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MARCH 2022

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WHEELS 2022

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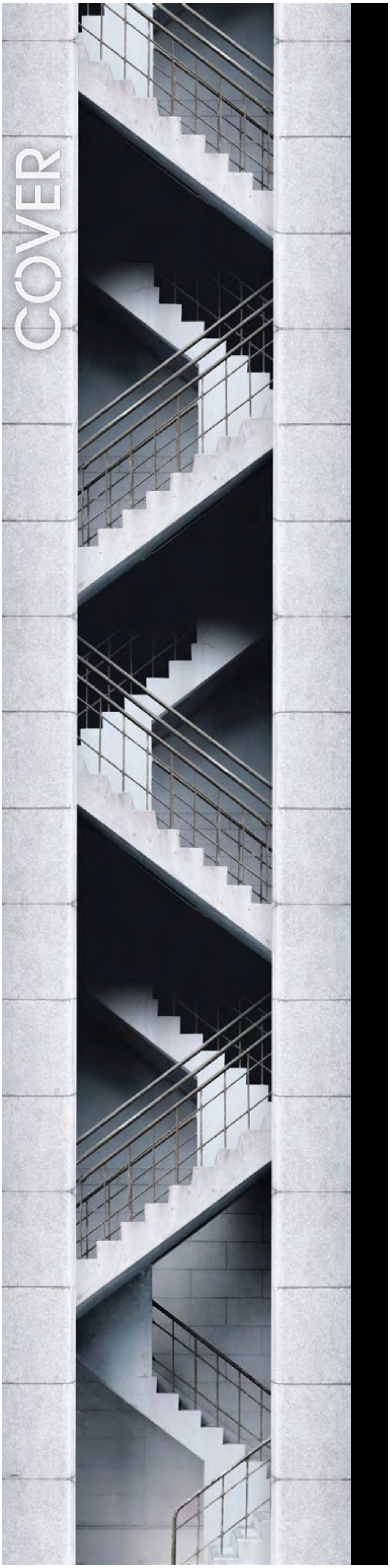

The most valuable asset in this picture **is the one most people forget to insure.**

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Editor's Note

ALL THINGS WHEELS

The various segments of motoring, from personal vehicles to commercial, heavy commercial, E-hailing and recreational have all faced its own challenges over the past few years, creating various innovations in the insurance industry.

Pay as you drive, switching cover on and off and various other innovations have fundamentally changed personal motor insurance, with technology and various insurtechs being the winners.

E-hailing took a severe knock with commuting all but coming to a complete standstill and needing special premium concessions. Moreover, the 2021 riots and the increased criminal activity resulting in the hijacking, looting and destruction of heavy commercial vehicles, have led to massive pressure on insurers and an impossible increase in SASRIA premiums. In this feature we explore some of these issues.

Enjoy the read.

Tony

TONY: EDITOR IN CHIEF

INVESTMENTS

At its essence, an investment strategy is a decision-making framework. You get an investment idea or opportunity and consider whether to make the investment or not based on your strategy

- Sonja Saunderson, Momentum Investments

THE ART LIES IN RECOGNISING

PERSONAL GOALS

COVER

I've met many Financial Advisers working out in the field who can confirm that they have previous backgrounds working as professional money managers in one capacity or another. When you ask them about why they wanted a change of career, their reasons are usually the same: They wanted to work with people, not numbers.

Let's talk about the difference between simply managing a client's money and making a personalised plan work for them to create the life they want. When talking about financial planning, a money manager would have no problem pointing out that markets always go up in the long-term, despite short-term shocks.

We know, for example, the 2008 financial crisis was followed by a period of strong global economic growth, starting in June of 2009. This led to the longest bull market in US Stock Market history, and the US S&P 500 index produced 13% annualised earnings growth in US Dollar terms during this 11-year period according to Goldman Sachs.

The same applies to the post-covid markets recovery. The Johannesburg Stock Exchange has rebounded strongly following the initial shock of lockdown and is now factoring in long-term growth.

But as an Adviser you've got to ask yourself how does this long-term financial thinking connect with a client's own personal goals and time frames? This is a completely different problem to solve because every client is different, and it is in grasping this idea that lies the very art of advice.

Never have there been more opportunities on offer for investors to choose from as the global economy becomes more interconnected. This can be confusing in a world where some are even advocating cryptocurrencies as a home for people's life savings.

Going at it alone can be overwhelming; choosing what to invest in and when without truly understanding the possible outcomes can be scary when it's client's money that is involved. We know that planning for a person's future should involve all the multiple dimensions of their lives.

We want to help them to achieve their goals, whether short or long-term, by guiding them on their journey with personalised financial coaching. To help advisers, we have built a goals-based investing tool that is simple to use and that creates easy-to-understand investment proposals. It includes five multi-strategy investment portfolios. Powered by STANLIB, each portfolio has been designed to deliver on performance and combines a diversified set of carefully selected uncorrelated strategies to ensure the best outcomes for clients in ways that suit their particular lives.

With this tool, an adviser can help identify and match a client's life goals and objectives. By understanding what they need or want their money to achieve, an adviser can create a personalised plan to help a person reach their life goals.

Life doesn't follow a straight line. With regular goal reporting and feedback, a client can adjust their investments accordingly. The benefit of this process is that, should their goals or circumstances change, the adviser can intervene to change the choice of portfolio by simply switching to a portfolio more aligned to the client's revised goals.

Like the COVID-19 pandemic has shown us, there are no guarantees that the future will resemble the past, at the same time as we've seen history tends to favour long-term investors. Our multi-strategy portfolios have been designed to deliver on performance and combine a diversified set of carefully selected uncorrelated strategies to ensure the best outcomes for clients, in the way that you have chosen to best suit their outlook. Trust that when the cycle is right, the solutions will be there. New opportunities could even surface amidst the chaos and crisis' that come with the longer road.

Clients lives and their long-term goals never run in that smooth straight line that we all like to imagine they will.

But with goals-based investing tools that accommodate flexibility along the way, an adviser can adapt strategies to not just cope with circumstances, but actually help their clients prosper at every opportunity.

SOURCES: Goldmansachs - April 2015 | Daily Maverick - April 2021

REYNEKE
VAN WYK

Head of Stonehage Fleming Investment Management South Africa

A STRATEGY FOR UNCERTAIN TIMES

Focus on long-term Opportunities Amidst Short-term Volatility

Ongoing global market volatility and longer-term inflation pressures have many investors worried about what the year ahead means for their portfolio positioning and how it will impact their long-term investment strategy.

The evolution of geo-political tensions over the coming year could spell higher periods of volatility and have a meaningful impact on which markets emerge as leaders. As the current expansion transitions to 'mid-cycle' and inflation shifts up, we recommend investors stay focused on investments that are supported by this environment.

Navigate Turbulent Markets Through Selective Positioning

While we are closely monitoring geo-political developments, we maintain a constructive view on equities. Our expectation is for inflation to moderate and continued strong corporate earnings momentum, which is broadly supportive of risk assets. Equities are more attractive than bonds on a relative valuation basis, but it is also important to be selective within the equity market, as we expect further periods of increased volatility in the equity market, as the monetary conditions continue to tighten.

Within equities, we currently emphasise a blend of companies with strong pricing power to sustain margins, low valuation companies with competitive earnings that should deliver strong returns in a higher growth and inflation environment and the high growth leaders, which benefit from the tailwind of long-term megatrends. For truly long-term investors, we expect those who are able to gain access to top tier private capital funds will benefit from the higher returns on offer in less liquid private markets.

Keep an Eye on Risk Signals and Trends

Key risks to monitor include the potential impact of a prolonged pandemic from future Covid variants, as well as accelerating inflation pressures, which may lead to faster policy tightening. Slower growth in China is also expected due to new regulations and the highly levered real estate market, while in the US, we are keeping a close eye on the underwhelming 'Build Back Better' programme. More importantly, at a global level we are monitoring escalating geopolitical tensions. These risks all pose a threat to global growth and risk appetite.

Get Optimal Offshore Exposure

For years, Stonehage Fleming has advised client families to follow a disciplined and consistent approach to invest surplus capital offshore every year. This is primarily based on the advantages of a broader opportunity set and greater diversification. Looking from the outside in, as such a small contributor to the global economy, it does not make sense to invest the majority of one's assets in South Africa.

Deciding on the ideal mix involves looking at what portion of an investor's wealth and income is needed to meet lifestyle and business requirements in South Africa and what portion is considered surplus. This is a very personal process and will be different for each individual and family, taking into account factors such as total wealth, long-term strategy and risk tolerance.

Reduce Risk with a Phased Approach

Our experience shows that informed investors who have followed a phased approach of investing surplus capital offshore have enjoyed significant additional growth to their investment portfolios and overall wealth. We therefore advise against trying to time the currency when investing offshore, but rather recommend following a disciplined and consistent approach year after year, over a targeted time period, in order to reduce exposure to a single currency level as well as reduce the risk of emotional investment decisions.

Choosing an appropriate investment adviser is also an important consideration, with an alignment of interests, 'on-the-ground' experience and depth of resources among the key factors to consider.

Invest for The Right Reasons

It is critical not to invest offshore for the potential currency depreciation alone, but rather for the 'right primary reasons' which include risk diversification and access to opportunities not available in South Africa. Long-term devaluation of the rand as a structurally weak currency, in our view, is a secondary reason.

The market weakness in early 2022 presents another opportunity for advisers and investors to revisit an investor's long-term needs and objectives. Discussions should be held around portfolio declines experienced compared to the agreed risk 'budget', the investor's capacity for future declines and general risk appetite, as well as any changes in the investor's time horizon or income needs as a result of the crisis.

PLANNING BEYOND THE MONEY

Do you think that two clients should have the same investment strategy if they have the same financial position, identical needs and an indistinguishable risk appetite? Think about this for a while, and I'll come back to it at the end.

If you spend a few of minutes on the internet you'll find a number of investment strategies. Some are obvious, others technical and then there are those that feel like the flavour of the month.

GUY
HOLWILL

Chief Executive of Fairbairn Consult

But when you look at the substance of these strategies, you can see that they are nothing more than the plan for an investor to achieve their goals. So once you've determined your client's goals, all you need to do is set up a diversified portfolio that is most likely to achieve the required returns with the lowest risk. Simple. End of article. Well it would be if you clients were rational and emotionless robots. But they are neither because they are human, and humans have biases and emotions that can derail the best investment strategy. The implication is that an effective investment strategy has to include a plan for the money and a plan for the person.

Humans are highly competitive and we love doing fun things. Which is why we do things like playing the lottery and gambling that are almost guaranteed to make us lose money despite having the appearance of giving us the opportunity to make money. Some people who do this don't understand how significantly the odds are stacked against them (the lottery has been called a tax on people who can't do maths), while others understand the odds but continue anyway because of their personality. The same logic applies when it comes to wealth creation, which means that you need to understand your client's personality so that you can identify their specific investment derailers and build this into the plan to manage the person.

There are a number of potential investment derailers, but one of the biggest is that clients don't grasp the difference between investing and speculating. Investing is defined as "putting money into financial schemes, shares, property, or a commercial venture with the expectation of achieving a profit*", while speculating is "*investing in stocks, property, or other ventures in the hope of gain"*. At first glance they seem to be the same thing, but if you look at the definitions again, you'll see that investing has an expected profit, while speculating has a hope of profit.

If your clients don't understand the difference, they are going to constantly ask why you haven't put money into ABC company or whether we shouldn't be selling because the market has dipped. To move from speculating to investing means you need to move from a hope of profit to an expectation of profit. This requires you to put your clients money into something that is very likely to deliver the required return. Fortunately, there are any number of well managed funds and portfolios that target a specific return (usually expressed as inflation plus X%). Again, this seems straightforward. And again, the challenge is that you're dealing with people. Firstly, long term investing should be boring, which means that you need to find something other than performance to talk to your clients about.

Secondly, it means that certain clients will need to get their financial fun and excitement somewhere else. If you have one of those clients you may consider allocating a small portion of the portfolio into things like a share trading account, crypto currencies or cannabis futures, so long as your client understands that this portion is speculative and may not be regulated while their real money remains invested.

In summary, an investment strategy is nothing more than the plan for an investor to achieve their goals. While this plan must include various technical matters to manage the money, it must also include a plan to manage the person to stop them from derailing themselves by doing things such as "investing" large amounts in assets that offer a hope of profit.

If we return to my original question, do you still think that two clients should have the same investment strategy if they have the same financial position, identical needs and an indistinguishable risk appetite? Fairbairn Consult is a firm of registered financial advisers. we are a licensed fsp and a member of the old mutual group.


OLD MUTUAL
REWARDS
SMALL STEPS. GREAT REWARDS.
OLDMUTUAL
GET REWARDED FOR TAKING CONTROL OF YOUR FINANCES
The little things you do for your family can be so rewarding. We think the big ones should be too. That's why we reward you for all the great financial decisions you make for your family – with points to spend, donate or even reinvest.
Sign up for free at oldmutualrewards.co.za or speak to your financial adviser.
DO GREAT THINGS EVERY DAY
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MAKING SENSE OF AN ‘INVESTMENT STRATEGY’

Investment professionals can be a strange lot. They often speak in a language full of jargon and which seems to be inaccessible to most people. ‘Investment strategy’ is two words that get bandied around often.

However, it's a concept that can be misunderstood if not clearly defined. So let me try to explain this concept and how it should be interpreted when you hear it being used.At its essence an investment strategy is a decision-making framework. You get an investment idea or opportunity and consider whether to make the investment or not based on your strategy.

An investment strategy could be something like “I invest in high-dividend shares”. Then when you have an opportunity to make an investment you ask: is this a high-dividend yield stock and is it reasonable to expect it to continue to be one?

Other strategies that are widely used in financial planning includes passive investing where a buy and hold strategy of companies give a lower cost experience and can give competitive returns. Income strategies are very popular for generating income, as opposed to focusing on capital appreciation, and play a pivotal role in matching income and cashflow requirements. Value investing is arguably the most popular long-term value creation strategy where the intrinsic value of a company is unlocked over time. This strategy can generate high returns but with cyclicality in how well it gets rewarded at different points in time of a typical business cycle.

Dividend growth strategies look to invest in companies where dividends are paid consistently and with a predictable frequency and typically suit investors who like the stability in compounding returns over time. Trending strategies are for investors that like to ride the wave and that understand that sentiment determines the value of a stock. They typically believe that winners keep winning and losers keep losing, but this often makes for lumpy performance with volatility.

All of these strategies is from the perspective of a single investment, which could clearly be a risky proposition. Therefore, to fully build up the strategy you need to start complementing this with a variety of other factors, including the asset classes you invest in, how much risk you are willing to take and how you define this risk, your investment duration, benchmarks, and liquidity requirements. These factors can be limited in some way that forms your risk management approach and complements and enriches your investment strategy.

Our outcome-based investing (OBI) philosophy informs our strategy. This investing approach defines the way we manage and grow our clients’ investments. Investing is personal and our philosophy places the client’s goals at the centre of the investment process.

We define pre-determined risk targets, implied return targets and realistic timeframes of a client reaching their goals.

Each investment decision is then evaluated against this framework. Why is it important to truly understand the investment strategy?

At its simplest it is about alignment when you have specific liabilities or goals, you want to set them out clearly and see how they frame and map to the investment strategy. If there is a good match there is a good chance that the client's needs are met. One of the most important reasons for a client to remain invested is that the investment meets their expectations. Our outcome-based investing philosophy is about maximising the probability of a client achieving their unique goals.

It ensures portfolios remain flexible, adaptable and diversified for an attractive risk-adjusted return that provides a more consistent investment experience over time, and limiting the risk and temptation of market timing.

Ultimately, meeting expectations means that clients remain invested, which is by far the biggest driver of investment success for anyone.

YOUR STRATEGY MUST EVOLVE WITH A CHANGING WORLD?

For the better part of a decade developed markets have experienced low and contained inflation rates, while local inflation rates have been substantially higher. However, due to unprecedented levels of stimulus coupled with supply pressures following the Covid-19 pandemic, the world may be in for a reversal of this trend.

Newspapers are filled with headlines discussing rising inflation and whether it is a transient or sustained phenomenon. What is discussed less often is how resultant shifting dynamics in asset classes impact the way we construct portfolios.

ANET AHERN

CEO at PSG Asset Management

If investment managers fail to accurately anticipate the implications of the shifts underway, there is a real risk that their ability to help clients build wealth in the long-term will be undermined. In such a perilous environment, the value of differentiated thinking can really shine through.

Inflation in the US has averaged roughly 4% since the 1970s. Since the Global Financial Crisis, and despite high levels of stimulus, inflation has continued to trend at low levels. However, Covid-19 brought about more stimulus, at a time when many had expected rates to normalise. Perhaps this round of monetary largesse was the final straw for a rebalancing that was already long overdue. Regardless, it is possible that we are on the brink of a sea-change that will upend the investment status quo.

Winners and Losers

The truth is that an 'abnormal' investment environment if maintained for an extended period of time, can shape investment behaviour. Low inflation and low-interest rates have rewarded some assets at the expense of others. Winners have included the mega-cap technology and growth stocks, while value and emerging market stocks fell out of favour, leading to a sharp divergence in markets.

Such an environment has a dangerous side effect. If the recipe for success is agreed and known upfront, it is easy to become complacent and stop doing time-consuming and expensive research. (Cue the rise of passive investing.) The same thinking applies to portfolio construction why deviate from a formula that has worked for the past few decades?
The answer is that the next decade is likely to look very different from the previous four. South African income investors have been in the sweet spot for the last few years, earning (relatively) high real returns from the short end of the fixed income market, without assuming too much risk.

