COVER

NOVEMBER 2021 ISSUE

NOT AS CALM

AS IT SEEMS..


WHY RENASA, ROGER?


BECAUSE BROKERS TRUST RENASA TO HELP THEM BUILD THEIR CLIENTS' TRUST.

MAIN STORIES

DATA AND RISK MITIGATION

Not only is data the new oil, but data is a silver bullet in a multitude of applications. In this article, Lightstone examines the role of data in risk mitigation.

LIABILITY – THE NEED IS REAL

Our liability feature unpacks the developments and opportunities in a space that was initially slow to develop but has expanded into varied risks and sophisticated solutions. A must read.

TREASURY'S TWO BUCKET PENSION SYSTEM

Retirement provision has always been a major challenge for everyone, with very few actually retiring financially comfortable. Can the new two-bucket system solve the problem? Natasha Huggett-Henchie, Retirement Matters Committee, Actuarial Society of South Africa, Principal Consulting Actuary from NMG Consultants and Actuaries, thinks so.

INSURTECH 2021 RAPID FIRE

We put Tavio Roxo, CEO, Owls Software in the hot seat to expand on some of the very interesting comments from the 2021 Insurtech Conference. Lots of food for thought in a few succinct comments.

EDITOR, ADVERTISING
Tony van Niekerk
tony@cover.co.za

DIGITAL MARKETING
Brent Munnik
brent@cover.co.za

ADMIN & SUBSCRIPTIONS
Jeanette Komape
jeanette@cover.co.za

SUB-EDITOR
Dominique Taylor
dominique@cover.co.za

MULTI-MEDIA DESIGN
Abigail Oliver
abigail@cover.co.za

LAYOUT & DESIGN
Mike Houghton
mike@cover.co.za

Publisher
COVER Publications

Street address
25 Harbour Heights Drive,
Simonstown, Cape Town

Postal address
P O Box 2030
Sun Valley, 7985

Telephone: (083) 567 0757
Fax: (086) 642 6263
E-mail: info@cover.co.za
Website: www.cover.co.za

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NOVEMBER 2021

The great unemployment crisis

Tony van Niekerk, Managing Editor, COVER Publications

We have an unemployment crisis and it is spiraling out of control, feeding on itself to grow bigger and to create an environment that is becoming less and less conducive to economic growth and therefore increased employment.

The time has come where we cannot simply focus on our own business but step outside and address the impact unemployment is having on sustainability. At the moment, climate Change is a major focus in terms of sustainability, but unemployment is an immediate threat that will most certainly prevent us from delivering on our climate change goals. So why we are not taking this threat seriously, is most perplexing.

King IV: "Good corporate governance requires an acknowledgement that an organisation doesn't operate in a vacuum, but is an integral part of society and therefore has accountability towards current and future stakeholders". PWC comment on King IV"

"Sustained value creation has to be founded on good governance and on responsiveness to significant social and environmental challenges", as quoted from the Sustainable Development Forum report by the Institute of Directors, brings the focus to sustainability and the role of company directors.

King IV™ heralds a fundamental change of approach towards integrated reporting that takes cognisance of the "triple context of economy, society and the environment". Traditionally, a healthy balance sheet, used to be the measure of success for corporations. King IV™, however, encourages organisations to step outside the norms of tradition and measure and report on progress from a financial, social, environmental, and ethical perspective.

Since I first set foot into the world of business, I learnt that, whatever type of business you get into, make sure that your efforts of today will pay back tomorrow. That entails sustained value creation which, in turn, means you need an environment that is sustainable. Not just a natural environment, but also a social and an economic environment. Our society is crumbling around us, with a small number of employed people laboring under the burden of carrying the unemployed. We are estimated to have 7,8 million unemployed people compared to about 14,8 million employed. That means, every employed person is sustaining the livelihood of almost 8 people. The ripple effect of our astronomical unemployment rate is escalating crime, deteriorating social stability and increasing difficulty to stimulate economic growth that will turn this around.

For the insurance industry, the alarm bells have been ringing for a while, with the looting earlier this year being estimated to have cost the country more than R35 billion and job losses in the region of 50 000. The latest crime statistics shows alarming unabated increases in almost every type of crime. The ongoing electricity problems plaguing Eskom is exacerbated by theft and vandalism, on the back of unemployment.

Serious rethink needed: It is clearly time for a radical rethink of our efforts to tackle unemployment. We cannot rely on our individual efforts to grow our businesses, in the hope of being able to employ another person or even a few. The time when that was a workable strategy has passed.

What we need is a well-organized and committed Employment Indaba, bringing together all stakeholders with the main aim being to reduce the unemployment rate very fast, over a very short period.

We need to come up with radical solutions. Solutions which might seem unthinkable but the pandemic has shown that, when the platform is burning, we can make radical change. If companies can move their entire staff into a work-from-home environment in two or three weeks, anything is possible. It simply requires us to come together with serious intent to solve our problem.

Time has run out. We are at the edge of the cliff and the unemployed tsunami will push us over. Very soon!


IT TAKES 78
SPECIALISTS
TO CHANGE
A SKYLINE
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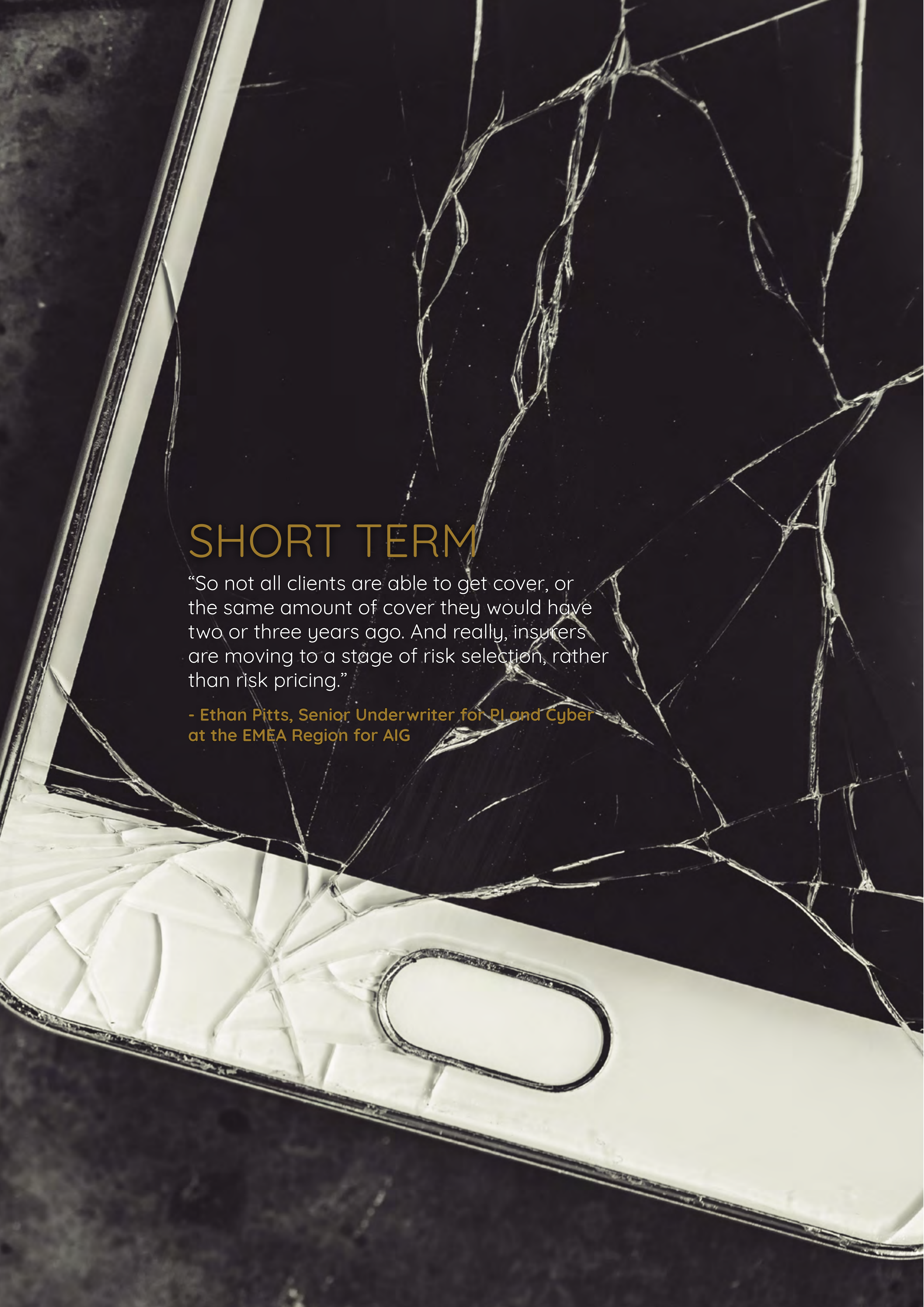

SHORT TERM

"So not all clients are able to get cover, or the same amount of cover they would have two or three years ago. And really, insurers are moving to a stage of risk selection, rather than risk pricing."

- Ethan Pitts, Senior Underwriter for PI and Cyber at the EMEA Region for AIG

Building a world class business

Jon-Jon Smit, Executive Head Sales and Marketing at CIB

Jon-Jon Smit looks back at the amazing history of CIB. From broker to administrator to one of the largest underwriting managers in the country. Trust and relationships seem to be the secret sauce.

COVER: CIB is now a UMA and when I met you and CIB, about 15 or 16 years ago, you were not yet operating as a UMA. Traditionally, UMAs are specialists in one area. CIB broke that mold by doing business across broad lines, a couple of specialist lines as well as general lines. So, are you basically a fully-fledged insurer now?

Jon-Jon: CIB is a registered underwriting manager and operate under the license of Guardrisk. Everything you can buy from the traditional short-term insurance market, you are able to get from CIB with specific focus on Commercial, High Net Worth Personal Lines and Niche business. Our annual premium income is bigger than a number of fully fledged insurers in the marketplace, but the underwriting manager model simply makes more sense to us now.

In saying this, CIB are one of the largest underwriting managers in South Africa. Our business model allows us to deal with a large variety of broker channels and networks, from your traditional independent brokers to your bigger national and corporate brokers. We have a wide array of brokers within our network and are able to offer binder and outsource facilities across our product range with our country-wide footprint and branches in all the major regions within South Africa.

COVER: CIB is not a company with 10,000 employees, but you do business across a broad spectrum, how do you manage to handle that diversity of products, especially when it comes to skills.

Jon-Jon: The short-term insurance market is experiencing a major skill shortage and has for quite some time, especially in the more technical and niche areas. At CIB, we are constantly looking to enhance skills across the business, as we understand that our people are our business, and they play a key role in our success story.

When launching a new product line or division, we set the standard in terms of the specialist skill we require and need to be successful in that area. CIB are also constantly developing our existing people to ensure that we have the necessary skill and expertise to remain relevant in the changing insurance landscape.

COVER: You currently have an exciting marketing drive, #WhyCIB, which is quite interesting. Now, based on that, why would you say #whyCIB? What differentiates you from especially other specialists UMAs, but also general insurers?

"CIB are constantly looking to enhance skills across the business, we understand that our people are our business, and they play a key role in our success story."

Jon-Jon: The easiest way to answer this is to ask our clients and brokers #whyCIB. We set a very high benchmark in terms of product, pricing and service. We look to make the experience for the broker and client an absolute WOW factor and build an experience for the customer within all the touch points across the business.

We aim to make the brokers feel that it is very hard to **not** do business with CIB. Our claims' paying ability is second to none, we have one of the lowest claim rejection ratios in the industry. Our suppliers adhere to very strict protocols in terms of our code of conduct and our service ethos.

One of our key objectives is to make the broker look good in front of his clients' and adding value to our broker network. Our risk management team is also one of our key differentiators, whether it be pre or post loss, and is a very important part of the value chain. CIB philosophy

"Our claims paying ability is second to none, we have one of the lowest rates of claims rejection ratios in the industry and our suppliers adhere to very strict protocols in terms of our code of conduct and our service ethos."

is to underwrite thoroughly upfront and provide peace of mind to customers and brokers at claims stage. The **#whyCIB** campaign was launched internally to staff and then to market at the beginning of September.

I am really pleased with the response and feedback we have received from existing and new broker partners and customers.

The campaign is pretty much based on information about why brokers should be dealing with CIB and, ultimately, the facts don't lie.

We do a lot exceptional well and wanted to tell the insurance market about it. The traction that we are getting is exceptional and our marketing evolution will evolve with the campaign to bring a fresh new look for the next 12-18 months.

COVER: Experience has shown that, when companies grow past a certain stage, things change. It is not that easy to keep up with some of the things that you mentioned now, in terms of #whyCIB. How do you plan to manage that growth in relation to the quality of the service that you get?

Jon-Jon: You are spot on Tony. I think that is always the concern when companies experience exceptional growth over a relatively short period of time, and how you maintain and manage those high standards and service ethos. CIB has been practicing this for the past 27 years and we only just getting started.

We have built a great foundation, a business that is very scalable, and ready for a massive step up in terms of our growth. Our processes are constantly evolving, efficiencies are key with new ways of engagement, which ultimately leads to a certain culture within the business and CIB maintaining their exceptional service levels.

CIB offers a very personalised bespoke broker solution. Something that has been key to our success story. There is always a major focus on this internally, to ensure this remains at the forefront of what we are trying to achieve as a business.

Insuring the movers of people

Rajen Govender, MD at Mobility Insurance Underwriting Managers

Rajen Govender explains how they keeps the wheels of commerce turning.

COVER: The types of covers applicable in the commercial passenger carrying vehicle segment are not always straightforward, could you tell us what it is that you cover in this segment?

Rajen: We focus on comprehensive insurance products specifically for mini/midi bus taxis and buses.. Each segment varies in their needs with product add-ons being relevant in this regard.

The generic comprehensive cover is dealt with on both to cover the vehicles in each business. Product add-ons include those specifically designed to assist in business continuity, especially when vehicles are inoperable as a result of claims incidents.

Our bus product can be more flexibly structured considering the nature of these operations, operational risk management capability by operators and cash flow management needs. Fleet thinking is a must for buses to adequately address exposures.

COVER: How do you manage or mitigate the multiple risks that goes with vehicles, especially those that are subject to very frequent and multiple driver use?

Rajen: This is a bit of a conundrum, of course. The taxi industry is considered seriously high risk that is perceived to being far too wide and unpalatable. But, when one delves into the industry, as we have, the dynamics at play reveal much more than meets the eye. This industry plays a pivotal role in the economy itself, moving more than 15million passengers a day. They are by far the largest public transport element and this activity in itself brings a multitude of insurance risk exposures that require careful consideration.

What we find from a claim's perspective, is that the real claims come in when the vehicle can no longer operate. Due to the income earning nature of these vehicles, minor and the cosmetic damages are generally not claimed for. Despite this, it is not as bad a risk when compared to say private motor, in the normal conditions of course. Frequency is generally lower

The mitigants available are risk selection, premium pricing and claims cost management. It is very difficult to address the driver behaviour, as consistency in employing drivers is sometimes challenging. Ours is an open driver policy.This is also a volumes game, and it is important to have the right set of volume to address the claims in the high risk exposed areas. In the metros, as Mobility, we

tend to stay away, focusing more on outlying areas in the country. It is not as congested, as say, Durban Central or even Johannesburg central.

COVER: When it comes to COVID, in terms of your business and in terms of the taxis, how did that impact them and how did you manage that?

Rajen: The early days, March and April in particular , were horrendous because, just about nobody could travel As a result, it impacted the industry quite significantly. We responded with COVID relief measures by offering premium holidays and discounting heavily in order to keep the taxi owners in the position of having insurance, limiting cover in certain instances to accommodate what they could afford at the time.

From late May, there appeared to be some glimmer of hope with lower passenger capacity allowed. Finance houses also offered instalment payment relief and had to extend this several times. Regrettably, this still remains challenging in view of commuter trips still not being at levels enjoyed previously. We continue to take an open approach to assist where we can.

COVID: **In terms of Mobility itself, your business and what differentiates you from similar businesses, what is your value proposition?**

Rajen: We consider public transport insurance to be a niche and there are very few competitors in this space. In view of taxis being considered as the very sharp edge of the risk spectrum, our proposition revolves around our intimate understanding of this eco system, from vehicle acquisition to daily operation.

Accordingly, our relationships extend widely and product responsiveness is key to preserving these. We have the utmost respect for our end client and view ourselves as strategic business partners to the taxi industry at large. We also have passionate and dedicated staff that are empowered to be solutions oriented.

A delightful customer experience is non-negotiable and we're constantly refining our processes and product to maintain effectiveness. Our primary objective is to minimise business interruption to the taxi owners, in this instance.

We have been careful not to adopt "a one size fits all' approach. So, we do have areas of risk in which we would prefer to be a little more involved as this is beneficial to taxi owners. High risk areas are avoidable, though not ignored. Our primary differentiation lies in our customer service, our intimate knowledge of what we do, and more importantly, to respond with products, specifically geared to the industry itself, both for the bus sector and taxi. We make every effort to always remain professional and consistent. Predictability is key in this business.

COVER: Then finally, when it comes to distribution, and brokers, is there still space for the broker in the commercial carrying vehicle environment? And if so, how do they get to play there and expand business into that segment?

Rajen: I think it's all about customer service. This market commands face-to-face interaction and personal touch. It is my view, that this engagement model will persist for a long time, given the hand holding and customer care required.

"Our real differentiation lies in our customer service, our intimate knowledge of what we do, and more importantly, to respond with products, specifically geared to the industry itself, both on the bus sector as well as taxi. So, we have a very professional outfit on our side to do that."

We work closely with our brokers, supporting them to expand in this space. We value collaboration for product co creation/ enhancements, always on the lookout for service improvement at every juncture. This is why we so dearly value our relationship with our underwriter, Constantia Insurance Company as well. Our ethos and philosophy are clearly aligned.

For brokers getting into the space, you must be really be in tune with your client, you have to handhold a lot. There's undoubtedly a lot of manual work , specifically from a customer engagement perspective and which is unlikely go away anytime soon. Relationship management is fundamentally important.

#whyCIB?

Understanding your world, we offer insurance done properly, in a personalised way.

Who we are

- One of the **largest Underwriting Managers** in South Africa
- Focused on **short-term insurance,** across Personal, Commercial and Niche classes
- **Entrepreneurial** mindset
- One of the **lowest claims rejection rates** in the industry
- We partner with **like-minded brokers**
- **200%** growth rate in the last 10 years
- Over **R1.4 Billion annualised premium** income
- Premium increases **below inflation** every year for the last 5 years
- Guardrisk, our license carrier is a **level 1 B-BBEE contributor**

Broker **benefits**

- A wide **product range and competitive pricing**
- **Tailored solutions** to suit broker and clients' needs
- **Country-wide** footprint
- Personal attention through **dedicated Portfolio Managers**
- Focus on **risk management**
- Ease of access to a **state of the art IT platform** for policy and client administration
- Easy access to decision makers and speed of decisions

Quality

Service Excellence

Personalisation

What makes us **different?**

- Our suppliers adhere to our standards of excellence and share in our vision
- Exceptional turn around times with consistent and efficient claims processes
- Comprehensive underwriting processes upfront to ensure peace of mind and no underwriting at claims stage
- Our diverse product range with regular product updates, keeps us relevant and abreast of the competition
- Ensuring we provide diverse expertise and technical skills throughout CIB, resulting in the best possible service to brokers and clients alike

Broker **testimonials**

- "We are extremely proud to be associated with such a company!"
  - Riana Wiese, PSG Meesterplan
- "CIB makes it very hard not to do business with them"
  - Greg Brits, Jurgens Group
- "CIB is committed to establishing long term relationships and continue to raise their level of service to brokers. Their open communication policy makes it easy to do business, engage in high level discussions and find solutions for all parties involved."
  - Wickus van der Walt, FNB Insurance Brokers
- We would like to express our appreciation to the CIB directors and all their staff for their high standard of service and support. Always going the extra mile and taking the time to listen to our needs.
  - Féthon Zapheriou, Insurisk

We understand the broker's world, ensuring long-standing relationships.

Personal | Commercial | Specialised Buildings | Agriculture | Franchise | Fuel Stations | Marine | Engineering | Motor Fleet | Culinary

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Cyber: Pushed over the edge

Ethan Pitts, Senior Underwriter for PI and Cyber at the EMEA Region for AIG

Ethan Pitts, shares thoughts on recent developments in the environment of Cyber risk and Cyber insurance.

COVER: Cyber risks and Cyber insurance is something that, over the past 18 months, have probably been one of the biggest things on people's minds, especially with offices and businesses moving home. Can you give us your thoughts on the latest developments in the environment of Cyber risk?

Ethan: I think it is going to be no surprise to brokers and businesses alike, that their cyber risk exposure within South Africa has increased dramatically, as you say, over the past 18 months. And that has come from a few different areas.

I think the first is that South Africa has always been a hotspot for cybercrime. We have always been a targeted nation and so, what we are seeing now, should not surprise us. But really, I think two factors have pushed us over the edge in terms of the number of attacks which we are seeing. The first is ransomware. That is something which is probably top of mind for every executive these days. Cyber is always within the top 10 of the risk registers of companies. And really, ransomware has exploded globally. It is not just a South African problem but, unfortunately, it is affecting our clients significantly. Historically, we have had a relatively low cyber security posture and of course, the hackers are more than happy to take advantage of that.

The second thing which has changed for us recently is with POPIA coming into full force as of July 2021. What happened previously was that if a company was breached, unless it was something which was highly publicised, they were able to keep it quiet, sweep it under the carpet and not address it from a liability or a public reputation perspective. That has now obviously changed. There are mandatory disclosure requirements, whether it is to the information regulator or to the affected data subjects, the victims of a breach.

"I think a lot of the IT specialists, the CIOs and other relevant people have been clamoring for increased investment with respect to technology, internal skill sets within their team, employee security awareness training and just the basics."

That has really increased the exposure which companies are facing now and that they must be very open and transparent about these kinds of attacks that they suffer. That is going to open the doors from a liability perspective going forward which, historically, South African companies have not had to deal with, in the same way that their counterparts in the EU, US, Australia and other countries who have had existing data regulations. It is a new exposure for most companies.

COVER: As an industry we do have some sort of responsibility, because we understand the risk, and we know how devastating it can be. How do we make sure clients take it seriously, and those brokers get to them with the right information to insure that risk?

Ethan Pitts: That is a great question, and I think I will talk to the first part, initially, in terms of whether South African companies take the risk seriously enough. I would say, if you were to ask that question, looking back over the past five to 10 years, the answer would be no. Because we did not have that data regulation forcing public disclosure, cyber often fell at the bottom end of a risk register for companies and was very often neglected.

