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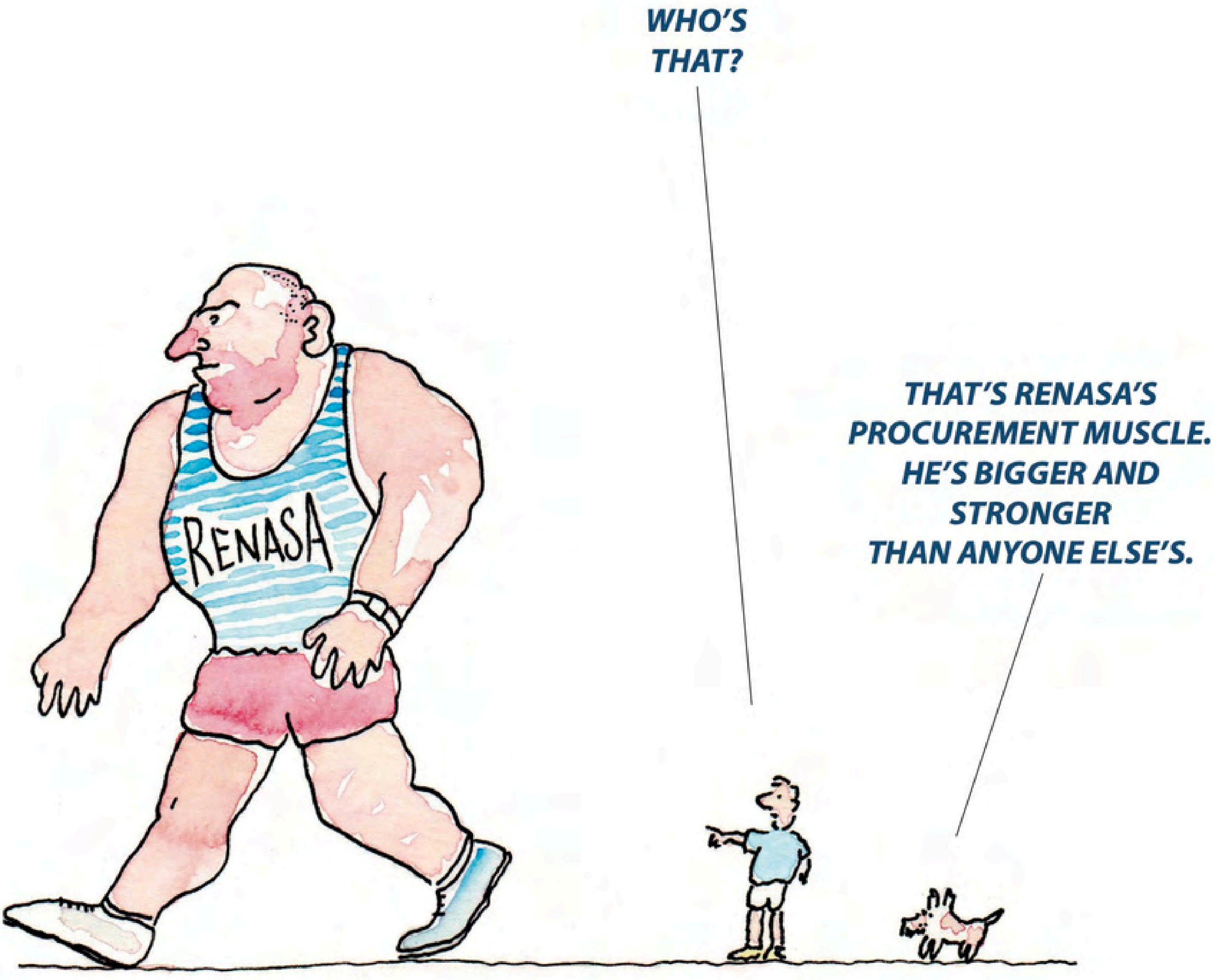

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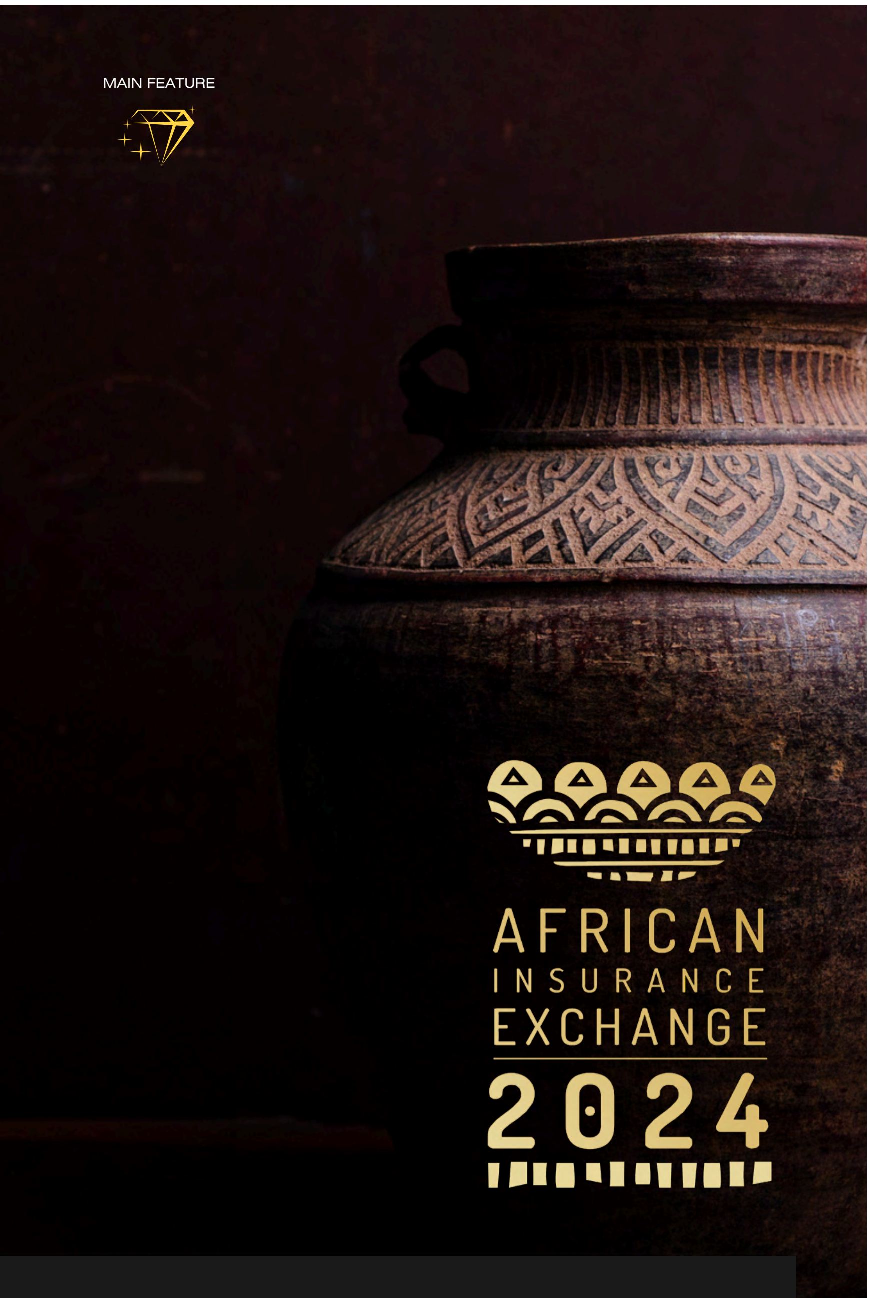
MAIN STORIES



AIE 2024 CONFERENCE 07

We caught up with a few of the professionals in attendance at this years African Insurance Exchange. In this feature we share some of the valuable insights gained from these professionals.

RETHINKING EMPLOYEE BENEFITS

Reo Botes, Managing Executive at Essential Employment Benefits, emphasises the importance of tailoring employee benefits to diverse income levels.

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Farming with the sun or the land?
Pick an insurer that understands both.

RISING TO THE CHALLENGE: STEERING THE FUTURE OF AFRICAN INSURANCE

By Tony van Niekerk

As the dust settles on another vibrant African Insurance Exchange and OESAI conference, it's clear that the insurance landscape is in a state of transformation, spurred on by unprecedented challenges, but also buoyed by fresh opportunities. From the lively sessions on regulatory shifts and innovation in insurance to the immersive networking in the shadow of Victoria Falls, the themes of adaptability and collaboration reverberated through every conversation.

The African Insurance Exchange 2024 stood out as a prime example of what happens when industry professionals, experts, and sponsors come together in pursuit of growth and shared knowledge. The conference provided not just a platform for discussions on the pressing issues facing our industry but also a tangible value for attendees and sponsors alike. From keynote sessions addressing the evolving economic landscape to focused panels on risk management and digital transformation, delegates left with actionable insights to take back to their businesses.

For sponsors, the exchange served as a powerful avenue to showcase their innovations and connect with decision-makers across the African insurance space. MyGlass, a key sponsor, took their involvement a step further by hosting a fun quiz competition that quickly became a highlight of the event. Designed to test participants' knowledge of the industry while injecting a dose of entertainment, the quiz fostered an atmosphere of camaraderie and engagement. Delegates had a blast competing for top honors, and the interactive nature of the quiz ensured that learning didn't just come from the formal sessions but through playful competition too.

The value derived from such interactions cannot be understated. For attendees, it was a chance to learn, connect, and unwind with peers, while for sponsors like MyGlass, it was an opportunity to leave a lasting impression in a memorable way.

