COVER

OCTOBER 2021 ISSUE

HEAVY VEHICLE INSURANCE

AN INDUSTRY AT RISK


WHY RENASA,
ROGER?


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

MAIN STORIES

ENGINEERING INSURANCE FOR THE SMME

Engineering Insurance is not just for the large business or the large brokers. Smaller brokers can get involved and their clients can benefit. (King Price article)

SAVING THE TRUCKING INDUSTRY

Anton Cornelissen, Head of Santam Heavy Haulage explains the impact of attacks on trucks and drivers over the past 18 months and what needs to be done to save the industry.

HEALTHCARE - MORE ESSENTIAL THAN EVER

Simmi Bassudev, CEO, PPS Healthcare Administrators shows the challenges to healthcare access that has been exposed by the COVID19 pandemic.

DIGITAL IS THE NEW NORMAL

As pandemic measures, such as social distancing and working from home, shape new buying and work habits, insurers must adapt to meet an ever-growing number of consumers on their chosen channels. Transunion discusses the threat to non-transforming insurers.

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INSURANCE ADMIN ENSURED

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OCTOBER 2021

GENERAL

SHORT TERM

HCV / GOODS IN TRANSIT

FINANCIAL PLANNING

HEALTHCARE

INVESTMENTS

TECHNOLOGY

From heavy haulage to healthcare

Tony van Niekerk, Managing Editor, COVER Publications

We have a packed magazine this month, with everyone needing to make sure their message gets out before year end.

Heavy Haulage: Starting with our HCV feature. Road freight and the trucking industry have boomed over the past decade, mainly due to the failure of our rail system. The industry has benefitted and also been impacted by various factors over this period.

Firstly, the value of vehicles have seen large increases, resulting in higher claim values, then we have also seen a sharp increase in accidents, damage and theft of vehicles and cargo. Measures to counter this has been an increase in driver training and the use of telematics to monitor driver behaviour.

This is an area of insurance that has seen big transformation and innovation due to the massive increase in risk to the trucking and the insurance industries. A feature well worth the read.

Healthcare: Healthcare funding is probably the most important segment of the financial services industry. When the need for effective healthcare arises, people who are unprepared or insufficiently funded are in dire straits, due to the disastrous state of our public healthcare services.

More and more people are wanting to have private healthcare funding and the industry is under pressure to come up with ways to make this affordable. Some of the touch points is cost efficient processes, reduction of fraudulent claims and greater cooperation between medical aids, service providers and clients/parients.

For the 2022 year, most medical aids have increased contributions below 5%, in stark contrast with almost double inflation increases over the past decade. In this feature our contributors unpack the current healthcare funding environment and how they managed to keep the contribution increases low.

Digital Transformation – As usual, we have a fascinating selection of articles relating to digital transformation and innovation. It is very clear that innovative management and use of data is at the top of the list for all concerned in the insurance industry.

We have moved from a battle between intermediation and direct distribution to insurtechs versus traditional insurers and we are now in a phase where none of these are seen in isolation any more and any insurer can play on multiple fields at the same time. The race now is down to better tech, better innovation and who can transform best on a holistic basis.

This includes everything from the platforms, the strategies, access to data and which business transforms most effectively as a whole. Very exciting indeed. On top of your game – Stay informed and have access to the latest thought leadership updates by subscribing to our newsletter.

Knowledge shared.

KINGJAMES 48438

Expertise makes it possible.

Behind every modern marvel is a team of experts who take innovation to the next level. In insurance, having a risk solutions partner that understands your business the way you do is crucial to protect it. With over 101 years of experience and being the leaders in specialist underwriting across a broad range of industries, you can be sure we'll use our technical expertise to offer you quality insurance solutions to protect your business.

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SHORT TERM

"The challenging economy, political unrest, the pandemic impact on businesses, cybercrime and climate change are among the top risks highlighted by consumers, intermediaries and corporates polled."

- **Andrew Coutts, Santam**

Covid-19 Vaccine Distribution Risks and Insurance

Damon Finneran, Senior Allianz Marine Risk Consultant, and Brian McClintock, Pharma Global Practice Leader and Cargo AGCS

As COVID-19 vaccine distribution rolls out across Africa and the world, insurers of the pharmaceutical industry are in a position to share their experience as to what constitutes a successful and safe distribution process.

Allianz Global Corporate & Specialty (AGCS) is one insurer with such experience working with clients to ensure the safe transit of sensitive pharmaceuticals. In this Q&A, AGCS provides an understanding of the logistics, risks and insurance related to vaccine transport.

Damon Finneran, Senior Allianz Marine Risk Consultant, and Brian McClintock, Pharma Global Practice Leader and Cargo AGCS, address the distribution process, some of the inherent risks, what commercial insurance covers, how the COVID-19 vaccine distribution differs from other pharmaceutical distributions and what the pharmaceutical insurance renewal market might look like.

WHAT TYPES OF BUSINESSES ARE YOUR INSUREDS THAT ARE INVOLVED IN THE VACCINE PROJECT?

Allianz Global Corporate & Specialty has a number of businesses assureds in the pharmaceutical industry ranging from the manufacture to the distribution of vaccines globally.

WHAT CONSTITUTES A SUCCESSFUL VACCINE DISTRIBUTION PROCESS?

WHAT ARE THE SPECIFICS PERTAINING TO THE LOGISTICS AND SUPPLY CHAIN PROCESS OF THE VACCINE DISTRIBUTION?

WHAT ENTITIES AND PEOPLE ARE INVOLVED?

WHEN DOES YOUR CLIENTS' RESPONSIBILITY BEGIN AND WHEN DOES IT END?

A successful vaccine distribution process in our mind starts with the transportation of the raw materials — Active Pharmaceutical Ingredients (API) — that make up the vaccine all the way to the point of injection into the individual receiving the dose of the vaccine. Our goal as an insurer of this cold chain from start to finish is to have no loss of product as a result of temperature deviations, security breaches or simply physical damage during transit.

The logistics and supply chain process of a vaccine are substantial. This can involve multiple methods of transit and storage ranging from specialty integrated transport providers that move ultra-cold product that can be fragile during transit and requiring a narrow temperature range that it ships within before it begins to degrade the potency of the vaccine.

> *"Most pharmaceutical manufacturers have the risk of loss from raw materials to the delivery of finished vaccine to a distributor. The distributor then takes the risk of loss through the last mile distribution to the vaccination site."*

Additional methods of transit will include trucking in conjunction with air, and with more stable vaccines, also by ocean. All methods of transit and packaging of vaccines need to be validated by a governmental body to preserve the cold chain from origin to destination.

This is done by the use of multiple transport and packing methods inclusive of envirotainers, temperate controlled trucks and containers and specialty packaging containing dry ice or cold packs depending on the temperature range the vaccine is required to ship within.

The point in time our assureds responsibility begins and ends depends on the circumstances. Most pharmaceutical manufacturers have the risk of loss from raw materials to the delivery of finished vaccine to a distributor. The distributor then takes the risk of loss through the last mile distribution to the vaccination site.

As we have learned with the Covid environment, circumstances can change quickly. As an example, the public/private partnership with the Covid vaccine has significantly changed the norm when it comes to who and when has the risk of loss.

WHAT ARE SOME OF THE INHERENT DANGERS OF VACCINE TRANSPORT AND HOW DO INSURERS WORK WITH THEIR CLIENTS TO MITIGATE THESE RISKS?

The primary concerns with the transport of vaccines are excursions (temperature deviations) during transit. Our global loss prevention team works with our assureds to minimize any excursions during transit. We have tabletop discussions identifying contingency plans if things do not go as planned during transit. Our loss prevention team makes themselves available any time to work with our assured and brokers to "save" shipments that may become out of their temperature specification while delayed in transit.

HOW DOES THE COVID-19 VACCINE DISTRIBUTION DIFFER FROM OTHER PHARMACEUTICAL DISTRIBUTIONS?

WHAT ARE SOME OF THE UNIQUE RISKS FOR INSURERS AND CLIENTS DUE TO THE MASSIVE SIZE AND SCOPE OF THIS PROJECT?

We are involved with ultra-cold, 2-8 degree C and ambient shipments on a regular basis, the current Covid-19 shipments challenge us with their volume in conjunction with the strain the movement of the vaccines will put on the temperature controlled transportation industry through to last mile distribution.

There are the usual requirements surrounding storage, safety, security, timeliness, scheduling of the vaccines that we are accustomed to managing, the short term volume creates some concern with not just the movement of the vaccine but all of the other temperature controlled goods in transit, i.e. Covid test kits to bulk reagents, during this Covid time.

WHAT DOES COMMERCIAL INSURANCE COVER DURING THIS PROCESS AND WHAT DOES IT NOT COVER?

HOW LONG IS THE ROLLOUT EXPECTED TO CONTINUE IN HUGE VOLUME?

HOW MIGHT INSURANCE RENEWALS BE AFFECTED?

INSURANCE CAN'T COVER EVERYTHING—WHAT ARE SOME COMMON EXCLUSIONS OR AREAS TYPICALLY NOT COVERED (CYBER)?

A standard marine cargo policy covers all risk of physical loss or damage from any external cause while the goods and/or merchandise are in the ordinary course of transit.It is unknown how long the rollout it expected to continue in huge volume. We expect pharmaceutical type business/ accounts renewals to be challenging in 2021. The marine cargo market is expected to continue to push for rate/ premium increases and/or increased retentions and/or reduction in terms in the overall market but would expect that pharmaceutical and/or temperature sensitive type goods to be under greater scrutiny.

The standard cargo policy contains both Implied and Expressed warranties in the policy however some standard exclusions would be Delay, Loss of Market, Inherent Vice, Misappropriation and over the past year some companies have been adding in a Cyber Exclusion Endorsement as well as a Communicable Disease Exclusion clause.

A number of years ago when the market was very soft brokers started including the peril of delay (deterioration) back into the policy as a covered peril and in this current environment insurance carriers are now looking to either exclude delay again and/or provide some type of sub limit and annual aggregate.

HAVE CLIENTS SOUGHT ADDITIONAL COVERAGE FOR THIS GLOBAL ROLLOUT OF THE VACCINE COMPARED TO NORMAL DISTRIBUTION? HAS THE EXTRA COVERAGE BEEN AVAILABLE?

Most of the global pharmaceutical clients and/or the global logistics providers and/or global medical distributors already have sufficient coverage in place within their programs. However, as more companies come online with an alternative vaccine and/or more companies are involved with the distribution then we would expect that assureds may look to procure additional limits and/or coverage due to the vaccine rollout.

WHAT IS THE SINGLE BIGGEST CHALLENGE OF THIS DISTRIBUTION FROM AN INSURANCE PERSPECTIVE?

The biggest challenge is supply chain disruptions and/or lack of available power units/trailers/aircraft to move this volume in a world that is right now not operating at 100% capacity.

Rapidly Evolving Risks In South Africa

Andrew Coutts, Santam's Head: Intermediated Distribution

Santam has released its 2020/2021 Insurance Barometer report on insurance trends, which shows that the challenging economy, political unrest, the pandemic impact on businesses, cybercrime and climate change are among the top risks highlighted by consumers, intermediaries and corporates polled.

The 2020/2021 Santam Insurance Barometer is a survey that measures the collective concerns of participants - consumers, intermediaries, and corporations / commercial entities - to identify insurance-related trends, perceptions and client needs. First introduced in 2019 the survey not only highlights the contribution of the insurance industry in protecting the assets of consumers and businesses, but develops insights into how the STI sector can add value to the economic vitality of South Africa. More than 950 respondents that include consumers, corporates, commercial users and intermediaries across the country were polled during the study, which was done between 2020 and 2021.

The survey specifically measured the risk trends impacting South Africa, the impact of COVID-19 on individuals and businesses, the insurance industry's response to the pandemic, perceptions of the industry, how it needs to adapt to changing market realities and client needs, and the changing role of intermediaries. Key findings of the study include:

CONSUMERS:

Among the most notable trends among South African consumers over the past 18 months was that 50% of consumers reduced the number of kilometres driven each week by an average of 44%, from 162km to 90km per week. On the technology front, 16% of consumers upgraded their computers and connectivity to enable them to work from home, and three in four people reported an increase in their use of technology.

"The economic downturn has impacted businesses across our specialist lines of insurance. In particular, we've seen the marine, heavy haulage, taxis (including e-hailing), aviation, travel and the construction industries contract as a result of the economic challenges."

This change in behaviour was evident in Santam's claims experience – while there was a notable rise in buildings (16%) and household content (6%) claims (the second and third largest claim categories respectively). This was offset by a significant decline in motor vehicle claims, which normally accounts for a significant share of personal insurance claims. Even though there was a decline in claim volumes, there was a significant hike in the average value per claim in the motor category. The severity of vehicle accident damage likely increased as a result of more people speeding, due to having less vehicles on the road.

The Insurance Barometer revealed that consumers are more concerned with crime related risks compared to other polled groups. Unemployment is also a growing concern. Motor vehicle accidents and burglary were less of a concern in the 2020/21 survey, possibly due to the lockdown. (We summarised these for ease of reading. For the full report, see the link at the end)

The results showed the following:

- 44% of respondents thought motor vehicle accidents were a major risk (2019 - 58%)
- 43% considered burglary / house-breaking a major risk (2019 – 56%)
- 27% hijacking (2019 – 32%)
- 27% rising crime (2019 – n/a), (did not previously feature)
- 26% theft (2019 – 41%)

IMPACT OF COVID-19 ON CONSUMERS:

- 81% of consumers reported a negative impact due to the pandemic,
- 60% experienced financial loss, i.e. unable to work / contribute to household finances whilst household expenses increased,
- 81% of those who experienced financial loss were able to use savings to see them through,

  - 19% borrowed money from friends and relatives,

  - 8% were able to draw on insurance policies,

- Only 1% cancelled short term insurance policies – home contents, all risk and motor vehicle,
- 26% were offered premium relief by their insurers and 93% say this eased their financial burden,

CORPORATE AND COMMERCIAL ENTITIES:

The key risks were ranked by corporate and commercial entities in the following order of significance:

- 34% of respondents identified theft as a major risk (2019 – 62%)
- 34% were concerned that an economic downturn was a major risk (2019 – 18%)
- 26% listed fire as a major risk (2019 – 27%)
- 21% motor vehicle accidents (2019 – 28%)
- 17% business interruption (2019 – 6%)

Commercial motor claims showed a 16% (2019/2020) decline in volumes – with the downward trend continuing into Q1 2021 with a 6% decrease. However, motor claims are still the biggest claim category by value (excluding the recent business interruption claims) despite the drop in volumes. The average cost per claim was up marginally between 2019 and 2020 with 2.8% and increased further, by 8.2% year-on-year in Q1 of 2021.

Overall, the average cost per claim in the commercial insurance lines increased by a staggering 103% year-on-year 2019/2020, this was mainly driven by contingent business interruption (CBI) claims resulting from the pandemic.

Property claims increased by 7% in 2020 while there were fewer fire claims than usual due to business premises being unoccupied for an extended period during the hard lockdown. Fire is historically the leading claim category by value.

IMPACT OF COVID-19 ON CORPORATE AND COMMERCIAL ENTITIES:

Hospitality, transport, aviation, marine and construction industries have been particularly hard hit. (Also, those who don't take risk management seriously)

- 45% of small / medium commercial enterprises polled, reported a very negative impact on their businesses due to COVID-19, with 30% of large corporates and 21% of large commercial enterprises also recording a similar impact,
- 56% of large commercial enterprises, 53% of large corporates, 38% of small / medium commercial businesses, reported a moderately negative COVID-19 impact on their entities,
- 62% of corporate & commercial entities have seen a loss in profit,

  - 31% lost clients

  - On average, profits declined by 38% in SMEs, by 36% in large commercial and by 24% in large corporates

- 28% had to retrench staff ,

  - 30% put staff on partial pay,

  - 11% compelled staff to take unpaid sabbaticals,

INTERMEDIARIES:

Intermediaries continue to play a more important role in the commercial market (especially among large corporates) compared to the personal lines market where the preferred purchasing channel remains through direct insurers.

- 81% of commercial intermediaries (and 63% of personal lines intermediaries) anticipate more consolidation of intermediary firms due to a difficult trading environment,
- 65% of intermediaries felt there was a need for insurers to show clients how claims behavior influences premiums,
- 71% say communication on policy coverage is "very/ fairly clear", 29% say it is confusing,
- 57% reported that over the next two years they

foresee increased use of technology for client interaction,

- 51% anticipate that increased regulation will make it difficult for small brokerages to survive,
- 31% of intermediaries said their choice of insurer was strongly influenced by good broker consultants that lend support,
- 28% predict that the industry will become more niched, focusing on specific types of clients,
- 26% said their choice of insurer was influenced by a reputable brand,
- 19% indicated that long-standing relationships influenced their choice of insurer,

IMPACT OF COVID-19 ON INTERMEDIARIES:

- 65% have recorded an increase in policy amendments / reduced cover etc.,
- 59% of intermediaries reported that the pandemic had a negative impact,
- 53% reported spending more time on admin and less on new business sales,
- 47% an increase in policy cancellations,
- 43% said they had experienced a loss in profits (22% average profit loss),
- 37% set staff up to be able to work from home,
- 9% saw an increase in profits,
- 8% put staff on partial pay,
- 3% Closed one or more offices / did not renew commercial leases, 3% closed down entirely for all, or most, of the duration of the pandemic,
- 2% retrenched staff,

TECHNOLOGY SET TO PLAY A BIGGER ROLE IN BUSINESS AND DAILY LIFE:

One of the key findings highlighted in the report is the increased use of technology by intermediaries, corporates, commercial entities and consumers.

Both intermediaries and businesses said there was a trend towards greater use of technology for client interaction and back-office processes but also remote working during the pandemic.

Consumers also highlighted a change in their use of and investment in technology, and, across the board, there is an anticipation for technology to disrupt business models and change behaviour.

"One of the key findings highlighted in the report is the increased use of technology by intermediaries, corporates, commercial entities and consumers. "

Additionally, the increased use of technology has led to concerns about cybersecurity, by companies and intermediaries. The risk landscape is becoming increasingly complex. Given the critical role insurance plays in facilitating business continuity in the event of a claim incident, the decision to purchase insurance must involve more than a cost analysis.

Business owners are urged to remember that insurance cover and good risk management practices go hand-in-hand to provide the necessary protection. Effectively managing risk leads to fewer claims, which results in more affordable insurance premiums over the long term. **The full report can be accessed** here.

Accessible Engineering Insurance

Justin Faure, partner at King Price engineering

Justin Faure, partner at King Price engineering shares tips for brokers with engineering clients

COVER: We're talking about engineering insurance and specifically the engineering lines for SMMEs. To start with, could you tell us how, as King Price engineering insurance, you tie up with brokers and how you build relationships?

Justin Faure: At King Price, we work very closely with our broker partners because we believe they play a critical role when it comes to advising clients on their specialised insurance needs. Brokers are core to our success and at the heart of everything we do in the engineering insurance space.

Their ability to give trusted advice to our shared clients, based on first-hand understanding of their clients' risks, is invaluable. In fact, growing our broker relationships is a key strategy for us. Because King Price launched in the direct space, there's a perception that we only operate as a direct insurer.

However, we have a thriving broker book and innovative, relevant, cost-effective products in our engineering, business, community and agri insurance sectors – some of which are industry and world firsts.

COVER: Engineering insurance is quite technical and there are a lot of things in the underwriting process that, in general, brokers won't know, because it is technical, and it is not expected of them to know that.

So, a broker, may feel a bit intimidated to go to an engineer who is very much a specialist, and very technical and now they need to go and talk to them about their risk and insurance. How do you approach this challenge from your side?

How do you assist brokers, for example on how they identify clients that are potential engineering clients and how they approach them?

Justin Faure: Insuring engineering risks is a very niche undertaking and, although, the field can be technically challenging, we un-complicate it as much as possible. Firstly, the King Price engineering team has over 50 years of experience between us and we're always on hand to advise and provide guidance.

We've also invested heavily in training, which has been ongoing throughout all the lockdowns thanks to online learning.

I think another factor that sets us apart is our policy wording, which is easy to understand. We use everyday English instead of legalese.

Our cover is split into 8 sections that broadly cover all specialised engineering risks, but clients can choose only the cover that they need – and combine it with cover from our business insurance offering if necessary – so that they're comprehensively insured but not paying for cover that they don't need.

Germany-based global reinsurance giant Munich RE has a 15% shareholding in King Price, which gives us the ability to write significant risks while giving our broker partners the peace of mind that we can pay any potential claims. We also have industry-leading technology and reporting systems.

Our custom-built ratings engine is the best on the local market, as it enables us to make complicated underwriting decisions within 48 hours and empowers our clients who benefit from cover that's customised to their unique needs. In the broker world, this translates to being able to offer quick turnaround times on quotes, sustainable book growth, and client relationships built on trust.

COVER: So, brokers can attend your online training sessions just to get some basic background information to help them be more confident when they approach these types of clients?

Justin Faure: Absolutely, and from my side, training has become by far my favourite part of the job. I find it very gratifying to build relationships through these 1 on 1 interactions. The more training sessions I can do, the better, as it really empowers brokers to use this knowledge to offer tailored advice and to make greater use of a wider range of product information.

COVER: With regards to the client, basically, once the broker has signed the client, there is an ongoing relationship that the broker has.

There is also the fact that the broker needs to stay on top of the risk that he has underwritten, to ensure the health of the book. Where do you fit in with that and how do you assist them?

Justin Faure: At the risk of sounding clichéd, we're with our broker partners every step of the way and we're continually looking for new ways to enhance the service and cover that we offer. One of the biggest emerging trends in insurance, is mitigating risks before claims happen.

While it's early days, King Price has big plans in this arena. Globally, we're seeing a move towards specialisation. For example, in the US, insurers don't offer liability for their contractors' policies, as they believe this should be dealt with by legal specialists.

The pandemic has also accelerated the insurance industry's move towards greater use of technologies like AI, which allows insurers to score risk more consistently and underwrite with greater certainty. We're looking seriously at usage-based insurance and have already implemented a world-first 'pay as you farm' product, which bases premiums for agricultural machinery on actual usage.

It's possible that we could extend this approach into other spaces as well. We're already working on an app, with an external provider, that will enable capital equipment owners to switch their cover on and off, as needed. This is great news for engineering clients.

COVER: *Basically, what you are saying, is that engineering insurance is accessible to the average broker and that they can build up their knowledge and lean on you to guide them through this until they are comfortable with it?

Justin Faure: Absolutely. In addition to the online training platforms that we have, we're also uploading engineering materials onto the King Price broker portal, which will allow brokers to access information at their own time, at their own convenience, in order to gain and build their confidence at their own pace.

COVER: I think it's exciting because brokers need to expand their portfolios. I have known brokers in the past that avoided certain technical lines when they had the opportunity, because they did not want to mess up and not provide the good service that they normally provide, because they are a bit intimidated. So, this could assist them to get involved.

Justin Faure: One hundred percent, we encourage open dialogue. We have an open-door policy. The more confidence we can instill in our broker partners, the better for all. Clients benefit from getting the best cover for their unique risks, brokers benefit from growing their books, and we benefit from economies of scale, experience, and enhanced relationships. Everybody wins.

The Broker-Insurer relationship

Michael Clack, General Manager, Business Development at Renasa

Michael Clack takes us through his views on what makes a strong broker-insurer relationship.

COVER: *How do we get the most from broker-insurer relationship? Clearly, this relationship goes both ways, and both sides can benefit from it. Can you give us a couple of pointers, from your perspective, as a business development manager, what makes a good broker-insurer relationship?

Michael Clack: In my view, trust and credibility is probably the foundation of a good relationship. At Renasa we always say we are the brokers best friend, and I think those are just words unless you walk the talk. Availability and flexibility is key. As insurers, we need to adapt to the ever-changing insurance landscape in terms of product development, product design and compliance.

Trust and credibility, those are things at the foundation that we need to work on. However, the big thing is managing the expectations. We need to understand each other's businesses in order to align our objectives and have a purposeful relationship. A big thing that we strive to, is to always be there to assist our brokers with any query or problem. So, again, availability and flexibility is key.

Decision making is also a very important aspect of a good relationship, quick and in the brokers office. We have dedicated broker managers that make these calls every day in the brokers office. Then we try to keep our brokers independent. Brokers require that independence, so allowing the independence of the brokers to bind a policy or to pay a claim etc. and just being there to assist them with those decision making processes, is always key.

To have that safety net, that you are there to assist. We would like to call it assisted independence. Empowering the brokers and giving them that sense of empowerment, those are the key things that I think build a solid relationship

"Brokers need to understand the business, understand what their objective is, and align themselves with that."

