February 2024

COVER

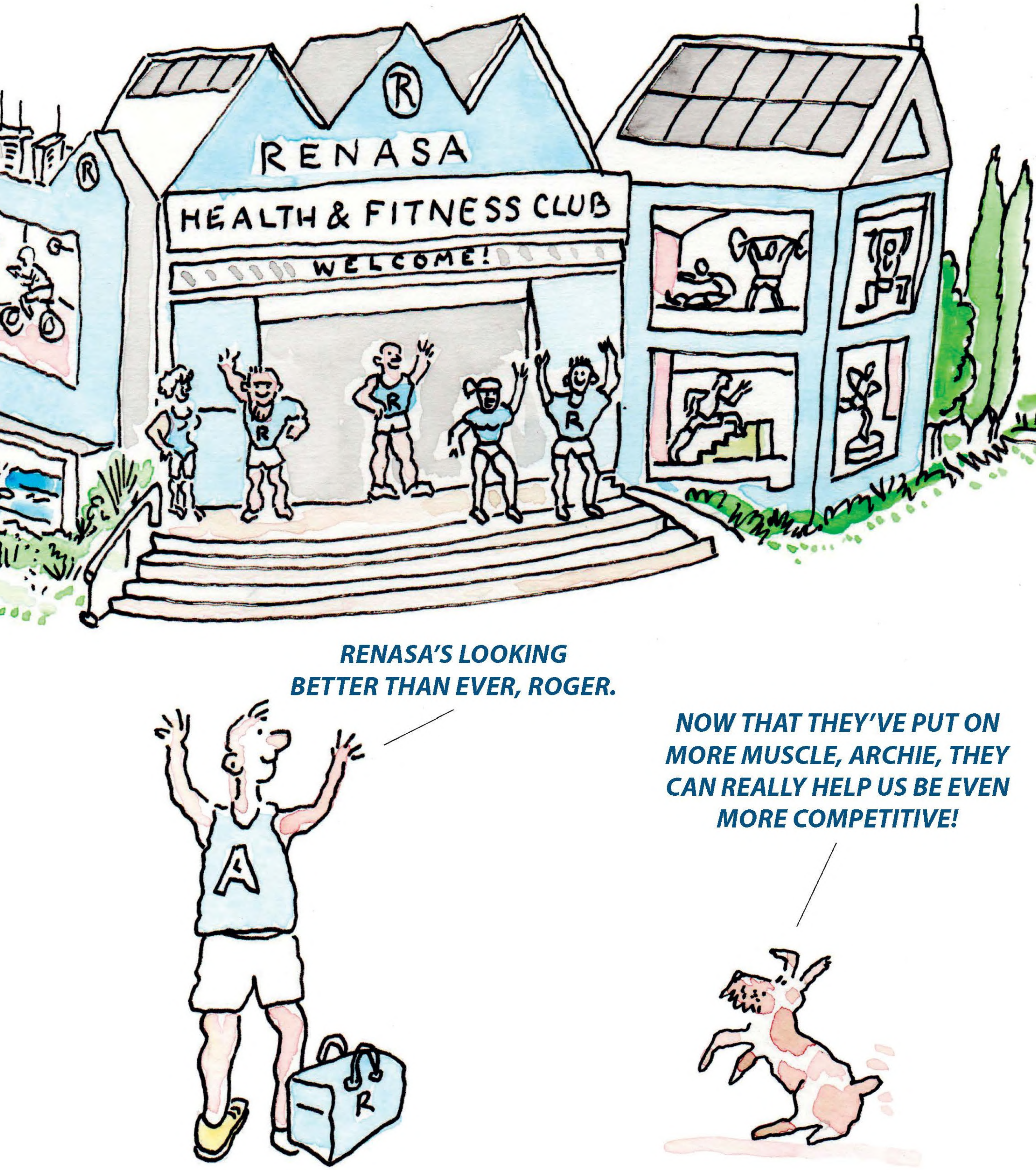
Knowledge Shared

TOP RISKS IN 2024 ALLIANZ RISK BAROMETER

A DECADE OF RISK AHEAD GLOBAL RISK REPORT 2024

FINANCIAL ADVICE IN A HYPER-PERSONALISED WORLD

5 WAYS AI IS TRANSFORMING INSURANCE



Renasa has always been the brokers' best friend.
Our entire business focus is exclusively on helping our intermediaries outcompete their competitors.

Now, as a member of TIH, South Africa's powerful independent and innovative insurance group, we have the commitment and resources to do even more.

MAIN STORIES

14

Top business risk for 2024

Cyber events dominate the Allianz Risk Barometer as the foremost business risk globally. The report emphasizes rising concerns in Africa and the Middle East, urging heightened cybersecurity measures.

18

Navigating the Global Risks Landscape

Spiros Fatouros, the CEO of Marsh McLennan, South Africa, delves into the nuances of the Global Risk report 2024, shedding light on the top risks and the imperative for collaboration and innovation.

31

In a changing world, long live advice

In the evolving landscape of financial advice, Sean Hanlon emphasizes the enduring value of personalized guidance. Explore how advisors can leverage technology while maintaining meaningful client connections in 2024.

56

5 ways AI is transforming the insurance industry

Vis Govender, Co-founder of Everything.Insure, shares insight into how AI is reshaping comparison advice, fraud detection, underwriting, and claims processes in the industry."

CONTENTS

Short Term

Long Live Advice

Financial Planning

Technology

Contact Us

NO ROAD HAS NO RISK

Tony Van Niekerk, Editor & Chief at COVER Magazine

Machiavelli, an Italian political philosopher once said: “Never was anything great achieved without danger”, but today it seems even achieving the average has its own major challenges. This can clearly be seen in the rise of Cyber Risk, seen by the Allianz Risk Barometer as the top risk in Africa and the Middle East, going hand in hand with Business Interruption. Results from the Global Risks Report, a collaboration between Marsh, WEF and Zurich Insurance, is a bit more nuanced, and perhaps easier to fit into the everyday business and societal world. Here we see Extreme Weather, Mis/Disinformation (technology-generated), society polarisation and a cost of living crisis as top.

My conversations with the companies involved with the production of this report highlighted the need for the insurance industry to take the lead in collaboration, innovation and risk capacity building to ensure global stability in the face of risk for which we have very little past experience or large scale modelling. My personal pick, which I can clearly see when I join the dots over the past few years, is the dark horse in the room of Business Interruption.

It does not matter whether we cover it or not, whether we bring in exclusions or set limitations. The bottom line is that, when large scale, wide spread business interruption strikes, no matter what the cause (weather/cyber/geopolitical etc), society, business and the insurance industry, will have to deal with the fall out. Now more than ever, the insurance industry will have to be the one finding the silver bullet.

SHORT TERM

ARTICLES

"As short-term insurance helps people, businesses and municipalities recover from the economic fall-out following a loss event such as a flood, it is an increasingly critical cog in the economy."

- ZELDA ELS, TECHNICAL SPECIALIST AT SANTAM

EMAIL INTERCEPTION FRAUD ARE YOU COVERED?

Jenny Jooste, Client Manager for Cyber and Professional Indemnity Technology at Aon South Africa

Email interception fraud is on the rise and takes the form of criminals stealing information such as email usernames and passwords. It enables the fraudster to gain access to your business email accounts allowing them to impersonate you and the business. It provides them with access to private information such as banking details and account information, meaning that they can intercept payments, change banking details or request information with access to your legitimate mailbox that looks and sounds exactly like you.

Email interception fraud allows the threat activator behind the spoof to intercept emails that contain private information such as invoices and banking details. Once the hackers are in your IT environment, they can conduct fraudulent activities such as sending fake invoices, requesting updates to bank account details, or intercepting and altering inbound payment details and redirecting payments into fraudulent accounts by sending emails that look exactly like the ones you or your business may have been dealing with.

There are many tactics that cybercriminals can employ to gain access to your e-mail account. Aon provides a few examples:

- **Phishing emails:** Fraudsters use spoofed emails that appear to be from a legitimate source such as a bank to collect your personal information or they can use deceptive links that lead to malicious websites that mimic legitimate ones. They can also manipulate email headers to make it appear as though the email is from a trusted sender and can use email display names that look like the original even if the actual email address is not.
- **Man-in-the-Middle (MitM) attacks:** Fraudsters may intercept and monitor communication between two parties and can occur on public Wi-Fi networks or compromised routers, allowing the capture of sensitive information.
- **Keyloggers and malware:** Malicious attachments in emails can contain malware, including keyloggers, which record keystrokes and can capture sensitive information such as usernames and passwords.
- **Social Engineering:** Attackers may impersonate someone you know, like a colleague or friend, and request sensitive information via email. They can also create a fabricated scenario to trick you into divulging sensitive information.
- **Business Email Compromise:** Fraudsters may impersonate high-ranking executives within an organisation to trick employees into transferring funds or providing sensitive information.

Fostering a cyber-secure culture by training staff via simulated phishing emails and WhatsApp on an ongoing and regular basis is your very first line of defence. Should staff click on links in these simulation exercises implement training to remind them of the need to be cautious and the impact on the business and job security in the event of a cyber vector accessing their IT architecture.

Phishing remains one of the leading causes of unauthorised access to a personal or business email account. It is crucial for you to not only spot a phishing email but to report the email to your cyber security team.

To this end, Aon offers local and global insights into cybercrimes to create awareness of trends and emerging risks in the space, including:

Aon's Global 2023 Cyber Resilience Report
South African Cybercrimes Act Report 2023
Results from the 2023 Cyber Risk Survey completed in South Africa

Is email fraud an insurable risk?

Cyber risk is complex as it affects so many facets of our daily personal and business lives. As a result, there are different types of insurance covers available in the market, that cover different risks and trigger events.

Aon unpacks the different types of insurance covers and how they would respond to an email interception fraud claim:

- **Cyber Risk policy:** A cyber risk policy is aimed at covering data and connectivity costs related to a cyber breach. The policy would respond to incident response costs which include forensic investigation that is aimed at finding the source of the breach as well as the subsequent liability from information being lost. A cyber risk policy will respond should there be a section for theft of funds noted below.

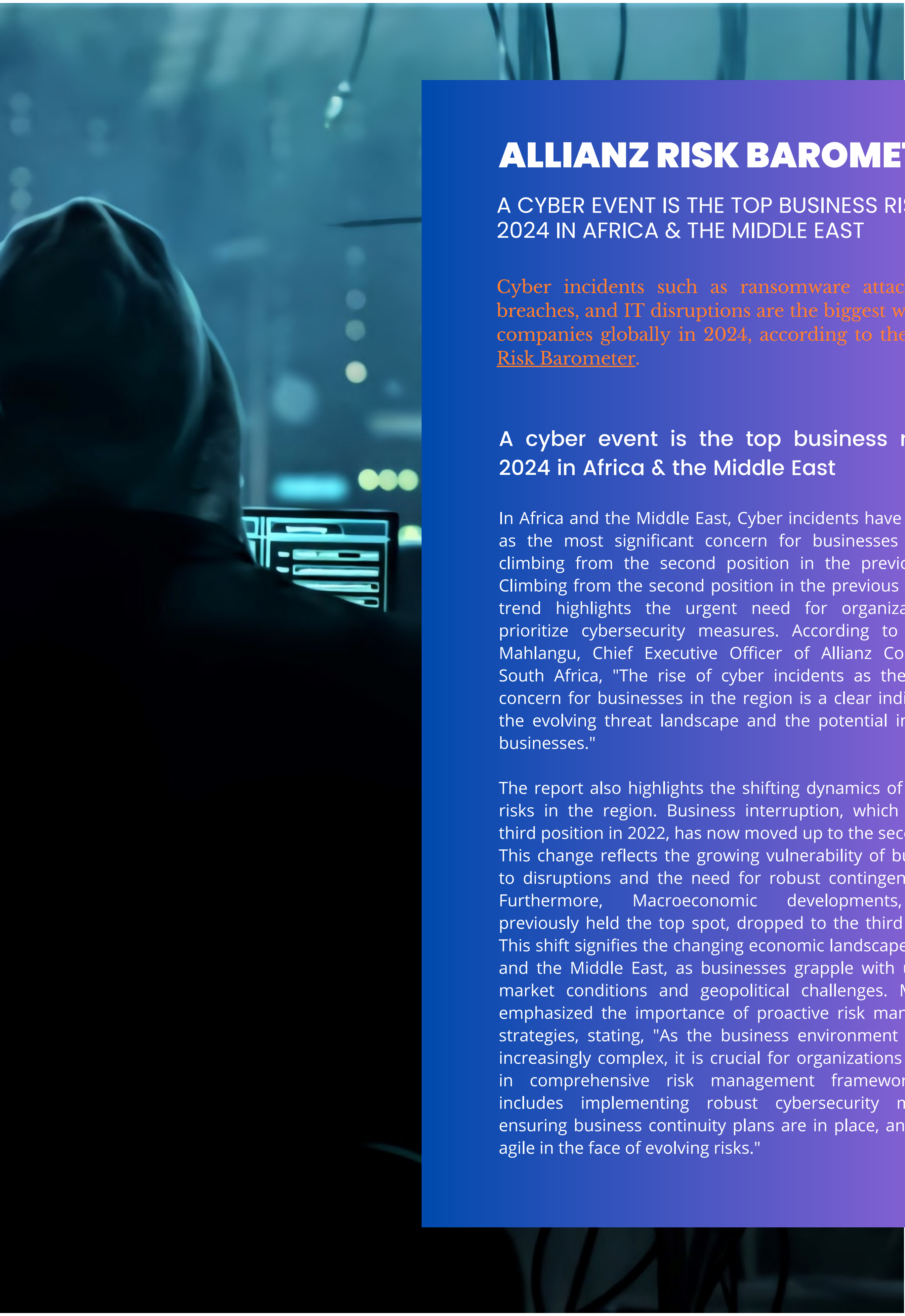
- **Theft of funds is an extension on a cyber policy:** Email interception fraud is covered under this extension. For the policy to trigger, the insured has to incur a physical loss of funds from a business bank account due to email interception fraud - some policies will consider the loss in respect of where the interception took place – on your IT systems or that of a third-party client/vendor. A theft of funds extension is normally sub-limited in respect of the overall annual policy limit of indemnity and the insurers would want to know what procedures and controls a company has in place in terms of requests to change banking details and their verification processes- very much in line with what would be required for a commercial crime policy.