There were just more important priorities to assign budget to. So, it is not necessarily coming from a position of naivety or ignorance. I think a lot of the IT specialists, the CIOs and other relevant people have been clamoring for increased investment with respect to technology, internal skill sets within their team, employee security awareness training and just the basics. But the budget has not necessarily always been allocated and, over the last five to 10 years, that decision was probably justified. Companies were not seeing the exposure to warrant the very expensive investments which cybersecurity requires. That unfortunately has changed very rapidly over the last two years and probably driven, as you mentioned earlier, to a large extent by the move to work from home. That exposure has changed rapidly. A lot of companies are on the backfoot, trying to bridge a gap in an unfeasibly short amount of time. That is why I would say that, on average, South African companies do not have the same level of cyber security and mitigating controls that some of their international colleagues have. And, of course, that then draws attackers to them, because they know that it might be a slightly easier target to breach.

That being said, the amount of work which South African companies have put in since 2020 has been phenomenal and they have certainly increased their ability to mitigate the risk and to defend themselves against these attacks far faster than I personally thought they would be able to. So, it is not all doom and gloom. The reality is that we still have a long way to go. There are many industries, particularly the likes of manufacturing, which has not necessarily thought of cybersecurity first and foremost, and now they are really getting hit hard and targeted. So, there is a lot that companies have to do.

When we are talking about the role that the insurance industry can play in that, we are probably the best positioned in order to really drive a change in the dialogue and a change in the security posture within the country. That is off the back of the huge increase in the number of cyber claims globally, locally too, which has driven the pricing of cyber insurance, the amount of capacity available. So not all clients are able to get cover, or the same amount of cover they would have two or three years ago. And really, insurers are moving to a stage of risk selection, rather than risk pricing. That means we have very in-depth conversations about what the basic controls are, which companies should have, in order to get insurance. Then over and above, what are the extra controls, which will give them better terms and conditions.

That conversation is helping to give the IT specialists ammunition for when they go to their boards and request funding for all the investments which they have been asking for. They now suddenly have an actual case for the return on investment, because you can see it in the nature of cyber insurance, which companies can get. So, we are actively discussing with our clients about what kind of controls and technologies they should be putting in place and investing in and helping drive that conversation.

The second thing, which the insurance industry is almost uniquely positioned to do, is to threat-share between different industries. There are certain industry bodies set up for the financial sector, for example, and they do a phenomenal job of sharing new attack types and threats that they are seeing, but within that closed industry. Everyone else is missing out on that valuable insight. Whereas insurers, because we are positioned in that we look at everything, from a small mom and pop kind of business all the way up to a multinational organisation and banks, and everything in between, we can see the trends which are happening locally.

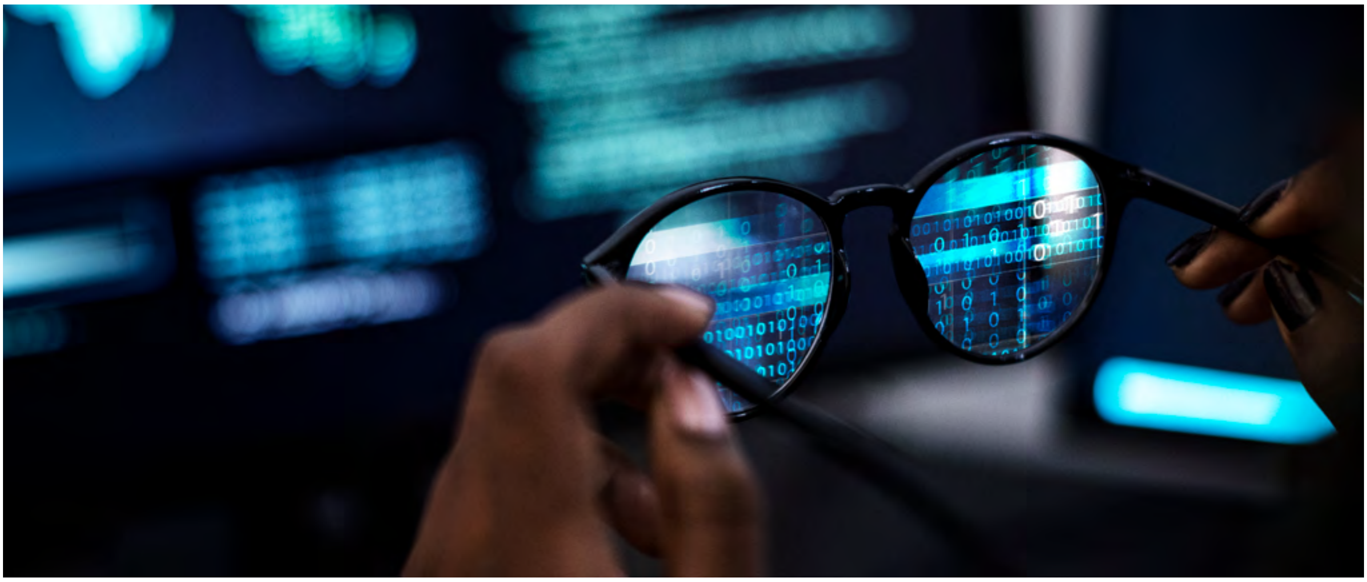
We can advise clients in different industries about the types of attacks we are seeing, and how they can prevent them or mitigate against them. I think that is something which AIG does very well, because we do not just tap into what we are seeing locally, we obviously tap into the experience of our colleagues internationally, when they see certain hacking groups on the rise and the changes in the modus operandi. Internationally, we can take that feedback and bring it home and really drive that conversation so that we are potentially able to get ahead of the curve before that type of attack is used in South Africa.

"So not all clients are able to get cover, or the same amount of cover they would have two or three years ago. And really, insurers are moving to a stage of risk selection, rather than risk pricing."

I would say that it really are those two areas which insurers and brokers both, are uniquely positioned to assist clients. One, driving the conversation about what you need to do in order to protect yourself and two, being able to back it up with actual evidence and threat-sharing from the hard lessons learned from other companies or victims, which were not as fortunate. That is really the two advantages we bring to the conversation.

COVER: Lastly, brokers must walk this tightrope now, because they must go and speak to their clients about these risks, because the client relies on them for advice. But the risks and the measures too mitigate these risks have become so complicated. Where does the brokers sit in this process and what advice would you give them in terms of preparing to approach a client about these risks?

Ethan Pitts: I think brokers are probably the most important link in this chain between insured and insurer, they always have been no matter what arm of insurance you are talking about. But for cyber specifically, they found a very key role in terms of getting the right people talking to each other. So, I would put down probably three specific pieces of advice which I would give a broker and the first is, know your market. So, in the current



market, cyber insurance is not something which is readily available, or easily accessible. It is not a case of a half filled out application form that will get you five quotes and it is just a discussion on which is cheapest, that was the conversation years ago. Nowadays, it is really trying to find which markets are going to support your risk. So, some insurers will prefer to be on primary, others will focus on specific industries. It is really a case about knowing who you should go to for this kind of cover, especially when you are talking about the need to now build towers of insurance, because one market won't give the full limit a client is looking for.

On that second point, it is only one half of the solution to know your market. But really, it is knowing your client, each client will have its own unique risk exposures. When talking to them, you really must dive down into what are their unique pain points.

So, for example, a manufacturing entity, their biggest issue is loss of revenue if they were to go down, it is their business interruption losses from a cyber event, they are not going to have the same amount of data to worry about, fine out of POPIA or a class action against them, that a bank or a hospital would, for example. So, it is understanding the specific pain points, and then being able to talk very effectively to those points when you discuss with the client about what mitigation they need to put in place. Then to spin that and then talk to the underwriters and say, well, here are the main exposures for the client and look at what they have done to mitigate x y z, that is going to get you the best result time in and time out.

The last point is potentially a combination of of the above two, and it is having the ability to get the right people in the room to talk to each other. Cyber insurance has now evolved past the other types of insurance where it is sufficient for the CFO or the CEO of a company to be able to fill out the forms and give a disclosure on their risk exposure and get quotes. We are not talking at a technical level, which you need your CIO to be involved with, you need your managed service provider who is providing the IT infrastructure, to help fill out these forms, to help answer underwriters' questions. So, what I often see is if we get forms, which are not completed by the right technical experts, they answer conservatively, they do not want to prejudice themselves and say that they have got something in place, which they do not. But when we as underwriters are looking at that, we obviously get the wrong end of the stick, and we quote very conservatively, or maybe declined to quote, only then to sit in front of the clients, with their CIOs and their technical experts, and realise that, no, they are doing everything which we want them to do, they have got much better posture than initially presented.

I think that that is really an important part to get right, in that it should start with the CIO or whoever the responsible parties are, who can talk to the technical side of things, filling out the application forms so that insurers get the right picture. Then secondly, what we have found very effective at AIG is we sit down, and we have client meetings very often. So, what we will normally do is we will provide a quote with some subjectivities. And rather than trying to hash this out over email, book a time with the client to sit down in front of them, we have the technical knowledge to talk to the risk directly to the CIO.

We can take that kind of that burden off the shoulders of a broker, they are an insurance expert, they are not required to be a technical expert, an IT expert. So, we can facilitate that conversation and really get a clear picture of what the actual risk is and put forward to them, the very best terms for our clients. So, I would say that that is probably one of the most effective strategies, getting the right people into the room to have the conversation about something which cannot be accessible or not commonly knowable.

COVER: It sounds to me like there is a great opportunity for brokers, especially if they put the effort into what you have said, doing their homework with regards to the client, the market and the risks.

Why businesses need tailor-made insurance solutions

Bertus Visser, Chief Executive of Distribution at PSG Insure

Entrepreneurs invest a lot of energy into getting their businesses off the ground and finding ways to differentiate themselves from their competitors. Unfortunately, due to time constraints, few put the same dedicated effort into finding the best insurance solution for their business.

Every business is unique, and there is no guarantee that stock standard insurance solutions can cater to the day-to-day needs of every small-and-medium sized enterprise (SME). That is why it is always a wise decision to work alongside an experienced insurance adviser to tailor policies and risk solutions that fit the needs of the business while also freeing up capital.

All SMEs need to start with their basic insurance needs first. Most businesses have at least a few insurable risks in common. They all need to protect against business interruptions, costs of property damage, theft and liability claims made against your business by others. However, these cover options do not necessarily protect your business against all the risks that make it unique.

Since every industry is regulated differently, business owners need to start their search for bespoke risk management solutions by looking at the indemnity policies that the professionals in their company require. Especially if your company offers specialist advice, you should be taking out policies that protect you and them from liability claims for professional errors or omissions.

Next, cyber insurance is an indispensable part of any entrepreneur's cover. Most businesses operating today are dependent upon digital technology and data storage in some way. However, the amount of customer data that you store, how dependent your business is on online traffic, and what you do with the data that you gather, differs widely from business to business.

With this in mind, you should be consulting a knowledgeable adviser on putting together a cyber policy that fits your pocket while ensuring that you are covered for loss of data and third party claims. You should also be looking at the most unique aspects of your business. Some businesses have environmental risks to consider, which is where a good environmental risk insurance policy can be most helpful. This would cover the cost of cleanup and environmental damages in the event that there is a spill or leak ofhazardous materials. Other companies may need to insure against catastrophic loss of perishable inventory, or cover risks associated with transporting goods. In all of these cases, there are policies that look to help mitigate the associated risks.

Lastly, there are also the additional measures that business owners should take to contain their insurance costs. Not every risk can be managed with insurance. Your policies may require that you take extra precautions in order to qualify for cover, or there may be risks that need to be managed in the absence of adequate insurance. In either case, your insurance adviser is the best resource for all of the information that you need.

In conclusion, business owners should never settle for stock standard solutions when it comes to their operations. How well you manage your risks ultimately determines how resilient your business will be when it needs to recover from unexpected events. Find an adviser that shares this view, and who will help you set up cost-effective cover.

Understanding Sasria cover

Safire Crop Protection Co-op

Great news for Safire Crop Protection Co-operative clients who suffered losses to their sugar cane crop during the July riots: their sugar cane claims have been quantified, submitted and paid in full by Sasria, including any loss in RV (recoverable value).

This was largely due to the prompt collection and submission of all relevant information and substantiating documentation to Sasria by the Safire Co-op team, who worked tirelessly behind the scenes to ensure speedy processing of the claims.

The protection offered to both private individuals and companies by Sasria's special risk insurance has been in the spotlight since the July unrest. "Sasria fire cover is automatically included for all Safire Co-op certificate holders," says Ruth Bezuidenhout, General Manager of Safire Crop Protection Co-op. "Sasria provides peace of mind at a nominal cost, and is definitely an indispensible part of any farmer's insurance cover."

This was all too clearly confirmed by the widespread damage that was caused during the looting and vandalism in July this year. An estimated 135 222 tons of damaged cane worth almost R84.5 million was rejected by KZN mills, which were also impacted by the unrest, losing a week or more of production, and adding to the overall loss to the industry.

Sasria SOC Ltd (FSP no: 39117) is a non-life insurer, wholly owned by the State, that provides special risk cover to all individuals and businesses that own assets in South Africa, as well as government entities. South Africa is one of the few countries in the world that provides this insurance, particularly at an affordable rate. Many sugar cane growers sign up for Sasria cover in the expectation that they will be totally covered in the event of damage caused during a period of civil unrest.

However, there are some instances when Sasria cover will not apply. For example, the physical loss or damage to property must be **directly** related to a Sasria peril. Consequential and indirect losses are not covered. According to Sasria, "Sasria does not compensate you for: loss or damage caused by prevention of access (for example, deterioration of stock or perishables)".

This exclusion had a major impact on KZN sugar cane farmers affected by the July unrest. In addition to legitimately harvested cane from controlled burning prior to the unrest, over 500 000 tons were burned during the protest actions. The farmers who had burned prior to the unrest were not able to get their burnt cane to mills for various reasons, which included road closures, unrest en route or near to the mills, staff not being able to get to work at the mills, restrictions on movement by trucks and staff, and fuel shortages, resulting in this cane having to be dumped.

"Not many sugar cane farmers know that this 'prevention of access' exclusion is potentially a gap in cover that could result in major unplanned expenses," says Ruth.

"Understanding what cover is provided by one's insurance is vital. Research indicates that around 70% of the country's farmers are not insuring their crops and only 8% are insuring their farming-related assets."

"Another unforeseeable consequence was that the mills were unable to deliver their milled cane to the storage facility in Durban, limiting their ability to take in any further burnt sugar cane, whether prior to the July unrest or as a result of it. This situation was only rectified once a large amount of the sugar cane had deteriorated (which Sasria does not cover), and was not able to be processed. This resulted in no financial recovery from Insurers or Sasria."

Bearing this in mind, it is important to understand the impact that such an event may have on the capacity of a sugar mill. In the case of smaller fire events, there is often a good chance that the farmer will still have a reasonable recovery as long as the cane can be delivered to the mill within a day or two.

However, this may not be the case when large areas are affected by fire in a very short period of time, impacting the mill's capacity: the longer it takes for cane to be milled, the lower the 'recoverable value', which is based on the estimated amount of sugar that can be retrieved from the cane. Sugar cane fire insurance is designed to provide cover for losses from uncontrolled fires or spread of fire from a controlled burn and does not cover cane that has been burned for harvesting purposes and then is not deliverable. Understanding what cover is provided by one's insurance is vital. Research indicates that around 70% of the country's farmers are not insuring their crops and only 8% are insuring their farming-related assets. Note that Sasria cover needs to be renewed annually.

Another factor that affected sugar cane growers was the issue of disposal - the cane has to be dumped in a contained area to prevent the potential spread of the destructive *Eldana saccharina* or African sugar cane borer, a stem-borer endemic to sub-Saharan Africa that is one of the most harmful pests affecting sugar cane. The dumped burnt cane could have become a breeding ground for this insect.

For the many individuals and businesses severely affected by the July riots, it is a hard-earned lesson: understand the details of the insurance cover you sign up for, and ask your broker to explain if you are unsure.

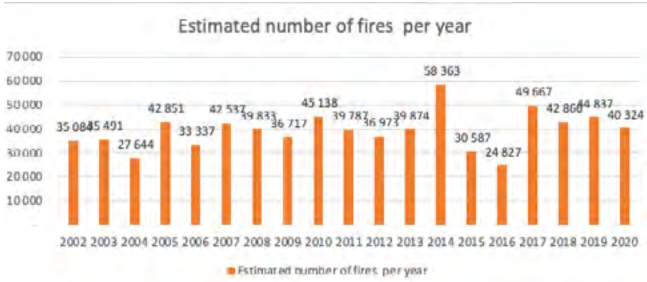
World Disaster Reduction Day: How Data Helps Mitigate Risk

Lightstone, Property and Automotive Data and Solutions

In acknowledgment of World Disaster Reduction Day on the 13th of October, leading data analytics company, Lightstone, looked at data that can help mitigate risk in the financial sector. The focus of this data was on fire and flooding risks in specific areas and provinces from 2002 to 2020.

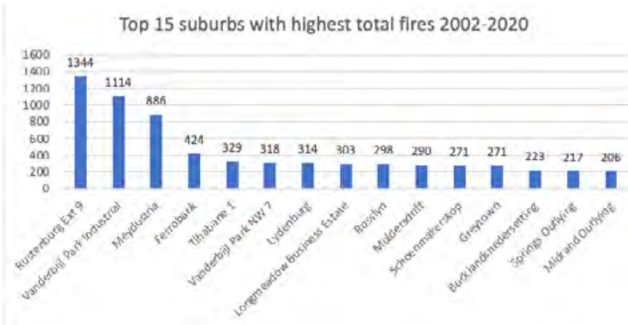
FIRES

The fires in Cape Town in April of this year were estimated to have cost insurers around R1 billion. The Knysna fires of 2017 were averaged at more than triple that amount sitting at approximately R3.3 billion. What if some of the risk could be calculated ahead of time based on accurate historical data and insights? Over the 18 years of satellite imagery that Lightstone has analysed, 2014 showed the highest number of fires at 58 363 followed by 2017 with 49 667 fires.

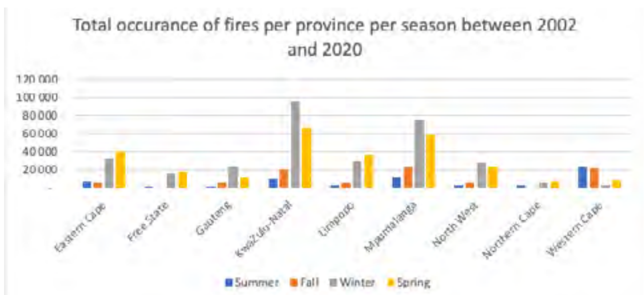


The top 3 suburbs that presented the highest number of fires over the period analysed are Rustenburg Ext 9, Vanderbijl Park Industrial and Meydustria in the south of Gauteng, with 1344, 1114 and 886 average fires respectively.

"Having access to this type of risk data will prove invaluable to businesses, especially in the banking and insurance sectors, when developing products for clients," says Mike Lehabe, Head of Financial Services for Lightstone.



Lehabe observes, "When looking at the total number of fires per province per season, KwaZulu Natal's winter season presents the highest number of average fires over the 18-year period at 95 410, followed by Mpumalanga's winter season fires at 75 437." For the Eastern Cape and Mpumalanga, spring present higher risk of fires in comparison to other seasons.

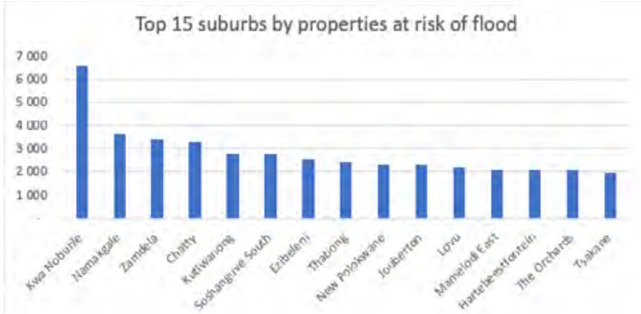


FLOODS

The Kwa-Zulu Natal floods that swept across the southern region of the province in 2019 were estimated to have cost R658 million in repairs to damaged roads and infrastructure. Could informed policy wordings and property insurance cover help owners in high risk areas to adequately insure their assets?

When Lightstone looked at flooding data for the same 18 year period, *KwaNobuhle -* a large informal settlement on the outskirts of Uitenhage in the Eastern Cape – was identified as the highest flood risk area.

“We based this data on each area’s proximity to the closest body of water, and what its elevation is over that body of water. We then counted all the properties per suburb, where the area was lower than its nearest body of water, and the distance to that body of water was less than 500m. This then highlights those areas that would be at the highest risk of flooding should their body of water get too much rain,” explains Lehabe.



In an uncertain world, being able to manage business risk based on accurate data becomes fundamental to a business’ sustainability and growth strategy. “If this wasn’t obvious before, the past 18 months has highlighted the necessity to understand complex data to be able to manage risk effectively.

This is prevalent now more than ever in a world populated with unpredictability,” Lehabe concludes.

Countering the ransomware pandemic

The Allianz Group

During the Covid-19 crisis another outbreak has happened in cyber space: a digital pandemic driven by ransomware. Malware attacks that encrypt company data and systems and demand a ransom payment for release are surging globally.

The increasing frequency and severity of ransomware incidents is driven by several factors: the growing number of different attack patterns such as 'double' and 'triple' extortion campaigns; a criminal business model around 'ransomware as a service' and cryptocurrencies; the recent skyrocketing of ransom demands; and the rise of supply chain attacks. In a new report cyber insurer Allianz Global Corporate & Specialty (AGCS) analyzes the latest risk developments around ransomware and outlines how companies can strengthen their defenses with good cyber hygiene and IT security practices.

"The number of ransomware attacks may even increase before the situation gets better," says Scott Sayce, Global Head of Cyber at AGCS. "Not all attacks are targeted. Criminals also adopt a scattergun approach to exploit those businesses that aren't addressing or understanding the vulnerabilities they may have. As insurers we must continue to work with our clients to help businesses understand the need to strengthen their controls. At the same time, in today's rapidly evolving cyber insurance market, providing emergency response services, as well as financial compensation, is now the standard." Cyber intrusion activity globally jumped 125% in the first half of 2021 compared to the previous year, according to **Accenture**, with ransomware and extortion operations one of the major contributors behind this increase.

According to the **FBI**, there was a 62% increase in ransomware incidents in the US in the same period that followed an increase of 20% for the full year 2020. These cyber risks trends are mirrored in AGCS' own claims experience. AGCS was involved in over a thousand cyber claims overall in 2020, up from around 80 in 2016; the number of ransomware claims (90) rose by 50% compared to 2019 (60). In general, losses resulting from external cyber incidents such as ransomware or Distributed Denial of Service (DDoS) attacks account for most of the value of all cyber claims analyzed by AGCS over the past six years.