In short-term insurance, we see growing complexity in managing fire risks and the impacts of hybrid workspaces. As businesses navigate the new normal, with partially occupied offices and evolving risk profiles, underwriters must work hand in hand with clients to ensure robust policies that account for both traditional and emerging threats. As Santam's Thabo Twalo highlighted, office capacity impacts risk, and the hybrid model demands new approaches to property protection and business continuity planning, followed by Aon's insights into fire safety reveal just how vital precise, well-maintained water-based fire protection systems are for business sustainability.

Across the financial planning and employee benefits landscapes, there is a growing demand for more tailored, inclusive solutions. Whether it's addressing the financial wellness of blue-collar workers, managing the complexities of the new two-pot system, or creating offshore investment strategies that protect against double taxation, it's clear that one-size-fits-all solutions no longer suffice. People are looking for advice and products that align with their unique circumstances, and it is up to financial advisers, insurers, and product developers to meet that call.

The technology sector, meanwhile, is experiencing rapid shifts as well. Angus Black from Barnowl Data Solutions reminds us that data management is not just about meeting regulatory standards but unlocking new opportunities for smarter business decisions (Edited Angus Black Inte...). At the same time, the focus on cybersecurity is more critical than ever. As Brent McDaniel of Cardinal Insurance Management Systems pointed out, human error remains one of the top causes of data breaches, but by cultivating better cyber behavior and enforcing stronger security protocols, companies can mitigate these risks (We Mitigate Cyber Risks...).

The OESAI conference reminded us of the importance of coming together, not just to learn, but to strengthen the bonds within our community. The backdrop of Victoria Falls served as a metaphor for the cascading challenges ahead, but also the power of our collective potential when we work in unison. As the drums beat at the Boma dinner, I was reminded that while the insurance industry faces its share of storms, our resilience and willingness to innovate will carry us through (OESAI 2024 Conference).

Looking forward, it's clear that our industry is on the cusp of something new. The winds of change may be strong, but with the right tools, a collaborative spirit, and a relentless focus on education and empowerment, we are well-positioned to navigate them. Together, we will continue to build a resilient future for African insurance.

AIE 50TH

CELEBRATION

"Step into a momentous occasion at the African Insurance Exchange 2024: 50 Year Celebration! Prepare for four unforgettable days of industry camaraderie and excitement at the prestigious Sun City Resort."

- THOKOZILE MAHLANGU IS THE CEO OF THE IISA

EMPOWERING THE FINANCIAL SERVICES SECTOR THROUGH INNOVATION IN EDUCATION

Abbot Pfukwa, CEO of Octomate Education

At Octomate Education, we believe in the power of knowledge to transform the financial services industry.

Since our inception in 2009, our mission has been to provide top-tier education, training, and skills development to professionals in the banking and insurance sectors. As we continue to expand our offerings and adapt to the evolving needs of the industry, our commitment to delivering impactful education remains unwavering.

Octomate Education offers a wide range of programs designed to meet the diverse needs of professionals in the financial services industry. Our offerings include learnerships, internships, regulatory examination (RE) preparatory workshops, skills programs and Continuing Professional Development (CPD) courses. One of our flagship tools is the RE5 Made Easy app, which we developed to support individuals preparing for regulatory exams.

The app has been a resounding success, with over 40,000 users benefiting from its example questions and study resources. This digital platform underscores our commitment to leveraging technology to enhance learning outcomes. In addition to classroom-based programs, we also offer an e-learning platform that allows professionals to study at their own pace and convenience.

This platform has been particularly valuable for those who need the flexibility to balance work and education. Whether it is pursuing a full qualification or taking a short course to upskill in a specific area, our e-learning platform provides accessible, high-quality education tailored to the needs of today's professionals.

Bridging the Gap Between Education and Employment: At Octomate, we do not just teach theory—we ensure that our students are ready to excel in the real world. To achieve this, we have established a sister company, Octomate Asset Management, which is an authorised Financial Services Provider (FSP). This company offers incubator services specifically designed to help unemployed individuals transition from learning programs to the workforce.

Through Octomate Asset Management, we provide mentorship and practical work experience to our students, giving them the hands-on skills they need to succeed in the industry. This approach enhances their employability and ensures they are well-prepared to meet the demands of their future employers.

The financial services industry is constantly evolving, and so too are the educational needs of its professionals. In today's fast-paced environment, there is a growing demand for both formal qualifications and targeted upskilling. Compliance requirements still drive the need for recognised qualifications, but the dynamic nature of the industry also necessitates continuous learning through short courses and CPD programs.

At Octomate, we have seen a strong interest in courses that address specific skill gaps, such as data analysis using Excel. These short courses allow professionals to quickly acquire new skills that are directly relevant to their roles, helping them stay competitive in an ever-changing marketplace. Our ability to offer both full qualifications and tailor-made programs ensures that we can meet the diverse needs of our students, whether they're looking to advance their careers or simply stay up to date with industry developments.

Expanding Beyond Insurance and Banking: While our roots are in the insurance and banking sectors, Octomate Education has expanded its offerings to include courses in other areas as well. For example, we now offer business analysis courses, which are highly relevant to the financial services industry but also applicable in other sectors. We also provide training in local government, corporate governance, compliance, and risk management, offering qualifications that can be applied across various industries.

This diversification of our course offerings reflects our commitment to providing comprehensive education that meets the needs of a wide range of professionals. By broadening our scope, we can deliver value not just to the financial services sector but to the broader economy.

Reflections on the AIE Conference: Attending the AIE 2024 conference has been an enriching experience. The insights shared by leaders like former Deputy President Dr. Phumzile Mlambo-Ngcuka and representatives from Lloyd's of London have been particularly inspiring. Dr. Mlambo-Ngcuka's focus on leadership development resonated deeply, emphasising the importance of strong, ethical leadership in driving industry growth. The theme of collaboration, as discussed by Lloyd's, also struck a chord. In today's competitive landscape, the ability to collaborate—even with competitors—can lead to innovative solutions that benefit the entire industry.

At Octomate, we embrace this collaborative spirit, recognising that by working together, we can create more value for our clients and the communities we serve. We are proud to be focused on educational innovation in the financial services industry. By offering a diverse range of programs and leveraging technology, we are empowering professionals to excel in their careers and contribute to the growth of the industry. As we continue to expand our offerings and forge new partnerships, our focus remains on delivering high-quality, relevant education that meets the needs of today's learners.

EMPOWERING COMMUNITIES THROUGH INNOVATIVE INSURANCE SOLUTIONS

Betty Masemula, Managing Director, WorkersLife

At WorkersLife, we are driven by a commitment to making insurance accessible and relevant to all South Africans, particularly those in underserved communities.

As a wholly black-owned insurance company, our mission is to provide financial security to individuals and families who have historically been excluded from the benefits of comprehensive insurance coverage. Since our founding in 1996, just two years after the birth of democracy in South Africa, we have grown to become a trusted provider of life and non-life insurance products, serving over 200,000 policyholders with more than a million lives assured.

Our journey began with a focus on serving the members of POPCRU (Police and Prisons Civil Rights Union), who remain our core market today. Over the years, we have expanded our offerings to include a wider range of products, such as funeral insurance, life insurance, and legal expense cover. While our roots are deeply embedded in serving the public sector, we are now branching out to reach new markets and communities, ensuring that more South Africans have access to the protection they need.

At WorkersLife, we are dedicated to offering solutions that are flexible, easy to understand, and tailored to meet the needs of our clients, especially those in the lower-income brackets who have traditionally been overlooked by the insurance industry. Our products are designed with simplicity in mind, making it easier for individuals and families to secure the coverage they need without the complexities often associated with insurance.

One of the key strategies driving our growth is the expansion of our distribution channels. While we have a strong in-house distribution arm, we also recognise the importance of partnering with independent Financial Service Providers (FSPs) to reach new markets. These partnerships allow us to tap into existing networks and leverage the expertise of established intermediaries who share our commitment to providing quality insurance products.

We are actively seeking collaborations with independent intermediaries who have a proven track record and a strong presence in the market. By partnering with these organisations, we can bring our products to a broader audience, particularly in non-core markets where the need for accessible insurance solutions is greatest.

Our distribution strategy is multi-faceted, incorporating face-to-face interactions, call center support, and digital platforms. All our products are available online, enabling individuals to purchase coverage directly from our website without an intermediary. This digital approach not only makes our products more accessible but also empowers consumers to take control of their financial security with ease.

Innovative Products to Meet Diverse Needs: At WorkersLife, we are constantly innovating to address the evolving needs of our clients. One of our most recent innovations is a life insurance product that offers a unique solution to a common problem faced by many South African families. Traditionally, families would purchase multiple funeral policies, which, while useful in covering immediate burial costs, often leave the family without ongoing financial support following the death of a breadwinner.

Our new life product addresses this gap by providing a monthly income of up to R15,000 for a period of up to 10 years upon the death of the policyholder. This income ensures that the family can continue to meet their living expenses, reducing the financial strain during an already difficult time. What makes this product particularly innovative is that it requires no medical underwriting, making it accessible to a broader range of individuals who may have been excluded from traditional life insurance due to health concerns.

This product is designed to complement existing funeral policies, offering a comprehensive solution that not only covers burial costs but also provides long-term financial security for the family. With coverage of up to R1.8 million, this product is a game-changer for many South African families, providing them with the peace of mind that comes from knowing their loved ones will be taken care of, even after they are gone. As we celebrate our participation in the 50th Insurance Institute of South Africa (IIE) conference, we are reminded of the importance of collaboration and strategic partnerships in achieving our goals.

This conference is an excellent platform for us to showcase our brand, connect with industry peers, and explore new opportunities for growth. We are excited about the future and confident that by working together with our partners, we can continue to make a meaningful impact in the lives of our clients. At WorkersLife, we believe that by learning from the past and embracing the lessons we have learned, we can build a brighter future for our company and our clients. We are committed to being a full-fledged insurance provider that offers innovative solutions tailored to the needs of South Africans.