- **Commercial Crime policy:** A standalone commercial crime policy will protect against direct financial loss because of theft and fraud. It provides cover for employee dishonesty, computer fraud, extortion as well as fraudulent transfer instructions. A commercial crime policy would respond to email interception fraud within the agreed limits stipulated in the policy if a social engineering fraud extension has been provided – again this will be sub limited.

- **Professional indemnity policy:** responds to the vicarious liability of staff for a company in respect of their legal liability in the event of an error, negligence or omission. Some insurance carriers would respond to an email type intercepted fraud claim as noted above. In some instances, this can be obtained, this needs to be discussed with your broker to ensure the insurer has the cover included. Silent cyber conditions have been added to most Professional indemnity policies – thus this cover needs to be negotiated with additional underwriting info.

- **Directors and Officers:** responds to the fiduciary duties of directors and officers in their personal capacity. The policy holder is the company – the policy is purchased for and on behalf of directors and officers that have the ability to bind a company legally. The cover responds to allegations where for example there is an email interception and funds are stolen/ deposited into the incorrect bank account. A claim could be made against the directors and officers alleging due care and diligence was not implemented in terms of internal processes to avoid such a situation. The defence could be that there is a commercial crime policy with a social engineering fraud extension to respond to such claims; Secondly, there are processes and controls in place to alert all staff to implement a verification process before changing banking details ; and lastly, corporate governance audits to ensure accountability of internal controls and decision-making processes.

It is crucial to speak to your broker about your specific cyber risk concern, of which email interception fraud is one of many, and how and if insurance would respond to an incident. A thorough assessment of your business cyber resilience will highlight how prepared you are for a cyber risk event and what measures you can put in place to mitigate the risk. It is also pertinent to weigh up options to transfer the risk, especially where you or your business are dealing with the transfer of large sums of money on a regular basis.



ALLIANZ RISK BAROMETER:

A CYBER EVENT IS THE TOP BUSINESS RISK FOR 2024 IN AFRICA & THE MIDDLE EAST

Cyber incidents such as ransomware attacks, data breaches, and IT disruptions are the biggest worry for companies globally in 2024, according to the Allianz Risk Barometer.

A cyber event is the top business risk for 2024 in Africa & the Middle East

In Africa and the Middle East, Cyber incidents have emerged as the most significant concern for businesses in 2023, climbing from the second position in the previous year. Climbing from the second position in the previous year, this trend highlights the urgent need for organizations to prioritize cybersecurity measures. According to Thusang Mahlangu, Chief Executive Officer of Allianz Commercial South Africa, "The rise of cyber incidents as the primary concern for businesses in the region is a clear indication of the evolving threat landscape and the potential impact on businesses."

The report also highlights the shifting dynamics of business risks in the region. Business interruption, which held the third position in 2022, has now moved up to the second spot. This change reflects the growing vulnerability of businesses to disruptions and the need for robust contingency plans. Furthermore, Macroeconomic developments, which previously held the top spot, dropped to the third position. This shift signifies the changing economic landscape in Africa and the Middle East, as businesses grapple with uncertain market conditions and geopolitical challenges. Mahlangu emphasized the importance of proactive risk management strategies, stating, "As the business environment becomes increasingly complex, it is crucial for organizations to invest in comprehensive risk management frameworks. This includes implementing robust cybersecurity measures, ensuring business continuity plans are in place, and staying agile in the face of evolving risks."

Allianz Commercial CEO Petros Papanikolaou comments on the findings:

“The top risks and major risers in this year’s Allianz Risk Barometer reflect the big issues facing companies around the world right now – digitalization, climate change and an uncertain geopolitical environment. Many of these risks are already hitting home, with extreme weather, ransomware attacks and regional conflicts expected to test the resilience of supply chains and business models further in 2024. Brokers and customers of insurance companies should be aware and adjust their insurance covers accordingly.” Large corporates, mid-size, and smaller businesses are united by the same risk concerns – they are all mostly worried about cyber, business interruption and natural catastrophes. However, the resilience gap between large and smaller companies is widening, as risk awareness among larger organizations has grown since the pandemic with a notable drive to upgrade resilience, the report notes. Conversely, smaller businesses often lack the time and resources to identify and effectively prepare for a wider range of risk scenarios and, as a result, take longer to get the business back up and running after an unexpected incident.

Trends driving cyber activity in 2024

Cyber incidents (36% of overall responses) rank as the most important risk globally for the third year in a row – for the first time by a clear margin (5% points). It is the top peril in 17 countries and regions, including Africa and the Middle East, Nigeria, Uganda, Kenya, Mauritius, Germany, India, Japan, the UK, and the USA. A data breach is seen as the most concerning cyber threat for Allianz Risk Barometer respondents (59%) followed by attacks on critical infrastructure and physical assets (53%). The recent increase in ransomware attacks – 2023 saw a worrying resurgence in activity, with insurance claims activity up by more than 50% compared with 2022 – ranks third (53%).

“Cyber criminals are exploring ways to use new technologies such as generative artificial intelligence (AI) to automate and accelerate attacks, creating more effective malware and phishing. The growing number of incidents caused by poor cyber security, in mobile devices in particular, a shortage of millions of cyber security professionals, and the threat facing smaller companies because of their reliance on IT outsourcing are also expected to drive cyber activity in 2024, “explains **Scott Sayce, Global Head of Cyber, Allianz Commercial.**

Business interruption & natural catastrophes

Despite an easing of post-pandemic supply chain disruption in 2023, Business interruption (31%) retains its position as the second biggest threat in the 2024 survey. Business interruption moves up from #3 to #2 in Africa and the Middle East and ranks in the top five risks in Ghana, Kenya, Senegal, South Africa and Uganda. This result reflects the interconnectedness in an increasingly volatile global business environment, as well as a strong reliance on supply chains for critical products or services. Improving business continuity management, identifying supply chain bottlenecks, and developing alternative suppliers continue to be key risk management priorities for companies in 2024.

Natural catastrophes (26%) is one of the biggest movers at #3, up three positions globally and features as a new risk in Africa and the Middle East at #6. 2023 was a record-breaking year on several fronts. It was the hottest year since records began, while insured losses exceeded US$100bn for the fourth consecutive year, driven by the highest ever damage bill of US$60bn from severe thunderstorms. In Africa and the Middle East, Natural catastrophes has emerged as a new risk, ranking at #6. Notably, Morocco witnessed a significant rise in this risk, climbing from seventh to first place. Cameroon and South Africa also experienced a surge in natural catastrophe risks, ranking among the top five risks in these countries.

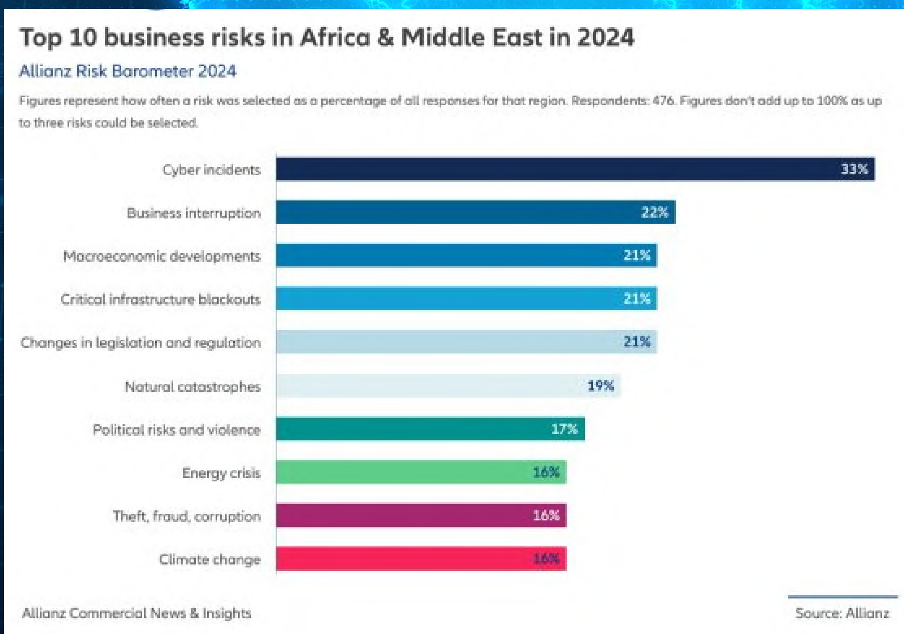
Regional differences and risk risers and fallers

Climate change (18%) may be a non-mover year-on-year at #7 but is among the top three business risks in countries such as Brazil, Greece, Italy, Turkey, and Mexico. Climate change dropped from fourth to tenth place in Africa and the Middle East compared to the previous year. However, it remains a top-five concern in countries such as Ghana, Mauritius, Morocco, and Nigeria. Physical damage to corporate assets from more frequent and severe extreme weather events are a key threat. The utility, energy and industrial sectors are among the most exposed. In addition, net zero transition risks and liability risks are expected to increase in future as companies invest in new, largely untested low-carbon technologies to transform their business models.

Unsurprisingly, given ongoing conflicts in the Middle East and Ukraine, and tensions between China and the US, Political risks and violence (14%) is up to #8 from #10. Interestingly, this risk has moved down one place to seventh in Africa and the Middle East, while ranking as one of top five risks in Cameroon and Ivory Coast. 2024 is also a super-election year, where as much as 50% of the world's population could go to the polls, including in Ghana, Mauritius, Senegal, South Africa, India, Russia, the US, and UK. Dissatisfaction with the potential outcomes, coupled with general economic uncertainty, the high cost of living, and growing disinformation fueled by social media, means societal polarization is expected to increase, triggering more social unrest in many countries.

However, there is some hope among Allianz Risk Barometer respondents that 2024 could see the wild economic ups and down experienced since the Covid-19 shock settle down, resulting in Macroeconomic developments (19%), falling to #5 from #3 globally and moves down to #3 from #1 in Africa and the Middle East. It ranks as a #1 risk in Cameroon, Ghana, Mauritius, and Nigeria. Yet economic growth outlooks remain subdued – just over 2% globally in 2024, according to Allianz Research. "But this lackluster growth is a necessary evil: high inflation rates will finally be a thing of the past," says Ludovic Subran, Chief Economist at Allianz. "This will give central banks some room to maneuver – lower interest rates are likely in the second half of the year. Not a second too late, as stimulus cannot be expected from fiscal policy. A caveat is the considerable number of elections in 2024 and the risk of further upheavals depending on certain outcomes."

In a global context, the shortage of skilled workforce (12%) is seen as a lower risk than in 2023, dropping from #8 to #10. However, businesses in Central and Eastern Europe, the UK and Australia identify it as a top five business risk. Given there is still record low unemployment in many countries around the globe, companies are looking to fill more jobs than there are people available to fill them. IT or data experts are seen as the most challenging to find, making this issue a critical aspect in the fight against cyber-crime.



[View the full global and country risk rankings]

NAVIGATING THE GLOBAL RISKS LANDSCAPE

Spiros Fatouros, the CEO of Marsh McLennan, South Africa

The world is bracing itself for a decade fraught with challenges and uncertainties, with risks evolving and shaping the global landscape.

The Global Risks Report 2024, now in its 19th year, provides a crucial window into these impending challenges. In an enlightening discussion with Spiros Fatouros, the CEO of Marsh McLennan, South Africa, we delved into the nuances of this report, shedding light on the top risks and the imperative for collaboration and innovation.

Understanding the Global Risks Report 2024: A Brief Background

The Global Risks Report is an annual publication presented by the World Economic Forum in collaboration with Marsh McLennan, Washington, D.C., and the Zurich Insurance Group. As Spiros Fatouros explained, the report is a result of a global risk perception survey that captures insights from over 1500 global experts. These insights are categorised across economic, environmental, geopolitical, societal, and technological perspectives, examining three-time frames: 2024, the next two years, and the next 10 years.

The primary purpose of the report is to provide a forward-looking outlook for business leaders, organisations, and political leaders. It serves as a guide to identify critical risks facing the globe and offers pathways to potential solutions. The report's comprehensive nature ensures a holistic understanding of interconnected risks, fostering a proactive approach to global challenges.

Top Risks Unveiled: An In-Depth Look at 2024 and Beyond

As Spiros guided us through the top risks identified in the 2024 report, a clear pattern emerged, painting a picture of challenges spanning extreme weather, technological misinformation, societal polarisation, cost of living crises, and cybersecurity.