Increasing reliance on digitalization, the surge in remote working during Covid-19, and IT budget constraints are just some of the reasons why IT vulnerabilities have intensified, offering countless access points for criminals to exploit. The wider adoption of cryptocurrencies, such as Bitcoin, which enable anonymous payments, is another key factor in the rise of ransomware incidents.

FIVE AREAS OF FOCUS

In the report, AGCS identifies five trends in the ransomware space, although these are constantly evolving and can quickly change in the 'cat and mouse' race between cyber criminals and companies:

- The development of **ransomware as a service** has made it easier for criminals to carry out attacks. Run like a commercial business, hacker groups such as REvil and Darkside sell or rent their hacking tools to others. They also provide a range of support services. As a result, many more malicious threat actors are operating.

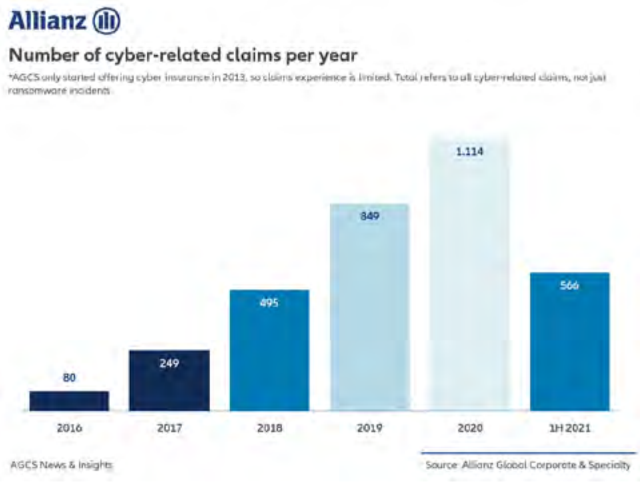
- **From single to double to triple extortion…** 'Double extortion' tactics are on the rise. Criminals combine the initial encryption of data or systems, or increasingly even their back-ups, with a secondary form of extortion, such as the threat to release sensitive or personal data. In such a scenario, affected companies have to manage the possibility of both a major business interruption and a data breach event, which can significantly increase the final cost of the incident.

  'Triple extortion' incidents can combine DDoS attacks, file encryption and data theft – and don't just target one company, but potentially also its customers and business partners. A notable case was a psychotherapy clinic in Finland a ransom was demanded from the hospital. At the same time, smaller sums were also demanded from patients in return for not disclosing their personal information.

- **Supply chain attacks the next big thing:** There are two main types – those that target software/IT services providers and use them to spread the malware (for example, the **Kaseya** or **Solarwinds**attacks). Or those that target physical supply chains or critical infrastructure, such as the one which impacted Colonial Pipeline. Service providers are likely to become prime targets as they often supply hundreds or thousands of businesses with software solutions and therefore offer criminals the chance of a higher payout.

- **Ransom dynamics:** Ransom demands have rocketed over the past 18 months. According to **Palo Alto Networks**, the average extortion demand in the US was $5.3mn in the first half of 2021, a 518% increase on the 2020 average; the highest demand was $50mn, up from $30mn the previous year. The average amount paid to hackers is around 10 times lower than the average demand, but this general upward trend is alarming.

- **To pay or not to pay:** Ransom payment is a controversial topic. Law enforcement agencies typically advise against paying extortion demands to not further incentivize attacks. Even when a company decides to pay a ransom, the damage may have already been done. Restoring systems and enabling the recovery of the business is a huge undertaking, even when a company has the decryption key.



BUSINESS INTERRUPTION AND RECOVERY COSTS MAIN DRIVERS OF LOSSES

Business interruption and restoration costs are the biggest drivers behind cyber losses such as ransomware attacks, according to **AGCS claims analysis**. They account for over 50% of the value of close to 3,000 insurance industry cyber claims worth around €750mn ($885mn) it has been involved in over six years. The average total cost of recovery and downtime – on average 23 days – from a ransomware attack more than doubled over the past year, increasing from $761,106 to $1.85mn in 2021.

The surge in ransomware attacks in recent years has triggered a major shift in the **cyber insurance market**. Cyber insurance rates have been rising, according to broker **Marsh**, while capacity has tightened. Underwriters are placing increasing scrutiny on the cyber security controls employed by companies. "Three out of four companies do not meet AGCS' requirements for cyber security," explains Marek Stanislawski, Global Cyber Underwriting Lead at AGCS. "Companies need to invest in cyber security. Losses can be avoided if organizations follow best practices. A house with an open door is much more likely to be burgled than a locked house."

CHECKLIST WITH IT SECURITY BEST PRACTICES

AGCS has published a **checklist** with recommendations for effective cyber risk management. "In around 80% of ransomware incidents losses could have been avoided if the organizations had followed best practices. Regular patching, multi-factor authentication, as well as information security and awareness training and incident response planning are essential to avoiding ransomware attacks and also constitute good cyber hygiene," says Rishi Baviskar, Global Cyber Experts Leader at AGCS Risk Consulting.

"If companies adhere to best practice recommendations there is a good chance that they will not become ransomware victims. Numerous security gaps can be closed, often with simple measures." In the event of an attack, **cyber insurance coverage** has evolved to provide emergency incident response services that typically include access to a professional crisis manager, IT forensic support and legal advisory. Further offerings include IT security training for employees and assistance with the development of a cyber crisis management plan.

Risk Management Must Address Shifting Nature of Business Volatility

Aon: Risk, Reinsurance, Retirement and Health Solutions.

Aon has announced the results of its 2021 Global Risk Management Survey, which gathers input from thousands of risk managers across 60 countries and 16 industries every two years to identify key risks and challenges their organizations are facing.

The past two years have proved to be incredibly volatile, with the global COVID-19 pandemic having had a ripple effect across other types of risk, such as heightened awareness of reputation and cyber, as long-tail risks have become increasingly important to manage.

The 2021 edition surveyed more than 2,300 respondents in 60 countries across 16 industries at both public and private companies. With more emphasis and reliance on technology, cyber risk topped the list as the number one current and predicted future risk globally, its highest rank since the inception of the survey. Cyber was also cited in the top 10 list of risks across each region, industry and respondent type.

"Organizations are shifting their focus from event-based to impact-based risk assessments: for example, business interruption was once seen as a linear risk, but the COVID-19 pandemic has demonstrated how it can affect multiple industries and companies simultaneously and globally."

The top 10 risks also strongly reflect the current landscape, namely COVID-19 and its impact on organizations. Amidst a backdrop of challenging market conditions, this is testing the ability of firms to manage volatility and make better decisions. Organizations are shifting their focus from event-based to impact-based risk assessments: for example, business interruption was once seen as a linear risk, but the COVID-19 pandemic has demonstrated how it can affect multiple industries and companies simultaneously and globally.

"The world is a more volatile place and the importance of better decision making has never been greater," said Lambros Lambrou, Aon's CEO of Commercial Risk Solutions. "Long-tail risks are not single events. They're innately interconnected, as we've seen with the COVID-19 pandemic fundamentally changing the way the world works, revealing new risks and re-ordering priorities in the C-suite. A preoccupation with managing these immediate risks may be compromising firms' ability to invest in the risks of tomorrow." Exacerbated by the COVID-19 pandemic, and highlighting the interconnectivity of risk, the top 10 global risks according to the 2021 Global Risk Management Survey are:

1. Cyber Attacks/Data Breaches
2. Business Interruption
3. Economic Slowdown/Slow Recovery
4. Commodity Price Risk/Scarcity of Materials
5. Damage to Reputation/Brand
6. Regulatory/Legislative Changes
7. Pandemic Risk/Health Crises
8. Supply Chain or Distribution Failure
9. Increasing Competition
10. Failure to Innovate/Meet Customer Needs

“Historically, risk managers and insurers have learned and made decisions by analyzing data from loss events as they have occurred. This approach must evolve in order to proactively manage emerging exposures such as complex supply chains; we can’t rely solely on the past to inform future risks,” said Rory Moloney, Chief Operating Officer for Enterprise Clients at Aon.

“Several of the top risks identified in this year’s survey **highlight four key areas of client need** we’ve identified, particularly unmet needs in the form of long-tail risks that are no longer on the horizon. Those risks are on our doorstep. There is an increasing realization of the need to address these ‘known unknowns.’ As we face unprecedented events, the challenge will be how to best develop solutions to properly prepare for and manage through them.”

The report highlights the top 10 risks by industry and region, as well as risk readiness, associated losses and mitigation actions for each of the top 10 risks. In addition, the report includes the predicted top 10 risks in the next three years and Aon’s analysis of underrated risks.

Highlights of key findings by region and industry include:

- Pandemic Risk/Health Crises risk jumped to number seven, up from number 60 in the 2019 survey, and was listed in the top 10 for every region except North America.
- Business Interruption ranked as the second-highest threat globally — and respondents in some geographies (Asia Pacific and Europe) ranked it as the number one risk.
- Commodity Price Risk/Scarcity of Materials is a predicted future top risk globally.
- Four risks consistently ranked in the top 10 risks in each region: Cyber Attacks/Data Breaches, Business Interruption, Economic Slowdown/Slow Recovery and Regulatory/Legislative Changes.
- Supply chain or distribution failure re-entered the top 10 and ranked highest in Europe and North America, in large part to its linkage to the pandemic and geopolitical impact. Though not a top global risk, workforce scarcity and retention issues ranked highly in Asia Pacific and North America.
- Energy, Utilities & Natural Resources; Hospitality, Travel & Leisure and Life Sciences ranked Business Interruption as the number one risk.
- Commodity Price Risk/Scarcity of Materials was ranked as the number one risk by respondents in the Food, Agribusiness & Beverage and Industrials & Manufacturing industries. It’s predicted to rise to the top five both globally and in Europe by 2024.

The 2021 Global Risk Management Survey also includes a deep dive on key issues, including risk management and assessment techniques, controls and mitigation and key risks underwritten by captives.

Additional findings from the survey include:

- The 2019 survey revealed that global businesses had the lowest risk preparedness scores in 12 years, averaging 53 percent globally. According to the 2021 survey, despite increases in reported levels of risk readiness for traditional risks, growing volatility and the changing nature of top 10 risks led to the highest ever reported loss of income for businesses.
- Though businesses didn’t list climate change as a top risk (number 29), it’s inherently tied to other, more tangible risks, where the immediate impact is measurable – such as business interruption, material scarcity, damage to reputation, regulatory changes and supply chain issues, which are all top 10 risks.

  Another underrated risk, Environmental, Social and Governance (ESG), ranked at number 31, up from number 39 in 2019. ESG is predicted to enter the top 15 risks globally in the next three years.
- Only 29 percent of survey respondents plan on increasing their investment level in risk management resources.

Conducted every two years since 2007, Aon’s Global Risk Management Survey provides data and insights to enable better decision making around risk in an increasingly volatile and complex business environment. The full report is available here.

Electric vehicle can affect insurance

Wynand van Vuuren, Client experience partner, King Price

Electric vehicles (EVs) are still a tiny part of the South African car market, but that's about to change as global interest in EVs surges and government fast-tracks plans to create a thriving local EV industry.

In South Africa, there are only an estimated 1,500 EVs on our roads, with high prices and a lack of charging infrastructure remaining major inhibitors to the uptake of this technology. But government has bold plans to drive the sale of new energy vehicles and create a vibrant manufacturing industry for EVs and their components, which could see the country rapidly pivot towards the electrification of private and public transport vehicles.

It's part of a global boom in EVs, which last week saw car rental giant Hertz order 100,000 Teslas to electrify its rental fleet. In the UK, the government has announced a ban on the sale of all petrol and diesel vehicles after 2030, which will see more than 6.5 million consumers set to buy EVs in the short term. And Japan now has more EV recharge points (40,000) than filling stations (35.000). There are two areas where owning an electric vehicle will affect your insurance: The price of the vehicle, and the need to ensure that home charging infrastructure is compliant.

If you have an EV, your insurance experience will be similar to that of a conventional vehicle. You'll probably pay a bit more to insure an EV, because it's more expensive than your average vehicle, and they cost more to repair than conventional cars. But the standard factors, like your age, claims history and where you live will still be the biggest determining factors of your personal risk.

By the same token, the theft risk for an EV could drop, especially in the early days of EV adoption, as they will be both difficult to steal and hard to dispose of.

"If you have an EV, your insurance experience will be similar to that of a conventional vehicle. You'll probably pay a bit more to insure an EV, because it's more expensive than your average vehicle, and they cost more to repair than conventional cars."

The bigger change would be if you choose to install charging equipment at your home. This type of equipment will have to be installed professionally and connected to the building's power grid, and will have to be noted on your policy schedule to ensure that issues like power surges are covered.

This will have an impact on your buildings insurance, and you should preferably discuss this with your insurer or broker before you install any charging equipment at a residence.

The bigger trend of interest to the insurance industry is that mobility patterns – and how we own cars – are changing. People are increasingly able to get around without their own cars, especially if they live in urban areas. 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.

There's no doubt that EVs are going to become a way of life in South Africa sooner than we think. But ultimately, changing ownership patterns will have a greater impact on the insurance industry than EVs.

Heavy vehicle transport: Economic lifeblood

Dean Robertson, the Managing Director of BrokerserV

We speak to Dean Robertson about the challenges and opportunities of the HCV environment.

COVER: As with most insurance lines, heavy commercial vehicle insurance is not just as straightforward as insuring a truck. From your perspective, can you give us an overview as to what type of business heavy commercial vehicle insurance is?

Dean: It is fairly similar to other kinds of insurance, like commercial on steroids.., Your risk exposure is a lot bigger and your impact is a lot higher. Your truck, trailer, and your goods in transit are the main elements of HCV insurance. That is really what it is, so nothing too out of the ordinary, just in itself a bigger animal to what you would normally deal with. But everything else is basically the same. So, you just apply the same wordings, your limits are all there, it is just the same insurance structured on a different role.

COVER: In terms of complications, does a broker need specialist skills to be able to do that, or can they participate by migrating from normal business to including HCV in their portfolio?

Dean: I think, again, the concept is the same on all types of insurance. You should not be selling anything that you do not understand. So, whether it is just personal lines, commercial lines, or in this case, HCV, you need to fully understand the product that you are selling. The concept of the product is the same as any other insurance, you just need to understand the basic risks, understand the type of people you are dealing with, and what sort of elements are being dealt with for them. So, in terms of the understanding and being able to offer this product as a broker, I do not think there is any reason why anybody cannot get into it. You just need to understand that it has a few different elements to it.

COVER: The motor business, over the last 18 months, has had to adapt quite a lot, what happened from an HCV perspective, with regards to COVID and the lockdown?

Dean: I do not think that we can ring-fence HCV from how anybody was really impacted. I think we were all impacted, and the HCV guys were impacted similarly, especially when it came to the closing down of the cross-border routes between the provinces. You have taken somebody's livelihood, his income. If he is not transporting, he is not earning. The only time that they are going to earn money is by transporting, so that was a big knock for the transporters. In terms of COVID itself, it is a reality for all of us, so we just have to get through it. Hopefully we do not go back into a hard lockdown, allowing the guys can recoup some of that money that they have lost.

COVER: Going forward from here, we have learned a lot over the last 18 months. It has made business a lot more flexible in terms of how we approach clients, or deal with individual clients and their problems, challenges. How do you see this going forward?.What are the challenges and opportunities?

Dean: I think there are a lot of challenges. Our road infrastructure is going to be a massive challenge. It already is. We see trucks often diverting from main routes to go through towns to avoid toll gates and we are talking about roads that have not necessarily been built with the

"Often you find with your big insurers, your brokers are not really dealing with a person, you are dealing with multiple people, and we try and streamline that into dealing with a direct person that the brokers can actually get in a relationship with."

mindset of big trucks coming through in vast numbers. I have actually y seen some of these little towns where the roads are being totally wrecked by trucks. Being a smaller town, they are probably not really the most efficiently run areas, and there is no financial benefit for them. The trucks are just destroying their infrastructure. So, I think from that point of view, it is a massive problem. I do not know how we are ever going to get over that problem, so you might eventually find towns introducing their own little tolls for large vehicles, because that is how they are going to get money to fix that infrastructure. That is not coming from the government.

Our ageing trucks are also a problem. Operators are not able to afford to purchase new trucks and the fees that they get for running the jobs that they are doing has not kept up with the inflation of the truck necessarily. So, you find that we are dealing with guys that are running trucks that are 15-20 and plus years olde. If they have been well maintained, it is not necessarily a problem, but the problem comes in that these trucks have not kept up with technology.

So, you are losing the benefit of what the new trucks offer. Your lane assists, your crash detection, that type of thing. Even something as simple as the air conditioner not functioning in the truck can become problematic. You have probably experienced yourself driving along and if you are getting too warm, you start feeling a little bit sleepy. If the driver falls asleep in a truck that is travelling, just for a second, that incident is quick and often devastating. In terms of opportunities here, I have got to tell you, I am not overly bullish. Just given what we have, and all the challenges that have been mentioned, without economic revitalization, I cannot see a huge move going forward into changing these old trucks and getting our roads into a good state.

Our licensing departments are not functioning properly, we are not even sure about the validity of a lot of the licenses that are being given to truck drivers. These are things, that for me, could be an opportunity if they were to get it rectified. But there are no signs of any effort being done. So opportunities, I am not the biggest bull on at the moment, to be honest.

COVER: Looking at brokers that are in this segment at the moment, and the new ones who are looking at it, why BrokerserV. Why work with you guys?

Dean: We only work through brokers, we do not do any direct business. We believe the systems that we have are all good and we give the brokers access to our systems. They can see their policies, their claims and everything is there for them to view. I believe that with working with Constantia, we have got a good product, good rates and the services we actually offer to the individual broker is basically a direct relationship to the company.

LIABILITY

“The golden rule is to remind your client never to admit liability as this may very well compromise the success of their claim, as it is expressly prohibited.”

- Soul Abraham - Chief Executive: Retail Insurance, Old Mutual Insure

The ever changing liability landscape

Bertus Visser, Chief Executive of Distribution at PSG Insure

It is no exaggeration to say that the liability risks faced by businesses have never been higher.

The rise of social media has made it much easier for third parties to connect with one another and launch class action lawsuits, consumers are increasingly becoming aware of their rights and options for legal recourse, and changing company legislation gives shareholders and customers more solid grounds for litigation.

In addition to this, legal fees rise each year at rates that are well above inflation (something that is expected to increase even more sharply as law firms start working towards recovering from the effects of the pandemic).

To top it off, the Covid-19 pandemic has changed the playing field in ways that few could have predicted. Companies now have additional responsibilities around compliance with new health and safety standards, and directors are at higher risk of making (actionable) errors that result in lost revenue in this strained economic climate.

The good news is that liability insurance is keeping pace with the risk landscape and is becoming more sophisticated by the day. It's vital for insurance advisers to stay abreast of these changes and to have a solid understanding of the liability risks that businesses face, so that they can distinguish themselves aside as a trusted risk adviser.

Some of the most important risk mitigating liability products available to businesses include:

LIABILITY

Liability is one of the most widely used types of liability insurance and is the minimum cover that a company should have in its portfolio. The product helps protect businesses that have a high volume of foot traffic or that operate in close proximity to the general public, such as restaurants, against personal injury claims. It is also a company's first line of defence against litigation by employees if the business is taken to court for labour-related disputes. Lastly, if your business has to issue a product recall, liability is absolutely invaluable in helping the company to carry the massive cost of recalls and related third party claims.

DIRECTORS & OFFICERS (D&O) COVER

The Companies Act makes it possible for third parties to claim damages directly from the directors of a company if they have failed or been negligent in carrying out their fiduciary duties. This means that directors put their own finances on the line every time they step into the boardroom.

The Covid-19 pandemic has increased company directors' risk exposure. The responsibility of ensuring compliance with Covid-19 protocols ultimately rests with the directors, and they can also be held liable if the business loses revenue because of inadequate risk management. D&O cover is crucial to protecting a company's board and enabling them to make decisions with confidence.

"the Covid-19 pandemic has changed the playing field in ways that few could have predicted. Companies now have additional responsibilities around compliance with new health and safety standards, and directors are at higher risk of making (actionable) errors that result in lost revenue in this strained economic climate."

PROFESSIONAL INDEMNITY

If a company delivers any kind of professional service, the skilled professionals within that business can potentially be exposed to litigation for errors or negligent acts. Especially during times of economic instability, professionals are often pushed to deliver services or advice that fall outside of their professional qualifications.

The time limitation for legal action is also incredibly long for most professionals. Architects and engineers can see liability suits arise 10, 15 or 20 years after they have signed off on work – and where minors are involved, victims have up to one year after reaching adulthood to pursue legal recourse.

CYBER LIABILITY COVER

Last, but certainly not least, all businesses need to insure against increasingly prevalent cyber risks and ensure that this risk is being managed correctly. The Protection of Personal Information (POPI) Act 4 of 2013 is now in full effect, and any business that deals with customer information is at risk.

Cyber liability cover can assist in providing funds for legal defence against regulatory action, as well as any third party claims that arise from successful regulatory action. Arguably, the most valuable aspect of a cyber policy is the value-added risk management services that insurers offer as part of the product.

These may include cyber security consulting, security training and managing the company's data security. It's important to remember that while not all of these products will apply to every business, there is one crucial universal rule relating to liability cover: uninterrupted cover is key.

Liability claims can take years to manifest, and if there is any interruption in cover between the time of the claim and when the event took place, it's likely a policy will not pay out.

Liability insurance is a growing risk

Thokozile Mahlangu, Chief Executive Officer at the Insurance Institute of South Africa

Liability insurance is a rapidly growing segment within the South African insurance space, driven by major market shifts and a raft of emerging threats that are affecting businesses and professionals across a variety of industry sectors.

Insurers are increasingly having to contend with rising liabilities that are leaving businesses and professionals more exposed than ever, including in areas such as basic business liability, directors and officers (D&O) liability and broad form liability. All of this is coupled with a strong consumer environment that is being shaped by ever-evolving consumer behaviour, trends and demands, as well as a significantly changing regulatory environment.

One of the largest emerging liability risks remains that of cyberattacks, with data suggesting that cyber threats exploded during the COVID-19 pandemic, with a tenfold increase in attacks on digital networks in South Africa since government first declared a national state of disaster in March 2020.

