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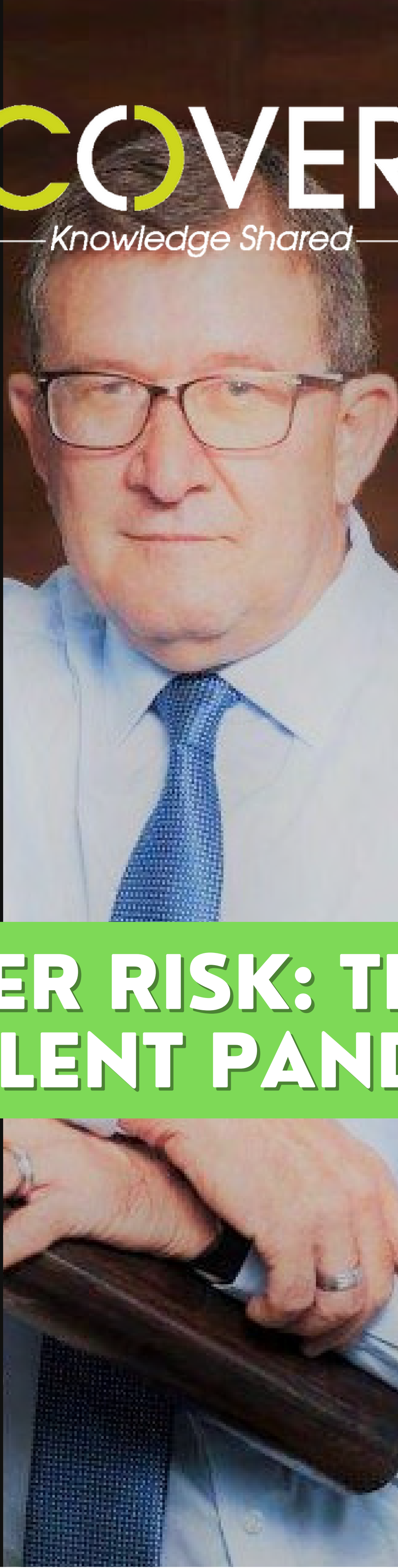
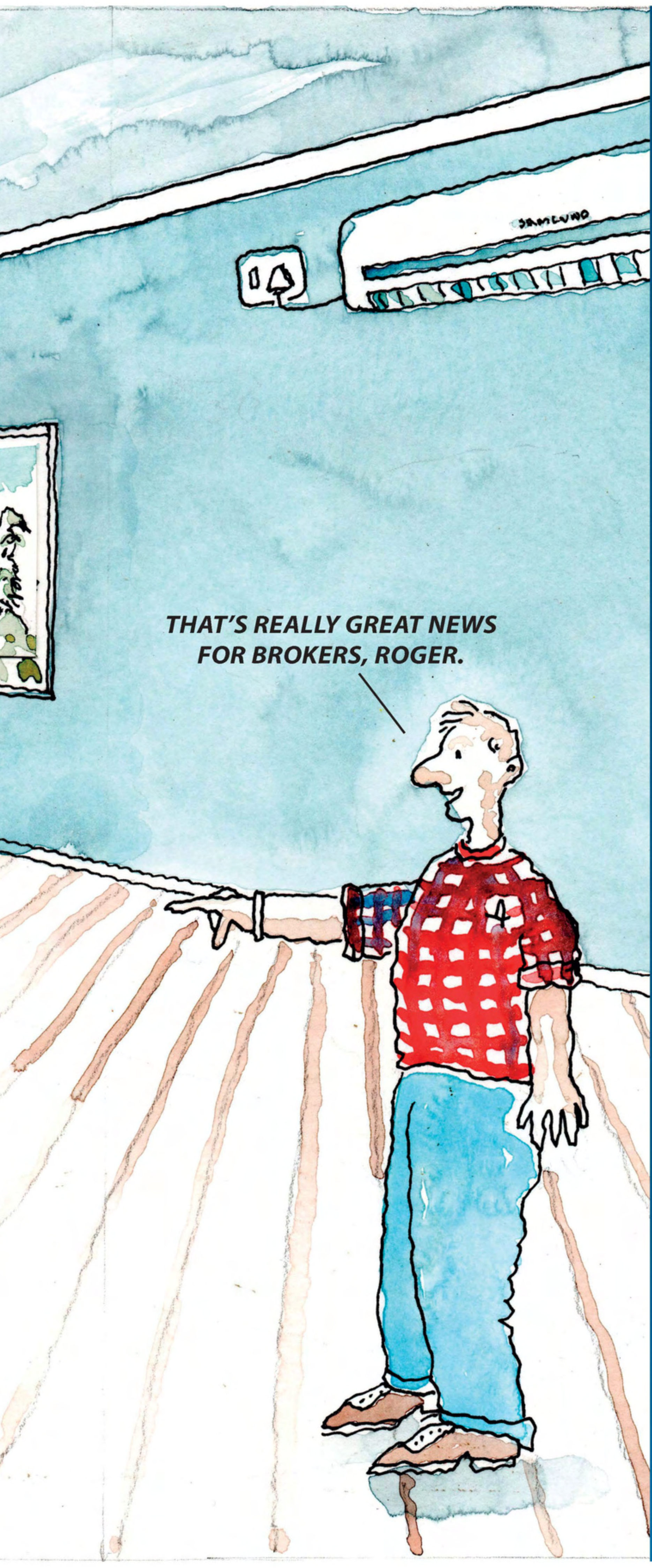


CYBER RISK: THE SILENT PANDEMIC

"Most heads are firmly in the sand when it comes to cyber risk"

September 2023 Edition


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


THAT'S REALLY GREAT NEWS
FOR BROKERS, ROGER.

MAIN ARTICLES

CLAIMS DENIED? UNDERSTANDING & OVERCOMING REPUDIATION IN EMPLOYEE BENEFITS

Shameer outlines the whole truth behind repudiation in employee benefits, arming employees with the knowledge to safeguard their loved ones.

CYBER RISK EXPOSURES IN THE FINANCIAL SERVICES SECTOR

There are approximately17 to 20 known or identified types of cyber crime and, since the pandemic, there has been an estimated 600% increase in the number of cyber attacks across the globe.

INSURERS BLACKLISTING AREAS DUE TO CLIMATE IMPACT

South Africa can glean valuable lessons from the critical situation unfolding in the USA where insurers are blacklisting areas due to climate impact.

FIVE USES OF GENERATIVE AI TO ENHANCE CUSTOMER SERVICE IN FINANCE

Now, with generative AI breaking into the mainstream, many financial institutions are examining where they can put this innovation to work.

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EVENTS

A KEY FOCUS IN THIS EDITION OF COVER, IS THE GROWING RISK IN THE CYBER ENVIRONMENT.

Tony Van Niekerk, Owner & Editor

Several contributors are sounding the alarm, warning that the risk is much bigger than most businesses anticipate. I believe that the main reason for this stride mentality from the business environment and the insurance industry, is the fragmented manifestation of the risk and claims.

When looking at this through the riot risk and life/critical illness claims lenses, one can draw parallels. SASRIA was easily able to manage the huge uptick in social unrest related claims. In fact, many commentators were saying that they are sitting on a far too big piggybank. Until the July 2021 riots, when it hit on a massive scale. So big in fact, that SASRIA not only had to be bailed out, but they had to rethink their model and limits of cover.

The COVID pandemic saw the same results. Here we saw a health related event become a massive business insurance threat, with billions being paid out in business interruption related claims. It would be easy to see an epidemic or even a pandemic as a health and life insurance issue, missing the wider fallout.

As for cyber risks, these alarm calls should be heeded and the potential for a national or even global cyber pandemic should be a collective agenda. We cannot simply keep trying to make the defences bigger (residents building higher walls), we need to tackle the issue on a grand, collective scale.

FINANCIAL PLANNING

"A client's journey to a successful retirement is marked by careful financial planning and strategic decision-making, often on the part of the financial adviser."
- Dean De Sousa, Portfolio Manager at Equilibrium

WEALTHY FAMILIES AT RISK OF LOSING THEIR WEALTH IN 2ND AND 3RD GENERATIONS

Nirdev Desai, Head of Sales, PSG Wealth

Considerations for creating successful intergenerational wealth

For many years, the concept of self-made success was considered by many to be the 'making of the man', with each generation expected to prove their self-worth by being at least as financially successful as the generation before. However, the adage of shirtsleeves to shirtsleeves in three generations continues to this day, with a recent Harvard Business Review article by Stark and Foley finding that 70% of wealthy families studied lost their wealth within the second generation, and 90% within the third.

It is clear from such research that wealthy families do not appear to be well equipped to build on the financial success of previous generations, and that a reframing of how to ensure sustainable wealth for generations to come is needed. In spite of the inability of the 90% to successfully transfer their family wealth, there are still 10% of families who are successfully creating and passing on lasting legacies, and these legacies often become the backbone of economic growth the world over. It is this 10% that creates long-term value to global productivity. According to the latest research by the Family Business Network, family-owned assets account for 70% of Global GDP.

What the 10% are getting right and how we can apply key learnings to intergenerational financial planning

Ensure you are benefiting from the scale of your family's assets

Increasingly, families support one another with investment products for minors, and individuals who are starting their careers still have to build up an asset base that will attract better fees based on higher asset values. Family aggregated pricing is a key component of holistic financial planning for families and refers to fees based on the collective assets of a family rather than on the assets of a single portfolio or the assets of an individual investor. Fees charged on larger asset bases are often more competitive.

Families that share a common vision and objective for family wealth have an advantage

Having a collective ownership of the meaning of wealth isn't learned overnight. Much of it is gained through sharing experiences, earning trust, and showcasing sufficient individual responsibility to sustain future intergenerational wealth. This includes preparing future beneficiaries for their responsibilities, mentoring, understanding individual needs, and co-crafting a common vision. This can be a difficult task in times of increasingly complex family structures over multiple generations who may currently live off a family's collective wealth, but a continued commitment to successfully address these issues enables easier discussions around the financial planning technicalities of timing, structures and amounts to ensure that family members are well prepared.

Ensuring that the privacy of individuals is respected

While aggregated pricing for families can be advantageous for a family, individuals within that family may want to pursue additional personalised and private financial advice separate from that of the family, including assurances that financial affairs are kept personal. Advice is personalised and nuanced, and there is a need to balance the benefits of aggregating assets at a family level with catering to the needs of the individual members of the family.

Risk profiling and aligning financial plans with your risk appetite

Just as there is a need for family financial plans to cater to the needs of a family unit as well as the individual members of that family, there is also a need to plan for nuanced differences in risk profiling and how these change over time. Bluntly applying a single risk-profile to multi-decade investment horizons does not acknowledge a family's cash flow requirements in the short-, medium, or long term, nor does it cater appropriately for cash flow or financial planning needs of individuals within families. It is crucial that financial plans unpack, plan and implement suitable strategic asset allocation at both individual and product level.

Speak to your financial adviser

Holistic financial planning for families is complex, but a robust and flexible plan that caters for the needs and aspirations of family units as well as their individual family members in a complimentary way is invaluable.

THE PATH TO SUCCESSFUL RETIREMENT: STRATEGIES FOR FINANCIAL ADVISERS AND HOW A DFM CAN HELP

Dean De Sousa, Portfolio Manager at Equilibrium

A client's journey to a successful retirement is marked by careful financial planning and strategic decision-making, often on the part of the financial adviser. However, this path is often fraught with challenges that can lead clients to deviate from their intended course. While the role advisers play in keeping clients on track cannot be understated, partnering with a Discretionary Fund Manager (DFM) can often lighten the unenviable task of ensuring financially successful retirements for clients. A financially successful retirement hinges on two pillars: maintaining a desired standard of living in retirement; and ensuring that your savings sustain you throughout your retirement years. Striking a balance between the two is paramount.

The multi-stage approach to retirement savings

A symbiotic relationship between the advice and investment strategies offered to clients is also needed. From an advice perspective, crafting a comprehensive financial plan is at the core of a successful retirement strategy. Regularly revisiting and adjusting the plan based on changing circumstances is essential to staying on track. To that end, it can be helpful to break down the stages of the retirement journey into a series of mini 'games', each with their own objectives and strategies needed to 'win'. From the accumulation 'game' to the preservation 'game' and finally the distribution 'game', victories at each step will maximise the likelihood of a financially successful retirement, while losses can be detrimental to a client's retirement.

And like a group stage of a sporting world cup, losses in the earlier stages make winning latter stages significantly more important, and also more difficult. To win the accumulation game, the objective for a client is relatively straightforward: To accumulate as much wealth as possible. This requires a reasonable and consistent savings rate coupled with an appropriate, tax-efficient vehicle, as set out in the financial plan. To win the preservation game, clients typically transition from high-risk to more conservative investments to avoid a potential market crash just before retirement.

Financial plans tailored to their individual circumstances can help preserve accumulated wealth while minimising exposure to market volatility. For the few in the luxurious position of having dominated the prior games, the distribution phase is generally simple as clients can either afford a generous income with a suitable escalation through a life annuity, or they can draw the minimum of 2.5% from their living annuities and watch their accumulated wealth continue to grow. For the majority however, this phase requires a delicate balance. Drawing down too rapidly can deplete savings prematurely, while overly cautious withdrawals may limit the enjoyment of retirement.

Leveraging the power of a discretionary fund manager

To succeed at any of the games, a credible investment strategy is required to deliver on the expectations embedded in the advice strategy. This is where a DFM can be an invaluable ally for financial advisers. A DFM brings an additional layer of expertise, offering strategic insights that enhance the quality of advice and investment decisions.

Aspects where DFMs can play a crucial role are:

- **Tailored investment solutions:** A DFM can design investment portfolios tailored to an adviser's advice process.
- **Expertise and insight:** DFMs possess deep market knowledge and experience in navigating various market conditions. Their insights can guide advisers in making informed decisions and adapting strategies as needed.
- **Continuous monitoring and management:** DFMs continuously monitor market trends and portfolio performances, ensuring that clients' investments remain aligned with their retirement goals.
- **Fees:** DFMs can play a crucial role in bringing down the overall fee experience of clients.

Staying the course: overcoming challenges

The path to a financially successful retirement is complex, requiring a combination of careful planning, strategic investment decisions, and a resilient mindset. By partnering with a DFM that aligns to your advice process, you can ensure that your clients stay the course, safeguarding their financial well-being and securing a prosperous retirement future. For more information visit, eqinvest.co.za.

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SECURING YOUR FUTURE: THE IMPORTANCE OF CRITICAL ILLNESS AND DREAD DISEASE COVER

Anton Keet, Head of Risk Services at 1Life

Life is full of uncertainties, and unexpected challenges can arise at any time. Chronic illnesses and dread diseases are among these challenges, and the reality is that they can strike when we least expect them.

To shed light on this crucial topic I had a conversation with **Anton Keet, Head of Risk Services at 1Life**, who shared valuable insights into the significance of critical illness and dread disease cover. 1Life recently conducted research into the take-up of critical illness and dread disease cover, revealing some intriguing findings that underscore the need for greater awareness and preparedness in this area.

The Landscape of Critical Illness

Anton delved into the realm of critical illness, shedding light on prevalent health concerns that individuals should be mindful of. Cardiovascular issues, particularly among men, emerged as a leading concern. Cardiovascular diseases encompass a range of conditions, from heart attacks to complex procedures like bypass surgeries. These conditions can drastically disrupt one's life, impacting not only health but also financial stability. Cancers also ranked high on the list of critical illnesses. Prostate cancer was identified as a significant concern, along with colon cancers. The importance of early detection through medical tests was highlighted, illustrating how timely diagnosis can significantly affect treatment outcomes.

The Gap in Awareness and Understanding

Despite the substantial impact that critical illnesses and dread diseases can have on individuals and their families, there appears to be a gap in awareness and understanding regarding the importance of having adequate cover in place. Anton Keet emphasized that many people are familiar with life insurance and disability cover but may not fully comprehend the value of critical illness and dread disease cover.

Dread disease cover, also known as critical illness cover, offers financial protection in the event of a diagnosis of a critical illness. It provides a lump-sum payout that can be used to cover medical expenses, additional treatments, lifestyle adjustments, and other unforeseen costs associated with the illness. This safety net aims to alleviate financial burdens during times of crisis, allowing individuals to focus on recovery and well-being.

The Reality of Disruption

Critical illnesses and dread diseases not only pose significant health challenges but also disrupt the normal flow of life. Anton highlighted how individuals may face extended hospital stays, intricate aftercare programs, and reduced income due to an inability to work. This disruption can have far-reaching implications, affecting individuals, their families, and their financial stability.

The Role of Financial Advisors

Anton stressed the pivotal role that financial advisors play in bridging the gap between awareness and action. These professionals serve as guides, helping individuals understand the value of critical illness and dread disease cover and how it can safeguard their future. By providing clear explanations and demystifying complex insurance products, financial advisors empower clients to make informed decisions about their coverage needs.

The Power of Early Preparation

One key takeaway from our conversation is the importance of early preparation. While many may feel invincible during their younger years, the reality is that critical illnesses can strike at any age. Anton emphasised that obtaining critical illness and dread disease cover early in life not only ensures more affordable premiums but also offers comprehensive protection when it is needed most. Finally, the discussion highlighted the significance of critical illness and dread disease cover in securing a stable future. Cardiovascular issues and cancers can impact anyone, and having the right insurance coverage can provide peace of mind during challenging times.

As financial advisors continue to play a crucial role in educating and guiding individuals, it becomes evident that awareness, preparation, and early action are the keys to ensuring a resilient and secure future.

CLOSING THE RISK COVER GAP: CHALLENGES AND STRATEGIES


Bidvest Life

In the dynamic landscape of insurance and financial planning, one critical concern has emerged – the risk cover gap.

As economic uncertainties loom and individuals prioritise different aspects of their financial well-being, advisers and life insurance companies are facing challenges in bridging this gap.

We delve into this issue by engaging in a discussion with key industry experts – Evan Baars, Partner at NMG Consulting, Nic Smit, Bidvest Life's Chief Product Actuary, and Melody Cloete, Bidvest Life Training Specialist. Their insights shed light on the hurdles and potential solutions in closing the risk cover gap.

The Challenge at Hand

Tony kickstarts the conversation by highlighting a prevailing trend: During tough economic times, individuals often compromise on crucial financial safeguards such as retirement planning, life insurance, and car insurance. As a result, a significant coverage gap has emerged, necessitating a comprehensive understanding of the underlying factors contributing to this issue. Evan Baars emphasises the significant impact of the COVID-19 pandemic on insurance sales, with the dual challenges of affordability constraints and difficulties in the sales process. Advisers have encountered roadblocks in effectively placing business and managing the complexities of post-pandemic service levels

Empowering Advisers and Enhancing Communication

Nic Smit weighs in on the issue by acknowledging the role of advisers and intermediaries as the driving force behind most life insurance sales. He emphasises the importance of positioning life cover effectively and empowering advisers to better communicate its value. Nic shares a compelling analogy, likening the process to selling a necessary product, like Brussels sprouts, which requires a unique approach tailored to its inherent value rather than attempting to create excitement akin to selling shoes on social media. Evan Baars echoes this sentiment, highlighting that the gap lies not in access to insurance but in advisers' ability to effectively sell it. The implementation gap stems from challenges in conveying the benefits of coverage to potential clients.

