SURGE IN
Insurance Fraud

MEGATRENDS
Impacting Retirement Futures

MARINE
Insurance Thriving

POTENTIAL
Fallout AI in Insurance

REINSURANCE

Ready for your clients to $AVE A BUCK and sidestep those benefit poachers?
To switch them to Fedhealth, contact us at 0860 002 153 or visit fedhealth.co.za.
SAVE THE BUCK

WITH EVEN GREATER MUSCLE BEHIND THEM, RENASA WILL NOW BE ABLE TO EXTEND ITS FOOTPRINT EVERYWHERE, ARCHIE.
A

THAT'S REALLY GREAT NEWS FOR BROKERS, ROGER.

THE BROKER'S *even better* BEST FRIEND

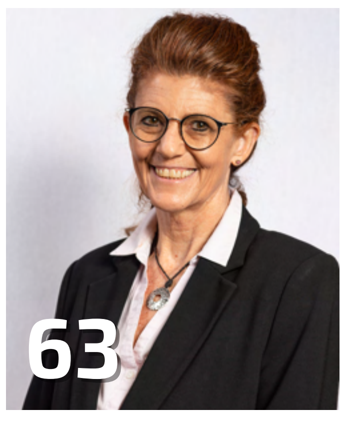
www.renasa.co.za

Licensed non-life insurer and FSP.

MAIN ARTICLES

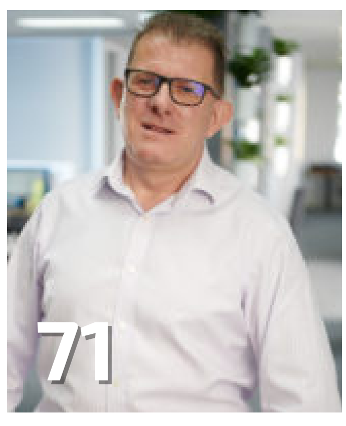
TACKLING THE SURGE IN INSURANCE FRAUD

In an insightful discussion Soul Abraham, Chief Executive for Retail Insurance at Old Mutual Insure, delves into the pressing issue of the rise in insurance fraud and the challenges it poses for the industry.



MEGATRENDS IMPACTING THE FUTURE OF RETIREMENT PLANS

Linda Sherlock, PPS Wealth Executive Head, explores how global aging, the gig economy, automation, digital advancements, ESG investing, and rising healthcare costs are reshaping retirement planning.



SA'S THRIVING MARINE INSURANCE MARKET AND CURRENT TRENDS

Paul March, Director at Horizon, explores trends in South African marine insurance, including digitization, blockchain, climate change and regulatory changes. He emphasizes the importance of tailored coverage.

UNVEILING OPPORTUNITIES & NAVIGATING CHALLENGES OF AI IN INSURANCE

Graham Gordon, Product Director P & C at Sapiens, sheds light on how AI is transforming various facets of insurance operations, presenting both unparalleled opportunities and potential challenges.

COVER PUBLICATIONS P.O. BOX
2030 SUN VALLEY 7985
082 041 0833
TONY@COVER.CO.ZA

WWW.COVER.CO.ZA

CONTENTS PAGE

FINANCIAL PLANNING

BLENDING INVESTMENT MANAGEMENT & TECHNOLOGY 9
EQUITY WINNERS IN A HIGHER-FOR-LONGER INTEREST RATE ENVIRONMENT 11
WHAT'S THE OBVIOUS STORY IN 2023? 13
EXPLORING THE RELATIONSHIP BETWEEN PSYCHOLOGY AND AI IN INVESTMENTS 17
HOW DO PRIVATE EQUITY CO-INVESTMENTS WORK AND WHAT ARE THEY USED FOR? 19
TRUSTS, FAR FROM OBSOLETE 21

REINSURANCE

UNLOCKING RESILIENCE: SOVEREIGN RISK POOLS COLLABORATE TO TACKLE CLIMATE AND DISASTER RISK 25
INSURAMORE GLOBAL REINSURER RANKING 28
NAVIGATING THE STORM: THE IMPACT OF CLIMATE CHANGE ON REINSURANCE 30
SERIES OF BILLION-EURO MARKET LOSSES DUE TO NATURAL CATASTROPHES IN EUROPE 33
EMERGING MARKETS: GROWTH POTENTIAL FOR REINSURERS 37
RISKS ON THE RISE AS HEADWINDS BLOW STRONGER 39
MAURITIUS' INSURANCE MARKET, EAST AFRICA EXPANSION AND THE OESAI CONFERENCE 42

SHORT TERM

EXAMINING THE EVOLUTION OF ESG: ITS ORIGINS AND THE FACTORS CONTRIBUTING TO ITS MOMENTUM 44
BRIDGING THE GAP: THE VITAL ROLE OF SKILLED BROKERS IN CYBER INSURANCE 46
ARE YOU A GOOD DRIVER? PROBABLY NOT TIME FOR A FUNDAMENTAL SHIFT IN ATTITUDES TO ROAD SAFETY 49
SAMBRA DISAPPOINTED WITH SAIA UPDATE ON THE WRITE-OFF REGISTER 51
EXPERT TIPS TO MANAGE FESTIVE SEASON RISKS 53
PROTECTING SOCIETY FROM AN UNPRECEDENTED CYBERATTACK WILL REQUIRE MORE THAN INSURANCE 56
NAVIGATING CHALLENGES AND EMBRACING TECHNOLOGY 57
TACKLING THE SURGE IN INSURANCE FRAUD 59

RETIREMENT

MEGATRENDS IMPACTING THE FUTURE OF RETIREMENT PLANS 61
THE GREAT UNRETIREMENT: WHY WORKING BEYOND YOUR 60S IS THE FUTURE 65

MARINE

CHARTING THE COURSE: TRENDS AND CHALLENGES IN MARINE INSURANCE 69
SETTING SAIL:SOUTH AFRICA'S THRIVING MARINE INSURANCE MARKET AND CURRENT TRENDS 71
GENERAL AVERAGE: COURT HOLDS THAT MORE PROGRESSIVE RULES APPLY 73
FIRES AT SEA 75

TECHNOLOGY

AI ADOPTION ANGST: 9 WAYS LEADERS ARE SUFFERING INADEQUATE IMPLEMENTATION 80
THE AI REVOLUTION UNVEILED: 5 GAME-CHANGING AI TECHNOLOGIES YOU NEED TO KNOW ABOUT 83
THE IMPACT OF TECHNOLOGY ON THE FUTURE OF DIGITAL BANKING 84
UNVEILING OPPORTUNITIES & NAVIGATING CHALLENGES OF AI IN INSURANCE 87

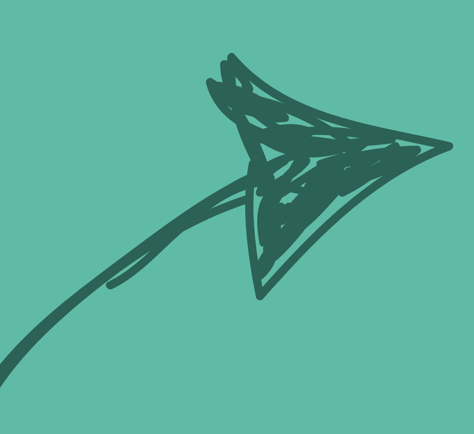
FPI CONVENTION

BACK TO THE FUTURE: IT IS TIME TO SHAPE YOUR OWN 89
THE POWER OF TECHNOLOGY FOR FINANCIAL ADVISERS 91
A FUTURIST'S INSIGHTS ON TECHNOLOGY & ADAPTABILITY 92
CHARTING EXCELLENCE: NAVIGATING THE EVOLUTION OF FINANCIAL PLANNING 93
EMPOWER SOUTH AFRICA'S FUTURE: NAVIGATE THE POLITICAL LANDSCAPE 94
SHAPE OUR NATION'S NARRATIVE: EMBRACE THE POWER OF POSITIVITY! 95
FPI AWARDS EVENING 96
BEST OF BOTH WORLDS IN RETIREMENT: BALANCING GUARANTEES & FLEXIBILITY 101
RESHAPING FINANCIAL WELLNESS 103

EVENTS

A BRIEF SYNOPSIS OF PRESENTATIONS AT THE 13TH ANNUAL FISA CONFERENCE 105
NNAC KLOOF OFFICE OPENING 107
IIKZN GALA DINNER 108
IIWC GALA DINNER 110

Help us shape a sustainable future for the independent broker



Scan the QR code above and have your say!

KNOWLEDGE SHARED

AT COVER, WE ARE ALL ABOUT SHARING KNOWLEDGE, WHICH WE HAVE BEEN DOING SUCCESSFULLY FOR 35 YEARS. (CELEBRATIONS LOADING FOR EARLY 2024).

In an industry loaded with subject matter experts, we are spoilt for choice, and I would like to thank every contributor for sharing their knowledge and helping us in our quest to grow skills in the industry. This year I interviewed more than 60 industry leaders, we brought you more than 600 other thought leadership pieces and added more than two dozen local and global industry reports to our research library. (Visit our Podcastchannel for easy listening in traffic. You will never look back)

The future is digital and mobile

Reading has moved digital, but nobody wants to read a PDF on their mobile. COVER WebMag to the rescue! An innovative, first of a kind, online reading portal where you can read and share any editions of COVER, or any specific article, on your mobile. No more pinching to read or annoying pop-ups on websites while you read your magazine. Try it out, you will love it.

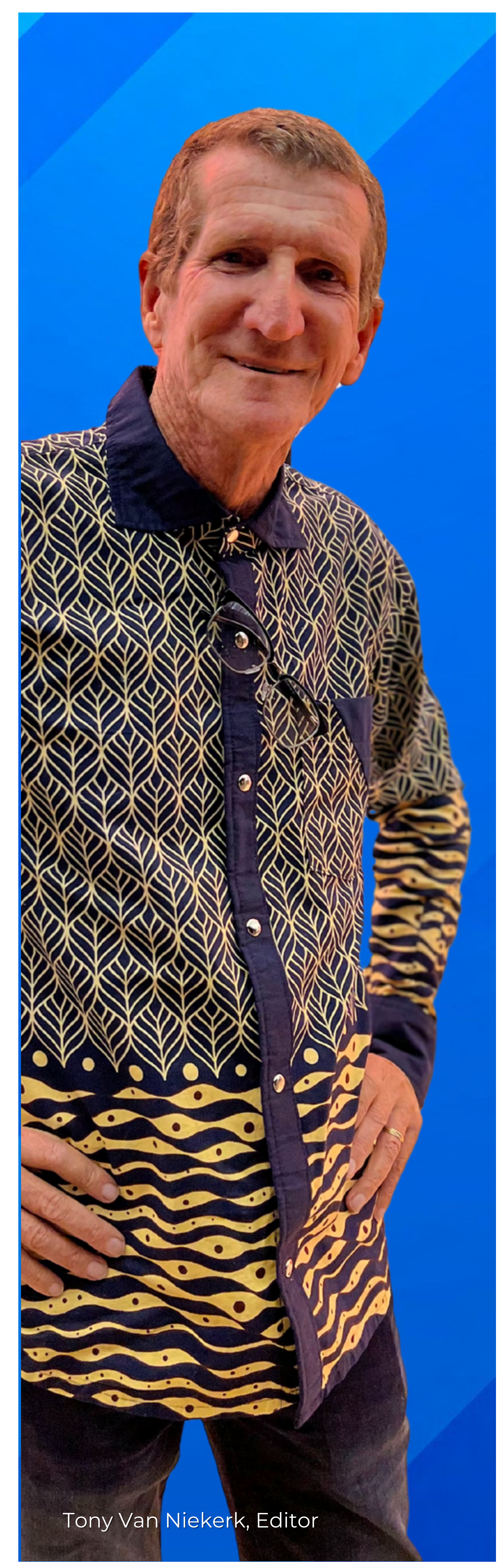
Skills Development

Our underlying strategy with sharing knowledge, is skills development. COVER Learning, our e-learning platform, has seen a brand overhaul, many new courses added, and research function enhanced. We now boast the most comprehensive, industry focused, e-learning platform on the African continent. You can now meet ALL your CPD requirements in one place, have an easy-to-access record of all your CPD certificates and access more than 80 true e-learning courses, covering almost every aspect of the industry, at a ridiculously low price. Visit COVERLearning.co.za for more information.

Africa COVERed

In partnership with the IIWC (Insurance Institute of the Western Cape), we launched our African research initiative, annually facilitating exposure to the rest of the African insurance markets, for a small group of industry leaders. 2024 will see us visiting and researching various aspects of the Rwandan and Kenyan insurance markets, preparing a white paper, and sharing the knowledge gained in an online seminar. Contact us if you would like to join in the adventure and learning.

The only thing remaining for me to do is to thank all our knowledge sharers, readers, and sponsors for their support in 2023. Look out for a refreshed team, bringing you innovative new content in 2024. We wish you a fantastic festive season, celebrating life, faith and the multiple blessings bestowed upon us.


Tony Van Niekerk, Editor

FINANCIAL PLANNING

"The future of investments is not just about data and algorithms; it's about understanding the minds behind the investments."
- Paul Nixon, Head of Behavioural Finance at Momentum

Florbela Yates, head of Equilibrium

BLENDING INVESTMENT MANAGEMENT & TECHNOLOGY

As a discretionary fund manager (DFM), we try to narrow the gap between investment management and advice, which can be quite a complicated process. A DFM needs to have a very good understanding of the way financial advisers give advice, how they segment their clients and what they're trying to solve for. As a DFM, we then build solutions that cater to their clients' specific needs.

For example, if an adviser is looking for a solution for their retired clients, we would jointly agree on the outcome (or the benchmark) that makes most sense for clients that are drawing an income, and then build a portfolio that aims to achieve that over a time period that is aligned to the adviser's advice process. In this example, our primary focus is on capital growth so that income lasts for as long as possible, but we also make sure there's limited volatility in the portfolio so that it doesn't affect the income drawdowns.

Using behavioural finance

We have been using technology to provide a better form of analysis for advisers and their clients. In the past, investment managers and financial advisers may have not spoken as much but now we spend a lot of time trying to understand each other's worlds and analysing the impact of different investment decisions on the client's investment journey. Paul Nixon, our head of behavioural finance, uses client data to analyse the experience that different markets have on how a client behaves – do they stay invested or disinvest? The learnings from this have helped us to show financial advisers the impact different markets have on different types of clients and how to keep clients invested.

Most clients don't achieve their investment outcomes because of their switching behaviour, which we call 'behavioural tax'. For example, this can happen to a conservative investor invested in a portfolio with a level of risk that they are not comfortable with. So, when markets are volatile, they become anxious and disinvest. By trying to time the market, and disinvesting when markets are down, investors lock in a loss. And because they are nervous investors they probably don't get back into the market until there's good evidence that the market has risen. They therefore lose out on a portion of the upside as well. Some of the tools that we have at our disposal make it easier to understand the individual investor and their behaviour.

Using technology in portfolios

We also use technology to analyse the holdings in the portfolio and how the manager gets to those holdings. The different strategies of these different asset managers impact how the returns in each of the funds are felt by the investor. Therefore, when we build a portfolio there are two things we try to do. Firstly, we make sure that we get true diversification in the portfolio. We use tools to look back through different market cycles to see how it panned out for that fund and the impact it would have had on both returns as well as any portfolio draw-downs.

We also look for diversified sources of alpha (outperformance of the benchmark). Technology allows us to do that much more easily. In the past, when you were building a portfolio, you would look at cash, some fixed income, equities, and listed property. Today, we have so many alternative sources of alpha we can include in our portfolios. For example, in our international portfolios, we have an offshore manager that invests in music royalties, which gives you a very good stream of income for income investors.

When constructing a portfolio, you either need a very big team to analyse the data or you need technology, but I'd argue that you probably need a combination of both. At Equilibrium our solutions can help your clients achieve their defined investment goals through personalised portfolios. We become the adviser's investment management team, and therefore, an extension of your practice. Our unique advice-led model portfolios are designed to be efficient and optimised through market cycles, so your clients stay invested and achieve their investment goals. Because partnering with you to enable your advice outcomes, is our business.

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

EQUITY WINNERS IN A HIGHER-FOR-LONGER INTEREST RATE ENVIRONMENT

A higher-for-longer investment narrative has been behind a steep decline in equity markets globally, with concerns that if interest rates stay higher than expected for an extended period, companies, and thus equity markets, will come under significant pressure.

But, as with every cycle, there will be the winners and we pinpoint those we expect to benefit from what could be our "new normal" in the years ahead. For most individuals and companies, higher short-term interest rates are a bad thing. At a very basic level, increases in central bank official interest rates (called the repo rate in South Africa) are designed to slow the economy down. However, this is a cyclical phenomenon. Even if the SA Reserve Bank (SARB) is rigorous in sticking to its inflation target of 3% to 6%, there will always be periods where inflation overshoots and interest rates need to rise to bring inflation brought under control again.

Markets are forecasting a structural increase in interest rates

Unfortunately, the current rise in interest rates looks increasingly like it is not contained to the short-term. Year to date, in South Africa long-term interest rates (or the cost at which the South African government borrows money for 30 years or longer) have also begun to rise. During the first week of October, this yield had increased from 11.4% to 13%. A similar situation unfolded in the US, Europe, and the UK. In the US, yields increased from 4% to 4.9% - a 15 year high. This means the market is beginning to price in the possibility of higher structural interest rates either based on the belief that inflation is set to remain higher for longer than expected, financial markets perceiving sovereign (country) riskiness as having increased, or a mixture of both.

If structurally higher interest rates are with us for a while and we know that this creates a climate that doesn't favour most companies, where can equity investors find refuge from potential declines? Are there companies that not only tread water but do well when interest rates rise? Fortunately, the answer to this question is yes but also in this grouping of shares there are even some ideal investment candidates because their share prices don't reflect their rosy prospects.

Kyle Wales is a portfolio manager at Flagship Asset Management

A high interest rate environment favours financials

A good place to start when looking for companies that are likely to withstand, or even benefit from, a structurally higher interest rate environment is amongst banks and insurers. For banks, higher interest rates can either be a blessing or a curse. When interest rates are high, they may experience credit losses if borrowers run into trouble. However, if they have lent prudently and put sufficient money aside (in the form of provisions), they can actually benefit from higher interest rates because of the "endowment effect". This refers to the fact that when interest rates go up banks earn more interest on their assets (for example, mortgage holders have to pay more on their mortgages because they are linked to the prime rate – currently 11.75% in South Africa) while there isn't a lock-step increase in the interest expense they pay on their liabilities (for example, you still earn little to no interest on your current account).

Insurers, on the other hand, are clear beneficiaries as they don't have to worry about increases in credit losses. Short-term (property and casualty) insurers typically earn revenue from two sources firstly from their underwriting margin (calculated as the premiums they collect minus their claims and expenses) and secondly from the financial income they earn on their float, the money accrued from premiums that has yet to be paid out in claims. The higher the interest rate, the more interest the insurer earns on this pot of money. Another type of insurer that benefits is an annuity provider.

A fixed annuity (not to be confused with a retirement annuity) is a financial product where you receive a fixed regular income for the rest of your life in exchange for an upfront premium (typically you exchange your pension pot for a fixed annuity). In essence, you pass the risk of running out of money before you die onto the insurer. The size of that regular income stream depends on the yield your pension pot generates when it is paid over to the insurer. When 30-year government bond yields in the US were 1%, you would need a very large pension pot to earn a sufficiently sized regular income. At current interest rates, annuities are beginning to look far more attractive resulting in an increase in new business volumes for annuity underwriters. You can gain exposure to this theme through Pension Corporation, which is Reinet's largest asset, accounting for 50% of its net asset value (NAV). However, a purer way to gain exposure is through Legal and General, which has the added benefit that you don't have to pay a base management fee of 1% of assets under management (AUM) per year before performance fees.

Highly levered companies may see their debt inflated away

Another place to look for potential beneficiaries are companies with resilient revenue streams and large amounts of debt at fixed interest rates. These companies are beneficiaries of high inflation (which is often the cause of high interest rates) because it inflates away their debt. An example of this is AB Inbev. AB Inbev's net debt to EBITDA peaked at 6.6X when they acquired SAB Miller but 95% of this debt is at a fixed rate, with a weighted average maturity of 15 years. We believe this stock offers compelling value at 16X forward earnings.

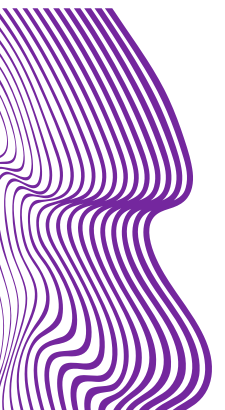
Commodities also perform well in a high inflation and interest rate environment

Finally, there are commodity companies, which are not beneficiaries of high interest rates per se, but they are beneficiaries of high inflation, which is often the cause of high interest rates. A UBS report showed how different asset classes behaved when developed world inflation exceeded 5% and found that the top three performers were oil, gold and other commodities, in that order.

Since 1970	US equities total return, yoy	US bonds total return, yoy	US REITs, yoy	Real Estate Index, yoy	GSCI Commodity Index, yoy	Brent Oil, yoy	Gold, yoy
>5	5.19%	5.29%	9.41%	8%	20.10%	39.07%	21.39%
Ranking	*7*	*6*	*4*	*5*	*3*	*1*	*2*

Source: Bernstein

While high interest rates are not an ideal outcome for the broader economy and the stock markets, and a source of stress for many, investors should not lose sight of the fact that every economic climate provides opportunities and the resultant financial market conditions offer potential winners for those who dig deeper.



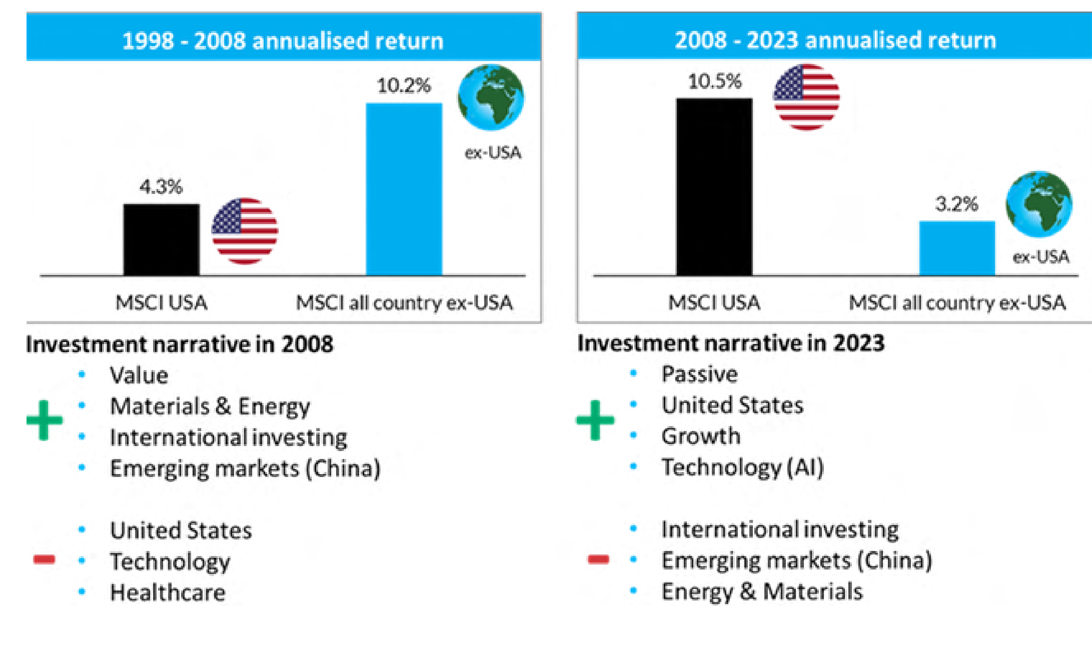
WHAT'S THE OBVIOUS STORY IN 2023?

Philipp Wörz, Fund Manager at PSG Asset Management

Imagine for a moment you are an investor in early 2008 questioning the value of the US dollar as a store of value, having seen the dollar index decline 40% from 2001 to an all-time low in March 2008. Over the decade ending March 2008, returns from US stocks (as measured by the MSCI USA Index) had been lacklustre, delivering a total return of 4.3% per annum. International stocks, as measured by the MSCI All Country World ex-USA index (MSCI ACWI ex-USA), on the other hand, handsomely outperformed the US market by 6% per annum for an annualised return of 10.2%.

The rise of China and other emerging markets, and wildly speculative property markets contributed to the materials, energy and real estate sectors dominating the decade's return tables to 2008, while communication services, information technology (still recovering from the bursting of the dotcom bubble) and healthcare were at the back of the pack. Unsurprisingly, the popular narrative of how to invest at the time was to shun the US and technology stocks and buy anything related to China and materials stocks, in particular.

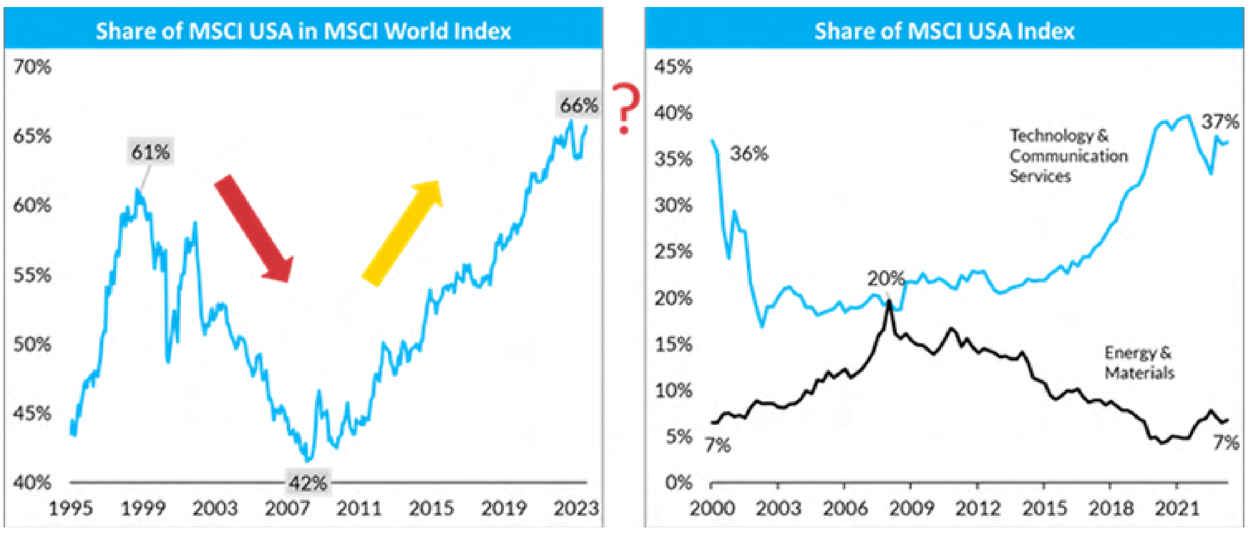
Fast forward to today and the tables have turned. The US market has been the gift that kept giving since the Global Financial Crisis (GFC), while China has gone from darling to ugly duckling. A swift recovery from the GFC, excessively loose monetary policies favouring growth assets, troubles abroad (European credit, Brexit, lost decade for emerging markets, etc.) and more recently the continued dominance of 'big tech', meant that the American market and the US dollar were the places to be. Isn't it all so obvious, in hindsight?! Since March 2008, the US stock market has outperformed international markets by over 7% per annum with information technology and healthcare the top performers, while previous high-fliers, materials and energy, languished – nearly the mirror opposite of the experience from 1998 to 2008.