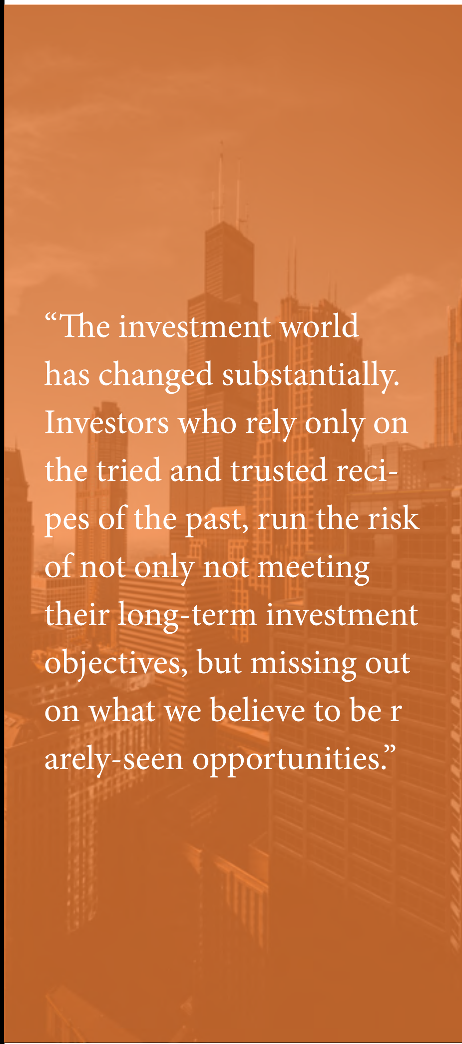
Covid-19 led to decisive action by the SARB and ultimately the removal of inflation-beating returns from the short-end of the fixed income market. Investors with a lower risk appetite, who want to generate acceptable returns, now need to consider other investment options. For example, there are opportunities at the longer end of the yield curve. However, bonds alone may not be enough.

Traditionally, property has been the go-to asset class for conservative and income investors, as rentals have historically offered inflation protection. However, the past is not a proxy for the future.

Making the Right Selection

The property sector has been burdened by high debt levels, and, with depressed rentals, the prospects for capital and income growth from this asset class seem limited, while risks remain elevated. From an investor's perspective, thorough analysis and selectivity are therefore required, rather than simply allocating money to the asset class. Similarly, selected equities, while historically touted as the riskier asset class, may deserve a larger allocation in a portfolio to bolster returns. As always, the price paid for an asset is key.

Some pockets of the equity market are very expensive. However, due to the bifurcation in the market, there are also opportunities available at very attractive valuations. A number of these are in the very sectors that have suffered over the past few years, and that are well-poised for a reversal in the current inflation (and market) environment.



> "The investment world has changed substantially. Investors who rely only on the tried and trusted recipes of the past, run the risk of not only not meeting their long-term investment objectives, but missing out on what we believe to be r arely-seen opportunities."

ALTERNATIVE ASSETS

TO BEAT MARKET VOLATILITY

Alternative investments offer an effective diversification tool to traditional assets like stocks and bonds in times of increased volatility.

Investors need to rethink diversification when constructing portfolios capable of enduring what will be another unpredictable and turbulent year for financial markets. The landscape has already shifted from the one we've endured since the onset of the Covid-19 pandemic in March 2020.

Inflation is running hot, interest rates are rising across the globe, and years of unprecedented monetary stimulus programs aimed at reflating economies will inevitably be unwound. The extended run of cheap money is over. Since the global financial crisis, markets have become accustomed to record-low borrowing rates, massive capital injections through bond purchases by central banks, and fiscal-stimulus support measures from governments; all of which have propelled asset prices to record highs.

Now, questions linger over how high and how quickly interest rates will need to go up to curb a spike in inflation that caught the world's most influential central banks off guard. Investors are also looking for signs from the U.S. Federal Reserve on how abruptly it will shrink its $9 trillion bond portfolio.

Officials at the European Central Bank have also pivoted. The Dutch central bank is leaning toward ending the ECB's asset purchase program as soon as possible and sees an interest-rate hike in the fourth quarter. In early February, ECB President Christine Lagarde expressed concern about the direction of inflation and indicated a rate increase this year is possible, a reversal from a previous stance that this was unlikely.

Investors' concerns that the Fed and the ECB might be behind the inflation curve and fears that this will result in an aggressive tightening in monetary policy has caused wild swings in asset prices. In January, an index measuring stock-market volatility jumped to the highest level since November 2020, indicating just how much uncertainty is baked into the minds of investors, analysts and economists.

To understand why, consider that the S&P 500 index has declined only twice on an annual basis since a 38% slump in 2008. After bubbling near record highs, the gauge is down more than 6% this year, even though broad valuations still seem stretched. Yields on benchmark 10-year U.S. Treasuries climbed to 1.93% on Feb. 4, levels last seen in December 2019. That's almost four times higher than they were in March 2020, and more pressure could come from the Fed's tapering of quantitative easing.

Investors are having to contend with the prospect of much higher borrowing costs and less liquidity while also considering potential threats from new Covid-19 strains and sporadic supply chain challenges – all contrasted against what promises to be robust yet uneven global economic growth.

This perplexing (and unfamiliar) investment environment calls for a fresh approach to simply spreading risks by buying stocks in different sectors, regions, stages of development, or sizes and tucking away a portion in fixed income and cash.

During periods of rising inflation and times of stress, the Henry Markowitz portfolio-diversification theory a hypothesis developed in the 1950s that investors can design an optimal portfolio that maximizes returns by diversifying their investments flies out the window. In these times, most asset correlation goes to one, meaning that prices move in lockstep with each other, and the diversification one so sorely needs is nullified.

Alternative assets offer an effective diversification tool and have a proven track record of achieving positive returns uncorrelated to markets or economies. These include hedge funds that take bets on what shares will rise or fall, profit from price differences in commodities, indices or currencies, or use leverage.

Unfortunately, when investors think of hedge funds, they imagine cowboys using impossible to understand tactics cloaked behind a veil of secrecy.

This misperception lingers even though South Africa in 2015 became one of the first countries to regulate the industry and assets under management jumped by a record in 2020. Apart from the wide-ranging strategies used by hedge funds, alternative assets also include private equity, real estate, and sustainable investments that consider environmental, social and governance issues.

An investment in an agricultural project to alleviate poverty, improve food security and foster long-term economic growth, for example, could form one component of a portfolio.

The rest may include a private-equity fund invested in African real estate, a fund using advanced mathematical models to spot buying and selling opportunities, or even the financing of an energy development. The possibilities are endless.

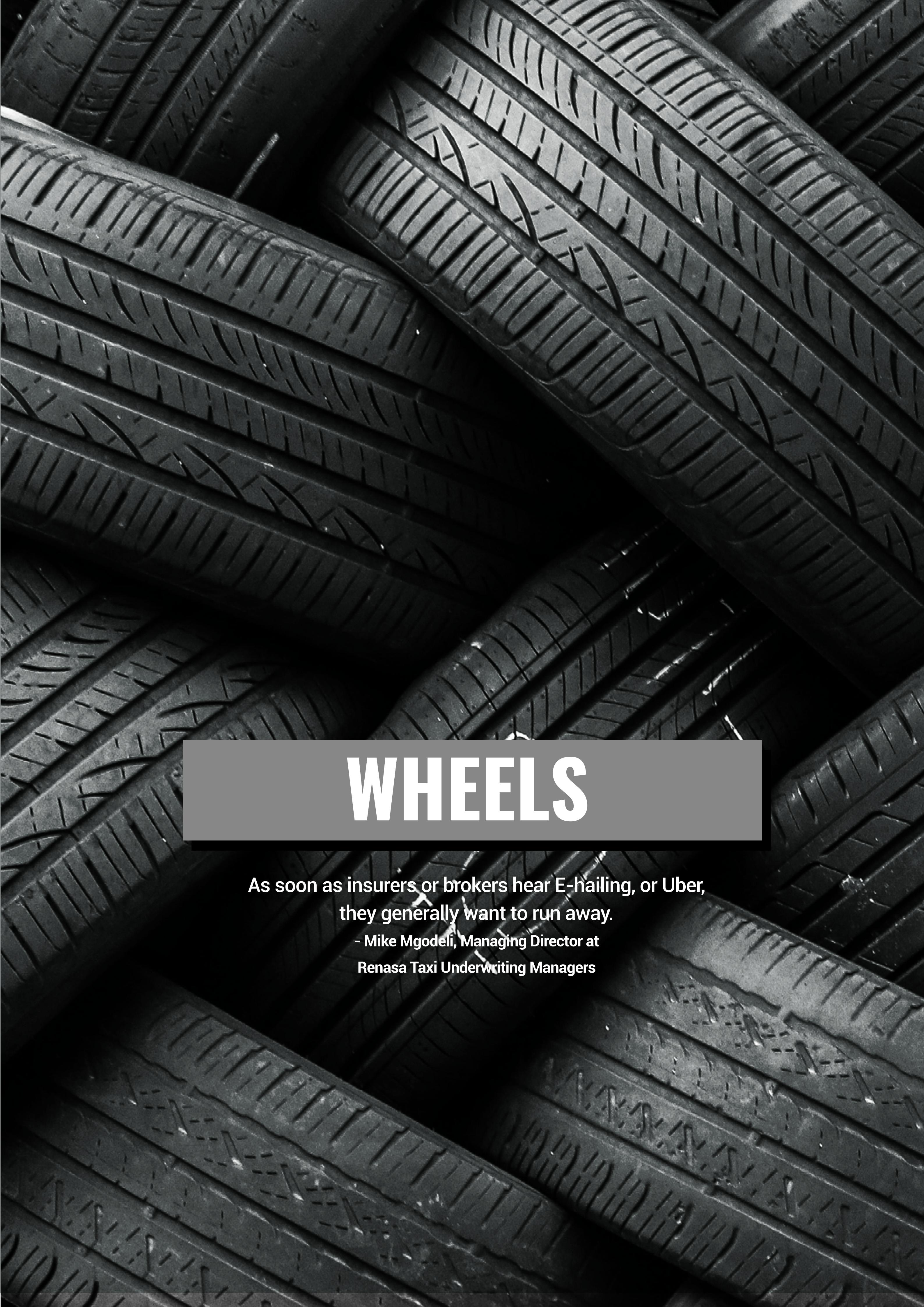
Strategists at JPMorgan Chase & Co. predict that alternative investments will return 11% in 2022, compared with 5% for stocks and bonds. BlackRock Inc., the world's largest money manager, expects negative bond returns for 2022.

Determining which alternatives to include in a portfolio begins by setting a long-term strategic asset allocation goal, influenced by an investor's return expectations and cash flow requirements.

It's then vital to ensure the right managers are picked and that they are given the ability to make short-term tactical changes to account for sudden changes or opportunities in market conditions.

An investor educated in the benefits of diversification is less likely to become snared in the panic or exuberance of the day, while reaping the rewards of money that compounds positively over time.

Skilled active management will be critical as the era of free money ends. So too will having investment options not inextricably bound to the vagaries of markets.



WHEELS

As soon as insurers or brokers hear E-hailing, or Uber, they generally want to run away.

- Mike Mgodeli, Managing Director at Renasa Taxi Underwriting Managers

FLEET INSURANCE: RIGHT WAY TO START YOUR YEAR

JASON MELLOW

Head of MiWay Business Insurance

The past few years have been difficult for most businesses, and has proven that now more than ever before, insurance cover is a must-have to provide a buffer against uncertainty and unforseen risks.

What Has Changed?

The pandemic, with its associated lockdowns and growth in online shopping, means that more trucks and delivery vehicles are on the road. At the same time, the cost of doing business has increased thanks to petrol price hikes. Furthermore there has been an increase in risk due to hijackers targeting trucks and courier vehicles. With many logistics companies having to spend more time on the road, this ultimately increases the risk of accidents. Longer driving hours has led to driver fatigue, which ultimately results in accidents. A lack of training and management in many cases has also led to poor driver behaviour. Reduction in income for fleet owners has also led in some instances to insufficient vehicle and tyre maintenance. It is therefore very important to have an experienced fleet manager that monitors all fleet vehicles and immediately addresses issues such as poor driver behaviour and vehicle maintenance using fleet management tools available in the market.

> **With the right insurer and the right level of cover backing you, you will have the peace of mind to focus on building your business, instead of dedicating all your time to mitigating risks.**

Every theft, hijacking, accident or breakdown impacts the business, revenue and reputation. If businesses do not have the appropriate insurance cover in place and furthermore do not have the capital reserves to self-insure and repair or replace these vehicles, this will eventually lead to downtime and loss of income for these businesses.

Reducing Risk

Reducing risk begins with proper basic fleet management and staff training. Drivers should be alerted to the risks and trained to respond appropriately, drivers should not be allowed to become fatigued on the road, cargo should be properly secured and locked down, and vehicles should be well maintained and not overloaded, and the right levels of insurance need to be in place.

Insurance cover for fleets has over time become very standardised in the market. One aspect where an insurer's unique offering differentiates against competitors is in how it assists clients with risk mitigation measures and rewards them if these measures are implemented. An insurer can offer clients preferential rates on telematics enabled tracking devices linked directly to them, which enables the insurer to help clients mitigate risks, identify crash incidents and verify underwriting information. The benefit of this is a preferential rate to the client.

For heavy commercial vehicles, a similar offering can be found with integrated dash cameras. Telematics devices and dash cams for truck fleets are always advisable and some insurers will be prepared to discount premiums significantly if these devices are fitted.

In terms of commercial motor fleets, we would suggest that clients install early warning devices rather than passive devices in vehicles due to their faster reaction time. It is important to not only install these devices but to also ensure that these devices are closely monitored.

What Should Your Fleet Insurance Cover?

At the very least, businesses need basic comprehensive cover combined with an appropriate level of 3rd party indemnity cover to protect the fleet owner's reserve capital. Given the political unrest in South Africa over the last year, SASRIA cover should no longer be considered optional.

Other nice-to-have covers are available at an additional cost, but these could prove crucial for assuring business continuity, so they are worth considering. For example, Theft & Hijack cover to courier companies, as well as Driver Dishonesty cover to ensure that the policyholder is covered against loss, damage, injury and other liability, even if drivers don't comply with the terms of the policy.

Even with this cover, it is still of the utmost importance to ensure that all drivers fully understand all policy conditions. Goods in Transit cover is also important for many businesses.

Paying the Right Premium for Your Fleet

Setting premium levels is fully at the discretion of the insurance company and the only way for a fleet owner to know if they are paying the best premium is to do comparative quotes with different insurers. Historic claims experience is one of th biggest drivers of insurance premiums for fleets. Fleet owners who manage the insurance risk on their fleet well are able to show incident frequencies lower than the market as a whole and can then easily negotiate preferential rates with their insurer. The converse is also true where fleets with poor claims experience will receive pricing far higher than other market participants.

The types of goods transported and distances covered will also impact the insurance premiums. It is important to keep in mind that fleet risks are generally big and complex policies with high probability of claims, so the quality of service from an insurer is very important, even if this comes at a slightly higher premium. It is also important to consider the speed and ease of lodging claims and having them settled, as well as general policy administration, since fleet policies tend to have amendments done frequently.

OPPORTUNITIES IN VALUE ADDED PRODUCTS

Andries Labuschagne, the MD of InsureAfrica takes us through the opportunities in the motor VAPS market. Brokers really have an opportunity here.

Tony: Please tell me about the InsureAfrica value proposition and the type of solutions you offer.

Andries: We are an underwriting manager, doing more of the specialized risks and we operate within the long term and the short-term environment. Today, I will focus more on the motoring side. From a value proposition point of view, we are very much partnership focused, that is our ethos.

Being an underwriting manager, we distribute through third parties, and so it is very important that we manage that relationship in such a way that it's easy for our partners to do business with us and that we enable their business models. We have designed products that are often associated with risk gaps that you will find in the comprehensive market or the mainstream policies.. A strong partnership focus also means that we have the interests of the customer in mind. We focus on being transparent and have open communication with our customers. The products that we offer on the motoring side of our business is typically associated with your mechanical breakdown insurance, more commonly known as warranties, service plans, maintenance plans, scratches and dent policies, and Tyre & Rim cover, all those risks that are not covered by your mainstream or comprehensive policies.

Tony: You mentioned the gaps, how do you fit these into the broader insurance environment? For example some policies would have VAP's included while others won't. How do you navigate that?

Andries: If we look at a typical comprehensive motor policy, you've got your perils or your fire cover, your accidental damage cover etc. I find that many consumers still believe that if you have a mechanical failure, it's going to be covered by their comprehensive insurance. So, they don't know that they're not covered for those types of things. Some consumers may also say, "well my manufacturer, the people that have bought the vehicle from, will cover those type of incidences". We then must explain to them what happens if they go out of the manufacturers guarantee,that they are not all the same and that they are not covered for everything on a manufacturer's warranty. I think there are a lot of consumers that assume that either they are covered with comprehensive insurance, or they think their manufacturer covers everything, so end-to-end cover is the belief system.

The other argument that I think is important for consumers to know, and I'm talking about the comprehensive policies, I see a trend developing where consumers have fixated on the price of comprehensive insurance. Inadvertently, they then increase their excesses, often forgetting that this is self-insurance, so they take on part of the risk themselves. So, in that instance, for a relatively inexpensive premium, you can have a little scratch and dent cover which could cover the smaller incidences. Again, a nice fit, and not a very expensive product. But again, I don't think consumers always think of it and it emphasizes, for me at least, on the fact that as financial advisors, we need to be far more involved in understanding where the possible risks exist, and what we can do to mitigate those risks.

Then, the service plan side, and the maintenance plan sides is another side of the coin, because the service plans are all those items that need replacing with regular intervals and mileages. And even in that, the service plan doesn't cover brakes. So, I do see value in these products, I do believe it's not for every consumer. But I think if you understand your customer, and you understand where the pain points are, all these products could be a nice way to ease those pain points.

Tony: Yes, for example the secondhand car market is massive. And most of those people in that secondhand car market are exposed to buying an unknown risk. Because you haven't driven that car before. It hasn't been your car; you don't know how well it was serviced. But just coming to that, there's this issue in the insurance and in the motor environment, about the right to repair. What is your view on the right to repair and how does that impact business?

Andries: So, I think, first, we must acknowledge its early days. From a consumer perspective, there are pros and cons. From a positive perspective it gives consumers the option go to other repairers. But there's a greater onus on the owner of the vehicle to ensure that they are going to reputable repairers. So, I think maybe inadvertently, we are making it a little bit more difficult for the consumer to have certain assurances in terms of the quality of the repair, the guarantees that are going to be carried on those repairs. From an InsureAfrica perspective, we've been doing this for quite a while, we mostly trade in the secondhand market on secondhand vehicles, if you're looking at warranties etc. We do have new vehicles insofar as maintenance plans and service plans. But because you get to know the repairers, I think from an InsureAfrica point of view, we've kind of been playing in the right to repair space for quite some time.