This year alone, South Africa witnessed several high-profile cyberattacks, the most prominent being the recent ransomware attack on Transnet's port operating systems, affecting the container-handling facilities at Durban's port were affected, significantly increasing logistical congestion. Because South African laws do not compel companies to publicly report cyberattacks, security experts warn that the known and publicised incidents are likely just the tip of the iceberg. In reality, the frequency and sophistication of cyber threats against South African companies are far more serious than we imagine.

NOT JUST FINANCIAL LOSS

Most cyber security threats are motivated by financial gain, yet their impact and the insurance risk they pose go beyond just the financial losses incurred in the form of paying a ransom or the costs of backup, recovery and downtime suffered by an organisation.

Cyberattacks can also have severe implications in terms of data breaches. Thus, the impact of cyberattacks must be viewed against the backdrop of changing regulatory frameworks and legislation that govern the handling and storage of customer data.

A prime example of this is South Africa's recently-introduced Protection of Personal Information (POPI) Act and the Cybercrimes Act. This Acts mean that regulatory penalties and consequences for not protecting critical data have grown significantly, meaning that data breaches are now additional liability risks that insurance companies must take into consideration.

Prominent law firm Michalsons notes that companies must take proactive steps to comply with cyber laws as a means to mitigate risks (including privacy-related legal risks). However, insurance can also be an effective way of managing some of the risks.

Thus, related – but not limited to – data breaches and the handling of personal information is Directors and Officers (D&O) liability insurance, which protects the personal assets of corporate directors and officers in the event they are personally sued by employees, vendors, competitors, investors, customers, or other parties, for actual or alleged wrongful acts in managing a company.

MITIGATING DETRIMENTAL EFFECTS

D&O liability insurance covers some of the most important facets that have the power to cause detrimental effects on both an individual and a company, as it provides coverage for personal liability – claims made against directors and officers for "wrongful acts" where indemnity from the insured company is not available.

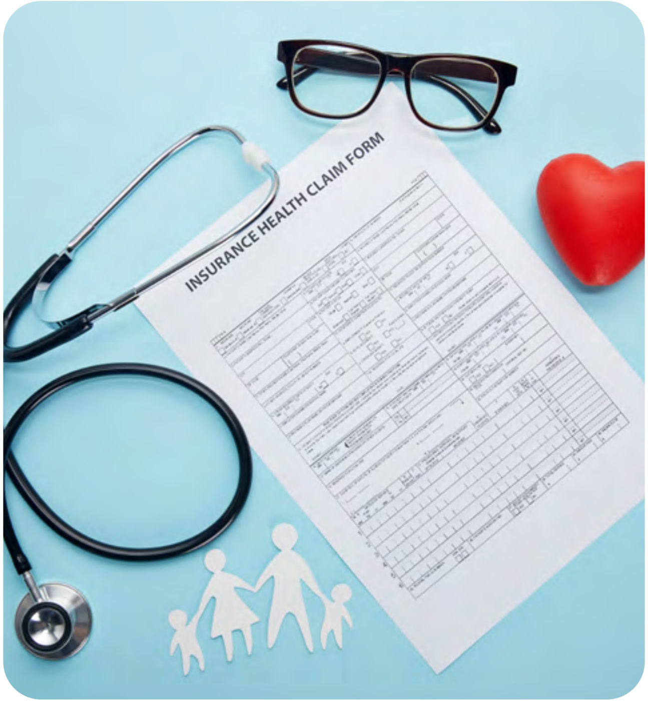
Some industry commentators have thus suggested that insurers must price risk differently to allow for the increased frequency and size of their D&O-related losses, which were not previously contemplated in their rating models. This is one reason why there has been a hike in pricing, as well as restrictions in cover and even markets withdrawing from certain industry sectors as appetites wane.

Additionally, insurers are facing a range of other liability risks, including riots and looting, product recall and climate change. Many of these have been exacerbated and accelerated by the ongoing COVID-19 pandemic and the resultant "new normal" under which we now operate.

While liability insurance is a becoming a large focus area – and indeed a challenge – for many insurance companies, a variety of products and risk mitigation models are available to address these issues.

The future of insurance depends on insurers' ability to explore new models of doing business to ensure relevance, while models that capitalise on the benefits of technology to meet a changing set of consumer demands can give insurers a competitive edge.

Proactively rethinking their business will position insurance companies to successfully mitigate the growing risks presented by commercial and professional liability



The product recall realm of liabilities

Jacques Stahl, Bryte's Product Specialist Underwriter

Businesses are increasingly placing liability risks high on their list of concerns and with good reason.

Looking specifically at product recalls - which *"in broad commercial terms"*, Camargue Underwriting Managers explains as occurring *"where a product, which has already permeated the market, shows potential to cause harm to consumers and potentially lead to legal consequences for the supplier of the product"* - these are becoming more prevalent and the scale, substantially larger.

Just a single recall has the capacity to negatively affect millions of consumers1 and multiple businesses/brands on a global level. US-based Food Safety Magazine refers to recalls as the *"food industry's biggest threat to profitability"* and when you consider the potential for third-party liability, together with the shifts that have prompted a more litigious society, it comes as no surprise. But, concerningly, a number of businesses are not applying the required risk management measures to prevent possible exposure.

LET'S FACE FACTS...

The demand to produce products more cost effectively, to scale, and even quicker than ever before, sometimes comes at a very high cost. One of the greater challenges faced is the quality controls and underwhelming regulatory requirements across markets that are providing cheaper inputs/manufacturing services. The consequence is compromised quality and/or safety standards with more frequent product issues and subsequently, a growing number of larger-scale recalls.

If we consider just a few developments making headlines this year:

- Almost one million vehicles recalled due to concerns around possible faults with airbag inflators
- A renowned beverage brand withdrawing its apple-based beverage due to concerns around *"higher levels of a natural toxic substance"* in the apple concentrate supplied
- A leading FMCG company removing more than 20 million canned vegetable products from the market over safety concerns arising from potentially defective cans. In terms of volume, this number is equivalent to 9% of the company's annual production, with the final impact estimated around R650 million. That's the equivalent of paying more than 340,000 old-age pensions.

COUNTING THE COST

Many of these recalls are done proactively – even though there may not be any cases (or a low probability) of illness and injury. A failure to act can be even more devastating, to not just the bottom line, but also the reputation of the business and essentially, its resilience or even survival. While local data is a little sketchy, a study by the US-based Food Marketing Institute and the Grocery Manufacturers Association, found that food recalls cost companies an average of R150 million.

This is just with respect to direct costs which tends to include the recall-related investigations, announcement to stakeholders, expenses involved in facilitating product retrieval, loss of profits from products, etc. But, in effect, the real cost can be multiples more – as illustrated by the Tiger Brands example. The costs of product recalls, related expenses/liabilities and the value of the intangible effects, can be significant.

For example, third-party liability claims/lawsuits can have a devastating financial and reputational impact. Some reports suggest that the 2018 listeriosis outbreak, for which a class action law suit is ongoing, has come at a cost upwards of R1.5 billion. While this is a business that has been able to absorb the financial and reputational shocks, this is not something all businesses are equipped to achieve.

"its vitally important that the right types and levels of insurance covers (e.g. product recall, product liability, general liability, cyber liability, business interruption, etc.) are in place, and regularly reviewed."

FOOL PROOF – A FALLACY

Even though the strictest safety and preventative measures are adhered to, no process is truly fool proof. Businesses may find themselves in a predicament despite their diligent efforts.

So, its vitally important that the right types and levels of insurance covers (e.g. product recall, product liability, general liability, cyber liability, business interruption, etc.) are in place, and regularly reviewed. Such covers have the potential to safeguard companies from bankruptcy.

But, it can also extend access to a much-needed legal, reputation management, and medical expertise, among others – access that can make the greatest difference in supporting business and brand recovery. With liability exposures broadening and becoming more complex, effective risk management takes a multi-faceted and consistent approach. Businesses that don't effectively factor these realities into their risk resilience strategies would be remiss in doing so.

ENHANCING THE INSURANCE INDUSTRY'S ROLE FOR BUSINESSES

From an insurance industry perspective, understanding the depth and diversity of continually evolving risks, and effectively guiding customers on their journey of risk readiness, takes advisors and insurers with deep insight as well as foresight. Intermediaries and insurers must be in a position to effectively educate customers on the risk realities associated with product recalls (and other emerging risks), the various forms of associated liabilities, and the practical measures that can be implemented to help businesses de-risk and approach risk with purpose.

Sources: https://www.oecd.org/about/impact/global-recalls-portal.htm

Personal liability insurance and how to mitigate potential liability

Soul Abraham - Chief Executive: Retail Insurance, Old Mutual Insure

Personal liability insurance can be a thorny topic, and even more so because it can be tricky to explain to your clients.

The reality is that anyone in South Africa that owns property has a reasonable duty of care to provide to all visitors who enter their property. If a homeowner breaches their duty of care and is negligent towards a guest and the visitor is injured, he or she is entitled to sue for their injuries. This is when personal liability insurance kicks in.

WHAT IS PERSONAL LIABILITY COVER? HOW DOES THIS COVER PROTECT CONSUMERS?

Personal liability insurance is to cover your client's legal liability for accidental death, bodily injury, or illness of another person, or for accidental loss or damage to property belonging to another person. This insurance cover is typically entrenched in homeowners or household content insurance, or a separate class on a personal insurance policy.

As a rule, personal liability insurance cannot be purchased on a stand-alone basis.Many comprehensive household insurance policies have personal liability cover within them. Personal liability cover provides for the legal fees and damages claimed against your client (in their personal capacity) because of something that happened on their residential property – for example a postman bitten by his or her dog; personal liability insurance provides cover if they are sued.

COMPLEX PRODUCTS

The most common form of personal liability insurance is that for which doesn't need to be paid separately. Typically, the liability coverage provided on a standard policy can be complicated. For example, liability arising out of home businesses can be complex and in many circumstances these risks will be excluded. It can not only impact liability but also personal property as well. Often coverage can be added at a nominal extra premium charge depending on the type of business being operated. Typical exclusions under a Personal Liability policy relate to liability for motor vehicles that require registration and licensing to operate on roads. Therefore, cars require motor insurance cover and are not insured under home contents policies.

CLAIMS PROCEDURE

It is crucial to remind clients that they must notify their you (their broker) as soon as possible after an event in which they were involved if it may give rise to a claim. If anything should occur, the client should keep a record of what happened as well as any witness statements. It is only when the client receives any documentation from the third party, they must send it to the Insurer immediately. They must not try and negotiate with the third party directly as this could prejudice their claim.

TOP THREE TIPS TO GIVE YOUR CLIENTS

The golden rule is to remind your client never to admit liability as this may very well compromise the success of their claim, as it is expressly prohibited.

- Advise them to seek medical attention immediately. The well-being of their guests should always be their priority. Take all necessary steps to ensure no further aggravation of the incident.
- Evidence is in the detail. Take pictures. We live in an age of digital ease – always take photographs to substantiate the claim if possible.
- Gather and preserve other relevant information or evidence. Get the names and contact information of any person who may have witnessed the incident or who can describe the conditions of the floor, lighting, security, or any other conditions at the time of the incident that may have contributed to the injury.

The role and importance of Medico-legal insurance

Alex Brownlee, Executive for EthiQal and Group Health Actuary at Constantia group

Alex Brownlee answers a few questions about the role and important of Medico-legal insurance.

Cover: What does Medico-legal insurance entail?

Alex B: The main aim of Medico legal insurance is to help ensure doctors stay in practice. It is to protect them when they are accused of medical negligence, or if they have made a mistake with patients.

There are essentially three elements. Firstly, there is Medico- legal advice, secondly the legal support, and then thirdly, the financial support.

When there is a large claim demand, we obviously do insure and cover those claim payouts and those can run into the millions of Rands. That is where the financial protection steps in, so that we keep our doctors in practice.

Cover: Doctors operate in a very difficult environment. What are some of the factors that have significantly impacted the medical legal space in the past three years?

Alex B: Firstly, there was quite a big increase from the 2000s/ 2010's up to 2016/2017 in litigations, with lawyers focusing more on the medical malpractice space. Since 2016/2017, it has been a bit more stable since, but still at a very high level.

That does create a risk and affordability challenge in this type of insurance. In parallel, in the last decade, social media has caused quite a bit of angst in the doctor space, because it is different to the old style, where you would get a claim or complaint through official routes. Social media opens a wide audience and a different challenge.

Then since 2020, it was really the COVID-19 pandemic that had a major impact. Elective surgeries were stopped, so practitioner income levels were significantly affected. There was also a need to have an expanded scope of practice. Doctors had to move into telemedicine or even just treating COVID patients, which was not the norm. Then also the emotional strain on the doctors, the hours, the waiting in the queues, long queues, the financial strain, all have an effect.

Adapted to include wider scopes of practice. Telemedicine for instance, brings different risks to a normal doctor patient relationship. And then there are income levels.

Medical malpractice insurance is expensive so, if your patient volumes drop, income is impacted. We did assist with some COVID Relief payments last year.

Cover: How do the risks differ between the Public and Private Healthcare Sectors?

Alex B: At a high level, the public sector, if you look at their volumes, certainly is more exposed to medical negligence claims. Both in the volumes, the number of claims against the doctors and healthcare practitioners, as well as the size of those claims and the payouts. The payouts we have seen in the public sector have been very high relative to the private sector.

So, we do seem to have lower volumes, and the payouts are much more reasonable, although still large, for the high-risk specialties. There are similarities with the high risks that are typically around births, particularly cerebral palsy babies, those are probably the largest payout claims. There is some alignment in terms of our highest risk exposures. But the public sector does seem to have a lot more of those relative to the private sector. The private sector has more diverse cases across surgical specialists as opposed to just cerebral palsy babies and the birthing space.

Cover – What is the EthiQal value proposition and how does EthiQal make a difference?

Alex B: Firstly, we are a South African team, based in South Africa, led by South African experts. We have an internal team of clinicians, doctors, lawyers and an actuary. We work quite closely with the professional leadership organisations in the healthcare space.

Secondly, our big philosophy is to help doctors in private practice. We work with professional societies, and we are also the only South African regulated insurer to offer the gold standard product, called Occurrence- Based Cover. The only other provider is MPS, which is overseas based. We strongly believe that is what the doctors need, a proper protected product.

The third one is that we are turning five this year in November, so we have been around and helped stabilise the distressed Obstetrician market, working with professional societies and their leadership in stabilising their premiums. In the mid 2010's, that market was particularly hard hit by massive premium increases and when we came in 2016, we really helped stabilise that. We now are the market leaders in the obstetrician space.

"The underwriting process upfront is more complex. It is more like a commercial underwriting approach. You need to understand holistically - the practice, the doctor, the patients, what procedures they do, the ecosystem that they work in. So, it is quite a complex underwriting process."

Cover: What does it take for a Broker to be able offer Medico-legal cover?

Alex B: We do need to recognise that the product itself and the environment is complex, it is not simple. The underwriting process upfront is more complex. It is more like a commercial underwriting approach. You need to understand holistically - the practice, the doctor, the patients, what procedures they do, the ecosystem that they work in. So, it is quite a complex underwriting process. Even the underwriting renewal space is not just a simple renewal process.

The claims process is also more complex. It really is the start of a whole legal journey, and it can potentially take a number of years. Therefore, the intermediary needs to understand the environment, while understanding of the product is also key. To translate that into the record of advice and that upfront underwriting space is also critical. Then to have a bit of tenacity because doctors, particularly the specialists, are very busy, they do not like admin and underwriting questions and those types of admin processes. You need to know how to support the doctor through the processes.

Often we find intermediaries that have connections in the healthcare space, maybe through family or through the medical societies. They will have a slightly better understanding of the environment, and that is useful. Then, as I mentioned, to have the tenacity and patience with the doctors to help them through the insurance process.

Cover: Our doctors have gone through a lot over the last few years. How do we really thank them for that, other than paying them?

Alex B: The 16th of November was Doctor's Day. As EthiQal, and Constantia, we have an annual campaign where we really try to get the public involved, to say thank you. The aim is to get the public to recognize the doctors and healthcare professionals as heroes, to share stories. Entrants also have chance to win prizes. Although this day has passed, I encourage readers to visit www.doctorsday.co.za find out more and get involved in saying thank you to our doctors, who are a national asset.

FINANCIAL PLANNING

“compound interest is the most powerful force in the universe.”

- **Albert Einstein**

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Treasury's two-bucket system likely to triple future pensions

Natasha Huggett-Henchie, Retirement Matters Committee, Actuarial Society of South Africa,
Principal Consulting Actuary from NMG Consultants and Actuaries

Actuarial modelling by the Retirement Matters Committee of the Actuarial Society of South Africa (ASSA) suggests that National Treasury's "two-bucket" proposal is likely to result in significantly higher monthly retirement income for pensioners by allowing future retirement savings to benefit from the power of compounding.

Recent analysis of fund administrator data shows that more than 80% of retirement fund members cash in their retirement benefits when changing jobs rather than preserving their savings. While all retirement funds are compelled to encourage preservation in terms of the retirement funds default regulations introduced by National Treasury in 2016, members are still allowed to take their full benefit in cash.

The majority of people take their benefits when changing jobs despite the punitive tax levied on the withdrawal of retirement benefits. To make matters worse, cashing in retirement benefits also reduces the tax-free lump sum normally available at retirement. In other words, members are making bad choices by prioritising their short-term needs and wants, sacrificing future investment growth on their benefits and risking double taxation resulting in lower pensions at retirement.

National Treasury is therefore proposing to introduce a new system, referred to as the "two-bucket system" to allow retirement fund members to access a portion of their retirement benefits for emergencies such as the Covid-19 pandemic. The access comes with the condition that the other portion of the retirement benefit cannot be accessed before retirement (the earliest age is 55). This results in the so-called "two bucket system" where one bucket is accessible and the other is preserved for future retirement benefits.

A well-designed, actuarially sound two bucket system will therefore solve two problems for retirement fund members: they will have access to emergency funding when needed and their savings will benefit from compound growth leaving them with a substantially bigger nest egg on retirement.

It is the compounding effect over time that accelerates the growth of your retirement savings. For this reason, she adds, Albert Einstein famously referred to compound interest as the most powerful force in the universe, while Warren Buffett attributes his wealth to "a combination

"Albert Einstein famously referred to compound interest as the most powerful force in the universe, while Warren Buffett attributes his wealth to "a combination of living in America, some lucky genes, and compound interest"

of living in America, some lucky genes, and compound interest". Compounding is enabled when the returns earned on your retirement savings together with any capital growth is left to attract further gains. The effect of earning income on income and further growth on capital gains is referred to as compounding.

TO ILLUSTRATE THIS, THE MEMBERS OF THE RETIREMENT MATTERS COMMITTEE MODELLED THE FOLLOWING SCENARIOS:

Scenario 1: A retirement fund member who joined a fund at age 20 changes jobs every seven years and withdraws (and spends) the full benefit every time. However, once the member reaches age 50 they will focus on saving for their retirement and start preserving their benefits until age 65.

Scenario 2: The "two bucket" system has been implemented and the member, who joined a retirement fund at age 20, has access to one third of their benefit in the access pot. The member withdraws the full available amount in the access pot every five years until they reach age 65.

The results - Scenario 1: The member in the first scenario is likely to retire with a net replacement ratio (NRR) – the ratio of the member's pension expressed as a percentage of their pre-retirement salary – of around 15%, which means that they will have to learn to survive with a monthly pension equal to 15% of what they earned in the year before they retired. If this member further reduced their retirement benefit by taking another cash portion at retirement, their NRR drops to 10%. Therefore, someone who was earning R20 000 a month before retirement would now have to survive on R3 000 a month, reducing to R2 000 if they take a lump sum at retirement.

The results - Scenario 2: By contrast, the member in the second scenario will retire with a NNR of 36% on their full benefit, or 32% if the cash portion is accessed. In other words, their monthly income is more than three times higher than if they had been allowed to follow the path of the person in the first scenario. Despite withdrawing their full one third over their working years up to retirement, the remaining savings were able to benefit from compounding. Staying with the example of someone who was earning R20 000 a month before retirement, this person would have access to a monthly pension of R7 200, reducing to R6 400 if they take a lump sum.

By far the best outcome at retirement is achieved by retirement fund members who never access their retirement savings, thereby enabling the power of compounding to deliver the best possible outcome. Someone who doesn't access their benefits ever could end up with an NRR of almost 52% if they don't take cash at retirement, or 32% if they do. The rand equivalents are a pension of R10 400 per month, or the same R6 400 if they take a lump sum, relative to the salary of R20 000.

For this reason, all retirement fund members should be provided with meaningful information about the impact of accessing their emergency bucket on their long term retirement aspirations.

RULES REGARDING ACCESS

While National Treasury is still working out the details of how the "two-bucket" system will work, the Retirement Matters Committee has made a number of recommendations for consideration based on its modelling work, especially regarding the rules and restrictions regulating the accessibility of the emergency portion.

The committee feels strongly that there should be absolutely no need based rules as this is open to abuse and very onerous and costly to administer. Our modelling indicates that forcing the compulsory two thirds preservation actually improves outcomes at retirement, and members are going to find a way to borrow against or spend their one third anyway.

Access to the one third should therefore be available to all retirement fund members regardless of need. The actuarial modelling indicates that the frequency of withdrawal from the access pot does not affect the ultimate net replacement ratio at retirement. If you withdraw more frequently you just get a smaller cash amount each time as it doesn't have time to build-up, but the preservation part remains unchanged.

There will, however, be an administrative burden to pay the cash amount and therefore some restrictions would be needed to reduce frequency. Here we would suggest that the regulators allow annual withdrawals, with a free once off withdrawal, and a free withdrawal every five years. Additional withdrawals should be subject to an administration fee deducted from the benefit.

I recommend putting in place a rand limit on the withdrawal amount at any point in time to avoid abuse by high income earners.

The biggest concern for retirement funds is the potential for a proverbial "run on the bank" if all retirement fund members are allowed to withdraw their emergency funds immediately after the legislation is promulgated. To avoid this there some initial controls and safe-guards will have to be put in place.

True test of successful wealth creation

Adriaan Pask, Chief Investment Officer of PSG Wealth

In wealth creation, as in life, true success lies in helping the next generation become independent.

We all want to leave something behind for our children and grandchildren, but what if, more than just a lump sum, you can leave them with financial wisdom? The problem with bestowing your beneficiaries with a lump-sum amount combined with no financial know-how is that they can find themselves right back where they started (or worse).

Too often, a lack of financial education can cause money to be misspent or capital to be poorly allocated. Research conducted in 2015 by the Williams Group wealth consultancy stated that about 70% of family wealth is lost in the second generation, which increases to about 90% in the third generation. So, what can you do to protect your beneficiaries from having this happen?

