and autonomous vehicle spaces."

The companies that survive will be those that disrupt the status quo with new digital products; businesses that reinvent conventional insurance offerings, says Heyns. "Digital innovation is key to winning customers and creating new revenue streams. Analytic innovation which includes predictive and prescriptive analytics of big data, artificial intelligence, and optimisation is conquering the world, and the insurance industry along with it." Sedick Isaacs, Head of Support services at Bryte Insurance, says that risk prevention continues to be a fundamental part of risk management, and data is a key enabler in risk prevention. "Telematics can add tremendous value in South Africa, where the rate of crime and road accidents remain considerable," he says. "Telematics can play a crucial role in improving driver behaviour, providing relevant statistics that can help enhance overall safety, and offering insights into vulnerability-related trends. Heyns says that South Africa is considered a mature market for telematics penetration, with around 12% of vehicles fitted with some kind of telematic device.

Netstar, for example, is actively working with local car manufacturers in leading the adoption of these technologies. The telematics provider currently works closely with one of the largest car manufacturers in the world, installing a telematics device in every one of that manufacturer's vehicles in South Africa.

"Eventually, we're going to reach a point where telematics providers partner with vehicle manufacturers to provide the features seen in interconnected and autonomous systems," says Van Pletzen. "That's how I see the future playing out."

Interconnected cars aren't going anywhere. There is some tricky territory to navigate regarding privacy and adoption, but it seems a small price to pay for a future in which no-one has to die on the roads due to human error.national investment opportunities, tailored to their specific needs.

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Wimpie van der Merwe, CEO, Global Choices

At Global Choices, we predict it will be the value of a Total Customer Experience that will overtake price and product as the key differentiator in the insurance sector.

One of the biggest challenges brokers face is how to connect and to be constantly available to communicate, engage, advise and delight their customers across multiple channels, formats and digital device types – 24hours a day. The era of digital transformation has changed the way companies interact with their customers, creating an environment where marketing, information and technology must collaborate as a seamless service. Companies like Amazon, Apple and Google are the benchmark adopters and developers of digital platforms that deliver a satisfying customer experience. As digital, mobile and social media networks rise exponentially, customers rely on smartphones and tablets to search, investigate, assess value and buy products online – anytime, anywhere.

Today's hyper-connected customers expect the same personalized, 21st century experience from their insurance broker as they do from their favourite app, search engine or online retailer. Insurance brokers must constantly re-evaluate their business models and strategies to remain relevant and competitive, and take advantage of potential wallet share. Failing to adapt to the fast pace of digital transformation is the biggest threat to broker sustainability.