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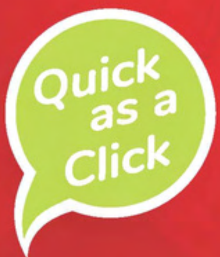

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Bridging the Gap through Education and Engagement

Melody Cloete, with her expertise in training, delves into the crucial role of education in overcoming this challenge. Training encompasses more than just technical specifications; it involves imparting a comprehensive understanding of the product to clients. Melody emphasises consumer education as a key focus, ensuring clients comprehend the nuances of their coverage, including waiting periods and claims processes. Moreover, Melody suggests that an adviser's role extends beyond presenting quotes. By emphasising the "why" behind coverage and sharing real-life claims experiences, advisers can transform clients' perceptions. When clients truly grasp the value of coverage, they are less likely to lapse their policies.

Insights from Product Actuaries and the Complexities of Coverage

Nic Smit sheds light on the role of product actuaries and the challenges of designing insurance offerings by underscoring the importance of feedback from sales staff and advisers in refining product design. Leveraging insights from claims experiences, actuaries can create products that align with clients' needs and experiences.

Simplicity in Design and Holistic Advice

Evan Baars then addresses the tension between complexity and ease of business explaining that some advisers thrive on complexity, a growing emphasis on holistic advice pushes for simpler processes and products. This shift is driven by a desire for easier engagement and greater focus on clients' comprehensive financial needs.

Balancing Investments and Risk Coverage

The discussion shifts to a common scenario where advisers tend to favour investment-focused advice for high-net-worth clients, with Evan Baars and Melody Cloete emphasising the importance of risk coverage, even in high-net-worth scenarios. They stress that risk coverage is not just about protecting wealth but also ensuring liquidity for estate planning and addressing tax implications. Nic Smit highlights the different perspectives among high-net-worth individuals based on their stage in life and accumulated wealth. He emphasises the value of risk coverage for young high earners, highlighting the importance of income protection.

Conclusion

The dialogue surrounding the risk cover gap underscores the multifaceted nature of the challenge and the strategies to overcome it. Advisers and life insurance companies must work together to empower advisers, educate clients, simplify processes, and emphasise the interconnectedness of investments and risk coverage. As the financial landscape continues to evolve, closing the risk cover gap remains a vital endeavour to ensure the financial security and well-being of individuals and their families.

THE IMPACT OF COVID-19 ON THE INSURANCE CLAIMS PROCESS: INSIGHTS FROM LIBERTY'S CLAIMS MANAGEMENT DIVISION

Boitumelo Mothoagae, Divisional Executive of Claims Management at Liberty

The onset of the COVID-19 pandemic caught the world off guard, leaving various industries grappling with unprecedented challenges. The insurance sector, specifically its claims process, felt the profound effects of this global crisis. I had the opportunity to speak with Boitumelo Mothoagae, Divisional Executive of Claims Management at Liberty, to gain insights into the industry's experience during this turbulent period. From the outset, it was clear that COVID-19 had a considerable impact on the insurance claims process, particularly in terms of the death claims component. Boitumelo highlighted that the death claims segment saw a significant surge, especially during the third wave, known as the delta wave. Liberty witnessed an astonishing 60% increase in the number of death claims, with an unexpected rise in large claims as well.

The severity of the claims also escalated, with stage three and stage four cancer claims becoming more prevalent post COVID. While death claims experienced a temporary impact, they gradually rebounded as the waves of the pandemic subsided and the national death rate decreased. Notably, a new trend emerged in the living claims: long COVID claims and an uptick in critical illness and dread disease claims. Boitumelo mentioned that these claims often presented at more advanced stages than before, raising speculations about whether pandemic-related factors, such as postponed checkups and delayed medical care because of lockdowns, contributed to the trend.

Digital innovations

COVID-19 necessitated a swift shift towards digitisation within the insurance industry. Traditional paper-based claim submissions were rendered impractical due to hygiene concerns and movement restrictions. As a result, companies had to adapt and implement digital claim submission processes, making it both hygienic and convenient for clients to submit claims from their homes. This transition highlighted the importance of innovation and customer-centric strategies in navigating crises.

Liberty's claims team, like many others, faced challenges related to staff capacity due to COVID-19 infections and, tragically, even fatalities among colleagues. This compelled the company to explore solutions like hiring more and cross-skilling current assessors and embracing automation. By automating processes, Liberty aimed to enhance efficiency, reduce processing times, and manage the surges in claims volume, while maintaining the utmost sensitivity to the emotional needs of claimants.

Boitumelo emphasised that, while the pandemic-induced changes were significant, they aligned with predictions made by actuaries. The operational impacts, however, were palpable to the claims management team, who observed these shifts first hand.

Transparency

A critical lesson drawn from the pandemic was the importance of education and transparency in the claims process. Clear communication with clients and advisors became paramount, particularly when dealing with increased claim volumes and complex processes. Liberty recognized the need to collaborate with clients to expedite claims processing efficiently. Another notable lesson derived from the pandemic was the significance of full disclosure during policy inception.

leading to validation processes that exposed discrepancies between initial policy information and later medical records. This issue was exacerbated by the pandemic's impact on medical practitioners' availability and record-keeping.

Financial advisors also played a crucial role in ensuring smooth claims processing. Boitumelo emphasized three key points for advisors to consider: ensuring complete claim requirements, managing client expectations through clear understanding of policy terms, and maintaining accurate and updated client information. By adhering to these principles, advisors can prevent unnecessary delays and ensure the claims process is as seamless as possible.

The COVID-19 pandemic brought about significant changes to the insurance claims process, impacting both the technical and emotional aspects of claims management. The increase in death claims and the evolution of claim trends highlighted the pandemic's multifaceted repercussions. Additionally, the necessity of digitization accelerated innovation and forced the industry to prioritize efficiency and customer convenience.

My discussion with Boitumelo Mothoagae shed light on the resilience and adaptability of the insurance sector during challenging times, underlining the importance of continuous evolution to meet the needs of clients and claimants alike.

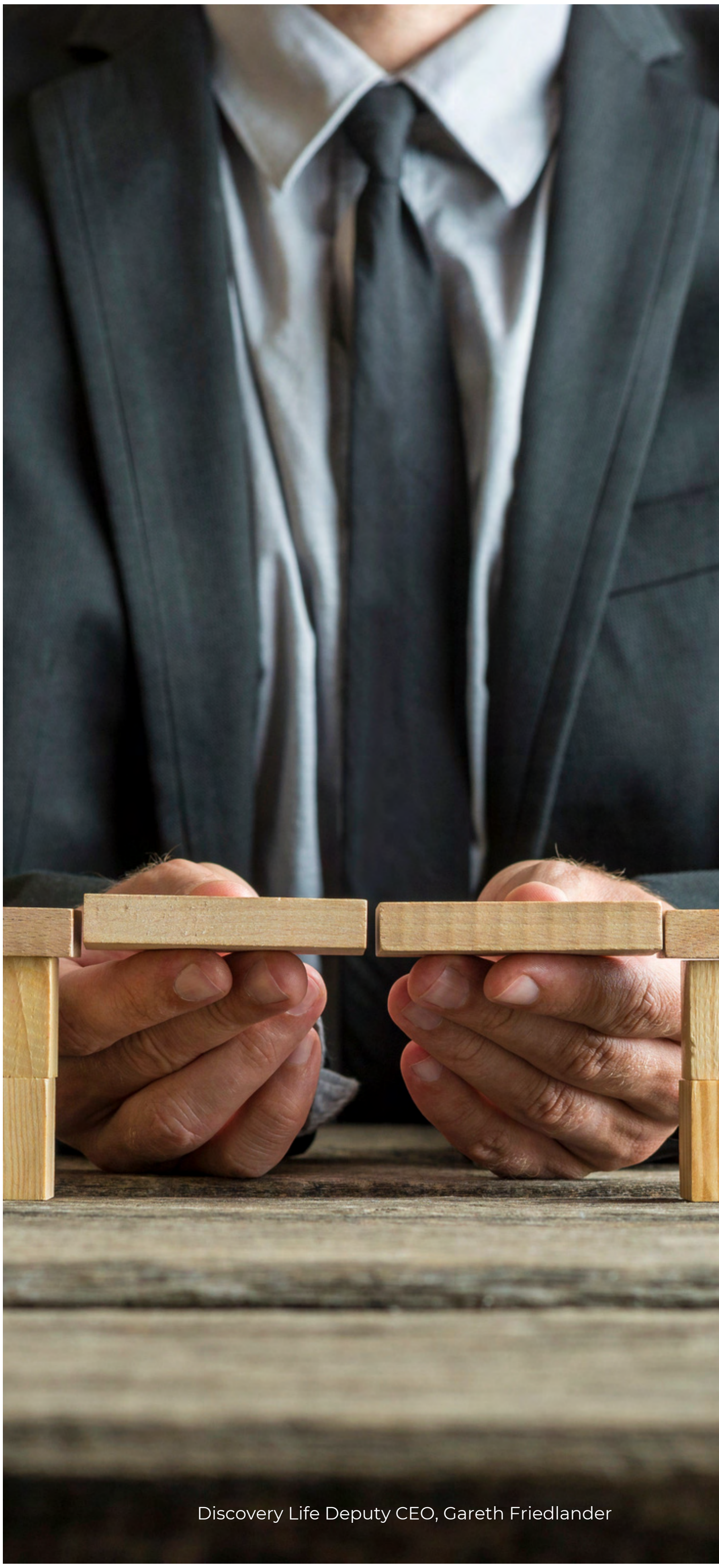
DISCOVERY LIFE MAKING STRIDES IN CLOSING THE INSURANCE GAP

In 2022, the International Labour Organisation (ILO) found that the labour force participation rate for women stands at 47% globally, compared to 72% for men. That report also showed that women perform 76% of unpaid care work globally. Where women are employed, the World Economic Forum found that South Africa's gender pay gap, depending on occupation, can be as much as 35%.

However, research has found that 42% of South African households have female breadwinners, while women are three times more likely to stay home to care for a sick child. In addition, women tend to live between 5 and 7 years longer than men, resulting in a longer time spent in retirement. All this points to the need for women to safeguard their income and thus their financial futures against life-changing events.

Discovery Life Deputy CEO, Gareth Friedlander, points out that the gap between men's and women's income has ignited a decades-long debate about fair pay and equal pay for equal work. However, there's still a lot that needs to be done to correct the disparity that the gap in unpaid care work creates when it comes to perceived human capital worth attached to women versus men.

"The problem is that the value of unpaid care work that women perform is not quantified in rands and cents because they do it for free. So, their human capital worth is understated, which is why women in South Africa and many other countries face a huge insurance gap," said Friedlander.
Discovery Life research and market analytics senior manager Kashmeera Kanji pointed out that this is problematic in a country like South Africa, where more than 40% of families are headed by single mothers.



Discovery Life Deputy CEO, Gareth Friedlander

"Nearly 43% of every household in South Africa is single-handedly being raised by a woman. They are breadwinners, and at the same time, they are caretakers of these families. Furthermore, global statistics show that women are three times more likely to stay at home and care for a sick child. This does add to the social inequality," Because of this persistent socio-economic inequality, women face a large insurance gap.

The Association for Savings and Investment South Africa's 2022 insurance gap study showed that South African women only have 40% of death cover and 45% of the disability benefits they need. This means in the event of death, their families would have to do with 60% less support than they used to get from their mothers, wives, and other female figures who kept the household running. This already concerning statistic is further understated as the Gap analysis does not account for all the unpaid care work that females perform. "This is very problematic in a country like South Africa, where more than 40% of families are headed by single mothers," added Friedlander.

Why we need to close women's gap

According to international research, women live five to seven years longer than men, and this is aligned with the life expectancy of South Africans. This means that women spend a longer time in retirement where any health conditions, which affect their ability to perform tasks become more prevalent. They are then forced to stretch their limited savings to cover medical expenses too, further adversely eroding any retirement funding in place.

This is even more concerning when considering the World Health Organization's (WHO) Cancer Fact Sheet, which shows that more than 9 million women are diagnosed with cancer every year globally. Female financial prospects are further impacted by the 30% relapse rate among breast cancer patients, increasing the risk of developing other cancers.

"What comes to my mind when I see these statistics is how important resilience is. It's hard enough for women particularly, women in South Africa to plan. Women are earning less. They are doing a lot more unpaid work. They are living longer in retirement, typically with a smaller nest egg. There are multiple trends that compound to create a more complex financial planning environment for them," said Friedlander.

He said it is with this context in mind that Discovery Life has built life insurance products which specifically cater to these challenges and risks, and while it is extremely encouraging to see that women are making good strides towards equality within our book with 49% of our policyholders now being female, there is still much work to do in terms of ensuring sufficient cover for women to bridge these gaps," remarks Friedlander. These products recognise that when a woman passes away or is disabled, they need to replace more than just the nominal income they were earning and that the entire family is considered.

"It's about all the impact that woman had on her family's life. It's not just about that money but it's also about who is going to do all those unpaid tasks. All that needs to be considered, and we are certainly thinking about it from a product perspective," added Friedlander.

Discovery Life's 2022 claims data reveals why it is urgent to close the insurance gap women currently face:

- In 2022, Discovery Life recorded an increase in the proportion of late-stage (Stage 3 and 4) cancers under Severe Illness Benefit claims.
- Under the age of 30, women are 1.6 times more likely to claim for cancer than men.
- 42% of female severe illness claims were due to cancer for clients between the ages of 31 and 40.
- In the age bracket of 41 to 50 years, 44% of all income protection claims came from female clients.
- Between ages 51 to 60, 35% of income protection claims paid to women were for permanent disabilities.
- Above 60, 51% of female severe illness claims were due to cancer.

Discovery's Chief Medical Officer Maritha van Der Walt said they've observed more women at younger ages diagnosed with breast cancer. She said this is likely a result of better screening programmes and higher awareness than in the past. She pointed out that caught at early stages, these women have around 90% recovery rate. Friedlander says preventative routine screening has never been more important, especially after the setback experienced during Covid-19. Discovery Health data insights show that screening for pap smears dropped by 12% between 2019 and the end of 2022.

Mammogram screenings were down 15%. This is why Discovery Health is encouraging and rewarding preventative screenings through various initiatives, including the WELLTH Fund and Vitality Health Check reward points. It does appear that women are improving their financial protection and increasingly taking out insurance products to safeguard their income. Discovery Life has uptake of the Income Continuity Benefit (ICB) product by women grow by over 10% over the past decade, with women accounting for more than 40% of clients with this product.

Another encouraging observation is that our female clients account for 54% of clients making use of our estate planning solution. "We all need to do our part to improve women's financial resilience because they do so much more with very little. Let's close the wage gap, the wealth gap, the insurance gap, and any other gap that fails to recognise the true value of all the work women do," concludes Friedlander.

20 YRS LIFESTYLE PROTECTOR
When the lights are out and the house hums with the sounds of sleep and generators in the distance, will they lie awake a little longer and think about tomorrow? Or the inevitable?
Will they know which blanket is the most prized possession in the whole world? (It's the orange one that smells a little weird)
Will they know just how toasted the bread must be to be perfectly toasted? (The dial must be a little over halfway between 3 and 4)
Will they know which padstal to stop at on the way to the coast? (It's the one with the giant scarecrows you can see from a mile away)
Will they know the shoelace rhyme, the code to the safe, when not to ask how was your day? The ham to cheese ratio, the after-school activity schedule, where to find the things no one else can? Will they know everything you know?
Perhaps they won't.
But they will know that you have their lives covered, so that they can live.
A life covered is a life lived.
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EMPLOYEE BENEFITS

"Employee benefits, such as retirement savings plans, pension funds, health insurance, and other perks, can provide a foundation for retirement planning and financial security."
- Thokozile Mahlangu, CEO of the IISA

UNLOCKING FINANCIALLY SECURE RETIREMENTS: THE UNRIVALLED POWER OF EMPLOYEE BENEFITS

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

While employee benefits play a significant role in ensuring a financially successful retirement, it is important to note that their effectiveness can depend on various factors, including individual financial habits, market conditions, and economic volatility.

Employee benefits, such as retirement savings plans, pension funds, health insurance, and other perks, can provide a foundation for retirement planning and financial security. Often, these benefits include employer contributions, tax advantages, and automatic deductions, making it easier for employees to save consistently over the long term. While employee benefits can provide a structured savings approach, their effectiveness depends on an individual's financial discipline and commitment to contributing regularly. Even with robust benefits, someone who doesn't prioritise saving and investing may not achieve a financially successful retirement.

Additionally, investment returns can significantly impact the growth of retirement savings. Economic conditions, market volatility, and investment choices can influence the overall performance of retirement accounts. Individuals who have a diversified and well-managed investment strategy may fare better in the long run. Employees also need to be mindful that inflation erodes the purchasing power of money over time. Benefits that don't keep pace with inflation may not provide sufficient income during retirement. With increasing life expectancies, retirees need to plan for potentially longer retirement periods, and as such, benefits should be designed to provide income throughout their retirement years.

Early Access and Withdrawals

Companies need to continuously encourage employees to avoid accessing their retirement benefits prematurely, as this is crucial for long-term financial success. Employees need to be cognizant of the fact that early withdrawals can lead to penalties, taxes, and reduced compounding growth. Education is key to providing employees with financial literacy and retirement planning strategies that can enhance the effectiveness of their policies. Educated individuals are more likely to make informed decisions about their retirement planning.

The Insurance Institute of South Africa (IISA) is dedicated to promoting sound retirement planning and discouraging premature access to retirement benefits. Furthermore, the organisation contributes to raising awareness about the importance of maintaining retirement savings and making informed financial decisions. Ultimately, while employee benefits can play a crucial role in achieving a financially successful retirement, individuals must also take personal responsibility for their financial well-being by making prudent choices and seeking appropriate financial advice.

Boosting small business benefits

Increasing the participation of smaller businesses in corporate benefit schemes requires a strategic approach that addresses their unique challenges and provides compelling incentives. Small businesses need to consider customizable benefit packages that allow them the flexibility to tailor options based on their employee demographics, needs, and budget. Additionally, they could collaborate with multiple service providers to create bundled benefit packages that offer a variety of services at a discounted rate. This could include healthcare, wellness programmes, insurance, and professional development resources.

At the same time, by developing user-friendly digital platforms that simplify the administration of benefits, small businesses can ensure easy enrolment, automated compliance checks, and centralised management of various benefit offerings. Advocating for government support and incentives, such as subsidies, is another great way that small businesses can provide benefits to their employees. Partnering with local chambers of commerce, industry associations, or business networks to jointly promote benefit programmes is also a great way of making them more accessible to employees. Facilitating peer-to-peer sharing of success stories and best practises among small business owners who have already participated in benefit schemes will not only build trust but also encourage others to join.

In conclusion, businesses can make corporate benefit schemes more attractive and accessible to smaller enterprises, ultimately leading to increased participation and mutual benefits for both employers and employees.

Shameer Chothia, Senior Consultant Momentum Corporate

CLAIMS DENIED? UNDERSTANDING AND OVERCOMING REPUDIATION IN EMPLOYEE BENEFITS

Senior Consultant Momentum Corporate (Advice and Administration), Shameer Chothia outlines the whole truth behind repudiation in employee benefits, arming employees with the knowledge to safeguard their loved ones. Having a financial safety net in place through employee benefits can provide some much-needed reassurance that you and your family are protected if the worst happens. But, did you know there's more to consider when looking into employee benefit plans other than what is offered? What if your claims are deemed invalid? We call this repudiation and it's critical that every employee gets to grips with it.