Sources: Bloomberg and PSG Asset Management, total annualised returns 30 September 1998 – 31 March 2008, 31 March 2008 – 31 August 2023

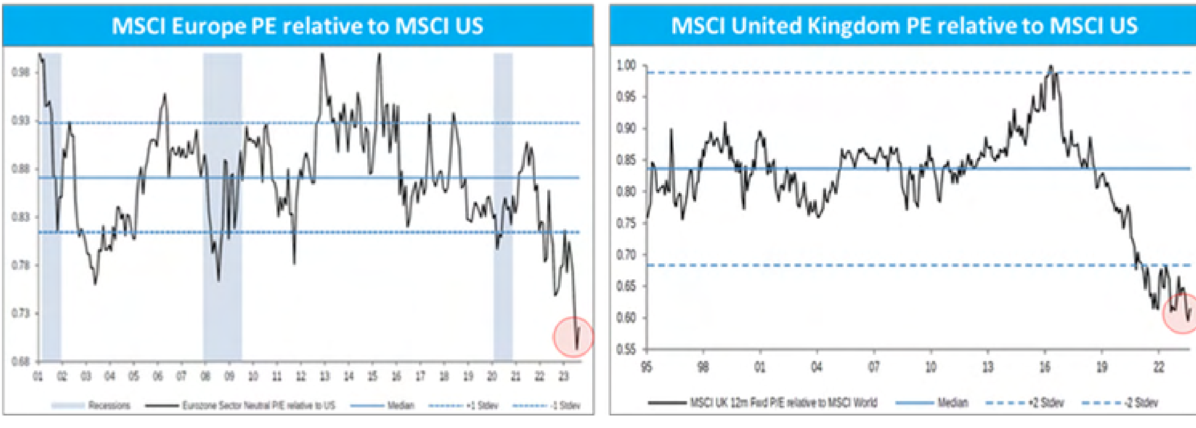
Given this backdrop and investors' tendencies to extrapolate long term trends, it is not surprising that the winners of the past (US-focused indices and areas benefitting from the latest technology trends, such as artificial intelligence (AI)), dominate investors' portfolios and passive indices today. Why would anyone want to invest in areas other than the US and tech, given the resilience of the world's largest economy and continued dominance of the world's largest tech platforms? The positioning of passive indices bears this out, as seen in the graphs below: the share of the United States in the MSCI World Index is back to historically high levels. Interestingly, within the MSCI USA index, information technology and communications services account for 37% of the index while energy and materials are less than 7%.

INDEX COMPOSITION



Sources: Bloomberg and PSG Asset Management. MSCI USA market cap as % of MSCI World market cap; MSCI USA sectors as % of MSCI USA market cap, data to 31 August 2023

We have written extensively about the market inflection brought about by the Covid-19 pandemic and the beginning of the process to unwind the significant market distortions built up over previous decades. The end of the disinflationary environment and a four-decade bull market in bonds, coupled with significant under-investment in the real economy over the past decade, an energy transition and the need to build supply chain redundancy given the volatile and uncertain geopolitical environment, suggest the future is likely to look very different to the post-GFC period. Interestingly, some of the likely net beneficiaries of a changing environment - stocks outside the US - are trading at the largest valuation discount seen in decades, as shown below



Sources: Datastream, IBES and JPMorgan

It is impossible to consistently predict the future and successful long-term investing is not about knowing exactly what will happen next. Rather, it is about assessing where the odds of success are stacked in your favour and allocating capital accordingly, while keeping an open mind. When looking back in a decade's time, is it likely that your portfolio would have benefited from the great next 'obvious story'? An investment manager like PSG Asset Management, which seeks underappreciated quality trading at depressed valuations on a global basis, is well placed to uncover hidden gems that help tilt the odds of long-term success in the investor's favour. Those already familiar with our thinking would not be surprised that we are currently finding opportunities in international equities outside the US and in real asset sectors, such as energy and materials.

Why My Glass?

We Are **Clear** About Service

Mobile Service

My Glass comes to you, offering convenient on-site solutions.

Versatility

Not just vehicle glass, My Glass also specializes in building glass repairs and replacements.

Custom Claims Management

Experience seamless incident reporting with My Glass Bordereau, our bespoke online claims management system.

Extensive Stock

My Glass boasts the widest range of available stock, ensuring prompt service.

TESTIMONIALS

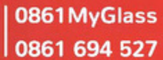
COMING SOON

PODCASTS

ABOUT US

Partner With Us

REGISTER AS A BROKER



0861MyGlass
0861 694 527

EXPLORING THE RELATIONSHIP BETWEEN PSYCHOLOGY AND AI IN INVESTMENTS

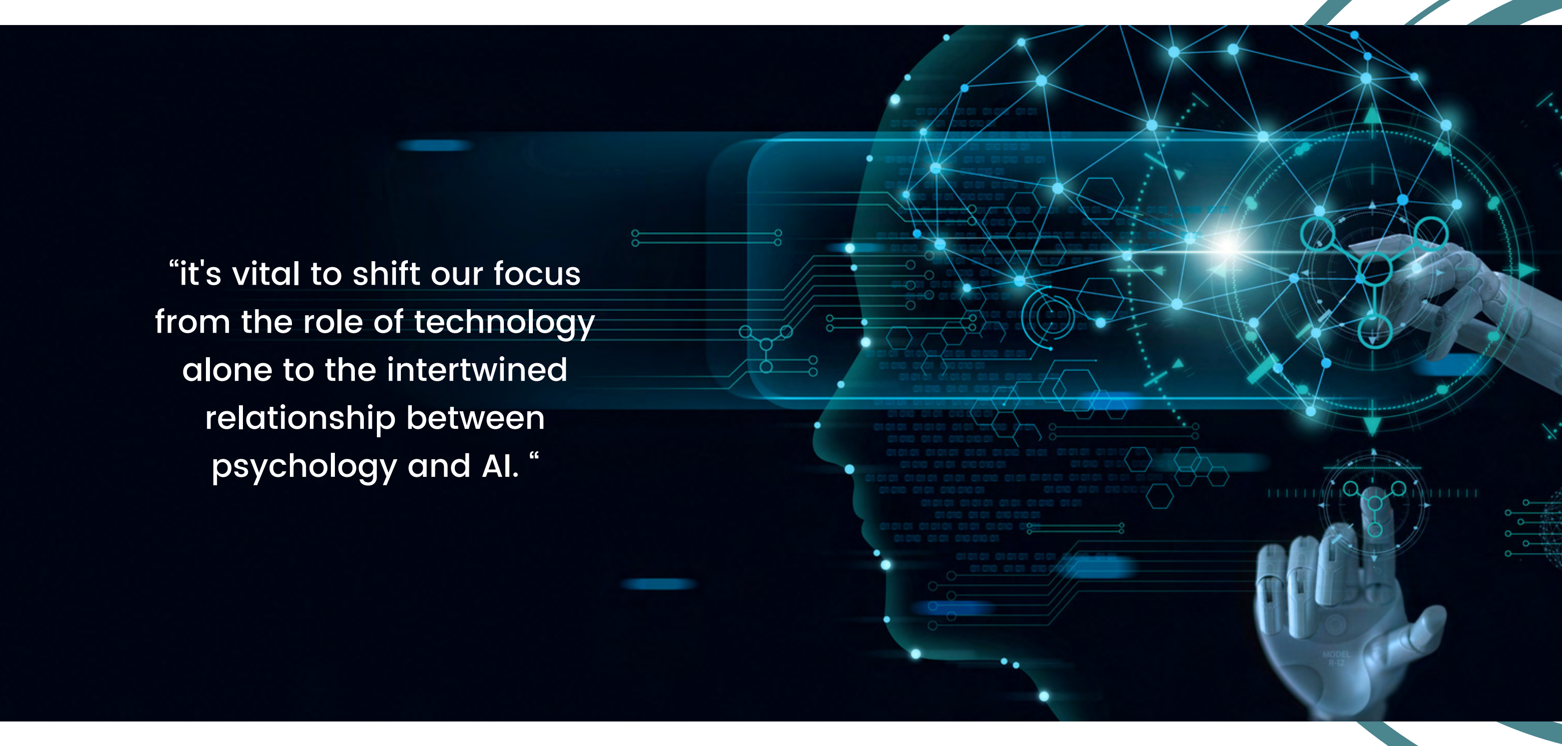
Paul Nixon, Head of Behavioural Finance at Momentum

Paul Nixon, Head of Behavioural Finance at Momentum, explores the relationship between psychology and AI in investments.

In the wake of the widespread adoption of revolutionary artificial intelligence (AI) tools like ChatGPT, the realm of AI has rapidly advanced and filtered through to various industries. From healthcare to marketing, AI's impact is undeniable. AI has emerged as a game-changer in the realm of investments, but its relationship with psychology is equally intriguing. At first glance, psychology and AI might seem worlds apart, but they share a crucial commonality: their reliance on data collection and analysis to predict outcomes.

The interplay between human behaviour and financial markets underscores the significance of this convergence. The psychology of money delves into how our attitudes, beliefs, and emotions surrounding money shape our financial behaviours. As AI algorithms sift through vast datasets, they identify patterns that provide profound insights into investor sentiment and behaviour. When it comes to investments, AI transcends the boundaries of conventional methods.

The capacity to classify underlying emotions, such as fear or enthusiasm, and predict investor behaviour is where AI excels. Take the recent advancements exemplified by GPT-4, a testament to how rapidly AI is evolving. These advancements aren't limited to technology alone; they extend to understanding the intricate human psyche. It is no secret that money wields power over our emotions and decisions. The psychology of money unearths the intricacies of our relationship with finances.



Amidst the rapid technological strides, it's vital to shift our focus from the role of technology alone to the intertwined relationship between psychology and AI. Machine learning, the driving force behind AI’s capabilities, has enabled the capturing and analysis of vast amounts of investor data. This data serves as a goldmine of insights, uncovering trends and enabling predictions that wouldn't have been possible without AI. Investors are a diverse group, each with their own unique behaviours and tendencies that influence their decisions.

Recognising these archetypes is crucial for both AI and human investors. Using AI and psychology can lead to understanding the below investor types:

- Market timer: This archetype succumbs to herd mentality, acting based on prevailing market trends. They often fall prey to emotional surges during market crashes or surges.
- Assertive investors: These individuals thrive on identifying the next big investment trend. They exhibit a proactive approach and aren't afraid to take calculated risks to secure substantial gains.
- Anxious investor: Anxious investors are cautious and risk-averse, particularly in volatile markets. However, their reluctance to take risks might lead them to miss out on potential recoveries.
- Avoider investor: This group prefers conservative, low-risk investments. Surprisingly, they might be open to risk-taking in non-financial aspects of their lives.

The synergy between psychology and AI is reshaping how we navigate financial markets. The power of AI lies not only in its technological prowess but in its ability to decode the intricacies of human behaviour. As we move forward, recognising the symbiotic relationship between these two realms will undoubtedly lead to more informed, strategic, and empathetic investment decisions. The future of investments is not just about data and algorithms; it's about understanding the minds behind the investments.

HOW DO PRIVATE EQUITY CO-INVESTMENTS WORK AND WHAT ARE THEY USED FOR?

Richard Damming, Senior Investment Director at global asset & wealth manager at Schroders

Private equity is an increasingly attractive area for investors who want to diversify their portfolio. While it is a well-known sector for many institutional investors, it is less so for individual investors. Investing in private equity requires an understanding of some key risks - such as illiquidity - but it also requires specialised knowledge of routes to market. Typically, a private equity programme is focused on investing in a fund. These funds may target particular market segments or sectors which can at times, limit the market opportunity. Another way to invest in private equity is through a co-investment strategy, which can help to access more opportunities and at a lower price than investing though a fund.

What is a co-investment?

Co-investments provide Limited Partners ("LPs"), such as pension funds or asset managers, with the opportunity to invest directly into businesses alongside General Partners ("GPs"), like a private equity company. This way of investing can provide a higher diversification across managers, sectors, strategies and geographies and even a higher degree of selectivity when assessing deals, compared to other approaches.
Co-investing also gives the opportunity to engage more actively with the companies, such as on sustainable practices and behaviours.

Co-investing in times of crisis

In times of crisis, co-investments have the ability to invest at lower entry valuations and attractive terms. Historically, investors have been reluctant to sell immediately post crisis to avoid the down-market. And in times where liquidity in the market is scarce and merger and acquisitions (M&A) activity drops, having a close relationship with an expert GP that has insights in a certain industry can lead to better deals with lower competition and better execution. Crises such as Covid-19 or the war in Ukraine have impacted different areas of the economy. For example, the Covid-19 crisis has accelerated many changes in consumer behaviour, giving a strong boost to digital products and services, and also highlighted the resilience of the healthcare and business to business (B2B) technology sectors.

These areas provide attractive growth opportunities, albeit likely at premium valuations. Other resilient sectors, which may not have directly benefitted from the crisis but have held up well, also present attractive opportunities. Overall, the effects of a crisis could represent a strategic premium for those businesses insulated from the cyclical downturn. Robust companies or those with counter-cyclical qualities will likely be in high demand, as investors look for businesses that can insulate themselves from future crises.

Fit for the future

Looking forward, there are certain features we are focusing on in our private equity co-investments. Firstly, we look at companies that can be resilient to future crisis, such as those 'mission critical' businesses, meaning those that sell a product or a service that customers cannot operate without. These are companies that have long-term growth prospects supported by megatrends such as aging population, energy transition, or hard-to-find, specialist skills. In terms of market cap, we believe small and mid-sized companies in European family businesses can offer more opportunity for growth.

We believe they can also benefit the real economy and are more attractively valued than larger companies. In the buyout space, small and mid-companies are less reliant on the availability of large debt packages and financial engineering to support returns and their transformation (investing in new systems and technology, hire new management). This makes them less dependent on the global capital markets, and therefore, they are less correlated with market returns.

For all insurance solutions related to the commercial, agricultural, engineering and sectional title sectors contact your broker, or call **Western: Western Cape** +27 21 914 0290, **Gauteng** +27 12 523 0900 or visit **www.westnat.com**

Western National Insurance Company Ltd, affiliates of PSG Financial Services Ltd, a licensed controlling company, are authorised financial services providers. (FAIS: Juristic Reps under FSP 9465)

TRUSTS, FAR FROM OBSOLETE

Seugnet Moggee, Fiduciary Partner at Citadel

Locally, as trust compliance becomes more complex and trusts become more costly to administer, their value is increasingly being questioned. However, a trust's worth extends beyond its financial benefits, and as such, they are still very relevant tools to use in a well-crafted estate plan, especially for high-net-worth families.

People can make trusts work for them despite the latest developments in trust legislation following South Africa's greylisting by the Financial Action Task Force (FATF) earlier this year.

Never only a tax consideration

In the past, trusts were not even subject to tax. However, this has not been the case for a long time and with the increased development of and focus on the laws around the taxation of trusts, any planner who established a trust purely for tax benefits is going to be sorely disappointed. Here are a few examples of how laws have changed, and it is important that you talk to your fiduciary specialist about all the current laws that impact trusts.

In the area of taxation on trusts, we saw a few important developments in the addition of section 7C to the Income Tax Act. This has created tax implications for funding trusts through low-interest or no-interest loans. While there are still benefits to establishing a trust for the benefit of your family's estate and legacy planning purposes, they are more complex to administer than they used to be. More recently, changes to the Financial Intelligence Centre Act and the Trust Property Control Act have impacted on the complexity of administering a trust, which will likely impact on the costs.

Leading up to South Africa's greylisting by the FATF in February 2023, the South African government amended various laws which impacts trusts. Due to the FATF's mandate of curbing money laundering and the proliferation of terrorist financing, the new laws, amongst other amendments, require full disclosure to the Master of the High Court of the trust's beneficial owners, which includes the donor, trustees and named beneficiaries. This added administrative burden may make the running of trusts more expensive as service providers charge for this additional compliance.

Seven ways to make trusts work for you

Despite these regulatory changes, trusts remain a valuable estate and legacy planning tool, especially for families concerned with generational wealth. This is because trusts offer numerous asset protection capabilities for families.

1 - **Protection against loss capacity**

With people living longer, trusts are valuable tools in instances where an individual may lose their capacity to act, for instance if dementia or any illness hinders them from managing their own financial affairs. Trusts ensure that not only are the planner's interests looked after, but also that all beneficiaries are cared for if the person responsible for handling the family finances is no longer able to.

2 - Protection of minors

Trusts are encouraged for parents with children or grandparents with grandchildren under the age of 18 who are not able to inherit. Upon the death of the parents, a testamentary trust will be formed where the nominated trustees will take control of the assets in the best interest of the children until they reach a specific age, as decided by the parent.

3 - Estate & legacy planning

Assets in a trust are not subject to the estate administration process as they do not belong to an individual, so heirs and beneficiaries can get access to funds without the delays associated with the winding up of estates.

4 - Flexibility

Trusts offer flexibility on how assets are used to meet the unique needs of the beneficiaries.

5 - Protection of assets from creditors

Assets in a trust are protected from any claims by creditors or legal claims, meaning that family wealth can be protected. Note that loan account claims or awards that have been vested in beneficiaries are assets in the hands of the individual and could be attached.

6 - Privacy

Once lodged with the Master of the High Court, a will becomes a matter of public record, whereas assets in a trust remain private and no-one, except interested parties such as the trustees and beneficiaries have access to details of its value.

7 - Continuity

Trusts allow assets to be managed in a consistent and ongoing manner. Unlike offshore, where trusts cannot exist in perpetuity, in theory there is no time limit to trusts in South Africa. They can continue to operate indefinitely if there are assets and beneficiaries.

Review your trust if you have a global family

When the beneficiaries of a trust emigrate and change their tax residency, there are various implications for the trust, and it is essential to obtain appropriate, qualified advice if this is the situation in your family. Depending on where the beneficiaries emigrate to, they may need to be removed as beneficiaries entirely.

Seek professional advice

Remember, trusts are tools that are used to mitigate risk to an individual's and their family's generational wealth. They are not tax tools. It is essential that families seek professional advice before setting up a trust, because not only are they complex, but mistakes can have negative implications for loved ones and may even carry severe legal consequences for non-compliance.

More time for your clients.

Equilibrium is a discretionary fund manager that brings balance into your advice practice.

We enable you to do what really matters.

That is the power of balance.

eqinvest.co.za

Equilibrium Investment Management (Pty) Ltd (Equilibrium) (Reg. No. 2007/018275/07) is an authorised financial services provider (FSP 32726) and part of Momentum Metropolitan Holdings Limited, rated B-BBEE level 1.

REINSURANCE

"The increased frequency and severity of weather-related incidents play a pivotal role in reshaping the reinsurance landscape."

- Lawrence Nazare, CEO of Continental Re

UNLOCKING RESILIENCE: SOVEREIGN RISK POOLS COLLABORATE TO TACKLE CLIMATE AND DISASTER RISK

In an effort to address the growing challenges of climate change and natural disasters, a recent summit held on October 5, 2023, brought together the heads of key sovereign risk pools and various stakeholders from across the globe. This event, organized by the Centre for Disaster Protection and Gallagher Re resulted in the signing of a joint Memorandum of Understanding (MoU). The summit served as a platform for strategic engagement, collaboration, and the formulation of innovative solutions to enhance the capacity of sovereign risk pools.

The summit welcomed CEOs and senior advisors from organizations such as African Risk Capacity Limited (ARC Ltd) the Pacific Catastrophe Risk Insurance Company(PCRIC), the Caribbean Catastrophe Risk Insurance Facility(CCRIF SPC), and the Southeast Asia Disaster Risk Insurance Facility(SEADRIF). These entities together form the Sovereign Risk Pools, which have been established to serve the sovereign climate and disaster risk insurance objectives of nearly 100 nations globally. This initiative aims to secure access to financial resources before a disaster strikes, allowing countries to respond quickly to emergencies and mitigate their impact on people and livelihoods.

By pooling risks in a diversified portfolio and retaining some of the risk through joint reserves, countries can transfer excess risk to the reinsurance and capital markets, thereby enhancing their financial resilience. One of the main challenges discussed at the summit was the cost of re/insurance, which remains a significant obstacle. Representatives of the insurance industry engaged in extensive discussions to explore solutions and share best practices. The joint efforts and enhanced collaboration discussed at the summit aim to make risk coverage more affordable for countries.

The sovereign risk pool executives have agreed to cooperate under the joint MoU, with a focus on several key principles:

1. Defining Development Insurance Programs: The pools will establish principles that define insurance programs to promote development, including protecting vulnerable populations and supporting Sustainable Development Goals (SDGs).

2. Accelerating Innovation: The collaboration will drive innovation in disaster risk financing to make it more efficient and responsive.

3. Expanding Access: The aim is to expand access to disaster risk finance for the public benefit, ensuring that more countries can access the resources they need to respond to disasters effectively.

4. Seeking Capital: The pools will actively seek the necessary capital to achieve global scale in their operations. Furthermore, the summit attendees confirmed a shared interest in exploring the establishment of a joint reinsurance facility. This facility would facilitate global risk transfer access to global capital markets, providing an additional layer of financial support to enhance the insurance offerings to countries.

Ms. Hien Anh Than, Executive Director of SEADRIF Insurance Company, emphasized the importance of collaboration in strengthening financial protection against increasing climate risks. She highlighted that working closely with partners in the global family of sovereign risk pools is crucial in these efforts. The collaboration will extend to the development of parametric models and the exploration of meso-micro and replica schemes to complement sovereign-level risk transfer. ARC Ltd. CEO Lesley Ndlovu expressed his enthusiasm about this cooperation, citing the pool's expertise in these areas.

CEO Mr. Aholotu Palu of PCRIC expressed the commitment of his organization to providing cost-effective, bespoke parametric insurance products and actively engaging with other regional risk pools. This collaborative approach equips them with practical knowledge to develop impactful risk mitigation solutions.

Antoine Bavandi, Global Head of Public Sector & Climate Resilience Solutions at Gallagher Re, emphasized the critical role of sovereign risk pools in closing the protection gap. He expressed Gallagher Re's commitment to supporting the sustainable growth plans of these pools in collaboration with donors and development partners.
The Sovereign Risk Pool summit in London marked a critical milestone towards a more holistic and collaborative approach to climate and disaster risk finance. The outcomes of this summit promise a brighter future for disaster-prone nations by strengthening their financial resilience and enhancing their ability to respond effectively to emergencies.

ELLGEO RE
Local • Global • Optimal

Chartered Insurance Institute
International Professional Partner Firm

Our vision is to be a leading solutions provider for insurance and reinsurance in Sub-Saharan Africa

20 YEARS
of operation

18
Team Members

80+ Years
combined experience of Management team

Broker to **Top-Tier** Insurance companies

Working with
100+
reinsurers

Operations in
Mauritius & Kenya

USD 15M
Volume of premium handled

Forms part of **IBL Group** which is the largest conglomerate in the Indian Ocean and is listed on the Stock Exchange of Mauritius

+230 660 1771 | www.ellgeo.com | contact@ellgeo.com

INSURAMORE GLOBAL REINSURER RANKING

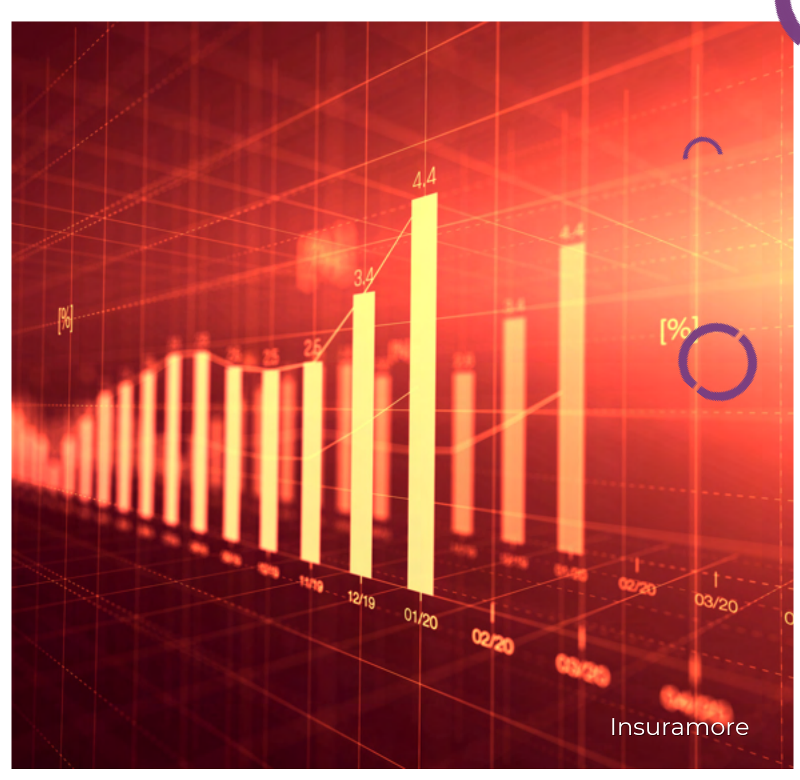
According to global rankings updated recently by Insuramore, and taking into consideration all forms of reinsurance cover, reinsurance premiums assumed worldwide (see definition overleaf) amounted to a value of around USD 500 billion in 2022.

This represented an increase of approximately 40% relative to 2019 or a compound annual growth rate over the time frame of just under 12%. Notably, these figures contrast with a 12% outright rise in the value of the world's total direct insurance market between 2019 and 2022, converting to a compound annual growth rate of just under 4%.

The superior growth of the reinsurance sector in recent years may be attributed in part to the rapid expansion of several groups specialising in life and annuity reinsurance. In fact, groups active only in this arena – whose activity may also include some health reinsurance – made up five of the top 20 reinsurance groups globally in 2022.

These were Great-West Lifeco (incorporating Canada Life Re), Global Atlantic Financial Group (belonging to private equity firm KKR), Legal & General, RGA and Talcott Resolution (belonging to Sixth Street, another private equity firm).Moreover, life and annuity reinsurance specialists accounted for 30 of the world's top 150 reinsurance groups as measured by reinsurance premiums assumed.

Overall, and while it is difficult to be precise due to a general lack of transparency in reinsurers' reporting in respect of how they classify health reinsurance, P&C (non-life) reinsurance is likely to have accounted for between 54% and 60% of the global value of around USD 500 billion in total reinsurance premiums assumed in 2022 with the rest due to life, annuity and health reinsurance.