For example, we find reputable suppliers, that are reliable, who are going to offer the consumer value at a reasonable price, and provide decent quality components and quality workmanship. So, from an InsureAfrica perspective, I don't see anything changing dramatically. One thing that has changed in an environment where we do have a maintenance plan on newer cars, we will now rather move that car to a specialist repairer. And people find that interesting, but they are very good repairers who have left the corporate environment and have started their own businesses.

So, I think from a social construct point of view in South Africa, it serves such an important purpose, because unemployment rates are so incredibly high, and we need businesses, and we need people employed. It offers the small business an opportunity to create something beautiful, if they ensure that the quality and the workmanship is up to scratch and on par with what the consumer experienced at the franchise dealerships.

So, all in all, from my personal perspective, I certainly support the programme. It gives smaller entrepreneurs opportunities, which ultimately lead to job creation and greater participation in our economy.

Tony: So, in closing, there's a variety of different products that you offer and different applications of those. Do you offer broker training? Because the broker, underwriting skills and all of that are also just as important when it comes to these sorts of, out of the ordinary type of products.

Andries: You make such an important point; I think these products tend to be rather technical. As an insurance practitioner, I've been in insurance for the last twenty years and the motoring game for the last 30 years. I do believe that requires different skill sets, because the components and typically the way components are referred to, is often from a technical perspective. And as much as we try and make that accessible, there's just certain items that you can't explain any better. So, for us training is a vital part of our business.

In our interactions with our brokers and with our partners, we need to try and explain as best we can, because often the person sending the product is not technically minded. So, we do quite extensive training and we try and explain the principles as best as we can.

We also offer them an opportunity to speak to our claim's advisors, because they are all technically qualified. We tend to be rather circumspect in terms of who we employ, we try and employ somebody who's had experience in a workshop environment on the bench, and he's repaired components. That I think, stands us in good state in understanding exactly what is required.

From a consumer perspective, we need greater emphasis on education, training, and understanding of these products. Because a lot of these products get distributed at point of sale, or when you're buying a vehicle we need to explain to the customer exactly they get, what their expectations should be, maybe even help ensure that they understand what the differences are between the different programmes -for example a maintenance vs. service plans, So, the customer walks out with the right expectation, and ultimately, from a claim's perspective, the outcomes are favourable for everybody. So yes, we train our partners quite extensively.

Tony: I think knowledge sharing by brokers with the client is highly underrated as a relationship builder, and they should definitely grab that opportunity.

Andries: I concur. I sincerely believe that in this digital age and what you're experiencing at the moment, if you're not going to differentiate yourself from that personal interaction or interview, I think you're going to have difficulty in the future. But that's my personal opinion.

"Advancements in telematics technology has allowed us to gather valuable insights into driver behaviour. This is a powerful way for us to enable our customers to correct bad driving habits, therefore making them safer on the roads and rewarding them for doing so."

ANNELIE RETIEF

Head: Dialdirect Insurance

LOCKDOWN DRIVING: WE LEARNT & ADAPTED

New research conducted by Dialdirect Insurance has revealed that lockdown has had a negative affect on motorists driving habits and adherence to the rules of the road. The research compared driving behaviour data from thousands of motorists, obtained through Dialdirect's telematics app, from 2019 to 2021 and overall for every kilometre drive in 2021 motorists are 40% more likely to be in an accident than in 2019.

One of the driving behaviours examined is speed, which remains a major contributing factor to the majority of road accidents in South Africa. The data revealed that during lockdown periods, the percentage of people who drove above the speed limit has almost doubled, with male drivers being the main culprits. We have also found that driving above the speed limit makes you 80% more likely to be involved in an accident. This need for speed was possibly due the fact that during lockdown, there were fewer cars on the road, giving motorists who were behind the wheel free rein.

During lockdown, the well-documented dangers of using a cellphone while driving were also ignored. Motorists were using their devices 50% more while driving than before lockdown, probably due to the surge of virtual meetings. Motorists under the age of 30 use their phones about twice as much as those older than 30. Regardless of age, our data points to the chilling fact that those that use their phones while driving are twice more likely to be involved in an accident. It's also apparent that South Africa's lockdown curfew did not stop motorists from reducing their night time trips. This is concerning because we have found that night-time driving increases your chance of being involved in an accident by 60%. Insights like these clearly points to the value of telematics, especially if there's a dangling carrot in the form of rewards, back in cash, for driving right attached to it. Knowledge is power. When you are armed with the facts, the stats and the cold hard truth about the consequences of disobeying the rules of the road, and are offered a daily reward for heeding them, it's a win-win. Through our telematics programme we have found that those that do drive right are 51% less likely to be involved in an accident.

Thanks to shifting consumer needs and driving habits due to the pandemic, a significant number of motorists are expected to drive less in the future, making usage-based and pay-as-you-drive insurance, a popular choice. These changes also guided how we adapt our own telematics offering, to now benefit those who drive less or not at all.

LIFE AFTER LOCKDOWN

FOR MOTOR INSURERS?

The global Covid-19 pandemic has made its presence felt in the South African motor insurance industry. After two years of lockdown, King Price's client experience partner, Wynand van Vuuren, looks into how the national lockdown has significantly affected the car insurance industry by answering these three questions:

What have Car Insurers Learnt in the Past Two Years?

Firstly, we've seen a clear shift in how consumers view risk. Covid-19 shook us to our core and made us question how prepared we really are for a crisis. As millions of South Africans re-evaluated their finances, their risks and their lives, we've seen a growing realisation that insurance, so long seen as a grudge purchase, is critical to cushioning life's unexpected blows.

Secondly, the past two years have underlined the need for digitalisation. We've been talking about technology being the biggest disruptor in the insurance industry for some time now. The industry has been investing heavily in technology in recent years, and we'll soon see automation and artificial intelligence embedded into practically every aspect of insurance operations, from claims and underwriting to create a more individualised, smoother customer experience.

"The winners in the 'new' car insurance industry will be the companies that can transform their operations to 'digital-first' the fastest."

What has Changed Permanently?

The pandemic speeded up a growing shift in mobility patterns and how people own cars. In urban areas, South African consumers are increasingly able to get around without owning their own cars. At the same time, younger generations simply don't see cars as status symbols in the same way that older generations do: They see them as a way of getting from A to B.

These changing ownership patterns will have a major impact on the insurance industry. But the bigger, permanent change is how technology has enabled consumers to disrupt traditional insurance models. Today's clients want simple products tailored to their needs, a slick engagement experience, and the ability to interact on the platform of their choice. Technology allows insurers to compete on the basis of a differentiated customer experience, and AI, user-friendly apps and chatbots are driving a range of digital-first, human-friendly services that are tailored to the exact needs of the client.

Who will be the Winners of this Space?

The winners in the 'new' car insurance industry will be the companies that can transform their operations to 'digital-first' the fastest. As we see a greater focus on factors like personalised premiums and usage-based coverage, we're certain to see more alliances and collaboration between traditional insurance and InsureTech firms. The traditional company provides the footprint, the market knowledge and the client base; the InsureTech provides the tech that drives new insurance models and revenue streams, higher profitability, improved customer experience and reduced operational costs.

WHAT'S INFLUENCING THE MOTOR INSURANCE MARKET IN 2022?

JON JON SMIT

Executive Head: Sales and Marketing, CIB

The past two years have taught us a great deal as an industry. Some have emerged from the worst of the Covid-19 pandemic battered and bruised, while others have fared better

During the tightest of lockdowns, many consumers cut back on their motor insurance, with some motorists cancelling their policies entirely. Most insurers lowered rates, leading to premium relief models, thanks to the lower risk presented by lower traffic volumes and reduced usage resulting in fewer motor accidents.

Post lockdown we have, predictably, seen a rise in claims due to the return-to-normal of traffic volumes, as more people go back to working in the office. Even the statistics released by the Department of Transport on the road death toll during the 2021/22 festive season are troubling. Close to 1 700 people died in motor vehicle accidents, an increase of 14% on the year before.

Under the influence of alcohol, while 605 were arrested for driving at speeds topping 190 km/h. These statistics are concerning, both in terms of their impact on society and the effect they have on motor insurance ratings and premiums. The basic deduction therefore is that, in the main, things are back to normal. In addition, the industry is under pressure from the rising cost and scarcity of spare parts, which pushes up the average cost of claims – a trend that looks set to continue well into the future.

Then there are the shifting weather patterns which have also played a significant part in driving up motor claims. Forces such as high winds, intense rain and extreme temperatures especially extreme cold that leads to icy roads lead to adverse driving conditions and an increase in traffic accidents. The latest floods in Gauteng is a perfect example of the new extremes we are dealing with. Focussing on Risk Management: Based on these various trends, the role of the broker in the shift to a risk management focus will definitely become more important as we tackle these pressures into the future.

These risk management conversations could be seen during the COVID period when reduced travelling affected exposure and required a re-look at variable risk patterns. Furthermore, although many business owners are calling for their staff to return to the office environment, there are still a lot of consumers working from home, which attracts a very different risk profile and pricing. Where they used to use their personal vehicles for x, they are now using them for x, y and z, which has an effect on the premiums being charged.

The important thing to remember is that there are different variables in terms of motor risk. As an industry we need to understand the risk of the consumer, help them to manage the risks better and ultimately tailor-make an insurance solution that is suitable to the client's specific situation and /or needs. This clearly shows that there is no one-size-fits-all approach when it comes to motor insurance. Really knowing and understanding each client's circumstances and particular risk profile remains key. **As we say at CIB, "Great insurance shouldn't be about the cover you get. It should be about the cover you need."**

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THE ROAD AHEAD

Undoubtedly the last two years of the COVID-19 pandemic have left an indelible impact on the world. The short-term insurance industry has not been spared of this impact, and in our view the three main changes for the industry on the back of the pandemic pertain to digitisation of insurance operations and the rising costs of insurance (due to inflation of vehicle parts and shipping costs). Digital and tech-enabled insurers have adapted and are performing better than traditional insurers, given these shifting consumer patterns.

DARRYL GRATER

Executive Head of Distribution at Discovery insure

Clients want ease and convenience when interacting with their insurer, including the ability to obtain a quote, add items to their plan submit a claim and interact in other respects, mainly if not all online. In this regard, insurtechs and telematics-based insurance are now mainstream compared to when Discovery Insure launched as the only player in this space locally, in 2011.

Given our commitment to world-first, cutting-edge innovation, this has included annual updates to our offering. These regular cycles of innovation and investment in R&D have ensured that we offer the most relevant benefits and rewards to our clients. Our extensive data set distinguishes us as global experts in incentivising behaviour change, and facilitates a comprehensive understanding and appreciation of our clients' needs.

Despite this move towards digitally-enabled insurance, one thing that has not changed during the pandemic and that is arguably more necessary now than ever, is the primacy of sound financial advice. Coupled with clients' needs for seamless online interaction, a financial adviser or specialist broker plays a crucial role in ensuring that clients also have a personal touch, a voice they know on the other end of the line in their moment of need, and are able to properly gauge their needs and level of understanding.

Clients are evolving to seemingly desire a hybrid solution that includes engaging their adviser digitally, along with in-person engagement if ever required, especially in the early days of a relationship when establishing trust and rapport is the goal at hand. It is essential that insurers play their part in supporting and enabling brokers to be properly capacitated to operate in this digital environment, and we are proud of the many initiatives that Discovery has implemented in this respect to support our salesforce, who are the front line in how our clients experience our product offering. One of the ongoing effects of the pandemic is the unfortunate challenges faced in terms of the supply of vehicles, vehicle parts and paint globally, along with rising shipping costs. Vehicle repair costs have far outpaced inflation and are up to 9% higher resulting in an annualised increase of 18% per annum. The rate of vehicle depreciation year-on-year, is also lower than historically experienced due to the growing demand for second-hand cars. In fact, some used vehicle models can now be sold for a higher price than when they were initially purchased! This is a global phenomenon and has affected vehicle traders and insurers around the world, by increasing claims costs.

Finally, it is crucial to note that it is ultimately still customer experience and customer satisfaction that sets one insurer apart from another, similarly to how the quality of advice and strength of the relationship differentiates brokers. We know that the decision about who to be insured by is influenced not just by price and rewards but by service levels to clients when they need us most, often at the point of claim. In this regard, we are proud of our Insure24 service, which provides 24/7/365 emergency care to our clients, including emergency roadside assistance and our safety features such as Impact Alert which enables us to support our clients quickly after an accident, inclusive of trauma management and medical assistance. Driver DNA (our world-first tech-innovation that analyses driving behaviour to pick up when a car is being driven by someone other than the primary driver on the policy) is essential for predicting theft and hijack scenarios where the criminals drive in a very different style to the regular driver. In addition, embedding trauma counselling for clients who have been victims of crime (irrespective of their product level) is an essential benefit and needed by our valued clients after experiencing a traumatic event.

While we're conscious that how we work and cater to our clients operationally has changed for the better, the principles of insurance have not changed. It is precisely in times of rapid social change and uncertainty, similarly to how much of the world including South Africa is currently facing, that our industry can provide people with security and a safety-net. Insurance also protects the economy and economic output when you consider the macro impact insurance cover brings to business clients. As the most innovative insurer in the market, we are confident of our agility and ability to keep pace with changing consumer habits and needs, and we look forward to scaling our solutions hand-in-hand with our broker partners across personal and business insurance segments in South Africa, as well as further international markets.

4X4: A SOUTH AFRICAN WAY OF LIFE

We are talking all things motor with Ian Georgeson, Cross Country Insurance Consultants. An exciting topic to explore, as South Africans are very much into their 4X4's.

Tony: For those people that might not know, Cross Country or CCIC, please give us some background.

Ian: We have been around for a while, having launched in 1998 from a shared vision with SA Eagle. We started by launching a product called the All-Terrain Insurance Plan, a product designed to cater for the policyholder who had an outdoor interest. The emphasis was to share a common passion, for both CCIC policyholders and the brokers who appreciate the outdoor pursuits. I think the advantage of the All-Terrain project was the ability to design a product for the outdoor enthusiast, enabling us to ensure any number of risks in the outdoor pursuits. The project enabled us to communicate to our customers with whom we shared something in common and to secure a long-term relationship, which is very important. We subsequently set up an association with Renasa 12 years ago, which has really benefited us and enhanced our product range and resulted in growth in our business. We did hit a couple of milestones over the last 18 years, first implementing the ITC platform in profiling prospective clients and being able to integrate this into our ratings platform. I think we one of the first companies to serve a 24/7 app for medical emergencies, breakdowns, accident reporting and activation. Also, eight years ago, we started implementation of a telematics platform, enabling us to utilise driver behaviour algorithms, and cost premiums individually.

Tony: Now the 4X4 is basically a private, individual vehicle, but obviously, there are different risks faced by the drivers as well as the brokers who are insuring them in this environment. Can you give us a breakdown as to how you view these risks?

Ian: As I mentioned, our brokers are really the first contact with the policyholder. Through product orientation and training we assist the broker in understanding the difference in cover between the standard and the 4X4 vehicle.
We give an overview of the correct cover, competitive pricing and excess structures and again, value added products, which are important to minimise loss and are not included in the normal cover. Here relationship and great service is king.It is very important for the broker to carry out a comprehensive needs analysis with their clients.

The risks in this market segment are very different to normal motor risk. This does not mean that the policyholder is excluded from the normal motor risks. They still operate a motor vehicle, use public roads and therefore subject themselves to the same level of risk as every vehicle owner.

The main risk is the loss and damage to an asset by additional exposure travelling outside RSA territories. Also not having the correct cover in place when using the vehicle off road and in an organised off-road event. Medical assistance and evacuation of the driver and all the passengers, not one or two, all passengers are other risk prevention factors. The broker should be able to anticipate any risk exposure and offer an unparalleled recovery programme in risk mitigation.

It's important to note that there's an entire set of risks that fall wide of the normal. For example, a mechanical failure of a vehicle parked in your garage is a big inconvenience. However, the mechanical failure of a vehicle parked under a tree, outside RSA, is potentially a bigger headache. We have all these things set up for risk mitigation and it is very important that the broker utilises this for their clients.

Tony: How does he broker fit into this process? Does he need to be knowledgeable about the 4X4 space?

Ian: We have a broker network of about 600 brokers countrywide and have very close relationships with about 160 or so of them. Generally, these brokers do have specific knowledge of 4X4 insurance. We also have a training portal for the broker to assist in product training, which is very important. Overtime, we have built a strong relationship with many associations in, 4X4, Hunting and Classic car sphere. We involve our brokers in these groups to foster new business and gain knowledge for our product development and possible risk exposure.

For us, driver training, eventing and sponsorships are integral for awareness and branding. Again, we involve our brokers in these programmes as they will have access to the club and association members and be able to utilise our products with them. So, it's a huge network and as I said, we nurture these relationships over many years.

Tony: What about new brokers that want to play in this space, do they approach you to assist them in getting up to speed?

Ian: In a UMA, we have to work directly with a broker. New brokers come in all the time, and effectively we are able to assist them in terms of zoom meetings or personal visits where we can, we introduce them to the product and do product training via zoom. We obviously have a set of documentation pertaining to the benefits and advantage of the cover, so they are all versed in terms of what we do.

Tony: Now, in this environment, you've got lots of add-on products, looking at all the different things like the trailers and all the equipment that goes with them.

Ian: Back in 1998, when we launched, there were probably one or two insurers or underwriting brokers who were writing this type of product. This is where we saw the gap in the market. A 4X4 associated with vehicle accessories, equipment and invariably a trailer or caravan and all the equipment carried in there.

I wouldn't say we captured most of the market, but there was certainly scope for us to grow our business. And certainly, where there is a 4X4 Association, there's normally a motor vessel where the guys go fishing, so why don't we insure the boat, why don't we insure the trailer and all the equipment on the vessels. Again, our repatriation cover and medical assistance cover is extended to include our marine products. So, what's quite nice is that normally you have passengers on your 4X4 vehicle, and you have passengers on your vessel, and if there is an incident, we will recover everybody. And that's really where we are very strong and, as I said, the limits are quite extensive.