What is repudiation

Repudiation means rejecting a claim that an employee has submitted to receive coverage from their benefits plan. This is an important concept to understand when it comes to protecting yourself financially, especially in desperate economic times. An unexpected medical or life event could leave you with a significant financial burden without proper coverage. It's crucial to know your rights and understand the terms of your benefits to avoid any potential rejected claims or disputes with your insurance providers. So, keep an eye out for any clauses within your benefits plan that have to do with repudiation, and make sure you fully understand what they mean.

Common reasons for repudiation

Nobody wants to be caught off guard when it comes to their insurance policies, especially if they expected to receive a payout for a critical illness, retirement, or life insurance claim. Unfortunately, there are a handful of reasons why your insurer may choose to deny your claim. Some examples include providing misleading information when applying for coverage, failing to disclose pre-existing medical conditions, or engaging in a dangerous activity that was not disclosed in your policy. Even worse, your employer could have reneged on the contract or mislead you as to the extent of your benefits package. It's important to understand these common reasons for repudiation, so you can take the necessary steps to prevent them from happening. By being honest and thorough when filling out your insurance application, you can help ensure you're covered when needed.

Knowing your rights as an employee

Considering the legal and contractual nature of this process, it's important to know your rights as an employee, especially when it comes to your benefits. You work hard for them, so it's only fair that they're given to you. But what happens when you believe they've been wrongfully denied? Well, the first thing you should do is gather evidence to support your claim. This could include emails, payslips or any other documentation that prove you're entitled to your benefits. Next, you should contact your HR department or manager to discuss the issue. If your concerns are still not addressed, you can take matters further by filing a complaint with the relevant authority or seeking legal advice. Remember, you have the right to fair treatment in the workplace, so don't be afraid to stand up for yourself. Having said that, I can guarantee you that the insurance company wants to pay out all valid claims, so get in touch with your insurer to help you solidify the requirements for validity – they will be sure to provide you with all the information you need.

Tips for avoiding repudiation

Fortunately, there are some simple steps you can take to avoid this. Firstly, make sure you understand the benefits you're entitled to and read through your employment contract thoroughly. Secondly, be vigilant about keeping your documents in order and up to date. This includes any medical certificates, disability claims, or insurance policies you may have. Lastly, don't be afraid to seek legal advice if your employer does not honour their responsibilities towards you. Being proactive and informed can safeguard yourself and your loved ones from any unpleasant surprises.

Knowledge is power

Unfortunately, repudiation is a situation that can easily arise in business or personal dealings. That's why it's so important to know what repudiation means, how to identify it, and what to do about it. Armed with this knowledge, you can save yourself a lot of time, money, and hassle in the long run. Don't let the fear or ignorance of repudiation hold you back from making smart decisions. Instead, empower yourself and know your rights and obligations in any contractual relationship.

WHAT CAN EMPLOYERS DO TO IMPROVE SOUTH AFRICA'S LOW RETIREMENT SAVINGS RATE?

Samantha Jagdessi, Head of Advice & Best Practice, Old Mutual Corporate Consultants (OMCC).

Samantha Jagdessi, Head of Advice & Best Practice, Old Mutual Corporate Consultants (OMCC), answers this critical question.

Employers in South Africa are not legally required to offer their employees pension funds or retirement savings plans. However, many employers provide such plans as part of their employee benefits package. These employer-sponsored funds can be pension, provident, or retirement annuity funds. Section 13A of the Pension Funds Act states that contributions must be made as provided in terms of the rules of the employer's Fund. These contributions are deducted from an employee's monthly salary, and the employer must pay over these contributions to the administrator of the Fund by the 7th of each month.

Employers offering pensions: is it compulsory or optional?

When a Fund is made available to Employees, all eligible Employees must be a member for the scheme to retain its favourable legal and tax status. This is the "compulsory" part referred to in the question. The definition of eligible employees is important. We recommend that Employers looking to establish a Fund or join an umbrella fund discuss with expert Employee Benefits specialists how this will impact their specific set of Employees (such as part-time, temporary, minimum wage etc.).An Employer is not obligated to set up a retirement fund nor make a pension contribution. However, by offering retirement benefits to employees, an Employer can retain employees and help them to save for retirement. A retirement fund is a vital part of the Employee value proposition. Employers may choose to pay for the costs of administering the funds.

However, that amount is automatically considered non-taxable income in the member's hands. It makes more sense these days to think of all the contributions (both Employer and Employee) being made by the member since any contribution that the Employer makes is simultaneously added to and subtracted from the member's taxable income (within limits). Our view is that total contributions from Employer and Employee should ideally be in the region of 18% of the Total Cost to Company. This will provide a member who saves for 30 years a pension to sustain their lifestyle in retirement.

Encouraging employees to save into a pension

Encouraging savings towards a pension is a positive and vital approach to bridging the gap in retirement outcomes. Companies/employers can play a valuable role in their employees' futures by ensuring that the retirement or pension fund is designed to deliver superior benefits.

There are a few ways for companies and Employers to encourage pension savings:

1. Employers can encourage annual incremental increases in contribution: This simple but impactful method is to increase employees' retirement fund contributions by 1% annually until the desired percentage of total contribution is reached. The Employer can align the increase time with bonus or annual salary increase cycles to minimise the impact on the Employee's take-home pay. Employers can also encourage a portion of employees' annual bonuses to be directed into retirement savings, which are also tax deductible.

2. Employers can encourage additional voluntary contributions (AVCs) into a fund: This allows for more significant savings over the long term. Employees can also enjoy tax benefits as they build up their fund credits with AVCs. To enhance the effects of compounding, employees can contribute up to 27,5% of their taxable income to retirement funds capped at R350 000 per tax year. The sooner you start saving, the better the outcome. If you start saving at age 40 and want a pension of R10 000 pm, you will need to save almost R6 000 per month until retirement. But if you start at age 30 and don't withdraw, you need to only continue with R2 900 pm contributions for that same R10 000 expected pension.

3. Member education tools: Understanding and assessing where members are on their savings journey is essential. Fund level and member education tools can act as enablers in the decision-making process. There are many pre-retirement tools and calculators available; members can often access these online. Tools are a simple and effective way to show members the benefits of compounding and the impact of additional contributions. They also help members understand how much they need to save to retire comfortably.

It is a well known fact that South Africans are not saving enough for retirement. OnTrack™ is Old Mutual Corporate Consultants' proprietary consulting tool, which provides valuable insights into the retirement fund's benefit design, the choices available to fund members and, importantly, identify how many members are on track for a comfortable retirement and how many are being left behind.

TIGHTENING THE SCREWS: CAN AN EMPLOYER REALLY STILL WITHHOLD PENSION BENEFITS?

Kenneth Coster, Partner, Nicolette van Vuuren, Senior Associate & Eugene Chaphi, Candidate Attorney at Webber Wentzel

Section 37A(1) of the Pension Funds Act, 1965 (the Act) generally prohibits employers from depriving employees of their retirement fund benefits. These benefits must be provided to employees as soon as they are entitled to them – typically, when their employment is terminated (through retirement, resignation or dismissal) or when their membership of the relevant retirement fund is terminated. However, section 37D(1)(b)(ii) of the Act provides an exception to the prohibition. It states that a retirement fund may deduct from a member's retirement benefit any amount which the employee (member) owes to their employer on the date that they retire or that membership of that retirement fund terminates. Importantly, however, this can only occur where an employee has caused pecuniary damage to their employer as a result of theft, fraud, dishonesty or dishonest misconduct, which they have either admitted in writing, or in respect of which the employer has obtained a judgment.

It is at this point that employers need to be vigilant and quick. It is easy to see that employees will be very reluctant to provide any written admission to the employer entitling the withholding or deduction of retirement benefits. In our experience, employers may still be in the process of investigating the loss it has suffered at the time the employee is dismissed, resulting in the delay of obtaining a judgment against the employee. Once the fund pays the employee the retirement benefits, the employer is almost certain of almost never being able to recoup such monies again. The case of Highveld Steel & Vanadium Corporation Limited v Oosthuizen 2009(4) SA 1 (SCA) (the Highveld case) has provided guidance to employers and retirement fund trustees on this aspect. The Highveld case highlighted that the trustees of a retirement fund may exercise their discretion in considering a request from an employer to withhold the retirement fund benefits of a member, under strict conditions, where a judgment against an employee for damages is pending.

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Even though the Highveld case confirmed that employers may request a retirement fund to withhold the retirement benefits of an employee who has caused damage to their employer by reason of theft, fraud, dishonest misconduct or dishonesty, pending the employer obtaining a judgment against the employee.

There are certain requirements which would need to be met in this regard, namely:

1. the employee must have caused damage to the employer;
2. the damages must have been caused as a result of the employee's theft, fraud, dishonest misconduct or dishonesty;
3. the employee must have ceased to be a member of the relevant retirement fund;
4. the employee must either have admitted liability to the employer in writing OR the employer must have commenced proceedings against the employee for recovery of the damages the employee has caused to the employer. In this regard the following conditions would apply:

4.1. The employer must have a prima facie case against the employee, together with a right to recover the losses it has suffered;
4.2. the losses suffered by the employer must be directly attributable to the employee's dishonest conduct;
4.3. the employee must be given an opportunity to state their case in writing to the retirement fund;
4.4. the amount that the employer requests be withhold cannot exceed the amount for which the employer is holding the employee liable;
4.5. there cannot be unreasonable delays by the employer in instituting proceedings against the employee; and
4.6. the employer should keep the retirement fund updated of all progress in its case.

Whilst the Highveld case provides some relaxation to retirement funds, employers would be well-advised to institute proceedings against the employee as soon as possible and actively to pursue such claim. Swift and diligent action is necessary to ensure that the trustees of a fund are made comfortable withholding a member's retirement benefit, pending judgment. Trustees do well to keep regular tabs on such litigation and to be kept abreast of all developments therein.

MANY EMPLOYEES DON'T REALISE HOW MUCH THEIR EMPLOYER DOES FOR THEM

Robyn Laubscher, Advice and Product Specialist, PSG Wealth

Many employees think that their employee benefits are set in stone when they join their employer, and that they can't really change much. They simply hope their contributions will be meaningful when they retire. However, being engaged and making active choices can be incredibly powerful when it comes to achieving your long-term financial goals.

We all want our families to be well looked after in the event of death, disability, critical illness or retirement. One way to help ensure you are protected if one of these life-changing events occurs is to make every rand count. This is especially true in the context of the current economy – things are tough, so it is a good idea to make the most of what you have available to you.

Understand your benefit statement

Have you studied your benefit statement to see if it reflects your family's needs? Just like a picture is worth a thousand words, so is understanding your benefit statement! Whilst it seems that life is becoming even busier, and that there are literally not enough hours in the day, I implore you to make time to study your benefit statement, understand it, and make sure that it reflects your family's plan. The power is in your hands.

What to look out for

Your benefit statement may reference both your retirement and risk benefits. Understanding what some of the key terms on your statement means, can help you pay closer attention to areas of special interest.

Aspects that apply to both your retirement and risk benefits:

- **Fund rules:** The fund rules confirm the contribution parameters, in other words the amounts you can contribute to the fund. It is important to keep in mind that, depending on your specific situation, it may not make sense to contribute the maximum amount. For example, it may make more sense to contribute a portion through a personal retirement vehicle for increased diversification and tax relief. The saying 'never have all your eggs in one basket' applies to group benefits too!

- **Beneficiaries:** Make sure that you have updated your beneficiaries. Remember that if you pass away and have not nominated beneficiaries, the proceeds of retirement funds will be paid to your financial dependents, but group life benefits will be paid to your estate. For this reason, it is crucial to always list your beneficiaries and remember to amend them as necessary when there are changes in your life such as if your nominated beneficiaries pass away or if there are new beneficiaries you wish to nominate (for example if you get married or have children). No one wants their ex-spouse to benefit because they simply forgot to update a document! It is also very important to inform your beneficiaries that they have been noted as beneficiaries of your benefits.

Aspects that apply to your retirement funds:

Underlying investment fund options: Understand what types of investment funds are available to you. In addition, understand when you can switch between funds and what that process entails

Risk benefits:

- Understand what cover you have in place and how it changes on an annual basis.

- Life cover, occupational disability, income protection and critical illness (also known as dread disease) Take time to understand what each cover amount is and how it changes annually. Employee benefits may change on an annual basis (e.g., life cover is normally a multiple of your pensionable salary and will often taper as you get older). Be aware of any changes and, if you earn a commission, ensure that it is updated in line with your latest annual income.

- **Guaranteed insurability:** Understand whether you can move your benefits over as personal cover without underwriting. If you are potentially leaving your current employer, this option should always be considered. This process needs to happen before you leave the employment of your employer – once you have left it is too late.

- **Income protection:** Take note of the waiting periods and the period for which the payments will last. Don't assume that if you become disabled, you will continue to receive payments until retirement. Many income protection plans only pay for 24 months and then you are on your own. You may require personal cover to fill that gap. If you have income protection via your employer and have personal income protection, make sure that you are not over-insured! Insurance companies will take aggregation into consideration, so you won't necessarily be paid the full amount if you are over-insured.

Consult a financial adviser

Just like you will go to a doctor for a professional opinion on your health, seek professional financial advice from a qualified financial adviser to assist you with structuring your financial affairs in a way that addresses your unique set of family goals.

CYBER RISK

"Cybercrime insurance is a vital part of making any business future fit for the digital world." **- Patrick Evans, CEO of SLVA Cybersecurity**

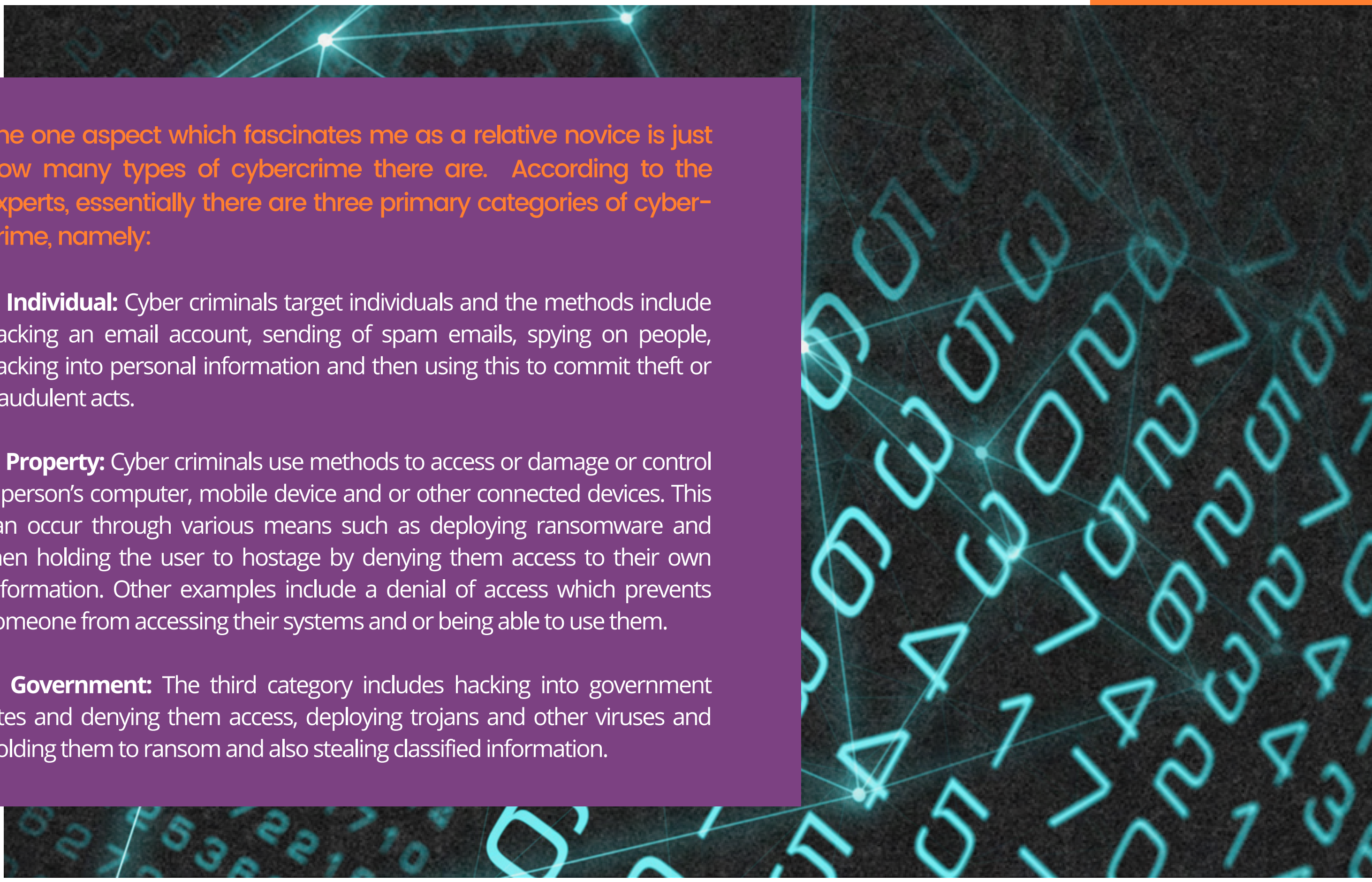
CYBER RISK EXPOSURES IN THE FINANCIAL SERVICES SECTOR

This is intended for those in our sector who still feel that cyber crime is something we hear about and read about but it won't happen to us or our clients!

Written for an behalf of the IISA by Peter Olyott- Director

With the ever- increasing move to digitalization across the sector, the points of entry for would be cyber sleuths increases exponentially. For those old enough to remember way back when, there was not much scope for points of entry into client information – for starters, administrators completed data sheets which were sent to the computer department to load the client policy information which was gained from faxed or original proposal forms. Most policies were still paid annually, so no debt order information was required and….. that was about it. Fast forward to today: Most clients bank electronically using their phones which double as banking cards where I can transact at will. Not only that, but I can access my insurance digitally, make some policy changes, submit claims and even make sure my claims payments are made to me and I can buy online, trade online and even travel and plan and pay for my holiday online ! Insurers have access to my bank details for debit orders and my credit rating via the credit agencies, who themselves hold reams of personal financial and other data about me.