Together, with our partners and clients, we will continue to strive for excellence and ensure that everyone has access to the financial protection they deserve.

SIGNIFICANT DEVELOPMENT IN INSURANCE TECHNOLOGY IN AFRICA

Clinton Da Costa Brown, Business Development Manager, SSP Africa

I recently had the opportunity to attend the African Insurance Exchange at Sun City in South Africa where I engaged in fascinating conversations with industry leaders, enjoying the lively atmosphere.

As a representative of SSP, I've witnessed significant developments in the insurance technology sector, particularly in Africa. In this article I would like to reflect on the critical aspects and challenges of implementing new technology in the insurance industry, with a focus on the African market.

The Evolution of Technology in Insurance - The concept of leapfrogging technology has been a recurring theme over the years. Initially, it was about automation and how businesses could leverage technology to streamline operations. Today, the conversation has shifted towards artificial intelligence (AI), machine learning, and automation. The goal is to understand how these technologies can propel businesses to the next level. In South Africa, for instance, we see a more mature insurance market with advanced capabilities, but the rest of Africa is catching up rapidly.

One of the main challenges in implementing AI is the misconception that it's solely a system problem. In reality, it's a multifaceted issue that involves the customer journey, the strategic growth intent of an organisation, and the overall market strategy. Insurers must have a clear vision of what they want to achieve with AI and engage vendors who can align with their strategic goals. Different insurers have different needs, making it difficult for system vendors to provide a one-size-fits-all solution.

Another critical aspect is ensuring that core functionalities such as underwriting, reinsurance, and compliance reporting are met before diving into AI. Many insurers have experienced failed solutions due to a lack of clear vision and understanding of AI's role in their operations. It is essential to have a robust core system before integrating advanced technologies.

The Role of System Vendors: System vendors play a crucial role in guiding insurers through the technology implementation process. Often, vendors are brought in at the wrong stage of the procurement process, which can hinder effective communication and understanding of the insurer's needs. Vendors should be involved early on to provide strategic insights and ensure that the foundational elements are in place. At SSP, we emphasise the importance of partnership and collaboration. We aim to understand our clients' strategies and provide solutions that align with their goals. It's not just about selling a system but about building a long-term relationship that supports the insurer's growth and innovation.

Insurers must decide whether they want to be market leaders or followers. This decision significantly impacts their approach to technology adoption. Being a leader means investing in building AI models and other advanced technologies, while being a follower involves observing market trends and learning from others' successes and failures. In Africa, the insurance market is undergoing consolidation and increased competition, which is beneficial for innovation and capital acquisition. Countries like Mauritius and Kenya are becoming quite advanced in their technological capabilities, while others like Rwanda are not far behind.

The trend towards technology adoption is clear, with AI and other technologies being seen as enablers for growth. One challenge insurers face is the potential instability of technology providers. Ownership changes at the parent company level can lead to shifts in strategy and support for existing solutions. It is crucial for insurers to conduct thorough due diligence, not just on the financials but also on the vision and stability of the provider. SSP, for example, was acquired by Constellation Group, which has a unique model focused on buying, holding, and growing technology companies. This provides stability and ongoing support for our clients, ensuring that they can rely on a consistent and evolving technology roadmap.

The Future of Insurance in Africa: The African insurance market is poised for significant growth and innovation. Insurers are becoming smarter and more strategic in their technology investments. However, the customer experience remains a critical area of focus. Insurers must create new models and use technologies that align with customer needs and preferences.

The conversations at recent conferences indicate that African insurers are aligning with international trends, seeking to enhance their capabilities and improve customer journeys. The appetite for innovation is strong, and with the right technology partners, African insurers can achieve remarkable growth and success.

“

INNOVATION AND COLLABORATION ARE KEY TO NAVIGATING TODAY'S COMPLEX RISKS

DAWN MILLER, COMMERCIAL DIRECTOR AT LLOYD'S OF LONDON

“

THE NEED FOR DIFFERENTIATED PRODUCTS POST-COVID AND THE IMPACT OF NEW NATURAL HAZARDS ARE RESHAPING OUR INDUSTRY. ITS CRUCIAL FOR COMPANIES TO RETHINK THEIR BALANCE SHEETS AND COVERAGE OFFERINGS

THABO TWALO, CHIEF UNDERWRITING OFFICER AT SANTAM

“

DID YOU KNOW? WIND TURBINES HAVE GROWN BY A FACTOR OF 3-4 IN THE LAST 20 YEARS. WHICH HAS RESULTED IN THEM BEING OVER 260M TALL. THAT IS 3 TIMES THE HEIGHT OF THE STATUE OF LIBERTY! AS WE EXPAND RENEWABLE ENERGY, WE MUST CONSIDER NEW CHALLENGES LIKE LOGISTICS AND MAINTENCE.

DANIEL SCHROEDER, SENIOR RISK ENGINEER AT ALLIANZ

“

AI IS NOT JUST ABOUT REPLACING HUMANS, BUT ENHANCING OUR CAPABILITIES.

CLIFF DE WAIT, NETSTAR CHIEF TECHNOLOGY OFFICER

“

INSURANCE COMPANIES GLOBALLY NEED TO COOPERATE MORE EFFECTIVELY TO ADDRESS COMPLEX RISKS

TRINA BOWSER, MANAGING DIRECTOR AT ACCENTURE CONSULTING'S INSURANCE PRACTICE

“

AI IS NOT JUST ABOUT REPLACING HUMANS, BUT ENHANCING OUR CAPABILITIES.

CLIFF DE WAIT, NETSTAR CHIEF TECHNOLOGY OFFICER

“

DATA PRIVACY AND CONSENT ARE CRUCIAL IN DIGITAL HEALTH. PARTNERING WITH REGULATORS AND ENSURING RESPONSIBLE IMPLEMENTATION IS KEY TO SUSTAINABLE SUCCESS. LET'S BUILD TRUST IN DIGITAL HEALTH TOGETHER

ANA ENDRES, CHIEF DIGITAL OFFICER AT DISCOVERY HEALTH

"

EDUCATION IS KEY TO PARTICIPATING IN THE AI-DRIVEN ECONOMY

SHAHEED PETERSEN, SENIOR ACCOUNTANT ADVISORY SERVICES, KPMG

"

REIMAGINING LIFE INSURANCE MEANS RECOGNISING ITS ROOTS IN SOCIAL STABILITY AND SUPPORT. AS WE FACE THE CHALLENGES OF A GROWING POPULATION AND ECONOMIC DISPARITIES, INSURANCE CAN PLAY A CRUCIAL ROLE IN UPLIFTING COMMUNITIES AND ENSURING NO ONE IS LEFT BEHIND

YAZEED ADAMS, HEAD OF STRATEGY, GOVERNANCE AND TRANSFORMATION AT MIWAY

"

WHILE GOVERNMENT AND LAW ENFORCEMENT PLAY ROLES IN CYBERSECURITY, BUSINESSES MUST ALSO TAKE PROACTIVE STEPS TO SAFEGUARD THEIR DATA

CHARL UECKERMANN, GROUP CEO OF AVES

"

AI IS ENHANCING HUMAN PRODUCTIVITY, NOT REPLACING US

ROBERT ATTWELL, CEO AT DISCOVERY INSURE

"

CANCER DETECTION THROUGH A SIMPLE BLOOD TEST? IMAGINE SCREENING FOR 50-60 TYPES OF CANCER WITH JUST ONE TEST. DIGITAL HEALTH IS MAKING THIS A REALITY, SHIFTING OUTCOMES AND OFFERING NEW HOPE.

DOUG RIX, HEAD OF UNDERWRITING R&D AT SWISSRE

"

ADVANCEMENTS IN TECHNOLOGY, INCLUDING AI AND DATA ANALYTICS, ARE CRUCIAL FOR OPERATIONAL RESILIENCE. FROM REAL-TIME RISK ASSESSMENTS TO IMPROVED CUSTOMER SERVICE, TECH PLAYS A PIVOTAL ROLE IN NAVIGATING DISRUPTIONS.

JESSICA KUTUMELA, CHIEF RISK OFFICER: GUARDRISK INSURANCE GROUP & IISA BOARD MEMBER

THE ROLE OF INVISIBLE TECHNOLOGY IN INSURANCE

Colin Greenhill, CEO, SSP Worldwide

As the Chief Executive Officer of SSP, I've had the privilege of navigating the intricate landscape of insurance technology for many years. Reflecting on my discussions at the recent ISA conference, it's evident that the industry is at a fascinating crossroads.

Our goal at SSP is to ensure that our technology remains invisible, seamlessly supporting the core functions of insurance while enabling innovation. In the early days, technology was a tangible part of the insurance process. Over the years, it has evolved from being a tool used by specialists to an integral, almost invisible, component of the industry. Today's younger generation, who are now entering the workforce, view technology not as an end but as a means to an end. They don't necessarily want to understand the intricacies of the systems they use, they just want them to work. This shift in perspective underscores the importance of making technology seamless and unobtrusive.

At SSP, we believe that the best technology is invisible. When you purchase an insurance policy for your car, home, or loved ones, you're not concerned with who provided the software or built the technology. You're focused on the protection it offers. Our role is to ensure that our systems work reliably and efficiently in the background, allowing insurers and brokers to provide exceptional service to their customers. When technology fails, as we all experienced with a recent CrowdStrike outage, the disruption is starkly apparent. Our mission is to be dependable and unobtrusive, ensuring that our clients can rely on us to support their operations seamlessly.