Apart from the cohort of fast-growing life and annuity reinsurance specialists, which include Monument Insurance Group as well as some of the organizations referenced above, other reinsurance groups in the top 150 achieving a compound annual growth rate of more than 50% in their premiums assumed between 2019 and 2022 included the following:

- Apollo Global (in the wake of its having taken full control of Athene Holding in 2021, adding to its pre- existing ownership of Aspen Re)
- Ark Insurance Holdings (itself bought by White Mountains Insurance Group in 2021)
- China Pacific
- Convex Group (which launched in 2019); and
- Covéa (following the completion of its purchase of Partner Re in 2022).
- At the other end of the spectrum, as many as 20 of the world's top 150 reinsurance groups experienced a contraction in their premiums assumed between 2019 and 2022 which illustrates that the reinsurance sector is not characterised by one-way traffic.

Insuramore is a provider of marketing services and related consultancy with a primary focus on the insurance sector. (see www.insuramore.com/services) For Insuramore's insurance provider rankings, see www.insuramore.com/rankings

South Africa

admin@mukfin.com

+27 10 210 7093 | +27 11 886 0667

Unit 4, Arma Office Park, 27 Bond Street,
Ferndale, Randburg, Gauteng, South Africa

www.mukfin.com

Botswana

admin@mukfin.com

+267 74 002 617

Plot 50371, Fairground Office Park
Gaborone, Botswana

www.mukfin.com

NAVIGATING THE STORM:

THE IMPACT OF CLIMATE CHANGE ON REINSURANCE

Lawrence Nazare, CEO of Continental Re

Climate change is no longer a distant threat; it's a reality reshaping the landscape of industries worldwide. Among those significantly affected are the insurance and reinsurance sectors. We are seeing the profound impact of climate change on reinsurance, both globally and within Africa.

The Unprecedented Ferocity of Climate Change

The unexpected severity and intensity of climate change events challenges the gradual and innocuous expectations held in the past. The increased frequency and severity of weather-related incidents play a pivotal role in reshaping the reinsurance landscape. The industry was unprepared for the scenarios unfolding today, rendering existing costing models obsolete.

The Changing Dynamics of Catastrophe Insurance

The escalating severity of climate change-related events has driven catastrophe insurance costs "through the roof." The traditional private sector approach to insurability is being questioned, with a growing realisation that certain categories may no longer be viable for private risk transfer. In regions like North America, insurers are withdrawing from providing coverage due to the disproportionate impact of events like flooding and fires on their balance sheets.

Globalization of Catastrophe Risk

Evaluating the evolving nature of catastrophe risk that is transcending geographical boundaries, climate change has turned once considered low-risk regions into potential hotspots, challenging the concept of excluding territories from the global catastrophe pool. The global community is now contributing collectively to the same pool, resulting in a higher cost of providing catastrophe insurance and reinsurance.

WE'RE COMMITTED TO PUTTING OUR CUSTOMERS FIRST.

Focusing on our customers to deliver the best results.

Everyone at Continental Reinsurance has a passion and commitment to developing ambitious products and growing local markets. As an institution that's respected across the continent, we understand that it is consistently high performance, commitment to the industry and dependability that will help us become Africa's most responsive reinsurer.

www.continental-re.com
Pan-African commitment made local

Lagos | Douala | Nairobi | Abidjan | Tunis | Gaborone

The Trickle-Down Effect on Insured Individuals

The increased cost of catastrophe insurance and reinsurance inevitably trickles down to the insured individuals. The risk must be spread across a wider spectrum, impacting the average person on the street. This shift prompts a re-evaluation of how societies approach and manage climate-related risks.

The Evolving Role of Reinsurance

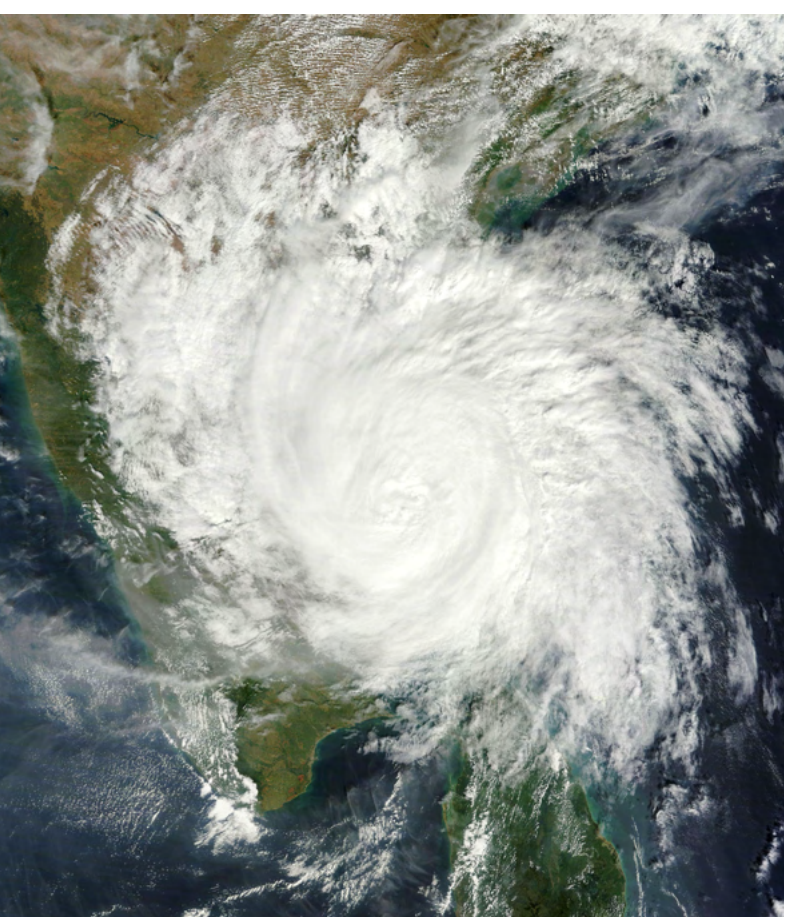
Historically reactive, reinsurance is now poised to play a proactive role in shaping society's resilience to climate change. The wealth of information accumulated by the reinsurance and insurance sectors over the years. This knowledge can contribute to the formulation of adaptation initiatives, building codes, and construction standards that enhance community resilience.

Collaboration for a Sustainable Future

An essential element is the need for collaboration between authorities, regulators, industries, and the reinsurance sector. As climate change renders certain risks uninsurable for private entities, a multi-pronged approach, akin to the public-private partnership (PPP) model seen in South Africa and Namibia, is crucial. The conversation should revolve around creating models that not only protect the insurance sector from indeterminate risks but also ensure rapid recovery for affected communities.

In conclusion

In an era where climate change is reshaping the dynamics of risk, the insurance and reinsurance industries face unprecedented challenges. There should be urgency for collaboration, proactive risk management, and the evolution of insurance models to navigate the storm of climate change. **As we witness the transformation of catastrophe risk on a global scale, the role of reinsurance becomes pivotal in fostering resilient communities and ensuring the sustainability of the insurance industry.**



SERIES OF BILLION-EURO MARKET LOSSES DUE TO NATURAL CATASTROPHES IN EUROPE

Insurance markets currently must cope with growing uncertainty: inflation, geopolitical crises, rising cyber risks, and an increased frequency and severity of natural events, also in Europe where we have seen an unprecedented series of natural catastrophe losses exceeding the 1- billion-euro mark this year.

These changes will be at the centre of the upcoming renewal discussions. As leading provider in Europe, Munich Re is able to allocate additional capacities for natural catastrophes and other types of risks, provided that appropriate prices, terms and conditions can be achieved.

Both delivering added value for clients and maintaining the quality of its own portfolio are top priorities in the renewals. To achieve this Munich Re will continue to pursue a policy of disciplined, technically sound underwriting, allowing it to make capacity commitments early in the renewal process and based on clear criteria.

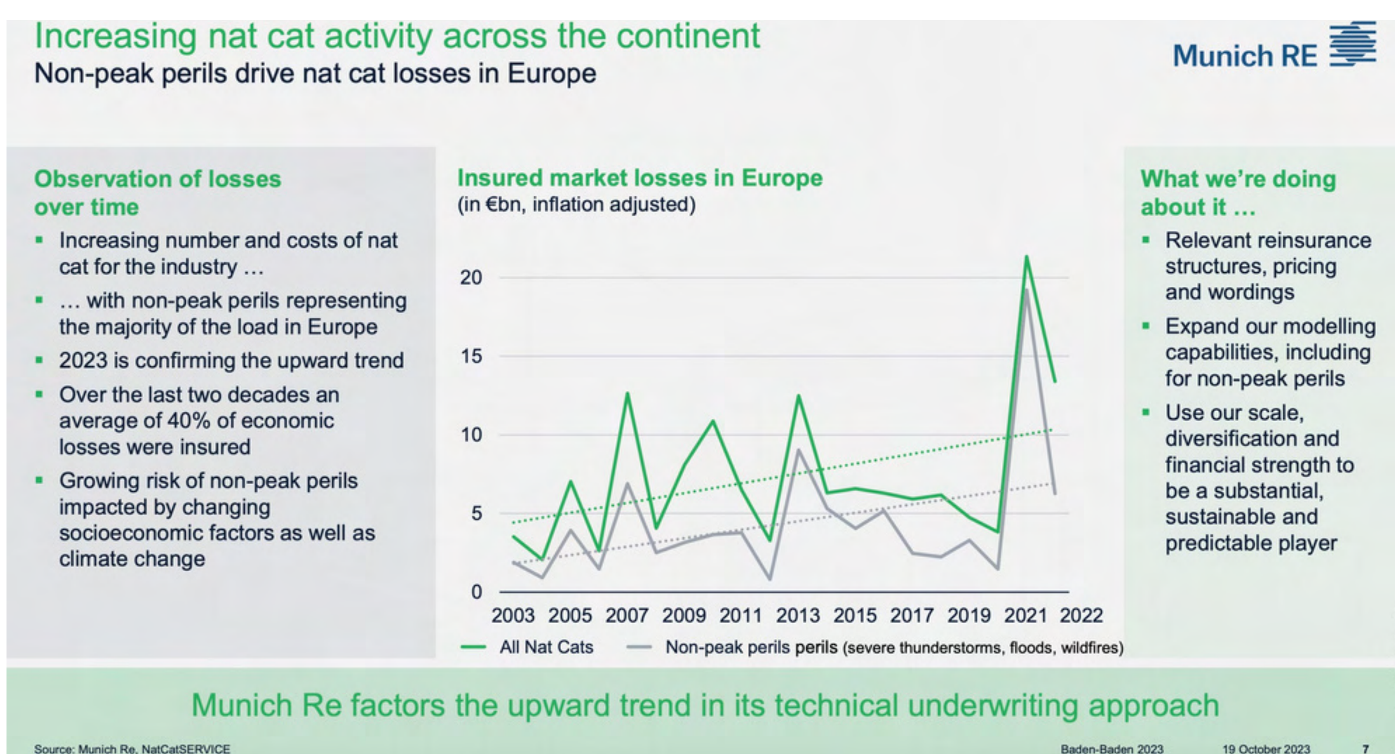
Inflation: Exposure & loss expectations on the ri loss expectations on the risese

In the Euro area, the unusually high inflation dynamic seen in the past two years recently abated. However, energy and food prices remain high, and wages are growing. Accordingly, in the baseline scenario Munich Re Economic Research predicts an inflation rate of around 3% for 2024, more than twice the mean inflation rate for the 2010s. Moreover, Munich Re expects inflation in the Euro area to remain above the long-term average beyond 2024.

In insurers' portfolios, still-palpable price increases are producing higher exposure and loss expectations alike. This is particularly true for the motor book in the underwriting years 2021 and 2022. To offer suitable cover for future losses, in addition to general inflation, insurers and reinsurers need to factor in segment-specific inflation factors – such as higher prices for replacement car parts, higher construction costs, wage increases. Inflation will remain a key feature in pricing.

According to a Munich Re analysis (from late September), at least seven natural catastrophes in Europe fall into this category (2022: 5 / 2021: 4):

- Earthquakes in Turkey and Syria in February
- Flooding in northeast Italy and adjacent countries in May
- Storms Kai and Lambert in Germany in June
- Severe weather due to Storm Unai in northern Italy, Slovenia, and Croatia in July
- Flooding in Slovenia, Austria, and Croatia in early August
- Storm Hans in northern Europe in August
- Storm Denis with hail, especially in southern Germany, in late August



Munich Re continually invests to better understand natural hazards and underlying trends. Findings of internal and external scientists improve the basis for modelling natural catastrophes and provide valuable information for developing targeted measures to prevent risks and mitigate attendant losses, as well as for adequate pricing. Thanks to the quality of its underwriting, the underlying mix and diversification of risks in its portfolio, paired with its considerable financial strength, Munich Re offers consistent – and for Europe, increasing – capacities, which are stringently defined based on ensuring profitability. Clarisse Kopff: "Natural catastrophes have always been at the core of Munich Re's business. When top capacities are called for, we are a stable and dependable provider. We can see that, given the challenges posed by climate change and its growing economic impacts, there is a lasting demand for our core competences on the market."

Number of riots per decade in Europe
1950s to 2010s

Increasing civil unrest in Europe

Civil unrest has worsened over the past several years, both globally and in Europe. These risks are only insurable as local events under property insurance and based on individual coverage designs (clear wordings with event definition and temporal and geographic limitations on events). Further, they must be assessed using a stringently technical underwriting approach. In terms of monitoring this dynamic risk, it is essential that the potential accumulation risk be continually evaluated. The potential for unrest and riots to spread both temporally and regionally could be seen in this year's events in France. In the city of Nanterre, what began as a vigil for a teenager shot dead by the police escalated into prolonged violent protests against the police in several cities. Retailers, supermarkets, banks, and restaurants were damaged, as well as public buildings and facilities. According to initial estimates, the riots resulted in economic losses in excess of €1.1bn.

TRUST

In an uncertain financial climate, our client-centric approach of developing strong relationships with partners and clients, while boasting a deep understanding of their business, helps us to create unique solutions. With expertise in Alternative Risk Finance, UMA's and Alternative Distribution / Affinity Solutions, it's little wonder why so many companies are using us for their insurance soluti ons.

PARTNER WITH AN INSURER YOU CAN TRUST.

011 268 6490 | www.centriq.co.za

Centriq's insurance subsidiaries are authorised financial services providers

We believe insurance extends beyond financial security, and that progress is more than just moving on. In every part of our business, we pioneer the industry, harnessing the power of evolutionary innovation and 140 years of expert vision. Our focus is on delivering insights that guide people and businesses to a future that is more confident, inclusive and impactful. A future we invest in, and that you can trust in.

Leading progress forward

EMERGING MARKETS: GROWTH POTENTIAL FOR REINSURERS

Pacxedes Mukonzo, Client Relationship Manager,Mukfin

The global insurance industry has witnessed a significant shift in recent years as emerging markets have become increasingly attractive for reinsurers.

Due to the rapid economic growth, demographic change, urbanisation, and digitalization taking place in Africa, numerous prospects are rising in the reinsurance sector. These markets offer immense growth potential, but they also come with their own set of opportunities and challenges. In this article, we will explore the exciting possibilities and the hurdles faced by reinsurers when providing coverage in emerging markets.

The nature of reinsurance emerging markets.

Regulatory Differences

Emerging markets often boast distinctive regulatory frameworks that differ from their established counterparts. Reinsurers must navigate these complexities to ensure compliance and effectively operate within the local legal and regulatory environments. Understanding local regulations, licensing requirements and capitalisation standards is essential to establish a strong foothold.

Cultural Considerations

Cultural differences play a crucial role in shaping business practices and customer expectations in emerging markets. Language barriers, varying negotiation styles and differing business etiquette require reinsurers to adapt and establish strong relationships with local partners. Investing in building cultural intelligence and fostering cross cultural collaboration can enhance trust and facilitate successful partnerships.

Unique Risk Profiles

Emerging markets are characterised by unique risk profiles, influenced by factors like political instability, currency fluctuations, inadequate infrastructure, and exposure to natural catastrophes. Reinsurers must develop a deep understanding of these risks to accurately price reinsurance coverage and provide appropriate risk management solutions. Collaborating with local experts, leveraging advanced risk modelling tools, and investing in sophisticated underwriting capabilities are crucial to effectively manage these risks.

Opportunities

1 - Untapped Market Potential

The average level of insurance penetration in Africa estimated at 2.7% is almost half the average global insurance penetration which is 6.9%. This points to significant scope for growth. Emerging markets offer reinsurers a vast untapped market potential. Growing economies and expanding insurance industries translate into increased demand for reinsurance products. By entering these markets early, reinsurers can access a larger customer base and secure a competitive advantage.

2 - Economic Growth

Rapid economic growth in emerging markets translates into rising insurable assets, creating opportunities for reinsurers to expand their portfolios. Emerging markets often require massive infrastructure development including transportation, energy, and telecommunications. The substantial risks involved in these projects can be mitigated through reinsurance. Reinsurers can support infrastructure development by providing coverage for construction risks, property damage, liability, and other related risks.

3 - Diversification

Reinsurers operating in mature markets often face concentrated risks associated with specific regions or countries. Reinsurers seeking to diversify their risk exposure, emerging markets provide an excellent opportunity. By expanding into emerging markets, reinsurers can access new geographical regions with different risk profiles as well as various lines of business. There is also an aspect of currency diversification which can help to mitigate the risks associated with currency fluctuations and provide potential currency-related gains. Expanding geographically reduces reliance on mature markets and spreads risk across a broader range of economies and risk profiles.

4 - Regulatory Reforms

The implementation of regulatory reforms is typically aimed at enhancing market stability, promoting consumer protection, and fostering industry growth. These reforms often include establishing of robust regulatory frameworks for example the development of risk-based capital requirements, corporate governance standards and enhanced disclosure and reporting obligations. The reforms establish an environment that is more favourable for reinsurance companies to conduct operations and make investments within the region.

Challenges

1 - Capacity and Talent Development

Emerging markets may have limited reinsurance capacity and a shortage of skilled professionals. There may be a shortage of skilled professionals who possess in depth understanding of reinsurance practices, underwriting, risk assessment and claims management. This hinders the development of a competent workforce capable of meeting the complex demands of the reinsurance industry. Reinsurers must invest in talent development initiatives, including training programs and knowledge transfer, to bridge the skills gap and build sustainable capabilities.

2 - Political and regulatory instability

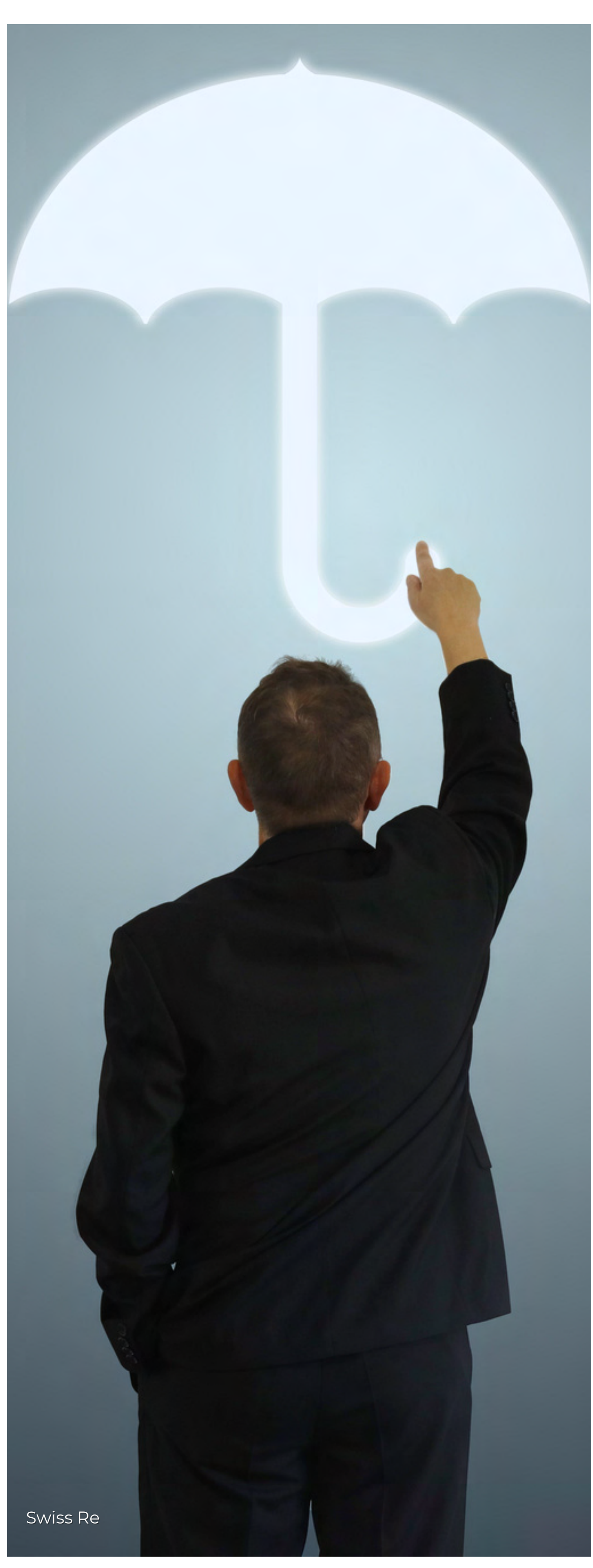
Political instability and evolving regulatory environments pose challenges for reinsurers operating in emerging markets. Emerging markets often experience political volatility, including change in government policies, regulations, and geopolitical dynamics. Frequent policy changes and government interventions require adaptability and agility to ensure business continuity. These shifts can create an uncertain business environment for reinsurers, making it difficult to plan and execute long-term strategies.

Conclusion

Reinsurance in emerging markets presents a wealth of opportunities for growth and diversification. However, navigating the regulatory, cultural and risk landscape requires deep understanding of the local dynamics and a flexible approach. Reinsurers that proactively address these challenges by building local expertise, fostering strong partnerships, and leveraging advanced technologies will be well positioned to capitalise on the immense potential that emerging markets may offer.

By embracing these opportunities and effectively managing the challenges, reinsurers can forge successful partnerships, drive sustainable growth, and contribute to the development of these dynamic economies.

RISKS ON THE RISE AS HEADWINDS BLOW STRONGER



Global economic and insurance market outlook 2024–25 - Swiss Re Sigma6/23. We expect the world economy to slow in 2024 as headwinds from the cumulative monetary policy tightening intensify and the growth impulses of 2023 fade. The outbreak of war in the Middle East heightens the risks to the outlook. Major economies are diverging: the US continues to grow, while Europe is stagnating, if not already in recession in some countries, and China is grappling with structural domestic growth challenges. We forecast 2.2% global real GDP growth in 2024 before a rebound to 2.7% in 2025, supported by lower inflation and central bank interest rates.

Still, in developed markets both inflation and interest rates will likely stay higher than previously anticipated in this decade, and risks are skewed to the upside. We expect global CPI inflation to moderate to 5.1% in 2024 and 3.4% in 2025, but price pressures will likely be volatile. A slower disinflation process increases the cost to economic output and the risk of a protracted stagnation. A sharp rise in long-term US sovereign bond yields this autumn signals a durable regime shift, and we have raised our yield forecasts. Structurally higher real interest rates may expose fragilities in public and private debt balances.

More dominant role from (geo)politics in driving the outlook

The war in Israel adds new, potentially non-linear, downside risks, with potential energy price shocks the key risk channel to the global economy. An adverse scenario in which the conflict expands to include major regional oil producers could add 2.4 percentage points (ppts) to our global inflation forecast. More assertive industrial policy has emerged, with long- term implications. Major government initiatives to galvanise sectors from semiconductors to clean energy may add structurally to inflation, fiscal deficits and interest rates if implemented. The insurance industry is a key partner to such projects, and we see the potential for growth in commercial lines of business from liability to property, engineering, trade credit and surety as these initiatives take shape.

Primary insurance impact

The economic growth slowdown and elevated geopolitical uncertainty dampen the outlook for the primary insurance industry. We forecast total global real premium growth at only 2.2% annually on average for the next two years, below the pre-pandemic trend (2018–2019: 2.8%) but higher than the average of the past five years (2018–2022: 1.6%). Profitability is recovering and underwriting gaps closing as investment returns increase with high interest rates, but we estimate the industry will not earn its cost of capital in 2024 or 2025 in major markets. Events such as the Middle East war may hurt insurers' capital positions through channels such as inflation and market volatility.

Frequency & severity on the increa severity on the increasese

Non-life insurance is confronting challenging claims dynamics, with rising frequency and severity of claims despite declines in economic inflation. The pace of claims growth in the liability line of business challenges the insurability of those risks. We estimate that natural catastrophe insured losses are on track to reach USD 100 billion in 2023, for a fourth consecutive year, and the sixth year since 2017 (inflation-adjusted). We anticipate further hard market conditions in 2024 at least. In the Property and Casualty (P&C) segment we estimate 3.4% real premium growth globally in 2023, stronger than our forecast for 2024–25 (2.6%). This reflects a significant repricing of risk, especially in claims-impacted lines. We expect health premiums to return to growth at 1.5% in 2024–25 (2023E: −0.6%). In life insurance, higher interest rates improve demand for savings-type products, continue to support bulk annuity transfers, and higher investment yields are expected to boost profitability in 2024 and 2025. We forecast 2.3% life premium growth on average for 2024–25 (2023E: 1.5%). Our forecast for life savings market growth over the next decade is significantly higher than in the past 20 years.

Risk of stagflation

The Middle East conflict adds stagflationary risk, a reminder of the importance of monitoring alternative economic scenarios to our baseline. We track two negative "tail risk" scenarios: "1970s style stagflation" and a "severe global recession". Under stagflation, the combination of high inflation, high interest rates and weak growth would stress underwriting performance, with liquidity, capital, and equity all heavily impacted. A severe global recession would raise solvency concerns through negative investment returns and falling premium growth. The probability of an upside scenario is lower than our two key downside scenarios combined, in our view. **You can download this Swiss Re Sigma: Here**

www.owlssoftware.com

End-to-end insurance administration software

OWLS™ Software is an end-to-end, cloud-based full function administration software for our clients entire business needs.

We are proud service providers to insurance companies, UMA's, administrators, intermediaries and financial services companies.

Over 1 Billion transactions per annum

Over 10 000 admin features

Over 32 000 registered users

InsurTech
Lead Sponsor

info@owlssoftware.com | +27 82 950 7079

MAURITIUS' INSURANCE MARKET, EAST AFRICA EXPANSION AND THE OESAI CONFERENCE

Jean-Alain Francis, CEO of EllGeo Re

The 45th OESAI Conference, celebrating its 50th year, found a vibrant host in the picturesque island nation of Mauritius.

Tony, the interviewer, engages with Jean-Alain Francis, CEO of EllGeo Re and the local organising committee chair for the event. In this insightful interview, Jean-Alain shares his thoughts on hosting the conference, the dynamics of the Mauritian insurance market, and the company's strategic foray into East Africa.