So all in all, there are numerous point of vulnerability for me – from my identity number and details, my banking details, my financial information and standing and my assets and even my wealth and health information and not just locally but internationally as well! For a clever cyber sleuth who puts all of this together I could become a target for some nefarious move to defraud me through identity fraud , business email compromise , vishing , phishing, other -ings and the list of cyber-crime moves goes on and on . So what exactly is cyber-crime? Many definitions and explanations abound, but simply put, it is the act of committing a crime using a computer(s), the internet, or a mobile device connected to the internet and employing and deploying specialized software such as exploit kits and ransomware amongst others. The scope of cyber-crime varies from the theft of personal information, illegal access to personal information and or assets right the way through to the illegal distribution of copyright or protected tangible and intangible property



The one aspect which fascinates me as a relative novice is just how many types of cybercrime there are. According to the experts, essentially there are three primary categories of cyber-crime, namely:

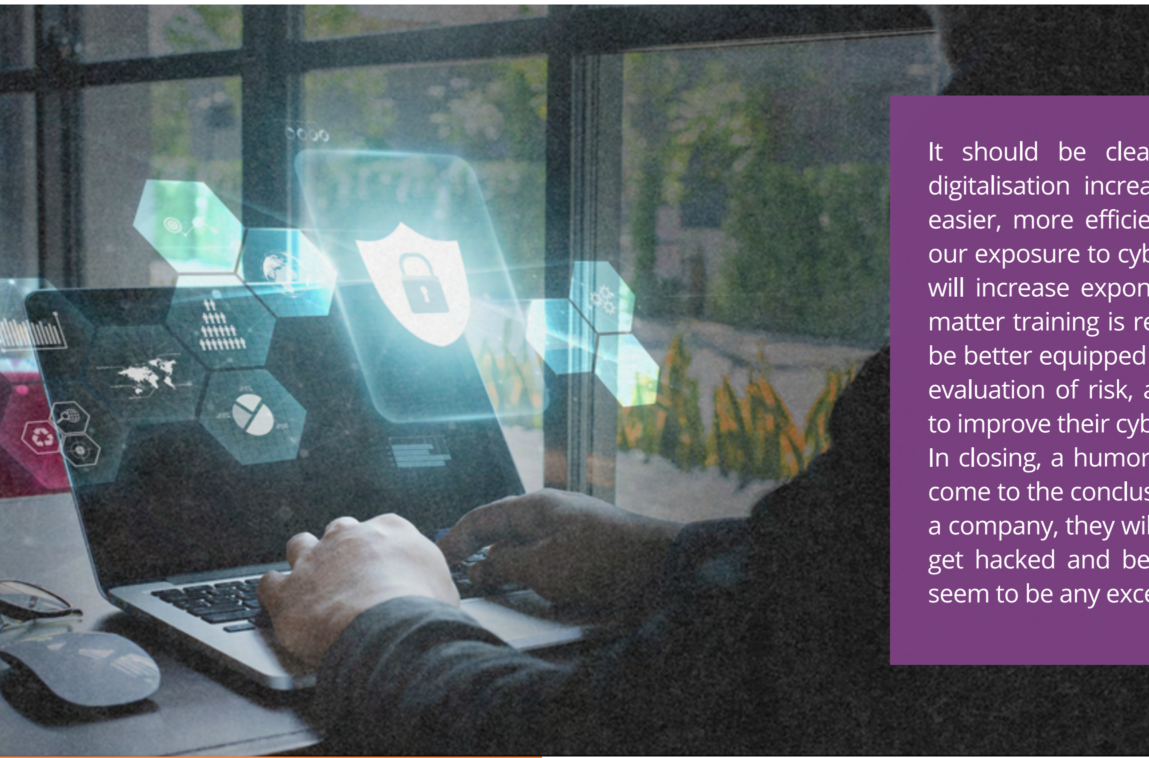
1. Individual: Cyber criminals target individuals and the methods include hacking an email account, sending of spam emails, spying on people, hacking into personal information and then using this to commit theft or fraudulent acts.

2. Property: Cyber criminals use methods to access or damage or control a person's computer, mobile device and or other connected devices. This can occur through various means such as deploying ransomware and then holding the user to hostage by denying them access to their own information. Other examples include a denial of access which prevents someone from accessing their systems and or being able to use them.

3. Government: The third category includes hacking into government sites and denying them access, deploying trojans and other viruses and holding them to ransom and also stealing classified information.

There are approximately17 to 20 known or identified types of cyber crime and, since the pandemic, there has been an estimated 600% increase in the number of cyber attacks across the globe. Without going through the whole list of these cyber-crimes, here are a few well known and less well known ones.

- **AI powered cyber attacks:** fairly new on the block but with the potential to cause absolute havoc across all three categories of cyber crime. Examples can include AI-enabled phishing attacks, data poisoning, and malware attacks.
- **Copyright infringements:** Basically the stealing or illegal use of copyrighted materials without the owner's permission. In today's world the biggest losses of copyright cyber crime are music, videos and other content made available online through multiple channels .
- **Cyber Harassment:** The use of technology to cause someone else stress through the use of offensive language and /or images. This can occur through email or, increasingly, social media. Unfortunately this form of cyber crime is prevalent amongst our youth, creating mental health issues arising from cyber bullying, amongst others .
- **Cyber Stalking:** The act of stalking a person online and /or bombarding them with unwanted messages. Typically social media platforms are notorious for this.
- **Cyber Vandalism:** Typically this includes infesting computer systems with malware and viruses either with the aim of causing files to become corrupted or using them to access and steal confidential information or records
- **Cross-Site Scripting:** Commonly referred to as XSS. It is one of the internet related crimes in which hackers may inject malicious code into a website. This code may be difficult to detect for the owners of the site and its effect is to steal visitors data such as their usernames and passwords.
- **Cyber or Turbo Squatting:** This is where parties masquerade as the actual owners of a website and dupe unsuspecting users into believing they have actually reached an official site. Often done in order to access personal details and passwords. Also difficult to detect by unsuspecting users.
- **Cyberterrorism:** Is generally performed via the internet with the intent of causing harm and damage in a way which may inspire fear or disruption of services. Typically these attacks are performed into government databases or websites.
- **Denial of Service Attacks (DOS):** are essentially concerted attacks using the internet to make a website or other online service unavailable or unusable to other users. This can be achieved by flooding a website with requests causing it to slow down or crash.



It should be clear then that as our moves to digitalisation increase and we aim to make things easier, more efficient and effective that, conversely, our exposure to cyber crimes (and that of our clients) will increase exponentially. It is evident that subject matter training is required to enable all personnel to be better equipped to deal with the identification and evaluation of risk, and for organisations to continue to improve their cyber security into the future .

In closing, a humorous quote from Brian Krebs, "I've come to the conclusion that if you give a data point to a company, they will eventually sell it, leak it, lose it or get hacked and be relieved of it. There really don't seem to be any exceptions...."

BOOSTING CYBERSECURITY WITH ROBUST DIGITAL RISK ASSESSMENT TOOLS

Cybersecurity, and the cyber insurance that provides cover against cyber attacks, can both be significantly boosted by building a strong cyber risk profile that uses the right tools to assess digital risk.


Patrick Evans, CEO of SLVA Cybersecurity

The digitalisation of the world is being driven by the enormous benefits it offers to businesses, such as greater levels of efficiency, improved productivity, reduced operational costs, better customer experiences, increased agility, and improvements to employee morale, communication, transparency, and decision-making capabilities. Of course, as this digital transformation takes place within businesses, they open themselves up to the possibility of becoming a victim of the rapidly growing problem of cybercrime.

With so much valuable information that can now potentially be lost to a data breach or hack, protecting one's environment from such cybercrime has become vitally important. Any company with an online presence, and a responsibility to protect their customers' data, requires effective cybersecurity.

One of the key aspects of the General Laws Amendment Act is the introduction of the concept of beneficial ownership into the Trust Property Control Act of 1988. However, Louis explains that this concept is unfamiliar in South African common law, as it originated from Anglo-American legal systems. While beneficial ownership has been applied in company law to address shareholding arrangements, it does not align with South African property law, which recognizes unitary and universal ownership. Louis argues that introducing beneficial ownership into South African trust law is foreign and raises valid concerns about its compatibility with South African legal principles. One only has to look at the staggering number of supply chain attacks that took place in recent years to understand just how lucrative the third-party method of attack has become. Businesses are now interconnected. Their systems and applications engage digitally. However, not all organisations are at the same levels of cybersecurity maturity, or understand the business risks involved, or have the same degrees of cyber resilience enabling cybercriminals to piggyback on these 'holes' to bypass security.

Cybercrime insurance

It is for this reason that cybercrime insurance is a vital part of making any business future fit for the digital world. Much like other insurance products, cyber insurance focuses on providing the protection necessary to enable a company to bounce back from any business interruptions and financial loss incurred as a result of cybercrime. Cyber insurance also helps with the practical side of getting IT experts to restore systems, recreate data and pre-empt new threats. Of course, as with other forms of insurance, obtaining such cover will require an assessment of your environment by the insurer, in order to determine the strengths and weaknesses in your security posture, your susceptibility to ransomware attacks, and the quality of your systems, processes and controls. This is no different to how car insurers, for example, operate. Most insist that the vehicle has some form of immobiliser and tracking device fitted, and failure to do so either results in significantly higher premiums, or their refusal to provide insurance cover at all.

So, how can you ensure that your business is as insurable as possible in a cyber-context? The answer lies in talking to experts who can undertake a proper assessment of your security environment and demonstrate which areas are most vulnerable. So, where to start? A digital risk assessment tool, when used properly, will help to drive down your cyber insurance premiums. One exceptional example of this is Black Kite. Should a company want to know if it is insurable, it can undertake a outside-in assessment of their security controls, grading each one of the controls from A+ to F, to help them determine its insurability. SLVA CyberSecurity has introduced a service with Black Kite to help both insurers and the insured better understand their cybersecurity posture. SLVA Cybersecurity delivers this in two ways: The first way is as a managed service through its MSSP partner Securicom, where Black Kite is set up, monitored, and workflows for remediation with the IT and security teams are established to ensure the solution takes the necessary steps to maintain the company's requisite insurance grade.

The second way is via a self-service initiative whereby organisations manage their own third-party risk. Globally, cyber risk insurers use Black Kite as one of their tools to assess an organisation's cybersecurity readiness, where a C-grade or worse renders an "uninsurable" decision. Black Kite also presents a ransomware susceptibility index [RSI] on a scale of 0-1, where anything above 0.5 results in ransomware not being covered. On the positive side, a secure environment with a B-minus grade or above offers the chance to negotiate more favourable rates. Increasingly we see organisations use Black Kite results as evidence of an organisation's desire to safeguard their own IP and any of their own and their stakeholders' Personally Identifiable Information (PII).

The benefits of digital risk assessment

In the simplest terms, a tool like Black Kite is designed to help the Chief Information Security Officer (CISO) gain awareness of what is most relevant in the threat landscape, both across their organisation and, crucially, potential third-party risks. What makes it so effective is that it is a non-intrusive intelligence-gathering platform, one which identifies critical vulnerabilities, pinpoints compliance gaps, and quantifies cyber risk in financial terms.

What makes it so efficient is that the solution’s reporting mechanism is able to offer concise and actionable insight into exactly which areas an organisation is doing well in, with regard to their cybersecurity approach, and which areas require immediate attention to protect what matters. In addition, by virtue of utilising data and machine learning, Black Kite's RSI™ is able to discover the likelihood that an organisation will experience a ransomware attack, by providing a multi-dimensional view of third-party risk.

This is vital since ransomware and unauthorised network access are considered to be two of the most common types of attack. The latter generally involves leveraging or cracking weak passwords and taking advantage of any vulnerabilities present in access control. Therefore, having a strong defence strategy means carefully monitoring an entire cyber ecosystem by adopting a holistic approach to vendor risk management, and recognising that this requires intelligence from every angle. Black Kite’s protection goes beyond simple self-monitoring, as it instead takes the time to ensure that every last vendor is monitored for vulnerabilities.

With cyber insurance becoming an increasingly crucial part of an organisation’s budget, proving your company’s insurability is more important than ever. To this end, Black Kite uses the industry’s most accurate and comprehensive cyber intelligence, to provide unique, standards-based cyber risk assessments. What sets it apart is that it analyses your company’s supply chain cybersecurity posture from all three critical dimensions: namely technical, financial and compliance. This not only enhances business security significantly but also facilitates easier access to additional protection provided by cyber insurance companies.

HOW SMBS CAN NAVIGATE AN INCREASINGLY COMPLEX AND DANGEROUS CYBER-RISK LANDSCAPE

Francois Potgieter, Managing Director at Bi-me (Business Insurance Made Easy)

There's no doubt that digital technologies are a powerful enabler for small and medium businesses (SMBs). Digital channels and tools have helped SMBs to reduce costs, reach new markets, become more productive, embrace flexible ways of working, and transform their customer experience. But their growing reliance on digital tech also creates a new set of risks and threats they need to manage.

These include the legal and reputational repercussions of accidentally leaking customer data, risks to business continuity when core IT systems fail or are breached, theft of intellectual property, exposure to extortion, and the possibility of direct and indirect financial losses. The Allianz Risk Barometer for 2023 shows that South African businesses see cyber-incidents as one of their top three risks.

Here are some ways companies can navigate cyber-risks and avoid losses in their businesses:

1. Focus on employee education

People are frequently the weakest link in cyber-security. You can invest in the latest and best firewalls and antimalware software, but it won't help if your employees fall for a social engineering attack. SMB owners should read up on the latest threats and best practices to keep ahead of the evolving threat cyber-security landscape. They should also drive employee awareness about how to recognise phishing attacks and what they should do to keep company data and systems safe.

2. Implement multifactor authentication (MFA)

The State of Ransomware in South Africa 2023 report from Sophos shows that compromised credentials were used in 24% of attacks last year. But most such attacks could be prevented with multi-factor authentication (MFA). In multifactor authentication, a user needs something in addition to their login name and password to access a system. This could include one or more of the following: a smartphone authenticator app, a hardware token, or a biometric identifier like their voice, face or fingerprint.

3. Take the 3-2-1 approach to backups

According to the Sophos report, 78% of organisations were hit by ransomware in 2022, up from 51% in 2021. The nature of this threat means that older approaches to backing up data are no longer enough. SMBs should ensure that they have backups that are isolated from their main network in case of a ransomware attack. It's good practice to create three backups—two onsite, one offsite—to ensure the business can recover from an attack. If the onsite production systems and backups suffer an attack, you can restore your data from the uncompromised data in your offsite backups.

4. Don't forget about physical security

Hardware such as notebooks and smartphones can be a treasure trove for a criminal—they may contain valuable information such as banking passwords, financial data and logins for company applications. Ensure devices are protected behind passwords, PIN codes or biometric authentication, consider adding a physical tracker, and enable functionality that allows data on the device to be wiped if it's stolen or lost.

5. Invest in cyber-insurance in case your defences fail

With the evolving nature of cyber-crime and cyber-risks, there is always a danger that your business could be breached, despite its best efforts. Cyber-insurance policies can help your business to mitigate losses and recover in the event of a cyber-incident. Some of the ways cyber-insurance can protect your business include:

· Defence and settlement of liability claims (for example, legal action from customers);
· Payment of regulatory fines and penalties, if and when legally permissible;
· Compensation for loss of income or business interruption;
· Help with incident and crisis management;
· Cover for restoring systems, recovering data and forensic investigation after an incident; and
· Help managing a cyber-extortion event such as a ransomware attack.


Dr. Eugene Wessels, chief technology officer at King Price Insurance

IN THE 'NEW WORLD OF WORK', AI CAN BE YOUR FRIEND OR FOE

One of the biggest cyber-risk we're facing in 2023 isn't employees logging onto public Wi-Fi, or leaving their passwords stuck to their screen on a post-it note. It's not even the fact that the world of business has shifted online and into the cloud. Right now, what's keeping CIOs up at night is how to defend against AI-driven cyber-attacks, which are increasingly sophisticated and have fundamentally changed the game. There's no doubt that AI is opening up entire new worlds of efficiency, productivity and creativity for businesses across all sectors. Generative AI tools are automating manual processes, improving customer services through micro-personalisation, and in some cases, reducing security risks like money-laundering and fraud.

The problem is, of course, that AI isn't only available to the good guys. We're increasingly seeing criminals manipulating AI for use in ever-smarter cyber-attacks. They're using techniques like data poisoning, where fraudsters manipulate the data used to train the company's AI to sabotage the company. With adversarial attacks, criminals manipulate an AI system's input data to force the system to make incorrect decisions. Model-theft and tampering involves copying the model, modifying it, or inserting malicious code and then redeploying it back into the company. Not to mention the security risks associated with voice impersonation attacks, where cybercriminals use deepfakes to compromise vulnerable individuals...

It's a headache for all businesses – but financial services providers (FSPs) remain one of the most attractive targets for cybercriminals, simply because of the nature of their business and the type of information they hold. Apart from the potential financial losses caused by a cyber-attack, the biggest threat for FSPs is their reputation. Clients trust them to protect their data, so a network security or data privacy breach doesn't just have a massive impact on their clients; it can also cause serious and lasting damage to the business.

What lessons can we draw from recent cyberattacks?

The biggest lesson we can all take is that it's not a question of 'if', but 'when'. 2022 was a record year for data breaches, according to the Identity Theft Resource Center – but many companies still think it will never happen to them. Interpol estimates that nine out of every 10 African businesses are operating without the necessary cybersecurity protocols in place, putting themselves and their clients at risk of massive financial loss. IBM's 2022 Cost of a Data Report shows South Africa has the highest global probability of a repeat breach: 83% of organisations experienced more than one breach in the last 12 months. The most common initial attack vectors are stolen or compromised credentials, phishing, cloud misconfigurations, and vulnerabilities in third party software. We should focus our efforts on securing these risk areas first.

How can financial services businesses build cyber resilience?

Apart from the security basics, like having a firewall, having enterprise-level anti-virus software, backing up data regularly – the biggest step companies can take is to create greater awareness among their employees. It's no use spending millions on security solutions if you don't educate your people. When it comes to cybersecurity, your people are the weakest link. Your best defence is to create an active cybersecurity culture that gets everyone in the business following basic security habits.

The important thing to realise is that effective security awareness training isn't a once-off thing. To maintain awareness and change employees' mindsets around cybersecurity, it's better to deliver ongoing short training and awareness sessions that highlight the direct consequences of poor security. Keep it relevant, interesting and engaging. Use tactics like phishing tests to see who clicks on dodgy links. Cover a range of topics, including poor password hygiene, misuse of personal email, and the correct way to use cloud storage and other shadow IT services.

And then it's a smart business decision to get cyber insurance. It can't save your business from attacks but it's an important way to protect you from the after-effects of a breach. Good cyber insurance, like King Price's cybersure, will cover expenses for data breaches, including hiring legal and forensic IT professionals to help you recover your data; damage to computer systems and data after a network attack; disruption that brings your business to a halt and results in loss of income; and any financial losses resulting from fraudulent inputs into insured computer systems.

CONSTANTLY EVOLVING THREAT LANDSCAPE CALL FOR NEW APPROACH TO CYBERSECURITY RISK MITIGATION

In line with regulatory requirements, financial services providers around the world are required to collect, store and process huge amounts of sensitive data relating to their customers as a means of trying to curb and prevent illegal activities such as money laundering and fraud. A key finding in the Varonis 2021 Data Risk Report is that on average a financial services employee has access to nearly 11 million files the day they walk in the door. For large organisations, the number is double: 20 million files open to all employees. Additionally, nearly two-thirds of companies have 1 000-plus sensitive files open to every employee.

Considering the constant evolution of cyber threats in terms of both sophistication and frequency, the large volumes of data that employees have access to is becoming an increasingly big risk and concern for many organisations. As a result, many enterprises – not only in financial services but across virtually all industry sectors – are having to look at how some of their traditional cybersecurity controls need to change, especially in light of the advent of hybrid and remote working environments, to remain robust enough in today's threat landscape.

With remote and hybrid working, large portions of organisations' employees no longer sit in the traditional network environment, working in the office from eight to five, five days a week and behind a firewall where their devices are very tightly controlled and secured. Now staff work from home or other public locations, such as coffee shops, often connecting directly to the internet without going through the normal company firewall. This creates many potential security concerns around data compromise, from hacking to theft or loss of a device.

Ryan van de Coolwijk, Product Head: Cyber at iTOO Special Risks

Secondly, introducing anonymity of data would ensure that people can work with less granular but more statistical data. Thus, in case of a breach, the data would not be specific to any identifiable individual. A good strategy is to ensure that access to data is aligned to job responsibilities on an ongoing basis. While it might be a lot easier to give everyone access to everything and not worry about whether they have sufficient access, this does introduce significant security concerns and constraints.

Importantly, organisations should also consider how to control remote access to sensitive data that is in the employees' possession. The Varonis report cites that about 60% of companies have more than 500 passwords that never expire and nearly 40% have more than 10 000 ghost users. Management of user accounts and credentials is extremely important, as one of the most common causes of insurance claims is a compromise of user credentials, whether due to phishing attacks or simple passwords that are cracked.