FOCUS ON BUILDING A HEALTHY RELATIONSHIP WITH MONEY

Just as with saving for your retirement, the best time to start speaking to your children or grandchildren about money is when they are young, and the next best time is right now. David Anderson, PhD, clinical psychologist at the Child Mind Institute, advised that you can start a child's financial education from about eight or nine years old, when their math skills are advanced enough to understand basic arithmetic. Be open and help them become comfortable with using money and wealth journeys as an everyday occurrence, instead of having to figure out how to build (and stick to) a budget when they get their first paycheque.

Discuss things like the difference between a long- and short-term financial goal and the aspects involved. For example, comparing a "rainy-day fund" to retirement – you'll look at the ultimate size, the monthly contributions, the type of product needed, ease of access to the funds, duration, etc.

A visual way to show little ones how savings can accumulate is to give them a glass jar for a piggy bank so they can see the money fill it up. Always keep in mind when discussing finances that a healthy relationship with money can open a wealth of doors and lead to optimal wealth creation.

LIMITING BELIEFS AROUND MONEY

Fear-based beliefs	Millionaire mind beliefs
"I have to work hard for my money."	"I do what I love; I solve problems for others and make a large profit."
"Money is a limited resource."	"There is enough money for everyone who is willing to earn it."
"I can't control if I become wealthy or not."	"I create my life and take consistent actions to make it how I want it."
"More money means more problems."	"More money means more choices in every aspect of my life."
"It is not right to be rich when other people are so poor."	"I can do more for others when I am rich than when I am broke."
"Money can't buy me happiness."	"Money gives me the freedom to do things that improve the quality of my life."
"Money is the root of all evil."	"Money is a resource to do good in my life and for others."

Source: HarvEker

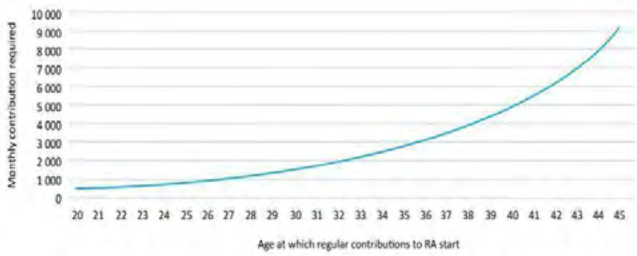
PRACTICE THE ART OF SETTING FINANCIAL GOALS

Again, there is no age limit to setting SMART (specific, measurable, attainable, realistic, time-bound) financial goals. The goal can be anything, from saving for a pair of sneakers to buying a house or for retirement, depending on you or your beneficiary's current need. One of the great advantages of this type of measurable goal setting is that it can help you avoid the instant gratification vortex that can so easily lead to squandering.

The first step is to be *specific*. Don't just say, "I want to be able to retire comfortably". Pen it down to "I want to retire with R10 million". Make sure the goal is *measurable*, but also know how you'll measure the progress made. In this example, you can look at investment statements to see how your fund grows and adapt your monthly contributions as needed.

Ensure your goal is *attainable*; it should be challenging but possible. Based on your investment period, is it possible to reach your R10 million retirement goal? As illustrated by Graph 1, the sooner you start to invest, the smaller the monthly contributions need to be.

GRAPH 1: HOW MUCH MORE DO YOU NEED TO SAVE TO REACH A GIVEN TARGET?



Source: PSG Wealth research team

Assumptions: 10% p.a. net investment return; 6% p.a. contribution escalation. Retirement age: 65. No tax payable within the retirement annuity structure. Amount accumulated at the end of term is R10 million (nominal value, not inflation-adjusted). How *realistic* is your goal? Be honest with yourself and about your circumstances. Ensure that there is some breathing room in the budget for emergencies and life expenses. Put away as much as you can each month, but don't commit to a monthly amount that's so tight that you have to cut essentials or incur debt.

Be sure to keep your goal *time bound*. In this example, the deadline date is 65 years of age. Be strict with this timeline and the use of this investment.

Don't use it as a type of savings account that you can dip into whenever; it needs time to build and accumulate compounded interest in order for you to reach the ultimate R10 million goal. Dipping into the investment means you'll have to work even harder to make up the gains you missed. For a more ambitious goal such as a retirement plan, speak to your financial adviser.

LET YOUR LEGACY BE MORE THAN A NUMBER

PSG Wealth advisers construct wealth journeys specific to their clients' individual needs and circumstances. So, the next time you speak to your adviser, why not ask about products suited for your beneficiaries and advice on how they can manage investments to continue building intergenerational wealth after you're gone?

By focusing more on the journey, and sharing wisdom with the next generation, you can leave your loved ones with one of the most valuable gifts – financial independence.

Editor's note: As most readers will know, it's not just about the calculations and figures anymore when it comes to financial planning and especially when assisting clients in attaining financial freedom. This article provides some great guidelines for advisers to tackle the subject with clients.

Closing the (gender) investment gap

Wendy Foley, Financial Planner at GIB Financial Services

In a world where gender equality increasingly takes centre stage in debates and discussions around the world and across industries, it is disheartening to see there is still gender disparity when it comes to financial security.

It is of great concern that women lag men when it comes to investing. Research shows that women are less likely to invest (or invest as much as they need to) as a direct result of the gender wage gap and in some instances the Cinderella complex which is explained as the unconscious desire to be taken care of by our partner.

The topic of investing can be intimidating. Complex financial terms, market volatility and varying opinions from friends and family can make anyone shy away from investing, however, investing is central when it comes to building wealth.

The gender lag leads to an investment gap which over a longer period (10 years and more) means that men could have more investment funds available to them to lead their preferred lifestyle compared to women.

Understanding the unique challenges that women face when it comes to financial wellbeing and learning how investing works are key to being able to make smart investment decisions and to becoming confident investors, however this is impacted by several factors:

- South Africa has various pieces of legislation aimed at preventing gender discrimination in the workplace. Yet, the country has a stagnant median gender pay gap of between 23% and 35%. According to the International Labour Organisation (ILO), the average global gap is about 20%. Thanks to the wage gap, women have less money, which is especially disconcerting when you consider they live longer than men and generally have higher healthcare costs and need to save more to invest more as a percentage of salary to achieve parity with male counterparts.
- In South Africa, around 38% of households are headed by women. Female-headed households are approximately 40% poorer than those headed by men. (Statistics courtesy of ILO).

Investing money is an enabler, whether it be for holidays, studies or living your dream life now and during retirement. Yet this can't be one-sided and it's critical for women to build their own wealth. That means investing early and regularly—and not just for retirement. When women don't understand investment risk, they do less with their money. They keep it in savings accounts which has risks of its own, as it earns low interest returns which depreciates and is unable to preserve purchasing power over time due to inflation. That means you're essentially losing money when you aren't actively growing your savings.

Inflation, which can be described as the general increase in the cost of goods over time, eroding the buying power of your money. Consider this; in 1983 a Wimpy burger cost R2.70 yet the same item today costs R60.00. Yet money invested into the stock market can beat inflation and substantially grow capital over time.

Financial equality leads to financial independence. The best way to protect yourself against financial struggles in retirement is to save aggressively and invest effectively while you're still working to have a nest egg that can support you. Investors, men and women alike, should have approximately six months' worth of earnings in cash or a money market fund to serve as a cushion for emergencies, such as car repairs, home repairs or medical costs for example.

What's more, it's important for women to be able to walk away from situations that are not working for them – whether that's a bad job or a bad relationship, but to do this, they need financial power to make decisions

"It is of great concern that women lag men when it comes to investing. Research shows that women are less likely to invest (or invest as much as they need to) as a direct result of the gender wage gap and in some instances the Cinderella complex which is explained as the unconscious desire to be taken care of by our partner."

that enable and empower them to do so. There are several sound investment options available. Invest into a retirement fund, such as a retirement annuity, pension or provident fund.

To enable you to get a tax deduction on an investment into a retirement fund, you can invest up to 27.5% of your annual taxable earnings into the fund.

Invest money into a long-term investment (10 years plus) to achieve maximum capital growth – this should be invested into South African and global equities (shares). Investing money is not something to be taken lightly or without expert knowledge. Most women don't think they know enough about investing to properly grow their savings so they either wait to start investing until they feel they're more financially stable or they do the easy thing and keep it in a bank savings account.

Yet the reality is that there are so many tools and resources that make it easy to start investing with as little as your pocket change.

We recommend that potential investors consult with an accredited Certified Financial Planner to assist them on their investment journey.

Pensions: How to successfully fund Africa over time

Gerald Gondo, Business Development Executive (Africa) at RisCura

With an estimated 85% of Africa's population informally employed, the traditional pension fund model faces a growing challenge.

Innovative long-term savings products for this ever-increasing cohort of informal but economically active citizens are urgently required. Products like micro-pensions or other affordable solutions must be brought to market and soon.

It is estimated that Africa had 13 million people aged 65 and over in 1975. Nearly 50 years later, this figure has increased and is expected to reach 150 million people by 2050.

Africa's young population benefits from improved medicines and healthcare, which enormously increases the likelihood of Africans living for much longer. With increased longevity, the necessity for improving the outlook for long-term savings in Africa is critical.

NIGERIA NUDGES CLOSER, SETS AN EXCELLENT EXAMPLE FOR THE CONTINENT

According to the latest Bright Africa pensions research from global investment firm, RisCura, just over 10% of the Nigerian workforce is formally employed, precipitating the National Pension Commission (PenComm) launching the micro pension scheme in 2019. The micro pension scheme seeks explicitly to cater to the informal sector and companies with less than three employees. Innovation of this nature can be adopted by other African countries that face similar demographics and economic constraints.

FINTECH FOR THE FUTURE

Harnessing fintech could foster financial inclusion while boosting African savings. Rwanda provides anecdotal evidence of latent savings potential through combining mobile telephony and fintech.

Active mobile penetration in Rwanda now averages 75% of the population. By embedding fintech-enabled savings within active mobile telephony, micro-savings products can be accessible to the average mobile user.

"Pensions can be part of the solution development of Africa's problems."

A COLLECTIVE CHANGE

By design, pension funds are long-term institutional investors. In Africa, this institutional investor base now holds approximately US$ 350bn in long-term savings. The Covid-19 pandemic brought to light the need for capital to respond quickly to the urgent funding needs of African economies. A proportion of this savings base can meaningfully support and help reduce Africa's infrastructure deficit.

Regulators have been alert to this and progressively changing regulations to allow for meaningful pension fund participation in innovation and the real economy. Concepts such as regulatory sandboxes are being adopted to ignite and curate innovative financial products and services that may not meet all current regulatory requirements.

Pensions can be part of the solution development of Africa's problems. Through aligned and proactive regulatory reform and leveraging digital and mobile technology, Africa's institutional investors can direct their savings towards the sustainable development of African economies.

Reality check: Are you underinsured?

Priya Naicker, Head of Strategic Retail Marketing, Old Mutual

PROTECT YOUR PAYCHECK AND REVIEW YOUR DISABILITY COVER

- Sickness income claims within the disability insurance category increased 3.5 times in 2020
- 25% jump in the payout amount for disability income claims
- Average age of disability income claimants were between 30 and 55

The pandemic has highlighted the financial vulnerability of people living in South Africa. Amidst a lagging vaccination programme and a resurgent third wave of infections, it is clear that the catchphrase 'it won't happen to me' no longer carries the same confidence it once held. Old Mutual's Claims Statistics Report 2020 has revealed a significant rise in the number of disability income claims year on year, as well as a 3.5 times increase in sickness income claims under the disability insurance category. The highest cause of sickness income claims was 'infectious diseases', under which COVID-19 falls.

Despite the increase in disability income claims and growing concerns about health, Priya Naicker, Head of Strategic Retail Marketing at Old Mutual says that many South Africans do not have disability insurance. "Traditionally, when people think of disability insurance, there is a common misperception that it applies only to those working in dangerous industries, or in high-risk jobs," she says. "However, this could not be further from the truth. Disability insurance is virtually for everyone. It means being able to help cover the costs that come with being disabled and unable to work or take care of yourself because of an illness or injury.

It also lets you carry on providing for yourself and your loved ones, preventing you from becoming a financial burden on someone else. In the context of those suffering from COVID-19 related health issues for extended periods of time, disability insurance can help you and your family to maintain monthly obligations without financial stress, which is critical for a smooth recovery." According to the Association for Savings and Investment South Africa's Insurance Gap Study 2019, the total existing shortfall in disability insurance was a staggering R19,3 trillion, which equates to R1,2 million per average South African earner. However, this gap is substantially wider for earners younger than 40.

"While younger people rarely think about dying or becoming disabled or even see the need for disability insurance, it is actually younger people who are more adversely affected by disability because they have not had as much time to accumulate wealth and create a financial buffer," says Naicker.

The latest Claim Statistics report showed that the average age of disability claimants sits in the family provider age group, with the average age for male claimants at 47 and for females at 43. However, within the claims category for infectious diseases and trauma and lifestyle, which was the most prevalent cause for claims under sickness income, the ages 20 – 30 and 30 – 40 each contributed to 36% of sickness income claims.

"It makes good financial sense to have cover that suits the life stage you're at," says Naicker. "Not having disability insurance only increases your risk of going into debt, which could have serious consequences on your future financial security. It could mean risking your home, your car, and the ability to continue with your retirement or even shorter term savings goals. For those with families, it may affect parents' ability to fund their children's education."

In the case for disability insurance, an Old Mutual customer who is an accountant was diagnosed with colon cancer and booked off work. During this period, his disability income insurance provided him with an income that allowed him to focus on his recovery, without additional financial worries.

"While many younger South Africans may question the idea of paying for disability insurance, thinking they will never need it, or perhaps wondering if they can afford it, a more pertinent question may be to ask whether they can afford **not** to have it," says Naicker. "It is important that we do not underestimate the value of disability insurance and the role it can play in protecting your future and the financial wellbeing of your family."

INVESTMENTS

"By following a disciplined process and staying the course, a step-by-step plan helps to safeguard against disappointment and set your client on the path towards that ultimate goal."

- **Sonja Saunderson, Chief Investment Officer at Momentum Investments**

The most important question for your client's investment journey

Sonja Saunderson, chief investment officer at Momentum Investments

So how should you go about helping your clients invest for success? An outcome-based financial plan and investment approach can help you achieve what you set out to achieve. It simply starts with asking the right questions: What is your financial situation? What do you want to accomplish with your savings? What are your priorities, passions and concerns?

By having an honest and deliberate conversation with your client in formulating a plan, the biggest part of your challenge is usually taken care of. This helps setting the expectation in terms of required future returns, how much risk can be stomached over time, and when to reassess the investment strategy.

"By following a disciplined process and staying the course, a step-by-step plan helps to safeguard against disappointment and set your client on the path towards that ultimate goal."

"WHAT AM I SAVING FOR?"

This is probably the most important question for your client's investment journey but not always the easiest question to answer. However, by answering this question at the start will help you formulate a plan that navigates a journey towards investment success. Many of us have experienced or heard of examples of disappointing investments. And global studies show that not having set out appropriate expectations from the start is a big contributing factor to this disappointment.

Of course, poorly performing strategies and difficult markets will undoubtfully also contribute to this, but a big part of investment success boils down to having a plan, having the discipline to stick to the plan and having the right behaviour along the way. By following a disciplined process and staying the course, a step-by-step plan helps to safeguard against disappointment and set your client on the path towards that ultimate goal.

An outcome-based investing approach is then an investment strategy that marries the investment management requirements with the goal you formulated in the financial plan. Outcome-based investment strategies moves away from traditional management of trying to outperform a peer group by always looking for the best winners, to really matching appropriate asset classes, strategies and even asset managers to your plan.

It is a plan that can keep your client on track through unexpected ups, downs, twists and turns by providing a more consistent investment experience over time.The starting principles is to look for diversified asset classes that through cycles are more likely to match the investment plan. The principle of not taking concentrated bets on one asset class, sector or company plays a big part in creating this plan.

Outcome-based investing plans look for risk premias or investment opportunities that will match your client's return, duration and risk appetite as closely as possible. It does not focus on trying to pick the best performing asset manager for the next year or period of review, because experience and research shows this

to be a lower quality decision to consistently get right. In traditional investment plans, risk is often measured as volatility in returns, or standard deviation measures shown on fund fact sheets. Outcome-based plans measure risk as the risk of your client not attaining their goal over the period formulated in the plan.

"Research globally by investment firms like SEI and JP Morgan have shown that investors following an outcome-based plan have significantly higher success rates and therefore a better chance of being satisfied with their investments than those following traditional investing approaches."

In traditional investment plans, returns are often showed as a number of standard 3-month, 1-year or 3-year periods versus the rest of the market, which often does not help your client in understanding whether they are on track to meet their specific required return target over the desired

period. Outcome-based investing plans really moves the focus to the investor and measures risk and return as it relates to the investor, and their needs and plans.

Research globally by investment firms like SEI and JP Morgan have shown that investors following an outcome-based plan have significantly higher success rates and therefore a better chance of being satisfied with their investments than those following traditional investing approaches.

Over time, the progress should still be carefully monitored and plans adjusted to help make sure that your client is on track to achieve their set goals.

There is no blanket strategy – the approach is tailored to each individual's personal roadmap. A client's life goals are unique to them and the investment strategy should take this into account. Because investing should be personal.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Medical Aid for South Africa
Bonitas

Offshore diversification over the long-term beats timing the rand

Anil Thakersee, Executive: Marketing & Business Development

Investing offshore is an important part of any long-term investment strategy, as it offers diversification beyond the opportunity set available via South African markets.

South Africa is a relatively small, open economy with around 330 investable companies listed on the local exchange with a market capitalisation of just over US$1 trillion. To put this into context, total global equity markets had a market capitalisation of just over US$94 trillion in the same period. In essence, the South African market represents around 1% of global equity markets.

In addition to the wide breadth of industries and companies available in global markets, the additional benefit is exposure to economic growth in foreign economies, which makes your portfolio less dependent on growth in the South African economy to drive overall returns.

Investing offshore remains an important tool in the asset class toolbox to build diversified portfolios. The blending of different asset classes, each occupying different co-ordinates on the risk-return spectrum, optimises the overall risk-return profile at a total portfolio level.

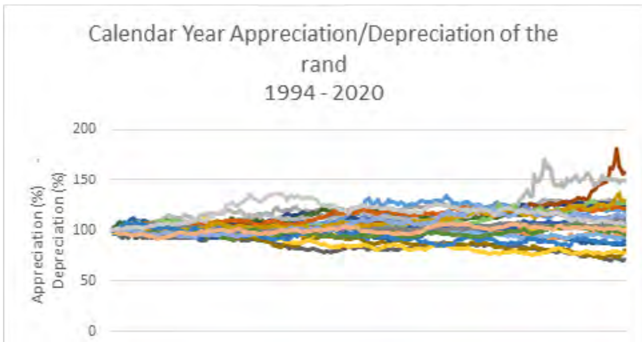
FORECASTING THE RAND

The rand is not just the metric most South Africans use to measure their financial wealth, but is often seen as a reflection of our country's share price. As a result, fluctuations in the local currency can impact investor sentiment and at times trigger reactive decision-making. It is worth noting that the wild swings seen in the currency over the last few decades have almost all been related to global events resulting in declining global risk appetite and declining global liquidity.

This is not to say we don't have social and growth challenges as an economy, however, in a system of floating exchange rates the equation is more dynamic and we have a multitude of factors impacting the exchange rate.

As one of the most liquid emerging market currencies in the world, the rand, at times, can indeed be very volatile. Several things tend to impact the rand, including commodity prices, inflation differentials, interest rates, economic growth and the impact of domestic issues. This makes it exceedingly difficult to try and predict where the rand is going to end up over the short term. Figure 1 shows the calendar year appreciation or depreciation of the rand over 26 years, with each line representing an individual year. From year to year, it doesn't have a discernable pattern and, for the most part, trying to determine the movement of the rand over the short term is very much a guessing game.

FIGURE 1



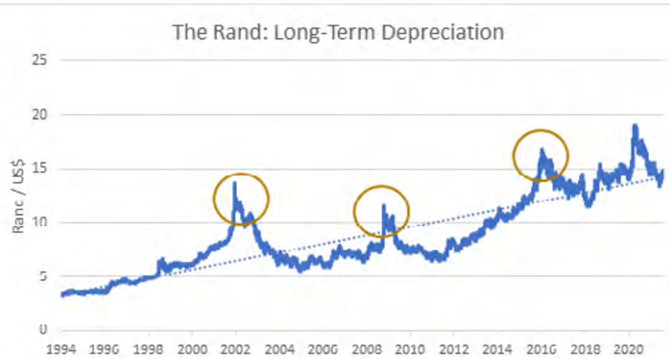
Source: IRESS Historically, the rand tends to depreciate over the long term.

The circled points in Figure 2 highlight periods of heightened uncertainty in markets where the rand tends to overshoot in weakness, however, the trend since 1994 has been for the rand to depreciate.

However, it is worth noting that while this depreciation has been in nominal terms, in real terms (after factoring in inflation differentials) the rand remains close to its Purchasing Power Parity (shown by the dotted line) which accounts for the inflation differential.

Countries with higher rates of inflation, like South Africa, will have their currency depreciate against a country with lower inflation.

FIGURE 2



Source: IRESS

OFFSHORE INVESTING: NAVIGATING A WORLD OF INVESTMENT OPPORTUNITIES

A major theme playing out in recent years has been the strong outperformance of growth stocks over value stocks and to some degree this has been a driving factor in performance for global portfolio managers.

The top 10 companies of the S&P 500 account for nearly a quarter of the total market capitalisation of the index. These giants have, in recent years, done the heavy lifting for the index and exposure, or lack of exposure, to these companies has skewed investment performance.

In addition, global managers have had to balance exposure to structurally faster growing emerging markets against more stable but lower growth developed markets. This has been made even more challenging in the pandemic environment where different countries are in different phases of re-opening their economies.

Once the decision has been made to allocate to offshore based assets, there are numerous challenges in identifying and selecting the best partners. At PPS Investments, our focus has been to partner with large established managers who have a long track record of consistently delivering excess returns through the various cycles and volatility presented by markets.

Sound financial planning advice remains critical for clients when structuring investments to meet their required outcomes and this includes balancing domestic and offshore investments.

How retail investors can "invest for the good"

Fran Troskie, Investment Research, RisCura

Retail investors, by selecting portfolios, asset classes or asset managers who are focused on sustainability, have the option to "'invest for the good".

It has become increasingly clear that how we invest has a wide-ranging impact – touching on the environment, on society, on inequality, and on governance. Sustainability has become a buzzword, and it is plain business savvy. There is that lovely adage: Give a man a fish, and he eats for a day. Teach a man how to fish, and he eats for a lifetime.