COVER: *In insurance, a lot of stuff is repetitive and the same. But when you get to the anomalies, then a lot of the time there is no precedent, and you need somebody that you can have a discussion with. When it comes to the broker side of this relationship, the day-to-day operations, how can a broker create a good working relationship between the broker staff and the insurance decision makers?

Michael Clack: I think it's a purposeful relationship, so we shouldn't focus on one sided objectives. Brokers need to understand the business, understand what their objective is, and align themselves with that. I think it's important for brokers' staff to know what the roles are in the brokerage and what it is that the insurer expects.

This is achieved by regular communication, talking to each other, training in terms of product specific training, as well as sharing general Insurance knowledge. I think we say we have these experienced broker managers and experienced people in the business but I always say 40%

of what we know in this business is what you learn from a book, more than probably 60% is about experience. Because, although everything is the same, there is always those curveballs that seem to crop up and experience carries you through that.

So, sharing that experience with the brokers, and the brokers sharing their experiences, keeps everybody aligned. Somebody once told me that in this business, the more you know, the more you know you don't know. There is not anybody that can say he knows everything about insurance. It's always that, like you said, communicating, talking to each other, sharing experiences and various things like that. I think it's also important that the people in the brokerage, the staff, have that accessibility to decision makers. It is very important.

This is one of the things that defines Renasa, that anybody, anytime, is available from Renasa to speak to a broker. That goes for a claims technician in a branch, right up to the CEO. The availability is there to share and to help to assist. Now, the important thing about the day-to-day running, is face time with brokers, being there, not in their face, but seeing them.

Unfortunately, the pandemic has put a lot of restrictions on that, but there's many ways that we can achieve that FaceTime, like what we do now on teams or zoom calls, to be there to make sure that everybody knows that you are available, and you're there to be of assistance to the broker. I think the big thing, day to day, is again, the experienced broker managers that we have in those broker offices, it is a good thing for the brokers to know that we are there.

COVER: Now, when it comes to insurance, obviously, claims are inevitable. That is what the industry is here for. How does an insurer and a broker work together, from your experience, to ensure a healthy broker portfolio, because that is a large part of the relationship, keeping that portfolio healthy?

Michael Clack: That is a big part of our day and our world. I think the most important thing is that information is key. Information in terms of trends on what's going on in the portfolio, and to share that with the brokers regularly. My mentor used to say to me, "agree on the numbers", there is no point me talking about 40% and the broker sitting on another number or another page, so we need to sit down with each other and have those discussions.

We need to agree on the numbers to make sure that everybody's on the same page and that we are all talking from the same book, so to speak. It goes for the growth trends and not only to claims necessarily, but everything to make sure that the portfolio is maintained and kept in a healthy state.

Again, it is the constant talking, communication. Especially in these times. We need to make sure that we are there to assist. I think that over the lockdown period, the trend has been to send emails, and you have these long discussions over emails, a lot of the time. Just pick up the phone and have a chat, you can sort out those issues very quickly. It is like we said earlier, insurance is like a living thing, we are not out there selling dishwashers, we are selling insurance.

Life for you is very different to me, so there is always these different needs, so we need to be nimble, we need to be flexible and sometimes think out of the box. Another important thing is to agree on measurables - how do we process a claim, how do we do these things - so that everybody knows. We give a lot of our brokers claims mandates, to settle claims quick and easy, and again, with that assisted independence, so they can make those decisions quickly, benefiting the client at the end of the day.

COVER: I think the better the communication, the easier it is to have difficult conversations. It is also easier to, as you say, be able to facilitate growth in the brokerages that way.

Michael Clack: Yes and, with that communication, people become familiar with each other. It is not always easy discussions that you have in this business, but at least having a solid relationship you can sit down and really give your side of the story and work on solution without people getting too emotional and so forth. **So, the relationship, in this business, is probably one of the key factors to a healthy broker-insurer relationships.**

Cyber risk: Nobody is immune

Alicia Narainsamy, Underwriting Head, Digital Distribution and Sizwe Cakwebe, Cyber Business Development Manager at SHA

We recently had a discussion with Alicia Narainsamy, Underwriting Head, Digital Distribution and Sizwe Cakwebe, Cyber Business Development Manager at SHA, on emerging CYBER risks and the role brokers need to play in especially the lives of their small business clients.

COVER: Alicia, from a small business perspective, the question is always, is there really sufficient cyber risk for a small business that they really need to get insurance?

Alicia: That is like asking me if there is crime in this world. It is not a matter of if I get hacked anymore, it is a matter of when. As long as SMEs are holding customer data of any form, whether it is on the cloud or on premises, they could be held liable by their clients in the event of a breach.

Now, just to back up what I'm saying from our annual risk review survey, where we interviewed about 900 small to medium enterprises. The data extracted there revealed that 37% of SMEs reported suffering a breach in just the last 12 months. Further to that, stats indicate that 19% experienced ransomware attacks, and 50% of those who pay the ransom, were hit a second time round, but that is not the interesting part.

The ransom averages between R10 000 and R20 000, so what does it really tell us? It tells us that the amounts are small enough for an SME to consider paying the ransom. So that false connotation, that SMEs are the least at risk, is a false pretense to have and to adopt. So small SMEs need to caution themselves around this type of thinking and, most certainly, take the necessary steps to firm up their cybersecurity posture.

COVER: Which cyber risks that are faced by small and medium businesses, would you then say are actually insurable?

Alicia: Let me answer this by looking at the cover and how the policy would respond in such instances. I think that would be more palatable for one to actually understand the makeup of a cyber insurance policy.

Most insurance policies have your first and your third party cyber quadrants. However, you do get cyber policies only covering third party losses. So here is the risk, where there is a data breach, somebody hacked the system and stole the client information and now the client sues the person responsible for holding that data. That is the third party quadrant and how it would generally respond to some of those cyber risks. Then you have the first party quadrant, which includes cover for the cost of investigating the cybercrime. Now bear in mind that, with entities that do not have this cover, the cost of investigating can quickly escalate.

So you also have your own damage quadrant to also think about. This is the business interruption, if the systems were offline for several hours, and it also covers the cost of the ransom itself as well as theft of funds only on the client's side.

But the last two quadrants are also pertinently important, especially for an SME. If you are an SME, it is really your business name on the line, so the cover here entails costs associated with PR, regulation in terms of fines and penalties, legal costs, notification and monitoring.

COVER: Now, the last thing that a broker wants to get roped into, is to give advice on cyber risk. I mean they have an understanding of a bit of protection on their laptops and on their cell phones, but start coming in with questions about broader cyber risk and most brokers will be in uncharted territory, right? So how do they actually get involved in this sort of business, without being the one to give technical advice?

Alicia: Let me start off by saying this; it is imperative to acknowledge that brokers play a pivotal role in the insurance ecosystem, and that role is to render financial advice and intermediary services, not to tell the client what firewall to use, because that falls outside the ambit of the advice portion that they render. So what I would do, is implore our brokers to engage with us, as we have partnered with a host of risk management suppliers that are trained to support them with those technical discussions.

Now, when it comes to really explaining the cover, the insurance side of it, we have a great online tool that aids the broker in doing this. Where there is a lack of knowledge we have to bridge that gap with training and awareness. We are cognisant of that, which is why we currently create a wide variety of training sessions with our brokers, and most importantly, the tool online helps them understand cyber insurance at their leisure, which is a great add on.

Sizwe: If I can I add on here. We also don't mind sitting in on meetings with brokers and the clients, to help facilitate the actual session and explain the different types of terminologies and cybersecurity controls that we are looking at. This is an important part of the service that we also do provide to focus.

COVER: We have all read how cybercrime has increased over the last 18 months. So Sizwe, could you maybe tell us a bit about the trends and the types of crimes that we're talking about?

Sizwe: I've only been with SHA for about 10 months, so I will talk from that perspective. I have noted quite a spike in the number of queries regarding the interception of emails, whereby particular emails have been intercepted by hackers and banking details are changed before they are sent through to vendors and suppliers. Subsequent to that, payments are made to the incorrect bank accounts. This is definitely a new trend and it is more specific within the professional services sector and more specifically, with attorneys and architects. So it is very prominent within that kind of industry.

We always recommend that a bit of due diligence is done whenever such details have been changed. Just a simple phone call to the account executive or whoever it is, normally would suffice. But most of the time, because the email is coming from the financial director, everyone trust that it is correct and they will make the payment, to the detriment of the supplier at the end of the day.

COVER: From the risk and how people are managing this cybersecurity, what are the common weaknesses that you see in IT security systems that you guys have detected, and how much of that is insurable under cyber policies and extensions to existing policies?

Sizwe: I will start off by saying, as human beings, we are fallible creatures, we are prone to making mistakes. With that being said, I will say that the human element, or intervention within a computer system of process or cybersecurity control mechanism, would be the biggest flaw. I say this because, at the end of the day, it is human beings that do the configuration, the development, the programming, and the coding behind all these tools and devices.

"As long as SMEs are holding customer data of any form, whether it is on the cloud or on premises, they could be held liable by their clients in the event of a breach."

We are prone to making mistakes and misconfigurations. It is those mistakes that lead to vulnerabilities that hackers exploit every day. So, I would say that would be one of the biggest things. The recommendation from that perspective is that they should probably take out a policy that will cover them from a misconfiguration point of view, and probably supporting that, would be some kind of a cyber policy as well that will cover them from a cyber breach or hack perspective.

Secondly to that, the lack of cyber security awareness and training. Again, it has a bit of human element in that as well, whereby staff or contractors fall prey to phishing attacks, or whaling attacks, with people clicking on emails that they shouldn't be clicking on or going to sites that they should not be going to, and end up compromising company networks. From that perspective, I would say there needs to be companywide cyber security awareness and training, and not just training targeted at IT, but the entire staff.

COVER: Seems to me then that the big thing, being a small business owner myself, is that this whole cyber risk issue is a constant thing in your head that you worry about. As Alicia said earlier, from your business reputation perspective, but also from damage, actual loss, financial loss, and so on. So it is good to know that with the insurance comes advice from people who have seen and dealt with a lot.

Tailor-making insurance for SMMEs

Jessica Dos Santos Morelli, corporate account manager at CIB

Small, medium and micro enterprises (SMMEs) play a significant role in South Africa's economy. They contribute a considerable amount towards economic growth through job creation, innovation, and development.

Although these businesses might seem small, they form a vital part of an emerging economy and make a significant contribution towards national GDP. In fact, SMMEs are responsible for employing close to 70% of the global workforce.

SMME owners are usually entrepreneurs with fearless drive, determination and unlimited bravery and courage who create a need in a market and turn that need into a profitable business. But however brave or resilient a business owner may be, there are many challenges to overcome. SMMEs face many risks which, if they should occur, could have a devasting and long-lasting effect on the profitability and sustainability of the business.

For a small business, and especially for a start-up, cash flow is often the biggest challenge. A lack of access to adequate finance is a major contributing factor to business owners failing to kick-start their operations. Cash flow problems could also lead to existing businesses ceasing operations.

SMMEs may also find it challenging to obtain physical infrastructure at affordable costs. Often these businesses are unable to purchase commercial property without financial assistance from banking institutions. And, although it may seem that the banking industry understands the business requirements of SMMEs well, there are practical difficulties and challenges present for start-up business operations when it comes to obtaining finance.

There are many reasons why business insurance should be considered. Often it is required for certain contracts. For example, where a commercial property finance loan is granted to a start-up operation, the bank will require confirmation of insurance cover on the building before finance is granted.

"SMMEs face many risks which, if they should occur, could have a devasting and long-lasting effect on the profitability and sustainability of the business."

No business owner can predict what might happen in years to come – or even weeks to come. Risks are unexpected, as we have seen with the COVID-19 pandemic and catastrophe losses as a result of climate change. For this reason alone it is highly advisable to take out insurance cover for unforeseen and sudden loss occurrences.

SMMEs who purchase the right insurance cover can safeguard their businesses against loss following the interruption of, or interference with their business in consequence of accidental physical loss of or accidental physical damage to tangible property. This is especially important for a start-up operation that might not be able to re-build from the bottom up following a large loss. Most small to medium businesses would struggle to restore their operations in

"SMMEs, together with a qualified intermediary, can identify risk factors and business risks and then build an insurance policy best suited to their business needs without the financial burdens of compulsory and costly insurance covers that might not be relevant to the business itself."

the event of a large business interruption loss. The insurance industry today is much more familiar with and geared towards understanding the risks associated with SMMEs. The industry has gone as far as designing innovative insurance solutions and products to cater for SMMEs' unique insurance requirements.

Insurance products are readily available in the market that offer tailored solutions and bespoke product benefits specially designed to offer affordable but comprehensive insurance solutions to meet the unique requirements of small to medium businesses. SMMEs, together with a qualified intermediary, can identify risk factors and business risks and then build an insurance policy best suited to their business needs without the financial burdens of compulsory and costly insurance covers that might not be relevant to the business itself. Some of the benefits of these bespoke products include the issuing of policies on a first loss basis, which means that there is no indemnity period applicable under the business interruption section of the policy. Also, excesses across all sections of the policy can be waived, and the average condition deleted.

Businesses run on risk; there is no certainty whatsoever. But business owners deserve peace of mind. Not all risks are in the direct control of the business owner, but businesses can and should be geared toward comprehensively managing their risks.

HCV / GOODS IN TRANSIT

“The use of telematics is much talked about within the transport industry and most insurers require telematics on higher-value vehicles.”

- Curtis Davey, Natsure HCV & Commercial

Fleet owners to be proactive in managing their risks

Curtis Davey Divisional Director Natsure HCV & Commercial

Heavy commercial vehicles (HCV) and goods in transit (GIT) have suffered some large losses in recent times due to the Pandemic coupled with the recent looting of the Kwa-Zulu Natal and Gauteng areas, which is quite unprecedented.

These were indeed unforeseen and as such were difficult to make provision for in a fleet owners risk management plan. The aforementioned, however, has forced fleet owners to re-evaluate a few areas within their operations and come up with the appropriate risk measures going forward.

One of the factors is the implementation of a fleet maintenance plan, the knowledge of routes travelled and the monitoring of driver's behaviour. Although these are obvious things, they are in most instances overlooked or ignored in the quest to earn the proverbial extra buck. The theft or looting of cargo occurs mostly in one of two of the following instances, in the event of an accident or the vehicle breaks down in a remote area.

Both these instances occur due to a poorly maintained vehicle which is a direct result of the financial strain placed on business as a result of the COVID pandemic. In some instances, these unprecedented event have even caused thriving businesses to close down. The strain on finances invariably leads to fleet owners not maintaining the fleet as it should be leading to ill-maintained vehicles on our roads. Another factor is the use of routes that are unknown to the driver. This generally happens where a driver deviates from a designated route either due to being late for the delivery or simply because he wants to get the delivery done quicker. This is generally a recipe for disaster as the driver could either lose control of the vehicle or get lost in a remote area.

The use of telematics is much talked about within the transport industry and most insurers require telematics on higher-value vehicles. Whilst these do assist it is very much dependent on the involvement of the fleet owner and the control measures put in place. In a lot of instances, the units are installed purely due to the requirement and not for the purposes it was intended, namely monitoring of the vehicles and drivers.

"The theft or looting of cargo occurs mostly in one of two of the following instances, in the event of an accident or the vehicle breaks down in a remote area. "

A bureau service can also assist a fleet owner to monitor his fleet. This can be done by a third-party service provider who will monitor the fleet owners' vehicles 24 hours a day. An additional benefit offered is that the bureau will also contact the drivers should they deviate from their route or where the vehicle starts making sudden movements indicating that the driver might be starting to suffer from fatigue.

Fatigue, and cell phone usage, is the highest contributing factor to accidents and, in some instances, forcing the driver to stop in unsafe places. Once again the use of camera`s and the use of a co-driver system is effective in eliminating this. The use of cameras is also of great value in monitoring and providing critical information when determining the route that needs to be used when delivering goods.

This also assists in monitoring driver behaviour and should be used as a tool to encourage the right behaviour and not as a method of reprimanding a driver. Making use of safe and secure truck stops is important in ensuring

"Driver incentives also play a vital role in getting the right driving behaviour from a fleet owners driver."

the safety of the cargo. Fleet owners should be aware of where the vehicle stops and keep themselves up to date with developments along the various routes. Some of the telematics systems are able to force the vehicles to come to a stop if the unit is activated but this is mostly to reduce hijacking. Driver incentives also play a vital role in getting the right driving behaviour from a fleet owners driver.

Reaction time is vitally important in the event of an accident or looting. Making use of an assist programme can mean the difference between losing a full load or losing only a partial load as they can recover the vehicle quicker and in doing so reduce the chances of losing the full load. The above precautions will assist the fleet owner to manage his risks which will inevitably have an impact on how the risk is determined by an insurer when rating the risk and ultimately apply a rate that will ensure that the policy runs profitability and is sustainable in the long run.

Whilst it is indeed true that the many pay the few, a fleet owner must be proactive in managing his risk. A fleet owner cannot simply rely on insurance as the only form of risk mitigation.

Saving South Africa's Trucking Industry

Anton Cornelissen, Head of Santam Heavy Haulage

Since the mass torching of trucks on the N3 Mooi River in 2018, the trucking industry has faced numerous challenges that have threatened not only the sustainability of the sector, but to some extent, the stability of the African economy.

The N3 serves as the gateway to the largest and busiest shipping terminal in sub-Saharan Africa, the Port of Durban, which handles up to **31.4 million tons** of cargo per annum. While the socio-economic environment in South Africa, which is marred by an abnormally high rate of unemployment, cannot be ignored or dismissed for some of the social ills, there have also been elements of criminal opportunism.

THE STATE OF THE HEAVY HAULAGE INDUSTRY IN SOUTH AFRICA

The past 18 months have not been any easier for the sector. The continuance of sporadic torching of trucks and attacks on truck drivers, service delivery protests and looting, the lockdown and various restrictions associated with the Covid 19 pandemic have further crippled the industry.

Due to the restrictions and limitation of transportation of essential goods during the hard lockdown, transporters have seen a massive drop in their turnovers, with most having to downsize and some even permanently closing. Those who are lucky enough to still be operational now have to stretch their staff and chase deadlines, which places further pressure and fatigue on drivers due to the long hours on the road – a major concern.

With the recent extensions in the validity of expired driver's licenses, most of the drivers have not had to do their medical check-ups in a while in order to renew their professional driving permits (PRDPs), which is a health and safety hazard. These factors are highlighted by the rise in the number of single vehicle accidents, which can be attributed mainly to driver error. This has been the main reason why, over the past few years, Santam has collaborated with the Road Traffic Management Corporation (RTMC) to advocate for driver wellness.

PROACTIVELY MITIGATING RISKS

With these challenges, Santam Heavy Haulage, as an insurance partner to the trucking industry, has sought to educate both clients and brokers on how to better manage and mitigate risk in in order to keep insurance premiums at a minimum. Insurance has traditionally been viewed as a grudge purchase, but recent events have highlighted the critical role it can play in minimising financial loss. Being in the digital age, technology has become an important part of any business and the trucking industry is no exception.

Telematics should be a necessity for transporters, not only for data collection but also for proactive risk management, with various safety features being incorporated in most new model trucks. Route planning, which requires information gathering, is also important. Where intel has been collected on planned attacks on trucks, Santam has always tried to share the information with our stakeholders to enable them to avoid certain routes. We also rely on law enforcement and private security companies to offer security in identified hot spots.

To be successful, businesses need to prioritise their people's wellbeing. Drivers are the driving force behind the trucking industry. Entrusting them with assets and cargo worth millions requires that they are equipped with the necessary skills, conducive working environment, and regular access to medical check-ups to help them make better health choices.

With the rapid advancement of technology, driver training has become vital not only to sharpen driving skills, but also to familiarise drivers with the new model trucks that are constantly being introduced to the market. Encouraging drivers to take regular stops during trips helps to reduce fatigue, which in turn minimises the chances of collision, which may lead to unwanted downtime in an already strained economic environment.

Whilst we consider ourselves specialists in HCV and cargo insurance, we are operating in an ever-changing landscape that present new challenges on a daily basis, some never experienced before. This has compelled us to be flexible in our thinking and the way we do insurance. With various interactions, discussions, and collaboration with all stakeholders, we can ensure the sustainability of the industry. We must adopt a partnership, future-fit approach.

Safety is the watchword for Transport Month 2021

Jason Mellow, Head of MiWay Business Insurance

October is the time to celebrate the key role that transport plays in the economy. Given the events that unfolded in July, safety has to be a concern we should highlight this year.

Road transport plays an essential role in our national supply chain, especially now that the rail network is, at best, vestigial. Road networks carry some 80% of South Africa's goods, ingoing and outgoing, and thus anything that disrupts road logistics is bad not only for the individual logistics companies but the economy as a whole.

The COVID-19 lockdowns placed logistics companies under huge strain, and the recent unrest has worsened an already bad situation with transport vehicles being targeted, most notably at the Mooi River Toll Plaza, on the vital transport corridor from the Port of Durban to Gauteng.

The figures make for unhappy reading. Between 2019 and the attacks on 10 July 2021, 1 400 trucks had been looted and/or burned on South Africa's roads. Between 10-14 July, 40 further trucks were destroyed, an estimated loss of R250 million-R300 million, excluding the value of the cargo, which could represent anything between R3 million and R10 million per vehicle.

In many cases, drivers have been intimidated, injured or even murdered. Even more damaging to the economy, many of these vehicles will not be replaced and smaller logistics companies will simply go out of business, leading to a loss of hard-to-replace jobs. While the July unrest hopefully represents an atypical situation, there is no doubt that the health of our logistics network is one that needs decisive intervention.

South Africa, for example, has the dubious distinction of being the African country with the highest incidence of cargo theft, and is high on the international rankings for the prevalence of cargo theft.

"While the July unrest hopefully represents an atypical situation, there is no doubt that the health of our logistics network is one that needs decisive intervention."

SOME MEASURES THAT COULD BE PUT IN PLACE TO MITIGATE THE RISKS FACED INCLUDE:

- Better driver training and wellness programmes:

Drivers are the lynchpins of the logistics network and they need to be better trained in both driving and vehicle maintenance. Additional training should include how to respond to dangerous situations. It is also important that logistics companies verify their drivers' existing qualifications.

- Predictive maintenance of vehicles:

Stationary trucks are a common sight on our roads. Late deliveries can incur penalties, and a stranded vehicle is always a target for opportunistic looting. The advent of a commercially viable Internet of Things, backed by access to high-quality, cost-effective artificial intelligence, can deliver powerful predictive maintenance solutions to drastically reduce the chances of machine failure. An intelligence maintenance programme will also prolong the life of vehicles.

- Policies to govern transport principles for the company:

Companies can drive better practices by setting out a clear policy environment relating to, among others, overloading, driver conduct on trips and the like.

- Risk management:

MiWay's top tip for any business, and particularly for logistics companies, is to put in place a formal programme of risk management. Such a programme will ensure that the company understands its risks and takes appropriate measures – it's easy to overspend or to spend on non-essential things.

As part of risk management, it is advisable to track all incidents (not just claims) in order to identify trends in your sector or area, and also to pinpoint any areas within the company that need strengthening.

- Anti-theft measures:

It may seem an obvious point, but the securing of cargo areas should be a priority with a protocol in place for the type of locks used, and who has keys. Theft in motion is a growing trend, too – if this is a risk, measures to make it difficult to access the vehicle while it is moving should be adopted.

- Insurance:

Insurance has an important role to play in mitigating risk. Companies should work closely with their broker or insurer to get the right policies in place, and care should be taken to understand them. Policies should be aligned with the risk management plan.

The road transport network is the blood system of the economy, but it does face challenges. Let's use Transport Month to make sure our logistics companies are as secure and safe as they can be.

Risk, reward and partnership

Paul Dangerfield, Operations Manager, Hollard Trucking

Trucking is by its very nature a high-risk class of insurance: new truck and trailer combinations can cost millions, and drivers are vital human resources who routinely face the threats of accidents, poor roads, bad weather and crime.

The past 18 months have been unprecedented for the trucking sector. The COVID-19 pandemic and lockdown, the arson attacks on truckers that have gained momentum since 2018, and the devastating July 2021 riots have made the times remarkable for all the wrong reasons. That said, the risk landscape hasn't fundamentally changed for the sector: the risks remain largely the same. But what has changed is the impact on insurers.

During the months of hard lockdown we gave substantial premium reductions to our customers, and we naturally also experienced a lower claims frequency period. So while our customers' fleets operated at lower capacity or parked off, we paid out less in claims – but we also earned less premium income with no reduction in normal operating expenses.

"the most alarming claim issue is the increase in the average cost per claim, year-on-year, at nearly 20%. These costs are driven upwards by primarily the exchange rate, and the popularity of the European premium brand trucks."

From July 2020 onwards, as economic activity picked up again, claims incidences have continued to increase, driven by factors including an alarming increase in crime against truckers and transporters working at maximum capacity to make up for lost income.