We had one situation where one of our clients got tick bite fever in Kilimanjaro, and we had to get them out and we possibly saved his life. That is what it is all about, repatriation and our medical emergency is 24/7. We also ventured into the classic motor vehicle and motorcycles on an agreed value basis, with the extended utilisation across board and we pick up the passengers as well. We have a facility called the DirtSure product, which is really for your off-road motorcycles, your dual bikes and Quadbikes and the like. This product offers own risk racing cover, which is a real benefit to dirt bike owners. Our gold house owners and householders' policy, which is an agreed value policy with higher all risk limits.

So, I certainly think we've developed an all-round package for your outdoor enthusiast, and the business has grown over the years. We have even developed a product known as Field and Stream for your dedicated Hunter-outdoorsman, specific to the pursuit, again including your repatriation and accident cover. Here we've signed up a company who has a reach of 40,000.

So it's quite an exciting time for us and we are always on the lookout for new products.

E-HAILING, A FAST EXPANDING LINE OF INSURANCE

Mike Mgodeli, Managing Director at Renasa Taxi Underwriting Managers or RTUSA talks to us about the E- hailing side of their business.

Tony: E-hailing has become big business, transforming how people get around. Please give us some background on RTU and yourself. What brought you into this niche?

Mike: RTU had a massive portfolio within the E-hailing space, which we brought to Renasa through Jonathan Rosenberg, who graciously took on the challenge of a totally new market that, at that time, had been closed by a couple of insurers. The guys at Renasa embraced us as they had a traditional minibus market where they were covering vehicles in the public transport space. They saw the alignment with E-hailing and the growth opportunities. Renasa took us onboard, and we co-created what is currently RTU. It's a very well-balanced portfolio in this public transport market, which caters not only for your E-hailing passengers, but also the delivery side of it. From an RTU perspective, we have expanded our offering, for this particular market, from not only a purely asset element, to also include liability insurance cover.

Tony: A large part of our audience is brokers, so how should they view this E-hailing insurance environment?

Mike: As soon as insurers or brokers hear E-hailing, or Uber, they generally want to run away. However, more information is now available. As RTU, and in testament to Renasa being "the broker's best friend", we only deal through brokers, and clients would therefore place their business with us that way. As RTU, we've taken an approach to walk the journey with a client, as we generally are the risk experts. We've created multiple different types of products. So, we've got your stock standard product in this space, where it's just your individual client who is coming in, with up to 10 vehicles and is rated from a black box perspective. We then also have some fleets, with close to 1000 vehicles on cover, which would be bespoke for that broker and the insured company. We also created products for the actual platforms, where we've identified a lot of the risk that would exist, not only for the asset as such, but also for the passenger and rider whilst on a trip. So, with the underwriting team we've got, we are always open to creating new markets and providing a good service to our insured.

"I think, in the market itself, it's probably the space with the highest growth potential compared to your traditional short term or non-life insurance products."

Tony: What are the main risks faced in this segment?

Mike: It is quite an interesting space that's always evolving. There's the platform rating element that creates a self-regulating mechanism between the driver and the rider and further on, to the platform. That really helps when it comes to platform-based cover. When I say platform-based cover, for instance with Uber, as a passenger, you'd be insured from the minute you enter that vehicle until you disembark that vehicle, should you have an accident or need medical assistance.

But the fundamental basis of the asset risk, which lies with the owner of the vehicle, or the person with insurable interest, is slightly different. Because on that side these guys, whilst on trip they are great most of the time, but then when they drop you and are rushing to the next ride or they have been driving for a long period of time, the exposure increases.

The slight difference from the minibus space, and I think where a lot of guys got it wrong, is that minibus taxis generally operate within a set period of time. And as the road users, we generally fear them. When you see a taxi running down at you, you give them space. These guys are driving the very same route, day in and day out, so they know that road, they know how quickly that robot changes. There is also some form of an accountability factor from an owner perspective to the driver. In a way it's a community. You can't just rock up and be a driver for someone, these taxi guys are informalised businessmen and they know that business so well.

In the E-hailing space, where it's slightly different, you've got professionals like me and you trying to make a buck, extra cash on the side. I can get access to a vehicle, and I've got no understanding of managing people or of selecting the right drivers. I've got no understanding of maintaining my vehicle.

So that becomes another risk in itself, where you are starting to find there's a big difference, even from our rating perspective, between an owner driven vehicle and a vehicle driven by an employee, for lack of a better description. There are two distinct types of risks on that. So it's a very complex but also interesting space to underwrite and trade products.

Tony: From a broker perspective, how do you overcome these complications through your relationships with them?

Mike: We generally walk a very close journey with a broker. Each person has a particular need. As I've mentioned to you initially, we've got our own rating engine that has taken on a lot of driving time and data, just from previous experiences to say to the broker, you put in this information, and we can give you a good rate or we can advise you on how to go about ensuring this client. When it comes to guys with fleets, we would walk the journey with a broker. Obviously, the broker would be the risk expert, in the sense of giving the advice to the policyholder, and we are able to co-create what works for them and tailor make a product for that particular client.

Tony: In closing, the pandemic affected everyone, and there's been a lot less movement of people. How did this affect your business during this time and what sort of concessions did you have to give to your clients?

Mike: The pandemic caught us by surprise and on our side, in the initial hard lockdown, our insureds were negatively impacted, especially just in the movement of people. So, from the taxi perspective and the E-hailing, with the curfews, there wasn't really much movement of business happening for these guys. This meant that it limited the earning potential and what they were able to earn. From our side, looking at the exposure that we had, we then passed on the benefits, obviously when there's no vehicles on the road, there's less claims, there's less exposure. So, with that, we were able to reduce the premiums up to 50% during the hard lockdown months and pass that back to our clients.

But I think, having worked with a lot of the brokers, it was a sharing of the risk and the guys understanding that retaining these partners of ours is important compared to just cutting them off and trying to re-sign them up. So, I think, in a way it was a very positive thing for our relationship, one with policyholders, the brokers, ourselves and the insurers. There were some positives out of this, where we've seen a growth in the gig economy. A lot of people, now that we're working flextime and working from home, are moving away from the need of owning a vehicle.

HCV INSURANCE: NOT FOR THE FAINT HEARTED

It seems that the HCV space is a difficult environment to be in now and has been in the news quite a lot of late. This is part one of a conversation with Abrie Olivier, Managing Director, VAPs Insurance and Tyler Botha, Head of Claims, HCV, Renasa Insurance**, about the very interesting topic of HCV insurance.

Tony: Abrie, to start off with, could you tell us about VAPs insurance and your range of products for heavy commercial vehicles?

Abrie: We are an innovative insurance underwriting company that specialises in Heavy Commercial Vehicle insurance or truck insurance and obviously, the related VAP insurance products, like excess reducer covers for mechanical breakdown and also personal accident covers for drivers. We started VAPs in 2015 and we are underwritten by Renasa Insurance Company Limited. We have grown in the past four or five years, but like you said, it is not an easy space to be in at the moment.

Tony: It may sound like a silly question to ask because it says heavy commercial vehicles, but what type of clients are normally the clients that you would insure?

Abrie: We insure clients for the loss or damage to trucks, commercial trailers, the big trailers that you see on the roads. We also do buses, and covers typically for accidents, fire, hail, thefts or hijacks. Typical clients that we insure include your long haul transporters and we insure a lot of bus operators, the big bus companies.

We work a lot in the agricultural market, with what we call part time transport contractors. Then also the normal business owners with normal commercial policies that have some trucks in their fleet. So that's typically the type of clients where we can assist intermediaries with insurance covers.

Tony: What sort of benefits are included in in your policy and is there anything specific that is not included?

Abrie: We have a long list of automatically included benefits like our cross-border towing and recovery. As you know, commercial policies limit towing cover after an accident to inside South Africa, so we have that extension. Our towing and recovery costs are anything up to R55,000, if an accident happens within South Africa. I

ncluded is obviously extended territorial limits. We can insure trucks going up to the DRC, to give you an example, so those territorial limits are included. Standard things like locks and keys and remotes up to R25,000. Then our third-party liability motor is included for two and a half million. We can also extend that up to seven and a half million.

Then optional extensions, which are very HCV specific. We've got an in house call centre, which we call the VAPs HCV assist line to provide 24/7 assistance to truckers. We do personal accident cover specifically for the driver and the co-driver, of up to R100,000. Then loss of use cover and obviously a big plus point or selling point for us, is the inception value policy, a policy that Renasa has been marketing for years. We are able to provide that policy to HCV's specifically. That in a nutshell, is what we cover.

Tony: Then I would think that probably one of the most important developments in HCV over the last couple of years is telematics and risk management. How do you manage telematics and risk management from your perspective, and how do you get involved in that?

Abrie: The risks that transporters face these days is daunting in South Africa. It's all over the news regularly, the N3 closes, the strikes and riots. To give an example, any single truck can travel as much as 15,000 kilometres a month, which is a major risk. We try and assist to minimise the risks, such as driver rest periods, the guys just get pushed too hard. In driver training we've got an agreement or an understanding with Kempston driver training. Telematics plays a huge role in assisting transport operators in managing these risks.

With modern telematics, we now know at any given point, how fast the driver is driving. With the video feeds that we get out of trucks, we can fit up to six HD cameras onto a truck these days. We can see what's going on in front of a truck, inside the truck, to the back and sides. So, I think modern telematics is a game changer and it's helping tremendously.

Tyler: Just to add on to what Abrie is saying, telematics goes far in trying to prevent losses. So, the whole reason behind it, is not just to see what the trends are, but to actually, in real time, try and prevent the loss. So, if you have a driver that's constantly speeding or has been driving for longer than eight or nine hours, you get hold of the client and say, there's a potential risk.

We've had incidents where you have a blue light brigade that pulls over a truck, and the telematics operator immediately picked up that this wasn't a normal policeman, because you could see the questions that were being asked or that the car wasn't marked correctly. We then immediately inform the partners to send the Emergency Response Unit out.

TYLER BOTHA
Head of Claims, HCV, VAPS insurance

We know there is a perception out there that we're going to use a video to not pay a claim, but that's never been the purpose of it. If the driver is not adhering to a certain law, that the camera can prove, we cannot act upon that against the policyholder. So it's more about mitigating the risk or minimising the risk. We are in an era where to have a positive loss ratio, is a constant battle. There are so many different factors from staff to towing and not letting the incorrect guy do the towing job by inflating the towing jobs. When it comes to clean-up on a site, you often have clean-up crews that overcharge and inflate because you're not at the site, so you don't know what's going on. They will take a couple of photos, say there is a danger to the environment, and you'll end up with R200,000 or R300,000 bill.

With all of these factors, we constantly need the telematics and the risk services to be involved, because it's not a normal accident vehicle where it's a personal lines client where he is standing next to his vehicle, knowing exactly how to act after an accident. He takes photos of his vehicle; he calls his broker or his insurance company and he logs it. Usually, these are large accidents, where groups of people gather around to start looting. And you've got a possible third party that might be deceased or driver that's deceased. So, you need help and the correct rigs out there. If the road needs to be closed off, we need to do that. Apart from protecting the capital of the insurance company, we need to protect the insureds policy against high loss ratios, unnecessary excess that they need to pay. So, there's a dual benefit on both sides by employing these risk services and telematics before events and after anything. I think that it has been the game changer by being more geared towards controlling the environment that we are constantly insuring.

Abrie: So, just as a last thought on that, I just want to say that we at VAPs, also created our own Risk Services Bureau. We have our own control room with people assisting clients, looking at computer screens, looking at trucks all day. So, that's also an additional benefit that we offer our clients.

FINANCIAL PLANNING

Before discussing concerns about the implementation of NHI, we should discuss the ramifications of curtailing the role of medical aids.

- Lee Callakoppen, Bonitas Medical Fund

NEW LEADERSHIP TO TRANSFORM THE ACTURIAL PROFESSION

> "By listening with the aim of first understanding a target market's circumstances, challenges, culture and needs, actuaries will be in a better position to develop solutions that solve a particular problem."

The COVID-19 pandemic presented actuaries with a rare opportunity to showcase their unique modelling and risk management skills to a wider audience. The same complex environment also revealed an urgent need to strengthen the profession's ability to communicate more effectively, says Tjaart Esterhuyse, the new President of the Actuarial Society of South Africa (ASSA).

Esterhuyse explains that a willingness to listen to dissenting views and respectful debate have often been lacking since the onset of the pandemic. A key focus during his tenure as President of ASSA over

the next two years will therefore be to instil a culture of meaningful and respectful debate within the actuarial profession by encouraging actuaries to listen to diverging views with respect and open mindedness.

Esterhuyse qualified as an actuary almost 25 years ago and heads RGA EMEA Explore where his main focus is on developing innovative solutions to cover the insurance gap in Europe for underserved and underdeveloped markets. Before moving to RGA EMEA, Esterhuyse was the managing director of RGA Reinsurance Company of South Africa (RGA SA). Esterhuyse served as ASSA President-elect for the past two years and took over as President from Lusani Mulaudzi last month.

According to Esterhuyse, many of South Africa's financial risk solutions lead the rest of the world in terms of innovation, because of the advanced problem solving skills honed by South African actuaries. South Africa was, for example, the first country to introduce critical illness insurance in the 1980s and South African life insurers were also first in introducing life policies for people living with HIV/Aids in 2001. He believes, however, that more could be achieved in terms of developing innovative financial solutions for South Africa's underserved markets if actuaries become better at listening and taking into consideration the unique circumstances experienced by the lower end of the market.

Innovation leads to complexity. Therefore, by listening with the aim of first understanding a target market's circumstances, challenges, culture and needs, actuaries will be in a better position to develop solutions that solve a particular problem."

Esterhuyse acknowledges that a profession more representative of the South African population will also be better positioned to understand the diverse needs of the country's various cultures and markets. The responsibility of leading the transformation journey of the actuarial profession in South Africa for the next two years was handed to ASSA's new President-elect, Costa Economou. A qualified actuary for almost 25 years, Economou is also the CEO of Colourfield Liability Solutions.

Economou has taken over from Esterhuyse as chairman of the ASSA Transformation Committee, which is tasked with addressing the demographic imbalance in the actuarial profession in South Africa. Economou explains that he took on the role of President-elect, which means that he will take over as ASSA President in 2024, with the aim of driving the relevance of the actuarial profession to ensure that it serves the public interest of all South Africans.

"In order for us to be relevant we need to be representative. And of course, to be representative the profession needs to be appropriately transformed. I am of the view that we are getting there, but we can and need to do better." According to Economou, he would also like to see the relevance of ASSA increase in a global context. "The ASSA qualification processes, for example, yield some amazing actuaries who not only hold their ground on global platforms, but often lead. Our voice extends to the broader global actuarial community of which the African actuarial community is a significant component, which is becoming significantly more relevant across the African continent and abroad."

Confirmation of the growing global relevance of the South African actuarial profession came last month when healthcare actuary and past ASSA President, Professor Roseanne Harris, took on the role of President of the International Actuarial Association (IAA). The IAA represents professional actuarial associations worldwide with a combined membership of around 70 000 actuaries in more than 115 countries. This is only the second time in the 125-year history of the IAA that a candidate from Africa assumes this top leadership position. In 2012, South African actuary Desmond Smith held the position of IAA President. The appointment of Harris also means that the IAA falls under female leadership for only the fourth time in its history.

NATIONAL HEALTH INSURANCE: MORE QUESTION THAN ANSWERS

In July 2019, the Minister of Health published a draft 'National Health Insurance Bill', which attracted a great deal of attention and the scrutiny hasn't stopped. Despite several engagements, the Department of Health (DoH) has failed to provide clarity or explanations on several key issues within the 'Bill', which are of major concern to all stakeholders.

That fact that universal healthcare is desperately needed in South Africa is not being debated. Having only around 16% of the population on private medical aid, with the rest relying on public health, is unsustainable,' says Lee Callakoppen, Principal Officer of Bonitas Medical Fund.

'What is worrying is the lack of detail around the implementation of this national health blueprint. Before discussing concerns about the implementation of NHI, we should discuss the ramifications of curtailing the role of medical aids. Medical aids and associated services make an enormous contribution to the annual fiscus. The industry also contributes significantly to employment and, in turn, to the economy of the country. Healthcare administration is a massive undertaking that requires, skills, experience and expertise. State of the art technology is needed to comply with international best practices.

South Africa's medical administrators are world class, it is simply not feasible to consider having one administrator in charge of the healthcare of millions of South Africans. Private healthcare is also a source of excellence in terms of innovation and development, which benefits the public sector. ***This essential role of private healthcare will be strangled if it is not able to continue in a private setting. A few additional concerning NHI issues include:***

Funding of the NHI

There is a proposed health financing system designed to pool funds but nowhere has detail been provided on this funding model. When first presented, the estimated cost of NHI was R256 billion, with it due to be rolled out in 2026. It is not known how this figure was reached. The Institute of Race Relations (IRR) recently stated that NHI is likely to cost around R700 billion a year when fully operational in 2026, as the government now envisages. According to the IRR, 'The increased tax burden will fall particularly heavily on the 700 000-odd individual taxpayers who currently pay about two thirds of all personal income tax and a hefty chunk of VAT'.

What will NHI Offer?

The Bill defines 'comprehensive health care services' as: Healthcare services that are managed to ensure a continuum of health promotion, disease prevention, diagnosis, treatment and management, rehabilitation and palliative care services across the different levels and sites of care within the health system in accordance with the needs of users.

However, no further indication of the details of these services / benefits is provided except to indicate that medical schemes will offer what is referred to as 'complementary cover'.

This is defined as third party payment for personal healthcare service benefits, not reimbursed by the Fund, including any top up cover offered by medical schemes or any other private health insurance fund.

Single Purchaser, Single Payer?

The Bill states that the NHI will serve as the single purchaser and single payer of healthcare services, ie., that there can be no other legal entity that can purchase and pay for healthcare services. This doesn't distinguish between complementary and duplicative services.

Which means it would be illegal for medical schemes (or health insurance firms) to exist, even in a complementary form which contradicts other sections of the Bill.