In my tenure as CEO of SSP Worldwide, I've engaged in numerous conversations with clients across the globe. These interactions vary widely; some clients come to us with well-defined problems and clear goals, making it easier to collaborate on solutions. Others, however, approach us with vague issues, expecting us to solve problems they can't fully articulate. The most successful partnerships occur when clients have a clear vision of what they want to achieve, understand their technological ecosystem, and can identify the gaps they need to fill. This clarity allows us to provide targeted support and contribute to building a robust technological infrastructure.

Our clients often come up with innovative ideas, some of which push the boundaries of what technology can achieve. For instance, we had a client who wanted to use drones to assess damage in the aftermath of hurricanes in the Caribbean. While the idea was technologically exciting, the practical implementation posed significant challenges. Instead of focusing on the novelty of the technology, we encouraged them to consider the end goal: improving the claims process. Sometimes, the best solutions are not the most technologically advanced but the ones that effectively address the customer's needs. It's about balancing innovation with practicality and ensuring that technology serves its intended purpose.

Insurance is fundamentally about peace of mind. It's about ensuring that when disaster strikes, there is a reliable system in place to provide the necessary support. During the devastating fires in Knysna, South Africa, insurers set up teams on location to assist affected clients directly. This hands-on approach demonstrated the value of human interaction and empathy in the claims process. While technology facilitated the rapid response, the personal touch made the real difference. Customers could speak to representatives, see the branding, and feel reassured that their claims were being handled with care.

The role of technology in insurance will continue to evolve. Our objective at SSP is to remain a reliable partner to insurers and brokers, providing the innovative systems they need to deliver outstanding service to their customers. The ultimate measure of success in insurance is not the technology itself but the quality of the customer experience it supports. Our software enables insurers to innovate and meet their customers' needs, but it is the insurers who deliver the final, tangible benefits. In essence, the effectiveness of insurance technology lies in its invisibility. By working behind the scenes, we allow insurers to focus on what truly matters: protecting their customers and providing peace of mind.

As we continue to develop and refine our systems, our commitment remains to support our clients in delivering exceptional service, leveraging technology in ways that enhance rather than overshadow the human element of insurance.

NAVIGATING COMPLEX RISKS

An In-Depth Discussion with Dawn Miller, Lloyd’s Chief Commercial Officer

In today’s rapidly evolving insurance landscape, managing complex risks has become increasingly challenging and crucial.

At the forefront of this transformation is Lloyd's, a globally recognised insurance marketplace with a long history and an innovative culture. During a recent conversation at the AIE 2024 conference in Sun City, Tony from COVER had the opportunity to sit down with Dawn to discuss a few pressing issues facing the insurance industry, including the impact of climate change, technological disruptions, and the evolving role of risk management.

Climate Change and Its Implications for Insurance: The conversation began with a focus on climate change, a topic that has become increasingly relevant in regions like South Africa, where extreme weather events are becoming more frequent and severe. Historically, weather-related losses were a peripheral concern for the South African insurance industry, but the situation has changed dramatically in recent years.

Dawn emphasised that Lloyd’s is keenly aware of these shifts and has been proactive in responding. "We have an enormous amount of data," she said, "and we are very focused as a marketplace on enabling our managing agents and syndicates to be the insurers of the transition." This transition involves adapting to new risks posed by climate change, which requires a deep understanding of evolving technologies and the ability to learn and adapt collectively.

One innovative approach Lloyd’s has taken is the creation of a "transition class code" (TCX), which allows underwriters in the marketplace to experiment with new technologies and address emerging risks. This experimental framework is crucial in helping companies navigate the complexities of climate-related challenges. As Dawn explained, "It'll be these new technologies that take us through the transition. We want to help carry companies through and be with them while they're addressing climate topics, not say you cannot do this and just drop off as a cliff edge."

Interestingly, despite the growing awareness of climate change, Lloyd's data over the past 20 years has not yet shown a significant impact of climate on catastrophic events. The increase in losses, according to Dawn, is more a result of growing exposures—more people and assets are now located in high-risk areas, leading to greater losses when disasters strike. This underscores the importance of accurate pricing policies to reflect these increased risks and ensure a sustainable future for the industry.

The Challenge of Urbanisation: The discussion then shifted to urbanisation, particularly in South Africa, where rapid urban growth has strained existing infrastructure and planning systems. This, combined with changing weather patterns, has made the traditional "hundred-year flood line" concept increasingly obsolete. As Tony pointed out, urbanisation pressures have led to adjustments in flood risk assessments, which now need to account for both more frequent and severe flooding events.

Dawn acknowledged these challenges and highlighted the role of regulatory bodies in addressing them. She pointed out that agile regulators worldwide are working in tandem with the insurance industry to tackle these issues. Some are even experimenting with regulatory sandboxes to test innovative products and operational models. These efforts are crucial in providing coverage in rapidly urbanising areas where the risks are evolving faster than the traditional models can accommodate.

Technological Disruptions and Cyber Risk: Another significant topic was the recent fallout from a technological glitch involving Microsoft, which had a ripple effect across global industries. This incident, though not a cyber-attack, highlighted the vulnerability of interconnected systems and the potential for widespread business interruption. The conversation naturally extended to cyber risks, where the stakes are even higher, as intentional disruptions can lead to catastrophic consequences.

Dawn emphasised the importance of collaboration and strong risk management in mitigating such risks. She pointed out that incidents like the Microsoft glitch serve as a wake-up call for the industry to strengthen its defenses and improve resilience. "This was an incredible global event that happened almost instantaneously, growing the need to focus on risk management programmes and on prevention" she noted, "underscoring the need for continuous dialogue and collaboration across the industry".

One of the key takeaways from this discussion was the need for businesses to rethink their risk management strategies, particularly concerning their supply chains. As Dawn explained, while companies might have strong risk management practices for their primary suppliers, the vulnerability often lies further down the supply chain. Events like the Microsoft glitch provide an opportunity to reassess these vulnerabilities and develop more robust strategies.

The Growing Role of Insurance in a Complex World: The conversation also touched on the broader implications of these trends for the insurance industry. Dawn pointed out that the increasing complexity of risks is driving greater demand for insurance products, as evidenced by the fact that global insurance penetration is growing faster than GDP. This growth reflects the rising awareness of systemic risks and the need for businesses and individuals to protect themselves against a broader array of potential threats. One of the critical challenges in this new landscape is quantifying systemic risk, particularly in interconnected industries like cloud computing. Dawn acknowledged that this is a complex issue, with each business needing to conduct its own assessments. However, she also highlighted the emergence of new insurance products designed to address these risks, such as cloud downtime insurance, which is being developed through Lloyd's Lab.

The Evolving Role of Brokers: As risks become more complex, the role of brokers is also evolving. Traditionally seen as intermediaries, brokers are now required to take on more specialised roles, including conducting detailed risk assessments and managing risks throughout the lifecycle of an insurance policy. This shift is particularly evident in markets like South Africa, where brokers are increasingly seen as key players in the risk management process. Dawn, a former broker herself, expressed her satisfaction with this evolution. She noted that many brokers are now aggregating risks and creating facilities, which, when done correctly, can streamline the insurance process and free up resources for more complex tasks. She said brokers are trying to aggregate risks and create facilities, adding that this allows them to bring more value to the table, particularly in areas like engineering, surveying, and claims management.

Lloyd's plays a crucial role in supporting this transition by providing platforms for innovation and collaboration. Through programmes like Launchpad and Future Minds, Lloyd's helps brokers and underwriters work together on complex issues, using data and technology to develop new solutions. These initiatives are part of Lloyd's broader strategy to stay at the cutting edge of the industry and ensure that its marketplace continues to offer the most advanced products and services.

The Power of Collaboration at Lloyd's: One unique strength of Lloyd's is bringing together diverse expertise from around the world. This diversity is not just geographical but also spans different areas of specialisation, from underwriting to claims management. As Dawn put it, "That's where the magic happens at Lloyd's... that gives us our special sauce." This collaborative environment is fostered through various forums and programs that allow participants in the Lloyd's market to share knowledge and work together on innovative solutions. Whether through the Lloyd's Market Association (LMA), Lloyd's Lab, or other initiatives, these platforms provide invaluable opportunities for learning and development.