Hijacking and theft following of just about any type of commodity being transported has increased by 30% year-on year. These are orchestrated by ever-evolving, ever more sophisticated crime syndicates. Opportunistic crime, such as theft of tyres, batteries, accessories and cables, has also increased substantially. Accident frequency has increased and a greater number of losses do not involve third-party vehicles, indicating a high probability of both driver fatigue and driver distraction by cell phone.

But arguably the most alarming claim issue is the increase in the average cost per claim, year-on-year, at nearly 20%. These costs are driven upwards by primarily the exchange rate, and the popularity of the European premium brand trucks. This places additional strain on trucking insurers' fortunes, which have been under pressure for the past decade. That said, there has been a silver lining following the ongoing arson attacks for us and our customers, with regard to the recent unrest.

Working closely with SASRIA and perfecting the process of assisting in the submission of these claims, has afforded us a claims mandate from SASRIA; as of 9 September, Hollard Trucking's SASRIA settlements equated to 20% of the R2.8-billion in settlements across all classes. This ability to assist our clients in getting their trucks back on the roads extremely quickly is vital, and the positive economic impact of this claims handling ability will certainly be felt by

many of our customers in the very near future. At Hollard Trucking, we've long since grasped that the best way to manage our customers' risk is through partnership. We launched a Risk Services Division in 2013, and have incorporated a 24/7 monitoring bureau and a consulted reporting function ever since.

Significant strides were made when underwriting using telematics data was implemented. Following this we launched a driver rewards card programme, where tagged drivers are paid money into a Highway Heroes-branded Mastercard every two weeks for excellent driving. Rewarding good behaviour is one of the most effective ways of mitigating losses.

"The final variable in the risk management equation is fleet owners' most critical assets: their drivers. We feel that with the high number of truck drivers who die and are injured on our roads, providing driver death, hospitalisation and loss-of-income covers is very important."

The driving risk parameters have not changed, and we set reasonable targets for speed and rest breaks after a certain number of driving hours. When both of those are managed properly, there is less harsh braking, less tailgating, fewer accidents and vastly improved vehicle utilisation.

Economical driving naturally also equates to less fuel spend, longer-lasting tyres, lower vehicle maintenance costs and sustainable insurance premiums. Brokers, too, play a crucial role in doing a thorough needs analysis and then supplying customers with the most comprehensive and market-leading insurance options available.

There are numerous critical cover limits that brokers must ensure their clients have, most notably third-party liability, static fire risk accumulation limit, sufficient accident and non-accident towing limits, sufficient wreckage removal limits, sufficient pollution liability and clean-up limits, and a sufficient load limit for goods-in-transit cover.

The final variable in the risk management equation is fleet owners' most critical assets: their drivers. We feel that with the high number of truck drivers who die and are injured on our roads, providing driver death, hospitalisation and loss-of-income covers is very important.

It is imperative that brokers partner with insurers and customers in risk management, and understand fleet management technology and how best to use it for sustainable insurance premiums, driver management, driver training and various initiatives for rewarding excellent driver behaviour.

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FINANCIAL PLANNING

“35% of estates are delayed as the deceased’s estate is unable to cover its liabilities.“

- **Jeffrey Wiseman, Momentum Trust**

Understanding the African millennial

Berniece Hieckmann, Head of Metropolitan's new business unit

Shallow, yet deeply self-indulgent; wielding attention spans as short as their list of achievements while sporting an annoying penchant for GIFS, memes and trophies - never before has there been a generation as entitled as that of the millennial.

OK BOOMER.

When digging a little deeper into arguably the widest researched, yet paradoxically most misunderstood generation, this caricature is found to be precisely that; a lazy, blanket misrepresentation of a highly complex and nuanced group - one that currently represents 51% of the country's workforce, or an approximate 12,6 million people.

I've been **tasked with creating frictionless financial solutions aimed at younger clients**, and I recently spearheaded a deep-dive into this age category, drawing from anthropological and ethnographic research, trends and behavioural insights gleaned from big data.

The objective was to strip away the stereotypes in a quest to better understand this multi-faceted consumer, and - particularly given the size of this demographic - how we're impacted as an industry.

THE MILLENNIAL VS. THE AFRILLENNIAL

The most salient insights were those not explicitly obvious at first glance. Most notably was the juxtaposition between the western millennial and the 'Afrillennial'. You cannot simply extrapolate findings from research conducted into the western millennial and apply a local lens - there are distinct differences which give rise to an entirely new set of behaviours. A key departure was that, while western millennials were found to be preoccupied with emancipation and autonomy, the same does not necessarily apply to Afrillennials, who remain family-centric - both by necessity and design.

Much has been made of South Africa's 'sandwich' generation, where individuals are financially responsible for both their children and parents. This is not only due to financial inability on the part of older generations, but also evidence of South Africa's 'socialist heart'; there is a deep-seated reciprocity, an innate subscription to the pivotal role of the family, which manifests as a sense of community not always evident in western culture.

The report also highlighted a fascinating duality; the ease with which an Afrillennial can navigate between traditional and modern life. While Afrillennials display patterns typical of their age group in how they assimilate information, they remain deeply culturally-rooted and are at peace with this dichotomy. They're equally as comfortable donning traditional cultural regalia, as they are in Zara.

INFORMATION ECONOMY

Underpinning another millennial behavioural set was the evolving supply-demand economy of information. In the case of Gen Xers and Baby Boomers, information was in higher demand than it was in supply. Older generations had to actively seek information, and so became accustomed to casting as wide a net as possible, 'hoarding' data and then processing it at a later stage in a mostly linear process.

Thanks to the proliferation of digital media, this supply-demand curve was upended. Access to information is no longer a challenge, and Gen Yers have adopted a 'multi-threading' method of processing: information is sought, scanned, rapidly processed and discarded, in a continuous, fast-moving and decidedly non-linear path.

Consider the implications of this rapid-fire processing. It impacts every aspect of life; from how you engage and interact, to even your concept of time. Current societal structures have developed over time, built by generations

not raised in the same supply-demand economy. This has numerous implications, most notably a rising dissonance in the schooling and education systems.

There needs to be an adaptive process to counter this misalignment. There is a great deal that we can learn from each other. While millennials are brilliant at rapidly processing information, Gen Xers, for example, are fantastic at building relationships.

WHAT DOES THIS MEAN FOR THE FINANCIAL SERVICES INDUSTRY?

The industry needs to adapt - and fast. There are a lot of learnings in terms of how - and the speed at which - consumers expect relevant information to be delivered, as well as their prioritisation of experiences over assets.

Financial services providers should consider the following:

- **Omni-channel agility:** Agility is needed in service channel design. We know that digital channels are preferred for convenience. However, research also shows that millennials favour virtual channels for interactive engagement, while in high stakes situations, they display a preference for face-to-face interactions.

- **Personalisation and co-creation:** Research by Accenture revealed that 67% of South Africans are loyal to brands that provide them with personalised offers. Millennials expect the customer experience to be tailored to them as individuals, and are willing to be co-creators in the product design process.

  Given the wealth of information that they make available about themselves through social media, they expect brands to know what they want - otherwise they're prepared to take their business elsewhere.

- **Lifestyle impacts product design:** The financial services industry desperately needs to relook their product offering. Take insurance, for example. While we cannot disregard its importance in our landscape, is it as much a priority for a generation more concerned with living, than with dying?.

  Debt, on the other hand, is the lived reality for many millennials, and few people can afford to build an asset base without entering debt. How can we support consumers in consolidating bad debt and turning it into good debt? The trick lies in structuring a path that empowers one to pay off their financial commitments whilst acquiring an asset base, slowing the credit-debt cycle.

- **Loyalty:** The same Accenture report indicates that millennials differ significantly from other generations when it comes to the concept of loyalty – and South African consumers differ even further. Eighty-eight percent of South Africans are loyal to brands that protect their private information, while 52% are loyal to those that support a cause which they value.

Thus it is imperative for financial services to constantly reevaluate their privacy policies, as well as consider where they focus community and CSI efforts. **It would appear that - despite what the memes tell us - millennials have no real aversion to 'adulting', after all.**

Winding up a deceased estate

Madelein Steenkamp, Legal Specialist at PSG Wealth

Losing a spouse or family member is traumatic enough. Being unprepared for the financial realities of death can make it even more devastating.

The Covid-19 pandemic has brought with it an increased awareness around our own mortality, and the importance of having your affairs in order to protect loved ones.

The moment a loved one passes away, their deceased estate comes into existence and must be wound up in terms of the Administration of Estates Act, and – depending on the nature of the estate – the winding-up process can be lengthy. The time required to wind up a deceased estate will be determined by, among other things, the size and complexity of the estate.

For example, if an estate is smaller than R250 000, the process is simpler, and an executor does not need to be appointed. In this instance, a person (usually a family member), is authorised by the Master of the High Court to pay and collect debts and distribute the assets of the deceased to the heirs. For estates above R250 000, an executor needs to be appointed and the formal process of winding up of the estate needs to be followed.

WINDING UP A DECEASED ESTATE: STEP BY STEP

A deceased estate must be reported to the Master within 14 days from the date of death. As a first step, the nominated executor will consult with the family of the deceased to obtain all necessary information to report the estate to the Master of the High Court in the jurisdiction where the deceased was domiciled 12 months before their death.

They will then be issued the Letter of Executorship, which authorises the executor to act in respect of all matters pertaining to winding up the estate. This includes taking control of all assets of the deceased, opening an estate late bank account, notifying third parties of the death of the deceased, settling liabilities and the transfer or sale of assets.

The executor will also need to advertise the estate in the Government Gazette and a local newspaper. This advertisement is for the attention of debtors and creditors of the deceased, and it informs them that they are granted a period of 30 days from publication to submit their claims against the estate. The executor must also notify SARS of the death – this must be done even in cases where the deceased was not registered for tax purposes and no estate duty is payable. An income tax return must be submitted for each year of assessment until such time as the estate becomes distributable.

Even when an estate is finalised during the year of assessment, an income tax return must still be submitted for the full year of assessment during which the liquidation process was finalised.

Once the 30-day period of the advertisement has expired, and all claims have been lodged, the solvency of the estate is determined. The executor will then proceed to draft the liquidation and distribution account, which reflects all the assets and liabilities of the deceased and sets out how the assets will be distributed to the heirs. The will of the deceased determines how assets are distributed. If the deceased died without a valid will, the Intestate Succession Act will apply and it affords formulas that determine how assets are to be distributed.

The liquidation and distribution account is then lodged at the Master's Office for approval. Once approved, permission will be granted to advertise the account that will lay open for inspection for a period of 21 days. Interested parties should lodge their objections with the Master before the 21-day period for inspection expires. If no objections are received in this period, the executor may then proceed to pay creditors and distribute the estate to the heirs in accordance with the liquidation and distribution account.

Once the estate has been liquidated and distributed, and all creditors have been paid, the executor must notify the Master, who will then – if satisfied – issue a filing slip to confirm that the estate has formally been closed.

THE COSTS INVOLVED

One of the costs to consider is the executor's remuneration. The maximum tariff (excluding VAT) is determined by the Administration of Estates Act and is currently 3.5% of the gross value of the estate assets, and 6% of all incomes (e.g. rentals, interest and dividends), which the executor collects on behalf of the estate from the date of the testator's death until the date of final distribution of the estate. Estate assets exclude life insurance policies and retirement fund benefits payable directly to beneficiaries.

There are also several other expenses to take into consideration, such as advertising costs, transfer costs, valuation costs, mortgage bond cancellation costs, bank charges and funeral costs. Unless the executor qualifies for an exemption in terms of the Administration of Estates Act, there will also be the cost of providing security to the Master for the value of the estate. The security must be in the form of a Bond of Security, issued by a short-term insurance company.

WHAT THE FAMILY NEEDS TO DO

The deceased's family must notify the executor of the death and obtain the death certificate. They should also get all relevant documents of the deceased together for the first interview with the executor. Managing day-to-day living expenses is important. Once the deceased's bank account is frozen, it can take several months before the executor is able to pay creditors and it is therefore recommended that heirs plan to maintain these payments to avoid potential adverse interest charges and possible legal collection charges.

Heirs may find themselves in a position where they still require access to funds from the estate to meet their day-to-day living expenses. This can be particularly stressful as the family is faced with both the loss of a loved one and financial concerns.

Pension fund benefits are typically not dealt with by the executor: the family must approach the pension fund directly to deal with the deceased's retirement savings. This is a separate process to winding up the estate, and the family does not need to wait for the Letters of Executorship to be issued before they begin this claim process.

The administration of a deceased estate can be a lengthy and complicated process that can take anything from six months to several years to finalise, depending on the complexity of the estate. Having your affairs in order will save your family a great deal of administrative effort and emotional stress.

A qualified fiduciary expert will help you avoid the pitfalls of unintended consequences by assisting you with your will and estate plan to ensure that your loved ones are taken care of and that your estate is distributed as intended.

Is creating generational wealth a pipe dream?

Carol Mazaka, Consumer Director at 1Life

Our survey reveals 84% of South Africans are expected to create generational wealth!

As the South African economy continues its sluggish growth trajectory, too many South Africans are struggling to make ends meet. If we look at the recent unemployment stats released, this is only going to get tougher – coupled with mounting pressure to both support families and create wealth. To make matters worse, the results of a recent survey underscores that wealth generation for future generations is something which is profoundly misunderstood or there is a lack of means to build a sound financial legacy for future generations.

The survey illustrates that 77% of South African consumers do not have generational wealth, with 61% either having no idea, or a very vague one, on how to create it. This, coupled with the fact that 84% are expected to create it – as well as a dwindling ability to find employment - means we are facing a grim reality. This is according to our Generational Wealth survey which aims to understand how empowered South Africans are with regards to the right knowledge and tools to build generational wealth*.

The good news is that 91% of respondents believe that the creation of generational wealth is important. As a country we have a fundamental responsibility to support this and while we drive ways to foster employment as a nation, we also need to create a new generation of consumers who are focused on doing just that. Forget Gen X, Gen Y, Gen Z, and think Gen W – empowered, awakened individuals where building generational wealth starts with me and starts today!

The research has again highlighted a core gap in financial literacy in South Africa but more importantly, has demonstrated the fact that just because South African consumers don't have generational wealth, doesn't mean they don't want it and in fact, more and more of them are taking control of this. The survey showed that 69% of respondents are optimistic about creating a sound financial future and that many of them have, or are planning to, build such wealth. For example, 41% have a life policy in place, with 25% planning on buying property.

The six key pillars to building generational wealth are more than just land and businesses being passed down and, while a fundamental part, there are other areas that are key to such wealth including: investing in the stock market, investing in a child's education, taking out life insurance and improving one's own financial literacy.

There is no doubt that despite financial inequalities, today's consumers are financially awakened – they represent the dawn of a new age of South Africans who want to do more, be more and give more and there is great opportunity to enable them to create and help build the financially savvy generations of the future. Most importantly it starts with educating consumers that they don't have to have millions or even thousands to start creating generational wealth – one small step at a time is what it takes.

However, they need to get the fundamentals right – building on the six pillars and ensuring that the 70% that don't have a savings plan in place and the 33% that are not in control of their finances – can gain control and build this up.

It truly is time we talked about generational wealth, how to generate it, protect it, maintain it and why so many of us still don't have it! By taking ownership and enabling consumers to truly say 'it starts with me' and understand how to really build it through things like **Truth About Money** and financial education, we will create future generations that are further empowered, financially savvy and, simultaneously, drive down poverty and inequality over years to come.

Generational wealth: is defined as assets (land, business, education, housing, etc) passed down from one generation to the next, either as an inheritance or while the family member is still alive.

Crypto is no gold

William Fraser, Portfolio Manager, Foord Asset Management

Bitcoin and a slew of other cryptocurrencies are gaining traction as alternatives to fiat currencies as mediums of exchange. But could they also challenge gold as the ultimate store of value?

To my mind, there are so few similarities between gold and Bitcoin that to compare them seems like a waste of time. Gold is easy to understand. We can see it, feel it, mold it. It has many uses and limited supply. Through the centuries we have accepted it as money and stored it in large quantities as national reserves. Bitcoin is new. It is complex. And it was created out of nothing. But we should not dismiss Bitcoin's utility as a medium of exchange or a store of value without some (even rudimentary) research and analysis. We should also note that different people have different investment objectives, time horizons and risk budgets. So, there may be diverse conclusions as to its utility. Let me offer mine.

I like gold as a store of value in investment portfolios because it typically shines during times of financial stress. It acts as a safe-haven asset, with a proven track record of preserving and even improving value during market dislocations. It is an insurance policy against government economic mismanagement, which could lead to currency devaluation and rising borrowing costs. In contrast, and despite its limited supply, Bitcoin has failed as a store of value during times of financial market distress. The extreme volatility of cryptocurrency prices (irrespective of market conditions) suggests demand is for speculative profiteering rather than safety of capital. Moreover, major price falls tend to occur when lending dries up and bank collateral requirements rise meaningfully – forcing leveraged Bitcoin speculators to sell. This tends to happen during times of market dislocation. Thus, while Bitcoin's limited supply might imply a store of value, its price history betrays this promise.

Nevertheless, cryptocurrencies could become an accepted (and legal) medium of exchange—one day challenging the dollar, euro, yen and other currencies as a means of payment. They therefore compete with fiat currencies more than with gold.

But even in this theatre they face challenges. I have already shown that they lack credentials as good stores of value. They also exhibit great variability in demand while supply is artificially manipulated. Finally, cryptocurrencies are not widely accepted as a medium of exchange—only El Salvador recognises Bitcoin as legal tender. This is because governments understandably want to collect taxes in their own currencies.

Bitcoin's extreme price volatility means it fails the test as a currency with stable purchasing power and as a store of value akin to gold. Bitcoin is merely a promise without any economic or fiscal backing. The potential for better cryptocurrencies (including central bank sponsored crypto coins called Central Bank Digital Currency) means the potential exists for Bitcoin's value to go to zero over time.

Where there's a will there isn't always a way

Jeffrey Wiseman from Momentum Trust

The effectiveness of wills is one of the biggest issues when it comes to leaving one's loved ones a proper and pain-free legacy.

Did you know that 35% of estates are delayed as the deceased's estate is unable to cover its liabilities? Those are only the numbers from Momentum's stable of estates. The number of South Africans whose wills are not aligned to their financial circumstances is likely far higher.

This is a tragedy compounded for so many loved ones who simply want to grieve but are instead incapacitated by frustrating and often debilitating administration and financial red tape. We sit in a situation where not only do too few South Africans even have wills, many of these wills cannot even be executed upon due to lack of financial planning.

"A will is like a roadmap to leaving a lasting legacy for those left behind. Without proper financial planning to back it up, the destination of a lasting legacy will not be reached."

Luckily, most problems can be solved, although perhaps not in the manner the testator intended. The outcome of issues like marriage, cash shortfalls, assets held in a business or simply giving away more than you have in your personal estate, it can still be given effect to but the outcome will probably not be what the person drafting the will expected.

A will is like a roadmap to leaving a lasting legacy for those left behind. Without proper financial planning to back it up, the destination of a lasting legacy will not be reached. The will is then merely a piece of paper filled with wishes that never came to fruition. If you don't properly plan the route your life needs to take, even after that life comes to an end, it is not going to end well for those who you treasure most.

The lack of financial planning forms the heart of this issue as too many South Africans are unaware that a will needs to be backed by a financial plan in order to ensure that the wishes within are actionable. My advice for those who are looking to leave a legally sound and financially viable legacy for their loved ones, starting with the most fundamental lesson of all:

REALISTIC FINANCIAL PLANNING COMES FIRST

Too often we find people preparing a will in isolation. They forget to match it with the tangible financials of their current lives, bequeathing assets and incomes that simply don't apply to their current circumstances.

The first thing to remember when writing a will is to understand the cost of tying up an estate. The average cost of winding up an estate is around 3.5% plus VAT (15%) of the gross value of the assets, and 6% plus VAT (15%) of income collected after death. The same goes for assets, which, if owned by a company or close corporation, do not form part of your personal estate and cannot be bequeathed to a beneficiary.

The shares in the company or the members interest in the close corporation form part of your estate and the assets in that entity belong to the organisation. Things change if your business is conducted as a sole proprietorship. This further highlights the need for the right advice.

If you don't understand the relationship between the will and your current financial circumstances, you run the risk running into a cash shortfall and leaving your loved ones with the burden of figuring out what to do next. Everyone should update their will at least once a year, or whenever a major life event occurs, and by consulting a professional financial adviser to assist in this process, one is able to ensure that the wishes contained in the will are rendered effective.

UNDERSTAND THE ROLE OF AN EXECUTOR

It may sound like a grand gesture to have a friend or family member become the executor of your estate, but this is most likely going to become a great burden for them, especially if they are not equipped with the right knowledge and expertise required of an effective executor.

You should never underestimate the technical skills of a professional executor. Think of it this way, you wouldn't ask your friend of family member to represent you in a court of law if they weren't a qualified lawyer, so why would you do the same with your executor? A proper executor has the responsibility of determining the financial position of the estate and has to establish whether if it has enough money to cover all necessary administration costs and debts. If a will is not constructed in the way it was intended for any number of reasons, then your executor may have to sell assets to cover liabilities or follow other processes set out by the Administration of Estates Act.

Is that something you are willing to entrust someone you love with? Especially considering they are likely going to be in a state of grief once you pass away. You should nominate within the will a professional executor to ensure that the will is managed objectively and free from irrational and emotional decisions.

While the executor can't change a will that has been poorly planned after the fact, this further highlights the need to have a financially sound plan tied to your will so that on death the executor can execute your instructions in the manner they were intended.

At the end of the day, a will needs to be legally sound, straightforward, and set up by a professional who knows what they are doing. Don't fall into the trap of drawing up a will that simply cannot be given effect to as you intended and leaving your loved ones to pick up the pieces.

HEALTHCARE

"There is also a renewed focus on preventative care, virtual consultations and plans that enable more South Africans to have access to affordable, quality healthcare"

- **Lee Callakoppen, Bonitas**

Redefining healthcare in 2022

Lee Callakoppen, Principal Officer of Bonitas

As South Africa moves to Covid-19 adjusted Level 2 and vaccination numbers increase, access to quality healthcare remains a priority.

Today, Bonitas Medical Fund announced its 2022 product line up offering. This includes the use of reserves to keep contribution increases lower, a Benefit Booster to stretch day-to-day benefits, a revised international travel benefit with payment for Covid tests and a contribution towards quarantine costs. There is also a renewed focus on preventative care, virtual consultations and plans that enable more South Africans to have access to affordable, quality healthcare.

Lee Callakoppen, Principal Officer of Bonitas said, 'The Scheme performed well in a volatile market, attributable to proactive risk management and prudent board decisions. A positive offshoot of the pandemic was an increased appreciation of medical aid cover that resulted in better-than-expected member retention and a 2.3% membership growth since January.'

TOP LINE CHANGES

'We have taken a strategic decision to utilise approximately R600m of reserves to ensure that 82% of members receive a below CPI contribution increase for the 2022 benefit year. The innovative Benefit Booster equates to an increase in day-to-day benefits for members ranging from 16% to 32%, depending on the members' plan. We believe it is the largest increase in benefits ever seen in the medical aid industry.'

The average weighted contribution increase across all plans is 4.8% with the BonStart premium decreasing by 7.9%, which can be attributed to the low cost versus benefits ratio and the younger membership profile on the plan. The decrease in contribution is an industry first – as was the decision to offer BonFit Select at a 0% increase in 2020.

New offerings include an additional virtual plan, BonStart Plus, a renewed focus on Managed Care with an oncology management programme as well as an enhanced member app, powered by AMP, which includes a personalised wellness programme to encourage healthier behaviour.

PLANS

There will be a total of 15 plans for the year ahead comprising traditional, savings, hospital, edge (virtual), network and income-based plans, each carefully crafted with a specific mix of benefits to appeal to various target markets. Increases range from minus -7.9% to 6.5%. Bonitas has opted to increase its options which are currently in a growth phase - BonSave, BonFit and BonEssential - by only 3.6%.

SUSTAINABILITY AND AFFORDABILITY

The Council for Medical Schemes (CMS) recommended increases in line with CPI of 4.2% with the caveat that financial stability and sustainability of schemes must remain a priority. We feel that the use of part of our reserves to cushion members against increasing costs is an appropriate strategy. Other recommendations by the CMS include: Driving innovation from a pricing point of view; exercising caution in terms of utilising reserves to help cushion increases and adopting innovative pricing models – a directive Bonitas took to heart.

BOOSTING BENEFITS

The Benefit Booster is the most innovative change in the healthcare industry since the advent of the savings account. It stretches value and equates to an increase in day-to-day benefits ranging from 16% to 100%, depending on the plan. This covers all out-of-hospital claims including acute medicine, GP consultations and non-surgical procedures such as wart removal. Members simply need to complete a wellness assessment (which can be done online), to tap into the Benefit Booster. Claims will pay from this benefit first – helping to preserve savings and day-to-day benefits for members.