Constitutional Rights

Bonitas does not agree or support the proposed amendments to the Medical Schemes Act (MSA) as set out in the Bill, we believe allowing medical schemes to provide only complementary cover is unconstitutional. Bonitas does, however, support the healthcare reforms as recommended by the Health Market Inquiry. The Constitution requires the State to protect, respect, promote and fulfil the rights in the Bill of Rights. The State must protect the rights to access that people already have. The right of access to healthcare is much wider than the right to obtain healthcare through the public sector. It includes the right to purchase healthcare from the private sector, if one can afford it.

The purchasing power of the consumer is a legitimate means of access to healthcare. Consumers must have the right to apply their purchasing power as they deem fit. The Bill, in its current form, makes it unlawful for people to purchase healthcare services not covered by NHI. The proposed Bill is fraught with illegalities and is in direct conflict with the Medical Schemes Act 31 of 1998 (MSA) and prevailing regulations. The administration of the proposed central system of healthcare will need strict governance as existing medical aids are strictly regulated. Sound corporate governance is of critical importance in preventing mismanagement of assets, corruption, inefficiency, illegality, unethical conduct, abuse of the Fund's resources and the collapse of the Fund.

The Way Forward

The notion of NHI is commendable, but it's a case of the 'devil is in the detail'. Detail which is yet to be unpacked and specified. The only way for the healthcare system to evolve is through inter-dependent relationships. Medical schemes should be allowed to assist the NHI administratively and take over some of the risk and burden which would lie with the NHI in respect of members of medical schemes. This would ensure that the funds deployed in the procurement of healthcare services are not unnecessarily exploited through duplication of services and functions.

SCHALK MALAN

CEO at BrightRock

LIFE INSURANCE SECTOR: OPPORTUNITIES FOR 2022 AND BEYOND?

When it comes to the life insurance sector, South Africa has one of the most competitive insurance markets in the world, with a mature, established industry that serves middle and upper-income clients, and an emerging sector delivering innovative solutions to previously unserved clients in the lower-income markets.

The insurance industry is a major contributor to the soundness and stability of the South African economy and, as the recent KPMG South African Insurance Industry Survey has revealed, the sector is well capitalised, resilient, adaptable, and innovative.

The Evolution of the Life Insurance Industry Over the Past Decade

Agility has been a common theme of the SA life insurance industry since BrightRock entered the market 11 years ago.

There have been changes, for example, in financial regulations, technology, distribution channels, and consumer behaviour. **Financial regulations in South Africa change constantly,** as our industry is informed by the frequent changes in international insurance markets. These regulatory changes seek to improve the sustainability, transparency, and conduct of large financial services institutions to protect consumers. In addition to responding to the impact of the pandemic, several regulatory and technology-led changes are changing the insurance landscape. These include the new IFRS 17 standard and the Twin Peaks model for financial regulation.

The SA life insurance sector has also had to keep up with the global shift to digital channels, which has affected how both individuals and business behave. With this shift, there are now greater expectations from customers in terms of service delivery. While we are seeing several insurers starting to digitise customer journeys, significant opportunities still exist to accelerate this in many markets. To meet the rising demand for digital solutions, Insurtechs, which are technology-led companies in the insurance sector that aim to provide coverage to a more digitally savvy customer base, have been quick to step in.

GENASYS

The next step in the Insurance Technology evolution.

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Because consumers have become more digitally savvy, and because there has been a transition from a sales to advice mindset, as well as improved market conduct regulations, **insurance distribution channels have also evolved**. Brokers and agents remain the most prominent channels, although direct sales and bancassurance arrangements between a bank and an insurance company allowing the insurance company to sell its products to the bank's client base have increased their share.

Since our market entry, we have seen a vast increase in the number of tied-adviser and direct-to-consumer channels in the market, alongside the continued growth of the Independent Financial Advisor (IFA) market, with a notable increase in the professionalism, advice focus, and value-add of intermediated channels.

There have also been **significant changes to consumer behaviour** over the past decade as consumers have become more familiar with the digital journey in purchasing services and products online. Technology is also an enabler of personalisation and customisation. Consumers are much more aware and demanding, preferring personalised insurance covers instead of the one-size-fits-all products currently available.

Predictions for the Life Insurance Industry Over the Next Decade

Bearing in mind the recent evolution we have seen in the life insurance industry, here are five future trends we at BrightRock believe will inform the direction of the sector in the next few years:

1. Putting strategies in place to tackle the next challenge that comes along: Our industry has definitely risen to the unprecedented situation that the pandemic has created. We have all stepped up to ensure our clients remained well protected during a time when they needed us the most. We are proud of how our industry has been agile enough to adapt to the changes brought on by COVID-19 and are looking forward to seeing what the next 10 years hold for us.

2. Accessibility to long-term insurance for more people: As an industry, the next 10 years presents us with an opportunity to ensure that we make long-term insurance more accessible to more people. This means restructuring life policies to help people better understand what their cover is for. It also means cutting out unnecessary waste, to ensure people pay only for what they need.

3. Demystified products: The next five to 10 years is an opportunity for us to work harder at demystifying our products for more South Africans, and clearly communicate the benefits that long-term insurance can bring to families and individuals. One of the lessons from this pandemic should be the importance of long-term policies, as these make provision for times of financial hardship, such as a debilitating illness or the death of a breadwinner.

4. A huge focus on financial literacy and education: Financial education is one of the areas that will be a key emphasis for the industry for the next few years. Financial education increases consumers' financial capability and so contributes to the demand for financial products, transparency, and fair market conduct. Financial literacy is also a key factor in ensuring sustainable and effective financial inclusion.

5. Treating customers fairly: A big focus for the industry in the coming years will be how financial institutions treat their customers. The past decade has seen the introduction of various pieces of legislation to regulate financial institutions' conduct and strengthen oversight of how the financial services industry treats its customers.

The life insurance industry has always been an exciting, ever-evolving sector and has brought many changes over the past few years that have served both the industry and consumers well. We at BrightRock are looking forward to playing an important role in the future of our sector, and are confident that our dynamic, needs-matched approach, which matches the cover to the shape and trajectory of the underlying financial needs, will continue to lead the way in revolutionising the industry.

LIFE INSURERS PAID 99.3% OF CLAIMS

ASISA:Association for Savings & Investment South Africa

South African life insurers paid 99.3% of all claims against fully underwritten individual life policies in 2020 to a value of R20.6 billion.

The 2020 annual death claims statistics for fully underwritten individual life policies, released this week by the Association for Savings and Investment South Africa (ASISA), show that life insurers received 32 072 claims, of which 31 853 were paid. Only 219 claims were declined due to dishonesty, fraud, or contractual exclusions like suicide within the first two years from when the policy was taken out.

ASISA and its members have been publishing the rate at which claims against fully underwritten life policies are paid since 2012 to provide consumers with the peace of mind that valid claims are paid. Life companies exist primarily to provide consumers with the option of insuring themselves and their loved ones against the financial impact of an event like death, disability, or critical illness. Policyholders and their beneficiaries should be able to trust that their policies will pay when a life-changing event occurs.

Fully underwritten life policies are issued to individuals who have participated in a detailed underwriting process involving a comprehensive health assessment and review of the applicant's medical history. The extensive underwriting process provides the policyholder with the peace of mind that beneficiaries will receive the benefit as stipulated in the contract, provided the contractual obligations were met by the policyholder.

"While the underwriting process is considered onerous by some, the peace of mind for beneficiaries who have to claim following a devastating loss is invaluable."

There are only four reasons for an insurer to decline a claim from a beneficiary against a fully underwritten life policy:

- Fraud: **A fraudulent claim is submitted, or the beneficiary committed a crime that resulted in the death of the policyholder.**

- Suicide: **The policyholder committed suicide within the first two years of taking out the policy.**
- **Material non-disclosure: The policyholder purposefully withheld important information from the insurer when applying for the policy.**

- Exclusion: **The policyholder dies because of an excluded dangerous activity or in an excluded territory. The policyholder would have been informed of this exclusion before the contract was finalised.**

While the underwriting process is considered onerous by some, the peace of mind for beneficiaries who have to claim following a devastating loss is invaluable. The impact of the pandemic has been so severe that most of us know of at least one person who lost their life because of COVID-19. This means that many of us have also witnessed the financial impact on a family when a breadwinner dies.

While a policy pay-out can never make up for the loss of a loved one, it can ease the financial consequences of losing an income earner.

Fully underwritten individual life policies claims paid since 2012

Year	% of claims paid	Number of claims paid	Rand value
2012	99%	34 724	**R6.8 billion**
2013	98.9%	36 199	**R8.4 billion**
2014	98.9%	36 421	**R10.3 billion**
2015	98.9%	35 983	**R12.3 billion**
2016	99.3%	35 347	**R13.1 billion**
2017	99.3%	34 100	**R14.4 billion**
2018	99.3%	33 545	**R15.1 billion**
2019	99%	27 304	**R16.7 billion**
2020	99.3%	31 853	**R20.6 billion**

Other types of life insurance policies not included in these statistics are partially underwritten life policies where applicants complete a questionnaire, but are not required to undergo medical assessments and tests, as well as credit life policies, funeral policies and group life policies.

Why Claims Were Declined

Despite receiving a higher number of claims in 2020 due to the pandemic, the number of claims declined was lower than in the previous year before COVID-19. In 2019, life insurers declined 243 claims compared to the 219 claims declined in 2020. Most claims were rejected by life insurers due to non-disclosure of material information, which involves an act of dishonesty on the part of policyholders.

Reasons why claims were declined	Number of claims declined in 2020	Number of claims declined in 2019	Number of claims declined in 2018
Material non-disclosure	116	145	123
Client specific underwriting exclusions	16	31	18
Suicide	44	40	45
Fraud	43	27	36
Total	**219**	**243**	**222**

Material Non-Disclosure

Non-disclosure refers to policyholders not disclosing material information to a life insurer about a medical or lifestyle condition to secure cover and/or lower premiums.

Withholding material information from a life insurer during the underwriting process is a dishonest approach that can leave families financially destitute when the policyholder dies and the death claim is declined by the insurer.

It is critically important for consumers to understand the potentially devastating financial consequences for their families of not honestly disclosing important information such as any lifestyle or health related detail that could materially affect the terms of the policy.

If you are not sure whether information could be considered as material by the life insurer, rather disclose it. If you cannot remember the exact details of a medical event, disclose what you can remember together with the details of the relevant healthcare provider. The insurer can then obtain more detailed information if it is required.

Underwriting Exclusions

Exclusions applied by life companies are usually for risky part-time activities or territorial exclusions where people spend some time working in other countries under dangerous conditions. If the policyholder is killed because of the excluded activity or in the excluded territory, the life policy will not pay a benefit.

Suicide

Life insurers generally apply a two-year exclusion period to suicide to prevent someone from taking out life cover with the intention of committing suicide shortly afterwards. Therefore, if a policyholder commits suicide within the first two years of taking out life cover, no death benefit will be payable to the beneficiaries.

Fraud

Claims fraud usually involves the submission of fraudulent documentation and/or syndicate activity aimed at getting the life company to pay a claim to someone not entitled to the benefit. Where a beneficiary was involved in the death of the policyholder and then submits a claim, the claim is also considered fraudulent.

HUMAN TOUCH REMAINS KING IN POST-COVID WEALTH MANAGEMENT

The role of advice and wealth management is deeply personal and will remain so. Despite being a critical enabler to provide the choice, convenience, and flexibility to be in touch with their wealth and wealth manager when and how it suits them, digitisation doesn't replace human connections.

Whether this is face-to-face or over a video call on their phone, tablet, laptop or smart tv in the comfort of their own home. What it continues to do, however, is enhance our ability to connect as humans. Digital services and developments can improve the quality of the time we have together because they reduce the amount of time spent on low-value transactional activities. This means there is more time to focus on understanding and listening to individual client needs, and then providing clients with globally integrated advice to meet these needs and achieve their goals.

Digital Transformation as a Tool to Improve Client Needs

Investing time, money and resources on digital transformation is dependent on two things: Firstly, it is about meeting our current client needs and preferences and giving them choices about how they wish to engage with wealth managers from both an advisory perspective and from a transactional perspective to provide service convenience and flexibility. Secondly, focusing on how technology can be used to make our globally integrated advice more accessible for future generations and South Africans that haven't been able to access the benefits of advice in the past.

This talks to sustainability, enhanced access to advice and operational efficiency. The important thing is that in an age of information, more data and more information and more technology is just more noise for clients unless it is personalised, relevant, and makes their lives better and easier. So, it is all about looking at this through a client (of today) lens and a client of the future lens. This sharpens our focus.

Leveraging Technology to Deliver More Value to Clients Beyond Engagement, Customer Experience and Service Personalisation

Wealth managers exist to help clients make better financial decisions so that they achieve the future they want. This is done by providing globally integrated advice that connects them to the services and technical expertise they need to protect, grow, bank, invest and give wealth to leave the legacy they wish. It is therefore an imperative that we use technology to leverage our knowledge about meeting clients' needs and depth of technical skills to proactively prompt and help even more clients achieve better wealth outcomes.

This means ensuring that their financial decisions are aligned with their stage of life, their personal circumstances and needs and resultant financial plan.

It could be as simple as life-stage prompts, 'lazy balance' prompts or using technology to embed prompts into transactional requests to trigger an advisory intervention.

A practical example would be promoting clients to take specific actions at certain stages of their lives, like checking their will is up to date if they get married, divorced or have children.

Protecting their families and loved ones from risks, and starting to save, and helping them stay on track with investments with personalised prompts and support when there are inevitable market or portfolio-specific dips.

Maintaining the Importance of Sound Advice Even in Uncertain Times

The value of keeping the emotions out of investment decisions can never be overstated.

This has proven very beneficial for clients as we continue to navigate through a vulnerable economy, Covid-19, and social unrest.

Consistency in providing market insights and client events updates on what we are doing to mitigate potential risks through personal reviews and interactions is equally important.

The same would apply from a regulatory environment that exists to set the guard rails for our industry. To prevent unfair business practices and to protect clients ultimately ensuring good outcomes for all.

SHORT TERM INSURANCE

Because if we can become, as a brokerage, a risk management practice, then the future in a risk world is huge.

- Andrew Coutts, Santam

ADVICE IS THE NEW COMPETITIVE ADVANTAGE

Part One of a conversation with Andrew Coutts, Executive Head, Intermediated Business at Santam. Advice is the new competitive landscape and how to monetise risk management is the holy grail.

ANDREW COUTTS

Executive Head, Intermediated Business at Santam

Tony: It has been very clear over the last few years that clients of the industry have been looking for guidance and advice. It has been a top-of-mind issue for clients as well as brokers. When we talk about advice, what do you see this entails?

Andrew: There is a very clear regulatory framework around what advice means. The expectations are documented in detail in the FAIS Act and the policyholder protection rules (PPR). It is always useful, if this is something you are looking at in your practice, to go back to FAIS and the PPR. There are detailed checks, in fact, it is quite scary to do that as they are quite onerous.

In the past we have tried to discharge that duty of advice through our record of advice process, in our engagements with our clients. The challenge for me in this, is that it has become very difficult to envisage all the possible scenarios, through the record advice process, it is just too complex. Another challenge that we have seen in this whole advice thing is that, because we are driven by sales pressure and costs, many have turned the record of advice process itself, which is a mechanism to discharge that advice responsibility, a bit too much into a tick the box exercise.

Many might have made it a process, not an opportunity to engage, as it should be. I also think that, when we look at advice, the growth of systemic risk has fundamentally shifted the bar. Now, systemic risk is a reality. The impact of weather events, global warming, sea rise and sea surge, the kind of things we see now; flooding and drought, etc. These things are fundamentally changing the nature of risk. Then you add to that mix the risk of really big cyber events, grid failures, water supply shortages, water outages, riot and strike, infrastructure degradation and systemic risk, particularly in a South African environment, gets difficult to wrap your head around.

Through COVID now, we have experienced the non-damage extension, that *impact of accumulation* exposure. You might have a building or two burn down but the whole of South Africa will hardly burn down in one go. This is what non damage extensions are doing. That's what a grid failure or a cyber event could do, create an accumulation exposure. So, because of the extent of the losses that can come through this accumulation exposure, reinsures have come down very hard on us. In fact, we're seeing non damage extensions being trimmed and taken out of the market going forward with all of us sort of being phased out of this.

So, there's a real knock-on to insurers around how we manage this risk, what it means, how big it's become, how we can position ourselves for relevance. This is for insurers and reinsurers. So, how do we even sustain the balance sheet with the risk of accumulation exposure for non-damage extensions with growth or systemic risk, and then how does that knock-on to broker. So, there's a framework in terms of FAIS and PPR, but it is being challenged because it is exponentially growing and growing.

Tony: How do you see, in relation to what you've just said, the role of the broker having changed over, let's say, the last decade?

Andrew: Again, I share a view and it is not the same for everybody, so please just see it in that context. I think a lot of what we've done in our intermediated model is that the brokers operate it as a sales and administration hub. It's been a process orientated initiative, just facilitating the sales and distribution and sometimes service in general for an insurer. But not only is it about advice, it is also about technology that has changed the last ten years and that distribution capability has really been challenged by the cheaper offerings, the digital solutions and direct value propositions that have come in.

Now you've got this real shift of how I do that job of just being the process enabler, against cheaper channel solutions that are direct and technology enabled, that are digital with no human interface. And how do I manage my costs and sustainability. So the broker, in

terms of the sales and admin process against new channels, there's a real pressure point that's coming across, I think what we have also seen, is a different product approach. As Santam, we went to the market with an intermediate value proposition, we talked about building a solution just for a client, and we have a perils-based product structure.

We go to the client, and we say, "how's your business going to be affected by various perils; fire, theft, loss of profits etc.?" And so we built this up on a client by client basis, building these web solutions, then along comes the direct marketplace, and they are offering new pre-packaged solutions for doctors and dentists, in-hospitality and leisure & tourism or Agri. They are creating this perception, through big marketing spends, that this prepackaged product, which is in many cases far more limited than what you might have built for a client, is better, because they're designed just for you, tailored for a business with your specific requirements.

We're dealing with the fact that we've got to manage the real strength and value of what we bring against the perceived product structures that are being introduced with big marketing spend by direct players.