The risk posed by passwords that never expire is that they never change and will likely become known over time. On the other hand, ghost user accounts are risky because they could have been created for staff that have since left company but still have access to these accounts or because they had been set up for malicious purposes. Hence, if companies do not keep close tabs and controls on the accounts and passwords within their environments, there is a much higher risk of them being used for malicious activities.

Adding multifunction authentication is an effective control to protect simple passwords, specifically those used by staff working remotely. The benefit of this is even with a simple password that is cracked, a hacker would still have to guess the required code within the 30 seconds that it is valid for – this is practically impossible. Lastly, a robust backup and recovery plan is key to mitigating the risks associated with data loss. A well-designed backup and recovery plan will allow an organisation to recover its data quickly and easily in the event of a loss, helping to minimise downtime and disruption to its business.

SAFEGUARDING SOUTH AFRICAN BUSINESSES AGAINST AN EVOLVING CYBER THREAT ENVIRONMENT

Jason Lane-Sellers, director of fraud and identity, LexisNexis Risk Solutions

Cybercrime is evolving globally and South Africa is no exception. Rapid advancements in digital technologies, platforms and services are driving a shift in the approach organizations must take to manage this growing threat.

According to the latest LexisNexis Risk Solutions Cybercrime Report, human-initiated cyberattacks saw a 20% increase, while automated attacks surged by 27% worldwide. Some industries, such as finance, e-commerce and communications, experienced triple-digit growth in cybercrime incidents. In the past, the rise in global cybercrime may not have been a primary concern in South Africa. However, cybercriminals have become increasingly global in nature, targeting organizations worldwide and targeting specific economies where they can yield effective returns on their illicit investments.

South Africa boasts a youthful population eager to embrace the latest mobile and app-based technologies. Improved banking frameworks for faster payments and money transfers, coupled with the adoption of mobile money schemes, have facilitated this digital transition. Unfortunately, these advancements also present opportunities for cybercriminals to exploit, making South Africa a potential hotspot for cyberattacks.

The Rise of Scams

Among the fastest-growing forms of cyberattacks are scams, which involve social engineering techniques to manipulate end customers into conducting fraudulent transactions. These scams often employ a combination of attack methodologies, such as bots, scripts, data gathering, deep fakes, AI scripting and messaging apps, such as WhatsApp, to deceive customers.

What sets scams apart is that the customer becomes an unwitting accomplice, carrying out transactions at the behest of the criminal. This contrasts with traditional cybercrime, which primarily targets the business and its platforms.

To combat this new wave of cyber threats, businesses must adopt a holistic approach. This includes building a comprehensive customer profile that considers digital identity, contextual behavior, interaction patterns and behavioral biometrics. By analyzing these factors, businesses can identify potential risk factors associated with scams, such as unusual session timing, new profile elements or abnormal interaction behavior. By utilizing these tools, businesses can authenticate users more effectively, reducing the risk of cybercrime attacks and improving customer trust. A stronger way of identifying genuine users enables businesses to enhance digital experiences and tailor user journeys and interactions.

Sharing Intelligence for a United Front

One aspect often overlooked by South African businesses is the effective gathering and utilization of intelligence. Cybercriminals do not limit themselves to a single industry or market. An attacker targeting a bank may also target organizations in telecoms, media, gaming or e-commerce. To effectively combat cybercrime, organizations must share data on attacks in real-time and leverage intelligence from across industries and even globally. Utilizing solutions and tools that offer true authentication and enable data sharing and crowdsourcing of intelligence is paramount as we move into 2024.

South African businesses must adapt swiftly. By adopting a multifaceted approach that combines customer profiling, behavior analysis and intelligence sharing, organizations can strengthen their defenses and protect both their operations and their valued customers from the ever-changing threats posed by cybercriminals. The future of cybersecurity lies in proactive, collaborative and technologically advanced strategies that keep pace with the digital age.

SHORT TERM

"Effective communication is not only a legal requirement but also a powerful tool for marketing and sales, ultimately benefitting the entire insurance ecosystem."
- Marike Van Niekerk, MUA

How to think about climate change risk management in 2023

Ronald Richman,
chief actuary at Old Mutual Insure

Climate change is one of the most pressing challenges of our time, and its impacts are being felt around the world. While some strides have been made in understanding climate change risk management, we are nowhere near dealing adequately with it. And yet, it is a significant area that requires attention.

The trends

The Actuaries Climate Indices indicate that extreme weather and other climate impacts are on the rise across North America, Canada, and Australia, and this trend is also reflected in experience in South Africa. Old Mutual Insure has observed that the frequency of catastrophe events increased by around 50% in the decade from 2012-2022 compared to the preceding decade. Considering the severity of these events, the average annual size of catastrophe claims has increased ten-fold in the same period, due to extremely destructive events such as the Knysna fires and the KZN floods. Along with these major catastrophes, we are also seeing an increasing frequency of smaller destructive events, sometimes in regions with little historical record of similar occurrences.

Finally, our data clearly indicate a strong causal link between excessive rainfall during the La Niña climate phenomenon, which has been active for the past 3 years, and damage to both personal and commercial property.

Climate change risk management against this background

A useful starting point when analysing risks arising from climate change is to consider the three major categories of risk: physical risk, transition risk, and miscellaneous risks. Physical risk is the interaction of all our assets as individuals, companies, or countries with the physical environment. It includes acute risks, which are risks that have increased in observed frequency and severity, such as floods or wildfires. Transition risk refers to the impact of market shifts away from fossil fuels on stocks, bonds, and other financial assets. Meanwhile, miscellaneous risks such as legal risk and insurance risk also need to be considered.

In South Africa, there is a need to pay particular attention to acute physical risks such as floods and fires, which have become more likely in recent years.

To effectively manage these risks, we need to develop more sophisticated models that can predict the impact of climate change on different regions and industries. This requires collaboration between scientists, policymakers, and industry leaders to gather data and develop effective strategies.

The insurance industry is already playing an important role in building capabilities and servicing claims to help the most vulnerable people affected by these risks and is making strides in better understanding the risks presented by climate change.

Traditionally catastrophe models have been used to map out the likelihood and expected impact of floods, but more detailed and granular models are needed. Recently, two new models that address this need have come online, which is extremely promising.

In addition, the insurance industry is already tracking sea level change as part of climate modelling initiatives. The risk with low lying areas like coastal towns means that changing sea levels will have a significant impact on property in these areas, particularly when events such as storms occur.

At Old Mutual Insure we are actively managing our climate change risk exposure through a program of data and actuarial analytics, designed to help quantify the trends in climate-related weather events and to enable the company to more accurately quantify and price risk. One example of this is a research project being performed jointly with local and international universities which looks to link micro level climate data with insurance policy experience. These links have been built using cutting-edge machine and deep learning techniques. This is proving to be a very useful way of understanding these risks.

Companies and governments can follow a similar process of building an understanding of climate impacts on their business by investigating how climate impacts have manifested in the past and forecasting how the changing climate is likely to modify these going forward. Once risks have been quantified, mitigating actions such as improved drainage systems to reduce flood severity can be considered and the financial benefits of these compared with the implementation costs. As an example of building wider understandings of climate risks, the Climate Change Committee run by the Actuarial Society of South Africa will aim to develop a South Africa specific climate index to help build an understanding of how these phenomena are affecting us locally.

In this context, it is also important to consider the impact of climate change on different regions of the country, such as the increased risk of drought and wildfire in the western part of South Africa. While there is some comfort in having more rainfall in other parts of the country, the fact that different regions are moving in different directions is concerning.

Managing climate change risk is not just a matter of developing new products and models. It also requires communication and education to help people understand the risks and make informed decisions about where to live and invest. For example, while the insurance industry responds to help those impacted following devastating floods and fires, if this is in a high-risk environment, it doesn’t solve the problem if people choose to rebuild in these areas. We need to communicate the risks and discourage building in areas that are prone to risks such as floods or landslides. The UK's national flood insurance program, Flood Re, offers insurance only to houses built up to 2019, which may serve as a model for other countries. However, this is difficult to do in a country such as South Africa. Nevertheless, education and information will go a long way in addressing this challenge.

We also need to invest in public-private partnerships to build the capabilities of the insurance industry and develop new products that can provide cover for the most vulnerable communities. This is particularly important in regions like South Africa, where natural disasters such as floods and droughts are becoming increasingly likely.

Thus, there is a need to act and put funding behind our thoughts to make a practical impact. This is where government can make a crucial difference.

Ultimately, managing climate change risk is a complex and multifaceted challenge that requires action at all levels of society. From individuals and communities to governments and industry leaders, we all have a role to play in building a more resilient future. By working together and developing effective strategies, we can manage the risks associated with climate change and build a more sustainable and prosperous world for future generations.


Daniel Stevens ,
Head Santam Agriculture Crop Insurance

Opportunity to drive Public and Private partnerships in Agriculture Insurance

The 2023 Agricultural Insurance Pulse Report indicates global hunger and food insecurity is on the rise with the number of undernourished people estimated to have increased up to 828 million in 2021. Africa, unfortunately, makes up a large percentage with 57.9% of the population exposed to moderate or severe food insecurity.

There are many factors contributing to the problem including poverty, unemployment, climate change, conflict and so on. Agriculture insurance can also play a role in stemming some of the tide.

The total global agriculture insurance premiums are just over USD 46 billion and are expected to grow to USD 80 billion by 2030. Africa's share of premium is less than 1%. The low contribution in Africa can be attributed to several factors.

Firstly, the low or uncoordinated investment in the sector that stems from having fewer countries with public private partnership (PPP) schemes on agricultural insurance. Such partnerships are crucial for extension services, insurance education, premium support, and access to credit. Some African countries have made good strides by partnering with Africa Risk Capacity, which has 35 African member countries including Lesotho, Mozambique and Zimbabwe.

Secondly, lack of infrastructure development such as roads and the construction of dams for water harvesting have a negative impact on agriculture. To ensure economic growth, there needs to be adequate infrastructure. Some rural areas have road infrastructure that are riddled with the lack of maintenance thus transporting produce is under pressure. Since 2015, South Africa has experienced water shortages mainly because of climate change, which causes rainfall delays that eventually decrease dam levels, leading to droughts within the country. Majority of agriculture relies on water availability to remain sustainable.

Thirdly, some countries in Africa, including South Africa, have no widespread parametric solutions for smallholder farmers and that renders growth and innovation unattainable for flexible product design.

Notably there are organisations playing an important role to bring parametric insurance to small holder farmers outside of South Africa. Kenya, Uganda and Mali are among the forward-thinking countries offering parametric solutions which South Africa has high on their agenda.
Also known as event-based insurance or index-based insurance, farmingfirst.org describes parametric insurance as

"a form of insurance that covers the probability of a predefined event happening, instead of indemnifying the actual loss incurred (a pay-out amount in the case of the policy being triggered is determined in advance)".

Lastly, South Africa may be the only nation in the world where Multi-Peril Crop Insurance (MPCI) is offered without any government subsidies. The demand for the product exists, however, the risk for local insurers to offer MPCI on an adhoc basis without a subsidy would make it not only too expensive but there would need to be certain conditions that would be required such as compulsory insurance in order for it to be viable.

Of the 600 million developing farmers in Africa, only 600 000 are insured. This phenomenon calls for aggressive partnerships to address the market failures in the sector. In the South African context, market failures on crop insurance exist because of adverse weather patterns which lead to a high frequency and severity of claims. Drought affecting farmers is becoming uninsurable and very expensive.

Awareness of insurance solutions by farmers, affordability of crop insurance products as well as limited understanding of insurance solutions are seen as some of the factors that challenge demand-side growth in crop insurance. The supply-side growth factors that challenge crop insurance are the high cost of crop insurance which lead to the need for premium support for farmers. Lack of technical expertise and insufficient or unreliable data are some of the overarching challenges in crop insurance. Also, the fact that it is a very high-risk line of business with reinsurance support required which may not be readily available.

It remains an important quest for Santam Agriculture to play a meaningful role in the South African agricultural sector. Santam does this in so many ways, including educating farmers through its consumer financial education (CFE) programme, as well as participating in industry and sector events and conferences to ensure capacity building and public awareness on different crop insurance solutions.

OMBUDSMAN FOR SHORT-TERM INSURANCE RESULTS GET BETTER AND BETTER

There is clearly no basis for the assumption in some quarters that the South African short-term insurance industry are serial offenders in treating their customers unfairly. In the overwhelming majority of cases, South African insurers deliver what their customers have paid for, and to a very high standard to boot, pumping as they do around R1,5 billion into the economy every single month of the year.

This is the unspoken and unreported finding of the annual report of the Ombudsman for Short Term Insurance (OSTI). One is left wondering whether it is still necessary, therefore, for government to be at all in the business of regulating the delivery of service in the short-term insurance through programs line the "Treating Customers Fairly" as well as determining how policies are to be worded and sold.

The OSTI acts as a dispute resolution mechanism for buyers of short-term insurance when they feel aggrieved by the service they have receive from their insurer. The OSTI intervenes in cases that are lodged with it as an impartial arbiter operating an alternative dispute resolution process. While one would hope that the functioning of the OSTI is as an unbiased mediator, it is clear from its annual report that these days it views itself as a consumer advocate. The annual report specifically states that the protection of "vulnerable consumers" is a particular focus. This is part of a long-standing erroneous view that short-term insurers are terrible at servicing their customers, and that they have a reputation of being largely unfair in their treatment of claimants.

But how true is this actually? The OSTI's own published figures tell an entirely different story - one that seldom gets the publicity that it deserves and illustrates just how much the South African insurance industry is to be praised for its role in sustaining our economy and the lives of those who act in it.

According to the OSTI's latest report, South African short-term insurers received 4,852,779 claims in the year under review. Of these claims, just 10,044 were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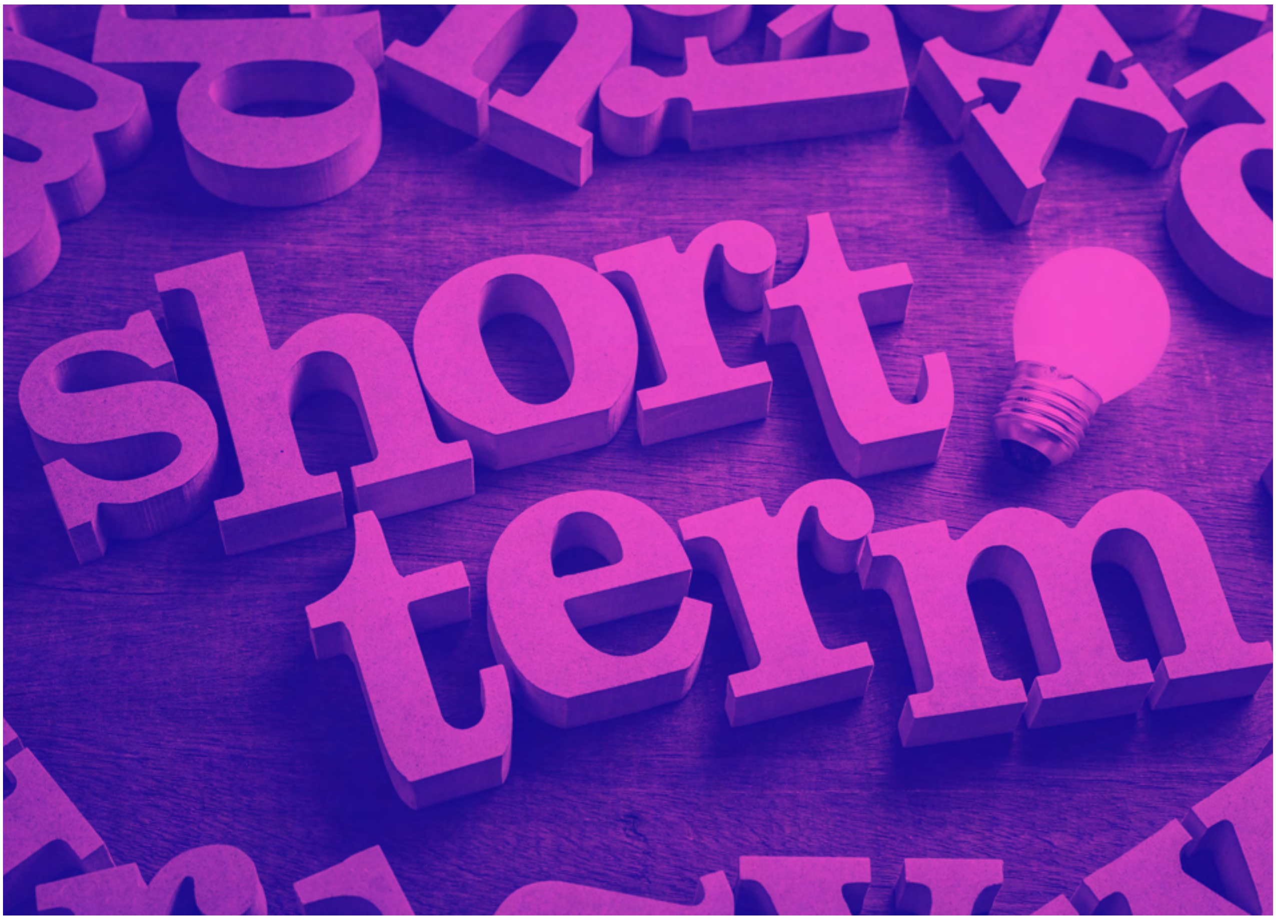
referred to the OSTI by claimants who felt aggrieved. That is barely two unhappy persons for every thousand claims submitted, meaning that just 0,2% of claimants felt hard done by. This figure has also been reported to be in a generally declining trend. The OSTI therefore is not called to be involved in 99,8% of claims finalised by insurers.

Of 8,553 complaints finalised by the Ombudsman last year, around 15,6% (1,329) were finalised with some benefit for the insured. This means that in no less than 84,4% of complaints, the Ombudsman could find no fault with the insurer's decision. This "overturn" rate is now around half of what it was a few short years ago. This too is reason for celebration, and for the industry to receive kudos from regulators and the public alike.

For just 15,6% of complaints to have been found to be "wholly or partly" correct, and for complains to represent just 0,2% of all claims, means that insurers got their claims decisions wrong just 0,0312% of the time. Put differently, it means that SA insurers get their claims decisions right around 99,9688% of the time.

On this basis, this achievement is another improvement in a steady trend over previous years of assessment. Indeed, it is among the best in the world. Why do we hear so little of these facts? It is baffling that insurers themselves don't make more of their success and allow their reputations to be sullied by often unproven hearsay "evidence".

The question must also be asked: Is this "free" public service still worth it? The OSTI is fully financed by insurers and therefore indirectly by all short-term insurance policyholder, now to the tune of some R50,8 million per annum. This means that millions of South African policy holders spent that sum to gain an advantage of only R109,4 million for a relative handful of policy holders (1,329) who were "wholly or partly" recompensed.



TAKING TECH TO TRADITION: MITIGATING RISK IN THE EVOLVING FINANCIAL SERVICES SECTOR

Kirsten Wolmarans, Partner at Webber Wentzel

As technology distorts the boundaries between the physical and digital realms, adequate risk mitigation measures must be built into collaborations between banks and fintech companies .

In the dynamic landscape of banking, the axiom 'trust is hard to build, and even harder to regain once lost' echoes with heightened relevance. In this era of shifting customer expectations, South Africa's prominent banks face the dual challenge of adapting to the digital age while upholding public trust. Amidst this complex balancing act, collaboration with fintech entities emerges as a likely strategy. The synergy between fintech's technological innovations and the stability of banks proves advantageous for all stakeholders involved.