- **Extreme Weather:** Topping the list for 2024, this risk encompasses the global impact of changing weather conditions, including events like El Nino and record-breaking temperatures.
- **Technology-Generated Misinformation and Disinformation:** In the second spot, the proliferation of new technologies poses a significant threat, challenging society, politics, and media to distinguish truth from misinformation.
- **Society and Political Polarisation:** The third identified risk underscores the growing divide between the global South and North, emphasising economic disparities, standards of living, and the potential impact of AI-driven polarisation.
- **Cost of Living Crisis:** Ranked fourth, this risk stems from supply-side pricing pressures, escalation of conflicts worldwide, and the potential consequences of prolonged high inflation for smaller businesses and nations.
- **Cybersecurity:** Holding its ground in the top five, the persistent threat of cyber-attacks remains a significant concern, highlighting the need for robust protective measures.

The dynamic nature of these risks becomes more evident when examining the shifts over the next two and 10 years. AI misinformation and disinformation take the lead, with extreme weather events, societal polarisation, and cybersecurity maintaining their prominence. Notably, the survey paints a concerning outlook, with only a small percentage anticipating stability in the coming years, further deteriorating over the next decade.

The Fallout and Business Interruption: Navigating the Challenges

Business interruption, a tangible fallout of these risks, was a focal point of discussion. Spiros acknowledged the profound impact of business interruption, evident during the COVID-19 period and regional conflicts. He emphasised the industry's need to adapt swiftly to a changing risk landscape, citing post-COVID policy adjustments as an example. As risks evolve, the industry responds by introducing exclusions and exploring innovative solutions like parametric insurance.

Addressing Climate Risks: A Global Responsibility

A critical theme emerged in the conversation—the escalating risks associated with extreme weather events. Spiros noted the interconnectedness of risks and the urgency for coordinated global action. The insurance industry, he argued, must play a pivotal role in driving awareness, intervention, and investment in climate-related challenges. The report warns of a potential tipping point by 2030, where global temperatures increase by 1.5 degrees Celsius, posing an irreversible threat.

Societal Polarisation: A Nexus of Risks

The unexpected inclusion of societal polarisation as a top risk sparked insightful discourse. Spiros explored its connection with economic downturn and AI-driven disparities, stressing that the societal divide could lead to severe consequences. As technology advances, economic hardships may intensify polarisation, creating instability on social, economic, and political fronts.

Collaboration and Innovation: Keys to Resilience

Spiros reflected on the industry's efforts to address global challenges. While acknowledging progress, he underscored the need for collective action at local and global levels. The report advocates for collaboration, innovation, and groundbreaking research, emphasising the role of the insurance industry in creating solutions for multifaceted challenges. As we navigate the complex terrain of global risks, Spiros urged the industry to proactively engage with public and private sectors, driving solutions and playing a pivotal role in societal resilience. The path forward, he suggested, lies in challenging ourselves to find innovative solutions, echoing the industry's historical commitment to resilience through collective ingenuity.

Final Thoughts: Charting a Course for a Resilient Future

In this illuminating conversation with Spiros Fatouros, the CEO of Marsh McLennan, South Africa, we gained valuable insights into the evolving global risks landscape. As we confront challenges ranging from extreme weather events to societal polarisation, the imperative for collaborative, innovative solutions becomes increasingly clear. The Global Risks Report serves not just as a comprehensive analysis but as a call to action for business leaders, organisations, and political leaders to navigate the uncertainties of the coming decade. The insurance industry, with its historical resilience, must continue to evolve, adapt, and drive positive change in the face of complex global risks.

GEOSPATIAL DATA: A SILVER BULLET FOR NATURAL HAZARDS & CLIMATE CHANGE

Mitigating the increasing effects of climate change has become a top priority for South African insurers who have collectively paid billions of rands in related damages over the past five to 10 years.

Zelda Els, Technical Specialist at Santam

The increasing frequency and severity of severe weather events – such as heavy rainfall and resultant flooding – threatens the sustainability of insurers who must protect the integrity of their balance sheets to continue paying claims for years to come. Harnessing the power of technology and geospatial data offers a solution to reducing this risk and ensuring the longevity of cover.

To illustrate the impact of natural hazards, the devastating April 2022 KwaZulu-Natal (KZN) flood was one of the deadliest natural disasters ever to be recorded in South Africa. It was the largest single flood loss event on Santam's books in its 105-year history, with R4.3 billion paid in claims. Total losses were estimated at R54 billion, of which R27 billion were covered by the insurance sector. It resulted in R17 billion in damages to essential infrastructure in the province causing major disruption.

It was the third significant severe weather event in KZN in just four years with the previous major flood since the 1980s occurring in 2019 and before that, in 2017. Multiple other less severe (but still significant) floods occurred in various parts of the country that same year. Several floods occurring in parts of the Eastern and Western Cape during 2023 also resulted in extreme losses.

As short-term insurance helps people, businesses and municipalities recover from the economic fall-out following a loss event such as a flood, it is an increasingly critical cog in the economy. Insurers must therefore focus on developing solutions to the risks imposed by the increasingly volatile environment. Technology can assist in doing so.

Using the 105 years of expertise and data at its core, Santam is merging this intelligence with technology to pioneer a new risk management underwriting tool to assist underwriters in de-risking against exposures. The Santam Underwriting Viewer, developed with geographic information systems (GIS) technology (also known as spatial intelligence) overlays geocoded addresses with scientific data sets to determine the exposure to specific perils at a given location – for the first-time allowing underwriters to see all the data layers they need to be aware of to apply appropriate policy conditions to a property.

Abroad, US, UK and EU insurers are well versed in using similar technology to aid with accurate loss forecasting and proactive risk management regarding hurricanes. All policies are geocoded and models have been developed to determine the threat of approaching hurricanes to estimate potential losses before a hurricane has even hit the ground. Santam is one of the first insurers locally to deploy this kind of technology to solve problems and enable underwriting at an individual parcel/property level as opposed to postal code level. The risk data is used to classify parcels into risk categories with measures being applied according to the probability of flood in a particular area. Our aim for the future is to reach the international insurers' level of science-backed decision making with the Santam Underwriting Viewer.

While clients are unaware of the application of the technology on the back end during our underwriting process, it carries immense benefits as it allows for site-specific underwriting and prevents attaching policy conditions to properties outside of the determined hazard area. Neighbouring plots can carry entirely different levels of risk, depending on their proximity to a flood line and elevation above a water source, for instance. Beyond floods, Santam is in the early stages of developing a veld fire risk data set in the Viewer in correlation with Santam thatch accumulation on its personal lines policies where thatch risk applies. Small, localised studies have been completed; however, the methodology needs to be expanded at a national level to identify exposures to high-risk areas.

Factors that help determine the level of risk include the type of vegetation surrounding a property, history of wildfire, topography data such as slope, land cover and historical fire claim incidents in the area. The study results will enable the development of a fire hazard map and inform property mitigative measures and an appropriate fire risk rating to be applied to a property. Not only does this data benefit insurers and policyholders, but in certain instances it can provide valuable intel for the public sector. We are working with local, district and provincial municipalities to provide them with risk management support and capacity building as part of our Partnership for Risk and Resilience (P4RR) programme.

The aim is for the collective data to eventually extend beyond insurance needs, to be used by, for example, spatial planners to inform spatial planning guidelines where there are data gaps in the planning process, to benefit communities. For example, in cases where there has been a lack of motivation and/or funding from district municipalities, Santam has carried out flood line estimation studies for some of South Africa's largest rivers including the Crocodile and Vaal rivers. This highly targeted approach to risk profiling is vital in combating the corrosive effects of climate change, and if adopted more widely by insurers, can help ensure the future sustainability of a thriving insurance industry, functional communities and the economic growth of our country.

A LOOK AT LANDLORD-TENANT INSURANCE DYNAMICS

Karen Rimmer: Head of Distribution at PSG Insure

Many South Africans purchase a property for the purpose of letting it out and earning a rental income. Becoming a landlord, however, does come with certain obligations and responsibilities related to protecting that property from key risks. Before letting out a house or apartment or opting to become a tenant, there are a few considerations to make regarding insurance. It is also important to understand the key obligations of both the tenant and landlord when it comes to insuring the rental property.

Landlord vs. tenant insurance obligations: a fundamental principle

The easiest way to understand how insurance works in terms of the landlord-tenant relationship, is to remember that someone can only take out insurance on a property or assets that belong to them, or that they have an insurable interest in. In a practical sense, this means that tenants cannot be responsible for taking out and paying building insurance, given that the financial consequences of any damage or destruction would not fall on them. It is therefore the responsibility of the property owner to ensure that they have adequate insurance in place to protect their asset.

Likewise, the cost of household furniture, movables and the contents of a home is (in most cases) covered by the tenant. The onus of protecting those belongings would therefore fall on the tenant, who would be responsible for replacing or repairing any of those assets in the event of theft, burglary, accidental damage and other risks. In this case, the tenant would need to take out adequate home contents insurance to protect themselves from the potential financial effect.

What tenants need to remember

A tenant's main responsibility relates to protecting their own belongings and the contents of the property. One of the most effective ways of doing this is to take out a household contents insurance policy. Some insurers may require tenants to provide a comprehensive list of these possessions as well as their value in order to streamline the process should a claim need to be filed. However, this process would not be applicable should the policyholder own all of the contents. Insurers may also include an additional clause within this policy to provide cover for portable possessions such as jewellery, laptops, mobile phones and other valuables that may leave the property at certain times.

In addition to a comprehensive household contents insurance policy, tenants should also take out tenants' liability cover, which will Protect them against unforeseen instances such as accidents, injury or death that may occur while someone is visiting the property that they are renting.

Important considerations for landlords

For landlords renting out houses or stand-alone structures, the most important consideration to make is whether the insurance product they choose is comprehensive enough to cover multiple risks. Some of the most common risks to insure against include natural disasters such as fire, lightning, wind, floods and earthquakes. There are also several other risks that can threaten a property structure including burst geysers. Sectional title buildings and the insurance thereof will cover residential sections and common property for their full replacement value in the event of unforeseen incidents such as earthquakes, fire and flooding. Sectional title insurance only covers the 'immovable' sections of common property and excludes any movable contents.

Landlords may also need to consider public liability cover that will provide compensation for any person who gets injured or dies whilst on the premises, and where the owner is held legally liable. This will not, however, include injuries that are due to negligence on the part of the landlord to adequately maintain the structure. An example of this would include injury caused by improperly maintained staircases. Tenants, however, have a responsibility to ensure landlords are notified of any maintenance issues in advance.

Traditional insurance policies do not, however, provide coverage for intentional harm, willful destruction or vandalism perpetrated by tenants, commonly known as malicious damage. In these cases, landlords would need to pursue a civil claim against the tenant and follow any due legal processes. This highlights the importance of conducting the correct screening methods, criminal checks and other precautionary methods when selecting a suitable tenant.

The imperative role of insurance advisers

In both the case of landlords and tenants, insurance advisers are a crucial source for expert advice on how to protect assets in the most comprehensive and cost-effective ways possible. Equipped with access to a diverse range of products and a keen understanding of the market, advisers can help their clients obtain the most suitable coverage for their specific needs. By outlining what each party is responsible for and advising on the necessary insurance measures, advisers can provide much-needed assurance to clients that they will be fully compensated in the event of an unforeseen incident.

LONG LIVE

ADVICE ARTICLES

“New technological developments are not necessarily replacements to financial advice, but tools and enablers.

-SEAN HANLON, EXECUTIVE DIRECTOR OF SALES & DISTRIBUTION, BRIGHTROCK

THE EVOLVING LANDSCAPE OF INSURANCE: THE VITAL ROLE OF GAP COVER IN TAILORED PROTECTION & FINANCIAL SECURITY

Brian Harris, GM Operations at Turnberry Management Risk Solutions

The insurance industry is undergoing a significant transformation, particularly in addressing coverage gaps. One critical element in this paradigm shift is the role played by gap cover.

The quest for comprehensive coverage within the confines of affordability has led to the development of diverse medical aid options. However, to keep premiums reasonable, insurers often pass on a significant portion of risk to policy holders. This includes co-payments, penalties for non-Designated Service Providers (DSPs), and reduced coverage for specialist fees. Enter gap cover - a cost-effective solution designed to provide ultimate peace of mind to policy holders.

Technological advancements & their impact on medical cover

Technological advancements are shaping the design and delivery of gap cover solutions in the insurance industry, and South Africa boasts world-class facilities and specialists who leverage cutting-edge technology to provide patients with the best possible outcomes. From robotic surgery to advanced scanning technology and specialised cancer formularies, these innovations come at a considerable cost, and insurance providers need to stay abreast of these technological advancements to ensure that their clients receive the ultimate level of cover.

Strategic financial planning: unveiling the role of gap cover

The incorporation of gap cover contributes to a more comprehensive and effective risk management strategy, and understanding one's true financial exposure to unforeseen medical events is crucial. While medical aids typically cover 100%-200% of the medical aid tariff, specialists often charge in excess of 400%. Coupled with co-payments and penalties for non-DSPs, this could result in shortfalls running into tens of thousands of Rands. Gap cover acts as a vital safety net, mitigating the financial risks associated with potential shortfalls.

As various industries emphasise hyper-personalisation, insurers are tailoring their gap cover offerings to meet the unique needs of individual clients. In a landscape where members can choose from over 100 different medical aid plans in South Africa, gap cover ensures that every member has an option best suited to their specific scheme and life stage. Policies range from individual coverage to encompassing all dependents, with rates tailored to the policy holder's age and associated exposure.

Innovations driving success: recent trends in gap cover products

Recent product innovations in gap cover have proven successful, aligning with current trends in the insurance and financial planning sectors. Beyond addressing immediate medical needs, gap cover now extends its benefits to include contributions toward dependents' medical aid for six months and full gap cover for 12 months after the policy holder's passing. Proactive measures such as cover for prophylactic mastectomy, robotic surgery, and innovative cancer drugs have significantly improved the lives of policy holders.