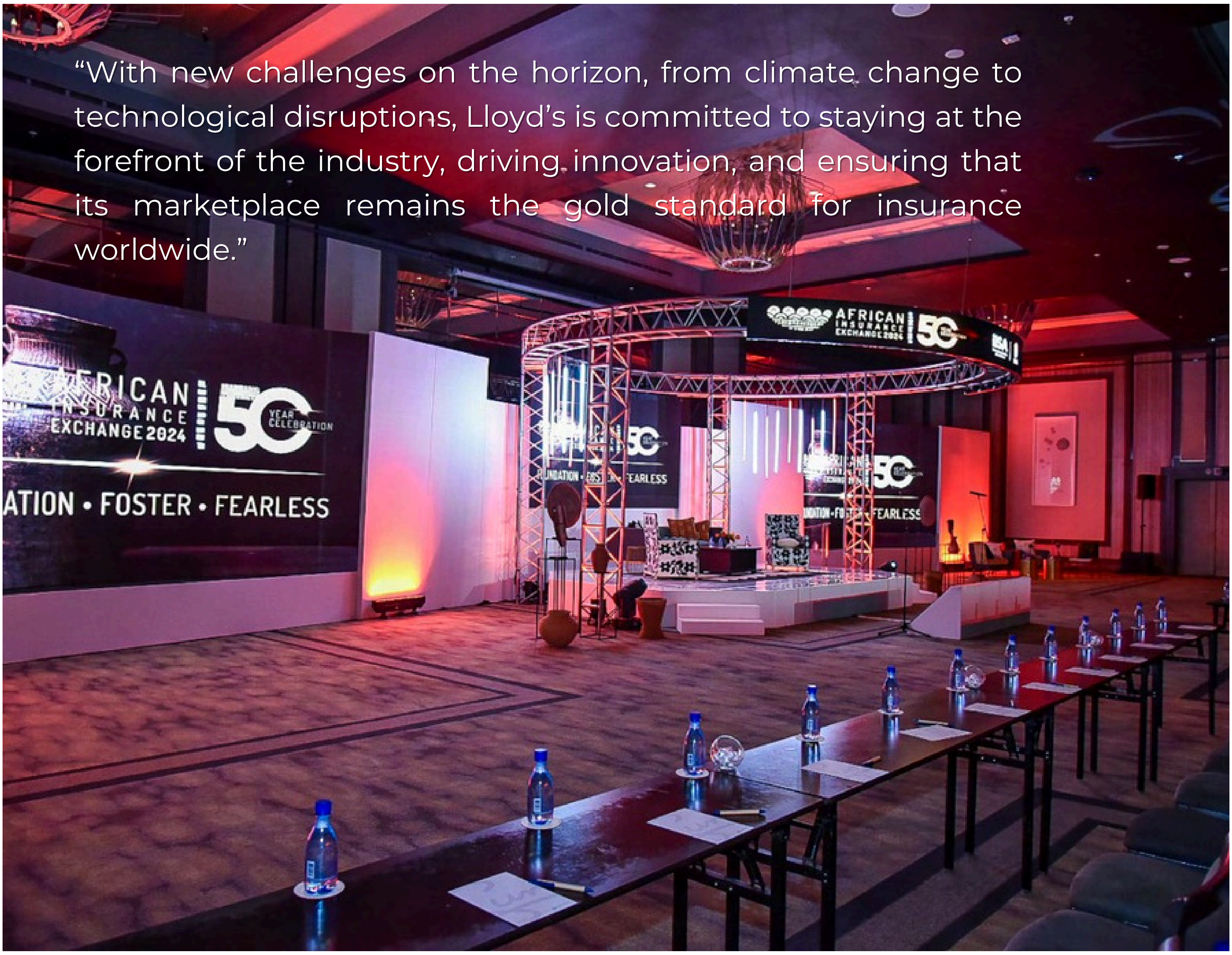
The Innovation Engine: Lloyd's Lab: Lloyd's Lab is a cornerstone of Lloyd's innovation strategy. Launched nearly six years ago, the Lab has become a hub for cutting-edge ideas and solutions in the insurance industry. With 120 companies having gone through its flagship accelerator program, the Lab has made a significant impact on the industry. Its recognition as one of Europe's top accelerators, and the top in insurance, is a testament to its success. The Lab's approach is built around the concept of "fail fast and succeed faster," encouraging startups and innovators to experiment and refine their ideas quickly. This process is supported by Lloyd's marketplace, which provides access to a wealth of expertise and resources.

As Dawn explained, the Lab's programmes are designed to help participants turn their ideas into viable products, often leading to the development of entirely new business models. For the African market, the Lab offers a unique opportunity to address region-specific risks. Dawn mentioned a South African company currently in the Lab cohort that is working on machinery breakdown solutions tailored to the African context. This focus on localised innovation is crucial for ensuring that the continent can effectively manage its unique challenges and continue to grow.

A Bright Future for Lloyd's and the Insurance Industry: It is clear that Lloyd's is well-positioned to lead the insurance industry into the future. Through its focus on innovation, collaboration, and data-driven decision-making, Lloyd's is helping to shape a world where risks are better understood and managed, and where the insurance industry can continue to provide critical support in an increasingly complex world. For Dawn Miller and her team at Lloyd's, the journey is just beginning.

With new challenges on the horizon, from climate change to technological disruptions, Lloyd's is committed to staying at the forefront of the industry, driving innovation, and ensuring that its marketplace remains the gold standard for insurance worldwide. This discussion highlighted the importance of adaptability and collaboration in today's insurance landscape. As risks evolve, so must the strategies and tools used to manage them.

Lloyd's, with its rich history and forward-looking approach, is uniquely equipped to navigate this changing landscape and help the global insurance industry meet the challenges of tomorrow.



EVOLVING DISPUTE RESOLUTION
IN THE INSURANCE INDUSTRY

Donald Dinnie, Director at Norton Rose Fulbright, in conversation with Tony van Niekerk from COVER, at the AIE 2024 conference.

I had the opportunity to sit down with Donald to discuss the current state and recent developments in dispute resolution within the insurance industry.

As the conversation unfolded, it became clear that while the methods of resolving disputes have evolved significantly over time, the challenges they present remain as pertinent as ever. The conversation began with a light-hearted reference to the early days of human civilisation when disputes might have been settled with a simple "clubbing" over a disagreement. While the methods have thankfully advanced since then, the underlying need for conflict resolution remains unchanged. Today, the term "dispute resolution" is more commonly used, reflecting a shift towards more civilised and structured methods of resolving conflicts, particularly within the insurance sector.

The Evolution of Alternative Dispute Resolution (ADR): Donald noted that alternative dispute resolution (ADR) has been a buzzword in the industry for many years. ADR encompasses various methods like mediation and arbitration, which provide alternatives to traditional court litigation. These methods have become increasingly important in managing insurance disputes, offering more efficient and less adversarial means of resolving conflicts. One significant development highlighted by Donald is the role of ombud schemes in the insurance industry. These schemes have expanded their jurisdiction and authority, enabling them to address a broader range of claims.

The introduction of the National Financial Ombud (NFO) in South Africa, for instance, has streamlined the process, bringing non-life insurance claims and other categories under a more unified oversight. This change has allowed the ombuds to make more significant and impactful decisions, particularly when claims have not been handled appropriately by insurers. With the expanded role of ombuds and the introduction of new rules, insurers face increased scrutiny and potential reputational risks. The ombud now has greater authority to make adverse findings against insurers if claims are not managed professionally or in good faith. This heightened oversight has put insurers on alert, emphasising the need for meticulous and transparent claims handling practices.

Donald pointed out that while the ombud's increased jurisdiction presents new challenges for insurers, it also reflects positively on the industry. Statistics show that around 70% of claims are resolved in favor of insurers, indicating that, generally, insurers take the claims process seriously and only reject claims when there is a solid basis for doing so. However, the stakes are higher now, and insurers must be diligent in their claims management to avoid adverse rulings.

The Growing Role of ADR in Complex Insurance Claims: As the conversation progressed, we discussed the increasing use of ADR in managing complex insurance claims. Donald noted a significant rise in the number of cases being resolved through mediation, arbitration, or other forms of ADR. This trend is driven partly by the severe delays in the traditional court system, particularly in South Africa. For example, the Pretoria High Court is currently allocating trial dates as far off as 2028, making litigation an impractical option for timely resolution.

Given these delays, ADR offers a more expedient alternative, allowing disputes to be resolved much faster than through the courts. Donald mentioned the use of "waterfall clauses" in policies, which outline a step-by-step escalation process—beginning with discussions at the senior management level, followed by mediation, and finally arbitration if necessary. This structured approach speeds up the resolution process and helps avoid the lengthy and uncertain path of litigation.
One of the key points Donald emphasised was the importance of early evidence collection in the dispute resolution process. In complex insurance disputes, time can greatly impact the availability and reliability of evidence. Memories fade, witnesses become unavailable, and the details of events can become hazy.

To mitigate these risks, he advised that insurers and involved parties should prioritise documenting evidence as early as possible. This includes taking witness statements and preserving any relevant documents or communications. By doing so, they can ensure that accurate and reliable evidence is available if the dispute escalates to arbitration or court proceedings.

It became clear that the landscape of dispute resolution in the insurance industry is evolving rapidly. While traditional litigation remains a key component, the growing reliance on ADR methods like mediation and arbitration reflects a broader shift towards efficiency and practicality. Insurers are increasingly recognising the need to adapt to these changes, both in terms of managing risks and ensuring that their processes are robust enough to withstand scrutiny from ombuds and other regulatory bodies.

Donald's insights provided valuable food for thought, particularly for compliance professionals and others involved in the insurance industry. As the sector continues to evolve, staying ahead of these trends will be crucial for effectively managing disputes and maintaining trust in the insurance process.

In conclusion, while we have come a long way from the primitive methods of conflict resolution, the insurance industry's approach to managing disputes continues to develop. The focus now is on finding quicker, more efficient ways to resolve conflicts, ensuring that all parties can move forward with confidence and clarity.

Donald Dinnie, Director at Norton Rose Fulbright

EXPANDING HORIZONS

SANTAM SPECIALIST INSURANCE'S STRATEGY FOR GROWTH

Gareth Beaver, the CEO of Santam Specialist Insurance

Gareth Beaver, the CEO of Santam Specialist Insurance, in conversation with Tony from COVER, at the AIE 2024 conference.

This conversation provides readers with deeper insights into the evolving strategy of Santam Specialist Insurance, a division of Santam. Gareth shared his thoughts on the importance of industry events, the strategic direction of Santam Specialist Insurance, and the opportunities on the African continent.

Gareth began by emphasising the significance of events like AIE 2024 for the insurance industry. These gatherings offer a rare opportunity for industry professionals to network, reconnect, and engage in meaningful conversations. It's a fantastic opportunity to network, catch up with old friends, and connect with people who have been doing a great job in this special industry of ours.

Such events are particularly valuable because, as Gareth pointed out, the busy nature of professional life often leaves little room for networking outside of formal business settings. The concentrated environment of a conference allows for more in-depth discussions and the forging of stronger relationships, both of which are crucial in an industry that relies heavily on trust and collaboration.