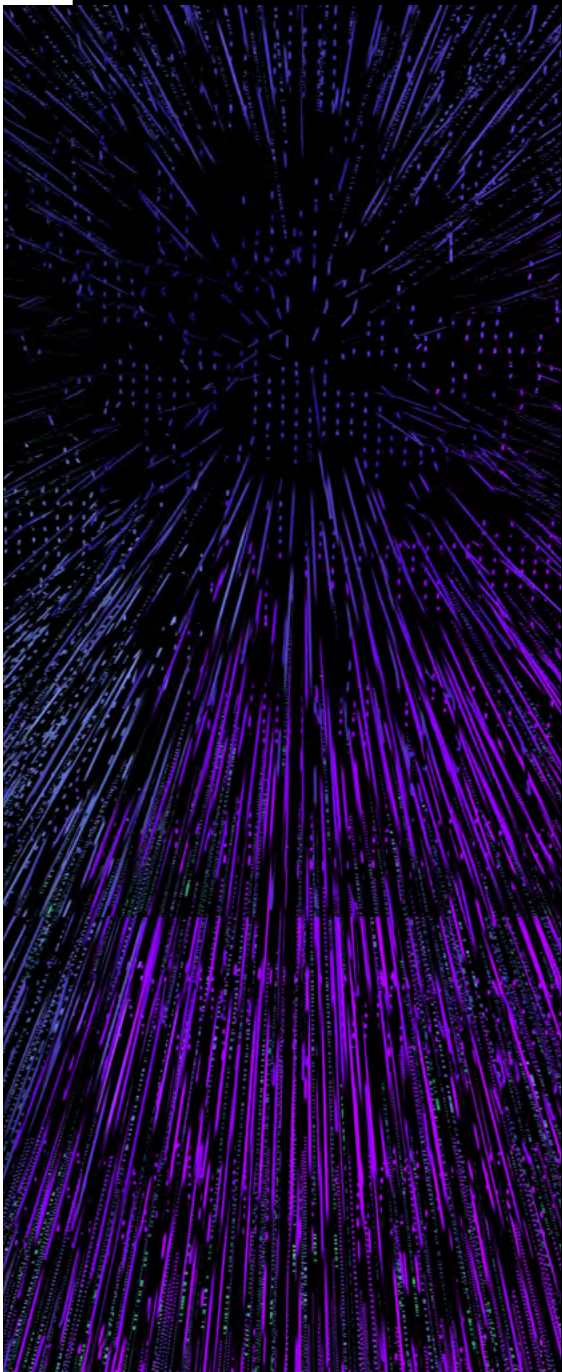
360° Customer-Centric

360° customer-centric design is about understanding your customers' needs, as well as how they think and behave. These insights become the guide or framework as you combine and integrate into every aspect of your business processes across the digital landscape. The influence of demographics and information overload drives the case change within the context of the insurance value chain. Digital adoption is the new norm and insurance brokers cannot risk sitting on the side lines.

Insurance brokers need to rethink the principles of how they do business to stay relevant in the insurance game. They need be seen as trustworthy, digitally capable, and able to provide caring support and guidance to their customers if anything goes wrong. Or – even before things go wrong – brokers need to act as preventative risk facilitators and advisors by connecting customers to their own personalised, branded digital products and services that will make their lives easier and safer – 24 hours a day, seven days a week.

Change the Operating Model

However, digital transformation is not just a matter of integrating new tech. The way your business is set up must be transformed, too. Every touchpoint needs to become 360° customer-centric. The days of insurance being organised around products are gone. Things have evolved more to focus on experience and service. Your focus needs to be on customer segments and life stages, with multi-skilled staff who can resolve as much as possible in one contact. With most of the repetitive admin work now automated, insurance brokers need look at whether this presents an opportunity to bring work back in house and shift their customer contact focus from 'product' to 'event' as they step in to assist and manage a risk event.



How to Start

In the early days we expected the internet to kill the middleman. These days we know that if insurance brokers harness the internet and digital platforms more efficiently, it can actually make them stronger. Start by having your own branded 24-hour call centre and number available for customers. This will become the extension of your service. Too many insurance brokers still say it is the insurance company's problem or service. That is plain wrong! The customer bought insurance from you, the broker, and they expect you to take care of the service, especially in any risk emergency that translates into a claim.

Rethink your website and service strategy to provide a more interactive web functionality and self-service, and make sure your website is mobile friendly. Customers expect more efficiency and transparency in the claims process, and they expect to have several channels available for submitting and settling claims. Create your own branded app or collaborate with a digital specialist that combines emergency care with claims assistance, advice, communication, scalability, sales, policy schedules and risk prevention efficiencies. Customer insights start with customer intelligence. Customers expect brokers to know who they are and what they're interested in. The 360° customer view is the idea – sometimes considered unattainable or siloed – that aggregating data from various insurance touchpoints can create a single customer view and personal experience.

Our growing reliance on digital technologies is not only reshaping customer expectations, but has been dramatically redefining the insurance industry since its origins in 1668 in the Lloyd's coffee shop, with risk mitigation via indemnity and with minimum interactions with customers, to being more interactive and seeing risk management as a valuable service to deliver indemnity as a part of risk facilitation.