So, the cost of distribution is under pressure through technology, the offerings we take to market and the value proposition is being pressurised by big market expanded direct players and a new way of doing it. In my mind, what this is really doing, is forcing us to say, okay, we've got to shift where we add value in the value chain. We've been talking about this quite a lot. In my mind the risk cycle is; risk prevention, risk management and risk transfer. When you focus on the risk transfer product of the insurance policy itself, we have got to move that inflection point earlier, to risk prevention and risk management, because that's where a simple product cannot solve the solution for a client.

We all know that the best way to manage risk is not to have the claim, to avoid the claim up front. It's a bad experience, it costs money. So, how do you do that? In my mind, you become a risk practice. You become actively involved in preventing the risk from happening, not just in transferring the risk. Because if we can become, as a brokerage, a risk management practice, then the future in a risk world is huge. If we are about product pushing and product selling, then unfortunately we're in a space where there are others who can do it cheaper and faster and, in a mechanism, that perhaps could be argued that a new client wants to work with.

But then, of course, the solution that I don't have, and I think the challenge we are all faced with, is that it is all good and well to say yes, let's move to risk prevention and risk management, but our big challenge is how do brokers monetise the value of risk?

And so, we don't have all the answers yet. But I think that's the long-term theory.

AON 2021

WEATHER, CLIMATE AND CATASTROPHE INSIGHT REPORT

Aon, a leading global professional services firm, published its 2021 Weather, Climate and Catastrophe Insight report, which evaluates the increasing frequency and severity of disruptive natural disasters and how their resulting economic losses are protected globally. This data serves as the foundation for insights that can help business leaders quantify and qualify catastrophe-related risk and assess how their organisations can increase resilience amid an increasingly volatile climate.

- $343 Billion in global weather and catastrophe-related economic losses reported in 2021, up from $297 Billion in 2020
- Report shows only 38 percent of natural peril losses were covered by insurance, an improvement from last year

The report reveals a total of $343 billion in economic losses in 2021, $329 billion of which resulted from weather and climate-related events, making last year the third costliest year on record after adjusting for inflation. While losses were up from 2020, the number of notable disaster events slightly decreased, demonstrating the heightened costliness and severity of these events. Of the 2021 losses, only 38 percent were covered by insurance. Despite an increase in overall losses from 2020, the protection gap of economic losses not covered by insurance decreased from 63 percent to 62 percent in 2021.

“Clearly there is both a protection and innovation gap when it comes to climate risk,” said Eric Andersen, president of Aon. “As catastrophic events increase in severity, the way that we assess and ultimately prepare for these risks cannot solely depend on historical data. We need to look to technology like artificial intelligence and predictive models that are constantly learning and evolving to map the volatility of a changing climate. With scalable solutions, we can help organizations make better decisions that make them more resilient as they continue to more frequently face interconnected and increasingly volatile risks.”

Other key findings from the report include:

- 401 notable disaster events were recorded in 2021, down from 416 in 2020.
- There were 50 instances of billion-dollar economic loss events, the fourth highest year on record, with only 20 of the events reaching the billion-dollar insured threshold.

- European floods in July were the costliest disaster on record for the continent at $46 billion.

- Wildfires increased in prominence as conditions have become more conducive for rapid fire spread, with the term "fire season" becoming officially outdated as the risk of dangerous wildfires is prevalent during the full calendar year.

- Germany, Belgium, Austria, Luxembourg and China recorded the costliest insurance industry events on record.

- 2021 was the world's sixth-warmest year on record with land and ocean temperatures at 0.84°C (1.51°F) above the 20th-century average.

- The hottest temperature ever reliably measured on Earth was unofficially recorded in Death Valley, California, United States on July 9, 2021 at 54.4°C (130.0°F).

- South Africa experienced three notable disaster events in 2021: Cyclone Eloise in January 2021 ($90+ million), floods ($75 million) and wildfires in the Western Cape in April 2021 ($100+ million).

"Many global communities are exposed to increasingly volatile weather conditions that are in part enhanced by the growing effects of climate change. This includes record-setting episodes of extreme temperatures, rainfall and flooding, droughts and wildfires, rapidly intensifying tropical cyclones and late season severe convective storms," said Steve Bowen, meteorologist and head of Catastrophe Insight at Aon.

"We can no longer build or plan to meet the climate of yesterday. With physical damage loss costs rising, this is also leading to lingering global disruptions to supply chains and various humanitarian and other asset-related services. The path forward for organizations and governments must include sustainability and mitigation efforts to navigate and minimize risk as new forms of disaster-related volatility emerge."

The full report and a short video are available on Aon's interactive microsite. Along with this report, readers can access current and historical natural catastrophe data and event analysis at catastropheinsight.aon.com.

RESPONSIVENESS TO CHANGES IN THE CONSTRUCTION AND ENGINEERING SECTOR IS KEY

Construction and engineering insurance remains a highly specialised class of insurance, which for example involves the underwriting of large and complex construction and infrastructure development-type risks.

It is vital to any country's national economic success story, and South Africa is no different. As we slowly return to pre-pandemic levels of economic activity, this sector will be a crucial bellwether for meaningful economic growth in South Africa.

From left: Rafeeq Isaacs, Anne-Marie Fourie, Kalim Rajab, Jabeen Hamdani and Yin-Kai

At the same time, the risks and uncertainties are manifold, and have to be engaged with thoughtfully. Responsiveness is key!

Kalim Rajab, Managing Director of New National Assurance Company (NNAC), and Anne-Marie Fourie, Managing Director of AC&E Engineering Underwriting Managers, which was recently awarded its 10th consecutive Diamond Arrow Award from PMR Africa, highlight the trends which the company has detected in the local market and what it believes **insurance companies need to be focused on in the medium-term, to ensure their relevance for policyholders:**

1. An uptick in business is becoming apparent as the government stimulus package for the construction industry is released incrementally but risks abound

As local industry slowly emerges from lockdown, we have noted the green shoots of construction work slowly beginning to return to pre-pandemic levels (though private investment remains at lower levels). The challenge, though, is that the risk landscape has significantly altered in the intervening time, especially relating to government contracts.

Government contracts involve Contract Participation Goals (CPG) related to "on the job" training and the obligatory participation of emerging contractors are **changing insurers' risk for various reasons, such as:**

1.2 Resident Engineers are often not appointed on government contracts.

1.3 Multiple contractors are often appointed on a single job, e.g. on a pipeline project there might be multiple contractors used for trench excavation, bedding, pipelaying and backfill, which is not ideal.

1.4 Construction tasks are often done out of sequence, with little control regarding compliance with the construction program.

1.5 Increasing proportions of work is done by sub-contractors with limited experience.

One example of a consequence: the work done is at risk of damage by overland water flowing across the site because the sub-contractor doing sub-soil drains and side drains is behind schedule, thus exposing the works to damage. Similarly building projects take longer with increased exposure to malicious damage.

The so-called "construction mafia" also known as "business forums" are demanding a share of the profits on many contracts, disrupting the works and increasing the risk of injury and death on site. Interim payments are not attended to promptly, resulting in the work being suspended, resulting in the construction program sliding, with contracts not being completed as planned and the insurance policies requiring extensions.

Contract works sites and completed works are today more exposed to damage caused by changing weather patterns which result in catastrophic events, such as massive hails storms over November /December 21 period in Klerksdorp, North of Polokwane, Lydenburg and the Eastern Cape, and heavy rains storms in Gauteng and George resulting in flooding, while wind storms with a velocity exceeding 100km/hr lashed the southern Cape.

2. Greater supply chain complexity increasing size and cost of claims

We have noticed that as supply chains become increasingly complex and multi-layered, this can have an impact on the technical nature and quantum of claims.

Today, even fairly "small" or ringfenced projects are likely to involve multiple suppliers of machinery, equipment and other components sourced and transported from around the world. Even if they don't, or are able to minimise this, the technology involved in these projects is becoming more sophisticated and specialised.

3. After many false starts, the dawn of renewables may finally be here

We may finally be seeing the long-anticipated growth of renewable energy. Of course, South Africa has an added imperative to liberate us from our pervasive

energy shortfall, the IMF has long suggested that Eskom and the government "abandon its outdated business model... and compete on a level playing field with private participants, including with the producers of renewable energy".

This day may finally be within reach along with government's realisation of the benefits of such an approach. While primarily focused on reforming the energy industry by opening up the country's power grid to competition, it is hoped that amendments to the Electricity Regulation Act 4 of 2006 as amended will also explicitly allow for such competition to come in the form of renewable energy. Of course, from an insurance and risk management perspective, such a development would bring challenges along with the benefits, which would need to be managed.

For example, solar photovoltaic (PV) panels are subject to a wide range of natural hazards such as storm, flood and hail damage – but in South Africa, they would also be susceptible to greater levels of theft, considering their perceived high value.

Cable theft is also definitely a national challenge, especially in the aftermath of the lockdown which damaged the economy and resulted in the highest unemployment rate in our history. There is also potential for fires in electrical modules and distribution equipment which will result in material damage claims and a loss in revenue. And though relatively less likely in South Africa, the possibilities of frost heave which can damage racking and modules.

Other forms of renewable energy involve more earthworks and civil construction, which has a greater exposure to storm damage and human error. As underwriters, we have to be able to respond with comprehensive cover when the uptick in demand does arrive we need to be considering global best practices, and the lessons learnt from other jurisdictions which adopted the technologies earlier than us. The challenges mentioned above has also quickly increased the complexity of handling claim resolution for policyholders. Our response has been to focus on our internal skills sets, from engineering and construction assessors and specialists to claims technicians, to be able to handle such claims for our policyholders.


Let us help you weather the storm.
Approach risk with purpose.
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INSURANCE RISKS ON TOP OF THE 2022 BUSINESS AGENDA

Consequently, enterprising brokers can capitalise on this by educating their clients on the myriad of opportunities and risks in the market that needs to be detected early and managed efficiently for their organisations to emerge stronger at the other end. To help facilitate this, Bryte has identified some of the most pressing risks, which South African companies will need to be prepared and insured for.

Brokers need to spend more time getting to know and understand clients' businesses and risk requirements going forward, because this knowledge will become their biggest asset over the next few years.

NICHOLAS FRANCIS

Chief Marketing Officer, Bryte

Hackers, Spammers, and Bots

Prompted by the pandemic, fully remote or hybrid working will still be in full force for the foreseeable future. This means that the focus on continuous empowerment of workers to effectively operate digital systems, software, apps, etc. - from anywhere, at any time, on any device and platform - will remain vital in ensuring agility and driving resilience. What this also translates to is more opportunities for hackers to gain access to corporate systems through malicious software or social engineering.

One of the more common ways in which hackers compromise systems is through malicious email links. According to Mimecast's State of Email Security report, in 2021 already, email threats alone increased by a whopping 64% growing by a factor of three since the start of the pandemic. Globally, South Africa is now also counted amongst the top three countries with the highest number of cybercrime victims. Interpol's African Cyberthreat Assessment Report estimates the cost of cybercrime at approximately R2.2 billion annually.

Consequently, IT teams will continue to face immense pressure to educate users, safeguard networks and secure data against evolving cyber risks. They will need to focus more attention on keeping abreast of cybercrime trends to navigate a rapidly increasing myriad of known vulnerabilities as well as blind spots. Moreover, the pressure is multiples more when considering the high administrative fines and punitive repercussions for companies in contravention of the Protection of Personal Information (POPI) Act. For these reasons, comprehensive cyber security measures must be accompanied by insurance covers that respond to the growing range of exposures.

Business Unusual Thanks to Business Interrupted

Unsurprisingly, the pandemic and subsequent government action to curb the spread of the virus, have resulted in business interruption levels, across the globe, that one couldn't have anticipated. The unprecedented, worldwide supply chain disruptions which is likely to continue in 2022 but at a lower rate is probably a good example of the extent of such interruption.

Liability cover for SMEs can help protect businesses where they may be held legally liable. An example of such could be a small winery that is unable to meet its targets or delivery dates as a result of supply chain issues. In such instances, the loss of revenue cover for wineries can assist the business with cover for events such as loss of wages — for the period of the interruption, as well as fines and penalties that may be applicable due to such breach of contract.

Locally, critical infrastructure blackouts such as loadshedding or water interruption also compound these dynamics. Arguably, small businesses are feeling the effects of such disruption, the most. Business interruption insurance covers a range of exposures and is an integral safety net in guarding against more predictable risks such as fire (one of the highest ranking), storm damage, infrastructure failure, etc.

Extreme Weather Turning up the Heat

Turning up the heat a few notches is one of the greatest challenges facing all living beings climate change. For example, the El Niño phenomenon a recurring climate pattern that results in changes in the ocean temperature continues to result in above-normal rainfall and flash flooding over most parts of the country, causing significant damage to property and claiming lives.

Moreover, new research by the University of KwaZulu-Natal (among others), suggests tropical storms and cyclones may become a more frequent occurrence over the next few years, affecting areas alongside the KwaZulu-Natal coast.

These natural disasters (flooding, mudslides, hail) will undoubtedly continue to have a profound impact on agriculture, infrastructure, supply chains, etc. These will add to the considerable pressure facing people, businesses, key industries and the fiscus. Appreciating this, covers such as crop insurance, household and contents insurance, insurance for goods in transport, and vehicle insurance are among the ways in which businesses and households can remain buoyant.

While the waves of change in the environmental, social and economic landscape may be unsettling, it is important for business to maintain a pragmatic approach to risk identification and management. Through the advice of brokers and specialist support of experts such as risk engineers, businesses can benefit from an expanded awareness of common and emerging risk trends, as well as ways in which to navigate these.
This, coupled with the right insurance covers, will place businesses in a much more resilient position, enabling them to maintain steady ground through the storm.

THE COMPLEXITIES OF MODERN DAY UNDERWRITING

We spoke to Sujeeth Bishoon, executive and chief underwriting officer at Constantia insurance company about the complexities of underwriting in general.

Tony: Could you explain some of the factors that are currently impacting the complexity of underwriting?

Sujeeth: Perhaps the biggest contributing factor that impacts the complexity of underwriting is the unpredictability and evolving nature of risk. The environment in which we all live is always evolving and changing and so too, does the risk. Some recent examples would be climate change, cyber risk and cyber fraud that has become a very real and serious issue in people's lives.

Then, more recently, would be the COVID-19 global pandemic, impacting everyone's lives. Other factors that also impact the complexity of underwriting include the use of technology, often used to gather or access different types of information, such as behavioural sensory data through telematics and, where it really gets complex, is translating that data through complex algorithm driven models, which help improve the accuracy of risk acceptance ratings, and risk management. And then finally, I probably should have started with this one, is the evolving customer needs and their expectations that have added to the complexity. This has resulted in an ongoing demand for personalised risk management solutions in this space.

Tony: It certainly has changed in complexity from a rate book to a client that varies completely in terms of complexity. So, what impacts have you experienced from events such as COVID and the riots in terms of underwriting, how has that impacted your underwriting process?

Sujeeth: Look, both events, that is COVID and the riots, have negatively impacted the returns for insurance as well as reinsurance and this essentially has resulted in what we call hardening in the market. What that basically means is that there is a reduced capacity in the market for this type of insurance cover and this consequentially results in more stringent underwriting criteria and premiums being increased.

For example, most reinsurers, as well as insurers, have excluded cover for pandemics in the treaties and policy wordings now. We've also seen, effective from February this month, SASRIA has implemented a large premium and rate increase following those claim losses that we experienced from the riots which took place last July.

Tony: Considering what you've said above, any tips or advice for brokers regarding their role in this underwriting process? Because obviously, the better the information and understanding that you get from them, the better you can assist them in terms of getting the best deal for their client.

Sujeeth: Yes, absolutely. Brokers play a very important role in collating and clarifying the information that is sent to underwriters in the insurance proposal form.

We rely on them for the completeness of information in terms of the description of the client's business and the quantification, and identification of some of those risks, and exposure levels. This is key to the underwriting process.

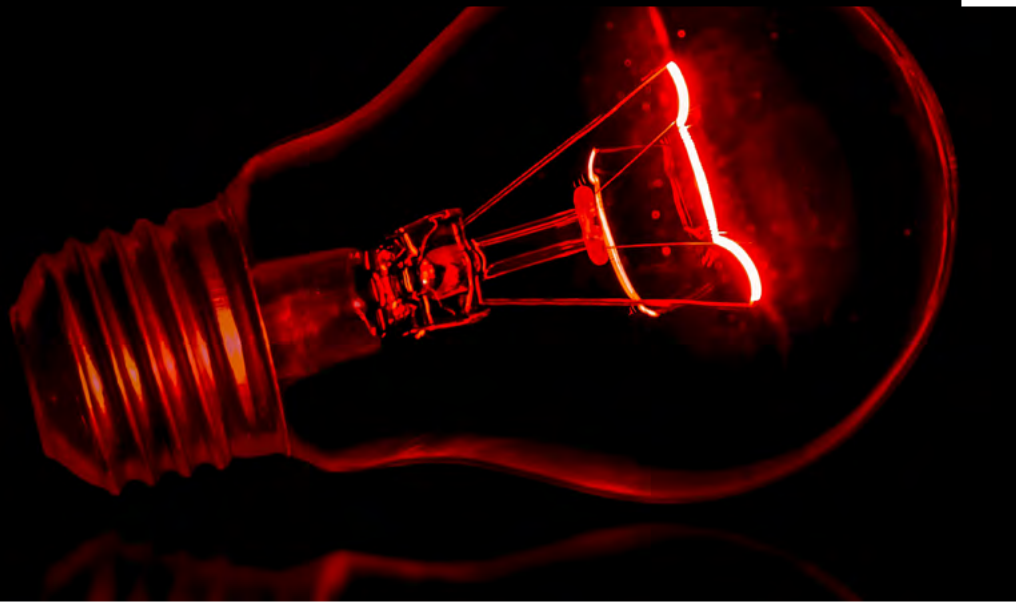
But, I think, more so than ever before, brokers are positioning themselves with clients as risk advisors these days, so a lot more risk management advice is rendered by brokers to help them reduce or mitigate the risk exposures. And this ultimately positively impacts the underwriting process.

Tony: Essentially, they are selling themselves and their clients to you as a risk, and the better they sell, the better the deal they're going to get and the service that they are going to get. So, this is probably the most obvious question for an underwriter, but what risk impact has Eskom and this period of new load shedding had on businesses and on individual's, when it comes to risk?