Jean-Alain begins by expressing his enthusiasm for hosting the OESAI Conference in Mauritius after a delay caused by the pandemic. He emphasises the support received from the local authorities and the strong attendance, with over 50 countries represented, showcasing the growing recognition of OESAI as a regional insurance organisation.

Turning to the Mauritian insurance market, Jean-Alain highlights its well-established nature, owing to a history dating back to the 19th century. However, he acknowledges the need for growth beyond the island and the shared challenges faced by insurers globally, particularly in making insurance more accessible to the underserved population.

Despite these challenges, he notes the positive trend in the uptake of health insurance, indicating a potential shift in perception. The conversation then shifts to EllGeo Re's expansion into East Africa, specifically Kenya. Jean-Alain emphasises the company's measured ambition, aiming to provide value rather than conquering markets.

With a focus on engaging in conversations and developing bespoke solutions, EllGeo Re sees growth potential in East Africa, particularly in Kenya, Tanzania, Uganda, Rwanda, and Ethiopia. The strategic recruitment of experienced professionals on the ground reflects their commitment to long-term success.

In addressing the theme of collaboration, Jean-Alain underscores the importance of existing initiatives and gatherings within the insurance industry. He advocates for increased engagement with younger professionals, viewing them as the key to advancing the industry in Africa. Encouraging education about the value of insurance and the creation of career opportunities for young people can help shape a positive future for the industry.

Furthermore, Jean-Alain emphasises the importance of promoting gender equality within the industry, acknowledging the significant role women play in driving change in certain markets. He sees conferences as platforms for sharing information and positive experiences, fostering a sense of unity and common purpose among industry professionals.

The emphasis on collaboration, education, and diversity highlights the industry's commitment to growth and development across borders. OESAI is not just a meeting of minds but a catalyst for shaping the future of insurance in the region. Ellgeo Re and the Mauritius insurance market made sure delegates to the 45th conference experience exactly that.

SHORT TERM

"Ultimately, the peace of mind derived from paying premiums and having a vital insurance safety net is critical during economic hardship."

- Lebohang Tsotetsi, Insurance Risks Manager at the South African Insurance Association

EXAMINING THE EVOLUTION OF ESG

ITS ORIGINS AND THE FACTORS CONTRIBUTING TO ITS MOMENTUM

Angela Jack, the Head of Specialty Solutions at Aon South Africa

The rise of Environmental, Social and Governance (ESG) factors as a means of gauging investment value lies in a fundamental mind shift that has taken place in a society that is driving for a more sustainable future. While ESG is more commonly utilised in the investment world, it also carries the sentiment of employees, customers and stakeholders who are increasingly holding organisations accountable for their decisions relating to environmental, social and governance issues in every aspect of their operations.

The origins of the drive to ESG investing and reporting has its roots in the lessons learnt from various major corporate failures. Some examples include:

Environmental

- 2010 - The deepwater Horizon oil spill took place in the Gulf of Mexico when an oil rig, which was contracted by the oil and gas company BP to drill in the deep waters of the Gulf of Mexico, blew up, spewing more than 206m gallons of oil into the Gulf of Mexico for 87 days; one of the worst environmental disasters in world history.

Social

- 2012 - 16 August 2012, the South African Police Service (SAPS) opened fire on a crowd of striking mineworkers at Marikana, in the Northwest Province. The police killed 34 mineworkers and left 78 seriously injured. Following the open fire assault - 250 of the miners were arrested.

Governance

- 2017 - Steinhoff International offers an extreme case of financial statement fraud that resulted from intercompany loans that misrepresented the profits they made. Steinhoff owned numerous retail brands and they moved money through intercompany loans to inflate its numbers.

- 2014 - The collapse of African Bank Investment Limited was largely caused by a board of directors who had no control over its CEO, with the business not making sufficient provision for bad debts and engaging in unsustainable lending.

Every key trend has a starting point. While these are just a few examples of environmental, social and governance events that shook the world, there are many more that have helped society to go back, review and understand what caused these events, and the lessons to be taken from an investment and risk management perspective, so that we can make better decisions around ESG matters.

A good example is the mining industry, where ESG factors often converge across a market that has a massive environmental impact but has also shifted focus to more sustainable approaches that include the societal and governance impacts of mining.

The negative impact that mining has on the environment is a known fact, and as a result, the industry has shifted to expect long-term environmental rehabilitation efforts to be included in the business strategy of any mining company operational within South Africa, to the point where it is legislated. Social aspects related to the mining sector often extend beyond negative connotations, involving a commitment to building communities and providing essential services such as education and healthcare. Programs tackling issues like domestic violence in rural mining areas work towards uplifting local communities and building something that will be standing long after mining operations have gone.

Why ESG matters in the insurance industry

The importance of ESG is not lost on the insurance industry. Many of the issues raised affect organisations' risks from an environmental, social and governance standpoint, driving sustainable and responsible business practices.

ESG serves as a good barometer for the insurance industry to assess the risk profile and risk maturity of a business, with insurers looking at factors such as:

- The organisation’s risk assessment
- Long-term viability
- Reputation and brand image
- Regulatory pressures
- Investor and stakeholder expectations

ESG factors offer valuable insights into a company's risk profile. Companies that adopt robust ESG practices often manage risks more effectively, making them more insurable from a risk exposure perspective. It is also the key reason why investors and stakeholders are placing greater importance on ESG matters when assessing a company's performance.

As awareness of global challenges such as climate change, social inequality and corporate governance failures grows, the importance of ESG factors continues to rise. With regulatory bodies and governments worldwide becoming more focused on ESG issues, organisations may be required to meet certain ESG reporting standards. Likewise, insurers may need to align with these regulations and are likely to incentivise the adoption of better ESG practices within organisations.

ESG's success hinges upon avoiding token gestures or greenwashing efforts. Instead, it necessitates authentic engagement across all sectors. Reflecting upon how ESG has evolved over the years showcases the integrated nature of ESG that cannot be considered in isolation. And as these factors grow in importance in the insurance industry’s consideration of what constitutes an insurable risk, organisations will need the aid and guidance of an experienced broker and risk advisor to help them adapt to this new reality.

BRIDGING THE GAP: THE VITAL ROLE OF SKILLED BROKERS IN CYBER INSURANCE

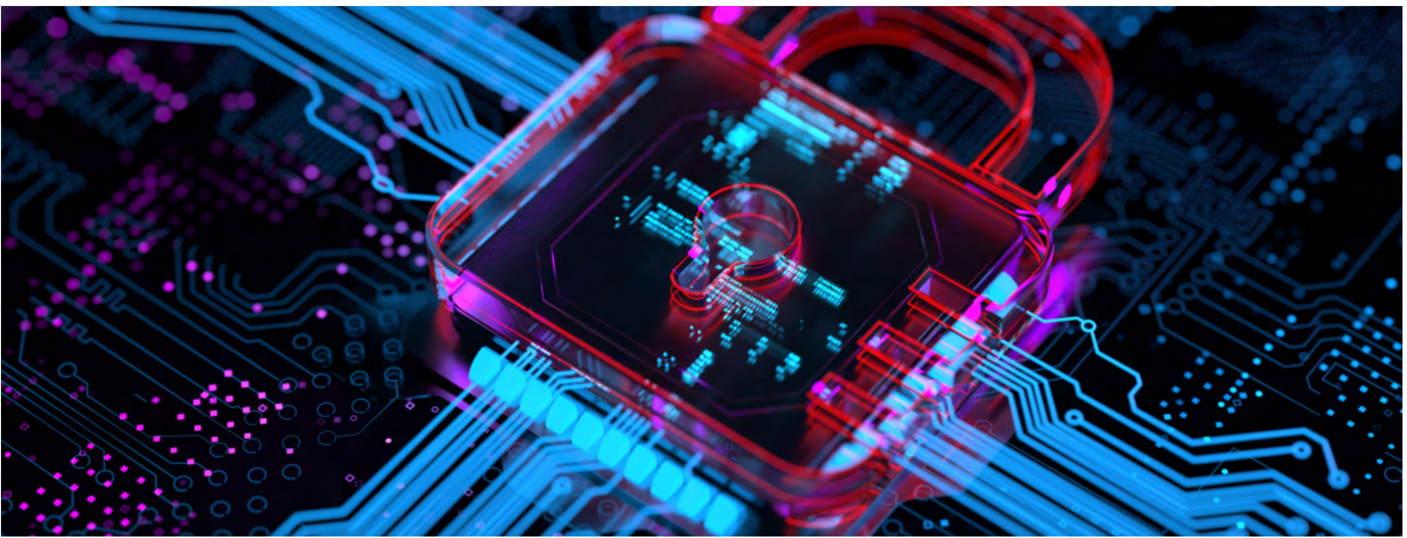
Hermanus van der Linde, the CEO of IntegriSure Brokers

Cybercrime has become one of the biggest risks to business continuity in South Africa yet many businesses are operating without the necessary cyber insurance policies in place, exposing themselves and their clients to significant financial and reputational losses. The reason why some businesses opt not to add cyber insurance cover to their portfolios might however come as a surprise to many. Obtaining cyber insurance can be a tedious and complex procedure for businesses, as it entails submission of a substantial volume of documentation necessary for insurers to assess and underwrite the associated risks.

As a broker, in our experience, cyber cover is not the easiest cover to obtain for clients. Whilst we acknowledge and respect that insurers need to accurately underwrite risks, we also believe they should assist businesses in making this cover attainable. The type of insurance a company needs depends on the risk exposures relative to that particular business. The specifics of what is and is not covered by a policy will largely depend on the insurance provider, but across the board underwriters will review a company's security protocols. This evaluation will encompass an assessment of preventative measures in place, such as email security, multi-factor authentication status, backup procedures, encryption, firewalls, and user training and awareness.

It's here where a broker plays a vital role in being the intermediary between the client and the insurer and especially assisting clients to provide all the required information to the insurers. Another trend that we have identified is that some businesses confuse cyber security and cyber insurance. Cyber security refers to the proactive technologies, processes and practices aimed at protecting a company's network, encompassing tools such as firewalls, antispyware software and Virtual Private Networks (VPNs). Cyber insurance helps cover the expenses and services a company needs after suffering a data breach or cyberattack.

There are various cyber insurance cover options in the market including security and privacy liability, data recovery and loss of income, business interruption and loss of business income. Some cover options also include cover for legal expenses, a PR campaign to mitigate any reputational damage, credit monitoring services, forensic auditors, customer notification costs, crisis management expenses, and costs in negotiating with hackers or ransom demands.
One thing that can't be denied is that every business needs a cyber insurance policy.



According to Interpol's 2022 Africa Cyberthreat Assessment report, South Africa leads the continent in the number of cybersecurity threats, with 230 million threat detections identified in 2022. South Africa saw a 100% increase in mobile banking application fraud and is estimated to suffer 577 malware attacks an hour. The concerning rise in cybersecurity crimes serves as a clear indication of a shifting risk landscape and highlights the need for knowledgeable brokers to educate businesses about the necessity and importance of integrating cyber cover into their insurance portfolios.

A skilled broker plays a crucial role in explaining the importance of cyber insurance to their clients. They bridge the gap between a business's perception of their current cyber protection and the actual cover provided by a particular cyber policy, whilst also highlighting the comprehensive value such a policy offers. By forging strong relationships with a trusted broker, businesses can navigate the intricacies of risk management with confidence, knowing they have a dedicated partner who understands their unique needs and can offer tailored solutions for mitigating risks and ensuring uninterrupted business continuity.

FISA – leading the fiduciary conversations

The Fiduciary Institute of Southern Africa (FISA) is well known to professionals in various fields, including fiduciary practitioners, financial planners, accountants and lawyers.

FISA leads the way in the fiduciary industry in various ways:

- The Annual FISA Conference is well recognised now as the forum where academics and practitioners can share their knowledge in furtherance of fiduciary professionalism.
- Presentations are made at regional meetings.
- FISA has an extensive archive of court case summaries related to fiduciary matters.
- FISA is raising the bar for professionalism in fiduciary practice through the designation of Fiduciary Practitioner of SA®(FPSA®).

Read more at our website [www.fisa.net.za]

ESTATE PLANNING **TRUSTS** WILLS **ESTATES** BENEFICIARY FUNDS • www.fisa.net.za • Join us

REDUCING YOUR INSURANCE RISKS OVER THE FESTIVE SEASON

Holidays are a time for relaxing, recharging and enjoying stress-free time with your family. Downtime is great, but don't let your guard down. Here are a few tips to help you prepare for the holiday season:

Ensure you have arranged the necessary insurance cover and necessary cross border letters if travelling outside the borders of South Africa.

High value items are a target for criminals, ensure these items are locked away securely and valuations are current.

- Test generator connections to prevent fire damage.
- Ensure solar panels are installed by a reputable provider and submit a compliance certificate to your insurer.
- Before leaving for holidays, secure your property by switching off appliances due to unexpected load shedding, preventing power surges that can damage electrical appliances and extending the lifespan of geysers.
- Test alarms, motion sensors, and electric fences, ensuring backups are in place for power packs and batteries during loadshedding.
- Check CCTV cameras and activate armed response if applicable.
- Prepare for the rainy season by clearing gutters and drains from debris.

- Ensure your vehicle is roadworthy by taking it for a holiday check, focusing on key aspects like tyres, oil, battery, and fuel before your trip.
- Test your vehicle's tracking device if installed, ensuring it's fully functional with your service provider. Reminder: car hire is subject to the coverage outlined in your policy.
- Adhere to speed limits and exercise caution at malfunctioning traffic lights, especially at 4-way stops.
- Refrain from using your mobile phone while driving to prioritise safety.
- Be vigilant at shopping malls during the holiday season; manually lock your vehicle to prevent car-jamming or hijacking incidents.

011 455 5101
www.cib.co.za

CIB (Pty) Ltd is an Authorised Financial Services Provider FSP No. 8425.
Underwritten by Guardrisk Insurance Company Limited FSP No. 75.

ARE YOU A GOOD DRIVER? PROBABLY NOT

TIME FOR A FUNDAMENTAL SHIFT IN ATTITUDES TO ROAD SAFETY

Lebohang Tsotetsi, Insurance Risks Manager at the South African Insurance Association

Just about every licenced, and unlicenced, motorist reading this is a good driver. Perhaps even an excellent driver. How do we know this? Because that is what we habitually tell each other and how we convince ourselves of our responsible nature on the roads. So powerful and motivating is this view that just about every call by authorities and road safety campaigners receives online and talk radio copy-and-paste responses that put all of the blame on a short list of usual suspects.

In this formulation, continuing carnage on the roads is almost exclusively because of the taxis, the trucks, the buses, poor law enforcement, speedsters and the "other people" who drink and drive. While this allocation of responsibility is often correct, what we can see, is the notion that it's always someone else's fault does not get us very far in reducing in a substantive way the occurrence of road accidents, deaths and injuries.

Continuing driver education and promotion of road safety must, of course, continue. But perhaps it is time that each of us on the roads looked in a mirror. We can all contribute in a million of individual ways, through a major re-awakening to our responsibilities to each other. A fundamental shift in attitudes to road safety and responsible driving behaviours, will spare lives and collectively save us billions in insurance losses, that could have been avoided.

This fundamental shift in attitudes should start with moving away entirely from the belief system that sees everyone else or always some other class of vehicles or drivers as being solely responsible. We cannot continue to be on the roads with this way of thinking informing how we drive. A shift in driving culture starts with each of us and the cumulative contributions we can make by paying closer attention to our own behaviour on the road.

Further, the costs of South Africa's poor road safety figures should be understood at a much deeper level than just looking at the statistics. Along with the emergency services and healthcare providers, insurers deal daily with the loss and devastation caused by road accidents. Every motor vehicle insurer is acutely aware of the fact that behind every accident claim is often a story that is hard to hear.

At a practical level, it is the payers of motor insurance premiums and the economy at large that ultimately bear the costs in terms of write-offs and repairing damaged vehicles. There is also a negative multiplier effect beyond actual vehicle damage in terms of lost productivity and costs that we should be able to avoid or at least mitigate.

The price (that is, the risk adjusted premium) is ultimately reflected in a tangible way in the motor insurance premium cost. It is correct to observe that over the past few years motor insurance premiums have had to be adjusted to reflect the increasing cost of claims. These costs have been driven largely by increases in prices of parts related to a weaker currency and the greater sophistication of the technology in modern vehicles which is more expensive to replace.

But, at its core, the motor insurance premiums we pay reflect what insurers refer to as the risk environment. This essentially means the frequency and severity of vehicle accidents, including the rising costs of repairing a vehicle to manufacturers' specifications. We can start to change this risk environment by accepting that bad or irresponsible behaviour of others on the roads does not absolve us of our individual responsibilities to drive defensively and safely.

Using these apps helps drivers to monitor closely how they are doing on the roads and have had a great impact in encouraging safe and good driver behaviours. Telematics provide a standard and objective view of driving behaviour. Better performance with these apps frequently leads to premium discounts and rewards because the driver has reduced their risk profile.

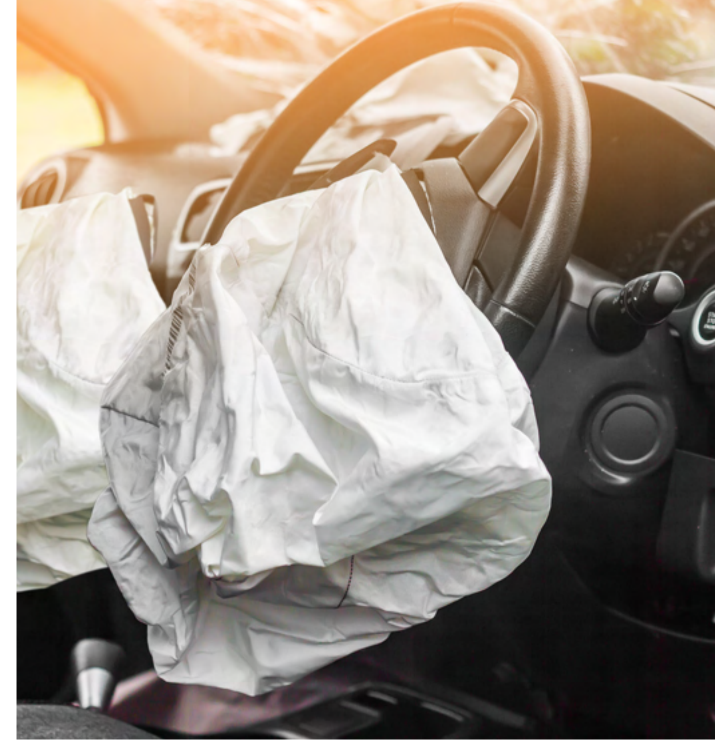
Moreover, the use of telematics helps improve driving and this has been seen by insurers to reduce risks and claims while contributing to the national road safety vision of developing safer road users. Many of us, particularly older drivers, may find these tracking apps intrusive. However, it has also been demonstrated that these apps help to reduce invalid claims which is ultimately to the benefit of the ordinary payer of a motor insurance premium.

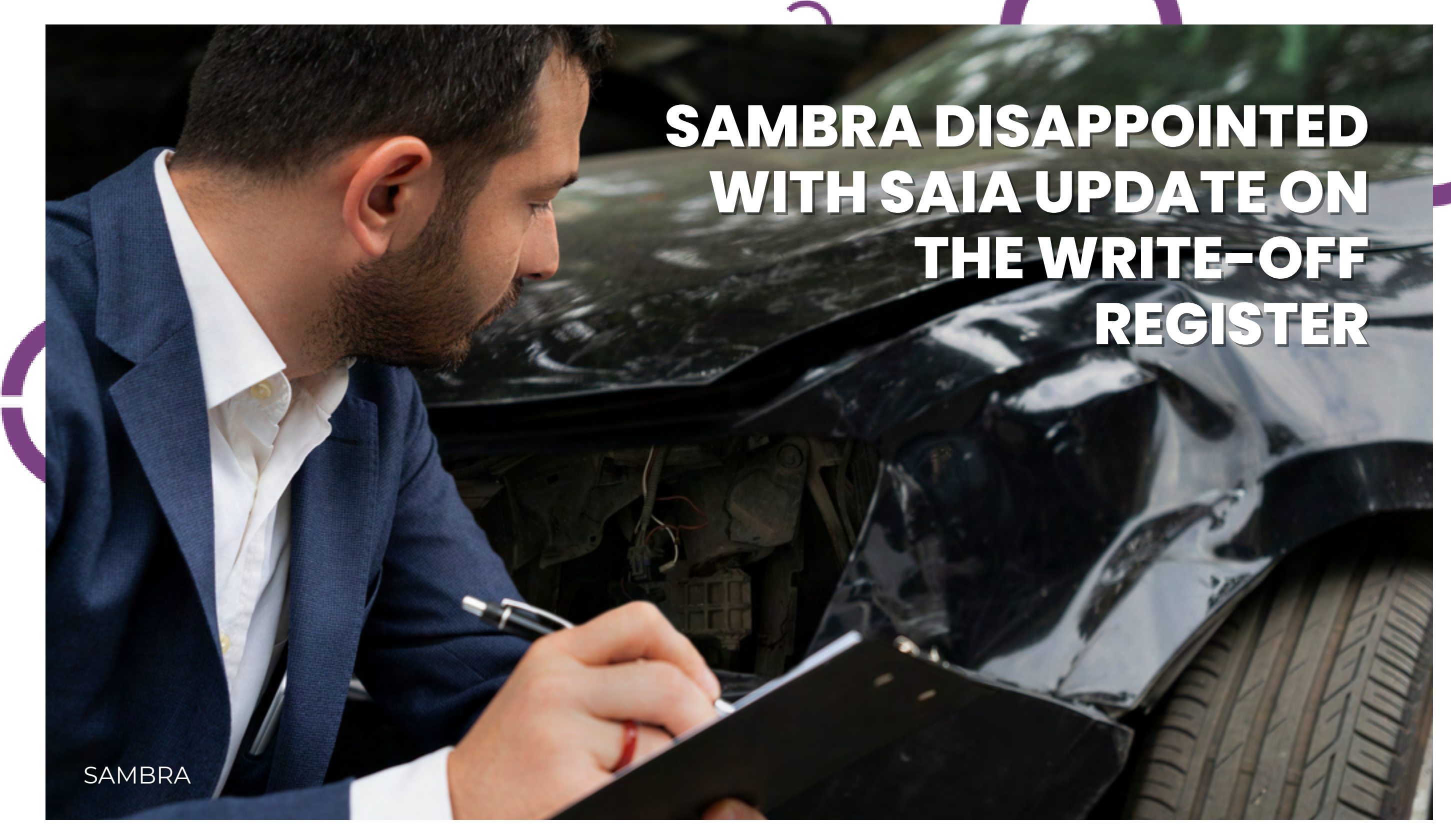
Ultimately, the peace of mind derived from paying premiums and having a vital insurance safety net is critical during economic hardship. Safer driving, fewer accidents and fewer insurance claims can indeed be achieved through the responsible behaviour of each of us.

Once the accident has happened, regardless of who was at fault, it is your vehicle that is damaged or written off. Even with insurance, there are costs and considerable inconvenience after an accident. We clearly need to move way beyond the idea of blame and the sense that if it's someone else's fault we are just fine. We are not.

For example, we should all be familiar with the importance of vehicle checks before a longer journey, along with the obvious requirement not to drink and drive and the need to stop for a break every two hours. And speed, something everyone can control, remains as a core factor in accidents.

There is also a valuable additional tool for drivers that has been introduced by most motor vehicle insurers in recent years. Telematics which are often used through a "driving app" on a mobile phone monitors your driving style across several criteria such as speed, driving style, time of day and distance travelled.





SAMBRA DISAPPOINTED WITH SAIA UPDATE ON THE WRITE-OFF REGISTER

The South African Motor Body Repairer's Association (SAMBRA), a proud association of the Retail Motor Industry Organisation (RMI), has responded with disappointment to the latest update from the South African Insurance Association (SAIA) regarding the progress on releasing a vehicle salvage database which will allow motorists and all relevant stakeholders access to the write-off history of a particular vehicle.

Amidst growing pressure, SAIA released in September 2023 Phase 1 of the Vin Look-up. According to Zakes Sondiyazi, SAIA Manager: Insurance Risks during the first month about 14 329 total searches (these include incorrect VIN) were carried out, of which 8260 were distinct VIN Searches. He says 43 hits were obtained (these are searches which produced code 3,3A and 4 records). Jacques Viljoen, national director of SAMBRA says while it is good to note the number of searches which clearly justify the need for such a database, he questions the effectivity of these searches. Viljoen says SAMBRA will be hosting a one-day strategic session with a number of influential stakeholders in the industry next Wednesday 15 November, to discuss a strategy moving forward.

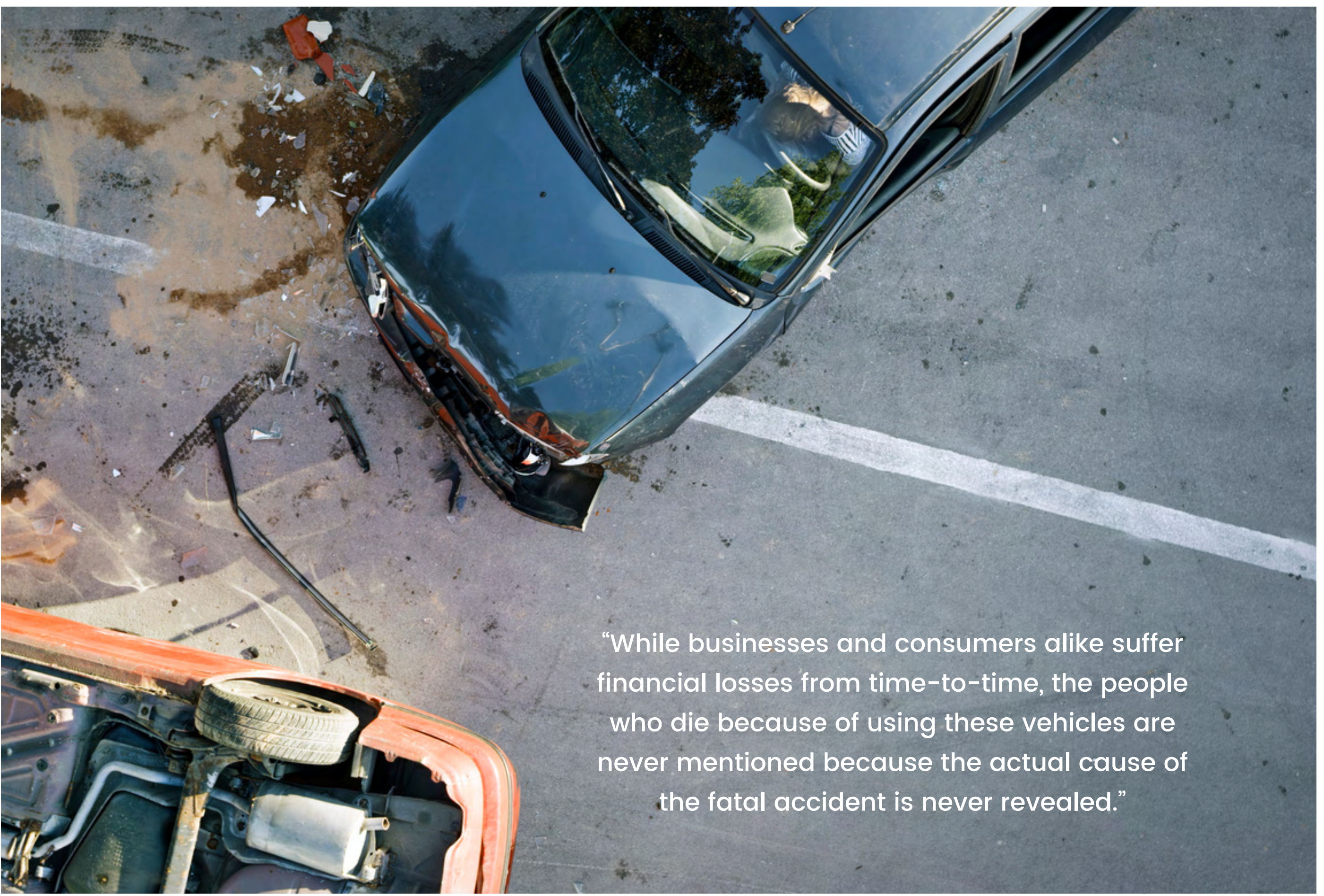
This would include a session on how the industry has experienced the system so far. "We are concerned that research from a number of different stakeholders, including our own extensive research, is producing concerning results that the Vin Look-up is not picking up all vehicles which have been previously "written-off". As the code 2's have not been published yet, 'uneconomical to repair' vehicles cannot be identified. Viljoen says concerns have also been raised that while access is free, it is limited only to individuals and not to commercial entities. The number of searches is also restricted to only 5 searches per individual, per month.