Considering the dynamic nature of the insurance and financial planning spaces, staying ahead of the curve involves selecting a gap cover provider with a proven track record. The provider should offer long-term quality service, tailor-made products aligned with offerings, and a robust digital solution for easy access to essential cover. Regulatory considerations, such as the Demarcation Regulations, play a role in setting boundaries between medical aids and supplementary medical insurance. Compliance with underwriting requirements and benefit limitations ensures a balanced and regulated approach to gap cover.

Financial advisors can leverage behavioural coaching trends to enhance their clients' understanding and adoption of gap cover. The journey begins with awareness, as far too often, individuals only recognise the financial shortfalls associated with medical expenses when an event occurs. Real-life examples with actual costs, rather than hypothetical cases, allow clients to ask crucial "what if" questions and gain a clear understanding of their exposure and available cover.

IN A CHANGING WORLD, LONG LIVE ADVICE!

Sean Hanlon, executive director of sales and distribution, BrightRock

The more things change, the more they stay the same. For the financial advice profession, this old adage may at first glance seem counterintuitive, especially in an environment where tough economic conditions and the rapid emergence of new technologies are enabling seismic changes in consumer expectations and behaviour.

Take hyper-personalisation, for example, just one of the latest in a burgeoning sea of industry buzzwords. Taking their cue from online offerings like Netflix and Spotify, where algorithms make it possible for product providers to keep serving consumers what their past behaviour has suggested they like and need most, clients are increasingly looking to financial services providers to deliver customised, convenient product and service offerings that anticipate their every need.

At the heart of these developments, however, is something that financial advisers are uniquely equipped to do – to understand individual's needs and craft solutions that meet them. New technological developments are not necessarily replacements to financial advice, but tools and enablers. A great financial adviser is a trusted partner, navigating alongside their clients on a journey towards their dreams. Great advice is not about churning out data, calculating, numbers and recommending products; it's about understanding hopes, anxieties, and the unique tapestry of circumstances that make each client's financial landscape distinct.

In other words, there's no substitute for great financial advice, which means advisers have tremendous opportunities to deliver value to their clients. In fact, the latest consumer surveys show that South African consumers continue to value and seek financial advice. According to the 2023 ReMark Annual Global Consumer Study1, over 70% of the South African respondents surveyed sought the advice of an adviser, as follows – 41% consulted an insurance agent or adviser when buying insurance, while the remaining 29% sought out an independent financial adviser. By contrast, only 8% made use of a virtual assistant or chatbot.

Heading into 2024, then, what can financial advisers operating in the life insurance space do to harness the insights underlying some of the latest developments and technology platforms to respond to evolving client needs?

- **Stay connected:** Meeting clients' needs in the long-term requires the understanding that clients' needs are constantly changing and evolving in real-time. Staying in regular touch with your clients means you can stay abreast of lifestyle changes, career advancements, family developments, and market fluctuations. Of course, it's vital that you also select and recommend products that support a needs-matched approach that offers your client a personalised solution. This requires a change in the advice process that looks beyond standardised price and product comparisons to highlighting specific features that address unique scenarios.

- **Educate and communicate:** You don't need to be a tech developer to segment your client data so you can deliver relevant educational content on life insurance and related financial topics to your clients. Timely emails, social media posts and concise, personalised newsletters can help to keep your clients informed and engaged without overwhelming them.

- **Tap into apps and insights from behavioural coaching:** Increasingly, there are apps and AI solutions available that can enable your clients to better understand their own risk profiles and help them anticipate and manage potential financial concerns. These financial apps and AI-powered coaching bots can help your clients analyse their spending patterns and identify triggers for impulsive decisions to offer proactive guidance and prevent financial missteps. With a little bit of research, it's possible to identify and recommend credible, affordable tools to support your clients.

Remember, technology is always an advice tool, never a replacement. Face-to-face conversations and personalised interactions are the only way to build trust and emotional connection with your clients. Clients are more concerned than ever about data privacy and security, so it's important to be transparent about how you use their data and what tools you employ in your practice – and to ask these questions of the product providers you work with.

Most of all, the only way to respond to the latest technological advancements is to learn about them. To confidently leverage new tools and effectively integrate them into your client interactions, it's important to stay abreast of the latest developments and seek out information and training to help you understand how you can use them in your practice. By integrating technology into your practice, it's possible to elevate your value proposition, build stronger client relationships, and navigate the evolving life insurance landscape in a proactive, personalised manner.

Oswald Kuyler, Head of Short-Term Insurance at Consult by Momentum

THE FUTURE OF INSURANCE: OVERCOMING OUR AI ANXIETY FOR OPPORTUNITY

Ask any financial adviser (FA) what they love most about their jobs, and nine times out of ten it will be some variation of, "I love working with people. I enjoy partnering with them, advising them as they journey through life's milestones – marriage, career, buying a home, having a kid, and building a legacy."

Then ask that same adviser about their least favourite part of the job, and they will usually talk about the constant stress that comes with compliance and adhering to the ever-changing regulatory requirements that make up the Treating Customers Fairly (TCF) framework. While ensuring that customers are dealt with in accordance with the various rules and regulations is vital, it also takes up a hella lot of time, they'll tell you.

AI anxiety

With artificial intelligence (AI) expected to transform almost every aspect of life as we know it, could it be the silver bullet we need to ensure we remain on top of compliance requirements while simultaneously helping us engage clients in a personalised manner? My answer to this is that it can – and it should. But we, as an industry, need to overcome our fear first. What is causing this fear? A couple of things. First, is the general human resistance to change. Secondly, in an industry that deals with people's most valued asset – their money – and with cybercrime on the rise, there's always a concern that integrating new technology into our practices might cause some vulnerability in the system, putting our clients' assets at risk. Lastly, is our Hero Complex – something that we don't always like to admit to.

In the realm of short-term insurance, many advisers often feel that they only have two opportunities to be the hero. The first is when it comes to getting a good deal for their clients (I can save you money!) The second is at the claims stage (I can resolve your claim!) They worry that if their clients start becoming comfortable dealing with a robot, they might not need them anymore. I believe that we need to embrace the opportunity that AI provides by letting it do what it does best – handle the humdrum – so we can do what we do best – focus on the people.

The AI opportunity

In general, the insurance industry is far from progressive, particularly when it comes to tech. Let's say that just before you head out the front door and venture off on a weekend away with your family, you put on a load of washing, intending to pop it in the dryer when you return. While you were away for the weekend, the connection behind the washing machine came loose, and water started flooding your house. By the time you get home, you're dismayed to see most of your living area is covered in water, damaging your carpets and pricy laminated flooring. Will your insurance cover an accident of this nature? You try to ring your adviser, but he's not answering. You continue to call a plumber and a team to repair the damage, hoping for the best.

This is an all-too-common common scenario, where accidents happen (and always at the most inconvenient of times!), but I believe we, as an industry, can do much better. Here's how it could look: you ring your adviser; they don't answer. So you pop their brokerage a WhatsApp asking for details on what your policy covers. The bot can access your schedule and inform you that you are covered. Whew. The next day, the system submits a report to your adviser alerting your adviser about your message, and your adviser follows up with you via phone call, checking in on you, while assisting you with your claim.

Technology affords us so many possibilities. It allows us to engage our clients on multiple channels – and on their terms; automation allows us to take care of those monotonous, repetitive tasks that drain our time and energy, such as policy updates; and personalisation allows us to tailor our solutions and communication to our client's unique needs.

Personalisation is very important because clients have become accustomed to life on-demand (Want food? There's Mr Delivery! Want a ride? Call Uber! Want to check who Angelina is dating? It's a Google away!) and they now expect this in every aspect of their lives. At the moment, the insurance industry offers a lot of things, but it's always delivered in a one-size-fits-all manner. Can you imagine the difference if we could personalise our offering to our clients?

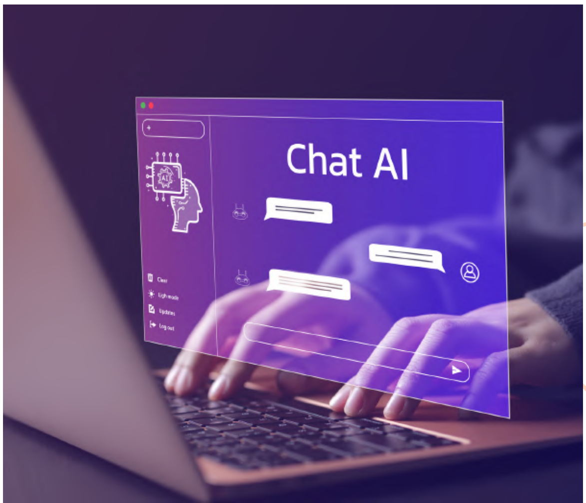
Siba is a working mom of two 11-year-old twins, who is constantly darting between extra-mural drop-offs and meetings. Does she have time for a 20-minute phone call for us to understand her risk profile? Probably not. But she needs advice from a professional who understands her dynamics and has aligned their brokerage practice to engage with her at the time and manner that she prefers, such as a WhatsApp when her kids are asleep and she's catching up on personal admin. Stephen, on the other hand, is a 78-year-old retiree who has never quite gotten the hang of texting, and far prefers a chat and a cup of tea with his adviser.

We cannot offer a blanket approach to dealing with these two very different individuals and expect that our business will remain relevant in the future. The good news is that, if we integrate AI into our Customer Relationship Management (CRM) systems, it can take care of the leg work for us.

The future of AI

Back to Siba. She certainly doesn't have time to complete a seven-page insurance questionnaire. She has two minutes. Imagine that, before picking up the phone we know her basic details, how she wants to communicate, and her risk information. We use those two minutes to share our experience, credentials, and what we can offer her from a solutions perspective. We've taken the mundane away from the process, and have begun what will hopefully be a long relationship.

With Consult at the forefront, this future is a lot closer than we think. Our new solution that integrates tech into the adviser-client relationship, which launches this year, will allow our advisers more time to focus on what matters, making them more impactful in their role.
We believe this to be an integral part of how we solve for our clients' needs, providing them with the confidence they need on their journey to success.



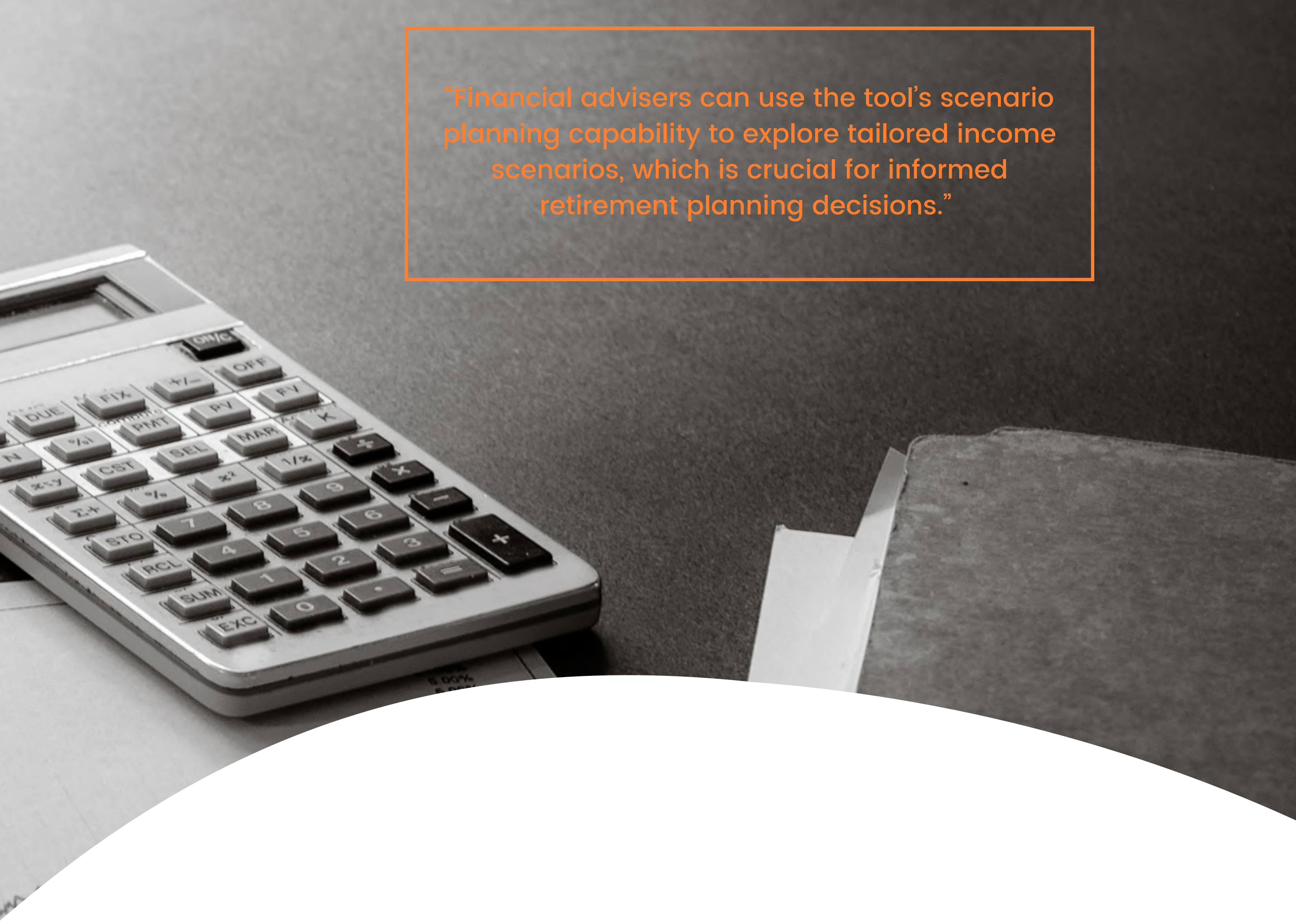
HOW YOU CAN PERSONALISE YOUR ADVICE FOR RETIREMENT PLANNING

Fareeya Adam, head of annuities at Momentum Wealth

As people approach retirement, they are often confronted with a critical decision: how to use their accumulated retirement money to secure a sustainable income for their post-working years. A financial adviser plays a vital role in guiding clients to make the best decision according to their unique circumstances and needs. We recognise the significance and complexity of this process and introduced the Income Illustrator in 2023. This tool helps financial advisers personalise their financial advice when guiding clients on retirement income planning at retirement.