Santam's Strategic Evolution in Specialist Insurance: We then moved on to the core of Santam Specialist Insurance's strategy. Gareth explained that many of the specialist insurance businesses under the Santam umbrella have deep roots, often dating back 40 years or more. These businesses were initially founded by entrepreneurial individuals with a strong focus on niche markets such as marine, aviation, and liability insurance.

Over time, as these businesses grew and their founders looked to monetise their investments, Santam naturally became the primary purchaser of these shares, consolidating its position as the leading player in South Africa's specialist insurance market. Gareth pointed out that this consolidation makes sense from a business perspective and in brand strength.

Gareth also discussed how Santam engages with brokers, a critical component of its business strategy. He explained that within large global brokers, specialist teams often mirror Santam's own specialist divisions. These teams prefer to interact directly with their counterparts at Santam, allowing for more focused and effective collaboration. However, not all brokers operate with such specialisation.

Mid-market commercial brokers, for example, may not have the same level of internal specialisation and might prefer a single point of contact within Santam. To accommodate these varying needs, Santam has adopted a flexible approach. They've recently appointed Shazzy Taylor as the head of broker market engagement and development, ensuring that brokers have a clear and efficient entry point into the specialist teams at Santam.

This dual approach—offering both specialised direct contacts and a more generalised entry point—allows Santam to effectively cater to the diverse needs of brokers, enhancing their ability to serve clients and build stronger relationships across the board. Expanding into Africa and Beyond - Turning to Santam's growth strategy, particularly in Africa, Gareth revealed that approximately 20% of Santam Specialist Insurance's business currently comes from outside South Africa. The company has a strong presence in key markets across the African continent, particularly in sectors like engineering, corporate assets, liability, and marine insurance.

Santam's longer-term goal is to increase the proportion of business sourced from outside South Africa to 50% within the next five years. This ambitious target includes not only expanding across Africa but also tapping into selected international markets in the Middle East, Southeast Asia, India, and China. Gareth highlighted Africa's unique growth potential, noting that the continent is experiencing a significant population boom, which is driving demand for infrastructure and development projects. "Africa is the one continent that is growing in terms of population, and as economies develop from emerging to more sophisticated, there is a huge opportunity," he explained.

Santam is well-positioned to capitalise on this growth, particularly through its alliance with Sanlam. The merger has created what Gareth described as the largest, most well-branded insurance platform on the African continent. This strategic positioning allows Santam to play a crucial role in supporting the continent's development, particularly in sectors like infrastructure, agriculture, and natural resources. I ended the conversation by asking Gareth to touch on the importance of a strong regulatory environment in Africa.

He noted that as regulatory frameworks across the continent become more formalised and robust, the insurance and financial industries are also becoming more professional. This, in turn, makes it easier and safer to do business in these markets, further enhancing the opportunities for growth. Gareth summed it up, "Africa is a big, important continent for the world, and we are well-positioned to connect with the trade that's happening in those markets."

Clearly, by consolidating its specialist businesses and expanding aggressively into Africa and other international markets, Santam is positioning itself as a leader in the global insurance industry.

DIGITISATION & INNOVATION IN AFRICAN INSURANCE

Gary Tessendorf, the Country Manager for Africa at Sapiens.

We are experiencing the rapid digitisation of the insurance sector in Africa and a growing demand for new technologies. This presents exciting opportunities for both Sapiens and the broader market.

When we arrived in Africa eight years ago, we had a couple of key select customers in the region. We have grown significantly since then, and Sapiens, with its 5,500 employees and 600 insurance customers worldwide, has seen remarkable success in Africa, expanding its reach across the continent and building a strong local presence. This expansion has been driven by a deep understanding of the unique challenges and opportunities within the African insurance market. We work with a broad spectrum of clients, ranging from bank insurance and funeral policies to short-term insurance.

This diversity speaks to the company's ability to adapt its solutions to meet the specific needs of different sectors within the insurance industry. One of the key themes of the conversation was the changing attitude towards technology adoption within the insurance industry. Several years ago, the conversation around digitisation was very much a "push" effort, with companies needing to be persuaded of the benefits of new technologies. However, in recent years, this dynamic has shifted. Customers are now aware of what they are trying to do.

They are aware of the pressures, the market dynamics, and the new tooling that is out there. This increased awareness has led to a more collaborative approach, with Sapiens working closely with its clients, whom we like to see as pertners, to implement technology solutions that are aligned with their strategic goals. This shift is evident in the way we engage with our clients. With a strong local support team and deep international experience, Sapiens brings a blend of global expertise and local knowledge to its projects. We have found a lot of really good partners, and have built close relationships with key players in the African insurance market.

The Role of AI in Insurance: Looking to the future of technology in insurance, AI emerges as a central topic. Sapiens is at the forefront of integrating AI into its platforms, thanks in part to its partnership with Microsoft. This collaboration is enabling Sapiens to leverage cutting-edge AI technologies and bring them to the African market. I am super exited about the potential of AI to transform the insurance industry. We are all trying to understand what this AI concept is going to do, how it is going to impact us. The partnership with Microsoft, a global leader in AI, positions Sapiens to be a key player in this transformation. Being able to leverage AI down into our platforms and bring that into South Africa to our existing customers, the sky is the limit.

I envision a future where AI could drastically simplify customer interactions, allowing clients to query their insurance policies in natural language and receive instant, accurate responses, is just the beginning of what AI can offer. The potential for AI to improve everything from claims processing to customer service is vast, and Sapiens is committed to exploring these possibilities.

Exporting African Innovation: We should not discount the knowledge and expertise that Africa brings to the global stage. Sapiens' South African team is not just a recipient of international knowledge but also contributes to global projects. About 20 to 30 percent of our team actually works on international programs, highlighting the mutual exchange of knowledge between South Africa and other markets. This exchange benefits both the local and international teams, allowing South African employees to gain global exposure and bring back best practices to improve the local market. It also demonstrates the high level of expertise present in Africa, which is increasingly being recognised on the global stage.

There is a wealth of innovation happening in Africa, particularly as South African companies expand northward into the rest of the continent. This expansion is not just about exporting knowledge but also about learning from the unique innovations happening in other African countries. There is a growing demand for digital solutions across Africa, with countries like Kenya showing a strong interest in engaging with international vendors like Sapiens to drive their own digital transformations. While Sapiens has already made significant inroads into South Africa, we are now turning our attention to the broader African continent, which has the potential to become a key market for us. The market does need these solutions, owing to the increasing demand for digital insurance platforms in Africa.

Sapiens is not just passively observing this trend, we are actively strategising expansion into new African markets. This includes bringing in local expertise and aligning with the needs of the market to deliver tailored solutions that drive growth. We are receiving a lot of interest from countries like Kenya, often initiated by the countries themselves, recognising the need for digital transformation in their insurance sectors. The African insurance market is dynamic and rapidly evolving. Sapiens, with its combination of global expertise and local knowledge, is well-positioned to lead this transformation. The shift towards digitisation, the integration of AI, and the growing exchange of knowledge between Africa and the rest of the world are all contributing to a vibrant and exciting future for the industry.

As we continue to expand our footprint across Africa, we focus on not just being a vendor but a true partner to the insurance industry, helping African insurers navigate the challenges of digital transformation and harness the power of new technologies.

EMPOWERING THE FUTURE

Kershen Pillay, CEO of the Graduate Institute of Financial Sciences (GIFS)

At the Insurance Institute's 50th conference, Tony from COVER had the opportunity to sit down with Kershen Pillay, CEO of the Graduate Institute of Financial Sciences (GIFS). Their conversation delved into the importance of education, the role of professional development, and the broader impact of these efforts on society.

A Mission of Professionalisation: Kershen began by emphasising that upskilling is not just about acquiring new skills—it's about professionalisation. "What we are trying to do is create sustainable employment for all," he explained. GIFS has two major focus areas: addressing unemployment by training young people from underprivileged areas and advancing the careers of those already working in the financial services sector.

One of GIFS's flagship initiatives is the Youth Accelerator Program, developed in collaboration with the Insurance Institute of South Africa (IISA) and the Insurance Institute of Gauteng (IIG). This program aims to take young people from townships and rural areas and transform them into insurance professionals. By providing these opportunities, GIFS is not only helping to build the talent pool in the insurance industry but also addressing broader social issues such as unemployment, poverty, and crime.

The second major focus of GIFS is on the professional development of those already working in the industry. Kershen pointed out that, traditionally, professional development in the financial services sector has been sporadic and unstructured. Many professionals have taken courses or earned qualifications piecemeal, without a clear pathway to advance their careers.

"We are placing strong emphasis on our financial advisors and brokers to start educating their clients."

GIFS has tackled this issue by creating a professional pathway that guides individuals from entry-level positions to advanced qualifications. "We take someone with no knowledge of the industry right through to someone who is a professional, and we equate all those years of experience to a degree, diploma, or higher certificate," Kershen explained. This approach allows professionals to gain recognition for their experience and provides a clear route for career progression.

A key aspect of this strategy is the use of Recognition of Prior Learning (RPL), which allows experienced professionals to bypass entry-level qualifications and move directly into more advanced programs. This not only accelerates their career growth but also helps to address the skills gap in the industry by fast-tracking capable individuals into leadership roles.

Educating Beyond the Industry: While GIFS is focused on educating industry professionals, Kershen stressed the importance of extending this education to consumers. "We are placing strong emphasis on our financial advisors and brokers to start educating their clients," he said. This consumer education is seen as crucial for reducing claims and underwriting risks, which can be mitigated when clients better understand the products they are purchasing and the risks they are facing.