The Insurance Broker of the Future:

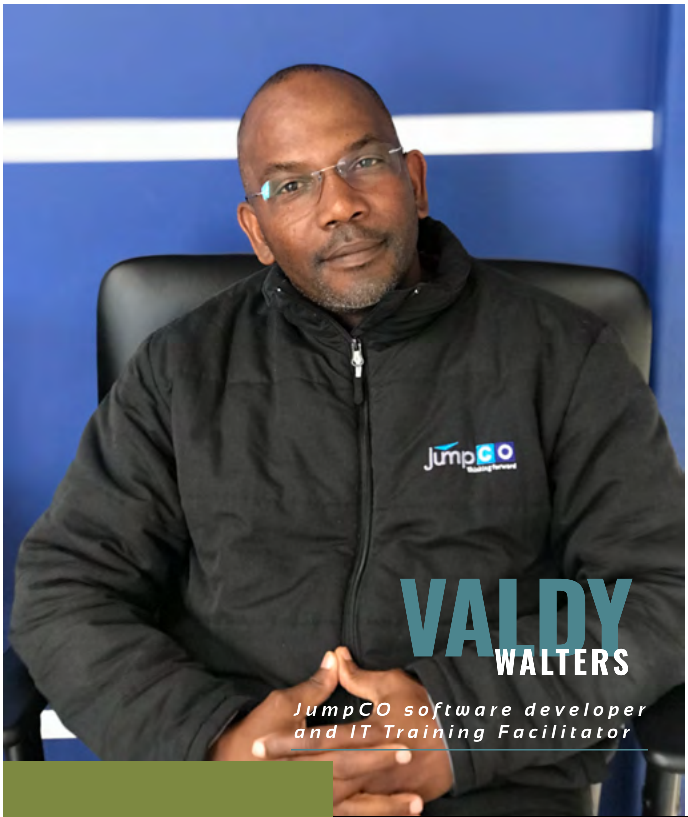
Brokers won't disappear! Their skills and experience will still be critical to many customers seeking independent advice. To remain **truly relevant** in the new, digitised insurance ecosystem will require traditional insurance brokers to become insurance brokers of the future: digitally sophisticated and focusing more on strategic advice in order to deliver the transparency and control that today's connected customer needs. Be an early mover and the rewards can be substantial. Insurance brokers need to understand the full scale and nature of the change they face. New, dynamic entrants – insurer players among them – are disintermediating insurance brokers by using the SME market as a launch pad. The pressure on the insurance broker's top line is already intense. Insurance brokers need to change and reap significant rewards by setting new product and service standards.

Today's insurance customers seek greater risk prevention, ease of doing business, as well as customised and value-adding services. As digital disruption intensifies, insurance brokers will need to protect and defend their core business while also launching new, value-creating strategies. Platform business models can help them to do both.

COVER

TRAINING OUR YOUTH

FOR MEANINGFUL EMPLOYMENT



Valdy Walters, JumpCO software developer and IT Training Facilitator, speaks to us about developing young talent for the jobs of the future.

Tony: It is an interesting combination to be a software developer, but also to be the training facilitator because training is quite a challenging environment. Many people share the opinion that the solution to youth unemployment is to increase employability and that means preparing them for the work opportunities of the future. This is exactly where you guys come in because information technology plays a key role in the future of employment. Please give us your views on that?

Valdy: My view, for starters, is that education that ensures youth employability begins at home. We must give our children the tools and knowledge they will need, and we should then start training them from a tender age in schools.

COVER

That is one point, the second is that companies are now trying to impart technology skills in training, including soft skills, which are unfortunately omitted from education these days. So, at JumpCO we try teaching soft skills as well as imparting technical skills. The challenges are many. We need to combine various subjects to ensure our youth can learn rapidly. Solving unemployment happens as companies create development programmes with a view to embracing school leavers and taking them into apprenticeship or learnership programmes.