Traditionally, people grapple with the choice between a life annuity and a living annuity, each with its unique features and rules. Even if people decide to use some of their retirement money to purchase a life annuity and some to invest in a living annuity, they may end up with two separate retirement income products that can make managing their income during retirement difficult. We believe there is a better way for you to help plan and structure your clients' finances when they retire by blending the need for certainty and flexibility.

We have reimagined retirement income planning through our enhanced Retirement Income Option, our living annuity product on the Momentum Wealth platform, which seeks to revolutionise the retirement landscape. With this innovative solution, clients can, in collaboration with their financial advisers, seamlessly blend certainty and flexibility in one retirement income product, avoiding the complexity of managing separate income streams by better structuring their retirement income plans.



"Financial advisers can use the tool's scenario planning capability to explore tailored income scenarios, which is crucial for informed retirement planning decisions."

The Guaranteed Annuity Portfolio secures a guaranteed income for the client's lifetime, providing the much-needed certainty they require in retirement. Simultaneously, clients retain investment flexibility to benefit from potential market growth and the possibility of leaving an inheritance – all in one living annuity. With the state-of-the-art Income Illustrator, you can compare different income scenarios to guide the decision about how much to allocate to the Guaranteed Annuity Portfolio to suit a client's unique income requirements and circumstances. This tool gives financial advisers a powerful instrument to optimise their clients' financial planning outcomes.

Financial advisers can use the tool's scenario planning capability to explore tailored income scenarios, which is crucial for informed retirement planning decisions. Ensuring engagement over the long term enables ongoing support with asset allocation decisions and income management. Four key metrics provide comprehensive guidance, warning against aggressive drawdown rates and illustrating their effect on capital and longevity. Visualising retirement outcomes through user-friendly charts enhances understanding for clients. Financial advisers can use the Income Illustrator and the Retirement Income Option together with the Guaranteed Annuity Portfolio to help clients optimally manage retirement income, catering to changing needs.

Accessible on VIA, our intermediary workspace for financial advisers, it's not just a tool but a strategic ally, enhancing the retirement planning expertise of financial advisers. Appropriately integrating a life annuity as an asset class within an investment portfolio introduces diversification benefits, mitigating longevity and market risks and aligning outcomes with a client's inheritance needs. The Income Illustrator brings this research directly to financial advisers, enabling them to personalise their guidance on retirement income planning.

By blending the best of two worlds – the income certainty of a life annuity and the investment flexibility of a living annuity – we are collaborating with financial advisers to empower clients in making informed decisions about structuring and implementing suitable income solutions in retirement. As people embark on their retirement journey, we remain a trusted partner in providing innovative solutions for a secure and flexible financial future for people on their journey to success.

WHEN UNDO IS NOT AN OPTION

It is important to bear in mind that insurance requirements should be up to date and comply with the key insurance terms and conditions. Always remember that it could be too late to change what went wrong after the occurrence has taken place. You cannot undo or reverse what has happened.

George Jennings & Kobus van Niekerk

Have a Broker on board

An insurance Broker is one of the most important persons to have on board to look after your day-to-day insurance requirements. Part of the Broker's function is to take care of your interests and to provide sound advice and expertise regarding those insurance policies which are entrusted to the Broker.

Meet with your Broker

Before you overlook something vitally important in your insurance policies, invite your insurance Broker to have a formal meeting to address your concerns. Brokers are always willing to offer their support, but they also need your undivided attention.

Re-visit your policies

During the meeting your Broker will re-visit the following aspects:

- A brief overview of the policies that are currently active / in force.
- The purpose or intention of having each of the policies as described in (1) above.
- The present extent and content of the insurance policies.
- Main aspects of what is covered and what is excluded in the policy / policies.
- Any important warranties and / or onerous conditions that may apply.

- Precautions that should be taken to prevent potential claims. Exercise due care.
- In the event of an incident / accident who can be contacted whilst the Insured is away or out of reach. Other parties' details e.g. family members, custodians or people who have been appointed by the Insured in the event of an emergency.
- Platforms of communication the Insured can be contacted on. As per (7) above, it is important that whatever the circumstances, someone is immediately available and contactable.

Terms and conditions to ensure compliance

Timeous notification of incidents

Most policies, if not all, require prompt notification of incidents that could lead to a claim or potential claim. Late notification could be detrimental because it may affect the outcome of the settlement and / or payment of the claim. Encourage the Insured to promptly report all incidents to you as the insurance Broker.

Disclosure of change of risk

A change in the risk profile which enhances the Insured's risk exposure can increase the potential for loss or damage. Be aware of non-disclosure of a material fact.

Premium payable as required

Premium is payable at inception or at renewal of the policy. Late or non-payment of premiums could result in the insurance policy being voided or cancelled, leaving the Insured without cover.

No misrepresentation of facts

Misrepresentation is a false or misleading description of a material fact (whether it is deliberate or not).

Reasonable precaution taken

The Insured should take precaution as though the person is uninsured. The Insured should address any known defects or dangers that could be connected to the business, premises and / or equipment. It is advisable that immediate steps be taken to remedy the defect or remove the danger once it comes to the attention or knowledge of the Insured.

Warranties complied with

The definition of a warranty can be described in two aspects:

1 - A warranty is a form of a written guarantee that is usually issued between the seller and the buyer of goods. If the goods fail to achieve the specifications of what they are intended, the buyer has the right to call upon the seller to honour the warranty and make good the problem or fault.

2 - In short term insurance, a warranty has a different meaning. The Insured must comply with exactly what the warranty requires to be or to adhered to. Any deviation or non-compliance of the warranty could result in a breach and have negative consequences on terms of the policy.

Within territorial limits

The geographical area or boundaries within which the policy will operate. Any incident of loss or damage outside the territorial limits will fall outside the scope of the policy.

With due care

The Insured should exercise all reasonable care and precaution in conducting their business.

No fraud

Fraud can be described as a criminal deception which is intended to bring about financial and / or personal gain to an individual or company. The discovery of fraud in an insurance matter can result in cancellation of and / or voidance of the policy indemnity.

Conclusion

A non-compliance with any of the above-mentioned terms and conditions could prejudice the Insured when it comes to policy indemnity and a potential claim. It is crucial to clearly communicate these considerations to the Insured and to ensure that their insurance requirements are up to date and aligned with their needs and the policy terms and conditions.

Please contact your Broker directly, who will then approach Consort to assist with your requirements.

FINANCIAL

PLANNING ARTICLES

"Understanding and leveraging the power of compound interest can be a game-changer."

- NIRDEV DESAI, HEAD OF SALES, PSG WEALTH

ARE YOUR CLIENTS THINKING OF LETTING THEIR LIFE INSURANCE LAPSE?

Here are 3 things you need to inform them of:

Yaaseen Albertyn, Executive Head of Business and Client Solutions at Metropolitan

Meet Nazeen.

Nazeen, affectionately called "Naz" by her friends, is a 40-year-old, single mom of three who has her hands (make that hands and arms!) full at any given time. She earns a decent salary working as a nurse at the local radiologist, but as the sole provider for her kids, she worries about what will happen to them if something were to happen to her. So Naz takes out life insurance, but one year later – and despite her 6% annual salary increase – her premium spikes, and with the rising cost of living, she finds herself struggling to make ends meet. If this scenario were a "choose your own adventure" story, the reader would likely be offered two routes at this juncture: Does Naz allow her policy to lapse in a bid to free up desperately needed funds? Or does she dutifully keep paying her premiums, even though she is unable to afford basic expenses and is falling deeper into debt?

Each route will have its consequences, and the reader is forced to weigh up the pros and cons to reach a decision. In reality, this is the lived experience of many South Africans, the chances of dying increase with age, and in turn, life insurance premiums go up to meet this increased risk. The unfortunate truth is that our incomes seldom keep pace with inflation – which is why so many people allow their policies to lapse and lose all cover. But what if there was another way? Here are three things that Naz – and you! – should know before allowing a life insurance policy to lapse.

Know that when it comes to your premium payment pattern, you have a choice.

On most life insurance policies there are three different types of premium payment options: Age-related, Increasing, and Level. Many people are drawn to a product that offers an Age-Related or Increasing premium as they appear cheaper initially when the policy is purchased, but what they don't realise is that these premiums will increase significantly over time. While they're slowly being phased out across the industry, Age-Related premiums spike after the age of 40, as the risk of death increases.

An Increasing premium, on the other hand, is typically the default option on most life cover products and incorporates a compulsory increase of around 6% - 8% every year. With these two options, while you may enjoy a lower premium initially, you might find yourself paying double what you are paying now in ten years, making them unaffordable for many people as they journey towards their golden years where income usually reduces after retirement. A Level premium, on the other hand, remains constant throughout the policy, making it the most cost-effective option in the long run. Many people do not know about the various payment options available to them, and so they simply don't ask. Metropolitan's life cover solution offers a Level premium as the default (with a 4% annual increase); we strive to give our clients sustained affordability.

Know that you can decrease your cover (and premium), rather than allowing your policy to lapse.

When times are tough, people cut costs, and insurance products (often a grudge purchase anyway) are typically the first to go. The big downside of allowing your policy to lapse is that all the money you have already spent diligently paying your premiums each month is essentially wasted, as you retain no cover whatsoever. Instead of losing your cover entirely, I would suggest talking to your financial services provider or adviser about decreasing your cover and paying a reduced premium. This is certainly better than no cover at all. Many people even find that their cover needs have decreased over time – for example, many people increase their life insurance to back a bond, but once a house is paid off, you might want to look at reducing this.

Some providers, such as Metropolitan, also offer policyholders a more flexible offering, allowing them to pay their premium at any time during the month (recognising that not everyone receives their full income on a fixed date) and via various payment channels – not only by debit order. We also offer a premium skip benefit, and if you're in a bind and have no other option but to allow your policy to lapse, we will still give you full cover when you restart your plan.

Know that some policies allow you to stop paying once you reach a certain age.

Yes, our risk of death does increase with age – but the unfortunate reality is that our retirement years are typically a time of frugality, as many people live off a very modest pension (if they are fortunate enough to have one!) However, some providers, such as Metropolitan, will offer you a fully 'paid-up' benefit when you reach a certain age, allowing you to keep your cover but without any more premium payments.

For example, our policyholders can choose to stop paying their premiums at age 65, but will keep their cover up until they pass away. And if Naz has a life cover plan that provides this premium flexibility, she will certainly have peace of mind knowing that she can add the benefit to waive premiums once she retires while ensuring that she is fully covered in her later years – when she needs it most.

THE MATH BEHIND THE MILLIONS: UNDERSTANDING THE POWER OF COMPOUND INTEREST OVER TIME

Nirdev Desai, Head of Sales, PSG Wealth

Simple vs compound interest

One of the best ways to understand how compound interest works, is to start with understanding what it is not. Simple (or fixed) interest is a straightforward concept in finance that involves the accumulation of interest on a principal amount over a defined period. Unlike compound interest, simple interest is calculated only on the original principal amount and not on the growth of the principal amount over time. It was Albert Einstein who called compound interest the 'eighth wonder of the world,' saying that 'he who understands it, earns it. He who doesn't, pays it.' In the investment world, compound interest is the mechanism that allows investors to make the most of their money and reap the rewards of patience, perseverance and consistency. Understanding and leveraging the power of compound interest can be a game-changer. Here is a way to ensure your clients understand the benefits

This can be illustrated by way of an example. In scenario A, a client invests R100 000 in an account that pays simple interest of 10% on their capital for a period of three years. At the end of the investment period, the simple interest earned on the investment will be calculated as follows: R100 000 X 10% X 3 (years), which amounts to R30 000. The total value of the investment would then be R130 000. If the same client were to invest the same amount of capital in an account that pays compound interest, the value of the investment would be greater than in the case of scenario A. After the first year, the interest earned would amount to R10 000 (R100 000 X 10%). In the second year, the client would earn 10% interest, but not on the same, original principal amount. Instead, compound interest would be calculated on the original capital value plus the interest earned in year 1, i.e. R110 000 as at the end of the first year. In the second year therefore, interest earned would amount to R11 000 (R110 000 X 10%), bringing the investment's total value at the end of year two, to R121 000. Likewise, in the third year, the compound interest would amount to R12 100 (R121 000 X 10%), bringing the total value of the investment to R133 100.