We should perhaps add to this: Teach a man to fish sustainably, and not only he, but his children eat for a lifetime. What's more, he leaves enough fish so that his children won't starve. Investing is similar. Retail investors are often dazzled by investments or by asset managers with high short-run returns, only to find that the stellar performance fizzles out over the medium- to long-run.

This is because these investments or asset managers, in some form or another, are not practising sustainable investment. They are likely investing in asset classes or in companies that may impact negatively on the environment, society, or governance (ESG). They may make use of carbon-intensive production processes, which are likely to become obsolete or increasingly costly to maintain as the world moves to a greener energy-mix.

They may have exploitative labour practices, which are likely to result in difficulty in maintaining and retaining an effective and motivated workforce. Myopic and/or corrupt executives in the company may choose to pocket the lion's share of any profit, neglecting to invest in the business and its people.

"Retail investors are often dazzled by investments or by asset managers with high short-run returns, only to find that the stellar performance fizzles out over the medium- to long-run. This is because these investments or asset managers, in some form or another, are not practising sustainable investment."

Companies that fail to consider broader objectives, companies that are run with an "extract-and-exit" mindset, ultimately fail from the perspective of the collective. Executives and individuals (including shareholders) may initially profit, but the company will eventually run itself out of business. Sustainability is essential and the key to ensuring that solid investment returns can be maintained in the long-term.

As elsewhere, funds with an explicit ESG focus are coming to market in South Africa. Old Mutual launched the first local actively managed ESG equity fund in 2020, thereby expanding its existing suite of responsible investment products available to retail and institutional investors.

Other equity asset managers apply proprietary ESG scoring systems in their stock selection process. It implies that their portfolios ultimately have a "better" ESG footprint – their portfolio may have a lighter carbon footprint, if the asset manager avoids oil stocks, or it may have a bigger impact in terms of job creation, or it may mean that a company exhibiting poor governance receives less money. Alternatively, asset managers may choose to actively engage with investee companies, pushing them to make ESG a more important consideration in their stock selection process, and many offer equity portfolios that are readily available to retail investors.

While many asset managers pay lip-service to ESG, the implementation and the follow-through on the scoring and engagement process needs critical assessment. Asset managers should, when required to do so, be able to provide evidence where stocks have been rejected, based on ESG considerations, or of their engagement with management. In South Africa, ESG policies and practices have been increasingly under the spotlight, and will continue to be.

Other than investing in equity, retail investors can also look to other asset classes to “do good”. The South African “green bond” market is relatively young, having been launched in 2017. Green bonds are fixed income instruments that are specifically earmarked to raise capital for climate and environmental projects. JSE Green Bonds are earmarked to finance or re-finance eligible green projects that have a positive environmental or climate benefit.

Now, more than ever, the appetite for these types of sustainable investment vehicles is growing, and retail investors can take advantage as early movers in this space.

Rapid change requires advice

Steven Amey, Discovery Invest

"The world as we once knew has changed. To what degree you may ask? This all depends on how old you are"

If you are a Baby Boomer, aged 57 to 75 years, you have witnessed exponential change over your lifetime. Some of the greatest innovations 70 years ago were the floppy disk and portable cassette player. Gen X's, aged 41 - 56 years, have too experienced great change, you will remember in 1983 Motorola introduced the first ever handheld cellphone, while the much talked about Millennial generation, those between the ages of 25 and 40, are more accustomed to the rapid pace of transformation and constant innovation.

This generation is driving change at a rapid rate, they have very different consumption habits, behaviours, and views. Then we have the newest generation, Gen Z, those between the ages of 9 and 24 who sees the world through a totally different lens, technology is something they have grown up with from a very young age. Being exposed to various cultural dynamics, thoughts, and opinions, through various social media platforms has manifested in this generation being shaped and influenced by several forces.

"As a whole, the human race has immense tenacity and resilience. We have adapted well to our new world – working from home where online platforms such as Zoom, CISCO and Teams are now part of our everyday lexicon, once unheard of, now commonly utilised to communicate and engage."

ALL THIS CHANGE HAS HAD A SIGNIFICANT IMPACT ON OUR ABILITY TO PLAN, PARENT AND MAKE SENSE OF IT ALL.

From a political and economic perspective, the world is more connected than ever before. Climate change has become a major concern, with many global leaders working tirelessly to save the environment through various initiatives, such as achieving carbon neutrality and net zero emissions within the foreseeable future.

Some of the world's largest asset managers have launched SRI funds to contribute positively to the world we live in – these funds pay very careful attention to the Environmental, Social and Governance policies of the underlying companies they choose to invest in. These funds continue to grow in popularity and at the end of 2020 the sector had grown to more than $150bn.

I would be remiss not to reflect on the global disruption, devastation and heartache caused by Covid-19, the worst pandemic experienced since the Spanish Flu of 1918. Many have lost loved ones or known of those who have, many have contracted the virus or been fortunate enough to narrowly escape its dreadful claws and although hidden, many bear the scars of mental health issues.

As a whole, the human race has immense tenacity and resilience. We have adapted well to our new world – working from home where online platforms such as Zoom, CISCO and Teams are now part of our everyday lexicon, once unheard of, now commonly utilised to communicate and engage. Through it all we have all learned difficult and valuable lessons, be these, the importance of hygiene, how fragile life is, not to take things for granted and how to work more efficiently – we have all learned something.

With all the change and complexity, it's common to lose perspective, make inappropriate

"As a whole, the human race has immense tenacity and resilience. We have adapted well to our new world – working from home where online platforms such as Zoom, CISCO and Teams are now part of our everyday lexicon, once unheard of, now commonly utilised to communicate and engage."

decisions and have emotions and behavioral biases cloud one's judgement. Now more than ever, experienced, and qualified Financial Advisors are required to provide the necessary guidance to help people attain financial freedom.

Financial Advisors play an evergreen role in rendering sound financial advice as you travel through life. The role of the financial advisor has changed over the decades though.

In the 1990's, Financial Advisors focused largely on addressing single needs, with this changed in the early 2000's to a Financial Advisor who focused on addressing their clients' needs more holistically. Today we find the emergence of Wealth Managers and the incorporation of financial mentorship and coaching, addressing the psyche of the investor, with a focus on behavioral finance – all made easier through technology and the ability to interact more frequently and efficiently. Financial planning in partnership with a financial adviser can make the world of difference.

They play many roles, from implementing a holistic financial plan, individually tailored to their clients' needs to the ability of understanding generational dynamics and providing appropriate advice to pointing out blind spots and differentiating between what can and can't be controlled.**As complexity and change are inevitable rudiments of life, you are better prepared and less vulnerable when partnering an experienced and qualified financial planner and coach, irrespective of how wealthy you are.**

Is long-term investment advice really worth the cost?

Pieter Hugo, MD of Prudential Unit Trusts

With the investment environment especially challenging during the Coronavirus market downturn and the caution of many investors in its aftermath, the value of advice from financial advisers has been more crucial than ever.

In fact, it is in times like these when they most prove their value. There is hard evidence that professional investment advice is worth its costs in several different ways, especially when market conditions are extreme. Not only can it prevent investors from acting out of emotion, but it can help them stick to their longer-term plans, to help preserve the value of their existing assets.

And on top of this, that counsel can add extra value to portfolios by finding new opportunities to that might otherwise be overlooked. Research has shown that poor investor behaviour has a significant detrimental impact on investment returns. This is largely down to poor timing, where you either buy or sell at the wrong time. These decisions are typically driven by a heightened sense of emotion (such as panic or greed), instead of being based on objective data or long-term investment objectives. When looking at this phenomenon within the context of today's investment environment, it's clear that the fear of losing money has been one of the primary drivers behind the recent exceptional popularity of cash and foreign investments.

With so much savings flooding into low-risk and offshore solutions, it's likely that many investors sold assets at depressed values during the aftermath of the Coronavirus market crash, and subsequently missed out on the sharp recovery in the local equity market in the second half of 2020 and into 2021.

Here we take a closer look at a study conducted by Vanguard Group, one of the world's largest investors, that quantified the value of using a good financial adviser.

"According to the research, behavioural guidance provided by a financial adviser is more important (and valuable) than their "normal" role of suggesting the appropriate investments."

A FINANCIAL ADVISER COULD ADD A POTENTIAL TOTAL OF "ABOUT 3%" P.A.

While recognising that many aspects of advice are qualitative and therefore difficult to quantify, Vanguard's research** concluded that a financial adviser could add a potential total of "about 3%" p.a. in terms of net returns to a portfolio relative to the average client experience.

What is interesting is that half *of this, or 1.5% p.a.,* was derived solely from behavioural coaching or through helping their clients stick to their personal financial plan. The next largest factor was asset allocation decisions between taxable and tax-advantaged investments, at between 0-0.75% p.a. Importantly, the study found that value from behavioural coaching wasn't added uniformly over time, but typically in large "chunks" every few years, as markets moved between cycles.

Financial advisers helped manage their clients' expectations by reminding them about the "normal" cyclical or volatile nature of markets and gave them appropriate long-term time horizons upon which to evaluate their investment returns, measuring against a tailored long-term financial plan.

They helped investors overcome their innate biases towards, for example, selling investments in a market downturn out of fear (which would simply lock in losses), or jumping into the latest popular but little-understood investment, like Bitcoin.

According to the research, behavioural guidance provided by a financial adviser is more important (and valuable) than their "normal" role of suggesting the appropriate investments. Their main value lies in the ways their expertise can help clients avoid making mistakes.

In short, using a financial adviser is not just about deciding how and where to allocate your investment. Instead, it's about establishing a partnership with someone you trust to give you the right advice, even when it's not necessarily the advice that you want to hear.

It can be difficult to remove emotions from your investment decisions, but as the Vanguard study shows, it is precisely in the most emotional times that having the right adviser by your side can make all the difference.

Investment lessons ahead of the festive season

Allan Gray Investment Management

With the festive season around the corner, investors may be tempted to disregard some of their long-term financial goals in favour of fulfilling short-term needs and wants.

Now is an opportune time to have honest conversations with your clients and remind them about the importance of having a solid financial plan, not being tempted to stray or dip into the cookie jar. These conversations are particularly relevant now given that long-term financial security is a goal that may seem out of reach to many in the wake of the COVID-19 pandemic and the financial devastation wrought by lockdowns. The below provides vital investment lessons from various people at Allan Gray along with some strategies you can discuss with your clients.

DOING NOTHING IS SOMETIMES THE BEST COURSE OF ACTION

During the COVID-19 pandemic, many investors who perhaps had only been investing or saving for the prior five to 10 years, had their first experience of market extremes and investor panic. At the end of March 2020, looking at one's investment portfolio balance could have been sobering. As with all things, there are going to be ups and downs – but understandably, seeing the value of a portfolio fluctuate stirs up emotions. It is only natural to want to do something, anything, to improve the portfolio's position.

However, these decisions can prove costly. It is during these periods that precisely the opposite can be more rewarding. If investors remained calm and did nothing when markets fell last year, they may be finding that they would be in a better position today. While markets will not stop being volatile, the long-term decision to stay the course – something a good, independent adviser can help with – has an important role to play in mitigating impulses to act. **- Radhesen Naidoo, Head of Orbis Client Servicing in South Africa**

STICK TO YOUR LONG-TERM STRATEGY

During the COVID-19 sell-off of March 2020, conviction would have been tested with the sharp drop in asset prices. Trying to de-risk an investment by "temporarily" switching to money market funds may have sounded appealing, but the future is always difficult to predict. The rebound in asset prices proved to be stronger than anticipated and followed a V-shaped and not W-shaped recovery pattern despite a low probability of vaccines at

"Sometimes it is better to ignore the noise; no reaction can be the best course of action."

the time. In addition, once an investor de-risks a long-term investment, psychologically it becomes increasingly difficult to reinvest in the appropriate long-term strategy particularly if the market doesn't behave how you expect it to. - Grant Pitt, **Joint Head of Institutional Clients**

INVEST OFFSHORE CONSISTENTLY

South Africans tend to shift quickly between pride and despair – feeling both in equal measures. Decisions regarding how much to invest offshore versus onshore tend to get swept up in this rollercoaster, so it is perhaps no wonder that investors struggle to adopt and stick to long-term strategies.

I tell my kids that when it comes to investing, make sure you aren't buying two houses on the same street and that your portfolio is "travelling" more frequently than you are. We tend to get tripped up by timing, with the most frequently asked question being: When is a good time to go offshore?

The answer is simple: Now. There are so many factors that need to be in place for there to be perfect alignment, so it makes sense to get started on a long-term plan when circumstances allow.

Investing offshore in a regular pattern helps to smooth out currency volatility, reduce timing risk and make the question of "when" less important. Most of all, a long-term plan should not get impacted by short-term swings in sentiment about the country.

In 2020, the rand fluctuated from R14 per US dollar at the beginning of the year to around R19 during the peak of the pandemic, and then back down to R14.60 by the end of the year.

Investors panicked, making big shifts offshore following sharp periods of rand depreciation, incurring losses by using a weak rand to buy more expensive global assets. - Tamryn Lamb, **Head of Retail Distribution**

Every investment journey begins with long-term goals

Nishaan Desai - Divisional Executive: Investment Portfolio Solutions at Liberty

When the world went into lockdown in 2020 as the extent of the COVID-19 pandemic became clear, most markets plunged to depths not seen since the 2008 Global Financial Crisis.

The difference this time was that markets quickly recovered. In South Africa the JSE Top40 Index was testing new highs in early 2021. With the benefit of hindsight we know the 2008 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. Those who switched out of their investments during the 2008 crisis missed out on the subsequent growth.

"New opportunities could even surface amidst the chaos and crisis. Your future self will thank you."

To be fair, there are still analysts who question the true strength of the current recovery - is it a reflection of improved economic activity, or is it a function of government stimulus actions propping up asset prices? This being said, growth in the long-term is something that is also a certainty if you look at the figures over time, the key here is to stay invested come what may.

A sudden decline in the markets is not a reason to disinvest. Countless financial market failures have been followed by periods of unprecedented economic growth and wealth creation. Selling during a heavy fall may seem natural given the fear of losing, but is only betting against the long-term odds.

The market's performance should be judged over relevant timelines of five years and longer. This is why professional investors stay focused during the inevitable cycle through bull and bear markets.

Obviously, it takes some willpower to stay positive and hold a long-term perspective. Staying the course with your long-term investment strategy means keeping your eye on the prize and not letting emotions like fear change your course of action.

Experienced investors will tell you that trying to time the markets is a perilous strategy when you're looking to keep up with long-term goals. Missing a few days of market performance can substantially reduce your overall investment return. If you give in to the temptation to disinvest as soon as the market goes through a seasick patch, you may just miss the crucial number of large positive months typically following a bear market.

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

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"With regular goal reporting and feedback, you can adjust your investments accordingly."

as a home for your 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 your own money that is involved. We know that planning for your future should be taken seriously. We want to help you to achieve your goals, whether short or long term, by guiding you on your journey with personalised financial coaching.

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The benefit of this process is that, should your goals or circumstances change, let your adviser know so they can change the choice of portfolio by simply switching to a portfolio more aligned to your revised goals.

As the COVID-19 pandemic has shown, there are no guarantees that the future will resemble the past, but 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 you, in the way that you have chosen.

TECHNOLOGY

"With embedded insurance I think one must understand that the actual underlying product is a commoditised one, with a very limited risk profile."

- Tavio Roxo, CEO, Owls Software

Fighting cyber risks from the inside out

Genasys Technologies

Craig Olivier, Co-CEO at Genasys Technologies and Leroy Koster, the head of information security at Genasys Technologies, discuss some question about the fascinating Cybersecurity environment.

COVER: Leroy, it has always been intriguing to me as to who becomes an information security specialist. How did you end up in information security?

Leroy: Although, formally, I have only been in information security for the past six or seven years, I have been part of it, or it has been part of my life, since my school days. It was quite cliché, watching all these movies and series about hackers doing amazing things and what they got right, and seeing the inter-play between attacker and defender was very intriguing to me.

When delving into it a bit more, I finally made the decision in 2018 to get professionally certified in the industry. It is an exciting, ever changing environment. Nothing is ever concrete and there is no such thing as 100% safe. All the above led me to become a defender. It really excites me to see a vulnerability or active attack and stopping it then investigating what happened afterwards.

COVER: Now getting into the actual cybersecurity environment, Craig, when it comes to cyber risk, and the risk of breaches, where do you see most vulnerabilities with the clients that you deal with?

Craig: Firstly, I think we find ourselves in quite an interesting space, specifically COVID related, because before, we wanted to make sure that our internal networks were super secured, that nobody could get in. Then, suddenly with COVID, we had to allow everyone to work remotely. We now basically had to drop all of those walls and look at it from a completely different angle. So, I think, it created quite a challenge for a lot of companies out there. But everybody managed it and managed to deal with the change.

The main area that I see is, firstly, not having a security focus from an organisation perspective. I there is not a culture around security and focus within the organisation to actively manage security, that creates vulnerabilities.

So, a lot of what Leroy spoke about in his introduction is around finding a protective mechanism to drive the conscious security culture within the organisation. The second bit around that is also that, often, one of the biggest vulnerabilities is the people you trust in the organisation.

You need to have processes and structures and proactive capabilities to manage a potentially disgruntled employee within your existing trust area, within your business. If you watch a lot of the cyber risk and hacking stories, it is often a personal assistant within an organisation that has elevated security because they are acting on behalf of the CTO in the organisation.

But they may not be educated around the potential risks of opening emails that they should not open, which then creates a gateway. Leroy has a couple of inputs maybe to expand on the topic?

Leroy: From what I've seen in the industry, not just with our clients, a lot of times it boils down to the following:

- Asset visibility and context - need to know what you have in order to know what and how to protect it effectively. You can't secure what you don't understand
- Vulnerability Management - security updates not regularly applied due to downtime, complexity, capacity,
- Security Awareness Training – You could have the best tools and defence in depth strategy, but your weakest link may be one of your staff members. It just takes one uninformed employee to cause a potential breach which is why this topic is of great importance. This training must be provided to all staff with access on the network, not just security and IT staff. From the kitchen staff to the CXO's. It must also be a continuous exercise, not just once a year, which will assist to ingrain security best practices in people's minds.
- Protection of PII and data leak prevention – The insurance industry needs to store a lot of personal identifiable information to support its business objectives, and this is sometimes not adequately protected either from a storage (at rest) or in transit.
- AI and ML adoption as a defence strategy – Threat actors are adopting AI and ML techniques to defeat defences and avoid detection at machine speed. With such a vast attack surface, masses of data and shortfalls in the number of skilled cyber professionals, the problem has moved beyond a human-scale problem

COVER: From a remote working environment, suddenly, you have to know exactly who must get access from outside, what type of equipment they are using, what they have on their equipment, how their own equipment is protected, whether the son plays midnight online games on the equipment, etc. What has the remote working environment done to cyber security?

Leroy: In the past remote working was an optional add-on for many companies. After COVID hit, there had to be an overnight shift in this practice and companies were thrown in the deep end. I think it really disrupted the industry in a big way. I see it as almost a strategy on the go in that sense. You had a long-term strategy of implementing remote work, fully adopting cloud, making sure your policies and controls and everything is in

place, and now suddenly, that had to happen overnight. Those with no or little remote capabilities suddenly had to implement something at a rapid speed, and this introduced a lot risk as it was not always securely applied. People just wanted to get working ASAP. Those who had these capabilities in place already, continued as per usual working from home while the others played catch-up and potentially fell behind for a while

The perception of where the "corporate" network is also had to change. It's no longer a protected cocoon behind the company firewall, the corporate network essentially became the internet. This means that protection now had to travel with the employee by adoption of technologies such as "SASE" – Secure Access Service Edge - (pronounced SASSY) which incorporates SD-WAN (Software-Defined Wide Area Network), SWG (Secure Web Gateway), FWaaS (Firewall as a Service), CASB (Cloud Access Security Broker) and ZTNA (Zero Trust Network Access) into one cloud native solution.

COVER: Craig, as a platform builder, suddenly everything has become unique. When you get a new client, they would have so many unique needs for security. How do you build that into your platform or do you tailor make it every time you get to new client?

Craig: Definitely not the second option. From a software provider, like Genasys, I think there are two key areas of

"You could have the best tools and defenses or in depth strategy in place, but your weakest link may be one of your staff members. It just takes one uninformed employee to cause a potential breach"

focus around security that we need to think about, from a customer perspective, potentially a third. But because we offer the platform as a software as a service capability, we often take ownership of the infrastructure that the platform runs on.

The Genasys solution is a multi-cloud based structure and we support the three large public clouds; Azure, AWS and Google Cloud services. Then what we do, is we make sure that, from an infrastructure security perspective, we have best practice around how we go about deploying those tendencies within the cloud.

We utilise tools like Terraform and Ansible, which, well they call it a recipe almost, spins up the environment with best practice built in. So, there is an infrastructure layer that needs to be secure, and Leroy and his team get quite involved with that, around proactively validating it after those environments are set up.

Then also using cloud technologies to proactively identify vulnerabilities like Qualys, as another example. So, there is great technologies out there to secure the cloud infrastructure environments.

Secondly, the other big area is our responsibility around the application that we deploy. We are obviously writing code, and we are writing the code that compiles into an application that we provide to our customers. So, the Genesis application, as an example, has an API, a REST API that gets published on the internet. We need to ensure that that API is secured, that it does not have vulnerabilities and that people cannot hack our customers via our application.

We utilise different tools within our DevOps pipeline process, like sonar cube, and there's various others, that validate, in an automated approach as well as with AI and machine learning, to validate the code written by developers to potentially highlight possible vulnerabilities that we can validate.

Then, importantly for us, we go through external penetration testing, using proper qualified external pentest companies to come in and try and find breaches within the platform and rate those in different severities. We close those out. Typically, we can do that at every major release of the platform.

We also do the same penetration testing on the infrastructure space. Our internal infrastructure as well as our external infrastructure. We are also part of a bounty type platform, which is like HackerOne. Essentially, we are inviting ethical hackers to come and find potential vulnerabilities in the platform, which is obviously a lot wider than the normal kind of structured penetration testing.

That even goes as far as a bug bounty type of approach that, depending on severity, that an ethical hacker identifies within the platform. There is a commercial reimbursement to that. There are a variety of these different bug bounty type organisations out there. HackerOne is the one that we are part of, which just creates, again, a more proactive approach.

I think the last point to make then is Genasys, as an organisation, also focused heavily on getting ISO accredited, which just drives a lot of our internal security policies and processes that they are in place, and we go through regular audits. I guess driving a lot of what we spoke about in the beginning around culture, you know we are holding personal information, we need to make sure it is encrypted at rest, and make sure that there is just a general security culture within the organisation.

COVER: If a company is worried about cybersecurity, what are the three most empowering things they should do immediately?