This talks directly to the importance of data access for all. Brandon Cohen, National Chairperson of the National Automobile Dealers' Association (NADA), representing 1451 franchised vehicle dealers in South Africa, says, "Vehicle information and data is vital, not only to the consumer purchasing a vehicle or to the bank financing such, but also to the vehicle dealer that trades-in vehicles for sale in their used vehicle departments. It goes without saying that selling an accident-damaged vehicle has the potential to result in heightened risk to the safety of the purchaser plus significant reputational and financial risk if there is a safety event."

Viljoen says the biggest disappointment once again is SAIA's inability to meet any of its agreed undertakings. Earlier this year SAMBRA was given the assurance from SAIA that it would adhere to its new deadline for publication of Code 2 vehicles by December 2023. This really talks to the heart of the problem. These are vehicles that have previously been in an accident and been declared uneconomical to repair by insurers. The publication of the code 2 will inform any future or prospective buyer of the damaged or salvaged vehicle, that will require extensive expense to restore.

In its latest communication to SAMBRA, SAIA is however now saying that discussions are at an advanced stage to "consider" the inclusion of Code 2 records and "we hope to finalise the discussions during the 1st quarter of 2024." Sondiyazi attributes the delay this time to the protracted discussions that are taking place with the DoT, RTMC and SAPS who have direct interest in this topic. He says SAIA will also revise the necessary liability disclaimers to include reference to Code 2 records once the discussions have been completed. They say that only during the second quarter of 2024, will discussions on the proposed access to commercial entities (Banks, Dealers, and interested entities) be addressed.

"The delays are concerning. Agreement to release this information was initially given by the South African Insurance Association (SAIA) and the Insurance Crime Bureau (ICB) as far back as March 2022. We are almost another two years down the line and consumers, dealers, banks and insurers alike still do not have access to the information necessary to protect them against the purchase, refinancing or Insurance of one of these written-off vehicles. And while businesses and consumers alike suffer financial losses from time-to-time, the people who die because of using these vehicles are never mentioned because the actual cause of the fatal accident is never revealed. The delays will no doubt form the core of vigorous and robust debate at next week's session," concludes Viljoen.



EXPERT TIPS TO MANAGE FESTIVE SEASON RISKS

Carina Thompson, Manager Complex Claims at MUA

As the holiday season approaches and the joyful anticipation of Christmas shopping takes centre stage, it is crucial to recognise that criminals may be joining the festive spree, targeting unsuspecting shoppers.

I had a discussion with Carina Thompson, Manager Complex Claims at MUA, valuable insights were shared on managing risks during this period. Thompson provides essential tips that brokers can convey to their clients, ensuring a safer and more secure festive season.

Understanding Complex Claims

Delving into the realm of complex claims, Carina emphasises that not all claims are inherently complex. While high quantum claims exist, complexity can arise from various technicalities, especially in the legal portfolio, where Thompson oversees building-related claims. Her role involves navigating the nuances and grey areas that often accompany insurance claims.

Vigilance in the Festive Season

Carina, acknowledging the heightened risk during the festive season, urges individuals to remain vigilant despite the desire to unwind. Criminals exploit the season's vulnerabilities, targeting homes left unattended as people embark on vacations. While awareness is higher than average, she emphasises the importance of paying attention to details. Simple actions, such as concealing valuables, not leaving items unattended, and staying aware of one's surroundings, can significantly mitigate risks.

Trends and Risks During the Festive Season

Discussing the specific risks prevalent during the festive season, she notes an increase in criminal activity, driven by people's holiday spending and the allure of newly purchased items. Criminals are well-aware of the opportunities presented during this time, leading to a surge in incidents.

Home Security Measures

To mitigate risks associated with leaving homes unattended, Carina recommends proactive risk management. Options such as hiring a house sitter or having a trusted neighbour check in can create the impression of an occupied home, deterring potential criminals. Additionally, routine activities like switching lights on and off contribute to the illusion of normalcy.

Road Safety Considerations

Thompson extends her advice to road-related risks during the festive season. With increased traffic, the likelihood of accidents rises. Drivers are urged to be vigilant, considerate of others on the road, and ensure their vehicles are roadworthy. Carrying essential emergency contact information and being prepared for breakdowns contribute to safer road travel..

Weather-Related Risks

Carina highlights the importance of understanding policy details when it comes to weather-related events. Furthermore, unforeseen circumstances, such as driving a vehicle with a driver restriction, can lead to complications in insurance claims. Brokers are encouraged to communicate these technicalities to clients, fostering trust and preventing potential claim rejections.

As the festive season approaches, the key to a joyous celebration lies in proactive risk management. Carina Thompson's insights underscore the importance of remaining vigilant, securing homes, and understanding the intricacies of insurance policies.

By adopting a preventative mindset and implementing these expert tips, individuals can navigate the Christmas shopping season with confidence, ensuring a safer and more secure holiday experience.

Your clients' day-day-savings are at risk of being poached

Most medical schemes have now announced their increases for next year... But not the fact that they're on a mission to poach your clients' day-to-day savings by cutting back significantly!

Your clients will be paying more, but getting less. They'll have to pay for GP and dentist visits, medication at the pharmacy, glasses, and other day-to-day expenses much sooner, or skip them if they don't have the cash.

Conserve your clients' cash by switching them to Fedhealth

At Fedhealth, we don't cut benefits, and we don't use day-to-day savings to make our increase lower. We offer uniquely structured medical aid that our members create according to their needs and budgets.

- **Members choose their own day-to-day structure** to ensure they have enough to last them through the year.
- **Members choose how to pay for those day-to-day savings** – fixed monthly amounts or as and when they use them.
- Your clients can **customise their cover even further with optional discounts.**
- **PLUS,** with our one-of-a-kind total package of unique benefits, we pay for a boatload of day-to-day expenses that other schemes will fund from savings – for things like MRI and CT scans, trauma treatment at a casualty ward, and many more.

Ready for your clients to save the buck and sidestep those benefit poachers?

To switch them to Fedhealth, contact us at **0860 002 153** or visit **fedhealth.co.za.**

PROTECTING SOCIETY FROM AN UNPRECEDENTED CYBERATTACK WILL REQUIRE MORE THAN INSURANCE

Geneva Association

Growing geopolitical tensions and the use of digital technologies are amplifying cyber risks, with cyberattacks increasing by 38% in 2022 compared to 2021, globally.1 Although the dedicated cyber insurance market has grown rapidly over recent years, a huge protection gap persists, especially if an unprecedented, extreme cyber incident – striking multiple, large segments of the global economy – were to occur.
The prospect of such a severe cyberattack significantly hinders reinsurers' appetites to assume cyber risks. A major incident could trigger claims from policyholders across various lines of business, leading to significant loss accumulation in their underwriting portfolios.

A new Geneva Association report, Cyber Risk Accumulation: Fully tackling the insurability challenge, explores obstacles to insuring peak cyber risks. It concludes that the factors which drive extreme cyber losses cannot typically be modelled with standard statistical approaches, not least because the extent of cyber damage heavily depends on the interplay between the incentives and resources of both attackers and victims, which are not easily calibrated and quantified.

Engaging in knowledge-sharing partnerships with government security agencies, critical infrastructure providers and technology companies, the report recommends, can help re/insurers better understand cyber threats, enabling them to expand the scale and scope of insurance protection. Even so, there are limits to the amount of financial loss the re/insurance industry can safely and sensibly absorb. The Geneva Association's report suggests that a government 'backstop' for major cyber incidents might also encourage re/insurers to extend coverage and increase their risk-absorbing capacity.

Jad Ariss, Managing Director of The Geneva Association, said: ***"If the COVID-19 pandemic taught risk managers anything, it is that we must prepare for catastrophic events; we cannot rely solely on response mechanisms after the fact. That is why re/insurers, governments and others need to establish the right cyber partnerships now – not only so insurers are positioned to offer more cyber risk protection, but so there are viable financial and operational solutions in place should a widespread, devastating cyberattack actually occur."***

Darren Pain, Director Cyber at The Geneva Association and author of the report, said: ***"The many unknowns around cyber risk are fostering a massive cyber protection gap. With better data and understanding of cyber threats and their loss accumulation potential, insurance can help narrow that gap. But better cyber risk models alone will not be enough. Our report urges the right partnerships be put in place among re/insurers, technology providers, governments and others to help create a larger, more sustainable cyber insurance market."***

NAVIGATING CHALLENGES AND EMBRACING TECHNOLOGY

Kashmira Naran, Insurance Partner at KPMG and co-editor of the KPMG 2023 Insurance Survey.

The South African insurance landscape is undergoing a period of transformation, shaped by a variety of factors including economic pressures, geopolitical uncertainties, and the evolving needs of policyholders.

I recently discussed factors and its impact with Kashmira Naran, Insurance Partner at KPMG and co-editor of the KPMG 2023 Insurance Survey. We gained valuable insights into the current state of the insurance and reinsurance industries in South Africa. In this article, we will explore the key takeaways from the interview and shed light on the challenges and opportunities within the sector

The Purpose of the Survey

The annual KPMG Insurance Survey serves as a comprehensive overview of the South African insurance industry. The survey compiles financial data from seventeen life insurers, 31 non-life insurers, and four reinsurers, providing a standardised format for comparative analysis. Additionally, the survey includes thought leadership pieces that address current industry topics, offering insights and guidance.

The Power of Human

The central theme of this year's survey is "the power of human." It underscores the importance of maintaining strong relationships within the insurance industry, particularly the connections between insurers and policyholders. Customer centricity has become a focal point for insurers, both locally and globally, driving their strategic priorities. The human touch and customer-centric approach are seen as the keys to long-term success.

Key Challenges in the Industry:

- **Economic Pressures:** South Africa, like many other economies, is grappling with interest rate hikes, inflationary pressures, and geopolitical uncertainties. These factors impact consumers' disposable income, putting strain on the insurance market.
- **Natural Catastrophe Events:** The industry is witnessing an increase in the frequency and severity of natural catastrophe events, which drives up reinsurance costs. Insurers may need to consider passing these costs on to consumers.
- **Political Landscape:** South Africa's political landscape is marked by uncertainty, with local elections on the horizon and infrastructure challenges. These challenges further strain consumer sentiment, affecting policy lapse rates.
- **Competition:** The insurance industry faces fierce competition, as insurance is often viewed as a grudge purchase. During tough economic times, consumers may opt to forgo or reduce insurance cover or seek more affordable options elsewhere.

Opportunities for the Industry

Despite these challenges, South African insurers have demonstrated resilience. They are leveraging technology to innovate and improve customer service, expand their digital reach, and align with policyholders' values in environmental, social, and governance (ESG) initiatives. The introduction of generative AI, IoT technology, and customer-centric approaches are transforming the industry:

- **Generative AI:** South African insurers are cautiously embracing generative AI to automate processes, reduce operational costs, and improve customer experiences.
- **Risk Management:** With IoT technology, the role of insurance companies are shifting from risk transfer to risk management and risk prevention, helping policyholders prevent or mitigate losses through incentives, alerts, and loyalty programs.

ESG Implementation: Going back to the focus on customer centricity, the opportunity for insurers lies with aligning their offerings with policyholders' ESG goals to appeal to environmentally conscious younger generations which will in turn assist the insurer in meeting its own ESG goals.

The South African insurance industry faces various challenges, including economic pressures, political uncertainties, and increased reinsurance costs. However, insurers are adapting and innovating to address these challenges. The focus on customer-centricity and move towards fulfilling a risk management role, through the use of technology and ESG strategies, are shaping the industry's future. The human touch remains a central tenet, as insurers prioritise building strong relationships with policyholders.

Despite the challenges, the South African insurance sector continues to play a crucial role in supporting the country's economy and the financial well-being of its citizens.

TACKLING THE SURGE IN INSURANCE FRAUD

Soul Abraham,
chief executive for retail at Old Mutual Insure

In an insightful discussion with Soul Abraham, Chief Executive for Retail Insurance at Old Mutual Insure, we delved into the pressing issue of the rise in insurance fraud and the challenges it poses for the industry.

The conversation revolved around the definition of insurance fraud, the reasons behind its surge, its impact on the insurance industry, and the strategies employed to counteract this growing threat.

Defining Insurance Fraud

Soul defined insurance fraud as the intentional misleading of an insurance company for financial gain. In simpler terms, it occurs when claimants are aware that the item they are claiming for was not insured or is not a valid insurance event, yet they attempt to claim it from the insurer.

The Cyclical Nature of Insurance Fraud

Abraham acknowledges that insurance fraud has always existed, often following cycles. Economic challenges, both global and local, play a significant role in driving fraudulent activities. As disposable income decreases due to factors like rising interest rates and inflation, individuals resort to fraudulent claims, contributing to an increase in insurance fraud.

Impact on the Insurance Industry

The surge in insurance fraud places a burden on insurance companies, requiring increased time and effort to detect and prevent fraudulent claims. Old Mutual Insure, being the oldest short-term insurer in the country, emphasizes a commitment to settling claims swiftly. However, the rise in fraud introduces an additional layer of scrutiny, affecting the overall customer experience and potentially leading to increased premiums for honest policyholders.

Technological Advancements and Fraud

Abraham noted a marked increase in fraudulent activity, citing technology as a key enabler for criminals. The advent of generative AI (Artificial Intelligence) and the fourth industrial revolution has made it challenging to identify fraudulent claims that were once easy to spot. Criminals leverage technology to create claims that are difficult to distinguish from legitimate ones, necessitating a proactive approach from insurers.

Consequences for Perpetrators

Abraham emphasised the severe consequences for individuals caught committing insurance fraud. Reporting fraudulent activities to relevant authorities can lead to blacklisting, impacting bank accounts, credit scores, and insurability. The message is clear: insurance fraud doesn't just affect the insurer; it has far-reaching consequences for all clients of the insurance company.

Countering Fraud: Collaboration and Innovation

Abraham highlighted the importance of collaboration within the insurance industry to combat fraud. Old Mutual Insure is actively working with industry entities to prevent crime and fraud. Internally, the company is adapting its processes, employing a multi-faceted approach that includes advanced analytics and AI capabilities.

Old School vs. New Tech Approaches

Old Mutual Insure employs a predictive fraud model based on advanced analytics and AI capabilities to assess the likelihood of a claim being fraudulent. Simultaneously, the company emphasises the importance of traditional methods, such as engaging with customers and brokers directly to ensure that the claim is legitimate. In addition, we are investing in voice analytics technology to detect deception during the claims process.

Broker Role and Responsibilities

There’s no worthwhile investment without risk, and structured products are no exception. These products don’t pay dividends, and as they are fixed-term, investors need to ensure they do not run into liquidity issues. Moreover, the financial institution issuing the structured product needs to be able to deliver on its promise of guarantee, capital protection, or enhanced return at the maturity of the structured product. “Such risk can, however, be managed via a collateralised product option if the investor does not wish to be exposed to counterparty or credit risk,” says Bredenkamp.

A Collective Effort for a Fraud-Resistant Future

Finally, Soul underscored the importance of a collective effort in combating insurance fraud. By combining advanced technology, traditional investigative methods, and the vigilance of brokers, the insurance industry can create a more resilient defence against fraudulent activities.

Ultimately, the fight against insurance fraud is not only the responsibility of insurers but requires collaboration across the entire industry to protect the interests of honest policyholders.

NAVIGATING FRAUD
CHALLENGES TOGETHER

OUR GRAPH ANALYTICS PLATFORM USING
AI & ML TO SOLVE FRAUD CHALLENGES

SIMPLIFYING COMPLEX DATA
FOR SMARTER BUSINESS DECISIONS

www.thedatacompany.com
canwehelp@thedatacompany.com

RETIREMENT

"In today's dynamic and evolving business landscape, the concept of retirement is undergoing a profound transformation. "
- Sonja Steyn, Consult by Momentum

MEGATRENDS IMPACTING THE FUTURE OF RETIREMENT PLANS

Linda Sherlock, PPS Wealth Executive Head

Retirement planning has always been a crucial aspect of financial security for individuals and societies alike. However, in the face of rapid technological advancements, changing demographics, and evolving economic landscapes, retirement planning is undergoing a transformation. The Professional Provident Society (PPS), a financial services company focused on providing intelligent financial solutions for graduate professionals and operating under the ethos of mutuality, has identified several megatrends impacting the future of retirement plans, reshaping how graduate professionals and individuals save for their golden years and how institutions, both public and private, support them.

One of the most prominent megatrends is the global aging population. As life expectancy continues to rise, the number of retirees is growing rapidly. This trend presents both challenges and opportunities. On one hand, it puts pressure on pension systems as more individuals draw benefits for extended periods. On the other hand, it fosters innovation in areas like senior care, healthcare, and financial planning.

Then there is the gig economy. Characterised by short-term and freelance work, it is altering the traditional employer-employee relationship. Many workers no longer have access to employer-sponsored retirement plans.

Automation and artificial intelligence are transforming industries and the job market. Some jobs are at risk of becoming obsolete while new ones emerge. This uncertainty necessitates a more flexible approach to retirement planning, as individuals may need to adapt to different career paths or work longer before retiring.

The digital revolution has made it easier for individuals to manage their retirement savings. Chatbot advisors, mobile apps, and online investment platforms are democratising access to financial advice and investment opportunities. These technologies are expected to play a more significant role in retirement planning, providing personalised solutions and making retirement planning more accessible.

Increasing awareness of environmental and social issues is driving a shift towards Environmental, Social and Governance (ESG) investing. Investors, including retirement funds, are seeking ethical and sustainable investment options. As a result, retirement plans are incorporating ESG considerations into their investment strategies, aligning financial goals with social and environmental responsibility.

"As life expectancy continues to rise, the number of retirees is growing rapidly. This trend presents both challenges and opportunities. "

Rising healthcare costs are a growing concern for retirees. Healthcare expenses can quickly deplete retirement savings, making it essential for retirement plans to incorporate health-related savings strategies and insurance options to protect retirees from unexpected medical bills.

As retirement planning becomes more complex and individualised, financial literacy is gaining importance. Educating individuals about saving, investing, and managing their retirement funds effectively is essential for ensuring that people are well-prepared for retirement.

The future of retirement planning is evolving in response to a complex web of megatrends. To adapt to these changes, individuals need to be proactive in managing their retirement savings, seeking out professional advice and staying informed. Retirement plans, both public and private, must also adapt by offering more flexible options, integrating technology, and considering ethical and sustainable investment strategies. The intersection of these megatrends will shape the retirement landscape in the years to come, emphasising the importance of adaptability and innovation in securing a financially sound retirement.

THE GREAT UNRETIREMENT: WHY WORKING BEYOND YOUR 60S IS THE FUTURE

Sonja Steyn, Head of Wealth Management Strategy, Private Wealth & Business Management at Consult by Momentum

In today's dynamic and evolving business landscape, the concept of retirement is undergoing a profound transformation. The traditional notion of leaving the workforce at a certain age and entering a state of relaxation is being replaced by the exciting concept of "unretirement”.

Unretirement challenges the boundaries of age, experience and expectations, ushering in a new era of possibilities for individuals and organisations alike.

What is unretirement?

Unretirement is a modern concept that sees an individual – who has previously retired from their primary career or the workforce – re-enter the workforce or engage in new professional endeavours, often in a different capacity or on a more flexible basis.

Unretirement can take different forms, such as part-time employment, freelance work, starting a new business, or pursuing different interests and passions in a more structured manner.

It signifies a departure from the traditional idea of retirement as a permanent exit from work and emphasises the choice to remain professionally active, whether for financial, personal fulfilment, or other reasons, typically during the later stages of one's life.

Unretirement is also born of necessity. The reality is that – thanks to advances in modern medicine and lifestyle interventions – people are living longer. Unfortunately, the not-so-good news is that in many cases, they’re now outliving their retirement savings. Unretirement extends one’s working life and thus earnings.

What can unretirement bring to the boardroom table? Let’s look at what it offers both the employer as well as the un-retiree.

For employers, unretirement brings....

The benefit of experience

Unretirement leverages the invaluable experience and expertise of seasoned professionals.

Unretirees bring a wealth of learning, knowledge, and expertise to the workforce. Their decades of professional insight can also be invaluable in mentoring younger employees.

Diversity of perspective

Unretirement is a catalyst for innovation. When retirees return to the workforce or pursue entrepreneurial endeavours, they often bring fresh perspectives, a wealth of knowledge, and a hunger to make a lasting impact. This diversity and cross-generational collaboration can drive creativity and innovation to new heights.

Unretirement as a driver for flexibility

Unretirement emphasises flexibility. Many retirees are no longer interested in traditional nine-to-five roles. They seek part-time, remote, or project-based work that allows them to balance their professional pursuits with personal interests. Forward-thinking companies are adapting their work arrangements to accommodate this shift.

For the individual, unretirement brings...

Continued growth and renewed purpose

Unretirement enables individuals to continue learning, growing, and setting new goals. It provides an opportunity to pursue passions, acquire new skills, and explore uncharted territory, leading to personal fulfilment and a sense of purpose.

Financial security

Extended working years can enhance financial security, allowing retirees to maintain their desired lifestyle and support their long-term goals, such as travel, charity, or investments.

Social connection

Staying engaged in the workforce or starting new ventures keeps individuals socially connected. It combats isolation, promotes networking, and fosters a sense of belonging within a community of like-minded individuals.

My advice to businesses is to embrace diversity in age as a core value. Promote a culture that values the contributions of employees at all stages of their careers. Invest in ongoing training and development programs for employees of all ages. Encourage skill-sharing between generations to bridge knowledge gaps and promote a culture of continuous learning.

To attract a wealth of experience, consider offering flexible work arrangements, retirement plans, and healthcare options that cater to the diverse needs of your workforce, including those exploring un-retirement.

Un-retirement is not merely a trend; it's a paradigm shift. It's a recognition that age does not diminish an individual's capacity to contribute meaningfully to the workforce and society.

By embracing unretirement, both individuals and organisations can unlock a wealth of opportunities, drive innovation, and create a future where retirement is not the end but a new beginning – a chapter filled with purpose, growth, and fulfilment.

It's time to embrace the potential of unretirement and rewrite the rules for the better.

Trust transforms relationships into powerful partnerships

Trust is the fruit of a relationship in which you know you are valued.

auto general

MUA Insurance Acceptances (Pty) Ltd (Registration number 2008/011925/07) is an authorised Financial Services Provider (FSP No.: 37947) underwriting on behalf of Auto & General Insurance Company Limited (Registration number 1973/016880/06), a licensed non-life insurer and financial services provider (FSP No.: 16354)

MARINE

"Marine insurance is a truly global class of business, and the latest trends are always interesting."

- Paul March, Director, Horizon

CHARTING THE COURSE: TRENDS AND CHALLENGES IN MARINE INSURANCE

Mervyn Naidoo. Head: Marine at Old Mutual Insure

What are the latest trends in marine risks?

Global insurance associations from the European, Asia/Pacific, Latin America, North America, and Other Regions (Africa included in Other) reported premium data to the Facts & Figures Committee of the International Union of Marine Insurance (IUMI) at the annual IUMI Conference held in September of this year in Edinburgh.

The Global data from IUMI 2023 and the South African Marine Insurance premium from the Association of Marine Underwriters of South Africa (AMUSA) reported the percentages of the four lines of business that made up the marine insurance sector in the 2022 year as follows:

- Transport/Cargo Insurance: 57.3% (Global) and 89.5% (SA)
- Global Hull Insurance: 23.4% (Global) and 9.1% (SA)
- Marine Liability Insurance: 7.7% (Global) and 1.4% (SA)
- Offshore Energy Insurance: 11.5% (Global) and 0% (SA)

IUMI 2023 also reported various challenges faced by the global market and the common challenges that local insurers faced for 2022 and 2023, are an increase in severe weather conditions (wind/wave force, floods) leading to increased risk of large event losses (Natural and Man-made Catastrophes), and Geopolitical tensions.

The 2022 KZN Storms and Geopolitical tensions in the form of the Russia/Ukraine War impacted the local 2023 treaty renewals, resulting in increases in renewal premium, reduction in retentions or limits and introduction of additional exclusions to insurers.

What are the most prominent covers clients are looking for?

The South African marine insurance market is dominated by Transport/Cargo Insurance (Cargo) as it makes up 90% of marine insurance business written in South Africa. This product is increasingly impacted by severe weather conditions as well as Geopolitical tensions, both of which had been relatively low risks for our market prior to 2022. In addition to these risks, insurable interest and contracting have a critical impact to all participants in the marine insurance chain.

It is vital that insurance partners in the international and local cargo supply chains understand the numerous contracts that exist between each party to determine insurable interest and contract rights. This is a risk that the legal fraternity is increasingly raising as a concern. The contracts start with the terms of sale (incoterms) between the seller and buyer, continues with the contracted or standard terms and conditions of the transporter and international carriage contracts or freight forwarding contracts in the shipping, clearing and freight agents' area of control that stipulate the rights and responsibilities of each party.

The various parties in the cargo supply chain will require some form of marine insurance to cover the risks to the cargo for material damage or loss on a 'All Risks' or 'Restricted' conditions basis or contracted liability or limited liability in terms of a logistics partners risk and responsibility.