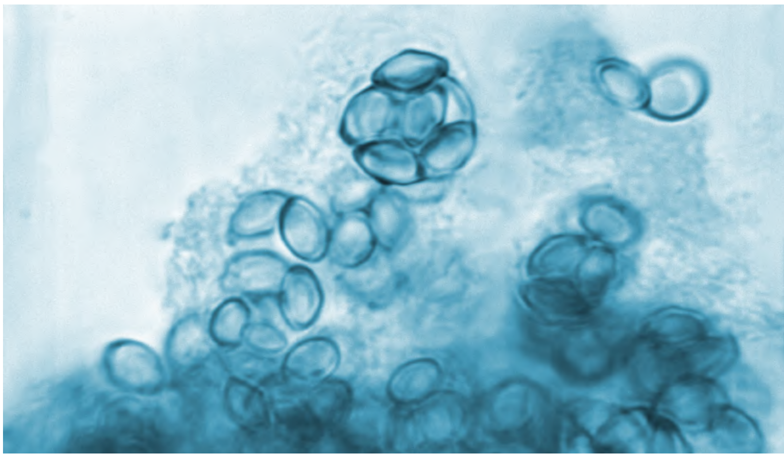
Comparing scenario A, in which the investment earned simple interest, and scenario B, in which the client earned compound interest, will reveal that simply by opting for compound interest, the client earned R3 100 more, or just over 10% more in cumulative returns – this compounds even further with time. As this example illustrates, the underlying concept of compound interest is that you earn interest on an ever-increasing base, instead of only on the original amount. While the differences may seem small in the short run, they can add up powerfully in the long run.

All in good time

Compound interest has immense power to make money grow, but the factor that harnesses its true power, is time. The more an investment is left to grow and earn compound interest, the greater the earning potential becomes. This can have major implications on investments that are made towards saving for retirement or for other long-term goals. Retirement annuities and tax-free savings accounts offer some of the easiest ways to benefit from compound interest. These investments are also both exceptionally tax-efficient – if investors can commit themselves to having the discipline to make regular contributions, compound interest will do the rest.

To understand how compound interest can work for you over time, consider a scenario in which two investors start saving in an RA. For anecdotal purposes, the compound interest return could be set at 10% per annum with a 6% increase per annum on each investor's contributions to counteract the effects of rising inflation.
Investor one starts saving for retirement at the age of 20 with a monthly contribution of R500 (investment term to retirement at age 65 is 45 years). Investor two, only starts saving at the age of 35 (investment term 30 years).
At the end of the investment period, the accumulated value of the RA will be the same in both scenarios, but investor two will have had to contribute R2 500 per month in order to end up with the same amount as investor one at retirement. In other words, investor two would have had to invest 3.33 times as much as investor one, to achieve the same results.

This example demonstrates the importance of starting as early as possible when it comes to saving for retirement, but also the fact that time is the secret ingredient to making the most of the power of compound interest. Advisers are in the best position to help their clients tap into this power and structure their portfolios in a way that aligns with their goals and maximises their returns. As there are many complexities to a financial plan, it's important to work alongside a qualified financial adviser who will help guide you through the important factors that will eventually affect your retirement savings goal.



COMPENSATION FOR OCCUPATIONAL INJURIES AND DISEASES: HALF OF SA BUSINESSES NON-COMPLIANT

South Africa's Compensation for Occupational Injuries and Diseases Act (COIDA) was established to provide compensation for physical harm, fatal accidents and diseases incurred in the workplace. However, given that an estimated 50% of registered companies are not compliant with the COIDA, a definite need exists for more employers to be educated to avoid costly consequences.

The Compensation Fund - mandated by the COIDA - plays a key role in providing employees with much-needed financial support and employers with a regulated mechanism through which to address the costs involved. Given that half of local businesses are currently non-compliant, urgent action needs to be taken. Business owners need to pay more attention to this statutory benefit, which is essential to protecting the health and wellbeing of their workforce.

Tackling the need for better employee protection

Recent estimates put annual workplace accidents in South Africa at around 198 000, with an additional 22 000 occupational diseases being contracted per annum. This equates to 220 000 occupational incidents every year. Research also suggests that occupational events such as these are vastly under reported, with occupational diseases being under reported by at least 25%.

The injury, disablement, or death of an employee can have a far-reaching impact on their employer as well as their family and extended community. For companies, the inability of an employee to fully tend to his/her daily responsibilities can negatively impact productivity, output and team morale. For the employees' families and dependents, the loss of a breadwinner can be financially devastating.

The Compensation Fund was established with the aim of mitigating this impact by compensating employees and their families financially, providing employees with the appropriate medical care and facilitating a favourable return-to-work process. As such, all South African employers are mandated by the COIDA to register with the Fund and submit an annual Return of Earnings (ROE) each year to ensure a fair and proportional contribution. Currently, however, only half of local employers are compliant with these provisions.

The low uptake of this statutory obligation can be attributed to several hurdles. Some of these challenges include administrative challenges lack of understanding and training on the claims process, large upfront deposits for emergency medical treatment. At the root of these challenges is a general lack of understanding on the important role that the COIDA plays in protecting workers and build robust workforces, as well as how compliance can contribute to healthier workplace cultures.

A step forward for SA employers

In answering the clear need that exists in the market to provide employers with education, training and administrative support in this regard, SHA recently partnered with Sena Financial Services to launch an employee injury assist value-add product. This niche service is geared towards making the process involved with becoming COIDA compliant, more streamlined, aligned with legislation, and less of an administrative burden for businesses.

Our research has enabled us to understand the pain points that face companies who need to comply with the Act and we have tailored our product to address those challenges and make compliance much easier. We also aim to bring all stakeholders in the process, including Government, Business and employees closer together so that more supportive workplaces can be fostered.

Fully accessible from 01 January 2024, the product provides SHA clients with administrative support, an efficient system and technical advice on how to become compliant with COIDA. This will include registration with COIDA, Rand Mutual Assurance (RMA) or The Federated Employers Mutual Assurance Company (FEM) and the issuing of a certificate of good standing.

SHA will also assist clients in completing their annual declaration and ensure that the tariffs they are paying are aligned with the relevant industry and claims history. As Ernest Hadzhi, Chief Executive Officer at Sena Financial Services, adds: “what we are enabling is a culture of compliance that will serve the millions of South African employees who experience various levels of risk in their day-to-day jobs. We are confident that this service will streamline the registration process, help with the facilitation of claims and provide vital support for companies.”

In addition to reaping the benefits and protection that COIDA compliance secures, employers may opt to take out additional personal accident cover to fill any gaps in the cover offered by the Fund and provide additional benefits to their employees during their tenure. Apart from the advantages of being holistically covered for workplace incidents in terms of risk mitigation, these benefits can also bring immense value to the employee value proposition.

Through ongoing education and advisory service, we can equip companies with the knowledge and support they need to offer real and meaningful worker benefits and ultimately demonstrate their commitment to employee wellness.

Dave Honeyman, Business Head of Accident and Health at specialist insurer SHA Risk Specialists

UNLOCKING GENERATIONAL WEALTH

Generational wealth is not merely about accumulating riches; it's about fostering a lasting financial legacy that transcends time.

Paul Counihan, Chief Wealth Officer at Fedgroup

Generational wealth is about building financial legacies that stand the test of time. It's the prudent accumulation and transference of assets from one generation to the next. It includes both traditional inheritance practices, such as passing on wealth upon death, and modern strategies like living inheritances, where assets are transferred while all generations are alive. The ultimate goal? Granting future generations the freedom to chase their dreams without being shackled by financial woes.

But in our uncertain world, predicting tomorrow's actions is like trying to guess the ending of a novel with missing pages. Projecting how things will be in 100 years is impossible. So how do we plan for a future that's beyond our lifespan? Fixed-rate investments, with their ability to serve as a steady compass in the roughest seas of uncertainty, may offer a solution.

At the heart of generational wealth is a savvy investment strategy. There are four key asset classes that lay the foundation for creating generational wealth: business, education, real estate, and pure investment. These assets serve as vehicles for preserving and growing wealth over time, ensuring a legacy that lasts longer than a family recipe for grandma's secret sauce.

Business ownership isn't just about rands and cents, it also offers invaluable experience and opportunities for future generations to thrive. It's like passing down a golden ticket and saying, "here's some freedom, go build something amazing!". Education, often the unsung hero in most wealth-creation strategies, is a gateway to unlocking doors and expanding horizons. Real estate, a cornerstone of wealth in South Africa, brings both stability and a reliable income stream. And pure investment? It's the means to grow wealth, providing a steady income for generations to come.

Despite its potential, the sobering reality is that a lot of generational wealth goes down the drain by the second or third generations. But the key to preserving wealth lies in careful planning and professional advice. So, cue the professionals! Financial advisors play a crucial role in guiding clients through the complexities of generational wealth planning, ensuring that assets are safeguarded and optimised for the future.

One of the best ways to build and pass on wealth to future generations is through tools like our Fixed Endowment. This isn't your run-of-the-mill investment product; it's a secure and predictable means of growing wealth over time.

Unlike more traditional investments, a fixed endowment provides a fixed rate of return, giving investors predictability and peace of mind in this unpredictable world. With its focus on capital preservation, steady growth, and tax efficiency, it aligns perfectly with the goals of generational wealth planning.

At Fedgroup, we've been offering competitive fixed investments since the '90s – a longstanding legacy that has made us a trusted partner in the journey towards generational wealth. We're all about delivering competitive yet secure returns, empowering our clients to establish legacies that stand the test of time, ensuring financial stability and prosperity for generations to come.

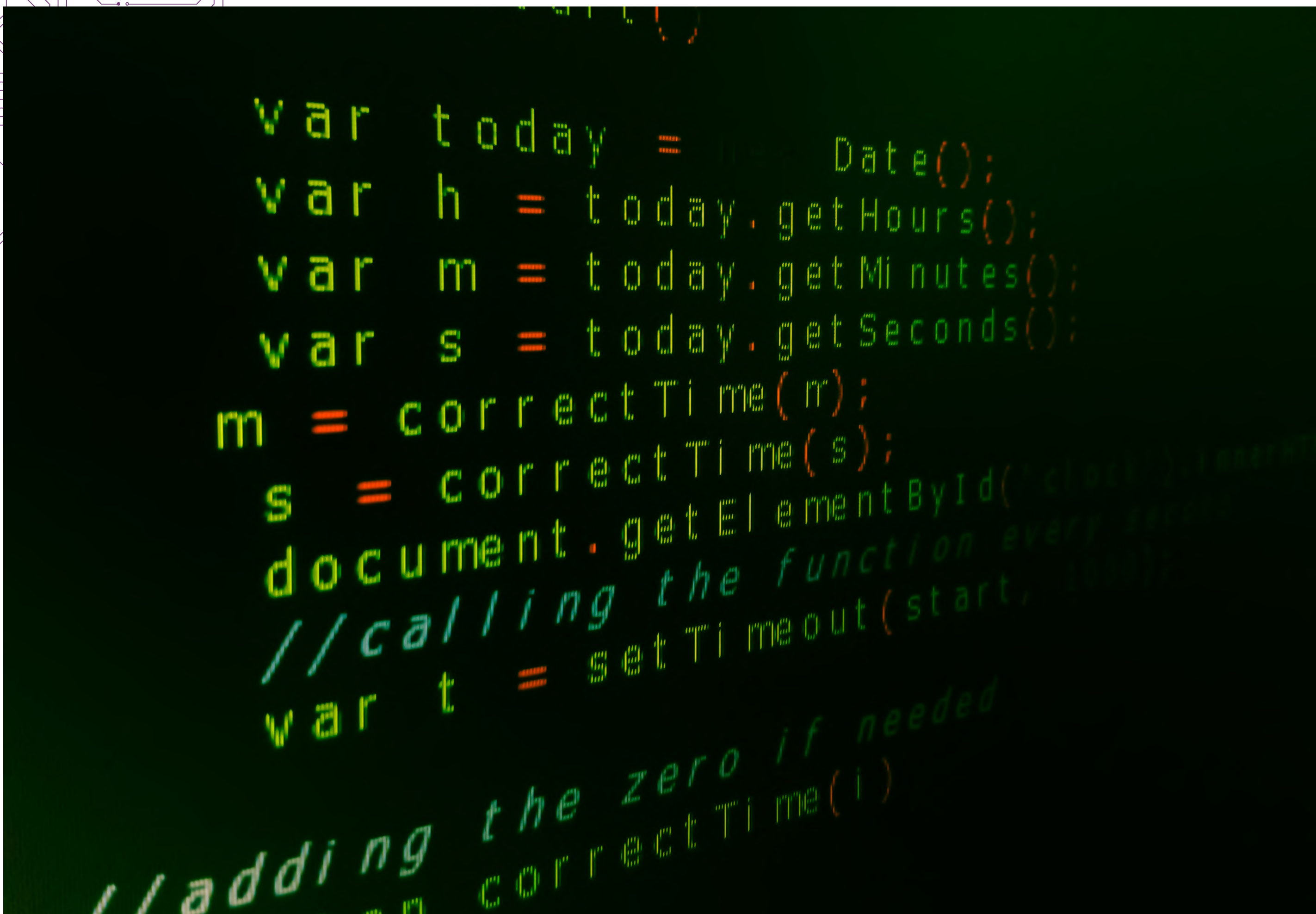
"With strategic planning, careful investment, and our signature touch of professional guidance, individuals can unlock the full potential of generational wealth, providing future generations with the freedom and opportunities to thrive."

Generational wealth isn't just about accumulating wealth; it's about leaving a legacy so impressive that your great-great-great-grandchildren will thank you for it. With strategic planning, careful investment, and our signature touch of professional guidance, individuals can unlock the full potential of generational wealth, providing future generations with the freedom and opportunities to thrive.