Sujeeth: That's a great question. In fact, as we speak, a lot of insurers and reinsurers are currently conducting various impact scenarios on this risk, and we at Constantia are no different from other insurers in this regard. I think, before I get into it, you must essentially define or contextualise what do we mean by blackout scenario? Firstly, it would mean that the country is impacted in terms of a large area, either provincially or nationally and they will essentially be having a total loss of power due to damage or the unavailability of power. This, at a minimum, resulting in a power outage that would last seven or more days.

The possibility is that we could also see power being out for a month. It really depends on the different scenarios that the insurers and reinsurers model here. But essentially, the key risks that would impact such a catastrophe event on businesses and individuals and how one would expect that business will be interrupted, is linked to how the key equipment and machinery and production processes will come to a grinding halt. This would most likely result in a food shortage being experienced in the country, as factories stop production or come to a halt. Furthermore, a lot of frozen goods in people's homes and in businesses are likely to get destroyed or ruined. We would likely see an increase in robbery, theft, looting, especially if deterrents such as electric fences and alarm systems are no longer operational. And I think lastly, the water supply to most places would be affected as the pumps which rely on power and energy will stop working.

So, the impact on businesses and individuals would be massive in such a situation. And I think, brokers can assist the policyholders here in ensuring that they have adequate cover for such prolonged exposures. For example, most commercial policies provide coverage for public utilities supply interruptions. This is normally limited but, on request to an insurer, the cover can be extended.



RISK MANAGEMENT

Listed companies stand to lose more than $10 trillion in funding if they don't adopt new climate reporting standards.

- Nicolaas van Wyk, CEO of SAIBA

COMPANIES MUST ADOPT CLIMATE CHANGE REPORTING

OR POTENTIALLY LOSE TRILLIONS IN FUNDING

Listed companies stand to lose more than $10 trillion in funding if they don't adopt new climate reporting standards.

The world's largest United States-based asset management company, BlackRock, which has $10 trillion under management, recently announced that by 2050 it will only invest in companies that are able to report net zero emissions in their financial statements and integrated reports.

This follows the new urgency at the 2021 United Nations Climate Change Conference (COP 26) to address climate change issues, and the agreement by global powers to put legislation into place to compel companies to report on their climate change efforts in pursuit of a net-zero emissions target by 2050.

COP26 also created a category for Chief Financial Officers (CFO) the CFO Task Force in the realisation that climate change efforts cannot be separated from business and with the understanding that there is an urgent need to involve key decision makers in reporting on progress as it relates to the climate change agenda.

SAIBA would not be surprised if South Africa's Public Investment Corporation (PIC), which also has trillions of Rands under management, were to follow BlackRock's lead. This is a move that could have serious implications for South African companies, whether they are listed entities, large private companies or small to medium enterprises (SMEs).

Following these and other developments, SAIBA met with its sister association, the Association Nationale des Directeurs Financiers et de Contrôle de Gestion (DFCG), and other affiliate CFO institutes from Germany, Greece, Italy, Mexico, Morocco, Portugal, Spain, Tunisia and Western Africa at the annual Financium conference, held in Paris on 7 December 2021.

Here, the call was made for an international alliance of CFOs the CFO Alliance to address collaborative opportunities in areas of mutual interest, with the first board meeting held on 31 January 2022, and where SAIBA was represented.

One of the key areas of interest relates to Environmental, Social and Governance (ESG) considerations and the importance of working together to provide CFOs and Finance Directors (FDs) with an active forum and network through which to learn, discuss and engage on important international initiatives actively underway in Europe and the world, such as the reporting standards on sustainability and climate change proposed at COP26. Other areas of agreed collaboration include digitisation and taxation, with additional topics being explored to ensure that all countries and continents are given a voice and the opportunity to lead these, or other, common topics of interest on behalf of members.

With more than 300 000 CFOs, FDs, Financial Managers (FMs)and Financial Controllers (FCs) responsible for the financial management of the $300 billion South African economy, South Africa is well placed to influence and lead the development of international standards and realignment.

We called on SAIBA CFOs to become involved in the alliance and add their voices and expertise to its various working groups aimed at addressing the areas of ESG Reporting, Automation and Digitisation, and International Tax. We received 134 applications from our members/networks to volunteer for the three working groups. Nine of these will be selected to represent us in the three CFO Alliance working groups.

Currently, the Companies Act only requires that large and listed entities submit financial statements and audit reports based on International Financial Reporting Standards (IFRS) standards. With a third sustainability and climate change report proposed at COP26, various parties will collaborate to come up with sustainability standards that companies can

"With more than 300 000 CFOs, FDs, Financial Managers (FMs)and Financial Controllers (FCs) responsible for the financial management of the $300 billion South African economy, South Africa is well placed to influence and lead the development of international standards and realignment."

measure themselves against. SAIBA has a two-fold involvement in the process. Firstly, with SMEs also expected to produce sustainability and climate change reports, we want to ensure that they are not over-burdened by the requirement and, secondly, we are working with our software partner, Draftworx, to develop an automated system that will make it easier for businesses to report.

All companies worldwide will need to report in the same way and the UN has suggested the results of this reporting be collectible on a worldwide platform to measure the different countries' progress. This will require software that can be shared globally and that allows businesses to report in a cost-effective way.

Notably, SAIBA is also working with Regenesys Business School to develop an ESG course for CFOs that will take them through the various Company Law changes, provide them with sustainability and climate change considerations to address at their strategic meetings and introduce them to the new sustainability and climate change standards.

Referring to recent research conducted by SAIBA, COP26, the World Economic Forum, and the Zondo Commission report have pushed CFOs and FMs to the forefront of rebuilding the African and World Economy.

In addition, the Zondo Commission report has laid bare the need for a drastic review and strengthening of the financial management system in state entities and private companies. The Daily Maverick estimated that state capture cost the country roughly R1.5 trillion. We need a new breed of accountants to make sure this never happens again.

THE NEXT WAVE OF RANSOMWARE IN 2022

Ransomware as a trend will continue to affect businesses across the world in 2022 – with attack types and tactics from cybercriminals evolving all the time. As attacks get more sophisticated, so do the consequences of falling victim to ransomware and the complexity of the clean-up.

The stakes are therefore higher than ever for businesses when it comes to protecting against ransomware attacks. Organisations need to understand the emerging trends that we will see gather speed throughout 2022 and prepare their defences for the ransomware onslaught.

Make your Business Insurable:

The tension between insurers and businesses affected by ransomware is mounting. In EMEA we have already seen global insurance giant AXA announced that it will stop writing cyber-insurance policies in France that reimburse customers for extortion payments made to ransomware criminals. Furthermore, the Dutch government has considered banning insurers from covering the cost of ransom payments made by businesses operating in the Netherlands. With insurers overwhelmed and frustrated by ransomware claims, underwriters will tighten up their policies to ensure clients are meeting predetermined conditions such as investing in appropriate cybersecurity and employee training before paying out.

Watch Out for Triple Extortion:

This technique designed to make businesses pay more and pay faster involves extending the attack to the victim's customers and partners. Traditionally, ransomware attacks involve cybercriminals locking down and encrypting systems then demanding a ransom payment to regain access. In 2019 ransomware strains such as DoppelPaymer gave cybercriminals the ability to lock down systems and exfiltrate data simultaneously. Not only can attackers demand ransom money for regranting access to key IT systems, but they can also threaten to publish exfiltrated data online if the victim didn't pay up. Triple extortion involves a third element directing the attack beyond its initial target, using multi-layered extortion techniques to harm the victim's customers and partners.

Minimise the Threat Within:

Various studies suggest that over 60% of data breaches and cybersecurity incidents are caused by insider threats. Disgruntled employees understand the power they have in terms of opening the doors to the outside. Equally, perfectly satisfied employees who do not grasp the importance of practising good digital hygiene can be equally dangerous. Digital hygiene is the first line of defence for an organisation. Using two-factor authentication and restricting file access to only those who need it are ways of limiting the amount of damage a single user can do if

SAVE OUR GROUNDWATER
PLANT AN INDIGENOUS GARDEN

Why is groundwater important?

Although we cannot see it, groundwater is essential to natural ecosystems and agriculture all around the world. In arid countries, like South Africa, where water is a scarce and very valuable resource, groundwater supplies are even more important. Groundwater is found in aquifers deep below the soil surface. Farmers use these water sources for irrigation, contributing about 15% of the total water consumption of the country. We may think 15% sounds like a relatively small contribution but think again. There are over 300 towns in arid parts of South Africa that are completely reliant on groundwater for all of their water needs.

A threat to our groundwater resources

Groundwater in South Africa is under threat from invasive alien plants. These are plants that come from areas outside of our borders and do not naturally occur here. Once they are introduced into our environment, they become overabundant and displace the indigenous plants that would normally grow in our ecosystems. These invasive alien species are infamous for their excessive use of resources, including groundwater.

For example: Prosopis, a tree from the Americas, has invaded large areas of the arid parts of South Africa. It grows in dense stands at the expense of all the indigenous vegetation that would usually grow there. It uses 5 times more water than our indigenous vegetation. The roots of Prosopis grow as deep as 50m into the ground and reach into aquifers where they deplete valuable groundwater supplies. Most indigenous plants that grow in the same areas have roots that only reach up to 10m deep, and do not reach the aquifers. Prosopis is a direct threat to groundwater resources in South Africa.

What is the solution?

Once invasive alien plants become abundant, they are very difficult to control. However, when groups of people get together to remove these plants by pulling up saplings and cutting down larger plants, we can make a big difference. It is also important that we invest in sustainable control options, such as biological control. One easy way that everybody in South Africa can make a difference is by planting indigenous plants rather than alien ones. This would reduce the spread of alien invasive plants in the country and support the preservation of our groundwater reserves.

Professor Iain Paterson,
Center for Biological Control, Rhodes University

Iain Paterson is an entomologist and botanist working at the Centre for Biological Control at Rhodes University. He is passionate about the protection of indigenous biodiversity and natural resources. He specializes in the biological control of invasive alien plants and has published over 50 academic papers on the subject. Iain works to understand the negative impacts of invasive alien plants on natural ecosystems, including their impact on water resources, and to develop sustainable and environmentally friendly ways of reducing these negative impacts.

Infiniti Insurance is inspired to contribute in this way toward developing awareness, knowledge and capacity. In support of the Sustainable Development Goals.

6 CLEAN WATER AND SANITATION

Goal 6 calls on us to ensure availability and sustainable management of water and sanitation for all.

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Using two-factor authentication and restricting file access to only those who need it are ways of limiting the amount of damage a single user can do if security is compromised intentionally or unintentionally. Furthermore, training and education are vital to making sure employees are confident identifying and reporting potential attacks.

Beware of the Slow Burn:

Advanced Persistent Threat (APT) attacks involve unauthorised users gaining access to a system or network and remaining there for an extended period of time without being detected waiting for the right opportunity to steal valuable data. Cyber-attackers are clever about choosing the right time to strike and maximising their chances of getting an easy payday by compromising a company when they are at their most vulnerable or when the stakes are highest.

For example, an attacker may be ready to take your systems down and exfiltrate data but know that your company is due to IPO in a few months. It, therefore, makes sense to wait it out and take you down at the moment you need the operational and reputational damage least and will be most willing to payout to end the attack.

Enforce the Law:

Law enforcers are trying to bridge the imbalance between risk and reward for cybercriminals. Cybercriminals can make huge sums of money with little or no threat of prosecution. This will and has to change. However, given the borderless nature of cybercrime, governments must agree on an international legal framework for punishing cybercrime. Until then legal action will mainly be directed towards the victims rather than the criminals.

Many governments are debating whether they should make ransomware payments illegal, so businesses resist the temptation to pay ransoms cutting off cybercriminals' income supply. Moreover, cryptocurrencies like Bitcoin, commonly viewed as a hacker's dream, actually have the potential to help law enforcers bring criminals to justice. Digital ledgers like Blockchain make it easier to 'follow the money' as records cannot be altered or deleted. Therefore, once criminals turn their cryptocurrency into 'real money', the digital ledger can theoretically unmask them.

A 'human firewall' combined with the right technology can help organisations prepare themselves for the ransomware attacks that will inevitably come their way in 2022 and beyond.

Protect Your Data:

Everything from the advancing threat landscape to changes in the way the legal and insurance sectors view ransomware payouts puts the onus on data protection and cybersecurity. Organisations must consult with their technology partners about deploying Modern Data Protection solutions that can detect, mitigate and remediate ransomware attacks. Data must be backed up and recoverable across physical, virtual, cloud, SaaS and Kubernetes so that in the event of a ransomware attack, businesses can remediate and recover quickly rather than being forced into paying the ransom.

As well as implementing Modern Data Protection solutions, businesses must prioritise improving digital hygiene levels across their entire employee base. Employee education and awareness training can help to create a more digitally secure culture across the organisation.

ECONOMIC SLOW-DOWN OR SLOW RECOVERY A TOP THREAT IN SSA

In 2020, when the COVID-19 pandemic cut a deadly swathe across the world, only 27 countries in the world experienced economic growth. Global economic growth dropped from an annual rate of –3.4 percent to –7.6 percent. Concerns for a stalled economic recovery are reflected in Aon's 2021 Global Risk Management Survey, where the risk of economic slowdown/slow economic recovery is listed as the number one risk facing the Middle East and Africa, where economies are being hit hard by COVID-19 and fluctuating oil prices. Among sub-Saharan African (SSA) countries, tourism-reliant economies have suffered the worst impact.

TONY WEBSTER

Aon's Commercial Risk Solutions Division

According to the Aon Global Risk Management Survey, the following industries listed the risk of economic slowdown and slow economic recovery as a top threat:

- The pandemic has fundamentally changed the way real estate business is conducted. The demand for space has been adversely impacted by social distancing, shutdowns, quarantines, retrenchments and remote/hybrid work.
- The construction sector encountered similar challenges with projects that were paused during the pandemic due to uncertainty about the economy. Many projects remain stalled as owners continue to worry about demand for office or retail space when so many businesses have closed and people are working remotely.
- The transportation and logistics sectors have been hugely affected as many countries continue to close borders or limit transportation and travel amidst ongoing COVID-19 waves, creating impediments to local and international trade and transportation.

It is very clear that the COVID-19 pandemic is far from a linear event, causing a domino effect as major supply-chain disruptions emerge. While higher commodity prices are good for exporting countries such as South Africa, the country is also faced with rapid inflation in the form of rising food and energy prices in addition to natural disasters such as record-breaking rainfall, drought and increased fire risk.

Add onto that the risk of civil unrest and it all creates the perfect storm of volatility for businesses who are trying to navigate their way through it. The COVID-19 pandemic requires leaders to focus on building a resilient mindset to guide decision-making and be able to refresh, flex and make better decisions continually and proportionately. Those with the best opportunity for success recognise that uncertainty will continue to exist and that they must go into a situation with eyes wide open that way, they can look for what's really happening, not what they expect to see.

It is crucial to identify and assess tipping points and escalation triggers to adapt to the threat and identify next steps. The assembly of a crisis team with representation from across the business is a good way to ensure a complete view of decision-making.

Aon's report on Decision making in complex and volatile times found five hallmarks of success for companies who survive in a crisis:

1. Preparedness: Companies who show a deep commitment to loss prevention and mitigation by prioritising risk preparedness.

2. Leadership: In a high-stakes crisis, many leaders may be concerned and hesitant about making any missteps. But strong, visible leadership is critical in navigating an organisation through turbulence. Acting with urgency and transparency — and acknowledging the unknown helps provide a sense of reassurance and common purpose.

3. Communication: As leaders communicate with their employees, stakeholders and others, they must take into consideration the heightened anxiety and stress others may be feeling. That doesn't mean glossing over the realities of the situation. Crises require leaders to build trust with their listeners through accurate, honest and frequent communication.

4. Action: The sheer number of risk events that companies are contending with require organisations to take continuous action across all areas of the business. Leaders must assess the information available to execute on new business models, operating modes, communication channels and other processes, creating new structures and adjusting as needed.

5. Change: Chartering a new course requires commitment from the entire team to make it a success. Never before have high-impact decisions caused companies to change approach so dramatically and so frequently as now.

Having to pivot and constantly make decisions around protecting the company's people and assets, its balance sheet, revenue, costs and business strategy is no small feat. In doing so, leaders have learnt, three vital lessons:

- Decision-making must be driven by continually refreshing a business' understanding of what is known today and then using that knowledge to recalibrate its understanding of how tomorrow is being reshaped.
- Leaders must have the right mindset, the most relevant data and information at their fingertips and a robust decision-making framework in place to manage a great deal of uncertainty.
- While no one can predict the future, making the best decision hinges heavily on having the right information available to inform the decision-making process to navigate towards a better future with clarity and purpose.

Embracing a problem-solving approach in decision-making will help organisations find solutions for the risks and crises it is faced with as these risks unfold.

And while economic slowdown is not an event that can be insured directly, the value of having an expert risk advisor in your corner who is able to provide data and analytical insights from a global and local perspective, will create a clearer picture of emerging technologies, trends and risk management approaches to help organisations make better decisions.

TECHNOLOGY

I don't think the tech will ever completely replace the human touch in certain products of insurance.

- Tavio Roxo, Owls Software.

HARD TECH: SOFT TOUCH

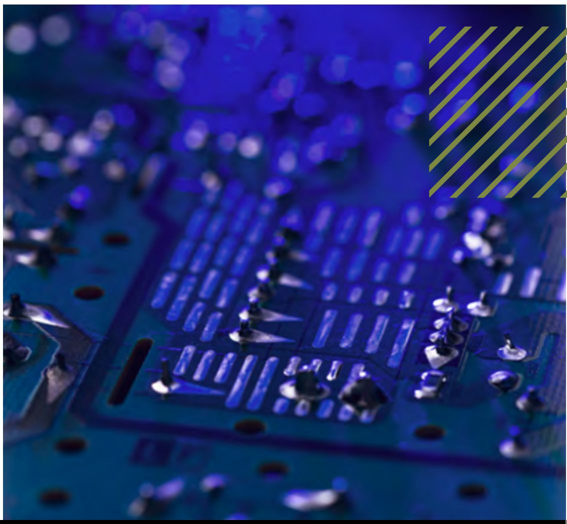
COVER

We are once again talking tech with Tavio Roxo of Owls Software and today we will be looking at the soft touch: Human vs Tech

Tony: This is something that is quite interesting to me because I always try to explore the tech first, before I want to revert to a human. For me, it is great to explore. But not everybody is like that, and some people want the human touch. The question is about the balance? Where do we decide to use the human versus the tech.