What are the challenges that brokers face?

A major challenge is the shortage of experienced insurance broking professionals in the general insurance space, which the marine line of business is not immune to. Brokers with sound marine insurance experience is dwindling due to an aging work force and local tertiary education for this insurance product is limited, which impacts the new entrants in this line of business.

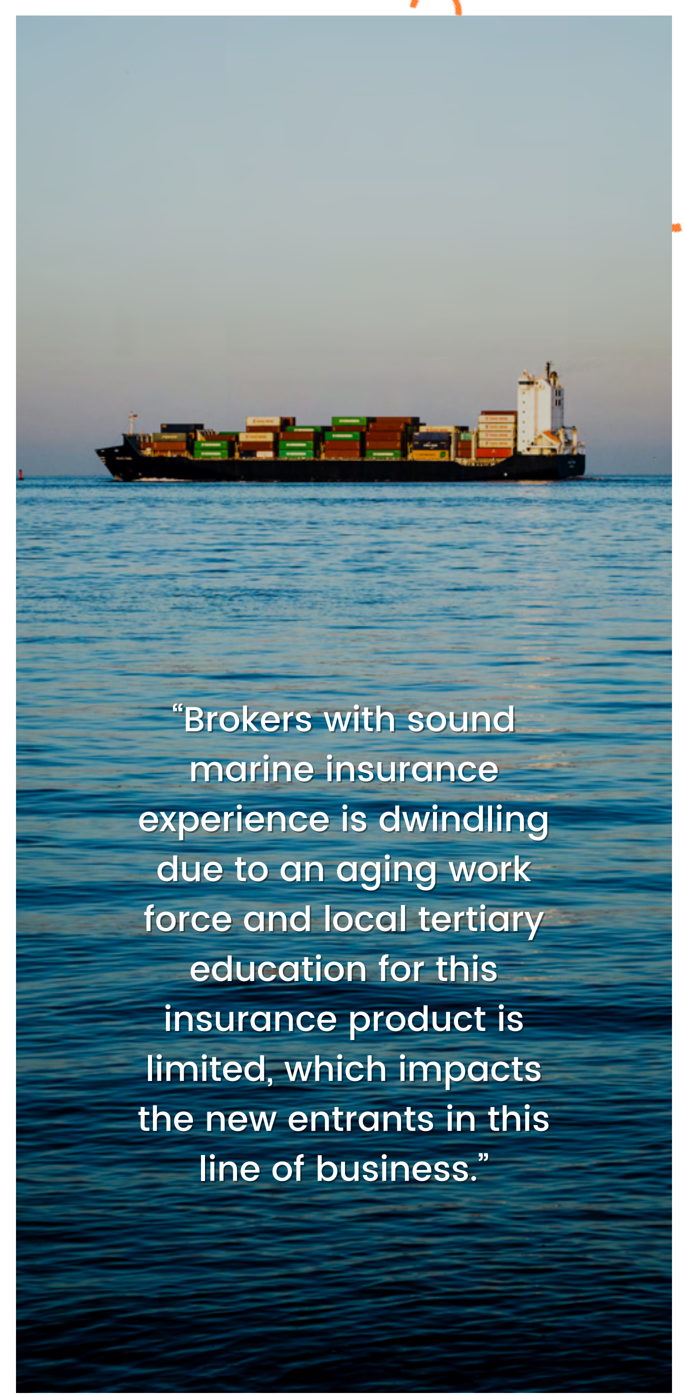
There is evidence that clients also do not have suitably qualified personnel to manage their marine insurance needs, and this has been seen when the assured does not understand where or when they have insurable interest in the cargo.

Where should brokers look for assistance?

The South African Chamber of Commerce can assist with understanding the Inco-terms and marine lawyers at law firms with experience can be appointed to obtain legal advice when contracting.

With CAT events increasing, in-house risk engineering divisions and tools are among the value-added services provided by some insurers offering additional engagement and risk management at the right time in a policy's life span.

Insurers, brokers, and clients must partner with one another to understand the exposures that are impacting all parties in a marine insurance contract to find resolutions that benefit all stakeholders in the value chain.



SETTING SAIL: SOUTH AFRICA'S THRIVING MARINE INSURANCE MARKET AND CURRENT TRENDS

Paul March, Director, Horizon

Marine insurance is a truly global class of business, and the latest trends are always interesting. Despite living at the bottom of Africa the South African marine insurance market is right there when it comes to keeping up with the latest trends. More and more attention, aka time and money, is being spent on digitisation and the adoption of technology within the marine cargo space. Insurers are using digital platforms to streamline internal processes, to enhance the accuracy of their underwriting information and improve their claims settling experience. The shipping lines and the freight forwarding industry are actively looking into blockchain technology to reduce fraud and improve transparency in what has historically been a paper driven business. The talk of the moment is climate change and its impact.

However, the knee jerk reaction by some insurers to refuse to insure steam coal has slightly backfired as the Ukraine/Russian war has seen coal fired power stations in Europe being taken out of mothballs creating a real requirement for cover for this supposed villain of global warming. There's a growing emphasis on sustainability and ESG. Insurers are rapidly exploring ways to promote sustainability in the marine cargo sector and assess the environmental impact of shipping activities. Regulatory changes, such as ship engine sulphur emissions and related environmental standards, are already in place. And, with more to come, the hull insurance market is constantly adapting policies to stay relevant. Political and economic shifts, such as war (Israel & Palestine / Russia & Ukraine) and trade agreements (US & SA) are influencing cargo flows.

Insurers are actively monitoring these dynamics to adjust their underwriting strategies. Marine cargo insurance covers a wide range of risks associated with the transportation of goods and the specific coverage varies depending on the client's needs and the nature of their cargo. **However, some of the most prominent covers available include: All-Risk Cover, the Institute Cargo Clauses**, is the most comprehensive cover available that protects against most types of physical loss or damage to cargo while in on the move. It typically includes coverage for perils like theft, fire, collision, sinking, and accident damage. Of course, there are some exclusions to the cover available, insufficiency of packing being among the more well known.

Perishable products can be covered on an All-Risk basis. There are a specific set of clauses designed to cover the risks associated with the transport of fruit, known as the Institute Frozen Food Clauses. General Average was first codified in 1890 and is still used today. In cases of emergency, where a ship's cargo or equipment is "sacrificed to save the adventure", all parties with cargo on board may be required to share in the cost of the sacrifice. War and Strikes Risks cover is often purchased separately due to the elevated risks associated with such events. Cover was historically subject to a thirty day notice but, as an indicator of the world we now live in, that notice period has been reduced to forty-eight hours.

Delay In Start-Up, or Advanced Loss Of Profit Insurance, covers losses incurred due to delays in the start-up of a project or a business resulting from damage to cargo during transit. It is commonly used in industries with time-sensitive projects. It is vitally important for clients, who know their risk the best, to work closely with their broker and insurer to determine the cover that best suits their needs. The choice of coverage depends on factors such as the type of cargo, its value, the route, and the indemnity period required. I cannot stress enough that you pay for what you get.

The price might be the understanding the underwriter has of your risk and exposure, or just as important, the skill the claims team bring to the party when the proverbial hits the fan. E-commerce and Online Retail has taken some time to arrive in the marine insurance space. Pleasingly there's more and more available. Global shipping trends have created opportunities for insurers to cater for consumer's needs. But where can brokers find opportunities to put some marine cargo insurance on the books? The simple answer is everywhere! Almost every commercial client will be doing some sort of importing or exporting.

Many brokers see marine insurance as a mystical dark art and, for that reason, stay far away from it but insurance is all about people and the honesty, integrity and expertise that lies behind those relationships. And that's where a broker can prove their worth, obviously with the assistance of a well-informed marine insurer in the background. When you use a professional underwriting agency, such as Horizon Underwriting Managers (Horizon), I guarantee you'll receive a different experience. You'll talk to an underwriter who understands your risk and is prepared to explain the cover offered. And when or if the claim happens, we'll respond quickly and knowledgably so your claim is settled with the minimum of frustration.

Following the successful merger of two long established agencies Horizon started trading in 2012, with offices in Johannesburg, Durban and Cape Town, employing 30 people across the branches. Horizon is the largest marine agency and one of the top marine insurers in South Africa. Talk to Horizon I promise you won't regret it.
Find and follow us on LinkedIn too!

Are you an underwriting manager or broker?
Looking for an Insurance Management Software Suite?
Want insight into your policy & claims administration, including underwriting?
One that also boosts automated data sharing capabilities in terms of binder regulations and IFRS 17?

- Business Intelligence that provides detailed information related to your Claim Ratios, New Business & Insurance Value Bands
- Hosting on your server or on ours
- Cutting-edge technology to grow & adapt with you & your business

PROFIDA will meet your needs, both now & on our journey together into the future!

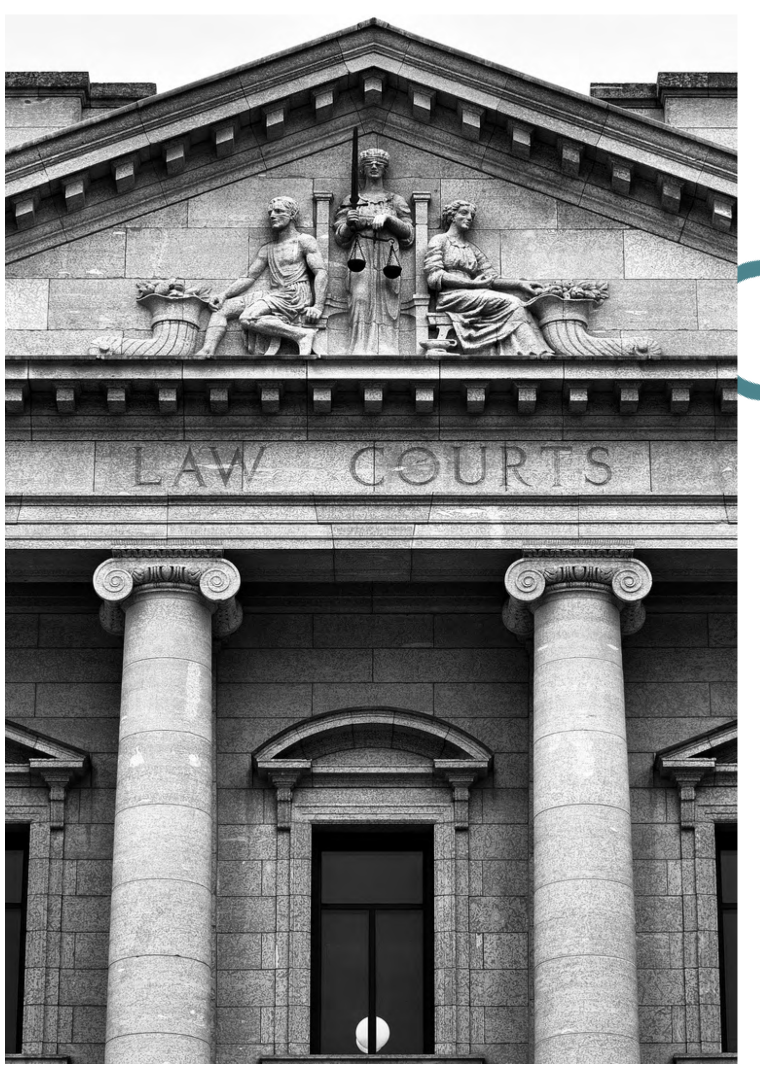
www.profida.co.za (021) 975 0215

GENERAL AVERAGE:

COURT HOLDS THAT MORE PROGRESSIVE RULES APPLY

Andrew Robinson, Director at Norton Rose Fulbright and Malcolm Hartwell,
Head of Transport, Africa; Master Mariner; Director.

The following is a summarised version of an article authored by Andrew and Malcolm. The full version can be found here . The concept of General Average (GA) in maritime law involves the contribution by parties to a maritime adventure to cover extraordinary costs incurred by a carrier in ensuring the safe arrival of cargo at its intended port of discharge.



GA situations often arise from incidents such as ship casualties, acts of piracy, or engine breakdowns. Once a vessel reaches its intended port or a place of refuge, cargo interests, charterers, and insurers face challenges as shipowners may withhold cargo until secured by GA bonds and guarantees. The adjustment period for determining contributions from various parties can span years.

The York-Antwerp Rules (YAR), dating back to the 1880s, regulate the complex process of determining GA contributions. Over time, different versions of YAR have been introduced to adapt to changes in shipping practices and other aspects of maritime law. The case of Star Antares [2023] EWHC 2784 (Comm) highlights the importance of specifying the applicable version of YAR in contracts.

The case involved a dispute over whether YAR 1994 or YAR 2016 applied to a 2021 event, as stipulated in a clause of the standard Congenbill 1994 form, a common charterparty for bulk product carriage. The carrier argued for YAR 1994, while the cargo insurers insisted on YAR 2016. The court considered the language of the contract and contextual factors. It agreed with the insurers that the term "modification" in the clause had a broad connotation, encompassing not only amendments but also entirely new sets of rules.

The court found that a reasonable person, considering the industry's background and without specific textual guidance, would understand the clause to include new versions of YAR. This decision has significant implications as it clarifies that YAR 2016, perceived as an improvement over the outdated YAR 1994 and 2004, is applicable. YAR 2016 aims to make GA adjustments more efficient and certain, addressing concerns about delays, costs, and alignment with commercial reality.

The timing issue was also addressed in the judgment. Parties must provide particulars of the value and support for GA claims within 12 months, with a two-month period for notifying the adjuster after receiving recovery. The shipowner, claiming GA, has 12 months from the adjustment issue to commence proceedings against non-paying contributing parties, and these proceedings must be initiated within six years of the voyage termination leading to the GA declaration. YAR 2016 also addresses differences in salvage approaches between YAR 1994 and 2004, making adjustments more straightforward and cost-effective.

The adjuster now has more discretion, with terms like "significant" appearing in various YAR sections related to values, expenses, and allowances. Additionally, clarity has been provided on the Bigham clause, limiting cargo owners' contributions. The 2016 YAR clarified that this cap applies only to expenses allowed under the non-separation agreement, not all expenses, creating certainty while potentially increasing cargo interests' exposure. The 2016 YAR further abolished the 2% commission on cash deposits and capped interest at the secured overnight financing rate (SOFR) plus 4%, streamlining the process and reducing costs.

This judgment is crucial for the South African insurance market, which has dealt with significant casualties leading to GA payments. It ensures that guidance in handling GA-related matters is based on a commercially minded set of YAR, potentially simplifying and expediting the resolution of maritime insurance claims in the region.

FIRES AT SEA

Allianz

Fires on vessels remain one of the biggest safety issues for the shipping industry as evidenced by a significant increase in recent incidents including the Fremantle Highway, a car-carrying vessel which caught fire off the Dutch coast with thousands of vehicles on-board en-route from Germany to Egypt. In this Q&A, Captain Rahul Khanna, Global Head of Marine Risk Consulting at Allianz Commercial, Captain Randall Lund and Captain Anastasios Leonburg, Senior Marine Risk Consultants, highlight some of the factors behind this trend.

Allianz's Safety and Shipping Review 2023 reports that fire was the second top cause of loss for shipping vessels last year (after foundering) with eight vessels lost and more than 200 incidents reported – the highest for a decade. Why is this happening? Every year Allianz Commercial analyzes reported shipping losses and incidents involving ships over 100 gross tons in our annual report. And although shipping losses have declined by 65% over the past decade (38 vessels in 2022 compared with over 100 in 2013), unfortunately fire incidents have not followed.

We continue to see major events involving large container ships, car carriers and ro-ro vessels for example. There were over 200 reported fire incidents during 2022 alone (209) – the highest total for a decade. Meanwhile, 64 ships have been lost to fires in the past five years. AGCS analysis of 250,000 marine insurance industry claims shows fire is also the most expensive cause of loss, accounting for 18% of the value of all claims analyzed.

Catastrophic fires on large vessels typically begin with combustible cargo, which then spreads rapidly and outpaces the firefighting capabilities of the crew. The size and design of large vessels makes fire detection and fighting more challenging and once crew are forced to abandon ship, emergency response and salvage operations become more complex and expensive, and the risk of a major or total loss increases. Fires need to be contained quickly, yet it may take several hours to get to the base of a fire on a large vessel.

Misdeclaration of cargo is a real problem. Industry reporting systems attribute around 25% of all serious incidents onboard container ships to mis-declared dangerous goods, such as chemicals, batteries, and charcoal, although many believe this number to be higher. Failure to properly declare, document and pack hazardous cargo can contribute to blazes or hamper firefighting efforts. Labeling a cargo as dangerous is more expensive. Therefore, some companies try to circumvent this by labeling fireworks as toys or lithium-ion batteries (Li-Ion) as computer parts, for example.

There have been several incidents in recent years where Li-Ion batteries have been reported as contributing to fires on vessels. How significantly are they impacting safety on cargo ships?

Li-Ion batteries can be carried on board ships either as a cargo themselves or as part of the equipment for the electric vehicles (EVs) they provide power for. Many of these batteries are safely transported every day but fire risks are present in both scenarios, especially if the batteries are used or defective, damaged or improperly stored, packaged, handled or labelled. The main hazards are fire, explosion, and 'thermal runaway', a rapid self-heating fire that can cause an explosion. They can also produce irritating, corrosive or poisonous gases that cause an explosion in a confined space. The main causes of Li-Ion fires are substandard manufacturing or damaged battery cells or devices, over-charging, and short circuiting.

Of course, Li-Ion batteries are an important source of energy and do not necessarily burn more frequently than other goods. It is only when they ignite that they are more difficult to extinguish as they can burn more ferociously and are capable of spontaneously reigniting hours or even days after they have been put out. Most ships lack the suitable fire protection, firefighting capabilities, and detection systems to tackle such fires at sea, which has been made more difficult by the dramatic increase in ship size – container-carrying capacity has doubled in the last 20 years. We have seen many fires where malfunctioning or damaged batteries have been attributed as a contributing factor in recent years.

What role is the demand for green technology playing?

Decarbonization and electrification are increasing the number of shipping goods that contain Li-Ion batteries, from EVs to a wide range of consumer and electronic goods. The global Li-ion battery market is expected to grow by over 30% annually from 2022 to 2030, according to McKinsey. The number of EVs is also growing at a fast pace: Nearly 10% of global car sales were electric in 2021, four times the market share in 2019.

A lot of conventional power sources have been replaced by batteries, and that industry has seen huge increases in demand in recent years, a trend that will only continue. These new cargos mean new risks if they are not adequately managed. The explosion of demand for these batteries is flooding the market with new manufacturers, raising some questions around quality control.

Is there anything that freight forwarders / carriers / shipping companies can do to improve safety standards with these deliveries? Why have they not been implemented already?

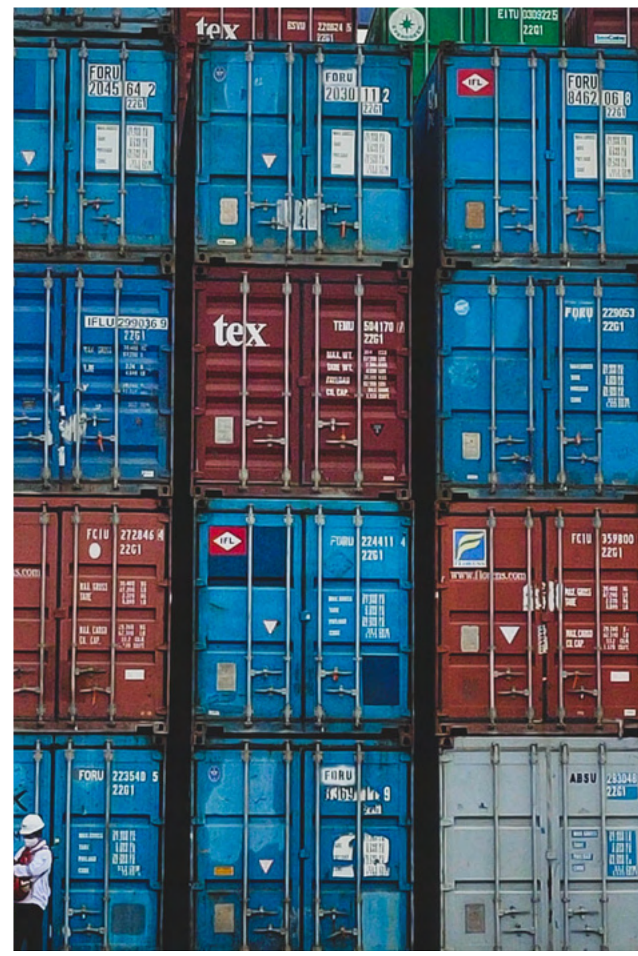
Li-ion fire risks will likely ease over time as manufacturers, carriers, and regulators address the current challenges. In the meantime, attention must be focused on pre-emptive measures to help mitigate the peril. 'State of Charge', (SOC), of Li-Ion batteries is an important consideration in their safe transportation and should be around 30%-50%. More towards 30 than 50. Both shipping lines and shippers should ensure this is the case.

Shippers should also request proper certification like the test summary from the manufacturers before transporting them as defective manufacturing is a one of the leading causes of fires in such batteries. Other measures to consider include ensuring staff/crew receive adequate training and access to appropriate firefighting equipment, improving early detection systems and developing hazard control and emergency plans.

How can procurement improve safety standards aboard cargo ships and reduce the impact of improperly stored battery technologies?

As already mentioned, misdeclaration of cargo is a leading cause for fires on container ships and shippers or freight forwarders should ensure goods are properly declared and marked as hazardous if Li-Ion batteries are being shipped. Several large container shipping companies have turned to technology to address this issue using cargo screening software to detect suspicious bookings and cargo details, while large container operators are imposing penalties. Unified requirements and penalties for mis-declared hazardous cargo would be welcomed.

The debate about EVs in the shipping industry is ongoing, with conversations about whether there is a need for dedicated Ro-ro vessels for EVs. From an insurance perspective, this is something we would like to see – purpose-built vessels for transporting EVs, designed to substantially reduce the risk of fire. We have already seen shipping companies stop transporting EVs on their ships because of the potential fire risk.



What protective measures are possible for EVs in particular?

Allianz has long warned about the risks associated with Li-Ion batteries and EVs in shipping for a number of years, first highlighting this issue in 2017. A recent report highlights a full list of loss prevention measures to consider including:

- All EVs should display clear and precise identification on the windshield detailing the battery type (e.g. Battery Electric Vehicle (BEV), Hybrid Electric Vehicle (HEV), Plug-in Hybrid Electric Vehicle (PHEV).
- EVs with low ground clearance should be clearly labeled as this can present loading and discharging challenges arising from the vessel's ramps, inner slopes, or deck appendages.
- All EVs with a Li-Ion battery must have successfully passed pressure, temperature, crush, and impact tests as described in the UN Manual of Tests of Criteria – subsection 38.3 for transport of Li-ion batteries.
- All EVs must be fully functional, self-propelled, safe to drive and contain an undamaged battery system.
- There should be no charging of EVs during the passage.
- All EVs must be properly secured to prevent any shifting during transport.
- One potential idea being explored by some car carrier operators, as part of fire-preventative measures, is the use of fire-proof blankets manufactured specifically for EVs.

Take control of your supply chain risk

Supply chains are vulnerable to global events such as COVID, extreme weather and geo-political instability. How can you uncover weak nodes, quantify and assess risk and manage suppliers?

Supply Chain Resilience creates a unique digital twin showing your network in a holistic way. Enrich your understanding of risk with insight from Swiss Re and other experts to easily model future scenarios.

This is just one of our new Risk Data Services which all run from a powerful, private, protected and neutral platform. Stay in control of risk across your property exposure, climate-related risk and supply chain.

Find out more at **corporatesolutions.swissre.com**

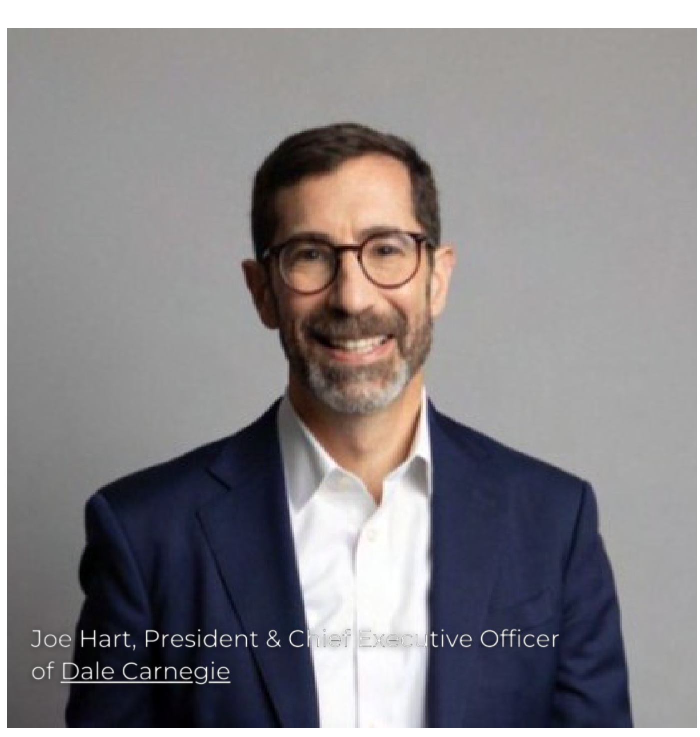
References to Swiss Re [or Swiss Re Corporate Solutions] herein collectively refer to subsidiaries of Swiss Re Ltd, which includes VSR Insurance Solutions, LLC. For a list of these subsidiaries, please visit SwissRe.com. Products and services described in this communication are provided in the United States by VSR Insurance Solutions, LLC, d/b/a "VSR Insurance Solutions" in the state of California (Lic. No. 0G22039), and d/b/a "VSR Insurance Services, LLC" in the state of New York, and may not be available in all states. VSR Insurance Solutions, LLC is not an underwriting company in the United States; any products and services described within are not provided in connection with the sale, solicitation, negotiation or issuance of any insurance policy and do not provide any insurance coverage.

TECHNOLOGY

"No matter how you feel about AI, it's the truth that those who utilize AI for work will slowly outpace those who don't. "

- Joe Hart, President & Chief Executive Officer of Dale Carnegie

AI ADOPTION ANGST:
9 WAYS LEADERS ARE SUFFERING INADEQUATE IMPLEMENTATION



Joe Hart, President & Chief Executive Officer of Dale Carnegie

The AI Dilemma: Why leaders are struggling with deficient workplace adoption & employee upskilling opportunity lo employee upskilling opportunity lossss

In today's fast-paced and technology-driven world, Artificial Intelligence (AI) has emerged as a transformative force that holds the potential to revolutionize the way we work, make decisions and interact with technology. AI promises greater efficiency, data-driven insights, and enhanced productivity, making it a valuable tool for businesses across various industries. Yet, despite the promises of this cutting-edge technology, many leaders find themselves grappling with the challenges of effectively implementing AI in the workplace.