Because at the end of the day, it's not just about wealth – it's about writing a story that echoes through the ages. **Generational wealth is about more than just financial security; it is about empowering future generations to live life to the fullest.**

TECHNOLOGY

AND INNOVATION ARTICLES



“Software developers entering into software escrow agreements offer a proactive solution to the risks associated with service disruptions.”

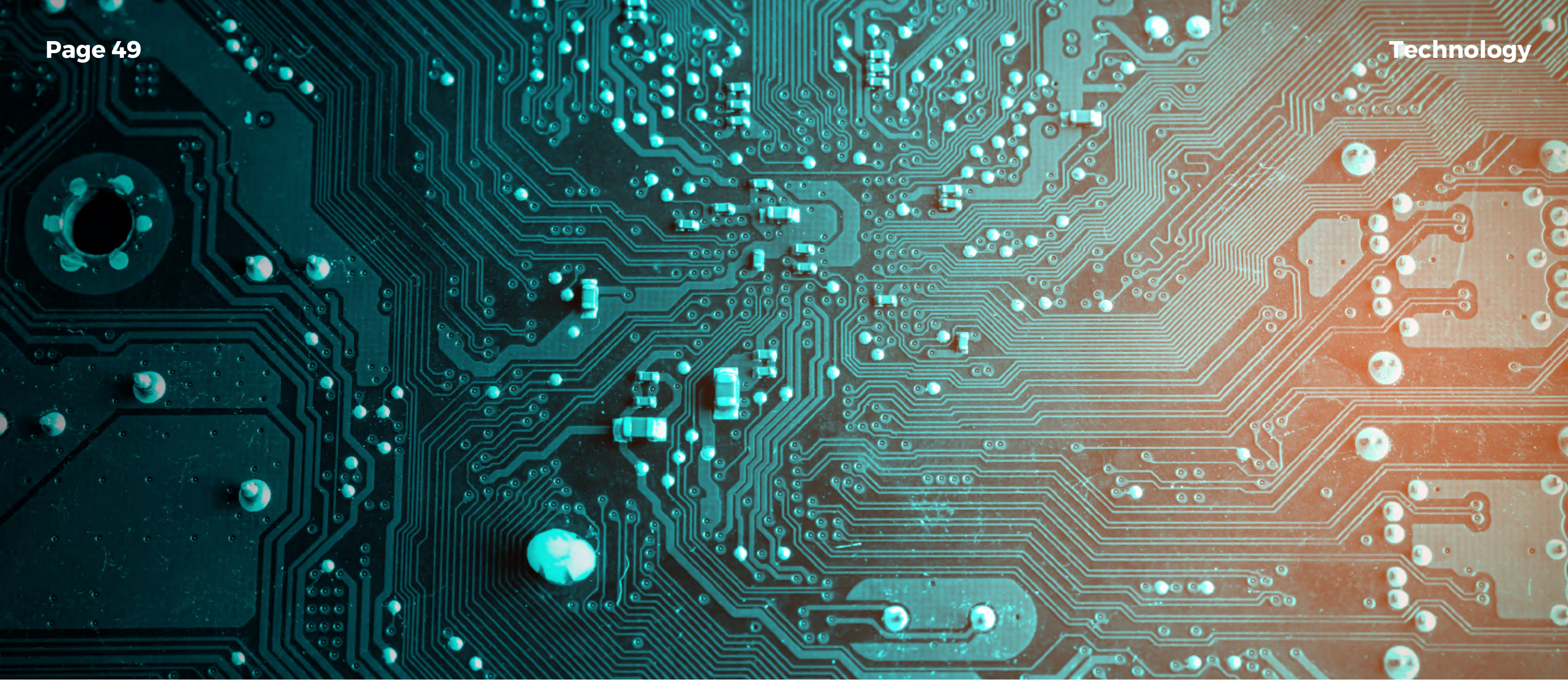
- GUY KRIGE, EXECUTIVE RISK CONSULTANT AT ESCROWSURE

BUILDING RESILIENCE: FORTIFYING CYBERSECURITY AFTER AN ATTACK

Carlo Bolzonello, country lead for Trellix South Africa

Trellix Mind of the CISO 2023 Report reveals the evolution of South Africa organisations' cybersecurity strategies following a major cyber attack. Nearly half of South African organisations found it necessary to completely overhaul the skills and qualifications of their cybersecurity teams following major cybersecurity incidents, along with significant improvements in processes and technology, in 2023. This was one of the detailed findings in the Mind of the CISO 2023 Report, by cybersecurity multinational Trellix's Advanced Research Centre. The report surveyed 500 security executives from 13 countries around the world, including South Africa. South African respondents represented organisations with staff sizes ranging from 1000-10000 employees, mainly in healthcare, energy, manufacturing, financial services, and the public sector.

"The persistence of threat actors from around the world, and Africa's rapid economic growth and industrialisation is placing incredible pressure on large organisations and their cybersecurity teams," says Carlo Bolzonello, country lead for Trellix South Africa. "South Africa, as a leading technological, political, and economic nation, is especially targeted. Organisations of all sizes need to start adopting a more comprehensive approach to cybersecurity, driven by smart tools, shared data, and close collaboration with internal and external stakeholders." According to Interpol's 2023 African Cyberthreat Assessment Report, South Africa was the most targeted nation, comprising 42% of all detected ransomware attacks and over half of business email compromise (BEC) attacks on the continent.



Causes of attacks

Most reported cybersecurity incidents involved phishing (40%), ransomware (36%), business email compromise (32%), credential stealing (28%) and distributed denial of service (DDoS) attacks. Respondents shared that 28% of attacks were state-sponsored (hacking syndicates backed by hostile nations) while 24% of threat actors were insiders. The leading cause of major cybersecurity incidents was password misuse (56%), followed by insider threats (44%), supply chain breaches (40%), non-detection by existing technology (40%), missed vulnerabilities (36%) and various forms of malware.

The fallout of an attack

These incidents mainly led to a loss of customers in 56% of cases, significant stress to security operations teams (48%) and business downtime (44%). In 28% of incidents, companies suffered reputational damage, damages due to third parties, regulatory penalties and higher insurance premiums (only 60% of respondents were fully covered by their cybersecurity insurance). In cases of ransomware, 78% of South African companies paid a ransom of between US$5 million and US$10 million (roughly R93 752 750-R187 283 000).

Following major incidents, 44% of South African organisations had to completely overhaul the skills and qualifications of cybersecurity teams (compared to 34% globally), and 36% made significant improvements (35% globally). In line with the total global pool, 32% overhauled their processes, while 40% overhauled technology (35% globally). After a breach, 48% implemented new frameworks and standards, and 52% increased their budgets for additional technologies and tools, which they said significantly enhanced resilience following an incident.

Support for security teams

While 48% of cybersecurity operators received significantly more support from their boards following incidents, 52% received only a little bit more support, citing a lack of skills and security operations centre (SOC) analysts, threat hunters or incident responders as major setbacks. A vast majority (76%) of respondents stated that technology vendors were vital in not only providing the best tools, but also a deep understanding of the threat landscape and intelligence (76%). They also expect detailed debriefs of incidents, as well as steps for remediation or avoidance of similar incidents in the future (72%) from vendors. Only 20% of organisations switched vendors, while 12% stated plans to switch. Around 68% decided to stick with their existing vendor, saying the cost and effort of transitioning were too great (71%).

The following solutions were used before incidents, then deployed after:

- Extended Detection and Response (XDR) – 52% used this before, and 36% adopted it post-incident
- Endpoint Detection and Response (EDR) – 64% prior, 24% post-incident
- Security Information and Event Management (SIEM) – 44% prior, 36% post-incident
- Network detection and response (NDR) – 40% prior, 44% post-incident
- Managed detection and response (MDR) – 44% prior, 48% post-incident
- Data loss protection (DLP) – 28% prior, 48% post-incident
- Threat Intelligence Platform (TIP) – 44% prior, 40% post-incident
- Security Orchestration and Automation Platform (SOAR) – 48% prior, 32% post-incident
- Email security – 60% prior, 24% post-incident

“In more than half of all cases, a switch to XDR solutions led to faster and more efficient threat detection, and many professionals admitted that that major incidents could have been prevented,” says Bolzonello. “However, most of the time technology was simply not configured correctly and, detection policies were not enabled. This is why it is so important that, as threat actors collaborate with each other, large organisations need to adopt a holistic security strategy that involves close consultation with technology vendors, foreign partner nations and global law enforcement to rapidly and effectively erode the power of threat groups.”

To increase engagement among and support for CISOs, Trellix launched its Mind of the CISO initiative in early 2023, encompassing a CISO Council, webinars, and research. For more on these new findings, Trellix’s ‘Mind of the CISO: Behind the Breach’ eBook can be found here.

THE TOP TECH TRENDS OF 2024

AI, LLM, and the Revolution in Healthcare and Cybersecurity

In the ever-evolving landscape of technology in 2024, Artificial Intelligence (AI) and Large Language Models (LLM) emerge as pivotal forces driving innovation. These technologies are not just revolutionizing existing domains but also pioneering new realms of possibilities. This article sheds light on the top tech trends of 2024, with a special emphasis on AI's transformative role in news media, healthcare, and cybersecurity, featuring the pioneering efforts of companies like "NewsGPT."

AI and LLM: Spearheading Technological Evolution in 2024

AI and LLMs have transcended beyond being mere tools to becoming central pillars in a multitude of sectors. The advancements in these fields have brought about groundbreaking changes, especially in healthcare, cybersecurity, and news media.

Major Developments in AI and LLM:

1. Advanced Natural Language Understanding: LLMs have achieved new benchmarks in comprehending and generating human-like text, enhancing AI-human interactions.

2. Focus on Ethical AI: A significant shift towards creating unbiased and ethically aligned AI systems is noted, ensuring responsible technology use.

3. AI in Diverse Sectors: From personalized education to financial analytics, AI's versatility is on full display in 2024.

NewsGPT:
Pioneering AI in News Media

At the forefront of this revolution is "NewsGPT," a company that has harnessed the power of custom-built LLM models to revolutionize news dissemination. NewsGPT's approach to news is innovative in several ways:

1. **Fact-Based Articles:** Using advanced LLMs, NewsGPT produces short, concise articles that are fact-checked and unbiased, addressing the growing concern over misinformation.

2. **24/7 AI-Driven Video News Channel:** Perhaps its most groundbreaking feature is its AI-run video news channel. This platform operates entirely on AI, from selecting articles and images to performing voice-overs, offering a seamless and engaging news experience.

3. **Website Integration:** NewsGPT's website (https://newsgpt.ai) serves as a hub for AI-curated news content, providing users with a trustworthy source for their news consumption

The Impact of NewsGPT

NewsGPT's innovative use of AI in news media has had several positive impacts:

- **Increased Accessibility:** News is now more accessible to a global audience, with AI-driven translations and adaptations.

- **Reduced Biases:** AI's ability to objectively analyze data has led to a reduction in biased reporting.

- **Real Time Updates:** With AI at the helm, news updates are instantaneous, ensuring that audiences are always informed with the latest developments.

AI in Healthcare: A Leap Forward

2024 witnesses AI's significant impact on healthcare, from diagnostics to treatment planning:

1. **AI-Driven Diagnostics:** AI algorithms are now capable of diagnosing diseases with greater accuracy and speed than ever before.

2. **Personalized Treatment:** AI assists in developing personalized treatment plans based on individual patient data, improving healthcare outcomes.

3. **Robot-Assisted Surgeries:** Enhanced by AI, surgical robots are performing complex procedures with precision, reducing recovery times and complications.

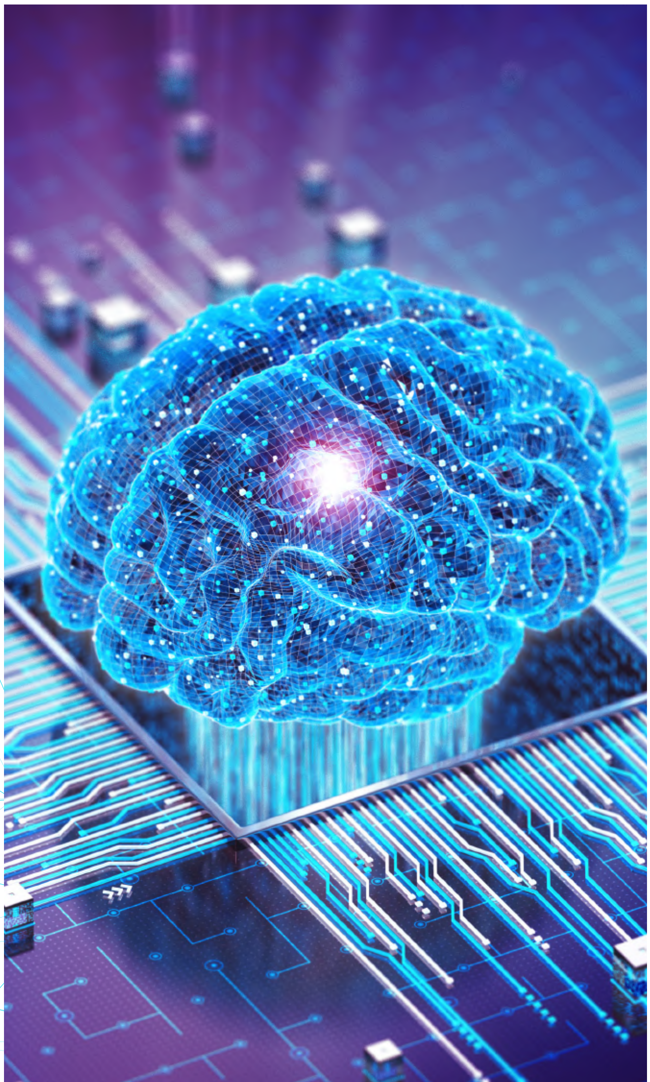
AI in Cybersecurity: The Digital Shield

AI's role in cybersecurity has become more critical than ever in 2024. With increasing digital threats, AI-based solutions are at the forefront of protecting sensitive data and systems:

1. Threat Detection and Response: AI systems are now capable of identifying and neutralizing cyber threats in real-time, far outpacing traditional methods.