Tony: This is because, besides formal education, on the job training and talent development is an effective way to grow talent while people are earning an income, giving us a win-win with so many people who have been unemployed for a long time. What has your experience at IBM and JumpCO taught you about on the job training?

Valdy: I started in my early days as a trainer teaching IBM Message Broker, then moved onto IBM Watson and soon covered a wide array of IBM certifications. We now take our interns on webinars and training sessions organised by IBM, and train young programmers with the skills they'll need to run IBM Cloud Pak for Multi-Cloud Management Solutions. I had the privilege of coding and programming education and I want to share my skills and experience with young people. It taught me to be humble and to adapt my approach and the way I view training, especially for the youth. At JumpCO we believe that on the job training plays a paramount role.

Tony: Coding and programming are very in demand skills, especially when you talk about the youth. The question is whether we have enough candidates with the needed aptitude for this type of career, which comes back to what you said about early development and preparing them. What early development is needed to feed people like yourself, JumpCO and IBM, with the needed candidates to develop?

Valdy: With regards to us getting the best from South African youth, I believe the return of career guidance from educational psychologists and counsellors in high school would be valuable. Youth should be encouraged to follow a vocation, not just think of monetary benefit when making career choices. In other words, finding the right match in a career rather than following the money. We get a lot of young people who believe that coding will make them rich, but they lack the passion to do it and don't possess the numeric skills. They are following the money, rather than their life's purpose. At JumpCO we are motivated by passion and encourage that quality in the youth who come to our programme.

Tony: In closing, what initiatives are JumpCO and IBM currently involved in to achieve the development of youth in the technology environment?

Valdy: With IBM as a Gold Business Partner, we have access to a vast repository of knowledge and IBM resources. We can access important training and offer a splendid variety of courses and training options. We enrol our trainees so that they can easily acquire marketable IBM skills that will stand them in good stead as they strive to become full-stack citizens of the IT world.

Tony: Are you seeing positive results from these initiatives?

Valdy: The results are quite astonishing. Many people have gone through our programmes and have gone on to occupy prominent positions in the IT world. We are proud of them and are especially thankful to the people who were involved. Our partners, our management, our team and all the contributors to the programme work together to ensure that we see good results from our collective hard work.

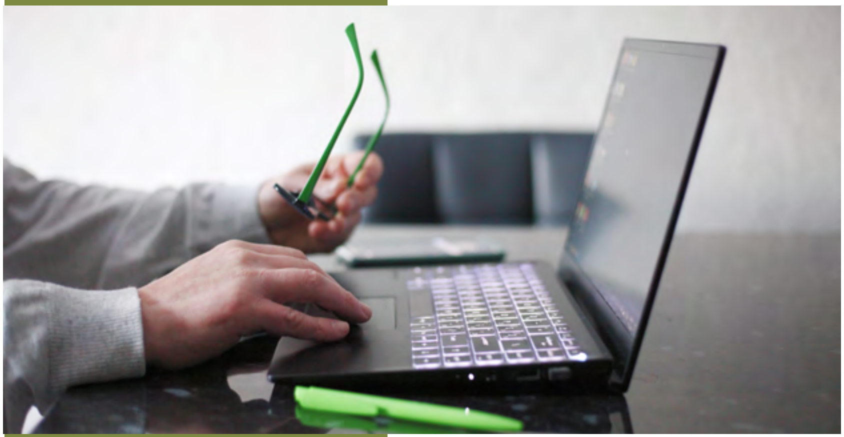
Tony: Yes, it is the responsibility of every employer who has the ability and the resources to do some on-the-job training, development, and mentoring, because with South Africa's unemployment problem everyone has a responsibility to do their bit. So, thank you very much to you guys at JumpCO and IBM for doing your bit.

EVENTS TO LOOK FORWARD TO..

FPI PROFESSIONAL CONVENTION 2022

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

Save the date!



AFRICAN INSURANCE EXCHANGE 2022

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

44th OESAI Conference & AGM 2022

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

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