Leroy: First of all, get your security awareness training programme in place. Make sure your employees are aware of what's out there and what they need to look out for. Secondly, make sure you know what/where all your assets are and what information is contained on it in order to protect it according to the risk level pertaining to it. Visibility, not only with north-south traffic but east-west traffic, is key in knowing what's going on in your network in order to know what to protect.

Also make sure that if you store any PII internally, it's protected adequately using strong encryption technologies for at rest and in-transit data. Lastly, attackers are utilising AI (Artificial Intelligence) and ML (Machine Learning) technologies to perform attacks to infiltrate networks and exfiltrate data. You need to counter that with your own AI and ML solutions as a defense strategy. It is no longer a human scale problem and you can't keep up with machine scale malicious actors with traditional methods.

COVER: I thought, before this interview, that I would be less worried about cyber security afterwards, but I think I am more worried now than I was before.


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SMEs urged to "cash in" on cashless

Jeremy Lang, General Manager at Business Partners Limited

Locally, the trend of digitisation has accelerated, with the use of digital payment options such as "Tap to Pay" technology, mobile apps like SnapScan and Zapper, and biometric authentication infrastructure like Apple Pay, on the rise.

The pandemic has accelerated this shift, in part due to the need to minimise contact to avoid the spread of the Covid-19 virus. The statistics reflect this – PayFast reported over 400% growth in QR code payments between March 2020 and February 2021, and between April and September of 2020, Standard Bank's card division showed an 84% increase year-on-year in value of online spend at supermarkets and grocery stores.

The move away from the use of cash for purchases, as it is replaced with innovative technologies, comes with its fair share of challenges for small and medium enterprises (SMEs), but also presents an opportunity. The consumer appetite for digital payment methods is undeniable, and business owners would do well to capitalise on this. In this new 'less-cash' society, the worst thing that any SME can say to a customer is, 'I don't accept that method of payment.' This means that South African businesses are under significant pressure to adapt and evolve their mentality towards digitisation. It is a change for the better, for a number of reasons and we urge all SMEs to get onboard and use digitisation as a way of establishing a competitive advantage going forward.

"A study by Deloitte Africa revealed that the leading barriers to adoption in the digital payment sector exist within the informal economy and include data connectivity issues, high data costs and a general lack of trust in digital alternatives."

SMEs have a myriad of reasons to make the shift to digital, including the fact that transacting digitally can cost businesses less. The process is also significantly more frictionless. What's more is that the data collected by transacting digitally can be used to understand your customers better, increase a business's credit score and make important financial decisions. In South Africa, there is also the issue of cash-related crime – it is simply safer for consumers to use digital methods of payment as opposed to carrying cash. If the consumer is going digital, then businesses need to accommodate this change.

A study by Deloitte Africa revealed that the leading barriers to adoption in the digital payment sector exist within the informal economy and include data connectivity issues, high data costs and a general lack of trust in digital alternatives. Despite these roadblocks, South African SMEs have an unprecedented opportunity to expand their reach to a consumer market that is slowly moving away from the exclusive use of cash to a hybrid system that includes mobile apps like SnapScan, which are relatively easy to set up for customers and SMEs.

All evidence seems to point to the reality that in South Africa, like the rest of the world, "cash is no longer king." It is estimated that by 2030, the number of cashless transactions per capita will triple, and reach over three-trillion transactions a year.

Within Africa, mobile operators and retailers are leading the charge and we are confident that we will see this trend continue to rise from large-scale retailers and boutiques to local spaza shops and informal traders. It's definitely an exciting space to watch.

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The many ways to add value in the tech space

Edgar Maistry, MD at JumpCo

Edgar Maistry, MD at JumpCo illustrates how their business approach opportunity while always focusing on giving back.

COVER: It was very interesting to read about JumpCO as it is quite a diverse group. Please give us an overview of the group.

Edgar: JumpCO started in 1998 as TSC, which stood for Treasury Systems Consulting. Subsequently we changed the name to JumpCO as we did very little work in the treasury space. Shortly after its inception, JumpCO became an IBM Business Partner, laying down Integration platforms using an IBM Messaging Broker, now called App Connect Enterprise(ACE).

We have since been developing automation and document management systems using IBM BPM and IBM FileNet as well as providing asynchronous messaging using IBM MQ. Over the years, we have evolved with IBM technologies, and we have added IBM Data power, as well as API Connect and IBM Cloud Pak offerings.

As a group, we have always been interested in skills development, especially within the SA context. So, to this end, we started a division called JumpCO Software Labs. That was about 18 years ago, training young South Africans with an aptitude for software development in the IBM and Java space.

This programme has created more than 400 jobs in the industry and is now MICT SETA accredited. We run programmes with our clients, where we give them the option to employ these young learners and interns once they are qualified, and that way the clients can also invest in this programme. The JumpCO Software Labs continues, and it is also spawned off an NGO called JumpStart. This NGO focuses on the digital education space in public and private schools. So, Jumpstart is now funded by the Old Mutual, The Dell Foundation, Sasol and other large funders. JumpStart supports over 22,000 learners and is growing.

We have a third entity that is part of the JumpCO group called JumpCO Digital. JumpCO Digital owns a platform called JumpTrak, which is a digital education platform. This is marketed to the private school sector, universities and corporates as a Learning Management System and a Digital Campus.

COVER: So, as the need arises out of what you are doing, that morphs into more business to take care of that need, which is brilliant. Your website says that you have been involved in digital transformation on the continent since 2000, which is quite a while. Could you tell us a bit about your experience of digital transformation in Africa?

Edgar: Starting with South Africa, we have been involved in several industries. But most especially in the insurance, banking, retail, some government and telcos space as well. But over and above that, we have been involved in lots of projects in the South African context.

But beyond the borders, we have also been involved in Nigeria. We have done quite a few projects in Nigeria, but the two most notable projects were a cardless project that we did around several years ago for one of the large Nigerian banks. You will be familiar with cardless transactions like E-wallet. This was done quite a few years back, before we started the E-wallet in South Africa. We have more recently been busy with a project called Ethics First, and that is run out of Nigeria and funded by a US NGO called CIPE. It first allows companies to develop anti-corruption, corporate governance, and ethics frameworks and practices and eventually benefit from exposure to potential investors or business partners.

The whole aim of this project is to try to stamp out corruption in Africa and foster fair play between businesses. We have also done much work in Kenya, at Kenyan commercial bank and Stanbic Kenya.

At KCB, which is Kenyan Commercial Bank, we have laid down an integration architecture, and helped KCB deliver the first ESB using IBM Integration Buss, IBM MQ and IBM DataPower. We helped Kenya Stanbic by assessing their current integration architecture and proposing a technology roadmap involving IBM Integration products as well.

"Our niche offering is essentially IBM Integration and automation, and solutions in the cloud. Then, with anything beyond that, we would partner with other players in the market."

COVER: That gives you three basic main tech hubs, Nigeria, Kenya and South Africa that you are focusing on now. I am especially interested in the consulting side. The name JumpCO, it is almost like bringing people up to a next level. Could you tell us what your consulting value proposition is?

Edgar: We provide an end-to-end software development solutions to our clients. This goes from product inception, where the client wants to build a product. When they have thought about it, we come in from inception and we do the business analysis, we do the technical architecture, we develop the product, and we go into support and maintenance. If the client wants to take over the project, they can, or we go into a support and maintenance phase of the project.

JumpCO consists of experienced consultants including Product Owners, Business Analysts, Scrum Masters, Project Managers, Architects, Developers, Technical leads, Testers, Trainers and Support Personnel. Basically, everything you need to deliver an ICT project.

COVER: When we talk about partnerships in the digital space, and in the digital process, that is what this is all about nowadays, collaboration and partnerships. What is your approach to this and how do you manage that across such a diverse business?

Edgar: Like you said, partnerships are crucial and JumpCO cannot do everything. There are areas where we would not venture into because it is not our domain. So, we focus on our strengths, and we partner with other proven and trusted relationships. We augment our teams using these trusted partners. Our niche offering is essentially IBM Integration and Automation, and solutions in the cloud. Then, with anything beyond that, we would partner with other players in the market.

COVER: Anything interesting that you are currently working on, or have recently been working on?

Edgar: We have been busy with a Sanlam project called E-NNUITY. The development started in 2007, which is a good 14 years ago. It has been in production using IBM WebSphere Application Server, since early 2008. We upgraded to newer versions of WebSphere without any problems, and I cannot really remember the system being down, ever.

Further to this, the application development environment is hosted on IBM Cloud, which is also called IBM SoftLayer. The last four years have been very exciting on this project, because we have added a whole lot of new features, lots of performance improvements, and we have kept up to date with the latest technology trends as well by upgrading the project.

One of our more recent projects that I have mentioned, and I will just briefly mention it again, is a project called Ethics First, for a company called CIPE, which stands for Centre for International Private Enterprise. Ethics First allows companies to develop anti-corruption, corporate governance and ethics frameworks and practices that eventually benefit from exposure to potential investors or business partners.

This is quite exciting and close to our hearts, because we would like to see fair play as well as corruption being stamped out in business.

Are financial services adapting to digital transformation fast enough?

Brent Haumann, Managing Director, Striata

As the events of the past year and a half have forced people to stay home, organisations across the business spectrum have been compelled to accelerate their digital transformation efforts.

Far from being able to take a "business as usual" or even "gentle progress" approach, they found themselves having to deliver high-quality digital experiences to customers, employees, and partners almost overnight.

Financial services are no exception. In fact, with a slew of digital-first upstarts ready to eat their lunch, the incentive for traditional players in the space to transform digitally was already rather competitive. Within that pre-existing context, and given the present challenges as brought on by COVID-19, are they transforming fast enough?

In order to figure that out, it's important to look at what is driving digital transformation in financial services, how digital innovations helped financial services adapt during COVID-19 and the trends driving digital transformation forward.

UNDERSTANDING THE FORCES BEHIND DIGITAL TRANSFORMATION IN FINANCIAL SERVICES

While there are a number of forces driving digital transformation in the financial services space, a significant driver is a high demand for digital products and services from millennials.

While Google and Amazon haven't yet replaced financial services among Millenials, as some predicted, there remains a considerable gap in the sector for lightning-speed technology, tailored to suit the tastes of this market segment. Moreover, the rapid rise of apps which allow them to easily buy stocks, make payments, and trade cryptocurrencies all within the hour, show that they're more interested in whichever service gives them the best user experience versus showing brand loyalty.

As such, a customer-centric approach, personalisation, and a preference for mobile are the key components that enable digital transformation in financial services. Large financial services that have developed their own IT platforms are lagging in the current, dynamic competitive environment, as their systems are built using legacy solutions. It's hardly surprising then that alliances and partnerships with fintechs are becoming more prevalent.

It's important to note that a powerful digital financial service company requires streamlined processes, the adoption of an organisational culture [suited to the present-day workforce](https://hbr.org/2020/12/how-companies-can-meet-the-needs-of-a-changing-workforce) and, flexible IT solutions which support speed-to-market and offer personalisation.

CHALLENGES AMIDST COVID-19

As we've already alluded to, COVID-19 has undoubtedly had a major impact on digital transformation in the financial services space. But even as the days spent in lockdown passed, the importance of adopting a strong digital transformation strategy became even clearer and the sector also faced massive challenges in the face of the pandemic.

According to a report by FTI Consulting, "70% of companies had a digital transformation strategy in place or were working on one, but...most companies were not far along enough to make COVID-19 a non-issue". Among the challenges it faced were remote working arrangements, whilst maintaining an excellent level of client service. The good news is that since those fearful early days, organisations have since discovered the potential of digital channels, as well as digital operational set-ups and have made use of leveraging data and analytics to create value for their businesses.

LOOKING FORWARD

Financial institutions should focus on leveraging data and analytics to improve customer experience and place emphasis on simplicity and speed to improve customer engagement. Here, Artificial Intelligence (AI) plays a significant role. AI improves customer experience through the analysis of data on hand in order to decide the next message that is best suited to each customer, based on actions taken with the financial services provider or changes in life-stages which impact their needs as a consumer.

By delivering the right message to the right person, at the right time, an organisation can dramatically improve the customer experience. That relevance and timeliness, meanwhile, is most likely to result in the response the business wants: a policy renewal, an upsell or a new sale.

As a subset of AI focuses on automating tasks, Machine Learning (ML) can help decide which content is suited to a customer based on-data available at the touch of a button or, the command of your voice. You could access key customer data such as purchasing preferences demographics and location, making it easier to deliver truly hyper-personalised communication.

Furthermore, financial institutions are encouraged to optimise the use of existing technologies. Other trends worth focusing on include digital experiences; movement to cloud computing; robotic process automation; investing in privacy and security; redefining the future of work, and open banking as a revenue opportunity.

DIGITAL COMMUNICATION AT THE CORE

The best way for financial services organisations to leverage these trends is by making efficient use of good digital communication. As things stand, digital communication is already critical for financial services.

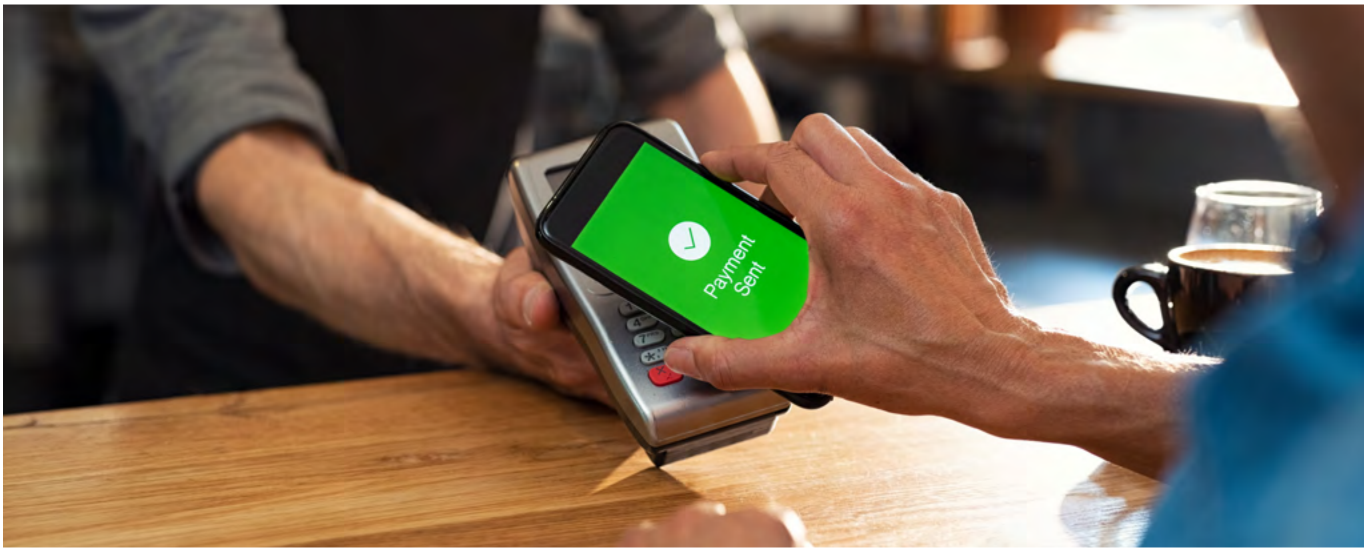
Organisations cater to customers of different ages, who are as divergent in their backgrounds as they are in their purchasing decisions. Therefore, remaining stagnant as a financial services company means certain death in an era where technology and the advancement thereof proves so critical to the longevity of a business.

Good customer experience (CX) means allowing customers to communicate using the channel of their choice. Importantly, it also means being consistent and accessible across all communication channels, including email, instant messaging, and chatbots.

So, for example, when a customer receives a bill, payment reminders, or a general marketing message, that message should have the same branding, tone, and feel as any other they receive from the organisation.

This is especially important when it comes to introducing and helping customers get to grips with any new technologies available to them. So, for example, if an organisation introduces a new AI chatbot, customers will feel more comfortable using it if it offers the same overall experience as they enjoy from the company's emails and instant messages.

The correct use of digital communication without tech-intimidation could mean a revolution for the financial services sector. In doing so, businesses in the space can look forward to a future of established relationships in their database whilst simultaneously creating engagement and trust - both of which are vital to good CX.



Insurtech21 Rapid Fire

Tavio Roxo, CEO Owls Software

COVER puts Tavio Roxo, CEO Owls Software, in the hot seat with a few rapid fire quotes form Insurtech21

INSURTECH2021 SIGNIFICANT QUOTE ONE – YOUR OWN QUOTE AT INSURTECH2021:

"Now the question to ask is this, has the industry lost its soul or is it fully intact and just digitally enhanced?"

Tavio: There was a big discussion around what insurance originally was, the pooling of risk and being able to accommodate and provide cover to insureds who otherwise would not be able to get cover, by pooling the risk. With the evolution of insurance we are moving towards a digital technology-based type of product, where you are then able to understand risk in a more granular level.

My comment at the conference was really centered around the idea that there is now this evolution towards understanding Tavio Roxo as a person of one, rather than understanding my demographic of being a certain age, certain race, certain sex, and based on other metrics, trying to establish my risk profile.

So, change is uncomfortable, but is this necessarily a bad thing? Personally, I do not think of it is a bad thing because, if you do behave correctly, you then do get insurance at a preferential rate. If you do not behave correctly, then you get insurance at a loaded rate, which I think is the way that insurance must ultimately work if you fast forward years from now.

Asked whether he thinks there is room for a bit of a spectrum as to how personal it is, versus full on group risk where you fit into a pool, **Tavio answered:** I think that they are two distinct sort of risk appetites. So, when you are trying to understand the risk as an insurer and you understand that risk at a group level, you obviously have much more leeway, because of the premium income, because of the nature of the risk, because you can limit the risk and you can actually understand a group of people working in the same sort of industry or in the same company, and you are able to get some gains out of understanding that group and being able to ensure it.

But if you are looking at specific products, like for instance, a medical aid or medical gap cover, which are specific to the individual and how that individual comports themselves in trying to understand your risk as an insurer for them, then in that instance, I think that it is a granular risk assessment. So, I think it is a combination of two, a combination of both the group versus individual and it is a combination of the actual underlying product that you are looking to give insurance on. I mean, it makes no sense, right? If I am a bad driver, to pull me into a group scheme, and I'm driving up the claim's ratio in that group scheme, I should be eliminated out of the group scheme, or at least corrected by loading my premium.

INSURTECH2021 SIGNIFICANT QUOTE TWO – DANIEL GUASCO, THE CEO AND FOUNDER OF CLICK2SURE:

"Embedded insurance is a massive growth opportunity, which enables retailers and manufacturers whose products they stock, to offer a value-added service to consumers, gather information on consumers and grow a deeper relationship with them."

Tavio: It is an agenda from embedded insurance to be able to become more personal and do better business into the future and you see embedded insurance fitting into that. With embedded insurance I think one must understand that the actual underlying product is a commoditised one, with a very limited risk profile. So, it would be a product that is capped off with 10,000 Rand benefits or 20,000 Rand benefit or certain cell phone benefit. Is that the kind of embedded product that you are speaking of? Or are we talking about a cross selling opportunity, where you have someone on your books as a life client and you are trying to cross sell a commercial or short-term vehicle insurance product to? In the retail environment, if we are going to debate it, is it not very similar to what has been happening for many years with bancassurance, in the sense that you have almost embedded products or a "cross selling" of products, across to the same client from multiple areas within the business.

That has worked significantly well for banks over many years. So, if this is to be extended to the retailers and they have the capability and the capacity to be able to cross sell or to embed insurance into the financial services products which are sold to the end customer. I think it has a lot of use for sure.

"With embedded insurance I think one must understand that the actual underlying product is a commoditised one, with a very limited risk profile."

The information that is gathered, getting that information, what do you think he has in mind? Apps maybe, I am imagining a pick 'n pay situation where they are selling funeral policies with embedded cell phone insurance, the information that is gathered, other than the initial contact primary information, is there going to be any other information like in discovery world where they are going to start tracking and understanding clients' movements and understanding the profiles better?

Embedded insurance is also very much centered around a frictionless ability to onboard a Policyholder, which perhaps previously, was incapable of being onboarded because they did not provide the correct information. Now within that retail environment, they can give that.

INSURTECH2021 SIGNIFICANT QUOTE THREE – SUMARIE GREYBE, CO-FOUNDER, NAKED INSURANCE:

"bringing true personalisation to insurance cover is key to changing how customers perceive and feel about personal short-term insurance."

Tavio: When you talk about frictionless, this is part of the idea that, with your motor insurance, you get to a point where you don't switch it on and off, it just does it automatically. So with anything else, where you have insurance, you don't necessarily speak to your insurer but your insurer intuitively based on the AI and the IT systems that they have, actually increases or decreases, switches on or switches off, on your behalf.

As Sumarie mentioned when she uses the word feel, she says "how do customers perceive and feel about personal and short-term insurance", I think the key attribute is how do you structure products, sell a product and onboard a client in such a way that they feel like it has been a nice journey.I think there is a lot of discussion around the client journey and omni-channel and how a client interacts with an insurer whether they come to you via WhatsApp, or via a call Centre or the web.

That personalised insurance very much ties into the channel with which that customer is going to approach you. You must be good for all the channels in order to give them that feeling of a personalised product.

INSURTECH2021 SIGNIFICANT QUOTES FOUR - LEE BRUMFIELD, THE CEO OF FNB INSURANCE,

"Bancassurers are best placed to facilitate and embed holistic money management, given the mounds of data they house and their access to a client's balance sheet"

Tavio: There has certainly been some evolution in bancassurance and banks understanding their customers. I logged into my FNB app the other day, and based on my transactions, and based on the way I conduct my accounts, they automatically provided me with a short-term loan, which I could choose to accept or not, to opt in or opt out.

You know, that is the first step of it. 10 years ago, I don't think that would have happened, I would have had to have gone into the bank and try to convince the bank manager to provide me with a loan. And now with AI and with understanding the troves of data which they sit on, they can push that to me through my app automatically and say, look, the way you are, we can sell you x y and Z. The next step is to then offer me life insurance, which they then subsequently did. Based on the conduct and on what we have seen about you, we are offering your life insurance at x rate.

What they haven't offered me is any sort of medical gap cover or anything else. But I don't think it is a "turn it on and everything else comes on", it is like a steppingstone, but as much as you say that they aren't there yet, which I kind of agree. I think that they are very aware of it, and they are very alive to the fact that they must get there. Certainly, my experience has been that they are kind of moving in that direction already. FNB life has done significantly well in a relatively short period of time, and I think a large component of that, is understanding that underlying data which sits within their perimeter.