Banks that partner with fintech companies can leapfrog technological development. Fintech companies can help banks to gain valuable insights into customer behaviour and understand customer needs. For example, a digital lending model would cut down the time needed to process loan applications, saving customers time. Collaborations with banks provide fintech companies with advantages such as access to capital, a sophisticated regulatory landscape, and the trust of customers.

Innovation gives rise to challenges, requiring banks to engage in responsible partnerships with third-party fintech companies. This includes taking the time to understand the risks that may or will arise during the relationship. In this regard, both entities must assess how the partnership aligns with their strategic goals, grounded in research, risk assessment, and practices for managing third-party risks. Bankers must understand a new suite of products and services and their operational and safety risks. Also, when launching new products, banks should exercise caution to avoid rushing into the market to remain competitive. Potential risks to their reputation may arise from introducing customers to products that might not meet stringent standards or prove reliable. Depending on how the collaboration is structured, partnerships with fintech companies could also heighten third-party risks, as these companies are likely to lack experience with bank supervision and regulation. Additional security mechanisms should be woven into the contractual framework where a fintech company will be responsible for interactions with the consumer, as this could present an increased reputational risk for the bank.

With the exponential increase in the number of these collaborations, a corresponding surge in technology-related commercial disputes is anticipated. By identifying these potential challenges early on, it becomes possible to prevent disputes. However, when disputes are unavoidable, the implementation of dispute resolution mechanisms that are more suited to addressing the specific circumstances of each dispute can significantly bolster legal certainty and ultimately minimise risks for the business.

In a technology-related dispute, some of the primary deterrents to pursuing the conventional litigation route through the courts include the accompanying legal expenses and the extended timeline in resolving the dispute. Court processes are generally unsuited to resolving technology-related disputes, and resultant court orders are often subject to endless appeals. The unpredictability of the outcome of a court case is heightened when judges have limited experience in the technology and finance industries. Preserving the confidentiality of intellectual property and know-how becomes potentially problematic due to overly intrusive discovery practices. In collaborations where the reputation of the bank plays a pivotal role, engaging in litigation in a public forum can have catastrophic outcomes.

Given the drawbacks associated with litigation, there are advantages to agreeing suitable alternative dispute resolution mechanisms at the outset, such as by incorporating an arbitration agreement within the contractual framework. In the last few decades, the field of arbitration has evolved significantly, both in practice and legislation, to meet the commercial demands of business. In South Africa, however, the banking sector generally retains an ambivalent attitude towards arbitration, mainly due to perceived limitations of the availability of interdictory relief, as well as expedited and summary procedures.

The benefits of arbitration are significant. One of the most important may be that it enables parties to achieve final resolution of the dispute far more speedily than if they were to use the courts. Since most arbitrations arise from a contractual relationship, an arbitration procedure can be streamlined to suit the dispute, without diminishing the legitimacy of the final award. This is because, in addition to agreeing a procedure, the parties are at liberty to agree on a specialist or expert decisionmaker to decide the dispute, resulting in a well-reasoned and respected award. A crucial consideration for the technology and finance sectors is the potential for parties to agree to maintain the confidentiality of the proceedings and the outcome.

No party to legal proceedings is ever happy to incur the legal costs and time in achieving a favourable award, but to be unable to enforce it. This is especially relevant as cross-border investment and fintech projects become increasingly common in South Africa, so disputes can assume an international angle. Unlike court orders that are not recognised or easily enforceable outside South Africa, the international arbitration of commercial disputes between foreign parties will result in awards that are enforceable around the world through a well-established network of international treaties and conventions. A well-crafted arbitration clause at the outset can help avoid significant procedural delays if a dispute arises, as well as secure the proper adjudication of the dispute and enable the ultimate enforcement of the award.

Considering the relatively uncharted waters of these innovative collaborations between banks and fintech companies, it is advisable to incorporate sufficient safeguards from the outset to pre-empt any potential conflicts arising during the contractual relationship. If disputes do emerge, the presence of a suitable dispute resolution mechanism will help facilitate a more certain and appropriate outcome.

THE RISING RISK OF INSURANCE FRAUD

Soul Abraham,
chief executive for retail at Old Mutual Insure

The rising trend of insurance fraud, including a newer type of sophisticated fraud using generative Artificial Intelligence, has become a significant risk in the non-life insurance industry, particularly in the current economic climate in South Africa, where tough economic conditions are leading more people to attempt some form of insurance fraud.

Over the past year, we have observed a 35% rise in identified fraud claims at Old Mutual Insure. The explosion of Artificial Intelligence (AI) tools, through, for example, ChatGPT, is facilitating another step-change in the sophistication of fraud, allowing fraudsters to make claims on behalf of clients using deep fake video, voice spoofing, document forgery, advanced social engineering, email phishing and synthetic identify fraud. Chat platforms that have immediate shareability functions like voice notes also increases the risk of fraud.

Against this background, it will become increasingly difficult to identify fraudulent claims. The insurance industry needs to work together to stop the likelihood of fraudulent claims increasing to unsustainable levels. This is because we not only need to protect the industry, but the policyholder, who is arguably at the biggest risk of being at the losing end of the trend. If it continues unchecked, insurance companies will be forced to increase pricing by raising premiums, or reducing cover, which then worsens the protection gap for the policyholder. The cost of living is already high and policyholders struggling with economic hardship making it even more important to keep insurance affordable and focus on retaining customers.

What is the insurer’s responsibility?

As insurers, we're well-equipped to deal with fraud. Old Mutual Insure remains committed to paying 100% of all valid claims, which is why we are investing in mitigating strategies and technologies. We are rolling out voice analytics technology that can help verify genuine claims made by a human and avoid generated voice claims. We have put in more robust and sophisticated anti-fraud systems to detect inconsistencies, incomplete or inaccurate information or suspicious behaviour.

In addition, we are increasing our customer-facing contact significantly to verify that claims are legitimate.
To protect all legitimate claims and good customers, we must combat fraud. There are grave consequences for anyone having committed insurance fraud, including being refused insurance cover, or even a prison sentence.

How brokers can help eradicate insurance fraud

Given the serious nature of these repercussions to policyholders, it is extremely important for every stakeholder in the insurance industry to remain vigilant against fraud, especially brokers who are often the first point of contact for policyholders. Below are proactive measures brokers can take in this regard:

- Educate policyholders on the issue: Consider regular communication around the consequences of being found guilty of insurance fraud. It is important to understand that it's not the main policyholder who can be found guilty – anyone claiming under that person's policy can be held liable for fraud.
- Thorough assessment of claims: Conduct a comprehensive evaluation of all claims. Ensure that all necessary documentation is provided and review the claimant's history to identify any suspicious patterns.
- Training and awareness: Stay up to date with the latest fraud detection techniques and provide ongoing training to your team. Being well-informed will help us identify red flags more effectively.
- Verify all claims: Verify claims by asking questions and phoning the policyholder directly on the numbers you have on file for them, rather than returning calls on numbers that are unlisted on your client's account.

By staying vigilant and working together, brokers and insurers can effectively combat the scourge of insurance fraud and ensure that policyholders are safeguarded and not indirectly penalised for the bad actors in the system.

Furthermore, brokers need to be aware of the following five red flags that may signal a fraudulent claim:

1. Delayed reporting: Claims that are reported significantly after the alleged incident occurred should raise suspicions.
2. Inconsistent statements: Discrepancies in the claimant's account of events, particularly when providing different versions to different parties, can indicate fraud.
3. Unusual loss patterns: Frequent claims for minor losses or an unexpected spike in claims activity may warrant closer scrutiny.
4. Lack of documentation: Missing or incomplete supporting documents could be a sign of fraudulent activity.
5. Unwillingness to cooperate: If a claimant is uncooperative or resistant to providing additional information, it may indicate fraudulent intent.

EMPOWERING CLIENTS THROUGH EFFECTIVE COMMUNICATION


Marike Van Niekerk, Manager of Legal, Marketing, Communications & Compliance Officer at MUA Insurance Acceptances (Pty) Ltd (MUA)

I recently met with Marike Van Niekerk, Manager of Legal, Marketing, Communications & Compliance Officer at MUA Insurance Acceptances (Pty) Ltd (MUA), to discuss the pivotal role of client communication and education in fostering sustainability and affordability within the insurance industry. This interview highlights the importance of clear and transparent communication to meet client expectations, manage risks, and enhance the overall insurance ecosystem.

The Significance of Client Communication and Education

Marike emphasised the vital role of client communication and education in creating a sustainable and affordable insurance ecosystem. By providing clients with the necessary information and knowledge, insurance providers empower them to make informed decisions. This, in turn, aids in risk reduction and contributes to transparent and constructive relationships between clients and insurance companies. Clear communication and education are essential components of achieving better outcomes for both clients and the industry.

Addressing Knowledge Gaps

One of the challenges in the insurance industry is the lack of clear understanding among clients regarding the risks they face and the available insurance products. Marike stressed that education plays a crucial role in bridging this knowledge gap. Educated clients can better grasp the diverse types of insurance coverage and understand how these products address specific risks. This knowledge enables clients to make informed decisions about their coverage, leading to improved risk management and fewer claims.

Promoting Behavioural Change

Behavioural change is another aspect of client education that she highlighted. Insurance providers can influence client behaviour by providing information about how certain behaviours impact insurance premiums. For example, educating clients about healthy lifestyles for health insurance or the installation of security systems for property insurance can motivate positive changes that reduce risks and, consequently, lower premiums. This approach not only benefits clients but also contributes to the sustainability of insurance operations.

Clear and Transparent Communication

As a legal professional, Marike acknowledged the challenge of conveying complex legal terms and policy details to clients in a clear and understandable manner. To address this challenge, she stressed the importance of concise and transparent communication. This includes making policy terms, conditions, and pricing as simple as possible to reduce confusion. Additionally, educating clients about the claims process is vital to facilitate efficient claim resolution, minimise administrative costs, and provide clients with the necessary support during claims.

The Role of Brokers in Effective Communication

Brokers, often serving as intermediaries between clients and insurance providers, play a crucial role in facilitating effective communication. Regulations mandate education and the use of plain language to ensure that clients understand their rights and obligations. Brokers act as educators, helping clients comprehend their needs and the available options. This approach builds long-term client relationships, leading to increased retention.

Client Communication as a Marketing and Sales Aid

From a marketing perspective, effective client communication is a valuable tool for capturing the attention of the audience and encouraging them to consider insurance offerings. By tailoring messages and campaigns to resonate with clients, insurers can enhance their marketing efforts and build brand loyalty. Clear communication and transparency also contribute to retaining clients over the long term.

The Importance of Continuous Communication

When asked if brokers focus enough on client communications, she emphasised that one can never communicate too much. The better clients understand their options and available coverage, the more informed choices they can make. Continuous communication and education on specific offerings tailored to client needs create a win-win situation for both clients and insurers. Marike Van Niekerk underscored the critical role of client communication and education in the insurance industry. Clear and transparent communication fosters sustainability, affordability, and better client outcomes. By empowering clients with knowledge and promoting behavioural changes, insurers can enhance risk management, reduce claims, and build long-lasting relationships.

Effective communication is not only a legal requirement but also a powerful tool for marketing and sales, ultimately benefitting the entire insurance ecosystem.

INSURERS BLACKLISTING AREAS DUE TO CLIMATE IMPACT: LESSONS FOR SOUTH AFRICA


Bill Klehm, the chairman, and CEO of eBliss

In a recent interview between Tony of COVER Magazine and Bill Klehm, the chairman, and CEO of eBliss, a critical issue was brought to light – insurers blacklisting areas in the USA due to climate impact.

The discussion shed light on the challenges posed by climate change, the evolving risk landscape, and the role of government in shaping a sustainable future. While the conversation centered on the United States, there are valuable lessons that South Africa can glean from this situation.

Bill Klehm, drawing on his extensive experience and insights, highlighted the intricate web of factors driving insurers to make tough decisions like State Farm's choice to halt new Homeowners insurance policies in California.

Climate change, which brings about extreme events like fires and floods, has fundamentally altered the risk profile that insurers must navigate. These shifts have implications not only for shareholders but also for consumers who may find themselves unable to access insurance in the regions most affected by these changes.

A central concern raised by Bill is the lack of proactive government intervention to create an environment conducive to managing these risks. Governments have a responsibility to collaborate with the insurance industry and consumers to ensure that a sustainable framework is established. Klehm pointed out that this is not about advocating for a socialized system of insurance but rather about forging a partnership that empowers insurance companies to diversify their risks and pool resources across broader markets.

The conversation delved into the importance of crafting a revised framework that aligns the interests of insurers, government, and consumers. This requires strategic cooperation to encourage investments that address the evolving risk landscape brought about by climate change. In this context, Bill cited the historic example of the Apollo program, where government and industry partnered to achieve the monumental goal of landing humans on the moon within a decade. Such a collaborative approach, combining innovation and investment, could be harnessed to address climate-related challenges.

Tony highlighted the interconnected nature of the issue, particularly when it comes to co-insurance – a practice where multiple insurers share the same risk. The complexity arising from co-insurance underscores the need for a well-orchestrated approach that aligns the efforts of insurers and government to create a sustainable long-term solution.
Drawing parallels to South Africa, the interview underscores the vital role that government plays in ensuring the sustainability of regions and urban areas.

Neglecting critical issues such as crime and failing to provide an enabling environment can lead to a downward spiral, causing disrepair and disillusionment among businesses and residents. Just as government leadership is crucial for revitalizing areas plagued by crime, it's equally essential to address the challenges posed by climate change and its impacts on insurance and housing in South Africa.

The interview concluded with a call to action – a call for a unified effort that transcends individual interests and puts the well-being of citizens and the planet at the forefront. By fostering collaboration between government, industry, and consumers, South Africa can learn from the experiences of other regions grappling with the effects of climate change. Governments must take the lead in establishing the frameworks and incentives needed to navigate the evolving risk landscape effectively.

As we navigate an era marked by increasing climate-related challenges, this conversation serves as a timely reminder that solutions require collective action. South Africa, like other nations, stands at a crossroads where innovative partnerships and a renewed commitment to sustainability can shape a brighter and more secure future for all.

It is up to policymakers, industry leaders, and engaged citizens to heed this call and work together toward a more resilient and sustainable society.

UK ART THEFT SERVES AS A WARNING FOR CURATORS TO MAINTAIN ACCURATE ART REGISTER

Gail Bosch, Product Head at ITOO Artinsure.

In light of recent events, institutions responsible for the safekeeping and preservation of artworks for the benefit of the public, including galleries and museums, are strongly urged to uphold meticulous records of the items within their custodianship. The issue of maintaining comprehensive records of artworks has once again emerged as a matter of paramount global significance. The British Museum's disclosure that over 2000 art pieces under its care were unaccounted for underscores the urgency of this matter. However, ARTnews reported recently that British Museum Chairman George Osborne noted that a portion of the missing items has since been recovered.

Art registers play a crucial role in the insurance of artworks. Insurance companies rely on the accuracy and completeness of the art register provided by curators when underwriting these items. Consequently, the art register serves as the foremost line of defense for these often irreplaceable works of art. Osborne-as cited by ARTnews, concurs that maintaining an updated art register is pivotal not only for safeguarding artworks but also for facilitating the recovery of stolen items. According to ARTnews, Osborne said a critical challenge in the recovery efforts pertains to items that were inadequately documented and registered. He highlighted the advantageous position held by individuals with knowledge of unregistered items, enabling them to surreptitiously abscond with these valuable artifacts.

The art register serves as the foundational measure in shielding valuable artworks. The necessity of periodic review and audit of the art register to ensure the continued existence of all curatorship items. In the unfortunate event of missing items, the importance of promptly filing a claim within the stipulated timeframe as outlined in the insurance policy, which typically spans 30 days from the discovery of the disappearance. Furthermore, individual artists are encouraged to also maintain meticulous records of their own creative works. Such records not only aid in differentiating genuine artworks from counterfeits but also contribute to the broader integrity of the art ecosystem.

In its role as a prominent player in the specialized insurance sector, particularly in the provision of cover for art and collectibles, iTOO Artinsure maintains a comprehensive record of reported missing or stolen artworks. This record is readily accessible online to artists, curators, and the general public at no cost. iTOO Artinsure remains steadfast in its commitment to support the growth of the local art sector. In line with this commitment, the company was one of the sponsors of the 16th edition of the FNB Art Fair, that took place in Sandton this month. In conclusion, institutions opting not to maintain art registers subject themselves to an undue and preventable risk. The straightforward solution lies in the diligent upkeep of accurate and up-to-date art registers.

A JOURNEY OF EXCELLENCE

I recently had the pleasure of speaking to Bukhosi Khumalo, the Manager at Corporate Insurance and Risk Management at Marsh.

The occasion was not just a catch-up but a celebration of Bukhosi's remarkable achievement – winning the Young Insurance Professionals Excellence Award at the AIO (African Insurance Organization) for his significant contributions to the African insurance industry. The Young Insurance Professionals Excellence Award recognizes individuals who have made outstanding contributions to the growth and development of the African insurance market. Bukhosi Khumalo's journey towards this award began at the age of 19 when he started initiatives that touched the lives of hundreds. Over the years, his dedication and leadership within organisations like IISA (Insurance Institute of South Africa) and IIG (Insurance Institute of Gauteng) have allowed him to impact thousands of lives within the industry, from newcomers to industry executives.


Bukhosi Khumalo, the Manager at Corporate Insurance and Risk Management at Marsh

Bukhosi acknowledges that the award is not just a personal triumph but also a testament to the collective effort of everyone in the insurance industry who strives for excellence and the betterment of the African insurance sector. It serves as an encouragement to continue the vital work they do in serving the industry and its stakeholders.

In the interview, Bukhosi shares three key elements that have contributed to his growth in the industry:

- **The Power of People:** Bukhosi emphasizes that the insurance industry is fundamentally about people. Building strong relationships with colleagues, clients, and suppliers has been instrumental in his career. He acknowledges that "what you know is important, but who you know is crucial", highlighting the significance of interpersonal connections in the insurance world.
- **Preparation and Proactivity:** He stresses the importance of preparing today for the opportunities that may arise in the future. Whether it is acquiring new skills or gaining expertise in a particular area, being proactive and ready for opportunities is crucial. Waiting until a job posting appears is not the best strategy; instead, one should be continuously prepared to seize the moment.
- **The Role of Mentorship and Support:** He also credits his success to the mentorship and support he has received from industry leaders and peers. He believes in working hard to excel in every opportunity presented to him, ensuring that those who provide opportunities do not regret their decision.

When asked about the role of industry leaders in his achievements, Bukhosi highlights their ability to identify potential and provide platforms for young professionals to thrive. He also emphasises the importance of inspiration and learning from these leaders, drawing from their expertise while infusing his unique perspective to achieve success.

Tony and Bukhosi also discuss the future of insurance in Africa. Bukhosi, a staunch advocate for the African insurance industry, sees immense potential and opportunities. While acknowledging the challenges, he believes that Africa accounts for a small percentage of global premiums, signifying significant room for growth and product development. He views the future of African insurance as exciting, full of potential, and a promising field for those willing to seize the opportunities.

Bukhosi Khumalo's journey from a young industry enthusiast to an award-winning insurance professional serves as an inspiration to the insurance community in Africa and beyond. His story emphasises the importance of people, preparation, mentorship, and seizing opportunities in the insurance industry.