While AI offers a plethora of advantages, from automating routine tasks to uncovering hidden trends in data, the road to successful AI integration is far from straightforward. In recent years, the struggle to harness AI's full potential has raised a critical question: why are so many leaders failing with AI implementation, and what avoidable factors contribute to these setbacks?

According to a *Harvard Business Review* report relating to C-Suite AI failures, too many companies "are set up to fail by poor alignment, lack of trust, not enough focus on business opportunities, and how their job is understood internally." Perhaps these are among the reasons McKinsey's State of AI survey found that less than one-quarter of companies using AI realized a significant bottom-line impact—deficiencies eluding impact at scale it suggests might be caused "not only because of the technical challenges but also because of the organizational changes required." Changes that many leaders simply are not making—whether intentionally or unknowingly.

Businesses are increasingly understanding AI's utility for many of their more mundane, or even complex, tasks yet are struggling with effective and scalable implementation—particularly in a fashion that fruitfully engages employees in the process.

In an ideal world, AI does the brunt of the menial tasks, leaving humans to creative and critical thinking tasks. An AI program might collect and analyze data, supplying it in understandable ways for a worker to interpret, present, and make decisions on.

This requires buy-in from employees, something that requires work to produce and is far easier said than done. In fact, the inability to achieve or optimize this staff sensibility is further undermining successful AI utilization across industries. One survey showed that the best way to get employees excited about AI—three times as excited, to be exact—is to inspire trust in leaders, help employees understand how the tech works and increase workers' soft skills to help them feel relevant to the company and their position.

Towards this end, here are eight key truths about AI that every leader must know, and heed, right now in order to help ensure successful AI and machine learning adoption in the workplace.

1.Change management is critical for successful AI implementation. AI is transformational to businesses. But successful implementation takes a solid change management plan to ensure leaders are communicating, building trusting relationships, and encouraging employees in their training and use of AI.

2. AI significantly impacts employee engagement. You can't take people out of the equation when it comes to AI, meaning maintaining person-to-person interactions is critical. When it comes to the employee-manager relationship, leaders need to inspire trust in AI and teach employees to utilize it to the best of their abilities.

3.Employee attitudes will make or break your AI strategy. Employees are the ones pressing the buttons to make AI work, so they had better have a healthy attitude toward it. Trusting in leadership, having transparency surrounding the programs, and earning confidence in their skills are all ways employees can take a more positive attitude toward changes involving AI.

4.Employees need to be confident about using AI. A Dale Carnegie survey found that 65% of employees are concerned that AI will take their job. The best way to inspire employee confidence in AI is to train them not just to use it, but also train them in soft skills that only a human can master.

5.Senior leaders must inspire employee confidence. Directors have strong confidence in senior leaders, but this decreases as we travel down the chain of command. Managers have about half as much trust as directors. And employees have about half the trust that managers do. Senior leaders must inspire trust and confidence to successfully implement AI.

6.Preparation for human and machine partnerships is key. As the Girl Scout motto goes: be prepared. Employees and companies better adopt AI when there is proper preparation (we all know what that prevents). This includes readying employee mindsets to work with AI, modifying job descriptions or task lists, and much more.

7.Don't overlook the details when using AI. AI will affect everything from employee workload to end-user experience. So, as leaders embark on "The AI Revolution," they need to think of every angle and every detail. In the end, AI is only useful and successful when integrated with your workforce properly.

8.Generative AI is making big waves. With generative and predictive AI (like Chat GPT), it's more crucial than ever that leaders help employees remain agile, be resilient, and positively work with AI to enhance their success.

9. AI enhances on employee training. AI can be particularly beneficial for learning and development (L&D) or what we might today call "upskilling." Employees need to continue learning and development to remain proficient at their jobs and keep performing at higher and higher levels. Workers may need to be trained in leadership techniques for the possibility of future advancement. There are plenty of applications of AI for upskilling.

Here are six big ones:

Personalized Learning

AI systems can create personalized learning experiences for each employee based on their needs, preferences, and learning style. This helps increase engagement and retention of the information, making the learning more effective.

Adaptive Learning

Programs for employee training may have options to adapt a worker's training on the spur of the moment. Dynamic and complex systems can adjust the difficulty, change up the sequencing of content, and keep employees learning at a steady pace.

Skill/Knowledge Gaps

AI programs can easily use simulations, automated grading, and adaptive questioning to test employees' knowledge and proficiency at their work tasks and suggest customized learning solutions to help fill gaps.

Content Curation

When it comes to knowing what to study, AI programs can help curate content for workers for their particular needs. These algorithms can sift through thousands of articles and web pages to suggest only the most up-to-date and relevant sources for continued learning.

Virtual Assistance

Workers learning and developing skills through AI programs might run into problems or questions. Other AI coaching can supply answers by way of automated chatbots or virtual assistants.

Data Analytics

AI programs are great for processing data—large quantities of it. When you look at the data from L&D activities, you can see where employee performance or knowledge is lacking the most. You can also see learning patterns and judge the effectiveness of the training.

Managers and learning and development professionals can build strong partnerships between humans and new AI technology by focusing on three key areas of development for employees: fostering resilience in the face of change, building an agile workforce, and recognizing and rewarding emotional intelligence.

Fostering resilience means overcoming obstacles, hardships, and failures that inevitably come with change. Recognizing and rewarding emotional intelligence means finding and training potential leaders and putting them in empowered positions to manage others. There are many benefits of artificial intelligence in learning and development—if you know how to harness them.

It is indisputably true that how AI will change the world depends on how we as humans approach it. AI is meant to be a tool for human use, not a replacement for ingenuity, creativity, or rationalization. As such, humans need to remain relevant to the workplace because they aren't going anywhere. Increasing employees' soft skills and integrating them with AI technology can mean maximizing beneficial results.

No matter how you feel about AI, it's the truth that those who utilize AI for work will slowly outpace those who don't. It all comes back to the integration of humans with machines. If you want to prepare for success in the AI era, then you need to concentrate on the human element of the equation.

It's essential to recognize that the challenges surrounding AI implementation are not insurmountable. Instead, they serve as valuable lessons for leaders and organizations to refine their strategies and better prepare for the AI-driven future. By heeding the above truths and adopting a more informed and holistic employee engagement approach, leaders can unlock AI's true potential and pave the way for a more productive and innovative workplace.

THE AI REVOLUTION UNVEILED:

5 GAME-CHANGING AI TECHNOLOGIES YOU NEED TO KNOW ABOUT

In today's rapidly evolving technological landscape, AI has become a driving force behind transformative innovations across various industries. From streamlining complex processes to enhancing user experiences, AI technologies continue to revolutionize the way we interact with the world around us. Here are five essential AI technologies that you need to be aware of.

1. NewsGPT.ai: Redefining News Curation with AI

Breaking the conventional norms of news reporting, NewsGPT.ai takes the lead as the first 24/7 news channel powered entirely by AI currently in beta testing. Emphasizing unbiased news creation, NewsGPT.ai leverages advanced AI algorithms to curate and deliver real-time news updates, ensuring a comprehensive and objective view of global events. With AI-generated stories and presenters, NewsGPT.ai is revolutionizing the way we consume news, offering a seamlessly curated news experience free from human bias.

2. Natural Language Processing (NLP): Enhancing Language Understanding

A cornerstone of AI technology, Natural Language Processing (NLP) enables machines to comprehend, interpret, and respond to human language in a meaningful way. From chatbots and virtual assistants to language translation tools, NLP facilitates efficient communication between humans and machines, fostering seamless interactions across diverse linguistic contexts.

3. Computer Vision: Transforming Visual Perception

Empowering machines with the ability to interpret and analyse visual data, Computer Vision has revolutionized image recognition, object detection, and video analysis. From autonomous vehicles to facial recognition systems, Computer Vision has expanded the possibilities of AI applications, enabling machines to perceive and understand the visual world with increasing accuracy and sophistication.

4. Machine Learning: Driving Predictive Analytics

At the core of AI advancements, Machine Learning facilitates the development of algorithms that learn from data and make informed predictions and decisions. With applications ranging from personalized recommendations and predictive analytics to anomaly detection and pattern recognition, Machine Learning continues to fuel innovations that optimize processes, enhance user experiences, and drive data-driven insights.

5. Robotics and Automation: Redefining Human-Machine Collaboration

Revolutionizing the realms of manufacturing, healthcare, and beyond, Robotics and Automation have redefined the possibilities of human-machine collaboration. From industrial robots streamlining production processes to robotic surgical systems enhancing medical procedures, the integration of AI-powered robotics has ushered in a new era of efficiency, precision, and innovation across diverse industries.

THE IMPACT OF TECHNOLOGY ON THE FUTURE OF DIGITAL BANKING

Fatima Lockhat – Academic & Research Officer at Regent Business School

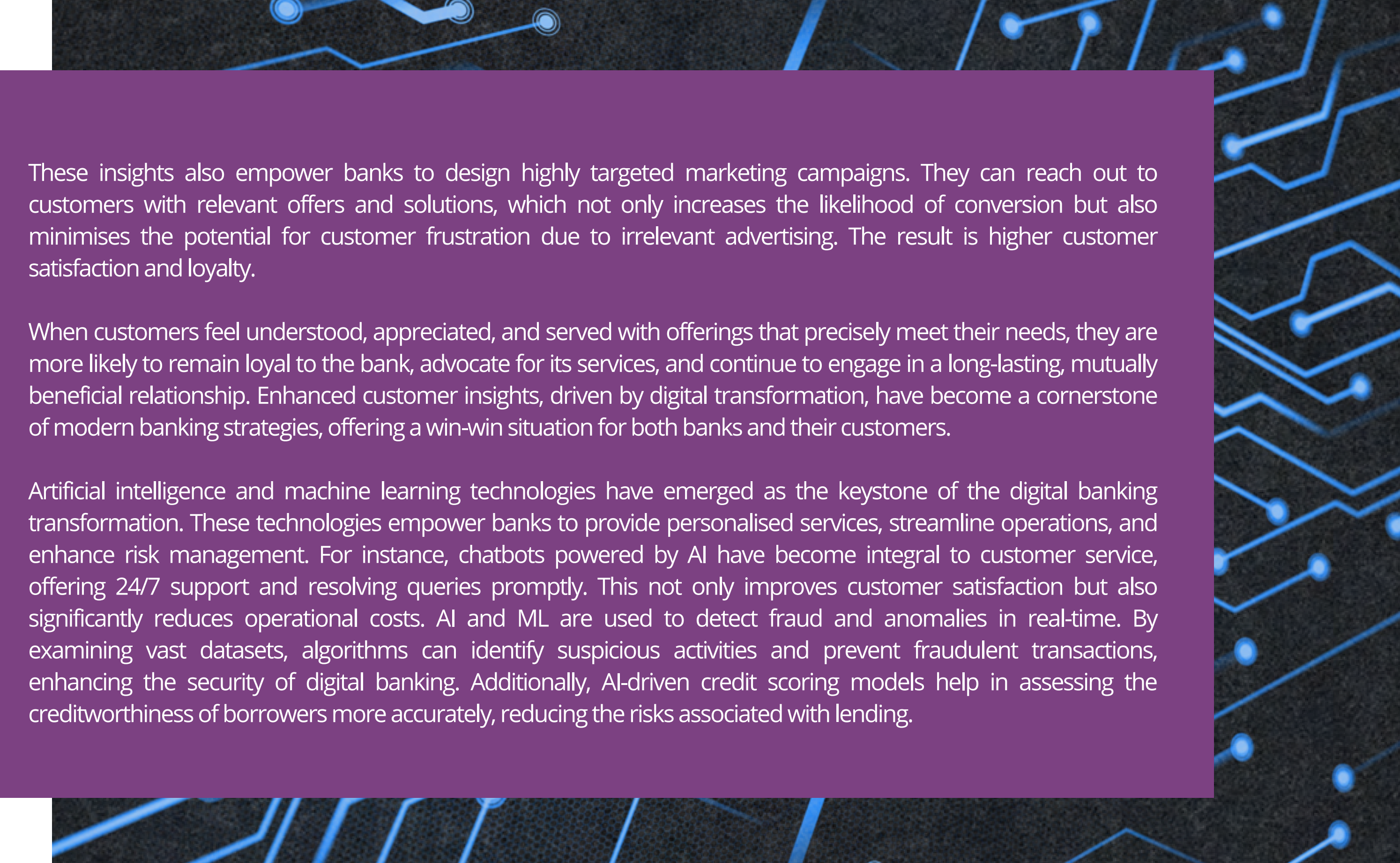
In this article, Regent Business School's Academic & Research Officer Fatima Lockhat, explores the concept of digital transformation within the banking sector, with insights on how technologies such as artificial intelligence, blockchain, cybersecurity, are reshaping the financial services landscape and indicate instances of successful digital transformation initiatives in the banking industry.

The banking sector faces a significant challenge in embracing digital transformation, as it is crucial to align with the contemporary expectations of customers, who demand swift, efficient, and user-friendly services. Outdated strategies no longer suffice for today's consumers. In order to maintain competitiveness, banks must leave behind conventional methods and wholeheartedly engage in the digital transformation journey.

Digital transformation in African banking is propelled by factors like financial inclusion, fintech disruption, supportive regulations, customer demands for convenience, cost savings through automation, enhanced risk management, and the facilitation of cross-border transactions, all aimed at making banking services more accessible and efficient for a broader population.

An important facet of the digital transformation reshaping the banking sector is the enhanced understanding of customers through in-depth insights. Banks are empowered by advanced data analytics and technology to explore customers' behaviour, preferences, and requirements on a deeper level. This capability is facilitated by the collection and analysis of extensive customer data, encompassing aspects ranging from transaction histories to online activities and communication preferences.

Through this wealth of information, banks can provide a level of personalisation that was previously unimaginable. They can tailor their services and interactions to meet the individual needs of customers, creating a more engaging and satisfying banking experience. For instance, banks can offer custom-tailored financial products and services that align with a particular customer's unique financial goals.



These insights also empower banks to design highly targeted marketing campaigns. They can reach out to customers with relevant offers and solutions, which not only increases the likelihood of conversion but also minimises the potential for customer frustration due to irrelevant advertising. The result is higher customer satisfaction and loyalty.

When customers feel understood, appreciated, and served with offerings that precisely meet their needs, they are more likely to remain loyal to the bank, advocate for its services, and continue to engage in a long-lasting, mutually beneficial relationship. Enhanced customer insights, driven by digital transformation, have become a cornerstone of modern banking strategies, offering a win-win situation for both banks and their customers.

Artificial intelligence and machine learning technologies have emerged as the keystone of the digital banking transformation. These technologies empower banks to provide personalised services, streamline operations, and enhance risk management. For instance, chatbots powered by AI have become integral to customer service, offering 24/7 support and resolving queries promptly. This not only improves customer satisfaction but also significantly reduces operational costs. AI and ML are used to detect fraud and anomalies in real-time. By examining vast datasets, algorithms can identify suspicious activities and prevent fraudulent transactions, enhancing the security of digital banking. Additionally, AI-driven credit scoring models help in assessing the creditworthiness of borrowers more accurately, reducing the risks associated with lending.

A good example would be JPMorgan Chase's Contract COIN which automates document review for a certain class of contracts, (COiN) platform utilises machine learning to analyse legal documents. It has reduced the time required to review 12,000 annual commercial credit agreements from 360,000 hours to seconds, improving efficiency and reducing errors. The company first dispatched the program to review thousands of its own credit contracts. The software employs image recognition to identify patterns in these agreements. The bank reports that the algorithm classifies clauses into one of about one hundred and fifty different "attributes" of credit contracts. For example, it may note certain patterns based on clause wording or location in the agreement.

Blockchain technology fosters protected and transparent transactions between parties, eliminating the need for a trusted intermediary. It stands to revolutionise the banking sector by bolstering security, improving efficiency, and reducing expenses. With blockchain, individuals can conduct cross-border financial transfers without intermediaries, fees, or delays, which expands access for unbanked and underbanked populations. Additionally, blockchain facilitates peer-to-peer lending and crowdfunding platforms, enabling direct borrowing and lending based on trust and reputation. It streamlines international payments, cutting costs and processing times, while reducing the risk of fraud and currency fluctuations.

Blockchain also introduces smart contracts, self-executing agreements triggered by predefined conditions. These contracts automate various banking processes like loan origination, verification, servicing, and repayment. They also open up new business models, such as asset tokenization, where digital tokens represent assets traded on blockchain platforms. For banking compliance and regulation, blockchain serves as a single, trustworthy source, enhancing transparency and auditability. Banks can securely share and verify customer data, transaction records, and regulatory reports. Furthermore, blockchain aids in compliance with anti-money laundering (AML) and know your customer (KYC) regulations through identity verification and transaction monitoring tools.
Enhancing cybersecurity is an advantage, as blockchain guards against unauthorised access, tampering, and hacking. Data is encrypted and stored in a distributed network, bolstering resilience against cyberattacks. Consensus mechanisms and digital signatures ensure the validity and authenticity of transactions.

Ripple's On-Demand Liquidity (ODL) service uses blockchain technology to enable instant cross-border payments, leveraging digital assets to transfer funds efficiently. This has the potential to disrupt the traditional correspondent banking system.

Digital banking provides numerous benefits, including convenient 24/7 access from any location with an internet connection, extending financial services to underserved areas, reducing costs for both customers and banks, streamlining transactions, enhancing security through encryption and multi-factor authentication, fostering innovation in services and products, offering personalised financial solutions, reducing environmental impact by cutting paper and energy use, facilitating faster and cost-effective international transactions, and delivering mobile banking convenience for on-the-go account management. Overall, digital banking offers an efficient and user-friendly financial experience with diverse advantages, but it is not without some challenges. These challenges include concerns about data security and privacy, as increased digital transactions make banks and their customers more susceptible to cyberattacks and data breaches. The digital divide remains a significant issue, as not everyone has equal access to digital devices and the internet, hindering financial inclusion. The rapid pace of technological change requires continuous adaptation and investment, which can be costly for banks. Then there are regulatory and compliance challenges, as financial institutions must navigate complex and evolving legal frameworks to ensure they meet industry standards and safeguard customer interests. Lastly, customer education is essential to ensure users understand how to safely navigate digital banking platforms and make informed financial decisions. These challenges underscore the importance of striking a balance between innovation and security in the digital banking landscape.

The banking industry has witnessed success stories of digital transformation initiatives, with institutions leveraging these technologies to offer more personalised services and expand their reach. The pros of digital transformation, including convenience, efficiency, and innovation, are counterbalanced by concerns about security, access, and regulatory compliance. Finding the right equilibrium between innovation and security remains an ongoing priority for the banking sector. As technology continues to evolve and customer expectations change, the path to digital transformation will undoubtedly lead to further exciting developments and challenges in the banking industry.

REFERENCES:
Academic Articles:
·Diener F, 2021. “Digital Transformation in Banking: A Managerial Perspective on Barriers to Change”. Sustainability
·Kamariotou M, 2021. “Digital Transformation and Strategy in the Banking Sector: Evaluating the Acceptance Rate of E-Services”. Journal of Open Innovation: Technology, Market, and Complexity
·Stijns JP, 2017. “Banking in Sub-Saharan Africa: Interim report on digital financial inclusion”
·Vaughan OB, “Mobile Technology & Big Data: The Future of Digital Banking in Africa”
Online Articles. Accessed 06/11/2023
·The Advantages and Disadvantages of Digital Banking https://www.rootquotient.com/blog/the-pros-and-cons-of-digital-banking/
·Advantages and Disadvantages of Digital Banking.\ https://limbd.org/advantages-and-disadvantages-of-digital-banking/
·Online Banks vs. Traditional Banks: Which Are Better? – Forbes https://www.forbes.com/advisor/banking/online-banks-vs-traditional-banks/
·What are the Advantages and Disadvantages of Online Banking?- Moneymax https://www.moneymax.ph/personal-finance/articles/online-banking-pros-cons
·The future of digital banking in Africa – Rand Merchant Bank https://www.rmb.co.za/page/the-future-of-digital-banking-in-africa
·The African Digital Banking Transformation Report 2023 https://www.backbase.com/insights/reports/african-digital-banking-transformation-report-2023
·The African Digital Banking Transformation Report 2020 https://www.backbase.com/en/insights/reports/the-african-digital-banking-transformation-report-2020
·Why digital banking is the future in South Africa – BusinessTech https://businesstech.co.za/news/industry-news/466855/why-digital-banking-is-the-future-in-south-africa/
·5 Digital Banks set to revolutionise Banking in Africa in 2022 https://ibsintelligence.com/ibsi-news/5-digital-banks-set-to-revolutionise-banking-in-africa-in-2022/

UNVEILING OPPORTUNITIES & NAVIGATING CHALLENGES OF AI IN INSURANCE

In a recent discussion with Graham Gordon, Product Director P & C at Sapiens, the profound impact, and potential fallout of Artificial Intelligence (AI) in the insurance industry were explored. Graham shed light on how AI is transforming various facets of insurance operations, presenting both unparalleled opportunities and potential challenges.

A practical example: Graham initiated the discussion by emphasising the transformative potential of AI, urging the audience to grasp the enormity of the opportunity at hand. He shared a practical example of how he, as a non-technical professional, utilized AI to effortlessly generate a magazine aimed at insurance professionals. By inputting a simple prompt into ChatGPT, he swiftly obtained a comprehensive magazine outline, including topics like the digital revolution, regulatory landscapes, climate change, tailored insurance products, and cybersecurity. He further illustrated the seamless integration of AI into his workflow by using DALI to create a dynamic visual representation of interconnected gears and generating website code through AI prompts. Graham's experience highlighted how AI, through natural language processing and prompt-based interactions, could enable individuals without coding or design expertise to accomplish complex tasks swiftly.

AI's penetration into the insurance value chain: Graham emphasised that AI's impact extends across the entire insurance value chain. From customer segmentation and upsell opportunities to price re-engineering and fraud detection, AI offers a broad array of applications. He cited examples of AI recognition of damage using photo and video recognition software, demonstrating its potential in automating evaluations of damage costs for claims processing. The discussion touched upon AI's role in the finance sector, particularly in HR analytics, predicting employee promotions, retention, and identifying employees at risk of leaving. Graham underscored that AI is poised to revolutionise every aspect of the insurance industry.

Challenges and Considerations: In response to me raising pertinent questions about the challenges that smaller players in the industry might face in adopting AI, Graham acknowledged the overwhelming nature of the AI landscape and recommended starting with one or two proven use cases. He emphasised the importance of collaboration and learning from successful implementations, particularly in complex scenarios like handling insurance claims. Addressing concerns about the potential homogenisation of AI solutions, Graham cautioned against all AI applications yielding identical results. While acknowledging the initial scepticisms in the industry, he cited examples of insurtech companies that had overpromised on AI capabilities but struggled to deliver tangible results.

Cost and evolution of AI: A critical aspect discussed was the substantial cost associated with AI implementation. Graham acknowledged the high initial costs, citing estimates of tens of millions of rand for training a ChatGPT model. He highlighted the ongoing expenses, noting that running a chatbot like ChatGPT could cost millions of rand daily. However, Graham expressed optimism that these costs would decrease as technology matured, and the return on investment (ROI) became more apparent. He predicted that smaller insurtech companies, unencumbered by large legacy systems, would lead the way in experimenting with and implementing AI.

AI's Societal Impact and Ethical Considerations: The conversation delved into the societal impact of AI, touching on ethical considerations and potential biases in AI models. Graham acknowledged the importance of building unbiased AI models and stressed the need for a consolidated, truthful dataset to ensure fairness in AI applications. The interview underscored the role of regulators in ensuring fairness and ethical standards in the evolving landscape of AI in insurance.

Striking a Balance between Innovation and Caution: The discussion provided a comprehensive overview of the transformative power of AI in the insurance sector.

While celebrating the myriad opportunities AI presents, Graham acknowledged the need for caution, ethical considerations, and ongoing collaboration to ensure the responsible and equitable deployment of AI in insurance. *Download the results of the Sapiens & The Insurance Network AI survey to discover the potential advantages that AI offers in the insurance industry and gain a more comprehensive understanding of the consequences and obstacles related to its successful integration. Download here: AI in Insurance: Sapiens Survey*

While celebrating the myriad opportunities AI presents, Graham acknowledged the need for caution, ethical considerations, and ongoing collaboration to ensure the responsible and equitable deployment of AI in insurance.

Download the results of the Sapiens & The Insurance Network AI survey to discover the potential advantages that AI offers in the insurance industry and gain a more comprehensive understanding of the consequences and obstacles related to its successful integration. Download here: AI in Insurance: Sapiens Survey

EVENTS
View all the latest industry events & networking opportunities.

FPI CONVENTION 2023

Back to the Future: It is time to shape your own

Lelané Bezuidenhout, CFP®, CEO of the FPI, welcomed participants to the 2023 FPI Professional's Convention with the theme **"BACK TO THE FUTURE".** The convention focused on People, Technology, and Practices, acknowledging the transformative impact of the pandemic on the financial planning profession.

Day 1 features **Vusi Thembekwayo's keynote** on leading in volatile times, sessions on technology and regulatory compliance, insights from global financial planning standards, and discussions on the psychology of financial planning.

Day 2 included sessions on cybersecurity, updates from the regulator, a message from the Financial Planner of the Year, social media strategies, and the grand finale with Brent Lindeque, The Good Things Guy, encouraging attendees to embrace the power of good news for a brighter future in South Africa.

Please visit www.fpi.co.za for more information on this event.

FPI convention
Back to The Future

The Power of Technology for Financial Advisers

Anton Swanepoel's call to action:

"Transform Your Practice: Embrace Innovation to Navigate Regulatory Challenges! As regulatory burdens in the financial advisory landscape continue to escalate, it is time for FSPs (Financial Service Providers) to take charge and future-proof their businesses."
Here is your call to action:

- **Embrace Technology as Your Equaliser:** Recognize the transformative power of technology in absorbing regulatory complexities. Leading financial planning and CRM (Customer Relationship Management) software companies are developing cutting-edge solutions to simplify processes, automate tasks, and enhance efficiency. Embrace these tools as your equaliser in the evolving regulatory landscape.

- **Prepare for the COFI (Conduct of Financial Institutions) Act:** Stay ahead of the curve by preparing for the upcoming Conduct of Financial Institutions (COFI) Act. This significant regulatory shift will impact every aspect of FSP businesses. Leverage technology to seamlessly adapt to the changes, ensuring compliance without sacrificing productivity.

- **Invest Wisely in Innovation:** Explore and invest in the latest innovations offered by financial planning and CRM software companies. Choose tools that not only meet current needs but also position your practice at the forefront of the profession. Efficiency and effectiveness are the keys to thriving in a dynamic regulatory environment.

- **Collaborate and Stay Informed:** Engage with industry leaders, share insights, and stay informed about emerging technologies and regulatory updates. Collaborate with software companies to tailor solutions to your specific business needs. Your active involvement will contribute to shaping the future of regulatory compliance.