2. Predictive Analytics: By analyzing patterns and trends, AI predicts potential security breaches, enabling proactive defense strategies.

3. Automated Security Protocols: AI-driven security systems automatically update and adapt to new threats, reducing the need for manual intervention.



The Impact of AI Across Industries

The integration of AI in news media, healthcare, and cybersecurity illustrates its transformative power:

- In news media, platforms like NewsGPT are revolutionizing content creation and delivery, ensuring accuracy and timeliness.
- In healthcare, AI is personalizing patient care and advancing medical research, leading to better health outcomes.
- In cybersecurity, AI is becoming an indispensable tool for safeguarding digital infrastructures and data.

The Evolution of Video Production & Image Creation with AI

2024 also sees AI dramatically altering the landscape of video production and image creation:

1. Automated Video Editing: AI tools can now edit videos, adapting to various styles and preferences, drastically reducing production times.

2. AI-Generated Imagery: Advanced AI algorithms are creating high-quality, realistic images and graphics, revolutionizing graphic design and digital art.

3. Enhanced Visual Effects: AI is being used to create more sophisticated and realistic visual effects in movies and television.

AI and LLM in Software Development: A New Era

AI and LLMs are playing a crucial role in software development:

1. Code Generation and Review: LLMs assist developers by generating code snippets and suggesting improvements, increasing efficiency.
2. Bug Detection and Fixing: AI tools are becoming adept at identifying and fixing bugs, streamlining the debugging process.
3. Automated Testing: AI driven testing tools are revolutionizing software testing, enabling faster and more accurate identification of issues and potential improvements.

Impact on Developers:

- Increased Productivity: AI and LLMs are automating routine tasks, allowing developers to focus on more complex and creative aspects of software development.
- Enhanced Learning and Collaboration: AI-driven tools are facilitating better learning opportunities for developers and fostering collaboration through intelligent code suggestions and reviews.

Future Trends and Ethical Considerations

As AI continues to evolve, it brings both opportunities and challenges:

1. Data Privacy and Ethics: The handling of personal data by AI systems remains a hot-button issue, demanding stringent ethical standards and privacy protections.
2. Regulation and Compliance: The need for robust regulatory frameworks governing AI use is more pressing than ever, particularly in sensitive sectors like healthcare.
3. Human-AI Collaboration: The synergy between human expertise and AI capabilities is key to harnessing the full potential of these technologies while mitigating risks.

Conclusion

The year 2024 stands as a testament to the profound impact of AI and LLM technologies. Innovators like NewsGPT are just the beginning of a broader wave of transformation sweeping across various sectors. As we look to the future, the integration of AI will continue to be a major driver of innovation, shaped by ethical considerations and the ever-evolving partnership between humans and machines. This journey is not just about technological advancement but also about navigating the complexities of a world where AI is an integral part of our lives.

FOLLY OR FRIEND: 5 WAYS AI IS TRANSFORMING THE INSURANCE INDUSTRY

Vis Govender, Co-founder of Everything.Insure and Group CEO of FirstEquity Group

One of the biggest talking points in the world of tech today is Artificial Intelligence (AI). Touted as having the potential to completely transform our world and empower the most disenfranchised, the capabilities of AI continue to grow every day.
In much the same way, AI is expected to revolutionise insurance, with McKinsey noting that the technology will have a "seismic impact on all aspects of the insurance industry".

Much the same as in other industries, AI is helping the insurance industry to gain better insights from data, better understand customers, analyse and protect against risk, and become more operationally efficient. But, while holding a well of potential for good, the technology also has the capacity to be harmful. AI presents a new array of risks and concerns in the form of safety, privacy, ethics, and the potential to exacerbate bias and discrimination.

The insurance industry is facing an increasingly competitive and disruptive marketplace, leading to an increased need to transform the way insurers do business. As such, we need to look at whether the benefits of AI indeed outweigh its risks and examine just how this ever-evolving technology will impact the future of insurance.

So, here are five ways that AI is, & has the potential to redefine insuranc has the potential to redefine insurance:

1. Side-by-side Comparison

AI is providing the insurance industry with static tools that are helping to dynamically and more intelligently compare insurance products according to inputs. This enables customers to better weigh their options, not only by understanding which insurance offers better premiums but being able to compare the features and benefits of each policy in order to find the right fit that meets your needs.

2. Quick Access to Advice

One of the more interesting manifestations of AI in the insurance industry is in the adoption of AI-powered chatbots that enable customers to gain access to information and answers to frequently asked questions as quickly and easily as possible. By making use of these intelligent bots throughout the customer purchasing journey, insurers will be able to proactively provide advice to customers relevant to what they are looking at, recommend the best policies, answer queries, simplify the entire insurance process and provide assistance to customers at any time of the day.

3. Fraud Detection

One of the biggest challenges in the insurance industry is fraud, which comes at a high cost not only to the insurer but also to customers as well who ultimately end up paying higher to offset the risk of fraud. Additionally, detecting fraud can be a costly affair as well requiring vast resources with the process taking a long time to complete. Meanwhile, intentional fraudsters are becoming more innovative and sophisticated, making it difficult for the industry to keep up.

However, AI and machine learning are helping to detect fraud much faster and easier by enhancing risk assessments and providing more insight into insurance applicants by combing through greater data sets. More than this, AI can be used to identify and flag applications that have been created using other AI tools with the purpose of committing fraud.

4. Intelligent Underwriting

AI is not only helping to streamline underwriting processes but, by leveraging the underutilised volumes of data collected by the insurance industry, is also helping insurers gain more actionable insights for underwriting. This will play a key role in remaining competitive in the industry as it will allow insurers to offer more tailored insurance coverage plans and pricing to customers, simplify the customer journey, and ultimately improve customer satisfaction.

5. Improved Claims

Effective claims management not only saves insurance companies time and money, but ensures a better and enhanced experience for customers during what can often be the most anxiety-ridden interaction with an insurer for customers. Luckily, AI is helping to improve the claims experience by removing human error and reducing risks. The technology has the ability to analyse images, such as a broken item you want to make a claim on, and let the customer know immediately if the claim will be paid out, how much will be paid out, and what the excess would be. In some cases, AI could even authorise the payment and automatically pay out the claim.

It also has the capacity to analyse real-time data such as the weather or accidents and determine whether a claim will need to be made before a customer has even filed one. For example, an AI model that is able to predict flight delays would enable customers who purchased insurance when buying their plane ticket to instantly receive a payout with no need to claim.

Artificial Intelligence is playing a significant role in helping to transform the insurance industry, enabling a historically traditional industry to modernise and become more digital, more innovative, and more future-forward. And, while it has the potential to positively impact and add value to the entire insurance value chain while bringing significant benefits to customers, it's clear that these benefits will never be fully realised if the risks and challenges of these powerful AI tools are not carefully considered and mitigated.

WHY SOFTWARE ESCROW GIVES SA FINTECH DEVELOPERS THE EDGE

In large corporations, digital transformation is impacting every customer touchpoint, yet this rapid innovation for operational advancement could be what exposes them to operational risk.

Guy Krige, Executive Risk Consultant at ESCROWSURE

The uptake of bespoke third-party software solutions is essential to enable Financial Services and Insurance companies to meet the demands of their daily business operations. But what happens if your third-party software vendor goes out of business or is unable to maintain services? Software escrow is internationally accepted as best practice to manage the risks associated with exposure from third-party software providers.

It is a customised legal agreement between the software developer, the user, and the software escrow agent. This safeguards the software source code and makes it available to the user in the case of clearly defined trigger events that threaten business continuity. Typically, the corporate entities bear the burden of addressing software dependencies and mitigating the risks to business continuity.

However, Guy Krige, Executive Risk Consultant at ESCROWSURE argues that software developers and start-ups also have a critical role to play. In a highly competitive arena, fintech start-ups that include software escrow in their go-to-market strategies show their commitment to safeguarding their clients' digital futures and gain the upper hand over competitors.

Krige says, "Software developers entering into software escrow agreements offer a proactive solution to the risks associated with service disruptions. These agreements act as a safeguard against unforeseen circumstances such as vendor insolvency, acquisition, or the inability to maintain services. For start-ups competing for sales ascendency and funding, building resilience into software solutions becomes a key differentiator. By proactively embracing escrow agreements and ensuring compliance with evolving regulations, these software vendors not only enhance their value proposition but also gain a competitive edge when vying for new clients." For 20 years, ESCROWSURE has been trusted by some of the world's central banks, South Africa's leading financial services and blue-chip corporates to mitigate software risk through flexible escrow solutions customised and specific to each unique business risk environment.

Riding the waves of global and local regulatory changes

As the risks associated with increasing reliance on third-party software vendors reverberate across all sectors of business, there have been successive waves of new digital risk rules and regulations aiming at conserving business continuity and consumer protection.

South African software developers and start-ups planning to gain local and global clients must be able to navigate and comply with regulations such as:

- The South African Financial Sector Conduct Authority & Prudential Authority which includes the Joint Standard setting out the principles for IT governance and risk management that financial institutions must comply with, in line with sound practices and processes in managing IT risk.
- The European Union's Digital Operational Resilience Act (DORA) which imposes updated cyber security and resilience requirements on European financial institutions and their critical suppliers.
- The UK's Prudential Regulation Authority (PRA) SS2/21 which urges UK institutions to review third-party arrangements and evaluate the need for software escrow. The UK's National Risk Register 2023 also identified technological failure on the part of suppliers as a potential risk facing UK businesses and consumers.
- The USA's Office of the Comptroller of the Currency (OCC), Federal Deposit Insurance Corporation (FDIC) and Federal Reserve Board's (FED) joint statement on outsourcing and third-party risk management for banking institutions, which highlights software escrow as an important consideration.
- The Reserve Bank of India's (RBI) draft Master Direction which includes controls that must be deployed and complied with by April 2024, and specifies the requirement that the source code of critical applications must be acquired, and if that is not possible, the RBI expects institutions to take up software escrow or a similar solution.
- ISO 27001:2022 which already requires that 'source code of the software is protected by escrow agreements' for outsourced developments.

Many of these guidelines and regulations are expected to recommend software escrow as effective third-party risk management and vital components of business continuity plans. Andre Symes, Group Chief Executive Officer at Genasys Technologies, a technology provider servicing the insurance industry says, "Our policy and claims administration software forms the backbone of our clients' insurance operations. It is essential to the daily operations of our regulated clients and to ensure that claims get paid to the policy holders. As such having our software in escrow is not optional, but rather a necessity.

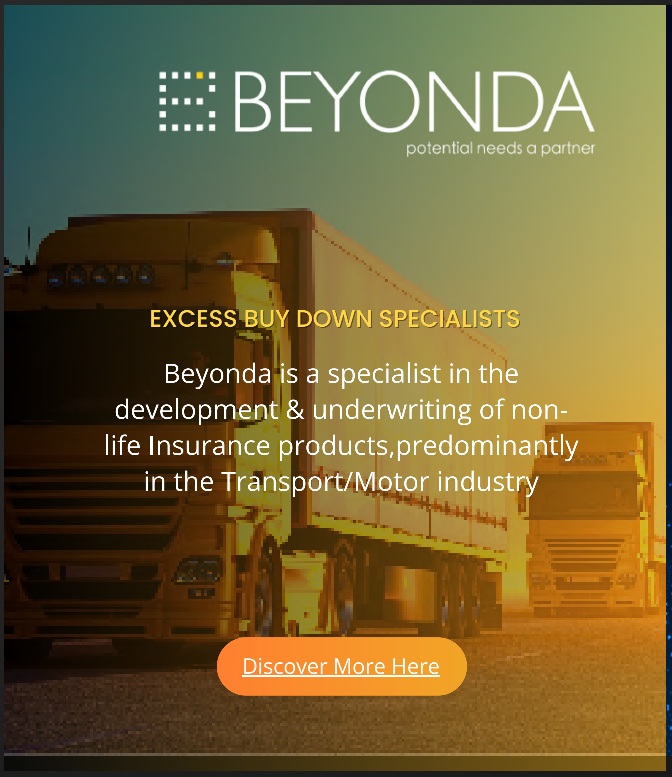
Having a trustworthy escrow partner is no longer optional in today's digital age." Krige says, "It is clear which way the wind is blowing, and in 2024 and beyond, we anticipate the ongoing introduction of additional regulations aiming to ensure businesses and consumers are protected from unexpected disruptions. It's surely time for software developers and FinTech start-ups to have their finger on the pulse and to integrate software escrow into their business models."

COVER
Market Place

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



If you'd like a COVER team member to get in touch around editorial, subscribing, or you would like to find out about one of our holistic bundles, we'd love to hear from you.

Email: *Brent@cover.co.za*

Telephone: *082 041 0833*

Address: *COVER Publications P.O. Box 2030 Sun Valley 7985*

Contact us

Click the icons above to engage with us on social media.