As the industry continues to evolve in Africa, Bukhosi's optimism and dedication remind us of the vast potential and exciting possibilities that lie ahead.

GLASS IN INSURANCE : NOT ALWAYS AS CLEAR AS IT SEEMS

Gary Stieger, the CEO of MyGlass

In an insightful discussion with Gary Stieger, the CEO of MyGlass, he delves into the multifaceted world of glass in the insurance industry. The conversation reveals the intricate role that glass plays in insurance, the challenges faced by the glass supply chain, and what sets MyGlass apart in a competitive market.

The Role of Glass in Insurance is expanding -

Glass in the insurance industry has evolved far beyond just windshields. Gary emphasises that it encompasses a broad spectrum of services and responsibilities. Insurance companies look to partners like MyGlass to manage incidents, meet client expectations, and enhance the service experience.

Additionally, they seek assistance in controlling the average cost of claims, which is a significant driver for insurers. To meet these demands, MyGlass employs an online claims management system, provides actuarial data, manages the supply chain, and integrates with insurers to optimise efficiency. Risk management is also a key aspect, including the training of network personnel and a commitment to women empowerment.

The Duality of Building and Motor Glass

An interesting point raised in the interview is the duality of building glass and motor glass, which seem like two distinct industries. Gary acknowledges this divide, noting that building glass has become highly specialised due to advanced glazing techniques and regulations. While specialists thrive in metropolitan areas, rural regions necessitate a combined approach due to economic constraints. MyGlass offers both building and motor glass services across various locations, but it leaves specialised glazing to the experts, as the risk can be high.

Challenges in the Glass Supply Chain

Gary identifies political instability and exchange rate fluctuations as the most significant challenges in the glass supply chain. Local manufacturing and imported glass both depend on the exchange rate, making it a major risk factor for the industry. While supply issues are not as prevalent locally, exchange rate volatility can impact costs and profitability.

What Sets MyGlass Apart:

Gary emphasises several unique aspects of MyGlass's approach:

- **Cultural Values:** MyGlass is built on values of transparency, integrity, honesty, and respect, fostering strong business relationships.
- **Procurement Model:** They offer a unique procurement model with multiple approved brands, enhancing efficiency and competitiveness.
- **Value Addition:** Instead of solely focusing on profits, MyGlass strives to add value to all stakeholders, including suppliers, networks, and clients.

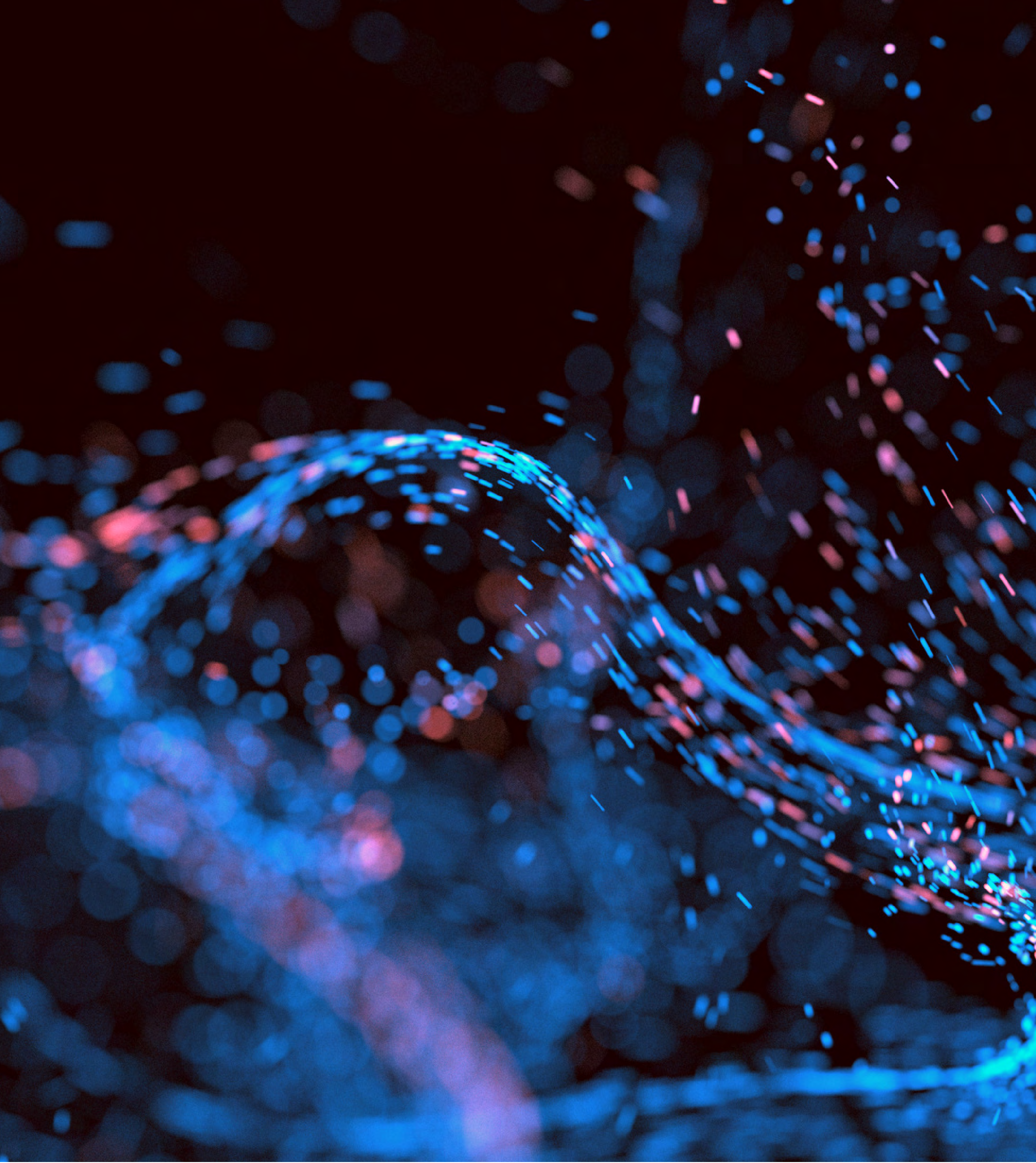
- **Tech Integration:** Technology underpins their operations, ensuring efficient service delivery and consistent service levels across the country.
- **Continuous Improvement:** A relentless culture of continuous improvement ensures they stay at the forefront of the industry.
- **Owner-Managed Network:** MyGlass boasts a 100 percent owner-managed national network, a rarity in the industry.
- **CSR (Corporate Social Responsibility) Commitment:** Many of their licensees are level one accredited, promoting diversity and empowering women in the industry.
- **Modesty:** MyGlass prefers actions over words, opting for a humble approach that resonates with clients.

In the interview, Gary Stieger paints a comprehensive picture of the evolving role of glass in the insurance industry and the unique position of MyGlass within this landscape. MyGlass's commitment to integrity, value addition, and continuous improvement sets them apart, promising clients and partners that when they say, "We got you," they mean it.

As they navigate the challenges of exchange rates and competition, MyGlass remains dedicated to providing outstanding service and upholding their core values.

TECHNOLOGY

“To navigate the transformation within the insurance industry, brokers must fully comprehend the scale and nature of the changes they are facing. “
- Wimpie van Der Merwe, CEO, Global Choices



AI DELIVERS AUTOMATION AT SCALE FOR INSURERS TO DRIVE EFFICIENCY & CUSTOMER EXPERIENCE

Patrick Ashton, Head of UK Operations at Alula Technologies

For insurance, digital transformation has become a business imperative. As part of this, adopting advanced technologies such as artificial intelligence (AI) and machine learning (ML) to automate manually intensive functions can reshape the insurance landscape, especially when it comes to its core functions, such as underwriting, claims processing, and customer service.

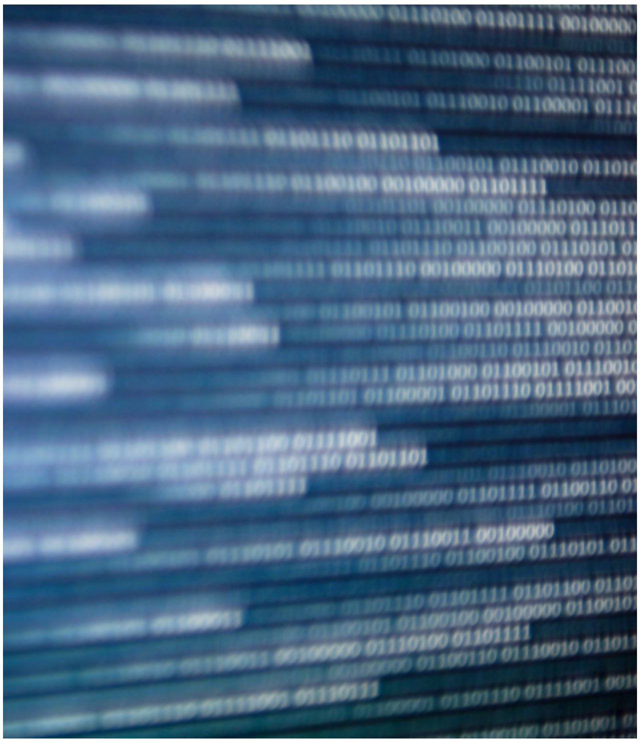
For insurance, digital transformation has become a business imperative. As part of this, adopting advanced technologies such as artificial intelligence (AI) and machine learning (ML) to automate manually intensive functions can reshape the insurance landscape, especially when it comes to its core functions, such as underwriting, claims processing, and customer service. Using AI to drive automation can significantly streamline business operations by enabling a faster decision-making process and reducing manual workloads. Furthermore, automation can improve the efficiency and accuracy of underwriting by assessing risk better using external datasets. With an automated environment in place, insurers can personalise the customer experience through chatbots, virtual assistants, and personalised pricing. Intelligent systems not only analyse and extract data from claim documents, but they also keep the customer informed throughout the process, leading to quicker claim decisions and higher customer satisfaction.

Regulatory considerations

Nevertheless, it remains crucial to ensure these technologies operate within stringent data privacy, compliance, and ethical boundaries. Using AI to deliver automation presents significant challenges, including quality of and access to data, the need for specialised skills, and operational change management. Many AI algorithms rely on large volumes of high-quality data to train models or make accurate risk predictions, and recruiting and retaining the right people who can work with data science or AI toolsets is a significant task.

However, the opportunities far outweigh the challenges. AI and automation offer insurers a competitive edge, allowing for better risk management, quicker customer onboarding, custom-tailored insurance products reflecting actual risk, and, overall, an improved customer experience. Insurers must therefore embrace the need for change and implement plans that address the potential impact on existing business processes.

Part of this entails continuing to drive the innovation agenda at boardroom level. This includes not only supporting experimental projects but also fostering an environment that encourages new ideas and transparent discussions about new initiatives. It is equally important to invest in people with new technology skillsets, create strategic partnerships with technology and data providers, and focus on customer-centric solutions.



Workforce transformation

As insurers integrate AI and automation into their systems, they must acknowledge the impact on the workforce. While automation will eliminate certain tasks, new roles and responsibilities will emerge. Transparent communication, continuous reskilling and upskilling activities, re-defining job roles to include higher-value activities, and improved employee well-being support are all part of a comprehensive strategy for managing this transition.
Amid increasing concerns about data privacy and security, leveraging AI and automation responsibly becomes a priority.

Insurers must embrace stringent data governance and design solutions with data security and privacy at their core. This includes ensuring informed consent from customers, maintaining transparency in AI systems and their decision-making processes, and employing robust data security measures. AI techniques that preserve privacy should be used, allowing for insights to be derived without exposing sensitive information.

Industry-wide approach

It is also important to collaborate with industry bodies and regulators to shape best practices around the use of AI and the resultant automation. Doing so not only safeguards customers but also promotes a sustainable approach to digital transformation.

To this end, insurers are focusing efforts on integrating AI into their systems and processes to deliver more intelligent, automated solutions that can rapidly scale to their business requirements. Improvements in efficiencies while improving the customer experience have become crucial strategic enablers with AI providing insurers with the tools to do so in enhanced ways.

As insurers continue on this transformative journey, Alula stands committed to leveraging AI to deliver automation to deliver value while adhering to our principles of responsibility, privacy, and customer-centricity. These technologies, when used ethically and responsibly, have the potential to fundamentally enhance the insurance industry, leading us towards a future of better risk management, efficient processes, and personalised experiences.

Fintechs' role in identity and financial security beyond OPTs and passwords

Paul Carter-Brown, Co-founder and CTO of fintech enablement partner Ukheshe

In the past year, identity theft has skyrocketed – a worldwide trend that has not gone unnoticed by the public. A report from earlier this year showed that consumers are looking for more security from their banks, 56% want more security measures for non-routine transactions, and 47% want more even for routine transactions.

Clearly, it's in the best interest of any organisation, but especially financial institutions, to constantly review and update their security systems. But what exactly should this involve?

Paul Carter-Brown, Co-founder and CTO of fintech enablement partner Ukheshe, says there are broad components to digital financial security, referred to as the three A's:

- Authentication: Is the person logging in who they say they are?
- Authorisation: Are they allowed to do what they're trying to do on this account or platform?
- Accounting - Creates a record of what they do for potential future queries.

Authorisation and accounting happen largely in the background. But authentication requires the user to interact with the security system and features. And even though most consumers say they want absolute security, organisations need to be careful to strike a balance between security and user-friendliness, says Carter-Brown.

"Authentication usually uses a combination of three puzzle pieces: Something you know (for instance, a password), something you have (the device you're using), and something you are (biometric elements, such as fingerprints).

A combination of all three is considered the most secure because it's very difficult for a scammer to get hold of all three particulars. But that level of security is also burdensome for the user – imagine having to do voice recognition, take a selfie, enter a password and a username, and then find and input an OTP every time you want to log in to your online banking. You would avoid it."

Organisations should look at their typical customer's risk profile to find this balance, he says. "An app that processes small transactions but is aimed at wealthy customers, such as a tipping app, for example, shouldn't have five authentication steps because those customers favour convenience over the risk of losing the R10 value of that transaction.

They wouldn't use the app if it was cumbersome. But should the app also process larger transactions, they could consider a tiered approach that requires additional authentication for larger amounts." But that should never be the end of it. Security, and especially identity security, must be constantly re-evaluated and updated, he warns.

"Fraudsters are always on top of their game and consumers don't and can't always keep up with the latest phishing and fraud tactics. So, companies like Ukheshe proactively provide tools to prevent scammers from getting or using consumers' credentials.

These tools are constantly updated to get ahead of the newest fraud trends." This continuous tussle between security providers and fraudsters results in the fast-paced evolution of the market. For instance, fingerprint authentication, once considered cutting-edge, had vulnerabilities that fraudsters exploited. To address the challenge, newer biometric devices now employ advanced measures like fingerprint temperature measurement or using light to check for blood flow.

Similarly, facial and voice recognition methods are also facing redundancy due to AI advancements, such as enabling the generation of voices with minimal samples or the creation of realistic videos using photos of a person's face. To maintain robust security, continuous updates and advancements are essential in staying ahead of potential threats.

For larger financial institutions such as banks, accessing newer authentication tools and building them into their legacy systems can be a challenge, says Carter-Brown. "Fintechs, exemplified by Ukheshe, endeavour to make it as simple as possible to add newer methods automatically through an API as opposed to backend development. More and more financial institutions are now outsourcing that function to expert fintechs to ensure they stay ahead of the game."

Whether you do it yourself or outsource it, there is no room for error, he says. "Trust is earned over time by always being at the forefront of the latest technology. And, unfortunately, it takes one big breach to break that trust – even if it's not your organisation's fault. You need to ensure you are always ahead of your competitors."

FIVE USES OF GENERATIVE AI TO ENHANCE CUSTOMER SERVICE IN FINANCE

Bryan McLachlan, Managing Director: Africa at CyborgIntell

Artificial intelligence (AI) and machine learning (ML) are no longer new to financial services companies, with banks and insurers already using the technology for applications such as underwriting, fraud detection, risk assessment, and marketing. Now, with generative AI breaking into the mainstream, many financial institutions are examining where they can put this innovation to work.

Generative AI refers to technology that enables machines to generate original content such as software code, art, music, video, and text in the blink of an eye. Generative AI technology has evolved in leaps and bounds, as anyone who has experimented with tools like ChatGPT, DALL-E and Stable Diffusion can attest.

Whereas most AI applications in financial services today leverage structured data to surface business insights, automate processes and make predictions, generative AI enables institutions to harness unstructured data such as text, video, and audio for a range of sophisticated applications. This makes generative AI a potentially powerful tool for a range of new use cases.

Here are some examples:

1. Customer service and experience

Chatbots and virtual voice assistants powered by large language models can be 'trained' to offer richer, more personalised digital customer experiences. They can tap into a financial institution's knowledge base to answer questions in natural language, guide customers through loan applications or insurance claims, and make personalised product recommendations. Conversational AI applications aren't new, but more mature generative AI will enable banks and insurers to create chatbots and assistants that can offer less robotic, more complete, and more tailored responses to the customer. This can help to deflect calls and chats from human operators, so that contact centre agents can focus on the most complex or valuable engagements.

2. Risk management and compliance

AI and ML are extensively used for applications such as assessing insurance risks, predicting where a customer will default on a loan, flagging KYC/AML risks, or identifying anomalies that suggest fraudulent activity. Adding generative AI to the mix can expand these capabilities by combing through unstructured data for further insight.

"Many IT departments are adding low-code and no-code to their mix of tools to empower power users to build or customise apps according to their needs. Generative AI can help them to further reduce the burden involved in simple and even not-so simple coding tasks."