MANAGED CARE

At the launch, Dr Morgan Mkhatshwa, Head of Operations said, 'Lifestyle diseases have reached epidemic proportions in South Africa. 80% of these Non-

Communicable Diseases (NCDs) are caused by lifestyle risk factors like smoking and obesity. Managed Care is designed to help members with chronic conditions by using the best clinical and treatment protocols.

This is achieved by analytics and continuous research, alignment to the latest technology, market trends and member needs and leveraging this data for enhanced treatment.

ONCOLOGY

Cancer prevalence is increasing alarmingly. As a result, coordination of care is critical for oncology. Bonitas is introducing a new Oncology Management Programme that utilises a partnership between Medscheme Managed Healthcare and the South African Oncology Consortium (SAOC), to improve the coordination of care of oncology patients.

BACK AND NECK PROGRAMME

'Our back and neck programme has seen a 93% success rate. In 2022, we introduce the eDBC app. This technology-driven channel offers digital coaching solutions and home-based care to help improve pain and mobility. It includes a self-assessment, baseline progress checks and outcomes' evaluation.'

"Our focus on Care, Capability and Reliability encompasses not only providing our members with the tools and preventative measures to guard against chronic conditions but help us redefine healthcare for a new world."

THE GP IS KEY

'The Scheme believes that the GP is at the heart of the Managed Care model. Care coordination is essential in ensuring that members get the right level of care and support in managing their conditions. Our GP network has a broad national footprint and 98% of members are within a 10km radius of a network GP.'

VIRTUAL CARE

BonStart, the inaugural Edge plan introduced in 2020, proved very successful – using virtual care as its base. For this reason, the Scheme is introducing an additional Edge plan, BonStart Plus for 2022, aimed at attracting a new profile of member through this diversified distribution channel and attractive pricing. Virtual care has proven a sound and reliable solution, locally and internationally, for improving access to quality healthcare and is now offered across all 15 Bonitas plans.

DIGITAL

Covid-19 spurred progression of digital enhancements with innovations such as a mobile app and WhatsApp channel being swiftly created. The Member Zone is being enhanced allowing members to manage their medical aid more effectively.

AMALGAMATIONS

Callakoppen says, 'Bonitas' track record for amalgamations is excellent and we are currently awaiting approval from the Competition Commission to our proposed amalgamation with the Nedgroup Medical Aid Scheme. The amalgamation will fortify the size of Bonitas as well as decrease the average age and pensioner ratio while bolstering the reserves.'

TRAVEL BENEFITS

'We wanted to ensure that our members are covered should they need to travel and noted that testing and enforced quarantine could be expensive. The Scheme is therefore offering a Covid-19 PCR test pre- and post-travel as well as a contribution of up to R1 000 a day should quarantine be required. This is an enhancement on the existing international travel benefit which covers up to R10 million per family per trip for leisure and business travel.'

AMP'ED FOR OPTIMAL HEALTH

Bonitas also introduces a new personalised wellness and lifestyle programme app – powered by AMP, which allows members to access their health information. Biometric data, claims and wearable data are used to regularly update their health score while an avatar nudges them on best steps to boost their health. In addition, through a partnership with Nedbank AVO, members can access discounts and deals from over 7 000 merchants.

THE WAY FORWARD

The future for the Scheme remains: Quality healthcare for members; affordability of contributions and the financial sustainability of the Scheme. To achieve this, schemes need to use risk pooling and cross subsidisation, as well as membership retention, growth and long-term sustainability. Our members remain the heart of our interactions and we actively strive to find ways to amplify value and drive business development. Our focus on Care, Capability and Reliability encompasses not only providing our members with the tools and preventative measures to guard against chronic conditions but help us redefine healthcare for a new world.

Long COVID threat looms

The World Nano Foundation (WNF)

Medical experts fear long term fallout from being infected by COVID-19 could be even more of a challenge to global healthcare than the pandemic itself.

'Long COVID' impacts victims in many ways, meaning that treatments need to be far more diversified, and therefore in urgent need of heavy investment **The World Nano Foundation (WNF)** is a not-for-profit organisation promoting nanotechnology, a sector which played a major role in COVID vaccine and testing breakthroughs during the pandemic itself, and it can already see a need to step up against the Long COVID threat.

LONG COVID THREAT MEANS THE VIRUS 'ISN'T DONE WITH US YET

WNF co-founder Paul Sheedy said: "COVID isn't done with us yet. **A recent study** from the Lancet's EclinicalMedicine found that patients have reported over 200 individual symptoms of Long COVID across ten organ systems. This can be in a broad range of combinations for different patients, with symptoms potentially lasting years and making treatment extremely complicated.

"This will most likely cause an increase of patients for each sector within healthcare, such as pulmonary, cardiology, etc. for years to come, depending on where an individual patient is most debilitated." **Britain's Office for National Statistics** found that 21% of people testing positive for COVID-19 continue to have at least one symptom five weeks after infection and 14% after 12 weeks. With lockdown restrictions now easing worldwide, Sheedy fears increasing transmission could burden global healthcare with rising numbers of Long COVID patients:

"With the potential increase of COVID transmission worldwide due to more virulent variants, Long COVID may become the latest challenge for global healthcare, already being pushed to the limit in each sector. Our systems must evolve to meet this new demand.

"Long COVID could also have a significant impact in developing countries, where facilities needed to treat rising infections are simply not available. So investment is vital to ensure global health systems can progress to deliver high-quality care to an increasing number of patients."

"With the potential increase of COVID transmission worldwide due to more virulent variants, Long COVID may become the latest challenge for global healthcare, already being pushed to the limit in each sector."

Sheedy's view is backed by a general partner at the **Vector Innovation Fund (VIF)**, Paul Stannard, who called for a more decentralised, point-of-care-based healthcare model to cope with rising pressures from Long COVID:

"Investing in healthtech can accelerate a global transformation to a more preventive, decentralised and efficient global healthcare system. The greater technology available to us, the more patients can test and care for themselves at home, only coming into hospitals or health centres when there is no other option to provide care.

THIS IS THE FUTURE OF HEALTHCARE, AND THE SOONER WE EMBRACE THAT AND INVEST, THE BETTER.

Healthcare technology investment soared 47% in 2020 to a new high of $51 billion, and will rocket to even greater heights. Global healthcare investment is tipped to pass $10 trillion by 2022 on a 10-year upward trajectory, already being dubbed the 'COVID decade' by the investment world.

Editor's Note: I am sure the life industry is taking note of these developments as it will not just have an impact on healthcare providers and funders, but the life industry as well. We are still at the beginning of an unknown drama playing out globally.


JOIN BONITAS
FOR MORE BENEFITS
THAT DON'T COME
OFF YOUR SAVINGS
- LIKE A BENEFIT BOOSTER,
VIRTUAL CARE AND MORE...

Financially navigating a critical illness

Jacqui Nel, Business Unit Head of Healthcare at Aon South Africa.

THE FAR-REACHING IMPLICATIONS OF ILL HEALTH

Few people consider the far-reaching implications of a health crisis on every facet of their lifestyle. The devastating effect of a serious health crisis such as cancer, a stroke or heart attack, COVID-19 or even an accident typically extends far beyond the physical consequences of such an event, with significant implications for your financial and emotional wellbeing too, and even your ability to work and earn an income.

Navigating the implications of a potential health crisis requires a holistic approach that takes into account not only the cost of the healthcare treatment both in and out of hospital, but also looks at aspects such as income protection if you're unable to work, disability (which could be temporary or permanent) and any lifestyle changes you may have to make as a result.

The reality is that while a healthcare financial plan that includes medical scheme benefits to cover your medical costs is crucial, a much wider safety net is needed to protect you if you're unable to work and earn an income, and the potential for temporary or even permanent disability.

Aon offers the following aspects to consider when navigating the financial implications of a possible future critical illness diagnosis:

MAINTAIN YOUR ACCESS TO QUALITY PRIVATE HEALTHCARE

Given the major financial challenges facing consumer households as a result of various lockdowns, the affordability of maintaining medical scheme cover is another hurdle facing medical scheme members.

In **Aon's 2021 Global Medical Trends Rate Report**, it was found that South Africa's medical trend rate is expected to remain stable with percentage increases in medical plan costs anticipated for 2022 at 5.% to 6.5%.

As long as the COVID-19 pandemic continues it is difficult to predict what future medical scheme contribution increases may be. 2020 has shown a decrease in claims ratios during the ongoing pandemic. However, claims are steadily increasing back to 2019 trends and in certain instances increasing above 2019 trends.

Many uncertainties prevail, such as the impact of mental health, the delay of preventative care and any COVID-19 side-effects that are yet to be determined. Medical schemes will have to evaluate its immediate circumstances and take future risks into consideration to determine its medical scheme contribution increases. As financial pressures remain, many medical scheme members are looking to change and downgrade their benefit options in a bid to save money, but still retain access to quality private healthcare in a crisis.

Making the right decisions about the options selected within a medical scheme starts by understanding what benefits will be available and the affordability of the premium attached to these benefits. Benefits that are not covered will have to come out of your pocket, which needs to factor into your decision.

The Medical Scheme Act currently protects members within the realm of Prescribed Minimum Benefits (PMBs), which enforces cover for 270 diagnosis and treatments of a defined list of chronic conditions and emergency care, assuring members of this cover, which now includes COVID-19 diagnosis, treatment and care. The only precaution to take is to confirm whether the cover falls in the private or public-sector environment.

Once that aspect is confirmed, a member can drill down to the day-to-day care offered in a medical scheme option and the subsequent affordability of it. Make sure you do this planning with the guidance and advice of a professional and qualified healthcare broker.

GET GAP COVER

Most medical schemes have deductibles and co-payments and many members are left out of pocket when hospitalised due to shortfalls on what specialist doctors charge which is usually significantly higher than the rate that medical schemes reimburse. This gap becomes more pronounced when a patient is faced with a critical illness.

Gap insurance can step in and reduce the financial impact with a medical scheme that may impose a co-payment or an annual limit on oncology. Various gap cover options are available in the market, including options that provide additional cover for critical illness. These limits are low and therefore increasing this cover in your personal life insurance cover may be required.

GET BACK TO REGULAR HEALTH CHECKS

A major trend brought about by the pandemic is that of deferred treatments and routine checks for fear of exposure to COVID-19 infection, which will have far-reaching health impacts in the long run. The longer symptoms are ignored, and the later a patient is diagnosed with a serious illness or condition, the more complex the health implications become, in addition to treatments becoming more costly and possibly more protracted.

In the case of critical illnesses such as cancer, a delay in diagnosis and commencement of treatment greatly impacts prognosis and survival rates. The pandemic will continue for months if not years, thus it's essential that preventative annual health checks are routinely done.

CRITICAL ILLNESS COVER

While your medical scheme benefit may cover you for the actual medical treatment in a health crisis, the reality is that it may not cover you for everything, such as out-of-hospital treatment and especially the domino impact of ill health on your finances. In fact, critical illness cover has little to do with the cost of treatment but more with the loss of income – which is where it differs markedly from medical aid which is based on the cost of treatment. For example:

- If your medical scheme does not cover biologicals for cancer treatment, the lump sum received from your critical illness cover places you in a position to afford this if needed.
- Regardless of your health, life goes on. Additional expenses such as hiring an au pair to take care of your children while you are unable may be necessary. You may require home nursing or a step-down facility to get you back on your feet, which may not be covered by your medical scheme. Or you may run out of sick leave before you're fully recovered. Your critical illness cover will help bridge the cost of these lifestyle changes.

DISABILITY COVER

Most people are shocked to learn that critical illnesses such as cancer, heart attack, stroke and diabetes – and not accidents - cause the majority of partial or permanent disabilities. Disability cover is about compensating for the future loss of income and costs associated with being disabled as a result of a critical illness or accident.

A permanent disability prevents a person from working again. This is where disability insurance provides a lump sum or monthly income benefit should you become permanently disabled and as a result, unable to work and earn an income. Should you become **partially disabled**, you would likely need to take a lower-paid position or work reduced hours.

Managed disability income insurance provides for pro-active health management and rehabilitation programmes to assist you to return to work in a reduced capacity but still earn an income. From an employer's perspective, this leads to a saving in training costs and results in continued productivity. Early intervention with a rehabilitation programme significantly increases the chance of recovery and ability to return to work.

A critical illness diagnosis has very far-reaching implications for your lifestyle that extend well beyond the costs of medical treatment. While you are sick or in recovery, there are very few people who don't need to work to pay the bills – which won't stop arriving because you're sick or injured to the point that you are unable to work and function normally.

The interplay between medical scheme benefits and gap cover, to critical illness insurance, disability and income protection requires careful planning and the guidance of

HFA pledges its support for universal health coverage

Lerato Mosiah, CEO of HFA

The Health Funders Association (HFA) has presented its position on the NHI Bill of 2019 to the Parliamentary Portfolio Committee on Health.

In its presentation, the HFA pledges support for Universal Health Coverage (UHC) for all South Africans and commits to contributing constructively to health system strengthening and building a sustainable and integrated health system for the country.

The industry body, which represents 50% of total medical scheme principal members, emphasises the urgency of achieving UHC, given the country's level of economic development, poor health outcomes relative to economic peers, and its complex and shifting burden of disease.

Considering the already fiscally constrained environment and the global recession brought about by the COVID-19 pandemic, an incremental approach to achieving sustainable UHC provides a more manageable increase in expenditure over time, while balancing other national priorities.

Rather than implement NHI as a single payer system as proposed in the Bill, consideration should be given to utilising elements of the existing health system to provide access to quality healthcare for all South Africans.

This approach is followed by many health systems globally where established private health systems already exist.

HFA is calling on government to use the establishment of the NHI framework to put in place the reforms necessary for integrating medical schemes into the NHI rather than limiting their role, as this will adversely affect access and cost of cover.

Restricting the role that medical schemes can play will place a greater burden on the public sector and mean a much narrower range of services than is currently provided by medical schemes. Curtailing the ability of medical schemes to pay for services creates significant uncertainty amongst service providers and may discourage them from practising in South Africa.

"HFA is calling on government to use the establishment of the NHI framework to put in place the reforms necessary for integrating medical schemes into the NHI rather than limiting their role, as this will adversely affect access and cost of cover."

The Association suggests that a single-payer system with monopsony buying power will not result in lower prices and may threaten the equilibrium of demand and supply of services.

A single-payer system disincentivises research and development which often requires significant financial investment, and discourages investment and innovation in healthcare provision.

HFA suggests that a multi-payer system in which virtual risk pools are established by a risk adjustment mechanism would be preferable as it would avoid the pitfalls of a single-payer system.

We believe that medical schemes have the necessary expertise and infrastructure to participate in achieving sustainable UHC in South Africa and urge government to make provision for this in UHC legislation.

Medical aid is the last thing to cut

Fedhealth Medical Scheme

There hasn't been an awful lot of good news doing the rounds lately. In fact, as a nation South Africans are collectively fatigued by all the bad news, and we don't need to spell out the starring role COVID-19 has played.

The pandemic has again emphasised how precious our health is – and how important having quality medical aid cover is to protect it. According to Fedhealth statistics, the average cost per COVID hospital admission in 2021 has been R163 000 so far, with the average length of stay in-hospital of 10 days per COVID admission. To date, the largest single COVID hospital account has been R4 million.

Not many of us can carry these types of costs out of our own pocket, which is where good medical aid makes all the difference when your clients need it most. By mid-July 2021, Fedhealth had paid some R375 million in respect of COVID expenditure since the onset of the pandemic. The largest driver of this cost was hospital care, which accounted for R240 million of the total cost, followed by pathology (i.e. COVID tests) claims which amounted to R55 million.

OBSERVATIONS AROUND MEDICAL AID MEMBERSHIP AND CLAIMS IN THE TIME OF COVID-19

Here are a few trends that Fedhealth has noted amongst its own members as a result of the COVID-19 pandemic:

- During the 2021 renewal period, 5% of Fedhealth members downgraded. This is just marginally higher than what the Scheme usually sees in pre-pandemic years.
- Fedhealth noted a decrease in the number of members cancelling their medical aid membership.

These two observations suggest that Fedhealth members are prioritising medical aid as they see the value of it, in the midst of a pandemic that shows no signs of slowing down anytime soon.

From a financial perspective, the following was observed:

- The financial impact of the pandemic was quite different in 2020 relative to the 2021 experience. The year 2020 was characterised by hard lockdowns and consequently, a large number of procedures were postponed as people tended to stay away from hospitals and only opted for admission when it became absolutely necessary.

While COVID claims accounted for 5% of total contributions in 2020, the reduction in non-COVID claims in 2020 as a result of these postponed procedures was significantly lower than what was budgeted for.

Investment performance was also affected by the market crash in March 2020 and although the markets saw some recovery toward the end of 2020, investment returns still ended up under budget.

- The Scheme was impacted much more severely by the pandemic in 2021. As lockdowns eased, postponed procedures could not be put off indefinitely and we saw a “catch up” of these pent-up procedures leading to large increases in non-COVID claims.

  Furthermore, the peak of wave 2 and the severe wave 3 occurred in 2021 leading to much higher COVID claims than seen in 2020. The projection for COVID claims for 2021 is around 10% of contributions, which is double that of 2020.

When considering claims in the year to come:

- Fedhealth is concerned about the impact of the pandemic on preventative care and the reduction in the number of members having their annual check-ups and screenings. We are worried about the long-term impact on members and costs of diseases not picked up as a result of the pandemic, which then present at an advanced stage, where costs of therapy, surgical procedures and treatment may be much more, and members overall outcomes and prognoses poorer.

BUT THERE IS HOPE

Although most of us – the healthcare industry included – may feel blindsided by the pandemic, and the ripple effect caused by its impact on basically every aspect of our lives, it has also been a massive learning curve.

Maybe the most important of these learnings is the newfound realisation that health is our most precious asset… And that the right medical aid cover for your clients’ needs, life stage and budget is non-negotiable in protecting their health. Without it, the consequences can be simply disastrous, like COVID-19 has just proven.

Medical schemes, such as Fedhealth, offer a wide range of affordable plans that will help protect your clients’ health. Visit fedhealth.co.za or call 0860 002 153 to find out more.

Navigating the uncharted COVID-19 territory

Thoneshan Naidoo, Principal Officer of Medshield Medical Scheme.

Continuing to offer great member-centric products and services

The last 19 months have been a uniquely challenging period characterised by the COVID-19 global pandemic. Like many businesses and individuals, medical schemes found themselves in unchartered territory and had to adapt to the challenges brought on by the pandemic.

Innovation has always been a priority for Medshield. The Scheme invested significantly in their IT infrastructure, improved IT security, and made many enhancements to their member-centric digital tools to ensure more accessible and safer access to healthcare for their members.

Technology has the power to democratise healthcare. It really could enable lower healthcare costs, increase access to healthcare, and most importantly, improve the quality of healthcare. Medshield believes that technology within the right setting can be an enabling power for the South African healthcare system by bringing all of this together.

Currently, South Africa has a scarcity of skills in the healthcare sector, where the intelligent use of technology could assist. "We have to make healthcare more innovative, and that is why Medshield created SmartCare, which is a video consultation with the healthcare professional.

Even in remote areas, you only need a clinic where a nurse is present. The nurse will assist with the essential check-ups and then dial up to a Family Practitioner (GP) or a specialist wherever they are in the country. All you need to bring healthcare access to remote areas is a nurse, a video tv screen monitor and a working internet connection.

Additionally, with technological advances in medical equipment, a nurse in a remote area could position the digital stethoscope. The necessary information will feed the doctor or specialist on the screen, who can then diagnose the patient accordingly.

We no longer need to refer the patient to secondary or tertiary healthcare. SmartCare enables access to quality healthcare without excessive travel times. The COVID-19 pandemic has been a perfect illustration of just how vital membership of a medical scheme is. In

2020, Medshield's top 10 claiming patients collectively cost the Scheme R29 million in healthcare claims. The highest claim was from a 56-year-old member with significant complications because of COVID-19. As a prescribed minimum benefit (PMB), all costs associated with a COVID-19 diagnosis were covered at the expense of approximately R7.4 million.

This specific member is enrolled on Medshield's MediValue plan at just over R2 000 per month. At his current monthly premium, it would have taken this member 300 years to pay this amount. Ultimately, this is the actual value of a medical scheme because by pooling all members' contributions, the Scheme can afford claims of this size.

South Africans have the benefit of a world-class private medical sector. In my view, it is a national treasure and, as such, should be protected and nurtured. A public and private healthcare sector can successfully co-exist, as they have done in countries such as the UK and Australia, and there is no reason that the same should not be happening in SA. That being said, there is no question that SA should be finding ways to supercharge NHI, given that it will benefit the country as a whole. Healthcare has a close correlation to productivity and a country's gross domestic product. The entire country will prosper with a healthier population.

The recent COVID-19 vaccine rollout has been an excellent example of the public and private sectors successfully working together. Certainly, we are further ahead in terms of the vaccine rollout than if the government had done it alone. Covid-19 can be a terrible disease for some, and vaccinations are the only way we're going to curb its spread.

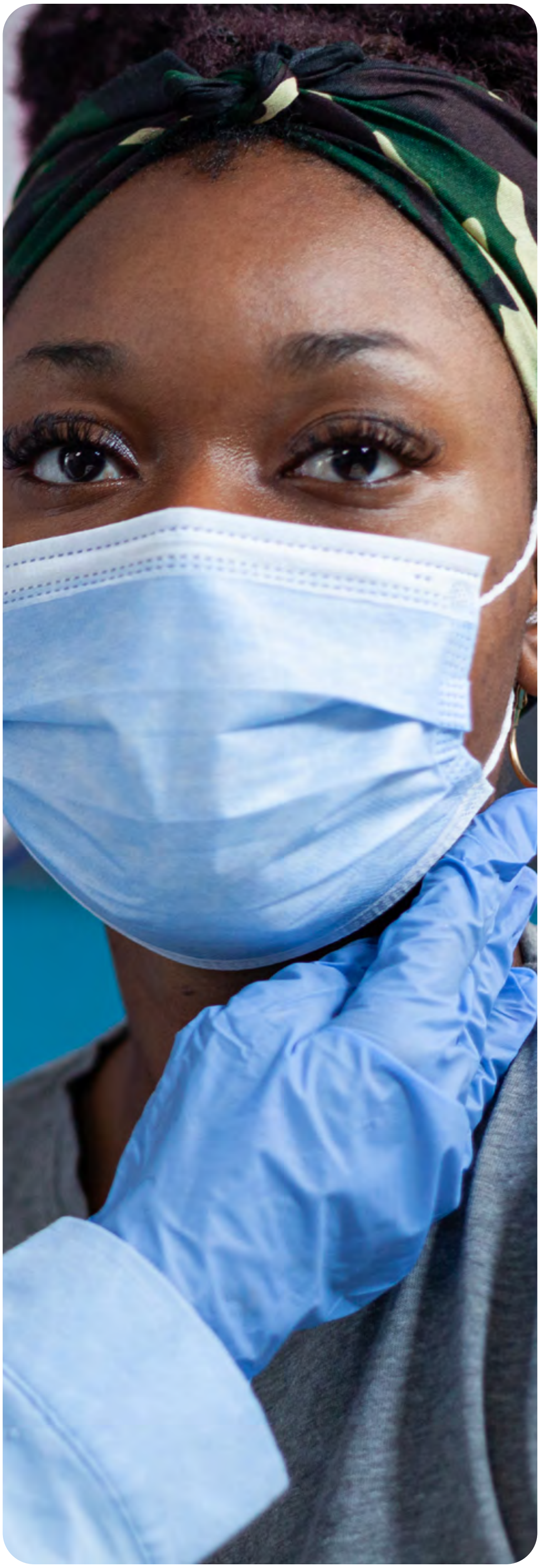
The cost of a diagnosis for a COVID-19 test is R850 – for which medical schemes cover the expense. The cost for the double dose of the Pfizer vaccination is R870, including the administrative costs. The bottom line is that the financial cost of the vaccine is insignificant when compared to the physical, emotional, social, and economic toll of COVID-19, so we must get as many people vaccinated as quickly as possible.

"The COVID-19 pandemic has been a perfect illustration of just how vital membership of a medical scheme is. In 2020, Medshield's top 10 claiming patients collectively cost the Scheme R29 million in healthcare claims."

The continued impact of COVID-19 on the country and securing access to vaccines will remain a priority. The Scheme foresees that the constrained economic environment will further strain membership affordability, membership growth and retention well into 2022. This heightens the call for member value, which the Medshield offering will continue to enhance as a focus area.