INSURTECH2021 SIGNIFICANT QUOTE FIVE – RENÉ SCHOENAUER, GUIDEWIRE SOFTWARE.

"An innovation enabler for the business and the insurer can heavily focus on its core competencies, optimise operational efficiency, and improve customer satisfaction."

Tavio: We could say he sees IT as an innovation enabler for the business, so that the insurer can heavily focus on its core competencies. Looking at what the insurer's core competencies in your estimation is I think the absolute core is understanding risk, and being able to quantify risk and price it and then design products around that understanding.

That is the insurer's core competency that differentiates it from anybody else that wants to do insurance. It is that

core competency of understanding the risk, pricing it, and being able to fit the correct product. For this the insurer needs a lot of data. The IT system is where everything lives. I mean, the idea then is just to optimise operational efficiency, and improve the customer satisfaction and let the system do that.

So you design a good product, you distribute it out to market, you use an IT system in order to extract the information in order to design the product, and then use the very same system to be able to push that product into the market and be able to attract an inset and onboard client in a frictionless way.

But that very IT system needs a lot of elegance around the way that you do it. Because if it is done incorrectly, the system becomes a hinderance, it becomes an encumbrance. I think we chatted about it some time ago, where you were saying that you had come across a couple of guys who had spent a fair amount of money on IT systems only to find that three years later, they weren't being utilised and business was still being conducted in a manual fashion.

That is something which happens less and less as people go down this journey. But absolutely, I think a question must be asked by the insurer at the beginning of this process. And that is, how do they see themselves utilising the system? How do they see the customers interacting with them five years from now, and then work everything back from there?

It lies with the finesse of the system. If it wants to be an innovation enabler, then it must almost be a bit open ended. Because you can't predict innovation. You can maybe have trends and look at it, but things happen out of the blue and then your system needs to be able to cope with it. If it wants to be an innovation enabler.

So, to sum up, we've discussed five presentations here now, a quote from each of them and all of them seem to indicate, data, personalisation, and being able to take advantage of whatever you get out of those two things by being innovative.

I think that personalisation can be unpacked even further. Personalisation in terms of product design, personalisation in terms of the client's journey, both onboarding as well as servicing the client during the time that they have a policy with you.

So personalisation is not just a monolithic kind of thing, where it is only one item that you are measuring, there is a lot of data points in that in order to get to Sumarie's points, which is that you want to make the customer feel like they are having a good experience.

Claim time is brand building time

Part One: Reimagining your client's journeys

Wimpie van der Merwe, CEO of Global Choices

My punchline may be a bit cheesy, but this is really what insurance is all about – Paying claims. That is why 'claim time, is brand building time'.

The insurance industry is reluctant to change as it likes to follow its own traditional set of rules. When a client makes a phone call to say she wants to claim, she wants the insurance company, insurer, broker or the underwriter to take charge of that negative loss experience that has happened in her life. It comes down to that simple thing; We have a of a lack of empathy.

However, this actually goes a bit further, because the person phones in to a call centre that does not know who he is, and they first need to confirm and validate that person and validate that he has paid his policy.

Now if you reimagine that process upfront, when you issue the policy, you can also have the necessary claim forms in place or in the cloud with all the details of that client, so you don't have to try extract a lot of information to be able to validate and then look at the claim form.

The reality is that times have changed because of our digital transformation processes, and what our cellphone companies, technology companies and banking environment are doing.

So, clients compare their claims experience with entertainment, Amazon, Netflix or Uber, with that of insurance and that is where the frustration starts and where you lose the client. Rather be pro-active and reimagine when you sign up a client, what can you do so that, when that person is using your services or makes an inquiry, that you know who they are.

"Rather be pro-active and reimagine when you sign up a client, what can you do so that, when that person is using your services or makes an inquiry, that you know who they are."

Have a single customer view from that first touch point, because the insurance industry only really interacts with a client three times. When you have sold and onboard the policy and then sometimes it can be 24 months or 36 months before they claim, and we interact with them. Then the other one is on renewal of the policy. So, we can go and look at our specific touchpoints to see how we can reimagine, rethink all the processes.

Rethinking claims can be a simple thing, like not giving a client a blank form through a PDF that you sent. It lacks empathy. What if that person doesn't have a printer and must now go to a store to print, come home, fill it in and search all his files to find answers to whatever questions are asked?

Rather have it all redesigned into a digital form where you can easily just SMS it to a person. They open a link and use their ID or password and then go through the process. With us in the emergency services industry, most of the

emergency phone calls we receive are the start of a claim. So, we look at what we can do to optimise that touch point every time, and what can we extract from that to help the process along in that claims journey. From the emergency call, we sought out the emergency part of the event but also what we can capture.

That is where the combination of technology and human interaction works together hand in hand. Going one step further, you can design that process/ platform so that any other person, the broker, the underwriter, can go in and see who last spoke to the client, what was discussed, what information was gathered and then take the journey further or intervene when it is required.

Currently we have all these different silo approaches and the poor client on this journey must start from zero with every interaction. The claims department phones him and it is another call centre agent that has no clue that we spoke to that person and so he starts the validation again.

That lacks empathy, that human touch that you experience, you are just a number, like a policy number. That is where I think we go wrong. Then also, have a rethink about your claims professional and what roles can apply? Then become a little bit different, reimagine those roles.

Most claims people have a hell of a lot of knowledge and experience, extract that knowledge and experience and see what else you can create out of that.

You are sitting with a claims department in your organisation, go look at the different experiences, analyse it, see what data is available and then create new and different value adding processes, services and even products. So, redesign, rethink and reimagine what your customers go through. It is a simple thing to start with. If I go through my processes will I like it? This is a very simple measurement and matrix you can use.

I always like to test my own clients' journeys in my own organisation, just to see. It will really irritate me if someone is not taking the initiative, or just thinking that one step forward. You must allow your own people to become more comfortable in an environment where they are always thinking, how can I serve that client better? What tools can you provide them to serve that client a little bit better in that environment?

At the end of the day, go and look at all the different types of claims that have come through your claims department and determine what can you do a little different.

GENERAL

"As South Africa's unemployment rate skyrockets, investing in human assets should be a vital part of business strategy that can lead to an overall improvement in the social economy. "

- **Richard Rattue, Managing Director of Compli-Serve SA**

Risk factors of stroke not just for over sixties

Dr. Kerissa Naidoo, Chief Medical Officer at Old Mutual

Every hour in South Africa, 10 people are likely to suffer from a stroke. According to the Heart and Stroke Foundation South Africa, this leads to nearly 70 deaths a day nationally.

Strokes are also one of the leading causes of illness claims and show up as one of Old Mutual's 'Big 4 Illnesses' alongside cancer, heart attacks and coronary artery bypass grafts. As a group, the Big 4 made up 70% of all Illness insurance claims in 2020. Typically labelled an elderly disease, in reality, anyone is at risk of having a stroke, says Dr. Kerissa Naidoo, Chief Medical Officer at Old Mutual.

"A stroke is a cardiovascular disorder that occurs when the blood supply to the brain from the carotid arteries is interrupted," says Naidoo. "People with comorbidities, such as diabetes and cardiovascular disease are at higher risk of developing severe Covid-19 infection," she adds. "This is why it is crucial for South Africans to recognise the impact of heart disease at any life stage and take the necessary precautionary steps early on, to ensure they are financially protected."

Old Mutual's 2020 Claim Statistics show that cardiovascular disorders – which include heart attacks and strokes - remain the second-most claimed for illness for a second year in a row, accounting for 27% of all illness insurance claims and last year the youngest claimant in this illness category was just 25.

"The main causes of a stroke are uncontrolled blood pressure and an abnormal heart rhythm," says Naidoo. "That said, most strokes do not have a single cause, but rather many factors that together increase the chance of cardiovascular disease, which eventually may result in a stroke." While these factors may not directly cause the stroke to occur, they contribute to its development, and are therefore called **risk factors.**

Naidoo admits that some risk factors are uncontrollable, such as increasing age, genetics or family history. "The good news is that certain risk factors are controllable," she adds, including body weight, physical activity, smoking and alcohol consumption. "These lifestyle factors are the most likely reasons why younger people are increasingly affected by cardiovascular diseases." Thankfully, 80% of deaths from strokes before the age of 65 can be prevented simply by making healthy lifestyle changes such as regular exercise and improved diet, and by proactively screening for and controlling cholesterol, blood pressure and blood sugar levels.

While leading a healthy lifestyle may be the best preventative measure, it does not provide any guarantees, says Naidoo. "This is why illness insurance should play an important role in protecting you from the unpredictability of life, in helping to secure the best possible care should you develop a condition such as a stroke."

"While younger South Africans may feel far removed from the risks of suffering a stroke, it is becoming increasingly clear that strokes should not be a concern reserved only for the over sixties. World Stroke Day on 29 October 2021 affords us the opportunity to recognise the role of comprehensive illness insurance in providing the best possible physical and financial protection in the event of severe illness, regardless of your age," says Naidoo.

Visit oldmutual.co.za/illness for Ts&Cs and more information

The role of bank Chief Risk Officers

PWC South Africa

Global climate change, the impact of the COVID-19 pandemic, persistently low interest rate environments and the growing demands of regulators are testing the resilience of banks and setting their risk management in a new direction.

Worldwide, banks are making major changes to their organisations and operating models driven by the pressure to perform and the opportunities provided by new technology. PwC's Risk management 2025 and beyond – priorities and transformation agenda for the banking industry focuses on the transformation steps being undertaken by banking risk functions over the next five years, as well as the evolving role of the Chief Risk Officer. For the purposes of the study, 80 representatives from 60 international banks (including 17 from Africa) were interviewed and a total of 1,500 data points were evaluated.

JACQUES MULLER, PWC AFRICA'S FINANCIAL SERVICES RISK AND REGULATION LEADER SAYS:

"The COVID-19 pandemic and related economic uncertainty have generally been well managed by the banking sector. Risk functions are becoming more dynamic and flexible and increasingly contribute to leading banks through a complex and volatile landscape of opportunities and threats. "Risk officers and their teams are developing innovative approaches to react to emerging thematic risks and increasing their focus on cyber risks, fraud, money laundering, and ESG matters. The rapidly evolving risk landscape necessitates new mindsets and approaches to staff development and prioritisation of investments in new capabilities." The report highlights the key risk challenges impacting the industry and priorities for change identified by bank Risk functions for the next five years.

KEY PRIORITIES OF CHANGE FOR BANKS OVER THE NEXT FIVE YEARS

1. Interlocking risk and business transformation: Bank business models continue to evolve driven by technology changes, new competitors and pressure on shareholder returns. Risk functions acknowledged the need to pivot their skills, capabilities and infrastructure to lockstep with these changes to ensure a future proof and agile control environment.

Payments and transaction banking are the business areas expected to undergo significant change over the next decade. This is followed by retail and commercial lending. While efficiency continues to be important, material cost reduction is not on the agenda for the majority of risk functions in the immediate term.

2. Moving from analog to digital – unfinished business concerning non-financial risks: Most banks struggle to build a close link between the performance of controls, specific process vulnerabilities and the loss estimates tagged to non-financial risks. There is equally a recognition of the need for new frameworks, assessment approaches and organisational structures around risk themes like cyber and climate change which can have very diverse impact channels. There are significant differences in organisation maturity and ambition around non-financial risks (cyber, information technology, third party/outsourcing, etc.) and the interaction model between risk and compliance remains a complex area requiring further thought for most banks in the context of managing non-financial risks.

"Worldwide, banks are making major changes to their organisations and operating models driven by the pressure to perform and the opportunities provided by new technology."

3. Preparing for climate change: The enormity and uncertainty surrounding evolution of the climate agenda makes it particularly challenging for Risk functions. There is a need to establish effective frameworks and operating models to track and act on diverse data sources both for better risk management as well as a potential competitive advantage. It is clear that firms will need to build capabilities to shape up an informed strategy and build effective and compliant risk management practices. Most institutions have started multi-year programmes in response, looking at this as a joint challenge across strategy, business and risk

4. Building on the lessons from COVID-19: The COVID-19 pandemic was the first large-scale test of operational resilience across the financial services sector and many stakeholders would not have expected the ability of even complex global institutions to transition to a remote and digital way of operating within such a short frame of time.

Despite the challenges of tens of thousands of staff across the value chain moving to remote working, most participants in the study were able to maintain major operations without any significant incidents. Looking forward there are a number of learnings from the crisis which we expect to shape scenario analysis design and frequency, change delivery and data-driven decision making.

5. Preparing for the next decade of operational resilience: Banking resilience is emerging as the second key trend (next to sustainability) that will require continued focus from the industry over the next ten years.

MULLER ADDS:

"The COVID-19 pandemic has raised the profile of resilience as banks recognise it's no longer an option but a necessity. Globally, and locally, we are also seeing a call from regulators to take action by putting this issue on par with their ability to handle financial stresses." One of the key challenges to building resilience cited by banks was a lack of awareness about operational resilience and its connection to existing business practices. Strong governance, clear accountability and consistent definitions are essential to push ahead with efficient programmes and processes for building a resilient organisation.

6. Seizing upon the advent of true automation: In terms of technology, banks are increasingly relying on big data, artificial intelligence (AI) and machine learning to control and reduce risks. There has been considerable investment in building self-service analytics platforms and making these available to staff across the institution with an aim to provide more effective capabilities and potentially reduce cost at the same time. Much of the adoption is being driven organically within institutions where analytics and data science teams are beginning to emerge within Risk functions.

7. Managing the generational workforce transition: There is agreement among banks that risk professionals with a very different background will be required to deal with newly emerging risks, with an affinity for data and technology being critical. The incoming generation of risk professionals has grown up with technology and is looked at as inherently tech-affine, bringing the skills and attitude to tech enabled problem solving that institutions are looking to build. It is also believed that leadership models and career pathways will have to evolve to cater to the differing expectations of millennials with a general sense of the growing importance of work-life balance and that career journeys may need to be structured such that they include positions in multiple parts of the firm.

Manpower versus machines

Richard Rattue, Managing Director of Compli-Serve SA

As South Africa's unemployment rate skyrockets, investing in human assets should be a vital part of business strategy that can lead to an overall improvement in the social economy.

While it's both trendy and essential to upgrade your business with technology, it shouldn't be at the expense of losing staff unnecessarily. Downsizing office space and the jobs within a company are a reality for many, and sadly more casualties may arise through the prolonged pandemic and the pedantic pace of economic recovery, but there are business practices to consider for those who remain.

IDEALLY NO JOBS WOULD BE LOST AT THE 'HANDS' OF TECHNOLOGY

It is of course possible to run a highly functional, technology-based business that efficiently relies almost wholly on said technology, makes wonderful profits but doesn't create any jobs. This business model benefits shareholders but doesn't support employment and it breaks the ecosystem of potential customers. It will depend on the industry and offering, but an issue that could arise is if we have these massively efficient companies with no employees, who is going to be able to afford to buy any of the products produced? The challenge is to deliver products or services in a cost-effective manner, employing technology as required, while avoiding demolishing employee headcount.

A HYBRID OF TECHNOLOGY AND HUMANS (OR MACHINES AND MANPOWER) IS THE SUSTAINABLE SOLUTION

Let's look at technology integrated into food shopping as an example. In establishments like Amazon Go, the shopping experience is on a new level in terms of efficiency, but how many cashier jobs could there have been, if artificial intelligence wasn't the preferred employee? Cashiers arguably would do just as good a job, even if their employment comes with risks like employee fraud, customer complaints and higher employee costs; many employees will in fact be model citizens.

The hybrid solution of some cashiers and the availability of self-check-out options, as seen in UK food stores for some time like Sainsburys or Tesco, are good examples of a blend that works, if technology must be integrated at all. If you prefer to speak to someone, you can, or you can swipe your essentials, pay, and move on quickly, interacting with no one. Many shops -food-based or otherwise- have gone as far as giving up physical store locations, relying solely on delivery to customers.

Consider that all banks are today more technology-focused than ever before, with increasingly limited human interaction at the branches. This can be problematic for those who rely on traditional methods of banking, such as going in to speak to a cashier. One can use technology to do so many transactions these days from banking to shopping to virtual administrative tasks, and the list goes on. But while this makes life significantly easier for some, others are left behind or excluded altogether.

MORALITY IS CAUGHT IN THE MIDDLE

Technology-enabled services have improved the consumer experience for many, and you can't argue the speed, accuracy and indeed lower spend on productivity, but jobs – and customers - have certainly been lost in the transition. It may cost less to employ fewer people, but it's almost a moral obligation to offer a job you have available to fund, to a person who needs the income. There will always be jobs where a human employee can offer a better experience to human customers. For example, it's a fairer process or more relatable to talk to a human, particularly when more complex product concerns or problem solving is needed, even if technology may soon be able to mimic humans more than we'd like to imagine.

Machines are yet to have their own bills and rent to pay but with so many people in need of work and money to survive, a combination of man and machine should ideally be utilised in any business, wherever possible.

Winners announced for 2021 Santam Women of the Future Awards

2021 Santam Women of the Future Awards

The winners of the seventh annual Santam Women of the Future Awards in association with FAIRLADY and TRUELOVE were announced on 15 October 2021 at an exclusive event held at Atlantic Studios and broadcast via livestream to the public. The awards were emceed by Doreen Morris.

The three winners were selected from a shortlist of nine finalists by a distinguished panel of judges: Professor Thuli Madonsela, Chair in Social Justice at Stellenbosch University and founder of the Social Justice M-Plan and Thuma Foundation; Executive Head of Human Resources at Santam Enid Lizamore; veteran broadcaster, producer and entrepreneur Doreen Morris; social entrepreneur Dawn Nathan-Jones; FAIRLADY editor Suzy Brokensha; and TRUELOVE editor Makhosazana 'Khosi' Zwane-Siguqa.

Santam's many years of supporting women in business in South Africa have given the company valuable insight into the potential pitfalls of the entrepreneurial journey. Santam understands that the first 1 000 days of running a business are the hardest – if you're still in business by day 1 001, they believe you're in it for the long haul! These incredibly dynamic women have either surpassed that critical point or are well on their way to doing so. 'As a sponsor of this event, we are amazed by the excellent quality of participants that come through the Santam Women of the Future Awards every year,' says Mokaedi Dilotsotlhe, Chief Marketing Officer at Santam. 'We would like to thank FAIRLADY and TRUELOVE for helping to unearth such great talent, and extend our appreciation to the esteemed panel of judges for the sterling work they do in adjudicating the process. – we hope that these awards will create further momentum for their future success and inspire other women entrepreneurs to greatness.'

WE ARE PROUD TO ANNOUNCE THE WINNERS:

Cara Saven of Cara Saven Wall Design is the 2021 Santam Woman of the Future (awarded to a female entrepreneur who has survived the first 1 000 days of business and is on her way to creating an empire). Cara Saven Wall Design is a décor company that designs, curates and produces large-format wallpaper for residential, commercial and hospitality properties.

The company has a foothold in the US, Netherlands, Dubai and Australia. Cara has gone on to produce and install wall art in some of the finest hotels, homes and corporate spaces locally and abroad. 'Winning the Woman of the Future title makes the years of hard work, and juggling being a mother and an entrepreneur all worth it,' she says. Cara hopes that in three years' time, Cara Saven Wall Design will have made its mark in 20 regions around the world.

Zandile Mkwanazi of GirlCode is the 2021 Santam Social Entrepreneur (awarded to a female entrepreneur who is making a real difference in her community). GirlCode is a social enterprise that aims to get more women into the tech industry, and facilitates the advancement of their skills through various training and outreach programmes. The company has taught and reached more than 62 000 young South African girls to date. 'Winning the Santam Social Entrepreneur award affirms the hard work I have put into GirlCode, but I know there's still a long way to go to close the gender digital divide in South Africa,' says Zandile, who hopes to teach 10 million girls how to code in the space of 10 years.

Dr Peta-Anne Browne of Wardworx is the 2021 Santam Rising Star (awarded to a young female entrepreneur whose business is still within its first 1 000 days, but which the judges believe will flourish way beyond then). Launched in January 2020, Wardworx is a task management app that securely stores patient information, including ward and bed locations, so that doctors can collaborate on patient care.

Winning the Santam Rising Star Award is the encouragement and validation that she needed to keep pushing herself, says Peta-Anne. 'Being an entrepreneur has its ups and downs. Quite often doubt can set in, but this award is a perfect reminder to female founders that we are on the right track and have something truly special to offer.' Her dream is for Wardworx to become the first of many youth-led solutions.

THE PRIZES

The Woman of the Future receives R100 000 in cash, and the Social Entrepreneur and Rising Star receive R60 000 in cash each from Santam.

Each of the three winners walked away with:

- A full-page advertisement in FAIRLADY or TRUELOVE to promote the business, social enterprise or NPO
- An hour's invaluable mentorship with one of the judges
- A one-year supply of African Extracts Rooibos skincare products (beauty sponsor), worth R3 500
- A GetSmarter online short course, worth R11 900
- Leather accessories, worth R5 000, from Zemp
- Business printing, worth R5 000, from Lithotech
- A women's branded watch, worth R6 599, from American Swiss Fine Jewellers
- A Samsonite Prodigy Spinner Expandable (55cm) carry-on, worth R5 000

The Santam Readers' Choice Award, voted for by the public, goes to Vumile Msweli of Hesed Consulting, a career coaching firm for individuals and enterprises, with coaches in South Africa, Nigeria, Rwanda, Botswana and the US. Vumile wins a Golden Circle Mentorship programme from Over the Rainbow worth R5 000.

During the event, the judges participated in a live panel discussion about the tricky issue of building and maintaining a brand or team identity when staff are working from home. Moderated by Doreen Morris, the discussion was followed by a live Q&A session with the online audience. The panel discussion`s take-home message was that as a business owner, you need to be agile, recognise and reward your staff, respect their personal space, and have regular check-in meetings.

'We believe that the only way for our economy to recover as quickly and inclusively as it needs to is through our entrepreneurs, and FAIRLADY has always believed that South African women lead the pack in that regard,' says Suzy Brokensha, FAIRLADY editor.

'There's an untapped well of talent and originality in this country, and it's an absolute privilege, every year, to see the very best rise to the top in the Women of the Future Awards. This year's winners are outstanding, and so are the runners-up. It's exciting to see so much potential being realised – and what women can achieve when they put their minds to something!'

'Being part of this journey has been very exciting, and I'm inspired by all the women who participated,' says TRUELOVE editor Makhosazana 'Khosi' Zwane-Siguqa. 'Over the years, TRUELOVE has been a trusted guide for black women in all areas of their extraordinary and multifaceted lives. We have seen more and more South African women take the plunge and start their own business or organisation.

There are proven links between the development of women and the sustainable development of countries. We are therefore thankful and proud to have partnered with Santam in this quest.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