Kershen gave the example of recent floods in KwaZulu-Natal (KZN), where poor infrastructure exacerbated the damage and led to significant insurance claims. He suggested that if clients had been better educated about the importance of proper infrastructure maintenance, the impact might have been less severe. This highlights the broader role that insurance professionals can play in society—not just as providers of coverage, but as educators and advocates for risk management.

Tony raised the question of how to improve consumer education, particularly for lower-income consumers who may not have a deep understanding of insurance products. Kershen acknowledged that this is a complex issue but suggested that community engagement could be a key strategy. He proposed focusing on educating community leaders—such as pastors, spiritual leaders, and local government officials—who can then pass on this knowledge to the broader community.

"Maybe we don't need to educate every single person in the rural township," Kershen said. "But there are spiritual leaders, pastors, government officials who these individuals listen to." By targeting these influencers, insurers could more effectively reach large segments of the population and ensure that important information about insurance and financial planning is disseminated. Kershen also suggested that insurers could incentivise these community leaders by investing in the infrastructure of community gathering places, such as churches and halls. This would not only build goodwill but also create opportunities to engage with the community in meaningful ways.

Reflecting on the Conference: As the conversation drew to a close, Tony asked Kershen about his experience at the conference. Kershen was impressed by the timing and content of the event, particularly considering South Africa's broader political and economic context. He noted that the conference coincided with important national reflections, such as Mandela Day, and provided a platform for open dialogue about the challenges facing the country.

Kershen highlighted a keynote speech by Dr. Phumzile Mlambo-Ngcuka, which underscored the importance of responsible leadership and the dangers of corruption. He praised the conference organisers for fostering an environment where such critical issues could be discussed openly. "As a nation, what have we done 30 years into democracy?" Kershen asked, reflecting on the broader societal context in which the insurance industry operates. He also pointed out that the financial services sector plays a crucial role in the global economy, ranking as the third most significant sector worldwide. Given this importance, Kershen believes the industry has a responsibility to hold leaders accountable and to contribute positively to the economic and social fabric of the country.

Tony agreed, noting that brainstorming and sharing ideas at conferences can stimulate innovation and lead to solutions for collective problems. Kershen echoed this sentiment, emphasising the value of dialogue in addressing the challenges facing the insurance industry and society as a whole. The conversation with Kershen Pillay highlighted the vital role that education and professional development play in the insurance industry. By upskilling both new entrants and experienced professionals, GIFS is helping to build a more resilient and knowledgeable workforce.

At the same time, by extending education to consumers and community leaders, the organisation is contributing to broader societal goals, such as reducing risk and fostering economic stability. As Kershen and Tony both recognised, the future of the industry depends on a commitment to learning, dialogue, and innovation.

Clifford de Wit, the Chief Technology Officer (CTO), Netstar

We are in an era where technology is rapidly transforming industries, pushing Netstar to expand far beyond its original perception as a vehicle tracking service.

Today, Netstar is a critical player in the data and AI space, particularly in how these technologies serve the insurance industry. Our core operations are divided into three major categories: stolen vehicle recovery, telematics data, and video-based data. Each of these areas is crucial in creating new value propositions for their customers, particularly insurers. Clifford explains that while vehicle recovery remains a significant part of Netstar's identity, the company has diversified into lower-value asset protection, data analytics, and AI-powered insights.

One of the most exciting developments at Netstar is the upcoming release of a new product similar to Apple's AirTag. This low-powered, battery-operated device can be attached to various valuable assets, from jet skis to generators, enabling users to track and recover these items if necessary. The technology is expected to have a profound impact on the insurance industry by allowing insurers to offer coverage for a broader range of assets, which were previously difficult to insure due to their mobility or value.

At Netstar we try to push the boundaries of data analytics. Our company has developed sophisticated AI models that analyse data from their devices to detect if a vehicle has been involved in an accident. This technology improves the accuracy of first notifications of loss and enhances fraud detection capabilities. High-quality data is essential for developing new insurance products, such as usage-based or risk-based insurance, which are increasingly popular.

The third area of focus for Netstar is video-based data, which is a rapidly growing field. The integration of video data into telematics allows for real-time risk assessment, such as detecting if a driver is falling asleep at the wheel. This capability is a game-changer for insurers, as it enables them to prevent accidents before they happen, thereby reducing claims and potentially lowering premiums for customers.

AI plays a pivotal role in all these innovations. According to Clifford, AI is already embedded in many aspects of daily life, from banking transactions to call center operations. However, the rise of generative AI is set to bring these capabilities to the forefront, making it an integral part of our everyday experiences. One can liken this shift to previous technological revolutions, such as the advent of electricity or the introduction of personal computers. I believe that AI will soon provide humans with superhuman capabilities, enabling us to be more productive and innovative.

Netstar is leveraging these AI advancements to develop new tools for customers. For instance, we are creating AI-based "co-pilots" that allow users to interact with their systems using natural language. This user-friendly approach to technology is expected to drive widespread adoption, as it eliminates the need for users to learn complex interfaces. Instead, the technology adapts to human communication, making it accessible to a broader audience.

The impact of AI and data on the insurance industry is profound. By providing insurers with refined data and AI-driven insights, we enable them to offer more personalised and competitive products. This not only benefits insurers but also helps to increase the overall insured base, particularly in markets where the penetration of motor insurance is low. Reducing the number of uninsured drivers on the road can significantly lower the risk for insured drivers, creating a safer and more profitable environment for insurers.

Netstar is not just a vehicle tracking company. It is a data and AI powerhouse that is transforming the insurance industry through its innovations in asset tracking, telematics, and video-based data. We are helping insurers make better decisions, reduce risks, and offer more competitive products.

As AI continues to evolve, Netstar and other similar companies will play a crucial role in shaping the future of insurance and other industries.

TRANSFORMING AGRICULTURE THROUGH INSURANCE

Pascal Siphugu on Land Bank Insurance's Vision

At the AIE 2024 conference in Sun City, COVER's Tony had the opportunity to sit down with Pascal Siphugu, Managing Director of Land Bank Insurance, to discuss the crucial role of agricultural insurance in South Africa.

Their conversation covered the challenges and opportunities in reaching different segments of the farming community, the innovative approaches Land Bank Insurance is pursuing, and the broader impact of agricultural insurance on the country's economy and food security. The Social Mandate of Land Bank Insurance - Pascal began by explaining the foundational mission of Land Bank Insurance, a subsidiary of the Land Bank.

The company has a clear social mandate: to drive an inclusive agricultural sector in South Africa. "Inclusive," as Pascal described, means serving all segments of the farming community—from mega-commercial farmers to small-scale, non-commercial farmers. Over the past 15 years, Land Bank Insurance has made significant strides in supporting the commercial farming sector, capturing about 37% of the market in crop insurance.

However, Pascal emphasized that the company's future focus is on expanding its reach to small-scale and emerging farmers. These farmers, who often struggle with affordability and accessibility, are crucial to the sustainability and growth of South Africa's agricultural sector. One of the key challenges for small-scale farmers is the cost of traditional crop insurance, which Pascal likened to a "Rolls Royce" product—comprehensive but expensive.

To address this, Land Bank Insurance is developing bespoke solutions tailored to the needs of smaller farmers. A significant part of this strategy involves the introduction of index insurance products. Index insurance, particularly weather index products, are widely used in developing economies around the world.

These products are designed to provide coverage based on predefined weather conditions, such as rainfall or drought, rather than the actual loss experienced by the farmer. This makes them more affordable and easier to administer, especially in regions where traditional insurance might be too costly or complex. Despite their popularity in other countries, South Africa has yet to fully embrace index insurance, and government support has been minimal.

However, Pascal revealed that discussions are underway with both the National Treasury and the Department of Agriculture, Land Reform and Rural Development (DALRRD) to develop and subsidise these products. The goal is to roll out livestock and crop index insurance products within the next year, with government subsidies playing a crucial role in making these products accessible to small-scale farmers.

Overcoming Distribution Challenges: Distribution is another significant hurdle in reaching small-scale farmers, especially those in rural areas. Pascal acknowledged that distribution is costly and time-consuming, but Land Bank Insurance has been proactive in finding solutions.

One of their key strategies is the development of black brokers in areas where there is a clear need for agricultural insurance. These brokers trained and accredited in crop and asset insurance and are supported by Land Bank Insurance through various initiatives.

For instance, the company partners with the Department of Agriculture provincially and local farmer events to create opportunities for these brokers to connect with farmers. By building a network of knowledgeable brokers who understand the unique needs of small-scale farmers, Land Bank Insurance aims to bridge the gap between farmers and insurance products.

In addition to training brokers, Pascal highlighted the importance of partnerships with commodity bodies and organized farmer organisations. These partnerships are essential for the distribution of index insurance products, as they allow insurers to leverage existing structures to reach farmers more effectively.

The success of these initiatives also depends on strong collaboration with reinsurers and financial institutions. Pascal noted that Land Bank Insurance has received substantial support from reinsurers, particularly in the development and pricing of index insurance products. His team recently returned from Zurich, where they received training and shared expertise on these products, underscoring the importance of international collaboration in bringing innovative solutions to South Africa.

Financial institutions, too, play a critical role in supporting small-scale farmers. The Land Bank, for example, has been allocated funding by the DALRRD to provide part-grant, part- loan financing to farmers. This financing model not only helps farmers access the capital they need but also includes provisions for insurance, ensuring that farmers are protected against potential losses. This integrated approach is crucial for the sustainability of small-scale farming, as it addresses both the financial and risk management needs of farmers.