South Africa's economic environment poses unique challenges for the medical aid funding industry. As a result, accessing affordable private healthcare, against a backdrop of increasing unemployment rates, is increasingly becoming difficult. Since the outbreak of COVID, the need for quality financial planning and advice has suddenly become more prominent. Brokers are critical to understanding the healthcare cover offered and ensuring that the potential member is on the right plan that covers their individual needs.

With a history of over 53 years, Medshield is driven by its mission to provide access to affordable, high-quality healthcare through partnerships at very competitive prices in comparison to the market. We are confident that our member-centric business approach will continue to translate into quality healthcare and good value for money.



Addressing the increased need for healthcare accessibility

Simmi Bassudev, CEO, PPS Healthcare Administrators

The COVID-19 pandemic has highlighted and raised the conversation more prominently as it relates to the accessibility of healthcare for all South Africans.

Although the conversation has been top-of-mind for policymakers, government, medical professionals and the healthcare industry in general, the pandemic has more so than ever, brought to the forefront the critical nature of accessible healthcare for consumers across both the private and public sectors.

The public sector's challenges relating to resourcing, patient demand, professional capacity and infrastructure have been brought squarely into the spotlight with the result that more consumers are seeking healthcare products to cover their healthcare needs.

The purchase of various forms of healthcare cover remains shrouded in complexity and medical jargon which is not well-understood by the average consumer. The mandate is simple yet complex – universal healthcare coverage for all.

The topic of National Health Insurance has been prominent in conversations for many years and the purpose is strong and clear, but it is the "how and when" that will bring clarity to the mandate. Private sector healthcare funding has seen some fundamental shifts particularly with an increase in the purchasing of healthcare insurance products by previously uncovered consumers although some cite affordability of medical scheme products as a problem as well as deciding on the type of insurance products.

There is a significant difference between medical scheme and healthcare insurance products. Unfortunately, the complexity and jargon blur the understanding and distinction between the two, leaving consumers with an element of "surprise" when claims are submitted for insurance products.

"There is a significant difference between medical scheme and healthcare insurance products. Unfortunately, the complexity and jargon blur the understanding and distinction between the two, leaving consumers with an element of "surprise" when claims are submitted for insurance products."

If I were to pose the question to a consumer on what they believe the average cost of a medical procedure would be and how the bill is made up, many will be left unable to answer this. This lack of involvement and understanding is then further exacerbated by elements like supplier induced demand, duplication of services, lack of coordination among healthcare professionals which results in above-inflation medical costs. The question to be posed here is who owns this mandate?

A medical scheme administrator's role is to navigate these issues in partnership with the medical schemes it administers along with several stakeholders in the ecosystem. The overall emphasis must be on the consumer's needs, access to the services and overall patient outcomes and cost.

This typically is an emotionally sensitive time ,so~~,~~ forming a relationship of trust and dependability is of crucial importance. PPS Healthcare Administrators has implemented a revolutionary, digitally enabled, outcomes-based managed care

"Private sector healthcare funding has seen some fundamental shifts particularly with an increase in the purchasing of healthcare insurance products by previously uncovered consumers although some cite affordability of medical scheme products as a problem as well as deciding on the type of insurance products."

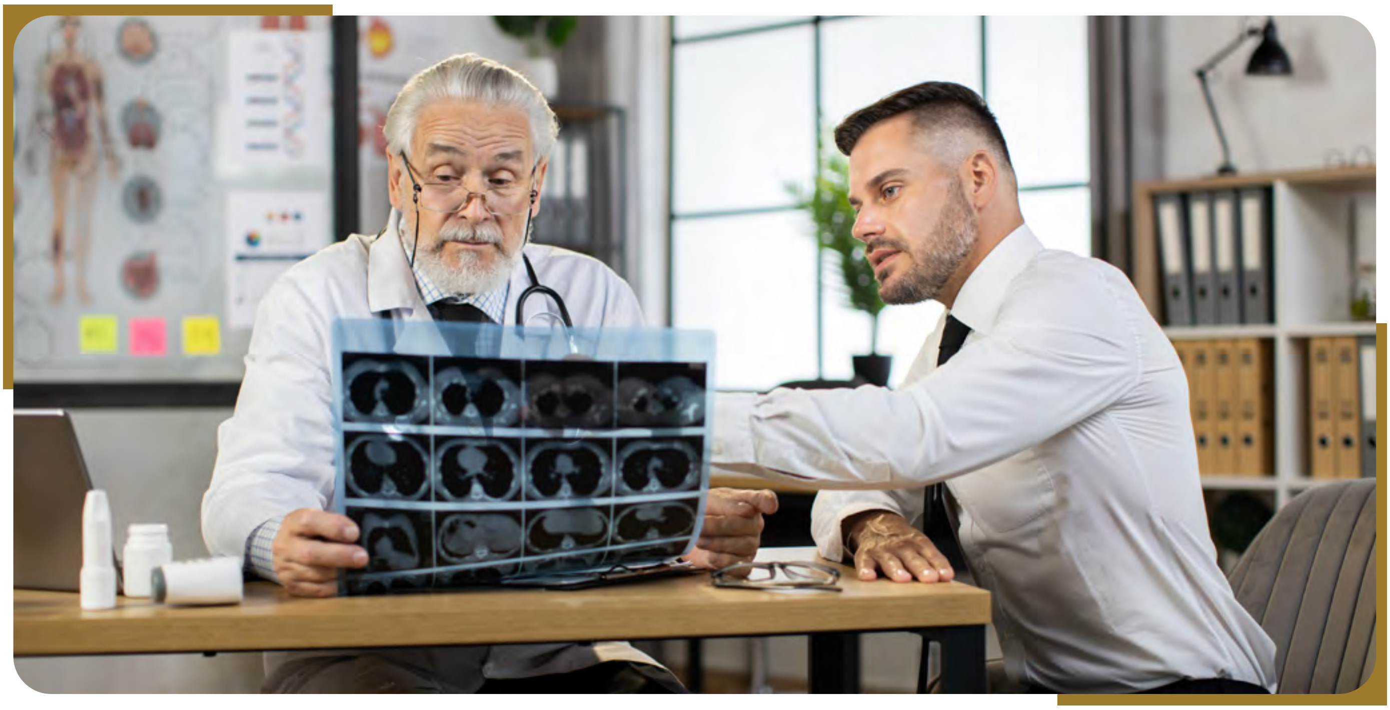
solution in partnership with BrandMed that addresses the reactive fragmented, inefficient and expensive medical care model. While a fundamental shift in the adoption of digital solutions has taken place transforming everyday access and delivery of quality healthcare for patients, doctors, insurers and pharmacies alike, chronic lifestyle diseases add to the burden of medical costs, eroding access by patients to benefits where they are most needed. Outcomes-based patient management using technology as an enabler is now more critical than ever. A partnership model is crucial to success and we have centred our approach around the GP who plays a pivotal role as the coordinator of care within the health ecosystem which together with technology, transforms delivery and improves patient care.

This is a unique solution for the healthcare industry as it provides a single view, digital ecosystem that empowers the patient to optimally manage their health and well-being needs in conjunction with their GP who can make informed clinical decisions and spend time engaging with patients.

Providing home-based solutions to severe and high-risk members is supported by a network of providers including the treating GP, a coach and nurses that do home-based visits. We believe this takes healthcare one step closer to the mandate of providing quality, accessible care that is human-centred and puts the person who needs the most, the patient, at the centre of healthcare management.

Navigating the complex healthcare landscape to buffer against volatility

Dr Ryan Noach



The COVID-19 pandemic has put the spotlight onto every facet of healthcare. This has driven a focus on innovation to create efficiencies across the care continuum and to future-proof as far as possible.

STATUS OF THE COVID-19 PANDEMIC

Most immediately, concerns over a fourth wave of COVID-19 infection in December are premised on the higher mobility expected in this period. It is likely that COVID-19 will become endemic, changing the pattern of infection to date from surges causing local epidemic outbreaks, to a continuous steady-state of seasonal, endemic (like influenza) infections.

Clearly this could be impacted by the advent of new variants, which may pose new threats. The pattern of infection going forward is largely dependent on COVID-19 vaccination rates and the transmissibility of known and potentially new COVID variants. The economic impact of the pandemic and associated lockdowns has impacted employment resulting in industry contraction of 1.8% during the 20-month period at hand. Despite this challenging economic landscape, Discovery Health Medical Scheme (DHMS) which represents almost 57% of the open scheme industry, was able to further grow market share by 1.2% in 2020.

This is indicative of a recognition of the importance of medical scheme cover over this period and a flight to quality by scheme members. Notwithstanding the industry contraction, DHMS has experienced an impressive recovery during 2021, growing by more than 27 000 lives on a net basis for the first 8 months of the year.

FINANCIAL SUPPORT TO SCHEME MEMBERS KEY TO NAVIGATING PANDEMIC-DRIVEN PRESSURE

DHMS demonstrated agility to reduce the financial pressure on members over the period of the pandemic and implemented several financial support programs - including premium concessions for members and SMEs - providing relief to members of DHMS amounting to R370 million during 2020. An innovative break from the market trend and norms - to freeze contribution increases and delay the usual inflationary increase by 6 months during

2021 - saved members R2.2bn in would-be contributions for the period, and resulted in the lowest real increase in scheme contributions in the open scheme market - a 2.95% weighted average increase for 2021.

This carefully considered strategy balanced the higher-than-expected capital surplus against the consumer economic pressures, to use the scheme reserves to cross-subsidise claims for a short period of time – simultaneously ensuring that the scheme contributions remain aligned to the pace of medical inflation.

This strategy was singled out and commended by the Council for Medical Schemes as an innovative means of providing member support through the pandemic period. For 2022, DHMS has once again deferred annual contribution increases (of 7.9%) to 1 May. Overall this means contribution relief to the value of more than R4 billion to members.

"Discovery Health was well positioned for the global swing to digital ecosystems and has since enhanced its existing digital platform through various digital product enhancements. This includes the Connected Care platform which enables home-based care for members either in lieu of hospitalisation, when discharged early, at risk of readmission post hospital discharge, or in need of palliative care."

DIGITAL HEALTHCARE OFFERINGS CHANGE THE SCRIPT AROUND ACCESS TO QUALITY HEALTHCARE

The COVID-19 pandemic has driven an explosion in demand for highly affordable digital healthcare offerings that allow for ubiquitous access to healthcare and lower patient and provider COVID exposure risk.

In September this year, the South African Medical Journal published Discovery Health's findings which demonstrate the impact of providing almost 40 000 high-risk scheme members with pulse oximeters to use while recovering from COVID-19 at home. Members shared readings from these devices with their doctors to ensure early detection of a decline in blood oxygen levels. All in all, home monitoring using a pulse oximeter was found to be linked to 48% lower likelihood of death in this cohort.

Discovery Health was well positioned for the global swing to digital ecosystems and has since enhanced its existing digital platform through various digital product enhancements. This includes the Connected Care platform which enables home-based care for members either in lieu of hospitalisation, when discharged early, at risk of readmission post hospital discharge, or in need of palliative care. By August 2021, multiple DHMS members recovering from COVID-19 at home had accessed Hospital at Home through Connected Care, allowing them to be remotely cared-for and monitored in the dignity and comfort of their own homes.

This benefit provided hospital-level care through the third wave of infection, particularly important in the context of capacity constraints in hospitals across the country at the time.

Members' need for enhanced medical support was met through cutting-edge, 24-hour remote monitoring, full access to equipment, doctor, or nurse virtual consults and/or face to face doctor and physiotherapy consults.

BUFFERING FUTURE VOLATILITY

Between July 2020 and August 2021, DHMS covered COVID-19 related costs exceeding R8bn. Over this time, health-seeking behaviour has changed resulting in much lower utilisation of non-COVID healthcare. The net impact has in fact led to scheme surpluses and increased schemes solvency levels, giving members peace of mind about the financial stability of DHMS during a global pandemic.

This situation both allowed for the deferred contribution increase mentioned earlier, and has put DHMS in a position to solidly manage the future healthcare utilisation demand - which will take three forms:

- Elastic healthcare: Such as elective (non-urgent) surgical admissions and procedures, and out-of-hospital healthcare utilisation. These will increase as focus on, and fear of exposure to COVID-19 declines in time.
- Non-elastic healthcare: Such as when infants are admitted to Neonatal ICU (which declined by 14% year-on-year - 2019-2020 - as a result of lower rates of elective caesarean sections over the period).
- General health-seeking behaviour: In 2020 DHMS recorded a 7.5% decline in risk costs compared to 2019 owing to the general de-prioritisation of non-COVID healthcare.

  DHMS data to August 2021 show a 55% decline in breast cancer screening, 20% lower registration depression treatment and 27% fewer diabetes (HbA1c) screening tests – three examples in which advanced illness significantly affects quality of life and treatment costs.

  We are starting to see a much-needed resurgence in demand here and have worked to proactively to meet the cost implications to the Scheme and assist members holistically to deal with the clinical impact of later diagnosis and delayed care.

The COVID-19 pandemic will continue to define the healthcare landscape for some time to come. As all-consuming as COVID-19 has been, we must take a bird's eye view of healthcare as a whole to ensure readiness to meet future utilisation demand, and secure ongoing financial stability in the medical scheme industry as a whole.

Disability insurance a lifeline in times of uncertainty

Dr. Kerissa Naidoo, Chief Medical Officer at Old Mutual

Mental health claims continue three-year upward trajectory reports Old Mutual.

Depression is a leading cause of disability that affects over 264 million people around the world (WHO). Within the current economic landscape, the challenges faced by those with existing mental health conditions such as depression have only been exacerbated by remote working, school disruptions, rising unemployment and social isolation.

Despite a global spotlight on the importance of mental health, Old Mutual says that the connection between mental health and disability is still widely misunderstood in South Africa. Many of us don't look at mental health conditions as a potential cause of disability, but as those who have battled with it know, it can be debilitating and may leave you unable to deal with the demands of each day, let alone perform at your job. In this way, coping with mental health conditions can affect your ability to earn an income.

Locally, figures from **Old Mutual's Claims Statistics Report 2020** show a 9% rise in mental health related claims under Disability Income cover, continuing an alarming three-year upward trajectory. 76% of these claims are for major depression. Furthermore, the majority of claimants (65%) are between 30 and 50 years old. While this data may not link directly to the pandemic, it is evident that Covid-19 has caused severe emotional and financial stress for many people, whether due to infections, the loss of a loved one, reduced income or unemployment.

This financial stress is further demonstrated by the results of the **Old Mutual Savings and Investment Monitor 2021**, where 47% of 26 to 40-year-old respondents say they are wedged in the sandwich generation, meaning they are financially responsible for both their children and parents. More worryingly, one in three working adults claim only to have funds to last one month or less should they lose their current income or job.

Significant emotional and financial stresses may exacerbate longer-term illnesses. Yet due to the stigma associated with mental illness, people tend to internalise their struggle rather than seek help. Unfortunately, the longer they suffer alone, the more serious and potentially life threatening these illnesses may become. For South Africans battling longer-term illness due to mental illness, disability insurance can be a crucial financial aid to long-term recovery and well-being.

INCOME OR LUMP SUM COVER?

While Old Mutual saw a 25% rise in disability income claims and a 27% decrease in lump sum claims in 2020, it is sensible to couple disability income protection with lump sum cover. Each plays an important role in helping you treat or recover from an illness or injury. Income cover helps you replace any lost income as a result of being unable to work. Lump sum cover helps you take care of the large and unexpected costs that come with a permanent disability.

By choosing both disability income and lump sum, you have greater peace of mind that the income you cannot earn while taking time off to recover will be replaced, and that you'll have the financial help you need to pay for the large expenses that a permanent disability may bring. In the same way that you take small but essential and helpful steps to preserve your mental and physical health, it is important to apply this thinking to your financial health. By reaching out to an accredited financial adviser and putting disability insurance in place, you are making one impactful step towards greater long-term financial health.

Life, wealth and health

Werner Bothma, Oak Tree Intermediaries

It is difficult to have a life and accumulate wealth without maintaining your health. However, it is becoming increasingly more expensive to acquire proper health care in South Africa, which is placing strain on state funded hospitals.

This problem is only exacerbated by the COVID-19 pandemic. Yes we know, everybody is tired of talking and hearing about this pandemic. Halting our normal lives and stunting economic growth, but it is now part of our lives and (it seems) will be for the foreseeable future, unless we achieve that fabled heard immunity...

Now we are not going to try and change your mind regarding the vaccine, however, one life insurer on the other hand seems to be taking a stance against citizens who are choosing not to vaccinate against COVID-19. This life insurer is the first in South Africa to apply these new underwriting rules to their life policies and will result in increased premiums on life offerings for new applicants, while current life policyholders who choose not to vaccinate will not be affected by these new underwriting rules and policy price increases.

These kinds of increased premiums have always been applied to the lifestyle diseases like diabetes and people that smoke, due to the higher risk of death and the same would apply for the unvaccinated. Worryingly, Discovery Life data showed that "an average 75-year-old who is fully vaccinated, has a similar risk of dying from COVID-19 to a typical 40-year-old who has not been vaccinated".

What we have noticed during the trying July 2021 reinsurance renewals, is that the life business has taken a large hit with regards to mortality claims as the COVID pandemic plays itself out on our population. This is placing enormous strain on reinsurers and increasing the challenge of placing new group life risk and credit life schemes in the reinsurance space.

"Discovery Life data showed that "an average 75-year-old who is fully vaccinated, has a similar risk of dying from COVID-19 to a typical 40-year-old who has not been vaccinated."

One possibility that could assist with future reinsurance life treaty placements, is more stringent underwriting practices on life insurance policies, and this is exactly what one life insurer is considering. Are we going to see more of these non-vaccination exclusions from other life insurance providers as well? With current figures already sitting at R47.6 billion from South African life insurers' settled claims for the year through March, what do you think?

Before you think that South Africa is suffering because we don't have the same access to vaccines and technology to effectively combat the pandemic as other first world countries, news is that there has been a big resurgence of COVID-19 cases in the USA, especially amongst nursing homes in Texas. These nursing homes have seen a 773% rise in active cases of COVID-19 in patients during the past month. Focused Post Acute Care Partners, a nursing home in Texas, says that they respect the choice of individuals not to get the vaccine, however they continue to educate and re-educate infection control practices to combat the spread of the virus. If we are seeing the rise of premiums in the life insurance sector, would it be safe to assume that the health sector will also raise premiums?

Preliminary reports would suggest that this could indeed be the case. Every year the Council of Medical Schemes (CMS) publishes guidelines regarding medical aid scheme contribution increases.

These contribution guidelines are based on global macro-economic outlooks, which includes member hospitalisation trends as well as the effects of the COVID-19 pandemic.

For 2022, the CMS suggested to cap premium increases at 4.2%, which would be in line with the Consumer Price Index projected by the National Treasury.

This, however, is only a guideline and medical aid schemes can choose not to adhere, or rather we can only hope that they adhere.

- "Momentum Life Insurance pays out R1.4bn for Covid-19 related death claims"
- "Insurers likely to pay R25bn more in claims than expected as 3rd Covid-19 wave wreaks havoc"
- "One million SA policyholders died in a year - 300 000 more than usual, insurers report"

These are just some of the news headlines looming around from the past weeks, and they are not reassuring in the slightest if we are already seeing talks (and actions) of increasing premiums in the life insurance sectors. Can you really expect a business to continue as they have previously done when the data and claims are stacked heavily against them? **You decide!**

INVESTMENTS

"Regulation is something that might simply be needed, to make it a bit more stable, a bit more comfortable, from an external perspective as well."

- Lorenzon La Posta, Momentum International

New wave of post-pandemic social movements

Coface Credit Insurance Solutions

While the restrictions linked to the COVID-19 pandemic put a temporary stop to the upsurge of protest movements, a new wave is on the horizon. Protests, mainly in emerging countries, are expected to increase due to an unprecedented deterioration of socio-economic indicators.

In 2020, the Coface social and political risk indicator reached a record of 51% worldwide, and 55% in emerging countries. These social movements will have repercussions on the economic activity of the affected countries, and particularly on their foreign trade. We estimates that mass social movements have particularly pronounced and permanent negative effects on countries' exports: in a year when such movements take place, exports are on average 4.2% lower than their estimated potential. The forms of social movements, their persistence, and their intensity, will therefore be decisive for international trade in the years to come.

The pandemic has temporarily halted the surge of social movements in emerging countries. But the devastating socio-economic effects of the health crisis have raised social and political risk levels to an historic high.

These pressures are expected to result in a new wave of social movements with significant economic repercussions for the affected countries.

Uncertainty linked to political instability, declining confidence of economic agents, falling industrial activity and services on the supply side, and falling consumption on the demand side, are expected to weigh on activity. Foreign trade, and in particular exports, will likely be collateral victims.

"We estimate that, over the three years following a social movement, exports remain up to 9% below their potential. If the movement has socio-economic demands, which is likely to be the case following the pandemic, this export constraint can be as much as 20% lower", comment **Samuel Adjutor and Ruben Nizard, economists at Coface**.

"The pandemic has temporarily halted the surge of social movements in emerging countries. But the devastating socio-economic effects of the health crisis have raised social and political risk levels to an historic high."

A NEW WAVE OF SOCIAL MOVEMENTS ON THE HORIZON…

Most social movements occur in emerging market countries, and their number has been increasing between 2017 and 2019. Moreover, experience from previous epidemics and pandemics shows that **social unrest emerges, on average, one year after a health crisis. This resurgence of social discontent is explained by the devastating socio-economic effects of these crises**.

The magnitude of COVID-19's impact is unparalleled, which will be reflected by the intensity of future social movements. Indeed, **global social and political risk, as measured by Coface, has never been so high**. In 2020, it reached a record 51% worldwide and 55% in emerging market countries.

More specifically, social pressures for change have never been higher.(4) In 2020, **the social pressure index reached an all-time high**, up from 46% to 54% globally and, for emerging market countries alone, from 54% to 61%. This increase is explained by the unprecedented deterioration of socio-economic indicators in most countries analyzed.

As a result of the pandemic, **people's living standards have fallen**, as illustrated by the drop in GDP per capita, their purchasing power has deteriorated, as evidenced by the rise in unemployment and inflation, and **income and wealth inequalities have increased**. This is compounded in some countries by **growing discontent** with governments' management of the health crisis and by **restrictions on civil and political liberties** that are sometimes seen as unfair.

In 2020, **88% of emerging market countries saw their level of risk associated with social pressures increase**. It has notably increased in some large Asian emerging countries, such as Malaysia, India, Thailand, or the Philippines, but also in some North African countries, such as Algeria or Tunisia.

... COULD AFFECT INTERNATIONAL TRADE

The experience of past pandemics confirms that mass social movements have persistent negative impacts on economic activity. **For at least a year and a half following a mass social movement, GDP growth remains one percentage point below its pre-movement level**. For emerging market countries, this can even be two percentage points lower. These effects are explained on the supply side by **a fall in industrial activity and services**, and on the demand side by the **fall in consumption. Household and business confidence falls, and uncertainty increases.** Furthermore, the uncertainty associated with political instability increases transaction costs between the affected country and the rest of the world, and reduces incentives to enter new trade relationships or maintain existing ones.

Trade flows slow down or even contract: falling industrial activity disrupts exports and falling consumption affects imports. In the year of a given social movement, **exports are 4.2% below** their estimated potential. The gap remains substantial for three years, with exports remaining between 6.3% and 8.9% below their potential. **The impact on imports is more marginal**, with imports recovering more quickly.

The impact on trade will depend on the persistence, intensity and demands of the movements. The impact of a movement on exports and imports varies greatly. Several factors can amplify or limit the effects on trade: sectoral specialization, the country's share of international trade, its proximity to trading partners, and the preferred mode of transport in bilateral trade flows. These elements can have knock-on negative effects on third countries, whether or not they are trading partners of the affected country. But it is also how **movements develop that determines the magnitude and persistence** of the shock of trade.

Unsurprisingly, the duration and frequency of social movements are decisive. If the movement is an isolated event, the impact on exports and imports is marginal. If it is not, **the latent political instability reinforces the lack of confidence and uncertainty, raising the costs of trade and further constraining export capacity**. In this case, three years after the first movement, exports remain, on average, about 14% below their potential. The size of the mobilization is also an important factor in this trade shock.

Eventually, **the type of demand plays a crucial** role in the size and persistence of the shock. **Movements with purely political demands have transitory and smaller effects** on exports and imports. Protests that include socio-economic demands** and which are therefore more likely to emerge after the pandemic, **have longer lasting and more severe effects**.

In this case, three years after the shock, exports remain 20.7% below their potential and imports 5.6% lower. Moreover, **the very little room for maneuver in the economic policy of the emerging countries to limit the effects of social unrest could amplify their impact on trade.** Find the full study at https://www.coface.com

The big annuitisation question

Johann Swanepoel – Product Actuary at Just SA

There are many options for retirees to consider when choosing an investment or product to provide them with an income in retirement.