3. Code generation

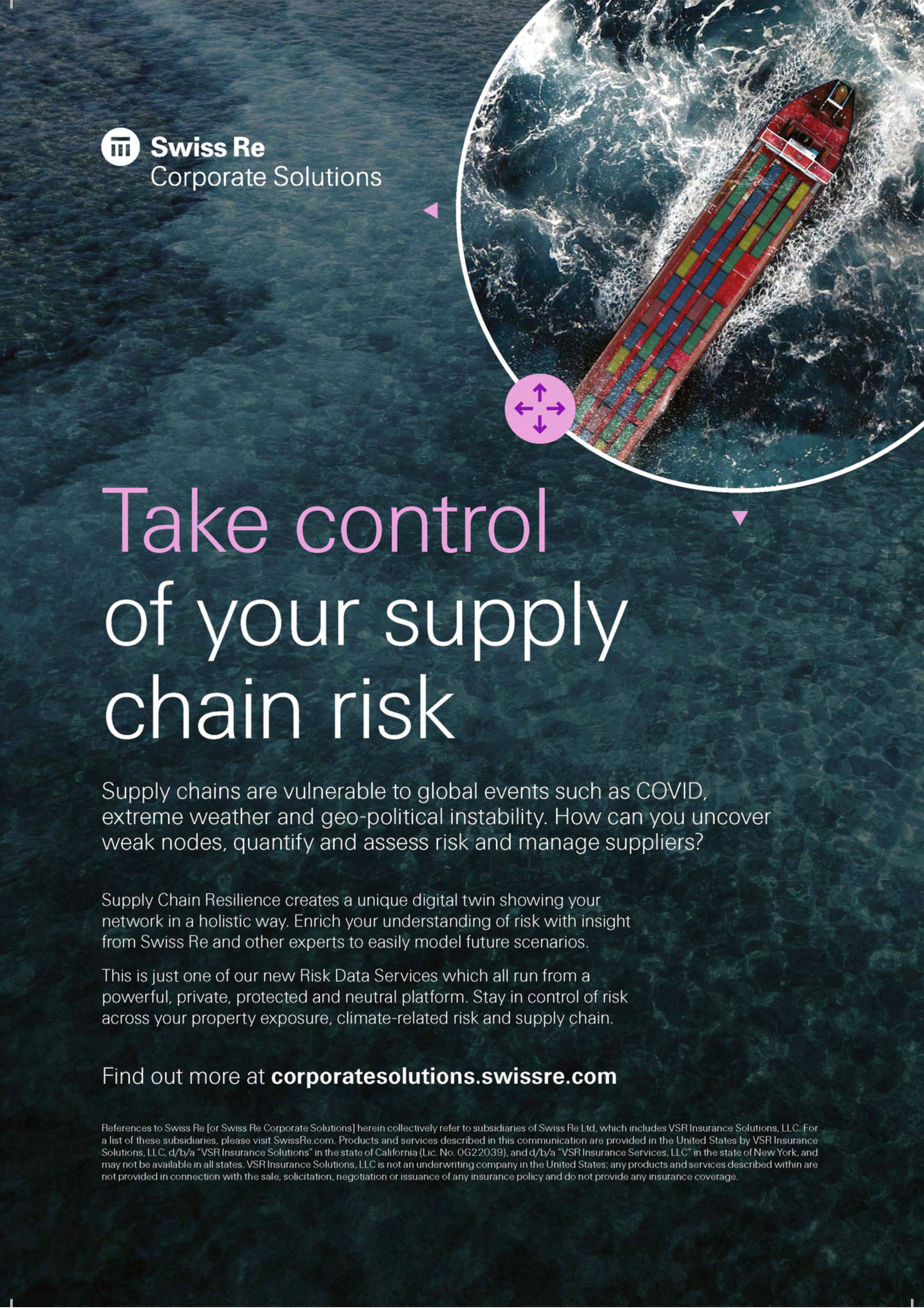
Many IT departments are adding low-code and no-code to their mix of tools to empower power users to build or customise apps according to their needs. Generative AI can help them to further reduce the burden involved in simple and even not-so simple coding tasks. They can use generative AI to quickly generate some code, then check and customise it to their need. Or they can use it to support quality assurance. Programmers can thus focus on the elements of their job where they can add the most value.

4. Marketing

Generative AI can support a financial institution's marketing activities with hyper-personalised text, visual and video content. This can enable a bank to reduce the costs and time involved in producing relevant content for its audience. It can also be used to generate proposals and customer conversations. Another application lies in using generative AI to analyse customer sentiment on social media or even in live conversations and to create appropriate responses for the customer's need or emotional state.

5. Ethical AI is as important as ever

As important as it is to amplify the powerful capabilities of generative AI, it's essential to harness it in adherence with principles of responsible and ethical AI, along with sound data governance and regulatory compliance. It's important to avoid biased training data and to ensure all outputs and decisions can be explained to the customer.


Swiss Re
Corporate Solutions
Take control of your supply chain risk
Supply chains are vulnerable to global events such as COVID, extreme weather and geo-political instability. How can you uncover weak nodes, quantify and assess risk and manage suppliers?
Supply Chain Resilience creates a unique digital twin showing your network in a holistic way. Enrich your understanding of risk with insight from Swiss Re and other experts to easily model future scenarios.
This is just one of our new Risk Data Services which all run from a powerful, private, protected and neutral platform. Stay in control of risk across your property exposure, climate-related risk and supply chain.
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Wimpie van Der Merwe (CEO, Global Choices)

REFRAMING THE INSURANCE BROKERS' VALUE PROPOSITION

The insurance industry is undergoing a significant shift, where the total customer experience now holds greater importance than price and product offerings.

This poses a challenge for insurance brokers, who must establish seamless connections and ensure constant availability to effectively communicate, engage, advise, and satisfy their customers across various channels and digital devices, 24/7. To thrive in this evolving landscape, brokers need to adapt and remain relevant. While digital ecosystems are transforming the industry, brokers still have a crucial role to play in providing independent and trusted advice to customers. To secure their future success, insurance brokers must embrace digital sophistication and shift their focus towards offering strategic advice, meeting the demands of today's connected customers for transparency and control. Early adoption of digital technologies and strategies can yield substantial rewards, enabling brokers to stay ahead of the curve.

As technology continues to advance, insurance brokers must strike a balance between safeguarding and strengthening their core business and exploring new strategies that add value and assistance to their customers. A designed total experience ecosystem can serve as a powerful tool to achieve both objectives effectively. By leveraging a total experience ecosystem, brokers can enhance the customer experience by integrating various channels and touchpoints. This not only provides consistent and personalised service throughout the insurance journey, but also builds stronger customer relationships. Such ecosystems also offer brokers valuable insights into customer behaviour and preferences, enabling them to tailor their services and offerings accordingly and to evolve continuously.

Accommodating the demographic transition

Brokers will need to balance the needs of our new and younger generations with those of older ones, including the Gen Xers and Baby Boomers, who do not have the same preferences or aptitude with digital interactions. It is important to remember that the customer and employee demographic combination will change dramatically between now and 2030, when digital natives will make up half of South Africa's adult population. Brokers must align the needs of younger digital natives with those of older generations. It's crucial to understand digital natives' unique attitudes towards risk, such as their methodical information-gathering approach and practical responses to crises. This generation values trust, flexible solutions, simplification, and a holistic view to manage different areas of their lives. As this group continues to mature and gain experience, they will shape the economy and dictate risk products and insurer talent recruitment. Insurance brokers must develop added value and digital services to manage the diverse risk needs of this rapidly changing demographic.

The concept of the 24Hour Broker Assistance hub

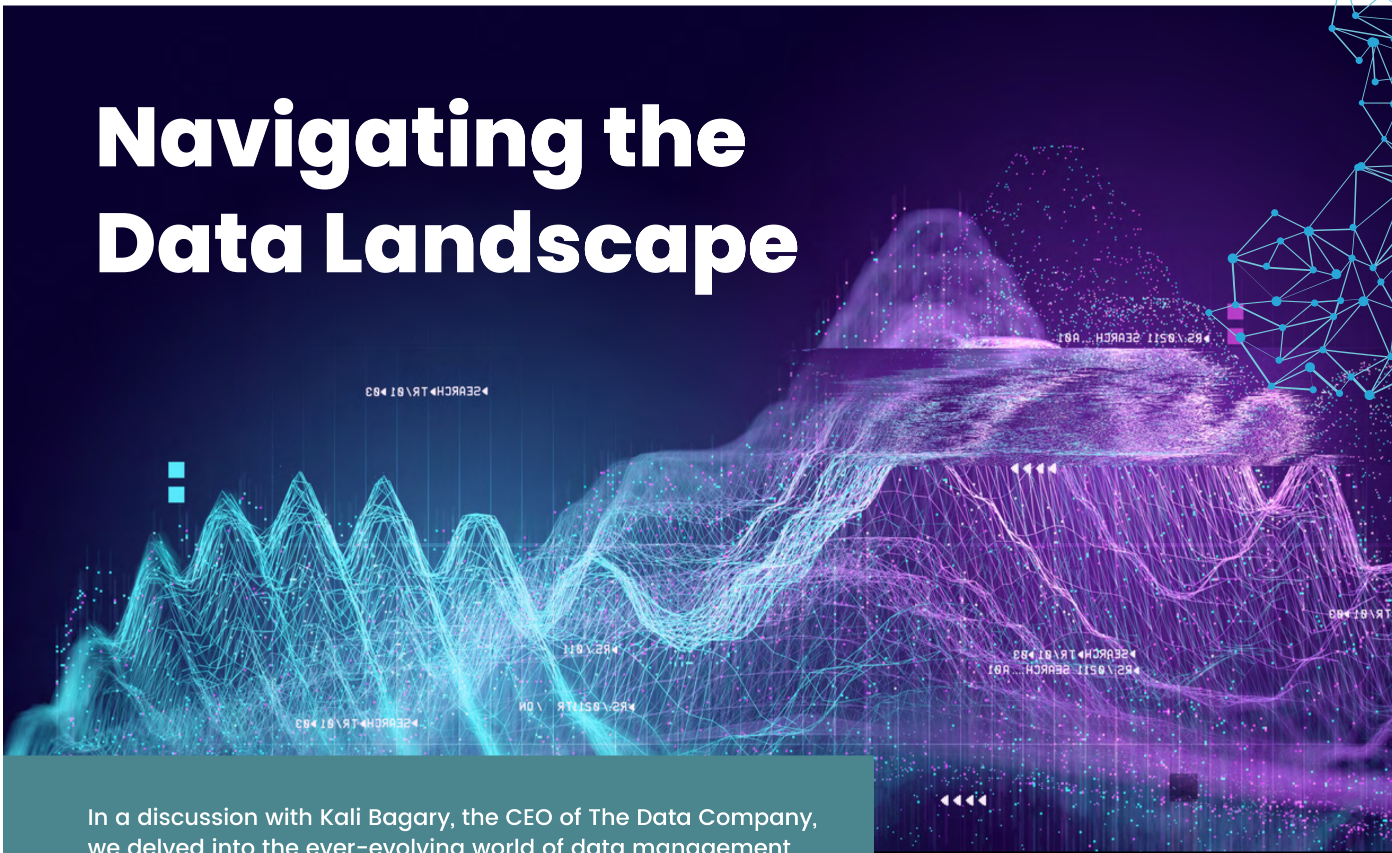
The concept of "assistance services" revolves around providing help and support during emergencies or risk events. These services go beyond the traditional monetary support offered by standard insurance coverage and aim to directly assist customers in situations of loss or emergency. They are typically linked to insurance coverage on life, property, or motor vehicles. Value-added services related to assistance are wide-ranging and extend beyond insurance coverage, especially in emergency situations. They encompass more than just financial support and immediate customer care at the time of loss.

These services are designed to offer long-term benefits under the broker's brand. Some examples include:

- Risk mitigation strategies, advice, services, and support.
- Coordinating and scheduling regular car maintenance and safety checks through a partner network, including license renewal reminders, fine payments, and RAF claims. Additionally, services such as motor vehicle valuations and driver monitoring, support, crash detection, and response services can be provided.
- Coordinating and scheduling regular home maintenance, such as geysers, or gas safety, fire or lighting risk, and security checks through a partner network. This can include monitoring solutions and devices for geysers, smoke detectors, and security cameras. Issuing compliance certificates or property valuations can also be part of the service.
- Branded 24-hour call centre (for assistance services and first notice of loss (FNOL)), branded WhatsApp channel (for claims policy queries and assistance services), branded assist app and webservices.
- Medical emergency response and private hospital guarantees, along with trauma counselling or medication reminders.
- Crime victim assistance and response.
- Monitoring and warning services for risky weather conditions, such as lightning or hail, provided through digital channels like apps, social media, or WhatsApp notifications.
- Security services, including armed response to panic button locations.
- Preventative services like home-safe chauffeur services to prevent drinking and driving.
- Fast track claims, prepopulated digital claim forms, self-service portals, and FNOL solutions.
- Funeral assistance.
- Concierge services.
- Body repatriation services.
- Compiling risk reports and risk improvements, asset registers and providing asset valuations.

"Assistance services" have evolved to become a broader risk facilitation and assistance ecosystem solution, aiming to help customers avoid loss and protect what matters most to them. This includes educating them about the unique aspects of their health, security, property, vehicles, and valuable assets, as well as the risks and regular maintenance associated with them. Risk management is a crucial aspect of insurance policyholders' experience, encompassing everything from ensuring proper coverage and protection, to emergency preparedness and loss prevention. It is important to develop assistance and value-added services that effectively minimise the demands placed on customers by their insurance policies to make their lives easier, help them make smarter decisions regarding risks, avoid claims, and ensure the claims process is as painless as possible. To navigate the transformation within the insurance industry, brokers must fully comprehend the scale and nature of the changes they are facing. By embracing digital sophistication, delivering strategic advice, and harnessing the power of a total experience ecosystem, brokers can position themselves as trusted advisors in the eyes of their customers. This ultimately leads to exceptional customer experiences that differentiate them from competitors and drive long-term success and continuity.

Navigating the Data Landscape



In a discussion with Kali Bagary, the CEO of The Data Company, we delved into the ever-evolving world of data management and its pivotal role in modern business.

As Kali emphasised, data is indeed the new oil, but many organisations struggle to harness its power effectively. Our discussion shed light on the challenges companies face when it comes to data management and the solutions offered by The Data Company, including their innovative platform, migrateFINIUM.

The Legacy Data Challenge

Kali pointed out that one of the primary challenges organisations encounter in their data journey is dealing with legacy systems. These systems, often characterised by outdated technologies and data quality issues, present formidable obstacles when transitioning to more modern platforms. In some cases, legacy insurance products, administered on aging back-office systems from various vendors, have accumulated vast amounts of data with varying degrees of quality. The process of extracting valuable insights from these legacy systems can be complex, as the knowledge of the people who developed them and the technologies they employed, become increasingly scarce. Kali's company, with its wealth of experience, specialises in transforming these legacy data landscapes into valuable assets for modern businesses.

Identifying the Starting Point

To address the challenge of data management, Kali emphasised the importance of identifying a clear use case and actionable insights. Whether a company aims to detect fraud, enhance customer engagement, or undergo a data migration, understanding the specific problem they intend to solve is paramount. He stressed that organisations often underestimate the planning required for data initiatives, especially when migrating from old systems to new ones. The process involves not only technical aspects but also aligning data strategy with overall business objectives. Companies must avoid rushing into data projects without a well-defined plan to ensure a successful outcome.

"As the data-driven revolution continues, organisations that leverage these tools and approaches are better equipped to thrive in an increasingly competitive business environment."

The Data Company's Approach

The Data Company takes a comprehensive approach to helping organisations navigate their data challenges. Kali described their initial step as a "data surgery," where senior stakeholders meet to discuss the nine key pillars of data, including data quality, data lineage, and data governance. This interactive session helps determine the organisation's current data maturity level and its desired goals. Subsequently, The Data Company assists in improving data quality, extracting data from legacy systems, and incorporating third-party data sources to enrich the dataset. They emphasise taking a gradual approach, focusing on solving specific use cases, and gradually building on those successes.

The Role of migrateFINIUM

Kali introduced migrateFINIUM, The Data Company's innovative platform designed to streamline data migration and transformation processes. This platform enables collaboration between product vendors and business users to define rules for data transformation effectively. For example, it helps address issues where gender data is represented as numerical values (1 and 2) rather than labels (M and F). Additionally, migrateFINIUM includes a comprehensive reconciliation suite to ensure that data from legacy systems successfully transitions to the new environment.

This suite covers various aspects, including financial reconciliations, policy accounts, and custom accounts, providing organisations with confidence in the data migration process. From a technical perspective, migrateFINIUM integrates seamlessly with various systems, including financial planning tools, customer relationship management (CRM) systems, and third-party data sources. Prebuilt APIs for popular systems accelerate the integration process, saving time and effort for organisations undergoing data transformations.

Looking Ahead

The interview with Kali Bagary provides valuable insights into the challenges organisations face when navigating the data landscape and highlights the importance of careful planning and strategy. With innovative solutions like migrateFINIUM, The Data Company is empowering businesses to unlock the full potential of their data while ensuring a smooth transition from legacy systems to modern platforms.

NETWORKING & EVENTS

CELEBRATING 25 YEARS OF GROWTH AND TRANSFORMATION AT TRA: A JOURNEY THROUGH HISTORY AND CHANGE

By Drew Feig
Photograph by Alexander Aronowitz

On the sunny afternoon of August 17th, 2023, a jubilant crowd gathered at the stunning Beyerskloof venue to commemorate a significant milestone – the 25th birthday celebration of TRA (Thatch Risk Acceptances). Amidst the picturesque landscapes and bustling camaraderie, guests from various parts of the country came together to celebrate a journey that began in 1998. This event was more than just a celebration; it was a testament to the resilience, innovation, and transformation that TRA has undergone over the years.

The celebratory atmosphere was a true reflection of the appreciation TRA felt towards its clients, partners, and colleagues, who have played an instrumental role in the company's growth. As the key figure of TRA, Natasja Blok, MD of TRA, expressed her profound gratitude for the unwavering support that had brought them to this day. With an eye to acknowledging the presence of esteemed guests, including representatives from F&I Insure and other industry leaders, she set the stage for a trip down memory lane.

Reflecting on the evolution of TRA, Natasja invited the audience to remember the story of Goldilocks shared during the 20th birthday celebration. However, recognising the need for brevity, she transitioned into a review of the last five years, focusing on the significant milestones that had shaped TRA's journey. The year 2019 marked TRA's participation in the SANS (South African National Standards) 10313 Working Group, a commitment that underscored the company's dedication to property and people protection against lightning.


SPECIALIST INSURANCE SOLUTIONS
TRA
25 YEARS

This involvement led to a nationwide roadshow, which engaged brokers in workshops focusing on the complexities of lightning protection. 2020, dominated by the pandemic, tested the company's adaptability as remote work became the norm. TRA's swift transition to remote operations within three days highlighted the strength of its team and commitment to serving clients under challenging circumstances. Despite the challenges, TRA faced personal losses during this time, a poignant reminder of the human toll of the pandemic. The remembrance of lost colleagues underlined the unity and support that defined the TRA family, which stood strong during times of hardship.

As the years rolled on, 2022 brought another wave of change. F&I Insure's majority shareholding acquisition of TRA led to a cascade of transformations. From a new TRA Board of Directors to the shift of risks carriers, TRA underwent a profound metamorphosis. The change in branding signalled the company's expansion beyond its original scope as a thatch underwriter, enabling TRA to provide a wider range of specialist insurance solutions. These changes were not just cosmetic – they signified a broader vision for TRA's future. The partnership with F&I Insure opened doors to countless opportunities and products, allowing TRA to extend its expertise to standard constructions and diverse commercial risks. This expansion enabled the company to diversify its offerings while maintaining its commitment to excellent customer service.TRA is very keen to grow its Commercial book and balance it with more standard types of risks.

The various products that are available immediately includes General Commercial, Hospitality, Guesthouses, Sectional Title, and Motor Fleets. TRA is also open to taking a co-insurance line where brokers are short of capacity and need to fill a slip. The journey of TRA's transformation would not have been possible without its dedicated team. Natasja highlighted the exceptional efforts of key team members who weathered the challenges and embraced the changes. The team's resilience was reminiscent of the ant colony in the animated film "A Bug's Life," symbolising unity and strength in the face of adversity.
Concluding the celebration, Natasja expressed gratitude to all attendees, emphasising the essential role brokers played in TRA's success. The celebration was more than a gathering; it was a tribute to the partnerships, growth, and transformations that have defined TRA's journey over 25 remarkable years.

As the celebration came to an end, TRA looked toward the future with excitement, ready to embrace new opportunities, strengthen relationships, and continue its legacy as a "Totally Ridiculously Amazing" insurance provider.

Insurance Institute of the Western Cape

IIWC Golf Day

2023

The IIWC team hosted an exclusive Golf Day experience at Arabella Golf Estate on 07 & 08 September. Two days of pure golfing joy, set in the beautiful Overberg region with rolling views to take in and a top-notch course to boot.

Companies including Santam, Bryte, National Salvage Brokers, Doves, IUM, MyGlass and Hollard showed their support by providing much needed hydration in strategic locations across the 18 holes, with SHA offering a hole-in-one prize on the 18th hole, to the value of 100 thousand Rand. The two days ended with an award ceremony and celebration.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