Tavio: I don't think the tech will ever completely replace the human touch in certain products of insurance. Specifically, I think that it's important for us to understand where the tech starts becoming a hinderance in that lifecycle of the engagement with the customer. But one of the attributes that tech does bring, is that it allows an omni channel approach.

I don't think the tech will ever completely replace the human touch in certain products of insurance.



The first thing is that, the very same customer that you're looking to have a human interaction with, might prefer interaction by phone, by email, via WhatsApp, or via any other online platform, where they're engaging with you, almost in a chatbot type of arrangement.

Tech is the enabler that allows any one of those interactions or communications to happen, and it allows it to be recorded. But, from a system design perspective, I think the philosophy would probably be that you wouldn't want to put something on a technology architecture, if it's not something that is completely replicable.

So, if that interaction demands an engagement with the customer, where it's not a decision tree where they answer x and then move down to the next sequence and the next sequence, and so on, and it's not something that happens all the time, I do not think you would build a system for it. I don't think you would build a technology interface for it. You would rely on the human touch, because that is going to be a more effective means of communicating with the customer at that point.

Tony: So, we've seen a lot of companies using chatbots, even giving the chatbot a person's name so that it feels like you are interacting with a human. In some cases, that does feel like it.

In other cases, they lose it a little bit. How do you feel about the use of chatbots, and do you think we are getting to a place where they can become a sort of mainstream way, where people accept them fully?

Tavio: Chatbots can work, and I've had a few interactions with chatbots where I was genuinely convinced that the person on the other side was a human. Similarly, I was interacting with a chatbot, by the name of Jessica and, after two or three questions, it became very apparent that she wasn't a human.

So, it does very much depend on that specific Chatbot. But, unlike the more replicable stuff, once again, it comes down to replication. On the normal enquiries you're able to utilise a chatbot very effectively and efficiently, at a low cost to service your clients.

Tony: From your experience and interaction with the clients that you've done development work with, do you think that we are prepared enough to be able to have that balance in the insurance companies? Or do you feel that they are driving very hard to get less human and more tech?

Tavio: I think the drive is towards cost saving and efficiency. But there does come a point where you can only squeeze so much efficiency out of a technology platform and, at that point, it gets handed over to a human to complete the transaction, or to execute whatever that task or work packet is, and you can't have a system do it. So, you do get to a point where there is human involvement needed.

Once again, I think the attribute of that point is that, if you go and analyse why a human needed to be involved, it's because that specific inquiry was not something that had occurred before, it was something that occurs very rarely, that requires some intelligence outside of a of a sequential decision tree.

Tony: Brokers and financial planners forms a large part of our audience at cover, where the human plays quite a big role. Now there is that argument that you need a broker, you need the human touch, but they still want to have heavy tech. That balance is a bit skewed. Do you think that they are getting that right?

Tavio: I think it comes down to the product in a particular niche. And, if you look at something like aviation insurance or marine insurance, there are specialist skills required by humans, to be able to engage the customer and ask the right questions and understand realistically what that risk is. But in a simpler product, like a motor vehicle or a readily ascertainable risk, I don't think that you are going to need an intervention of a human to conclude that sale, or to service that client.

So, the disparity really is around the type and complexity of product that's been distributed into the market or the complexity of the risk. You know, one always tries to go to either extreme where it's going to be a full tech world, or it's going to be a full human world. This is going to be monolithic; it's going to be across the board, across all jurisdictions, and it's just not that.

Everyone sort of forges ahead and makes their own space where they find the most efficiency, where they rely on the use of tech and humans.

But I think, certainly, there's a case to be made for the simpler insurance products, which are allowed to be incepted and onboarded without a broker interface in between.

Tony: Just in closing, about the soft touch-hard tech. Your personal preference when you're doing insurance, or when you are looking at your insurance, business and personal, is that more human or more tech?

Tavio: Can you believe it Tony, you caught me unawares with this question, but I deal with a broker. I speak to a broker, and I engage them, but they have a backbone of a full tech stack. Because, when I do make inquiries, they're able to give me the information quite quickly and the information is consistent.

So, there's that human interaction, and I like it. As much as I am in the business of tech, the complexity of what I require, requires a knowledgeable broker.

Tony: So, would that be your main reason, the knowledge of the broker?

Tavio: Yes. Let me give you an example. Imagine I wanted to get professional indemnity cover. It's not as simple as just getting cover for R10m or R100m. There are a lot of questions and there are a lot of intricacies that ultimately drive that risk. The broker needs to be smart enough to ask me the correct questions, to inform the insurer correctly. I don't think that that interaction could happen effectively in a tech world from the get-go.

Once I've done it once, yes, then you can replicate it, but that requirement won't be the same requirement from me in 24 months' time. So, there will always be that intermediary in the niche insurance product environment, where engagement with the client is essential, but always backed up by a full stack platform.

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DIGITAL TRANSFORMATION & THE ROLE OF AI

The purpose of digital transformation is to allow an industry to perform at an optimal pace, as well as to leverage newer technologies out there. This results in a more effective working environment.

If we look at the banking sector as an example, digital transformation has assisted the industry to transform by using new technologies. The adoption of new technologies helps change the way in which operational structures work.

As an example in the banking sector, a customer applying for a loan would physically have to go into their financial services provider; manually filling out forms that would get filed away in a cabinet; and the branch would take 2-3 months to process the application. Enter Artificial Intelligence (AI). Now using new technology it can be done in seconds. Or milliseconds.

Object Character Recognition (OCR)

An interesting development in the AI space is Object Character Recognition (OCR). In the not so distant past a person applying for a loan could scan the form; now with OCR, a photograph on a mobile phone is good enough. Thanks to machines that recognise objects and characters and extract the content, transform it into plain text, there is no longer any need to go into the institution.

With AI we are becoming smarter with how we work by optimising the way businesses function, and we are doing this is less time too.

Machine Learning can Propel Digital Transformation

For some, AI is a buzz word and there certainly is a lot of fear around it, but the reality is, it can propel organisations forward, especially in areas they are struggling with. For example, fraud detection and customer profiling. The benefits and advantages specifically in these two areas are obvious when the role of machine learning is clearly understood. Fraud can be detected quickly; and in the case of customer profiling done accurately there are many ways business can use this information to reach the individuals who make up their customer base.

ARCHANA ARAKKAL

Machine Learning Engineer at Synthesis

Clean Data and Data-Driven Decision Making

Using machine learning and AI depend on the foundation of the company's data. Like everything if data is accurate, the results are excellent. However, organisations do have legacy issues, and data can be inaccurate and misconstrued.

This is a challenge as businesses need to fix their data before they can reap the enormous benefits of clean data. Here, interestingly enough, humans are needed to step in and correct information. Humans will always be needed, but we need to get to a place where we use technology to our advantage. AI can help to get the data to the place it needs to get to.

Let's start using AI to augment humans so we can fix what exists. It can't be one or the other we need a combination of AI and human interaction.

Why AI Matters

It's not only machines getting smarter, but people are also becoming more tech savvy and more demanding. In order to keep up, we need to start leveraging technology and infrastructure. Not only are we going to be using AI to enforce digital transformation, but we are catering for a market that demands it. AI is not something in the future – AI is already here, and if your organisation is not already using it, you are falling behind!

We are a Bunch of Numbers

Gone are the days where one person has one footprint. Today, the average person has three devices on which they are interacting. On average this one person has about five accounts, such as social media, banking apps, fitness apps, shopping apps etc. This means that there are more digital footprints than there are existing human footprints.

Bot or Not

In South Africa, we are reaching a point where AI has matured to the point where human interaction is no longer necessary in some instances. For example, Google has released an AI model Generalised Pre-Transformed Trainer (GPT3) that can understand language and talk back to you (in a call centre environment), and you will not be able to differentiate whether it is a bot or a human!

In conclusion, the fear around AI is null and void; if you look at the good it definitely outweighs the bad - AI can be so useful. Yes, fear is driven by the unknown, but the reality is, that people will always be needed.

COVER

THE BIGGEST FINTECH TRENDS CHANGING THE FACE OF PAYMENTS IN EMERGING MARKETS

Mark Dankworth, President Business Development Africa at Ukheshe, shares his thoughts on how mobile money, cross-border payments and 'buy now, pay later' are transforming the financial sector, particularly in emerging markets, for the better.

Last year saw an unprecedented rate of change in the financial sector, with huge growth in the use of digital financial services. A report by CB Insights entitled 'State of Fintech' revealed that the third quarter of 2021 was the second highest on record for fintech financing, up by 147 percent year-on-year, and 2022 is looking like more of the same.

Fintechs will continue to drive financial inclusion, assisting in the creation of an accessible and sustainable digital economy for all, particularly across developing nations. Africa's large unbanked and underbanked population, together with the increase in mobile penetration creates fertile ground for fintech innovation, providing much-needed economic independence to those outside the formal banking system.

Some of the biggest fintech trends poised to make an impact in the financial sector this year include:

Mobile Money

According to the Global System for Mobile Communications (GSMA), the number of registered mobile money accounts grew by 12.7 percent globally in 2021 to 1.21 billion, with sub-Saharan Africa making up 548 million of those accounts. With mobile subscriber penetration Across Africa predicted to increase by four percentage points to hit 615 million by 2025, an upsurge in mobile transacting is certain.

The fastest adopters of mobile payments are small, medium and micro enterprises (SMMEs), which, according to the African Development Bank (AfDB), account for more than 90 percent of businesses and almost 80 percent of employment in Africa. Traditionally dealing only in cash, the ease of use, affordability and accessibility of digital wallets, mobile POS solutions and QR code payments, such as those offered through Ukheshe's Eclipse API, are changing the way these merchants transact, giving them access to loans, insurance and other vital financial services previously out of their reach.

Taking it further and integrating digital financial services into the messaging experience, chat banking is fast becoming the next big thing, allowing users to do their banking on their favourite chat platform. By combining the ease and enjoyment of messaging apps like WhatsApp with the convenience of online banking, users have a fast and personalised way to manage their finances. Banks and mobile network operators are partnering with fintech enablers such as Ukheshe to bring this service to market and become players in the mobile network operator space.

Cross-border Payments

In 2021, remittance inflows in sub-Saharan Africa amounted to over USD$45 billion, a figure which is expected to more than double in the next two years. A large proportion of the technology supporting these cross-border payment systems remains on legacy platforms, but this is set to change this year, thanks to innovations focused on revolutionising the time-consuming, unsecure and expensive remittance industry.

A key focus for Ukheshe this year will be the acceleration of remittances in Africa and beyond. Its joint venture with ForexPeople boostXB assists our customers in the acceleration of cross border remittance. Through boostXB, Ukheshe enables seamless cross border remittance services for the likes of Chipper Cash, Sasai and many more.

Buy Now Pay Later

The buy now, pay later (BNPL) movement is gaining momentum after kicking off during the COVID-19 economic crisis when companies sought to help customers struggling to pay their bills. This method of deferred payment allows buyers to increase their cash flow and budget more easily by splitting payments into four or six instalments interest free and is expected to drive the growth of ecommerce further as more retailers get on board. BNPL is predicted to increase by 66.9 percent annually in South Africa, with other African countries closely following suit. Globally, this figure is expected to move from US$176.2 million in 2020 to US$ 1,673.7 million by 2028.

percent of BNPL platform users will not buy from a merchant if they don't offer BNPL and a recent survey revealed that almost 80 percent of shoppers would not have made their most recent online purchase if not for the BNPL service. With consumer interest being this high, banks are looking to partner with fintechs to help accelerate their technology development and bring BNPL products to the market faster.

At the heart of these trends is the willingness to collaborate, create partnerships and engage with innovation – all of which Ukheshe continues to drive by working closely with players in the payments space to create solutions that are seamless and efficient.

BIG PROJECTS NEED BIG COOPERATION

Corneil du Plessis, the chief architect at JumpCO holdings discusses the interesting topic of accelerating tech delivery in the insurance industry.

Tony: I recently spoke to Sanlam about their E-nnuity, because that's one of the interesting projects where JumpCO was involved. Being the Chief Architect at JumpCO Holdings you must have been very involved there. What role did JumpCO play in the process?

Corneil: It was a time when companies were still figuring out outsourcing. In this case, they had built one part of the solution in house, which was the core calculator, but they needed to put a face on it. I think they deemed that it was not high risk, because the risk of the success was primarily within the calculator and since the audience would have been brokers and not people that they didn't know, in other words, somebody they could manage; I think that helped them decide to take the chance of getting an external company involved.

We were a small, highly focused team because, if you put a lot of people on there, they step on each other's toes. What made it happen is the fact that they had people who knew what they wanted to see, and we worked closely together to drive towards that goal. Their core group IT architecture team was involved in laying down some ground rules in terms of how some of the things should be done to ease integration with their system and to make deployment of the application the same as all the others. And so, we incorporated their guidance on that side and for the rest, we stuck with things that were relatively standard at the time.

Tony: So, once you were implemented, you've got JumpCO on one side and Sanlam on the other side. Both have expertise in terms of what has been implemented, so, how does that project then evolve over time and what role do you play?

Corneil: Well, the financial market isn't stagnant, so, we knew from the start that annuities, life insurance, retirement policies, all these things are long term projects. So, we made some decisions upfront, that would make it easy to implement certain types of changes. Then when the changes came along, with the addition of new products and little improvements to things.

"I think it is always important to remember that no matter what you do, look at what the standards are before you jump in, and be ready to adapt as things change. In this case, the standards involved were Java EE which was implemented by IBM WebSphere."

For example, the quotation document. The annuity policy contract, the quotation document, and the policy contract must all be aligned. So, whenever there were legal requirements that came in, we had to update those, and we had to do it quickly.

When it came to big changes like a brand-new product, it took a bit longer, but invariably, we were ready in short order. Sanlam was still developing the additions to their calculator at that stage, and we had to wait for them to complete the work on their side, which is one of the things that, over time, became an obstacle.

I suggested about five-six years ago that we consider rewriting the calculator for them. On the one hand, it would provide improved performance and on the other hand, the whole development cycle and experience. The people who had developed it were part of the actuarial team, they weren't professional software developers, so they understood the math, and they implemented the math. But there were aspects of it that were a bit, we use the term clunky, it was correct, but it wasn't optimal.

We then took a test-driven approach, which basically meant that they provided us with test data, which they had prepared, based on their reference models that described all the inputs and outputs of a calculation with a whole spread of options. We then used those to drive the process so that this new calculator would be a separate library that was included in the application. It performed very well, and it was accurate to the cent.

We also built some tools around that process to make it easy for the people on the actuarial side. The lovely thing is, now that I have a document, what they call the basis, which describes the calculation, they have their reference implementation, and we have our implementation and the two must agree. I mean, that's how we think because then the two pieces of code implemented by two people are doing the same thing.

And whenever we found a difference, we would dive in to find the reason. It was sometimes a misunderstanding of the basis, or something that needed to be clarified and big ambiguity removed. Sometimes it was a simple error, but it ended up with clarification of the core document, two implementations that matched, which is now ideal for this kind of project.

Tony: So, you've got two different teams working with each other over a long period of time. That collaboration is quite difficult, especially when it comes to dividing tasks and responsibilities. What do you believe were the success factors in this case?

Corneil: Well, whenever there was any change, we made sure that we understood what was needed. I had conversations around it, documented the outcome of those and then worked. We gave them very quick feedback, because we have a test environment where we can deploy within a few minutes of making a change, and it's ready for them to test. They would then be able to see it in action, which meant that we could move and give feedback quickly, whether it was a screen change, a document change, or whatever.

In fact, the document changes we could do even quicker, because we had the data, we could run the document template and generation locally and send them the result and then they could look at it and say, yes this is what we want or no this is not what we want. So, we don't have to wait until it's in their test or pre-production environment before we get feedback, we cut that feedback loop short. Then the other thing is that the moment that there was an issue we would, at that time, capture these issues, prioritise them for whether they need attention now or whenever, but nothing gets lost. This way the client is the one that's in control of the priorities, deciding what must come first.

One of the factors that contributed to easy collaboration between Sanlam and JumpCO was the choice of technologies. The E-nnuity application was deployed onto IBM WebSphere Application Server (WAS) which was the standard for Sanlam. JumpCO was pleased with this decision as we had many years of IBM WAS experience and were familiar with IBM WAS's robustness and easy to configure processes.

This made for easy collaboration with the Sanlam team as JumpCO deployed and tested the application on IBM WAS before handing over to Sanlam for testing and signoff. This made for an easy, smooth transition from JumpCO to Sanlam.

Tony: Thinking back, anything that you would have done differently?

Corneil: It is easy to make a list, but I think we made a lot of good decisions. Sanlam said they wanted us to deploy into IBM WebSphere. The choices we made early on and made for a relatively smooth deployment into WebSphere Application, because we used a framework called the Spring framework.

This gives you a slightly higher layer of abstraction around some of the concepts and it protects you around some of the differences between versions of the Java Enterprise Edition spec, which is what WebSphere implements. We had a smooth path to upgrading through these versions. I think it is always important to remember that no matter what you do, look at what the standards are before you jump in, and be ready to adapt as things change. In this case, the standards involved were Java EE which was implemented by IBM WebSphere.

WHAT TO LOOK FORWARD TO..

INSURTECH 2022

We are excited to announce that Insurtech2022 is scheduled for 3rd and 4th of May. It will, once again, be a virtual event, but with a twist. For the first time, the virtual event will be followed by a face-to-face networking function in Cape Town and Sandton.

Save the date!

INSURETALK 21

CN&CO's InsureTalk series allows insurance professionals to stay connected, learn from each other and improve the industry which is a vital contributor to SA's economy. Join CN&CO for InsureTalk21 on 14 April at 10am. Register here

AFRICAN INSURANCE EXCHANGE 2022

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


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