Life annuities (a guaranteed income for life) are growing in popularity to serve this purpose. Although many agree that a guaranteed life annuity should form part of their post-retirement investment strategy, they may still opt to defer annuitisation. Three possible reasons for this are: human behaviour, the misperception of relative value, and the misperception of the drivers of the price of a life annuity.

HUMAN BEHAVIOUR

Arguably the biggest factor contributing to this conundrum is that humans tend to have an inherent desire to defer big decisions. Unfortunately, this inclination makes fertile ground for opposing arguments to take root and look for reasons to support the desire to defer. It is therefore easy to see how common misperceptions can lead to decision making that is contrary to ensuring a sustainable retirement income for life.

MISPERCEPTION OF VALUE

There is a common misperception that high life annuity rates at older ages represent better value. While it is true that life annuity rates are higher for older ages, it isn't true that these rates represent better value for money. For example, many people incorrectly assume it is better value to buy a life annuity at age 70 with an annuity rate of 10% than buying at age 65 with a rate of 8,5%.

> If the annuity rate is 10% for a 70-year-old male, and 8.5% for a 65-year-old male, one assumes 10% is better than 8,5%. However, this does not compare like-for-like as the annuity rate for the 65-year-old is expected to pay five years more income.

In fact, it is relatively more expensive. This is because it allows for 5 years' worth of additional potential annuity payments from a product provider, which are not included in the annuity rate from age 70 onwards. If you correctly compare the price of the payments from age 70 onwards, the decision to defer annuitisation from 65 to 70 is between 10%-15% more expensive. It is better value for money to secure an income for life sooner, rather than later.

MISCONCEPTION OF THE DRIVERS OF THE PRICE OF A LIFE ANNUITY

Another common misperception is that low short term interest rates (like South Africa is currently experiencing) make guaranteed life annuities unattractive.

What matters in pricing life annuities is long term interest rates. In South Africa, long term interest rates have increased from pre-COVID levels and despite coming down from their peak in March 2020, annuity rates are still attractive. Buying an annuity now means you benefit from these higher long term rates. A view of short term interest rate movements should not influence the decision of when to buy a life annuity.

TO DEFER OR NOT TO DEFER

The inherent desire to defer big financial decisions; and the common misperceptions of price and value are some of the reasons why many South African retirees opt to defer annuitisation.

As we've shown, it makes sense to annuitise earlier, but that doesn't mean that retirees must commit solely to a guaranteed life annuity.

Partial annuitisation in a blended living annuity is also an option and is deemed an optimal solution in retirement. A blended annuity is a living annuity that uniquely has a guaranteed life annuity as an investment portfolio option inside its legal structure. This means the best features of both products are offered in one solution.

Research shows that blended annuities provide a more sustainable income in retirement. Retirees can secure cover for essential expenses with guaranteed income from the life annuity, while allowing for the balance to be invested more aggressively for capital growth and to possibly leave a higher capital legacy at death – all in a single product.

And it is not an all or nothing decision. Blending allows annuitants to structure a suitable combination over time, balancing the various trade-offs by switching additional tranches into the life annuity component as required.

Will the Smart Money keep flowing into Smart Beta products?

Loftie Botha, Portfolio Manager at Momentum Investments

Market cap weighted index funds are widely used in South Africa, but a lesser-heard-of peer, Smart Beta funds, have recently showed impressive asset growth – potentially making this the next fund category to watch.

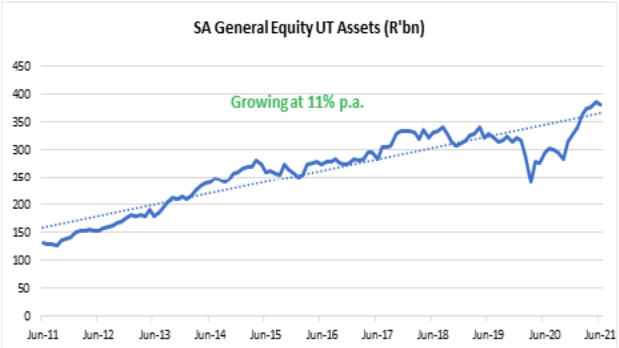
But what are Smart Beta funds? Smart Beta investing is an investment approach in which decisions are based on objective data, rather than on subjective opinions. Smart Beta portfolio managers rely more on quantitative techniques than on fundamental analysis.

A Smart Beta portfolio may follow a single style such as momentum, value or quality, or it may be diversified over a combination of styles, where it would be referred to as a multi factor portfolio.

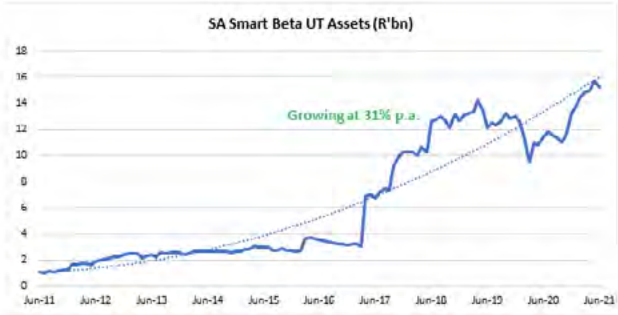
A few interesting trends come to the fore if Morningstar figures on the General Equity Unit Trust category are analysed.

- Of the R380.5bn invested assets by the end of June 2021, only R15.2bn was invested in Smart Beta funds.
- The growth trajectory of these funds makes it clear that powerful forces are at play – while the General Equity category grew assets by 11% p.a., the Smart Beta segment grew assets by 31% p.a. in the past decade.
- Its market share expanded from 1.3% to an impressive 4.0%, and the number of funds increased from 5 to 25 over the same period.

Looking at these numbers , the global trend of exponential Smart Beta growth is firmly in place in the local market, albeit from a low base.



Source: Morningstar; Momentum Investments



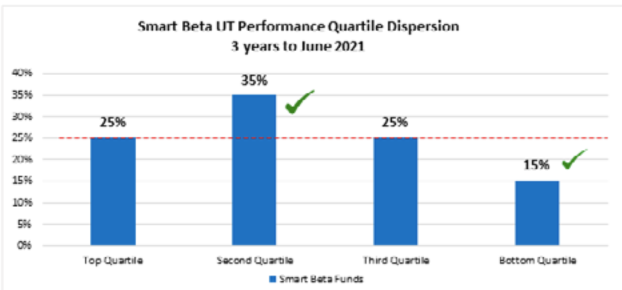
Source: Morningstar; Momentum Investments

This should not come as a surprise as the main drivers of global Smart Beta growth – return enhancement, risk reduction / diversification and cost savings – are also present in South Africa.

RETURN ENHANCEMENT

Of the 179 South African General Equity Unit Trusts that had three-year performance track records as of 30 June 2021, 20 can be considered as Smart Beta funds. A simple analysis of the performance quartile dispersion of these funds shows that Smart Beta investors generally received performance that was either in line with or better than what was delivered by the rest of the funds in the universe.

At the upper end of the spectrum, Smart Beta funds performed in line with other funds in the General Equity category: 25% 1 in 5 delivered top quartile performance. However, 35% delivered second quartile performance, meaning they were over-represented by 10% in this still-appealing quartile. Only 15% of Smart Beta funds delivered bottom quartile performance, meaning they were under-represented by 10% in the least appealing quartile.



Source: Morningstar; Momentum Investments

Looking at the five Smart Beta funds that delivered top quartile performance, we see that four are single factor funds and one is a multi factor fund:

Smart Beta funds with top quartile performance	Return (% p.a.) 3 years, to June 2021	Peer group rank out of 180 funds
Momentum Trending Equity A	11.1	12
Sygnia Divi Index A	8.4	36
Momentum Value Equity A	8.2	39
Satrix Dividend Plus Index A1	8.1	40
STANLIB Enhanced Multi Style Equity A1	8.1	41
Peer group average	5.5	

Source: Morningstar; Momentum Investments

RISK REDUCTION VIA DIVERSIFICATION

There is a growing consensus that the best way to achieve a targeted investment outcome is not about deciding whether a traditional, Smart Beta or index tracking approach is superior, but rather about diversifying over multiple product types.

This allows the construction of an optimised solution that gives clients exposure to the strengths of each approach, while simultaneously ensuring smoother returns and lower risks via proper diversification.

Such a process involves deciding how much Smart Beta exposure should be included in a blended solution, and thereafter deciding which specific Smart Beta funds should be selected. Because Smart Beta funds don't have their own unit trust category, the distinction between Smart Beta, tracker and traditional funds is blurred and the classification of a specific fund may admittedly be open for interpretation.

However, an analysis of Morningstar data based primarily on fund names suggests that there were 12 multi factor and 12 single factor Smart Beta funds by the end of June 2021. Smart Beta unit trust investors are spoilt for choice.

Multi factor unit trusts	Size (R'm)
Momentum Core Equity	2,708
Old Mutual Managed Alpha Equity	1,777
Ninety One Active Quants	1,233
STANLIB Enhanced Multi Style Equity	1,146
Citadel SA Multi Factor Equity	515
Colourfield BCI Equity	416
Satrix Smartcore Index	357
Aeon Smart Multi Factor Equity Prescient	233
Quantum BCI Factor Equity	159
STANLIB Core Multi Style Equity	114
Absa Smart Alpha Equity	100
CoreShares SciBeta Multi Factor Index	2
Total	**8,758**

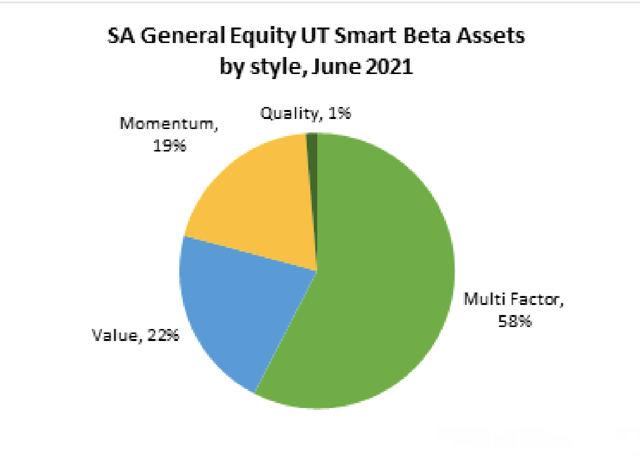
Source: Momentum Investments & Morningstar, June 2021

Single factor unit trusts	Size (R'm)
Momentum Trending Equity	2,758
Momentum Value Equity	1,720
Old Mutual RAFI 40 Index	1,052
Satrix Dividend Plus Index	283
Satrix Momentum Index	167
Satrix Quality Index	155
Satrix Rafi 40 Index	79
Sygnia Divi Index	67
1nvest Sector Neutral Value Index	53
1nvest Sector Neutral Growth & Quality Index	48
1nvest Sector Neutral Momentum Index	47
Absa Dividend Plus Index	28
Total	**6,456**

Source: Momentum Investments & Morningstar, June 2021

In line with what is happening elsewhere in the world, based on assets under management, investors appear to favour multi factor funds. However, investors may also invest in single factor (single style) funds, or in a combination of single factor funds with value, momentum and quality styles on offer.

Diversifying across different styles often provides better risk reduction than diversifying over different traditional funds that may follow the same investment approach.



Source: Momentum Investments & Morningstar, June 2021

Another distinction between Smart Beta funds is that some follow a process in which a rules-based index is designed upfront, and, from then onwards, the fund is managed as a tracker fund that tracks this index on a continuous basis. Other funds follow a more hands-on approach, making new investment decisions daily, while still ensuring they are in line with the fund's philosophy.

COST SAVINGS

Smart Beta funds are also value-for-money, based on our analysis. While they are slightly more expensive than cap-weighted tracker funds, they offer the opportunity to deliver superior performance just like traditional funds do – but at a lower fee:

Smart Beta funds with top quartile performance	Return (% p.a.) 3 years, to June 2021	Peer group rank out of 180 funds
Momentum Trending Equity A	11.1	12
Sygnia Divi Index A	8.4	36
Momentum Value Equity A	8.2	39
Satrix Dividend Plus Index A1	8.1	40
STANLIB Enhanced Multi Style Equity A1	8.1	41
Peer group average	**5.5**	

Source: Morningstar; Momentum Investments

DOMESTIC OUTLOOK

From an asset manager's perspective, it makes business sense to offer Smart Beta products. While these products offer the same benefits as traditional funds, they can be run at a fraction of the cost because a small number of properly skilled individuals may well deliver the same performance as an expensive fundamental research team.

With more such funds being launched, and as the number of funds with long and superior track records increases, investors will gain comfort. As the investment community increasingly realises that a Smart Beta process does not rely on a black box, but on the disciplined use of the same input data that traditional managers use, their growth trajectory should continue and even accelerate.

Industry players not participating in this space will be missing out.

Retirement: the best is yet to come

Philip Geary, GCI Wealth Manager

Ask the average person what they think retirement will look like, and you are likely to be painted a picture of going on cruises to exotic places, sipping Pina Coladas on a private beach or enjoying the solitude of game viewing in Kruger.

Sadly, for the bulk of South Africans, this will be an illusion. Most surveys indicate that currently a mere 6% of South Africans can maintain their standard of living post retirement. This article will focus on some of the reasons for this and try to offer solutions going forward.

We live in a world of instant gratification. For many, retirement is something so distant that planning is put on the back burner until it is too late. The notion of saving today for something that will be beneficial in 30 years' time is not taken too seriously.

A related problem is the amount of job hopping that occurs. In the past, people tended to remain loyal to a single employer, but nowadays the average employee spends more like four to five years in a job. With each move, the individual often cashes in all his or her employee benefits and spends them – not always wisely. Preserving these benefits by reinvesting them is the exception and, while the government has taken steps to mandate the preservation of retirement benefits, there is pending legislation that might allow individuals to withdraw part of their funds. This is only likely to exacerbate the problem.

This tendency to dip into long-term savings has been compounded by the effects of the COVID-19 pandemic on businesses, with staff being retrenched. With no immediate prospects for reemployment on the horizon, many are having to use their retirement benefits to meet their current living expenses.

UNDERSTANDING WHERE YOU ARE

In the past, retirement benefits were defined, and employees had certainty about what their final pension would be. The move to defined-contribution – rather than defined-benefit – funds changed all that. Now, instead of a defined pension, employees have to work out what income their savings would generate. It's easy to get this wrong.

For example, for a person earning R20,000 per month, a retirement fund of R1,000,000 could seem to be a huge sum. But if he or she wanted to draw the same income of R20,000 at retirement, the capital would not last five years. That might once have been sufficient, but now that longevity is so much longer, a retiree's capital might have to last for 30 years or even more, assuming a retirement age of 60 or 65.

This increased longevity has come about primarily due to advances in medical technology and a greater focus on healthy living. While it's great that people are living longer, many are finding themselves in frail care for several years, creating a huge spike in medical bills and living costs.

Against this depressing backdrop, what are the solutions advisors can share with their clients?

1. Seek professional financial advice early on, preferably from someone who is qualified, trustworthy and has your interests at heart. The CFP qualification is internationally recognised and demonstrates professionalism whilst adhering to a strict code of ethics.

2. Draw up a budget and stick to it. Keep a record of all your expenses and be ruthless and disciplined in sticking to it. Small savings can have a significant impact: one less takeaway coffee a day could release almost R 1,000 per month. Compounded over 10 years this could have a positive impact on your retirement.

"For many, retirement is something so distant that planning is put on the back burner until it is too late. The notion of saving today for something that will be beneficial in 30 years' time is not taken too seriously."

3. Clear all interest-bearing debt as soon as possible. Obviously, things like bonds will be for the long term. Credit cards should be used purely for convenience. Remember the old saying: "Credit cards were created for you to buy things you don't need, to impress people you don't like, with money you don't have."

4. Differentiate your savings into short, medium and long term.

5. Build an emergency fund which will be sufficient to cover three to six months' expenses.

6. Your medium-term horizon should be anything from three to 10 years. This could be a deposit for a home, a new motor car or an overseas holiday.

7. Invest for retirement by all available means – do not think that your existing provident fund will be sufficient to build capital for retirement. Use a combination of unit trust funds, both local and offshore. Take advantage of all available tax concessions including a tax-free savings account as well as a retirement annuity, especially for taxpayers at a high marginal rate.

8. Ensure that high-risk, speculative investments such as Bitcoin do not form the bulk of your retirement plans.

9. Review your financial plan regularly with your adviser. You will need to ensure that the funds are outperforming inflation and are aligned with your appetite for investment risk.

10. Post-retirement, be very aware that your drawdowns do not deplete your capital in the short term.

Investing offshore: how much?

Adriaan Pask - Chief Investment Officer at PSG Wealth

Local investors might think the grass is greener on the other side, due to the myriad of challenges our country faces. In recent months, however, we have seen some of the country's largest and most reputable investment managers warm up to domestic assets, often citing that poor sentiment has created an opportunity too attractive to ignore. So, how do you decide how much of your funds to invest offshore and how much to invest locally?

SA VERSUS OFFSHORE

Making decisions solely based on the past can prove quite costly. Our research shows that, over the next 10 years, the US stock market will likely underperform the past 10 years by a long margin. Similarly, the prospects for SA investments seem much better than what was experienced over the recent past. This argument is not centred around economic growth prospects, but rather around valuations.

At this stage, it seems all but certain that the US economy will continue to benefit and grow from masses of monetary and fiscal stimulus. Whereas the local economy remains trapped in a dangerous chokehold of poverty, unemployment, and weak productivity. Problem is that the strength of an economy is not always the best proxy for future investment outcomes. When valuations are similar, by all means, go where there is growth. However, in the current environment, valuations are so high in the US, that our belief is that earnings will only allow firms to grow into their steep valuations - don't expect much further multiple expansion.

In contrast, South Africa is the underdog - few retail investors expect much to happen here, and it shows in the ratings. Therein lies the opportunity. Although much improvement is required to turn around the economic fortunes of our country, that is less so for its investment landscape. Even a moderate surprise to the upside will see ratings improve.

LOOKING BEYOND ECONOMIC GROWTH AND VALUATIONS

It's not all about the investment outlook. There are many other factors to consider. Let's not forget the first rule of successful long-term wealth creation - diversification. Offshore assets need SA assets and vice versa. They work together as a team. Sacrifice the one, and you sacrifice portfolio diversification. It really is that simple. We always advise a healthy balance, tactically tilted towards the area of preference.

Also remember, just because the US is seen as less attractive, it does not preclude other offshore investment destinations. Emerging markets are brimming with opportunity and Europe is in a similar situation to SA, with moderate upside surprises set to deliver better returns.

Then there are the practicalities of regulations and tax incentives. While the asset allocation in retirement funds may be constrained to a maximum of 30% in offshore equities, this exposure is closer to 40% or 50% when the offshore exposure via rand hedges is considered.

According to our calculations, the appropriate level of diversification for discretionary portfolios is around the 50% level. Levels far above 50%, may introduce excessive currency risks and reduce the efficiency of risk management. On the other hand, an exposure too far below 50% would suggest that you are not optimally diversifying to manage portfolio volatility.

SA still has plenty of benefits to offer local investors from a tax perspective, like tax incentives to local investors, retirement fund contribution tax deductions or tax-free investment benefits. Investing locally is also often more cost-effective. One also needs to consider returns on an after-cost and after-tax basis.

DON'T FORGET TO CONSIDER SECTOR AND ISSUER CONCENTRATION

One of the key concerns currently, is that both the domestic and US market is heavily concentrated at the top. Domestically, we have Naspers dominating at a 15% weighting, and in the US the Top 10 stock in the S&P now account for almost 30% of the market capitalisation.

Data shows that sectors are not static but evolve over time, making it dangerous to think your portfolio should mirror global weightings. In 1899, the UK accounted for 25% of the global economy, but in 2019 it only accounted for 5.5%.

In 1900, the rail sector was the biggest in the US and the UK, while today this sector is nearly non-existent and has been replaced by new sectors like health and technology.

Table 1:Factors affecting the decision to invest in foreign assets

	Validate home-bias decision	Reduce home-bias
Risk and return impact of adding foreign securities	Limited benefits	Significant benefits
Domestic-sector concentration	Unconcentrated	Highly concentrated
Domestic-issuer concentration	Unconcentrated	Highly concentrated
Domestic transaction costs	Low	High
Domestic liquidity	High	Poor
Domestic asset taxes	Advantages	Disadvantages
Other domestic market-risk factors	No impact	Significant risks
Additional considerations: regulatory limits and liability-matching systems	Impact unique to each investor	

Source: Vanguard

NO ONE-SIZE-FITS-ALL SOLUTION

Although it would make things easier, unfortunately, there is no such thing as one-size-fits-all financial advice. Each person's circumstances are different.What we can confidently say is offshore investing plays an important role in terms of diversification and risk management.

Any decision to invest offshore must be taken in a considered and sober manner. **Contrary to common belief, headlines are not a good predictor of future investment outcomes.**

Chinese clampdown

Lorenzo La Posta, Senior investment analyst, Momentum global investment management, London

COVER spoke to Lorenzo La Posta, Senior investment analyst, Momentum global investment management, London about the recent regulatory challenges to Chinese tech stocks.

COVER: *Can you give us some background on what is currently happening with regards to Chinese stocks?

Lorenzo La Posta: To give you a short overview, since November last year the financial regulators have been issuing newer and newer rules that touched mainly the internet and consumer sectors. Mostly, those new changes took place in the e-commerce space, online gaming, private education and ride sharing. This series of regulatory changes has spooked markets to some extent.

Up to the end of last year, the Chinese equity market had been the best performing over what has been a terrible year for financial markets. But things have changed a bit, markets have been worried about these regulatory changes and investor sentiment has fallen under pressure. If you look at the main equity indices today, you'll see that the broader China index is down 15% from its peak in February, and the technology sub sector is down 30 to 40%. But what has happened in China really?

There have been a few announcements on upcoming regulations aimed at improving matters such as clients' privacy, data sharing, anti-competitive behaviours and workers welfare, so nothing inappropriate or unusual. Actually, something that was probably overdue for a massive sectors such as the internet in China.

"Up to the end of last year, the Chinese equity market had been the best performing over what has been a terrible year for financial markets. But things have changed a bit, markets have been worried about these regulatory changes and investor sentiment has fallen under pressure."

To give you some detail, the online gaming industry has been regulated to force kids to stop at maximum three hours of online gaming per day, which you think sounds a lot, but there was a serious problem with kids spending entire days playing online games. In the ride sharing industry, there have been changes trying to protect the workers welfare, as we have seen in the West, with our own Uber and the likes.

So, really, China has just seen a series of regulations aimed at improving the social welfare and improving the conditions of new industries that are now play a key role in the society. But that looked bad in the investors's eyes. Regulation is not always investor friendly, obviously, because investors like high margins, investors like free markets where you can just grow unregulated. But societies don't like it, societiesy needs rules to be in a better shape.

That determined some repricing, let's say, of the bigger names in the Chinese internet and e-commerce sectors such as Alibaba, Tencent or, Meituan and it has put the entire sector under pressure and, to some extent, also the entire stock market.

"you should really put a lot of thought in what stocks you are buying in the Chinese market. It is my suggestion to always be very thorough whenever you think about investing. Go into details, ask the right questions"

COVER: It does look like it's aimed at tech stocks. But the way that you describe it now and talk about it now, seems like it's more of a general, almost relook at making sure that the companies are on track in terms of what the strategy of the government is, with regards to workers and people's wellbeing. So it's not necessarily aimed at tech stocks as such?

Lorenzo La Posta: The latest regulation, that we have seen in the last 9-10 months, has been very specific around the internet, e-commerce, private education and online gaming sectors. Investors' sentiment was hit everywhere, simply because markets perceived it not as a regulation of a new sector, but rather as an attack to the private sector and to capitalism. It is not my position to determine which one it is really, because it is in the government's hands~~.~~, but perhaps it is a bit of both.

Yes, it is true that the regulation has mostly focused on technology and maybe it's been so because technology, or rather the internet and e-commerce, are the new sectors in China and they are highly important. They have grown massively, playing an important role for the population. So, obviously, the Chinese government is focusing on those areas for now. Regulation is not a new thing, in 2018 they cleaned up the coal and steel sector and regulated the peer-to-peer lending businesses. Regulation is a natural part of evolving societies.

But this time around, the way these things have happened, makes me think that China is pursuing not only a strong capital market, but also a strong society and its following, ultimately, the party's agenda. But China wants foreign capital, they need foreign capital to grow. So ultimately, I don't think this is an attack to the private sector itself. They don't want to break it. They don't want to disrupt it. They just want it to be different and more beneficial to their social welfare.

COVER: So it seems almost like it is just business as usual, when it comes to investing in Chinese stocks?