- **Act Now for Long-Term Viability:** The time to act is now. Regulatory changes are inevitable, and technology is your best ally in navigating this evolving landscape. Delaying the adoption of innovative solutions may jeopardise your business's long-term viability.

"In the face of increasing administrative burdens, FSPs must view technology as a strategic ally rather than a mere tool. Seize the opportunity to transform challenges into competitive advantages. Your future success depends on your ability to adapt, innovate, and leverage technology to stay at the forefront of the financial advisory profession. Act now and position your practice for sustained growth and resilience."

A Futurist's Insights on Technology & Adaptability

Charlotte Kemp's call to action:

"Seize the Future: Embrace Technology and Elevate Your Advisory Practice! Charlotte Kemp, a seasoned futurist, highlighted the transformative power of technology and AI (Artificial Intelligence) in financial services. Learn how a 'futures mindset' can keep you ahead in this dynamic landscape. Adaptability is the key to success in the AI era, and embracing change is non-negotiable. Upgrade your skills, integrate technology wisely, and prioritise personalised human service. Join the movement towards future-proofing your advisory practice.

Charlotte's insights at the FPI Convention provided a roadmap for navigating the evolving financial landscape successfully. Do not just stay current—lead the way into the future!"

Charting Excellence: Navigating the Evolution of Financial Planning

Kirsty Scully's Call to Action:

- **Invest in Professional Recognition:** Elevate your standing by embracing the FPI's mission for professionalization. Gain postgraduate qualifications to be recognised as a certified financial planner (CFP), aligning yourself with esteemed professions like doctors and lawyers. Your expertise deserves recognition.
- **Navigate the Modern Financial Landscape:** Embrace technology, acknowledge the impact of AI, but remember—the personal touch you provide is irreplaceable. As financial professionals, leverage AI as a tool, but prioritise human relationships and personalised advice, ensuring the enduring strength of financial planning.
- **Stay Informed on Regulatory Changes:** The financial services sector is ever-evolving. Stay ahead by understanding the regulatory landscape. Recognise the behind-the-scenes efforts of FPI in advocating for fair rules and regulations. Engage with FPI to ensure a conducive environment for financial planning in South Africa.
- **Master the Psychology of Financial Planning:** Recognise the importance of psychology in effective advice. Understand clients' emotional relationships with their finances and listen empathetically to their concerns. Embrace the holistic nature of financial planning—fundamentally about people.
- **Strive for Excellence and Recognition:** Awards not only benefit individuals but elevate the entire profession. Consider pursuing prestigious awards to highlight your commitment to excellence. Use awards as a powerful marketing tool, contributing to the industry's reputation for exceptional service.

"Act now to transform challenges into opportunities and position yourself as a leader in this recognised and respected field. Your evolution starts here!"

Bidvest Life's Swift Income Protection Payouts
Make All The Difference

In 2022, the average time for all income protection claims from lodging until first payment was

16.5 business days

The shortest time
from lodging until first payment was
2hr 15min
(for a COVID-19 claim)

4% of claims
were paid within
24 hours
of being lodged

32% of claims
were paid within
5 business days
of being lodged

50% of claims
were paid within
10 business days
of being lodged

Contract with Bidvest Life today!
+27 (0)86 010 1119 | www.bidvestlife.co.za

When life happens, we show up.

*Bidvest Life 2022 Claims Reports.
Bidvest Life Ltd is a licensed Life Insurance Company and authorised Financial Services Provider FSP 47801

Empower South Africa's Future: Navigate the Political Landscape

As the nation approaches the pivotal 2024 elections, the complexities of South Africa's political climate demand our attention. Mandy provided invaluable insights into government tensions, media accountability, and the emerging era of coalition politics. Here is how you can take action:

- **Stay Informed and Discerning:** Understand the nuanced dynamics within the government. Recognise the divide between those committed to the nation's success and those prioritising personal gain. Navigate the complexities with a discerning eye, separating challenges from opportunities.
- **Promote Media Accountability:** Acknowledge the pivotal role of the media in holding power accountable. Support investigative journalism as a crucial tool for transparency. Advocate for a balanced narrative by celebrating positive stories of those working towards positive change.
- **Participate in the Electoral Process:** Recognise the power of your vote in shaping the political landscape. As South Africa heads into an era of coalition politics, citizen engagement is crucial. Guard against apathy, and actively participate in the 2024 elections to contribute to a better future.
- **Spread Awareness:** Share insights within your community and network. Encourage discussions on the challenges and opportunities facing South Africa. Foster a collective understanding of the political landscape and the potential for positive change.

“As financial advisers, your influence extends beyond finances. Empower your clients to be informed and engaged citizens. Together, let us contribute to a brighter, more prosperous nation. The future of South Africa is in your hands—act now!"

Shape Our Nation's Narrative:
Embrace the Power of Positivity!

Brent Lindeque's Call to Action for South Africans:

" In the face of challenges, we often forget the countless stories of resilience, compassion, and hope that define our country. It is time to actively change the narrative and focus on the positive aspects that coexist with our challenges”

- **Seek and Share Positive Stories:** Actively seek out stories that highlight goodness, resilience, and progress in our society. Share these stories with your network and on social media. By amplifying positivity, you contribute to a more balanced and uplifting narrative.

- **Celebrate Acts of Kindness:** Acknowledge and celebrate acts of kindness, no matter how small. These moments of positivity have the power to transform lives and inspire others. Share these acts of kindness to uplift spirits and promote a sense of community.

- **Challenge Negative Stereotypes:** Be conscious of negative stereotypes and narratives. Challenge them by actively promoting stories that defy these stereotypes. By doing so, you contribute to reshaping perceptions and fostering a more inclusive society.

- **Acknowledge Challenges with Hope:** While acknowledging the challenges our nation faces, hold onto the hope that change is possible. Recognise the individuals and organisations making a positive impact. By balancing awareness of challenges with hope, you contribute to a more optimistic narrative.

- **Be a Helper:** In the spirit of Mr. Rogers' wisdom, actively be a helper in your community. Contribute to positive change, volunteer, and support initiatives that uplift others. By being a force for good, you embody the change you want to see.

- **Commit to Change:** Commit to actively changing the narrative. Make a conscious effort to focus on the good things, no matter how small, and share them with others. Your commitment contributes to a collective effort in creating a more inclusive, compassionate, and hopeful South Africa.

“Together, let us create a narrative that reflects the beauty and potential of our nation. By embracing positivity and actively shaping our collective story, we can inspire others to believe in positive action, recognise the helpers among us, and contribute to the change we envision. **It starts with each one of us, one story at a time. Together, we can build a brighter, more hopeful South Africa."**

FPI Awards Evening

Lara Warburton, CFP®, received top honours as the Financial Planner of the Year at the Financial Planning Institute of Southern Africa's (FPI) 2023 Gala Awards. The event, held at the Sandton Convention Centre in Johannesburg, celebrated excellence in the financial planning industry.

Lara stood out after a rigorous evaluation process, including a detailed financial plan submission, FPI Code of Ethics audit, and a final interview on legislation, industry trends, and technical expertise. Other notable awardees included:

- **Crue Invest for FPI Approved Professional Practice of the Year**
- **Olwethu Masanabo, CFP®, for the Diversity and Inclusion Award**
- **Kim Potgieter, CFP®, for the It Starts with Me Award**
- **Stephan Lombaard received the Top Candidate Award**
- **Robert Macdonald, CFP®, was honoured with the Harry Brews Award for dedicated service.**

The evening marked FPI's 25 years of CFP certification in South Africa, celebrated with the FPSB (Financial Planning Standards Board) 25 Year Award presented by Dante de Gori, CEO of the FPSB.

It Starts with Me Award Winner

FPI student Competition Winners

Approved practice of the Year Award

Diversity & Inclusion Award Winner

Harry Brews Award

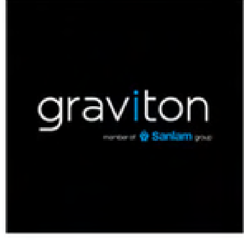
Professional Competency Award

Financial planner of the year 2023

Financial Planner of the year finalists

Conference sponsors and exhibitors

DEPARTMENT OF FINANCE AND INVESTMENT MANAGEMENT



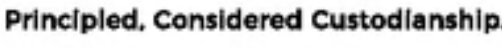
Steyn Capital Management

Corporate Partners

The FPI Corporate Partner™ status supports organisations to distinguish themselves and also demonstrate their level of commitment in maintaining the highest professional and ethical standards in the financial services industry. Becoming a partner will enable you to take advantage of the co-branding opportunities afforded by being a FPI Corporate Partner™.

Professional Practice Partners

Being an FPI Approved Professional Practice™ brings several benefits to the financial planning practice such as: credibility, access to resources such as training and networking opportunities with like-minded practices, professional development and marketing opportunities.



We unpacked the complexities of retirement products, both traditional and emerging. Retirement planning and product choices can be overwhelming, with numerous variables to consider, including personal circumstances, investment timelines, and evolving financial landscapes. This conversation provides insight into the challenges retirees face, the need for guaranteed income solutions, and the role of technology in facilitating informed decision-making.

Understanding Traditional Retirement Products

Fränzo Friedrich sets the stage by highlighting the importance of proper retirement planning. He underscores that contributing only to a workplace pension fund is typically insufficient for comprehensive retirement funding. To address this issue, individuals often turn to various retirement products, including retirement annuities, tax-free investments, and pension preservation funds. These instruments, combined with investment solutions, help build a financial cushion for retirement. A significant challenge is that people tend to underestimate how long they will live in retirement.

As life expectancies increase, it is crucial to consider more comprehensive retirement funding strategies. Retirement annuities and tax-free investments, which offer tax incentives, are popular choices for accumulating retirement wealth. Fränzo adds that one unique strategy is to use tax-free investments to provide for a child's retirement. By investing consistently from birth to the contribution limit, the accumulated amount can potentially fund the child's retirement comfortably. This approach encourages a shift in thinking about retirement planning, aligning it with one's values and the needs of future generations.

Fränzo emphasizes a noticeable trend among retirees

An increasing preference for guaranteed income solutions over market-exposed options. This shift is a response to market volatility and the need for financial stability during retirement. A guaranteed income stream helps cover essential life expenses like housing, healthcare, and groceries. Martiens Barnard explains that while traditional living annuities, which expose retirees to market risk, remain popular, the higher-interest-rate environment has led to a surge in life annuities, which provide guaranteed income. However, life annuities have their limitations, such as limited inheritance for beneficiaries.

Introducing Hybrid Solutions

To address the evolving needs of retirees and provide more flexibility, Momentum Wealth provides retirees the opportunity to use their living annuity as a hybrid annuity by selecting a life annuity (referred to as a Guaranteed Annuity Portfolio) as a component within their living annuity. This approach combines the best of both worlds, ensuring retirees have financial security from the Guaranteed Annuity Portfolio as it pays a guaranteed income for as long as the retiree is alive, while still having exposure to market growth and the flexibility to make changes to the overall single income stream.

The Hybrid Annuity Solution

The hybrid annuity solution created by Momentum Wealth was designed so that clients do not have to choose between an uncertain or an inflexible income stream. Momentum believes that essential life expenses, such as rent, groceries, and healthcare should be covered by the Guaranteed Annuity Portfolio. This leaves the remaining money to be invested in a way that captures potential market gains so that it can fund the excess income needed for the more discretionary living expenses such as holidays or traveling.

The Power of Technology

Technology plays a crucial role in helping financial advisors educate clients about these complex concepts. Momentum Wealth has developed the Income Illustrator to help advisors demonstrate the potential impact of integrating a Guaranteed Annuity Portfolio into a living annuity. This tool enables advisors to quantify the optimal allocation of money into a Guaranteed Annuity Portfolio, ensuring that retirees enjoy financial security while still participating in potential market growth.

Approaching Retirement Planning

For financial advisors, educating clients about these new retirement strategies is essential. Early engagement and education about the pros and cons of various retirement products can empower individuals to make well-informed decisions. Retirement is a long-term journey, and understanding the implications of each choice is crucial. Fränzo Friedrich suggests that the introduction of guaranteed income solutions can provide a level of financial security for retirees to maintain their essential expenses while still enjoying market-based returns for their discretionary spending. This balance ensures that retirees can maintain their financial independence throughout their retirement years.

The landscape of retirement planning is evolving, with innovative solutions emerging to address the changing needs of retirees. The introduction of the Guaranteed Annuity Portfolio provides the opportunity to combine guaranteed income and market exposure, giving retirees greater flexibility and financial security. Technology plays a pivotal role in helping financial advisors educate their clients about these complex strategies. By starting the education process early and quantifying the benefits of using a hybrid solution, advisors can empower individuals to make more informed decisions, ensuring financial stability and independence in retirement.

RESHAPING FINANCIAL WELLNESS

In a compelling interview at the FPI convention, Mark Neil, Chief Distribution Officer at Bidvest Life, shared insights into the dynamic landscape of the financial advice space and the exciting opportunities that lie ahead.

With a focus on income protection and a commitment to client-centric innovation, Bidvest Life is reshaping the industry. Mark discussed the evolution of products, the importance of personalisation, the role of financial advisors, and the intersection of technology and human touch in enhancing client experiences.

Mark Neil, Chief Distribution Officer at Bidvest Life

Unlocking Opportunities in the Financial Advice Space

Mark highlighted the immense opportunities in the financial advice sector, citing the significant sum insured of 1.1 trillion rand written last year(Swiss Re 2022). He emphasised the need for adaptation in challenging times and identified income protection as a crucial area with substantial growth potential. Bidvest Life's 28-year expertise in income protection positions them as leaders in the field, presenting an opportunity to lock-in the financial security of hardworking South Africans who rely on their monthly income to provide for themselves and their dependents.

Innovative Product Development: A Shift Towards Inclusivity

Discussing the evolution of products, Mark mentioned Bidvest Life's Event Based product, a testament to their commitment to protecting the income of a diverse range of occupations, including dual income earners, commission earners and contract workers, not to mention the riskier occupations like professional sports players and high voltage electricians. This inclusivity reflects a positive shift in the industry, addressing the needs of individuals who historically may not have had access to income protection. Mark highlighted the trend of developing malleable, personalized products that adapt to clients' life events, showcasing Bidvest Life's Future Cover Protector as an example.

Behavioural Financial Advice: Guiding Clients to Financial Wellness

Mark delved into the industry trend of behavioural financial advice, emphasizing the importance of insurers guiding clients through various life stages and their subsequent evolving financial needs. Metrics focused on clients' health and well-being play a key role in ensuring a client-centric approach. Bidvest Life's dedication to putting clients first aligns with the broader industry shift towards holistic financial advice that considers clients' overall wellness.

Navigating Information Overload: The Role of Life Insurers

With the current information overload and accessibility of advice, Mark acknowledged the challenge clients face in discerning valuable information. Bidvest Life remains committed to engaging exclusively with financial advisors, recognizing their critical role in providing guidance and advice tailored to clients' specific needs. Mark emphasised the pivotal role financial advisors play in a client's financial journey, particularly in challenging economic environments.

Harmonizing Technology & Human Expertise

Addressing the intersection of technology and financial advice, Mark dismissed the notion that technology would replace financial advisors. Instead, he highlighted how technology enhances the daily operations of financial advisors. Bidvest Life's Digital Client Application (DCA) exemplifies this, streamlining the application process and significantly reducing turnaround time. The marriage of technology and human expertise is crucial for Bidvest Life, ensuring ease of doing business while maintaining a strong advisor-client relationship.

The Crucial Role of Income Protection

In closing, Mark reiterated the significance of income protection, Bidvest Life's core focus. He emphasised the client's income as their greatest asset and underscored their commitment to protecting it. The strength of income protection is evident in the real-life examples showcased in Bidvest Life's 2022 Claims Report and YouTube videos. Financial advisors have historically always been significant claimants on Bidvest Life’s income protection benefits which highlights the efficacy of these very products.

Conclusion

Mark Neil's insights into Bidvest Life's approach to financial advice underscore a commitment to innovation, inclusivity, and client-centricity. In a rapidly evolving industry, they stand out as leaders, driving positive changes that prioritise the financial wellness of clients.

The intersection of technology and human touch, coupled with a strong emphasis on income protection, positions Bidvest Life at the forefront of shaping a brighter future for the financial advice landscape.

1. Broadening the concept "spouse" in South African law – Ms Kgopotso Maunatlala (University of Pretoria)

Ms Maunatlala discussed the topic with reference to the Constitutional Court judgement in Bwanya v Master of the High Court, Cape Town and Others and the impact this has on the SA law of succession. She highlighted the difficulties and uncertainty around the difference between mere co-habitation and a life partnership which is intended by both partners to be permanent. This uncertainty can lead to a surviving party in a relationship of sorts to exploit the situation after the death of the other party and claim a life partnership, while it may be difficult to ascertain what the deceased party's views on this were. She asked the question: "What makes one sure that the deceased would have intended to have their partner inherit from them, especially if the couple never intended to legally formalise their union?"

2. Abuse of personal information – managing online fraud and data breach risks – Mr Steven Powell (ENSafrica)

Mr Powell compared online fraud with Covid and called the former another pandemic that hit the world. Estimates are that cybercrime grew by almost 300% worldwide during Covid. He referred to the different types of data harvesting and online fraud, e.g. social engineering, identity theft, phishing, vishing, smishing, pharming, ransomware, advance fee frauds, man-in-the-middle attacks, romance scams, and 419 scams. He pointed out the dangers of bulk data breaches and the activities of scammers who create complete profiles of persons through collected data. Data breaches in businesses and organisations can also have severe consequences for the entity, with large financial fines and reputational damage and financial losses resulting from breaches due to insufficient security.

3. The rights of trust beneficiaries – Dr Rika van Zyl (School for Financial Planning Law – University of the Free State)

Dr van Zyl explained the rights of trust beneficiaries by way of a case study based on a real-life court case in a brilliant and practical way using citrus fruit as an example of the extent and content of the different rights (or lack thereof) that beneficiaries of a trust could hold. She pointed out how even the highest courts sometimes confuse the different categories of rights. A beneficiary sometimes only has a spes (a hope) to receive something in future, but may think that s/he has a right worthy of protection by law. A contingent right should be distinguished from a vested right, and the acceptance of rights by a beneficiary may or may not (depending on the nature of the right) have consequences for the trustees' ability to take decisions and/or amend the terms of the trust deed.

4. Unintended consequences of compliance: making fiduciary services unaffordable for the middle market – Mr David Hurford (Fairheads Benefit Services)

Mr Hurford gave an overview of the increased compliance burden placed on trustees due to amendments to the Trust Property Control Act, 1988, and the Financial Intelligence Centre Act, 2001 (FICA), as well as further burdens placed on trustees by changes in practices at the South African Revenue Service (SARS). Failure to comply carry stiff financial penalties and even imprisonment is a possibility. The effect of these new burdens is that the cost of supplying fiduciary services to persons who may need it most in our society is making it almost impossible to do so in a sustainable manner. These include the minor beneficiaries of deceased retirement fund members, claimants against the Road Accident Fund, and in medical negligence claims. One way to attempt to bring down the unit cost is by umbrella trusts under which individual accounts are created for beneficiaries not related to each other.

5. The fiduciary client's right to privacy – Mr Nel Schoeman (IQ-EQ Guernsey)

Mr Schoeman looked at the European experience and the push-back that is developing against the collection of personal information and the placing of this information in the public domain. He referred to WM (C-37/20) and Sovim SA (C-601/20) v Luxembourg Business Registers where the European Court of Justice ruled that personal information of an individual cannot be a matter of public record. Access to such information can only be based on a legitimate interest and should be limited to, amongst others, entities with anti-money laundering obligations, competent authorities (regulators), investigative journalists and civil society organisations combatting corruption. He also highlighted concerns about the security of records, in the light of the ransomware attack on the South African Department of Justice's IT systems in 2021, and questioned the necessity to apply the rules about beneficial ownership registers to all types of trust – there are certain trusts where it is impossible to change beneficiaries and the source of the funds are known, e.g. court order trusts originating from Road Accident Fund claims.

6. Regulatory Update – Adv Preesha Seetal (standing in for Ms Penny Roberts – Acting Chief Master of the High Court)

Adv Seetal referred to the launch of an online deceased estate reporting system earlier in October 2023 and the introduction of letters of executorship with a QR code by which the identity of the executor can be verified by financial institutions and other parties with whom the executor has to deal. She also gave an update on progress with the issuing and implementation of a directive following Parliament's failure to amend the Intestate Succession Act, 1987 and the Maintenance of Surviving Spouses Act, 1990, in the wake of the Bwanya judgement. While the introduction of IT solutions should relieve pressure in the medium term, bandwidth issues and dependence on systems in other civil service departments (e.g. Home Affairs) remain challenging.

7. Ethical dilemmas in compliance requirements for fiduciary practitioners – Adv Abraham Louw SC (Pretoria Society of Advocates)

Adv Louw focussed on the dilemmas that could arise where some compliance requirements in anti-money laundering legislation place impossible burdens on fiduciary practitioners, while ethical codes require them to comply with all legislation. He referred to the impossibility doctrine in law, that the law cannot require anyone to do the impossible – this against th

8. Safeguarding fiduciary investment against risk – South African opportunities – Prof Adrian Saville (Gordon Institute of Business Science)

Prof Saville investigated the contributing factors to investment success and indicated that the most important contributors to sustainable growth in the value of investments is low costs (fees) in the investment vehicle and diversification across asset classes. He pointed out that only 20% of so-called Alpha managers (i.e. investment managers who aim to beat the market) are successful and outperform so-called Beta managers (i.e. investment managers who aim to track the market. This while the latter charge substantially lower fees. He also referred to the value of assets and pointed out that crypto assets have no apparent inherent value, but is based purely on what investors in that market are willing to pay for it. He also pointed out that the single biggest risk is total destruction of capital as there is no recovery possible from that. One of the ways to avoid this is through diversification.

9. Panel discussion

An hour-long panel discussion was a great success again. During this all questions to speakers were facilitated.

1. The presentations can be accessed here https://www.fisa.net.za/presentations-given-at-the-2023-fisa-conference-held-17-october/
2. And here is info on how to access the recordings on Asset TV - https://www.fisa.net.za/fisa-conference-recordings-available-registrations-re-opened/

Summarised by Louis van Vuuren, CEO of FISA.

NNAC KLOOF OFFICE OPENING

Our NNAC claims, underwriting and reinsurance teams have moved into their wing of our new head office in Kloof, KZN, to be followed early in the new year 2024 by the final phase of the move when the rest of our teams will move in.

Picture this: A day filled with anticipation, enthusiasm, and an overwhelming sense of pride. Staff, board members, and executives all gathered to celebrate this momentous occasion.

Head of Finance, Deloshnie Naidoo, beautifully summed up the excitement of the day: "Today turned a common day into an absolute sense of pride and hope. It changed the mindset of all employees from routine into joy. Today we realised an ordinary opportunity became a blessing."

But it didn't stop there. Deloshnie continued, "All in all, everyone was so excited, and we could visualise what we can do in the office. It was almost a sense of togetherness, and it's somewhere we can now call home."

This move signifies more than just changing locations; it's a fresh chapter filled with endless possibilities, collaboration, and innovation. We can't wait to see where this new journey takes us, and we're thrilled to share it with all of you!

Stay tuned for more exciting updates from our new home.

NNAC - People you can talk to

IIKZN GALA DINNER:
See You in Pandora

The Insurance Institute of KwaZulu-Natal (IIKZN) hosted its Annual Gala Dinner, themed "I See You in Pandora," at the Durban International Convention Centre on November 25, 2023. With 700 guests in attendance, it marked the largest IIKZN Gala Dinner to date, immersing attendees in the enchanting world of Pandora. The event celebrated industry dedication, academic excellence, and the insurance sector's significant contribution to the economy. The evening featured extraordinary decor and entertainment, including ballet performances, Avatar characters, a unique Peacock tail display, and impressive tenors singing "Nessan Dorma."

The event's success was made possible by the generous sponsorship of various companies. Diamond sponsors included Discovery Insure, Invuya Institute of Learning, IUM, and the Renew-it Group. Old Mutual Insure served as the Platinum Sponsor, while AIG South Africa, Marsh, Nedbank Insurance, and Sasria were Gold Sponsors. Silver, Copper, and Bronze sponsors, as well as those supporting specific elements like the photobooth, 360 Glam Cam, Gin bar, table wine, and table gifts, were also acknowledged. The evening embraced the theme "I See You," echoing the Avatar planet's sentiment of recognizing interconnectedness and fostering a sense of community within the insurance industry. Click here full the full article.

"We see commitment and hard work, we see connection and empathy, we see restoration and we see lives being put back together after immense tragedy, we see and embrace diversity and we all serve an incredible purpose. " - IIKZN

IIWC GALA DINNER

Picture this: a warm November evening that felt more like a summer soiree, where the Insurance Institute of the Western Cape waved its wand and conjured up an enchanting event called "Bloom." It was a magical affair that unfolded at the Lookout Deck on the 24th of November, hosting a whopping 600 insurance professionals.
As guests strolled in, they were met with the cool embrace of G&T's, setting the tone for a night filled with laughter, camaraderie, and a touch of whimsy. Caricature artists and balloon wizards worked their magic, adding a playful touch to the atmosphere as everyone caught up with industry pals and made new connections before the real feast began.

The evening kicked off with a burst of laughter thanks to the comedic styling of the one and only Kurt Schoonraad. Following the hilarity, Robyn Carter, the illustrious president of IIWC, took the stage for an opening address that set the tone for the night.

Robyn showcased the incredible accomplishments of the council and its supporters throughout the rollercoaster ride that was 2023. Deputy President Chandre Stemmers then took center stage to honor those who've dedicated a whopping 30+ years to the industry with well-deserved long service awards.
Let's not forget, events like these don't just happen – they're the result of some serious teamwork and the support of fantastic sponsors. A round of applause and a big shout-out to the generous sponsors who made the 2023 dinner a reality.

Hats off to the IIWC team for orchestrating a Gala Dinner that was nothing short of spectacular. The COVER team is already counting down the days to the next one, eagerly anticipating the impact the Institute will make in 2024. Here's to more magic, more laughter, and more successes in the insurance realm!

Insurance Institute
Western Cape
GIFS

iUM

JOIN COVER'S
MARKET PLACE

Search for specialist insurance, services and products, and explore company updates through video's, podcasts and other interactive content.

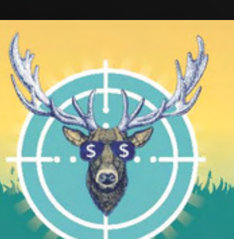
https://www.cover.co.za/marketplace

My Glass is a comprehensive solution for all your glass replacement needs, providing top-notch, customer-centered services in the industry.

Discover More Here

OWLS™ Software is the only complete, end-to-end cloud administration software system in Africa. It is designed to manage all aspects of policy lifecycle, including both short and long term insurance business and financial services. All these services are available on a single platform.

Discover More Here



Your clients' day-to-day savings are at risk of being poached.
Conserve their cash by switching them to Fedhealth.