Lorenzo La Posta: Well, business as usual is a bit of a simplification, because the Chinese government has not been fully transparent, it has been quite opaque in their communication. So, even if this is business as usual, it is something you need to keep a close eye on. I'm not saying you should just accept increasing regulation. If anything, you should really put a lot of thought in what stocks you are buying in the Chinese market. It is my suggestion to always be very thorough whenever you think about investing. Go into details, ask the right questions and, right now, the question I'd ponder, as a Chinese equity buyer is not only "is this stock attractive from an earnings and/or valuation perspective?", but also "is this stock beneficial for the social welfare?".

Interestingly, I've read an article mentioning that the words "common prosperity" have been mentioned 65 times so far this year in official statements. That tells you a lot, that tells you the government is not just trying to push free markets, but it's trying to push a stronger society. If a company is perceived to be going against it, then it's a company that is at risk of being regulated away. Think about private education, it was a very strong market and those businesses were posting great margins, showing fantastic grow, but suddenly, the government realized that was not good for society, that was just good for investors' pockets.

Those private education businesses were putting additional costs onto families trying to raise children, they were putting additional pressure on children, and they were disrupting the state-run education system. The government didn't like it; they didn't think that was beneficial and so they stopped it. So, whenever you buy stocks, whenever you think about what sectors, what specific names to go into, just wonder if it's useful for the society or if it's just a pure, capitalistic interest that you're buying into.

COVER: Where we, as the West so to speak, have been complaining about Chinese companies not always being as well regulated as in the West, when it comes to employee relationships, and treatment, etc. Now that we are feeling the clamp down a little bit, maybe it's challenging for our thinking.

Lorenzo La Post: It was surprising, probably, but I see it as an overdue advancement in a huge equity market. They have something like 5000 listed stocks. They are a massive economy, similar to the United States. They are by far the largest middle class in the world. I read the number was something like 1.2 billion people deemed to be middle class by 2025. This is impressive and it's a huge opportunity set.

Regulation is something that might simply be needed, to make it a bit more stable, a bit more comfortable, from an external perspective as well.

TECHNOLOGY

"Fintech thus has a substantial role to play in acting as an enabler for the globalised, digitalised workforce of the future."

- Sarthak Rohal, VP - IT Services at AlphaCodes

Why 70% of digital transformations fail

Greg Gatherer, Account Manager, Liferay

Prior to the pandemic, digital transformation was likely a top goal for many companies, but for a handful, it was not.

However, businesses seeking to flourish and remain relevant in a changing world have been forced to refocus their efforts and prioritise transformation. The days of digital transformation being a distant goal are long gone.

Businesses have had to speed up the digitisation of their operations, customer services, and product development in order to keep up with changing consumer needs.

Despite the fact that the majority of organisations think that digital transformation is essential, over 70% of digital transformation efforts fail. So, the question is clear: what can you do to ensure your digital transformation is effective?

DIGITAL TRANSFORMATION OR DIGITAL STAGNATION?

Even though more than **80% of companies** plan to accelerate their company's digital transformation:

- **70% of digital transformation** falls short, most often due to resistance from employees
- **Only 16% of employees** think their digital transformations have improved performance and are sustainable
- Of the US **$1.3 trillion** that was spent on digital transformation, US$900-billion went to waste

SO, WHY IS THIS IMPORTANT TO YOU? BECAUSE THE OUTCOMES OF A FAILED DIGITAL TRANSFORMATION ARE:

- Wasted investment
- Misplaced resources
- Poor customer experience
- Frustrating employee experience

DIGITAL TRANSFORMATION FALLS SHORT BECAUSE OF ONE, OR MORE, OF THE FOLLOWING FIVE FACTORS:

1. LACK OF UNIFYING STRATEGY

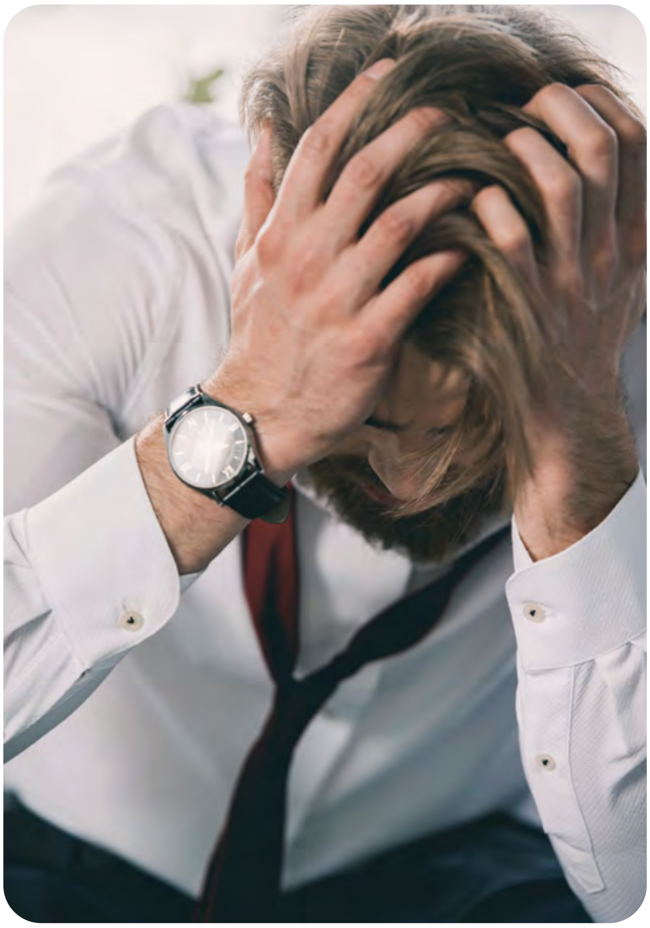
The addition of new technology is merely one aspect of digital transformation. While technology is crucial for digital transformation success, it must be guided by a long-term strategy that directs the organisation and its investments. According to a **McKinsey report,** businesses with these key factors in place are three times more likely to report successful digital transformation:

- A vision that links digital technologies to overall business goals and objectives
- Clear outcomes and goals alongside a timeline and a roadmap
- Defined project scope and outlining responsible parties

2. LACK OF ORGANISATIONAL BUY-IN

Still, even a clear plan and all the right tools mean nothing if the organisation isn't aligned in moving toward the final destination together.

- 35% of employees found the most common obstacle for digital transformation was their CEO
- 46% of IT directors surveyed said a lack of executive buy-in is a leading barrier to transformation
- **70% of digital transformation** efforts fail, most often due to resistance from employees



Organisational alignment must start at the top and work its way down. If any part of the organisation does not recognise the value of digital transformation, change will fail to take hold. To convince the rest of the team, it's necessary to demonstrate the benefits of changing their processes, experience, and goals.

3. SILOED TECHNOLOGY

If strategy is the map that guides businesses to their final destination of digital transformation, technology serves as the vehicle that transports them there. However, as businesses add systems and applications, their technology stack becomes entangled, resulting in fragmented user experiences and wasted resources.

- According to Forrester, the number one technical challenge facing digital experience leaders is inadequate integration with back-end systems
- Over **59% of survey respondents** cite outdated and legacy infrastructure and tools as a barrier to successful transformation
- **80% of legacy technologies** prevent digital transformation

What should have been a catalyst for change is now preventing businesses from implementing any meaningful change. To disentangle this mess, organisations should invest in a connective foundation, such as a digital experience platform (DXP), to unify legacy systems, existing databases, and third-party systems into a single platform.

The true power of a DXP is its ability to integrate with a variety of existing legacy and adjacent technologies in order to provide a unified, continuous, and optimised experience.

4. POOR DATA MANAGEMENT

With great data comes great responsibility, yet 85% of businesses are failing to effectively leverage data to power their digital transformation initiatives. Not only do disparate technologies waste resources and slow organisations, they also create data silos.

Because data is locked away in disconnected systems and applications, business leaders are unable to access and manage it across their organisations. **Siloed data prevents digital transformation by:**

- Preventing in-depth data analysis when the majority of time needs to be spent gathering data, businesses have to first perform time-consuming manual work in order to collect and standardise data before any meaningful insights can be derived
- Limiting the view of data across departments data that is stored across different databases not only leads to inconsistent data, but also duplicates work across the organisation
- Hinting at larger silos at hand -- Siloed data is often a symptom of a workplace that operates

in organisational silos. This kind of company culture where departments function individually and don't collaborate hinders digital transformation at a wider organisational level

5. LIMITED TECHNOLOGIES

Even if businesses are successful in initiating digital transformation programmes, the technologies they deploy to do this are frequently unable to scale and grow with the organisation. As many as 78% of organisations struggle to properly expand their digital transformation programmes and achieve the desired return on their digital investment.

Due to the fact that many businesses are limited in scope, their digital transformation frequently fizzles out. Instead, businesses need to look for holistic, organisation-wide solutions that can build towards a long-term, sustainable strategy.

MAKING DIGITAL TRANSFORMATION A SUCCESS

As technologies advance and client needs shift, businesses must be adaptable and deliberate in their approach to transformation. **With a guiding strategy, connective tools, and a cohesive workforce, you can assist your organisation in operating more efficiently and providing superior customer service**.

The role of fintech in the workforce of the future

Sarthak Rohal, VP - IT Services at AlphaCodes

The pandemic accelerated an existing trend toward widely distributed workforces, set in motion by growing globalisation and digitalisation. This creates a number of challenges for companies in terms of managing these dispersed employees.

Fintech and the innovations such technology brings can play an essential role in tackling these challenges, while delivering disruptive solutions that will revolutionise the way we work once more.

GLOBAL WORKFORCE, GLOBAL CHALLENGES

A geographically distributed workforce used to be the sole domain of large multinational corporations, but this is no longer the case. As remote work has become the 'new normal' in the wake of the pandemic, businesses of all sizes are leveraging the benefits, such as enhanced productivity, higher savings and better employee retention rates.

However, they are also grappling with the need to manage employees over distance and the unique challenges this brings. Regulations and compliance, for example, become a concern especially when employees are located in various countries, as it becomes complex to manage country-specific labour laws, employee rights, payroll, tax, benefits responsibilities and more. There are also soft issues such as cultural differences, communication challenges and the difficulty in tracking and reviewing performance.

Last, but by no means least, there are challenges around technical enablement, including secure remote connectivity, endpoint security, data management and more.

"Fintech and the innovations such technology brings can play an essential role in tackling these challenges, while delivering disruptive solutions that will revolutionise the way we work once more."

FINTECH TO THE FORE

Fintech can help organisations to address a number of these challenges, with innovative solutions such as enhanced contract management, data protection insurance, and payment and regulatory advice to help organisations manage country-specific labour laws, local payroll and tax challenges.

In addition, they facilitate secure information transfer between businesses, making use of powerfully transparent blockchain and real-time data ledger technology. Such platforms allow businesses to reduce fraud, by validating identities with a wide variety of products and streamlining the credit transaction approval process.

NEXT-GENERATION TECHNOLOGY SOLUTIONS

Fintech also makes use of next-generation technology, including Artificial Intelligence (AI), Machine Learning (ML) and Robotic Process Automation (RPA), which serve a multitude of different purposes. AI and ML are incredibly helpful to ease many cumbersome operations, improve customer experience, and even help employees understand what a customer will most likely be calling about prior to picking up the phone.

Some examples of disruption in these areas include blockchain-based contract management, cryptocurrency payment integrations, enhanced customer service and risk management, and fraud detection and compliance.

Many fintechs also make use of virtual agents, algorithmic trading and robo-advisers, recommendation engines, predictive analytics and enhanced forecasting.

IMPROVED PROCESSES AND COST EFFECTIVENESS

The innovations of blockchain and cryptocurrency have revolutionised the payments sector by improving the speed and efficiency of international contract management, loan disbursal and payments. Along with these multi-currency platforms, fintechs have enabled organisations to leverage a seamless supply chain ecosystem, which can be used to acquire both goods and skills.

In addition, fintech proactively understands and incorporates baseline regulatory and compliance requirements into the product offering.

This readymade framework enables organisations to consume these products to trade off any goods or services across multiple countries.

Fintech thus has a substantial role to play in acting as an enabler for the globalised, digitalised workforce of the future.

How does digital communication fit into my omnichannel engagement

Brent Haumann, Managing Director, Striata

There is no doubt that companies that succeed at customer engagement generally create much better customer experiences.

Customer engagement encompasses all the communication and interactions the company creates to connect with customers, influence the journeys, drive more sales, and increase customer participation and loyalty.

Better customer experience creates happier customers, who are more loyal, spend more, and are likely to recommend the organisation to their peers. Achieving this level of customer engagement is made a great deal easier by prioritising and constructing an omnichannel customer engagement hub (CEH).

Simply put, an omnichannel CEH is a technology stack made up of platforms that are able to orchestrate with each other to provide relevant, personalised, consistent, digital experiences across all channels.

Obviously customer communication plays an important part in the engagement hub, but where should it fit in?

CUSTOMER LIFECYCLES AND THE CEH

In order to know that, it's important to understand the customer lifecycle. There are several chapters that make up the customer lifecycle, including awareness, acquisition, onboarding, servicing, relationship, renewal, retention, and exit.

Within the chapters, there are several journeys which we define as a set of actions that a customer needs to do to complete a task. As the customer moves from one action to the next, there is communication that supports the process.

There are several customer engagement channels that are used to enable this. These include the customer services center, digital communication, web portal, mobile app, chatbot, IoT and of course face-to-face engagement (which is increasingly being converted to digital equivalents).

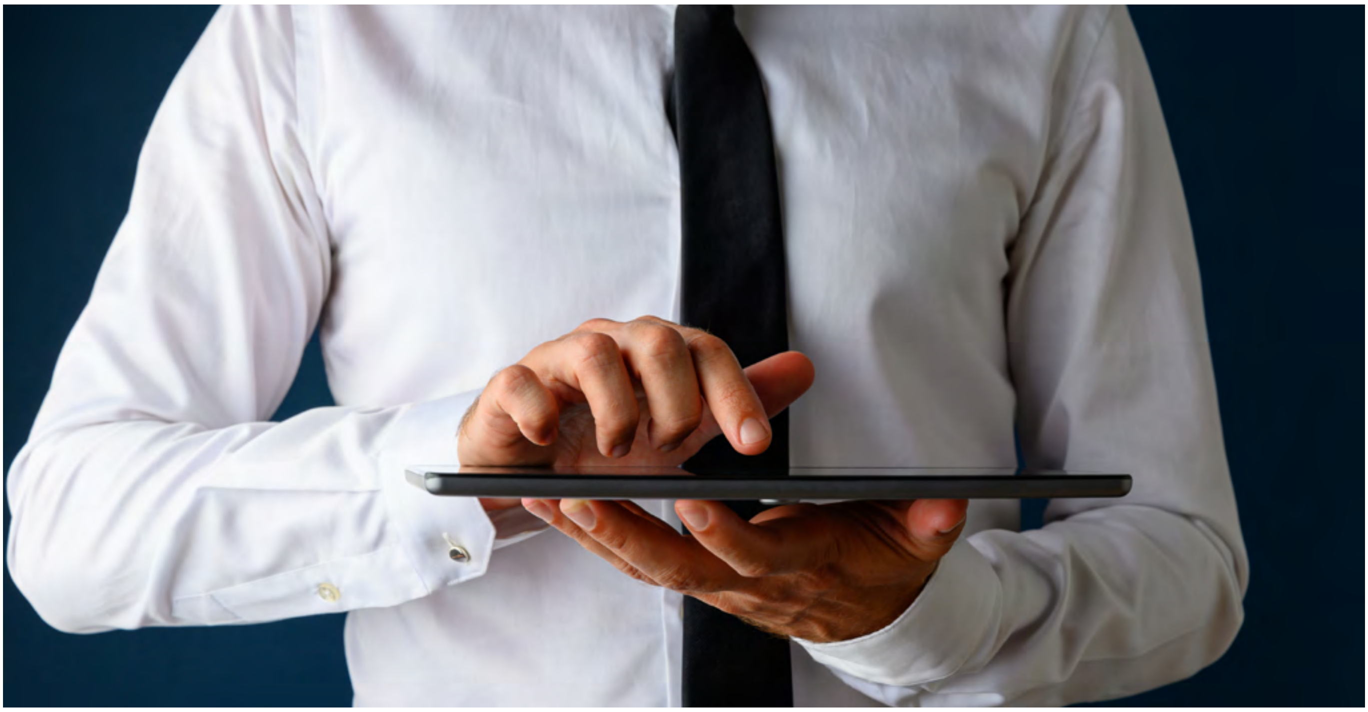
In turn, there are several categories of digital communications, covering marketing, lifecycle, operational, and secure. There are also many channels including email, SMS, MMS and online presentation, and machine to machine communications.

The omnichannel engagement hub manages all of these categories and channels, but in order to understand how it does so, it's worth looking specifically at lifecycle and operational communications.

So, for instance, by bringing together data from across the organisation, the CEH can help ensure that customers receive messaging that is relevant to where they are in their lifecycle and guide them through to the next stage.

Operational messages are, simply put, the regular messages that businesses send out to their customers as part of their day-to-day services. These are communications like monthly bills, welcome emails, one time passwords, and purchase or payment confirmations.

With an omnichannel CEH, these messages can more easily be aligned with the rest of the organisation's communications. And when leveraged correctly, they can make a significant contribution to a consistent and positive digital customer experience. That, in turn, can have a massively positive impact on an organisation's bottom line.



SUPERCHARGING DIGITAL COMMUNICATION'S SUPERPOWERS

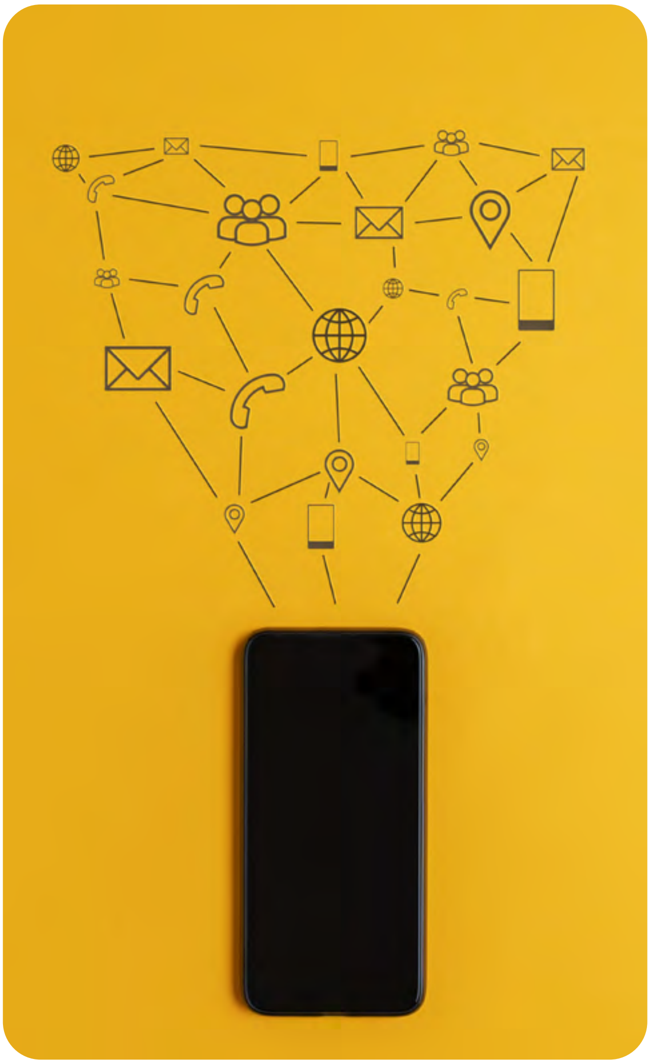
Ultimately, an omnichannel CEH can accelerate the superpowers of digital communication. Unlike other forms of customer engagement, digital communication is proactively pushed out to the customer, rather than waiting for the customer to start the engagement.

The customer services center, web portal, mobile app, chatbot, IoT are all mostly reactive in nature. By contrast, email, text, MMS and other digital communication channels can be used to create a conversation.

"Ultimately, an omnichannel CEH can accelerate the superpowers of digital communication."

Utilised properly, digital communication can help to transform a disengaged customer into an engaged one. It does so by initiating a conversation, stitching together journeys, building relationships, driving digital adoption, nudging behaviour, and creating convenience.

But in order for communications to have that effect, it's pivotal that anything the organisation sends out resonates as deeply as possible with its customers. If the communication is not engaging at its core it will not drive engagement. By fitting it properly into your omnichannel communication engagement hub, you can ensure it does everything it sets out to do.

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Time to Embrace Inclusive Insurance

Zoe Woodroffe, Life/Health Head of Pricing and Research, UK & Ireland, London, Genre

The availability of Life and Protection cover for people living with certain serious health conditions in the UK is starting to become a critical issue for insurers.

The public perception is that insurers simply don't offer cover, or that it is difficult to source affordable, tailored cover. In June last year, as we were still getting to grips with the global pandemic, I spoke on this subject at an event organised by the Society of Actuaries (SOA) in Ireland. This was partly because of my interest in the area at Gen Re, but also because I'm involved in a movement in the UK Life insurance market called the Access to Insurance Group.

AN ISSUE OF GROWING IMPORTANCE

Access to insurance is an increasingly important issue because the number of people living with chronic medical conditions is on the rise. How we deal with these challenges as we emerge from the pandemic and its consequences is a crucial question for the Life insurance industry globally.

Conditions, such as high blood pressure and diabetes, are growing more prevalent among the population. The total number of people living with diabetes in the UK is around 4.9 million; it's estimated that by 2030 that number will be 5.5 million or nearly 8% of the population.1

Thanks to advances in screening and treatment, cancer diagnoses and survival rates have also soared in recent decades around the world. By 2030 it is estimated that over 5% of the UK population will be living with a cancer diagnosis.2

It's not only chronic physical conditions that are trending up: the number of people with mental health conditions is growing. In England, one-in-four people will experience a mental health problem of some kind each year.3 The cost of mental illness to the UK economy has been estimated at 4.5% of GDP.4

The difficulty that people with physical and mental health problems face when trying to access Life insurance is a challenge the insurance industry should rise to address. After all, many of these individuals are potential customers, still in employment and with protection needs.

It's possible that we as an industry have underserved this sector, placing our focus on gaining process efficiencies through automation and rules-based underwriting. Whatever the reason, the public perception is that insurers don't cover people with chronic conditions, or that it's simply too difficult for them to source cover.

BUILDING INCLUSIVE SOLUTIONS

But cover is available, and many insurers and brokers have been working on solutions for many years. In the SOA Ireland webinar, we heard from Alan Knowles, who heads up the UK intermediary, Cura Insurance. Cura specialises in helping people with medical conditions who struggle to obtain the insurance they need.

He explained that high percentage loadings on Life cover have helped Cura secure cover for people with chronic conditions. Provision of Income Protection has improved, for people with diabetes (types 1 and 2) and also for those with HIV.

Alan said that Critical Illness cover is still hard to obtain in the UK for those with a serious complex condition diagnosis and that COVID19 has slowed progress on access to insurance as insurers have become more cautious of emerging risks.

Alan and I agree that the industry must work to maintain the momentum it has gained recently and to stay on the front foot. The alternative is to wait for regulators to step in and mandate change. But isn't it preferable to develop our own solutions that widen access to insurance, rather than have measures forced on us?

We have seen in other markets that conditions that were previously regarded as uninsurable, or insurable only in a very restricted form, have now got wider access to cover. In South Africa, for example, **Life insurers have responded to lobby pressure over the difficulties encountered by people diagnosed as HIV+ in obtaining Life insurance**.

COLLABORATION IS KEY

To overcome the uncertainties associated with widening access to insurance, the industry should seek more input from medical professionals. Data is key, it enables us to assess risk and, although it is a long process, we can accelerate our progress by collaborating with other stakeholders and interest groups.

In this way, we can develop specialist products just as South African insurers have for people with HIV+. In the UK, Gen Re already works with clients to offer tailored solutions for those with diabetes and those with severe mental illness. We are also talking to our clients about a **framework for a new managed mental health product Gen Re has developed** to provide better access to cover for people presenting with certain mental health conditions. We should be striving for products that are as close to the standard protection as possible, without being shackled to that model. When we deviate from the standard, we should be able to demonstrate the benefit to the consumer in one of the following areas: improved customer experience, better coverage, or more affordable premiums. We should also be prepared to review application procedures and recognise that a more sympathetic approach is needed if we are to gather the information needed to aid underwriting decisions.

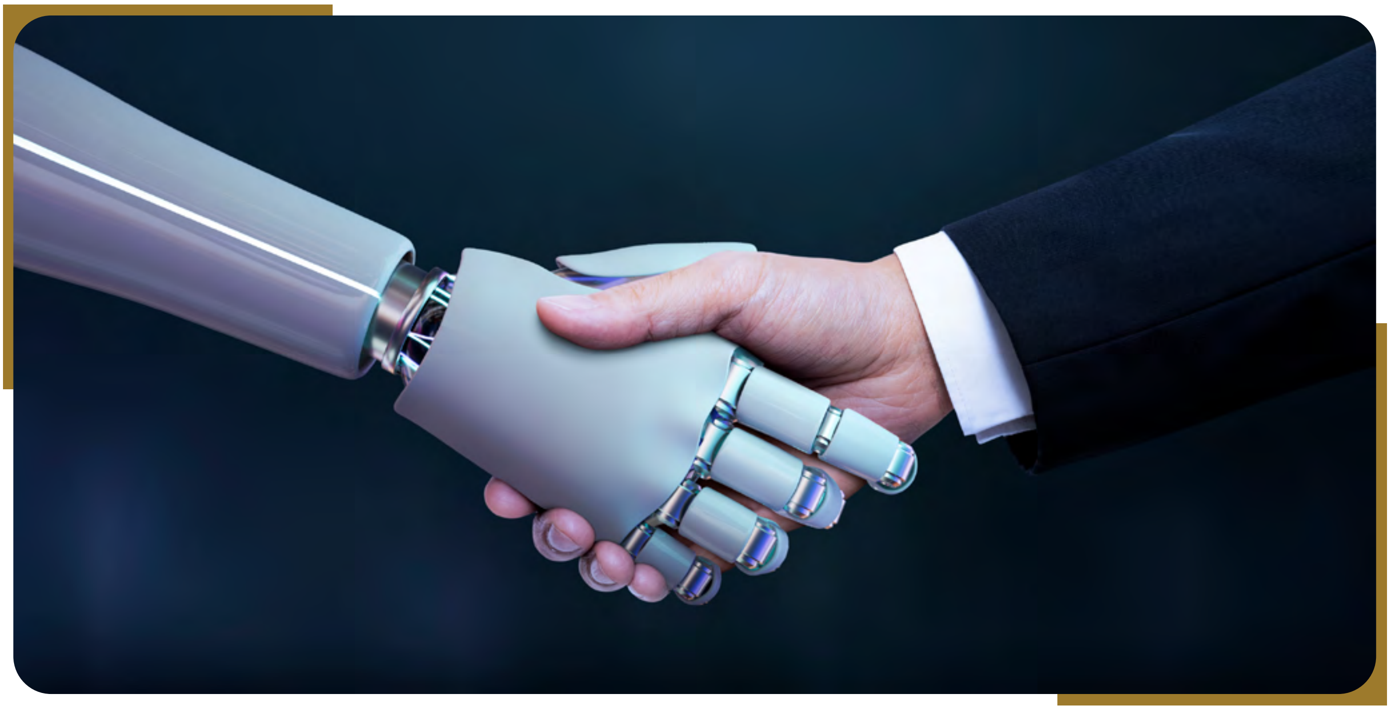
Increasing access to insurance ought to be a big priority for all carriers today. It is the right thing to do from a societal point of view and it creates new opportunities for everyone. A new way of thinking is needed, but the challenges are not insurmountable. Certainly, doing nothing is no longer an option

DEVELOPMENTS IN MENTAL HEALTH

Interested to hear more on this topic? We will be running a webinar for clients in the UK and Ireland on 24 August (15:00 GMT) on various aspects of mental health; from revisiting the ABI Standards to looking at a prototype for a managed mental health product developed by our South African colleagues. Invitations with details of how to register will be sent shortly, alternatively, don't hesitate to get in touch with your usual Gen Re contact if you would like to attend.

Accelerated Digital Transformation Means Quick Wins for Insurers

Robin Wagner, Senior Vice President International Insurance at TransUnion



Across the globe, digitally transformed insurers are weathering the pandemic more successfully than those relying more on in-person intermediation. Robin Wagner, Senior Vice President International Insurance at TransUnion, explains why and the importance of speeding up the digital transformation journey.

CONSUMER BEHAVIOUR HAS SHIFTED – DIGITAL IS THE NEW NORMAL

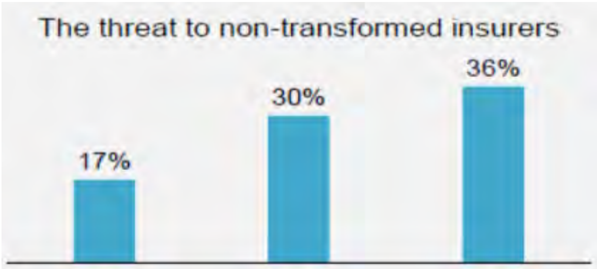
As pandemic measures, such as social distancing and working from home, shape new buying and work habits, insurers must adapt to meet an ever-growing number of consumers on their chosen channels.

Global research confirms consumer demands have changed. Over the first two quarters of 2020, online insurance sales spiked by 35-50%, and online sales of life and health insurance in India jumped 25-40% during lockdown.

There's also an impact on long-term behaviour as roughly a quarter of consumers said they'd use digital to buy insurance in the future, and would likely move to brands offering a better online experience.

More than a third of consumers stated they'd buy insurance from big tech firms (doubling YoY).

Why? Because a better user experience makes it easier to interact, fulfil, service and buy a product that's often a grudge purchase.



Customer willingness to purchase insurance from BigTech firms is increasing as the onboarding friction is low

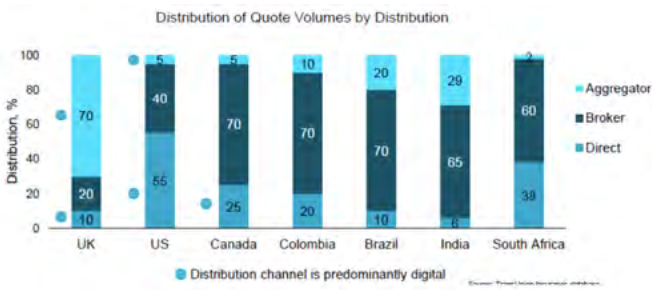
"Customer experience is becoming a key competitive weapon — and insurers need to make sure they keep up with customers' expectations." - **Evangelos Avramakis, Head of Digital Ecosystems R&D Swiss Re Institute**

DIGITAL AND MULTICHANNEL INSURERS PERFORM BETTER

As consumers opted to buy insurance online, insurers with a robust digital presence outperformed competitors during the COVID-19 crisis.

In an analysis of Q2 2020 quote volumes, fully digital and multichannel insurers performed 22% better-than-average YoY. In addition, digital aggregators and direct online distribution proved more successful than in-person interactions.

Since the start of the pandemic, countries such as the UK, US, and Canada — where digital penetration is high and insurance well-legislated — fared better than more heavily intermediated industries in nations like India and South Africa.



For the UK, where 70% of insurance uses digital aggregators, quote volumes reveal a highly digitally transformed market.

In South Africa (with 60% broker distribution), it's clear digital insurers outperformed the competition by avoiding the need for physical interaction.

Lockdown challenges aside, insurers that most effectively weathered the covid-19 storm got these three things right:

1. Multichannel distribution across digital, direct and intermediated

2. Enabling digital customer onboarding to contract fulfilment

3. Offering digital ability to change policy cover and load a claim online

DIGITAL TRANSFORMATION IS NOW A MUST-HAVE

Investor expectations evolve with consumer demands; insurers that don't digitally transform and show resilience will lose out. There's also cost — where insurers looking to improve expense ratios must actively reduce expensive broker commissions to stay competitive.

For 19 US life insurer carriers — using TransUnion data-driven underwriting — client volumes rose by 23% YoY (vs. -7% across the market). This was due to higher levels of straight-through processing enabled by credit-based decisioning and identity verification solutions.

All this doesn't mean the end for brokers/agent-driven channels. On the contrary, as life insurers strengthen their digital distribution, organisations offering multichannel options will achieve higher Net Promoter Scores (a key measure of customer experience and business growth).

ACHIEVE DIGITAL READINESS WITH THREE QUICK WINS

Increased digital engagement and expectations for a seamless online experience drive the need to fast-track transformation.

As a result, insurers must have the protocols to detect and manage risk, and alleviate manual or offline processes that frustrate consumers.

To test these findings, we conducted a mystery shopping exercise to establish the critical differences in digital journeys through a consumer lens and found:

1. Digitally ready insurers (primarily property and casualty) offered user-friendly, transparent, efficient and effective journeys

2. Digitally unready (mostly life insurers) required too many documents and fields to be filled in, and offered archaic document upload functionality

Automated, data-driven solutions can enable friction-right engagement throughout the customer lifecycle to achieve quick wins. Here's how:

1. Streamline the onboarding process with prefilled, validated third-party data

2. Digitally verify consumer identity to protect your customers and your business

3. Effectively balance customer experience with compliance and fraud risk

To learn more about how a friction-right online experience can enhance customer onboarding, visit our **website** today.

GENERAL

"Demystifying innovation is trying to break it into what we see are the building blocks of getting from creating ideas to realising the value of innovation."

- Luis Rodriguez, Accenture Strategy, Africa

The complex motives behind fake news

Kiara Sunder, a clinical psychologist practising at Netcare Akeso Umhlanga

Why people continue to spread misinformation with often harmful consequences

Spreading fake news is generally acknowledged as being disruptive and potentially harmful. So much so that our nation's president has on several occasions cautioned the public against sharing false information, with particular reference to the COVID-19 pandemic. So, what drives people to create and circulate fake news?

Many individuals are naively unaware that they are sharing misinformation. There are also those who do it knowingly as a means of satisfying underlying social needs or political agendas. These motives are multi-layered and can be quite complex to unpack. However, there is a common factor that leads to fake news doing harm and that is a strong societal trust in online sources.

MISPLACED TRUST

Historically, news was received in print or broadcast format via official news channels, which the public trusted as having been researched and verified. Yet now, in a relatively short space of time, obtaining news online on social media platforms and communication apps from various, often unofficial, sources including from individuals has become the norm for many people.

The internet has given a voice to anyone and everyone. While this has its benefits, it also means that a great deal of information is shared unchecked. Digital illiteracy is of growing concern, and is particularly prevalent amongst older generations. Younger people who have grown up with technology have high levels of digital literacy built into their schema, or cognitive framework for organising information.

This gives them a certain level of built-in understanding about what is and is not 'real' online. Conversely, older individuals who have had to learn technology later in life tend to be more trusting. There are many internet users who mistakenly believe that anything published online must be true. The same goes for information received in a text message or voice note via a trusted contact.

THE SPECTRUM OF MOTIVES BEHIND FAKE NEWS

There is a broad spectrum of what drives people to create and share misinformation. Some of these factors are less obvious and while it is multi-layered, there are some clear psychological motivations that can be observed.

SOCIAL STATUS SEEKING

While these users may not be aware of the motives behind their behaviour, they are in fact seeking status and self-promotion, indicating that some emotional needs are not being met in real life.

Being relevant: Many individuals feel constantly bombarded by social media posts of friends and influencers who appear to be highly successful and this can lead to feelings of inadequacy amongst those who do not have the same type of content to share online. They therefore turn to sharing other types of information, regardless of factual accuracy, to present themselves as having something to say.

Being the first: Some individuals feel ongoing pressure to become the first to post or share any new piece of information, true or false. This can also be a type of social gratification to be seen as a 'protector' of one's online community.

ANXIETY OUTLET

There are people suffering from anxiety and mental health conditions who use social media as an escape or as a channel for processing their own feelings.

Escape: Many individuals experience anxiety from daily news about events taking place in the world and they may choose to switch off from that and consume social media instead. However, this can lead to people engaging in intrusive and factually baseless content without realising it.

Expression: Some individuals find a sense of validation in being able to share a post or message that reflects their own feelings or fears, even if the information shared may not necessarily be true.

Group mentality: Needing to feel that you are not alone and connecting via social media and communication apps can be harmful when misinformation, which speaks to the common fears of groups of people who already feel nervous or threatened, is spread thereby fuelling panic and confusion.

CONFIRMATION BIAS

Needing to feel validated is also a motivating factor amongst those who spread fake news on a more regular basis, particularly those who buy into alternative views, or conspiracy theories.

Lack of objectivity: It is a natural human reaction that when we read, hear or view something that confirms our own beliefs, we feel validated by it and we may then accept it as being true.

People who place their own beliefs above verified, factual information are therefore highly susceptible to spreading, and often even creating, fake news, as their ideologies are not widely reflected in the media, leading them to feel unsupported in their thoughts. The motivation here is not malice but a lack of objectivity.

Technology overlap: There is an overlap with technology here, as the algorithms in search engines and social media platforms track the content that we consume and push similar content towards us, which informs much of what we see, again confirming belief or preference rather than fact.

SELF-SERVING INTENTIONS

Persons who create and knowingly spread fake news intentionally will often have a political or psychological agenda, which they are trying to advance or serve. These individuals may have the intent to do harm or are so single minded in their pursuit that they have no regard for any damage they may cause.

Politically motivated: This includes those working for a specific cause that is not receiving the attention they feel it deserves, or who may have intent to do damage to another person or group. These individuals will create or spread fake news to achieve such ends.

Histrionics: Someone with a histrionic personality trait, who craves attention and drama, may create or share a sensational piece of information, sometimes using a lot of capital letters, exclamation marks or emojis to make it appear more dramatic. They may relate it to themselves for attention or create some attention toward themselves.

Narcissists: Narcissistic personalities may share information for the sake of appearing to be important and knowledgeable. Individuals with narcissistic traits may be self-centred, have less empathy and desire admiration. They may share news, fake or true, that puts the spotlight on them regardless of the consequences it may have to others.

FINANCIAL GAIN

Criminals targeting vulnerable individuals are known to use fake news as a tool to spread the word about sought after opportunities, for example through fictitious job or training advertisements and other similar scams, whereby unsuspecting individuals are asked to pay some kind of administrative or activation fee with the promise of earnings or other financial rewards in return.

Such fraudulent activity is often disguised as a highly legitimate-looking advert or other form of communication, and the persons targeted may feel pressured by the ambiguity of the situation. Often not knowing how to verify the information presented, victims may fall prey to the scam, resulting in serious financial loss.

Without healthy coping mechanisms in real life, people are more likely to lash out at others or latch onto harmful online trends. Whether intentional or not, such behaviour can result in online bullying, reputational damage and financial loss as well as physical violence, not to mention confusion and disruption.

PSYCHO-SOCIAL CONSIDERATIONS FOR PARENTS AND GUARDIANS

Understanding the impact of consuming and sharing unverified information is an important part of conversations between parents or guardians and children when it comes to screen time. As well as online predators and bullies, children need to be made aware of the dangers of fake news.

As a parent there is great value in keeping communication lines open and emphasising that you trust your child, but not the online world. Helping children to understand the layers of societal dangers involved and letting them feel they can talk openly to you, before expressing themselves online, will go a long way to protecting them now and in the future.

For information about concentration and memory concerns or accessing mental health services or if you are in an emotional crisis, Netcare Akeso is here to help. Contact info@akeso.co.za, visit www.akeso.co.za or www.copetherapy.co.za. In the event of a psychological crisis, emergency support can be reached at 0861 435 787, 24 hours a day.

Sub-Saharan Africa has a chance to reap the economic rewards of its demographic transition

S&P Global Ratings

The working-age population of sub-Saharan Africa (SSA) will increase more than 200% by 2050, providing a significant opportunity for economic growth across the region.

S&P Global Ratings economists said in a report: **"Sub-Saharan Africa's Demographic Transition: A Window Of Opportunity For Growth"**.

"Countries in sub-Saharan Africa are now experiencing the most significant demographic transition in their history. Unprecedented decreases in fertility rates, lower child mortality, and increases in life expectancy will be of crucial importance for the region's economic outlook for decades to come," said S&P Global Ratings Economist Valerijs Rezvijs.

"Age composition in a country's population is critical for economic growth. For the region, which has experienced subdued economic performance during the past decade, demographic transition may present a chance for stronger growth, but could also be a major source of instability and fragility."

KEY TAKEAWAYS

- By 2050, sub-Saharan Africa's working-age population is projected to increase more than twofold.
- We estimate that this will add up to 3 percentage points to average annual GDP growth in the next 10 years among key sub-Saharan economies.
- At present, sub-Saharan Africa risks being insufficiently prepared to reap the benefits of this demographic transition and, without correct and timely policy responses, the region's catch-up with developed economies may take a lot of time.

OTHER FINDINGS

In sub-Saharan Africa, fertility rates (number of children per woman over her lifetime) have declined steadily to 4.6 in 2020 from 6.3 in 1990. According to recent UN projections, fertility rates in the region will continue to fall, and by 2050, some SSA countries will reach levels close to a natural replacement rate (2.1 births per woman).

By 2050, with exception of small island economies, such as the Seychelles or Mauritius, all countries in sub-Saharan Africa will experience an increased share of working-age populations. Since most other countries in the world have already finished their demographic transition, sub-Saharan Africa will be the main driver of working-age population growth in the world in the 21st century.

In the next 30 years, sub-Saharan Africa's working age population will increase more than twofold, with its working-age population growth accounting for 68% of the world's total growth.

"Countries in sub-Saharan Africa are now experiencing the most significant demographic transition in their history."

To reap the benefits of this demographic transition, governments across the region must wisely adapt economic policies. If jobs are not created in tandem with growth in the working-age population, it could become a source of political instability due to high youth unemployment.

Investments in human capital are necessary so that families can use savings from declining birth rates to access better education for their children. If banking services are not widely available and capital markets are not developed, an increase in savings won't necessarily correspond to an increase in investments or translate to increased labor productivity and more sophisticated goods and services.

"All in all, demographic transition could be a source of unprecedented economic growth, but also of unprecedented instability. At present, sub-Saharan Africa risks being insufficiently prepared to reap the benefits of demographic transition.**However, with the right policy response, this situation could swiftly change," said Mr. Rezvijs.**

Innovation demystified

Luis Rodriguez, Managing Director for Accenture Strategy in Africa

Demystifying innovation is trying to break it into what we see are the building blocks of getting from creating ideas to realising the value of innovation. There are three parts to it, and these are not necessarily sequential – ideating and shaping, designing and killing ideas and lastly scaling.

Many organisations place emphasis on ideating and try as much as possible to fix ideating with the perception they're going to get the value. They in turn spend very little time on shaping, design and killing ideas, as well as scaling. But does ideating alone pull through to make a business difference?

Does it add value to solving the perceived and real challenges from businesses? If we look at each stage of innovation individually, we recognise the challenges that lead to organisations getting stuck on ideating. In this article, we will focus on ideation and the right way to carry out the process.

CREATING THE MOST POWERFUL IDEAS

When you think about innovation and ideation, the most powerful ideas require combining concepts and combining skills to see their potential impact. However, if you put them together and you tweak them a bit, they can get to something else.

For ideation to work better, you usually need to get people and skills that sit in different parts of the organisation to actually work together. Unfortunately, this is not usual and organisations are structured in such a way that unless leadership actually encourages people to get together to innovate, ideation commonly happens within silos.

"For ideation to work better, you usually need to get people and skills that sit in different parts of the organisation to actually work together. "

Steve Jobs spoke a lot about that, and how he would deliberately design buildings so that people from different parts of the organisation will actually meet at a coffee station to do that. This was to get the combinatorial effect of ideas and skills from people who sit in different parts of the organisation. If not, you are going to have ideas, but lack that added value of combining very different things.

Beyond this, there is merit in investigating company culture, where the people actually have a higher perspective on where the business needs to go in order to see where their part fits into the bigger business picture. This can help overcome silo mentality since silo innovation stems from silo performance and silo delivery.

SOME IDEAS ARE KILLED TOO EARLY

Based on perceptions, history, power battles, governance – certain ideas are often killed too early. An organisation doesn't know for sure that those ideas cannot work because they never advance to that stage. Yes, wrong ideas do exist, but some are good ideas that are killed for the wrong reasons. Ideas that are killed, are just based on the context and not so much the idea itself.

Idea antibodies are the usual cause, pushing their own biases of why an idea is to be killed, often stemming from fear of being replaced by a new innovative process, being

overtaken by a colleague for promotion, or having the mindset that a similar idea was already tried years ago and never worked.

Very often it is the power battles and company politics, that determines the direction. Very good ideas can be killed in the process, not because of the idea, but actually who proposes the idea. That is why sponsorship of good ideas becomes so important.

Killing ideas is necessary, but only once you've done enough to disprove it. This typically cannot happen in the first stages of ideation since it would be too early and you might be missing something amazing.

THE SMART WAY TO KILL IDEAS

It is near impossible to answer every single question at the ideation stage, especially when you are dealing with something new that nobody else has done before. Innovation teams will find themselves jumping through the same hoops, trying to address something that should be bulletproof. At some point, they cannot answer certain questions, and this amazing idea is killed not because it lacks potential, but because it cannot answer to every single question. Think about an organisation that has plans to manufacture something. They are trying to design a process that has to be 100% risk approved, and that requires a series of steps in compliance and governance without killing the innovative part of it.

But not every project can be dealt with in the same way. Dealing with innovation, is different to dealing with a compliance or safety process that typically has been done many times before.

Killing ideas is usually seen in a negative light, instead of being recognised as avoiding problems later. Teams often kill an idea because a hypothesis does not work and those teams are then seen as failures and ultimately leave, even though they did the right thing and saved the organisation from wasting resources.

The key to killing ideas properly is to focus on the future, instead of what has been done and invested so far. Rather let go of an idea if it proves that in future it will not work, than hold on because a lot of time and resources have been spent on it. Lastly, organisations should learn to reward teams that kills ideas early enough and do it properly.

Ultimately ideation is important. If you don't have idea, you cannot do anything, and if you don't actually make it real, you also don't get to value.

Markers needed to rebalance the world post COVID

Sharon Paterson, Chief Executive Officer of Infiniti Insurance Limited

It is time to stabilise business and socio-economic activities in the wake of the dramatic and deep changes that have taken place over the past 18 months.

Sixty-five percent of developed economies expect the global economy to improve in the next few months, compared with 83 percent of emerging economies (McKinsey's 'Coronavirus effect on global economic sentiment July 2021' report). This is heartening news but more change can be expected and now is the time to lay down markers in balancing the world in which we live. High on this agenda should be equity for women who have taken the brunt of the pandemic effects.

Women make up 39 percent of global employment but account for 54 percent of overall job losses. One reason for this greater effect on women is that the virus significantly increased the burden of unpaid care, which is disproportionately carried by women. This, among other factors, means that women's employment is dropping faster than average, even when accounting for the fact that women and men work in different sectors, according to McKinsey.

On the environmental front, the UN Women's Watch reports that 80 percent of people displaced by climate change are women — yet only 20 countries have plans that recognize women as agents of change on climate issues. It also points to emerging threats, including the COVID-19 pandemic which exacerbates inequalities, threatening to stall progress for girls and women. In 2020, almost 510 million women, representing 40% of female employment, are in sectors at high risk of being severely impacted by the Covid-19 pandemic.

The EU Commission for gender equality headed by Ursula **von der Leyen** found a striking lack of women in Covid 19 decision-making bodies. The 2020 study found that men greatly outnumber women in the bodies created to respond to the pandemic. Of 115 national dedicated COVID-19 task forces in 87 countries, including 17 EU Member States, 85,2% were men, 11.4% comprised women, and only 3.5% had gender parity. In Africa, at the political level, only 30% of health ministers are women.

The markers we lay down now will catalyse action in confronting disparities in the workplace, health and human rights issues that women and girls face.

These include an ongoing learning and development programme that induce a culture that fosters inclusion and which enhances performance while encouraging innovation; offering equal opportunities to both women and men, and promoting programmes that enable all employees to develop their full potential.

This approach at Infiniti is highlighted by the positive response the company demonstrated at the height of the pandemic lockdown predominately supported through the versatility and resilience of the highly trained and motivated women in our team.

The differing impact of COVID-19 on women and girls requires an urgent call to action for private sector companies to ensure that their recovery efforts are inclusive. The pandemic is an opportunity for the private sector to play a transformative, leading role by implementing solutions that can mitigate risks to women's economic security, health, and safety, both during, and beyond the crisis, and which address

the question of equity. The benefits of gender equality have many positive impacts on individuals and on society at large according to the European Union and point to strong, positive impacts on Gross Domestic Product (GDP) per capita, which grow over time. South Africa would benefit from a similar approach with increasing evidence showing improved performance for both economies and companies where equity is fostered and equality is nurtured.

Even before the coronavirus, indicators showed that tangible progress toward gender parity had been uneven and that large gender gaps remained across the world. As organisations across the globe are reimagining the future and redesigning strategy in these extraordinary circumstances, intervention is now needed to address the disproportionate impact of COVID-19 on women otherwise there's a risk that progress could go into reverse. This would not just set back the cause of gender equality but also hold back the local and global economies.

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