Learning from Global Best Practices: Pascal also emphasised the importance of learning from other countries that have successfully implemented agricultural insurance programs. He mentioned a recent workshop organized by the World Bank, which brought together representatives from 14 African countries to share their experiences with agricultural insurance. South Africa, despite not yet having implemented index insurance, hosted the conference, demonstrating a commitment to learning from global best practices.

One of the standout examples Pascal mentioned was Kenya, where the government launched an insurance program for emerging farmers in 2016. Today, the program has over 3.2 million policyholders, highlighting the potential for rapid growth and widespread impact when the right support structures are in place. Pascal and his team are planning study tours to Kenya and Zambia to learn more about how these countries have successfully rolled out their programs and to bring those lessons back to South Africa.

As the conversation ended, Pascal and Tony discussed the broader impact of agricultural insurance on food security, poverty alleviation, and rural development. Pascal stressed that supporting small-scale and subsistence farmers through insurance is not just about protecting individual livelihoods—it's about ensuring the sustainability of the entire agricultural sector.

By providing farmers with the tools they need to manage risk, Land Bank Insurance is helping to secure South Africa's food supply, reduce poverty, and promote rural development. "The benefits are countless," Pascal said. "It is a no-brainer and something that we have to do."

Tony agreed, noting that there are vast areas of undeveloped land in South Africa that are perfect for cultivation. With the right support, these areas could be transformed into productive agricultural hubs, contributing to the country's economic growth and food security. The conversation with Pascal Siphugu highlighted the critical role that Land Bank Insurance plays in South Africa's agricultural sector. By focusing on the needs of small-scale and emerging farmers, developing innovative insurance solutions like index products, and fostering partnerships across the industry, Land Bank Insurance is paving the way for a more inclusive and sustainable agricultural future.

As Pascal and his team continue to learn from global best practices and collaborate with key stakeholders, they are well-positioned to drive significant change in the sector. The impact of their work extends far beyond the individual farmer, contributing to the broader goals of food security, poverty reduction, and rural development in South Africa.

NAVIGATING THE LANDSCAPE OF ENGINEERING INSURANCE IN AFRICA

Philane Mbatha, Executive Head of Africa Region, Mirabilis

As the Executive Head of Africa at Mirabilis, a leading provider of engineering insurance, I have witnessed firsthand the dynamic shifts occurring across the African continent.

Our presence in Africa spans over 15 years, and during this time, we have adapted to the unique challenges and opportunities that this diverse region presents. From Ivory Coast to Kenya, and from Egypt to Angola, the continent's infrastructure needs are vast and ever-changing, offering both opportunities and complexities for those of us in the insurance industry.

Africa's infrastructure backlog is well-documented. Roads, ports, and buildings are in critical need of development, and the continent's ability to address these needs is directly tied to its economic future. At Mirabilis, we have seen projects mushroom across the continent, often in unexpected places. Today, we might be focused on a project in Ivory Coast, and tomorrow, our attention could shift to Kenya or Egypt. This requires us to be agile and adaptable, ready to respond to the demands of any given market at any given time.

Currently, some of the most exciting developments are happening in West Africa, particularly in countries like Senegal and Ivory Coast. Angola, too, is showing positive signs of growth, although markets like Egypt have slowed due to currency challenges. Despite these hurdles, the need for engineering insurance remains strong, and we continue to see significant opportunities across the continent.

The Opportunities in Engineering Insurance: The infrastructure needs in Africa are vast, and this presents a significant opportunity for engineering insurance. Roads need to be built to connect regions, ports need to be expanded to accommodate larger vessels, and buildings need to be constructed to support growing populations. Each of these projects requires insurance coverage that understands the specific risks involved, from environmental factors to local regulations.

At Mirabilis, we pride ourselves on our deep understanding of the local markets in which we operate. Our knowledge of the regulatory environments across Africa allows us to add value not just as an insurance provider, but as a partner who can help navigate the complexities of doing business on the continent. Whether you're a European broker or a company from the East looking to place business in Africa, understanding the local dynamics is crucial, and that is where we excel.

The Role of Reinsurance Brokers: For reinsurance brokers looking to enter or expand in the African market, my advice is simple: find a partner who understands the local landscape. The insurance penetration rate in Africa is relatively low, and governments across the continent are working to grow their local markets. This means there are regulations in place, such as domestication requirements, designed to support local industries. Understanding and respecting these regulations is critical for success. At Mirabilis, we have been navigating these regulatory landscapes for years. We know how to ensure compliance while also helping our partners grow their business.

We understand that Africa is not just a place to front business rather, it is a market where local participation is increasingly required and where having "skin in the game" is becoming the norm. Reinsurance brokers need to be aware of these dynamics and should look to partner with companies like ours that have the experience and knowledge to guide them through the process. Africa's insurance market is evolving rapidly. It is no longer the same market it was 15 years ago. Today, you will find professional executives with deep knowledge and expertise across the continent. The growth we are seeing is a testament to the commitment and professionalism of those working within the industry.

At Mirabilis, we believe in growing together with our clients, our partners, and the local markets in which we operate. It is a continuous process of learning, adapting, and innovating. As reinsurance brokers and other stakeholders enter the African market, there is much they can learn from us, just as there is much we can learn from them. Together, we can help shape the future of engineering insurance in Africa, supporting the infrastructure projects that will drive the continent's development for years to come.

Africa offers vast opportunities for those willing to invest the time and resources to understand its unique dynamics and we are proud to be part of this growth, providing the expertise and support needed to navigate the complexities of the African market.

THE ROLE OF FLEXIBILITY & COLLABORATION IN INSURANCE

Robert Atwell, Executive Head, Discovery Insure

As we gathered at the Insurance Institute conference in Sun City, it was clear that the insurance industry is at a crossroads. The discussions there have centered around the evolving risk environment and the increasing importance of robust risk management strategies. At Discovery Insure, we have been closely monitoring these changes and are adapting our approaches to ensure we continue to meet the needs of our clients in this ever-shifting landscape.

We are undoubtedly entering what has been aptly termed the “era of the never normal,” a concept popularised by Peter Hinson. This era is characterised by constant change and unpredictability, and insurers are feeling the impact.

Over the past few years, South Africa has experienced extreme weather volatility, which has brought the realities of climate change into sharp focus. What was once considered a distant concern has become a pressing issue that we must address head-on.

On the flip side, some developments have been more favorable. For instance, the extended period of load shedding in South Africa has paradoxically provided a degree of relief for insurers. With over 100 days of continuous load shedding, concerns about grid failure have lessened, and power surge claims have decreased. These changes highlight the importance of staying close to the data and continuously reassessing the risk landscape. Insurers must be flexible and responsive, ensuring that our products remain relevant and provide the necessary coverage in this dynamic environment.

The Importance of Flexibility: Flexibility is crucial in today’s insurance market. As risks evolve, insurers must be prepared to adjust their offerings accordingly. For example, the threat of load shedding may have prompted us to implement certain measures and requirements for our clients. However, if that threat diminishes, it is only fair that we reassess and potentially relax those requirements, passing any benefits back to the consumer.

This approach is not just about reacting to changes; it is about proactively designing products that can adapt to shifting risks. At Discovery Insure, we are committed to working closely with our clients and advisors to ensure that our products meet their needs in this constantly changing environment. The role of intermediaries has never been more critical. Advisors are on the front lines, engaging directly with clients and gaining valuable insights into their specific risks and needs. At Discovery Insure, we place a high value on the feedback we receive from our advisors. This feedback is instrumental in shaping our product development and ensuring that we are offering solutions that truly add value to our clients.

In this collaborative environment, it is essential that we listen to our advisors while also recognising the need for a sustainable insurance industry. It is a delicate balance, but by maintaining open lines of communication and working closely with our intermediaries, we can achieve it. Looking at the broader South African context, there is a tangible sense of optimism in the business environment. The political situation seems to have stabilised, inflation is under control, and there is a renewed focus on infrastructure development.

The fact that we have not experienced load shedding during the winter months is a significant positive shift, boosting consumer confidence and contributing to a more upbeat national mood. At Discovery Insure, we are optimistic about the future, but we remain vigilant. It is important to stay attuned to how the landscape is changing and be prepared to adapt our strategies accordingly. As the South African economy shows signs of recovery, we are committed to supporting our clients through these changes and helping them navigate the challenges and opportunities that lie ahead.

The Value of Industry Conferences: Conferences like the one we attended at Sun City are invaluable for industry professionals. Since Discovery Insure's launch in 2011, we have consistently supported this conference, recognising it as a key platform for professional development and industry networking. The topics covered are forward-thinking, and the sessions provide insights that help us stay ahead of the curve. This year, I am particularly excited about the discussions around AI, where I participated in a panel. Understanding the implications of AI for the insurance industry is crucial as we continue to innovate and improve our offerings.

Additionally, conferences like this one are vital for building and maintaining relationships within the industry. The insurance sector is fundamentally about people, and the relationships we cultivate with our suppliers, reinsurers, and advisors are critical to our collective success. The insurance industry is navigating a period of significant change. As we move further into this "never normal" era, it is essential that we remain flexible, collaborative, and forward-thinking. At Discovery Insure, we are committed to staying close to the data, listening to our advisors, and continuously adapting our products to meet the evolving needs of our clients.

EMPLOYEE BENEFITS

"The intrinsic and extrinsic benefits that constitute EB must become more than a checkbox exercise and need to now be structured to have purpose and to make an impact."

REO BOTES, MANAGING EXECUTIVE AT ESSENTIAL EMPLOYMENT BENEFITS

RETHINKING EMPLOYEE BENEFITS
TAILORING REWARDS FOR TRUE IMPACT

Reo Botes, Managing Executive at Essential Employment Benefits

When it comes to employee benefits (EB), the traditional suite of offerings has begun to fall short of addressing the diverse needs of today's workforce. While the standard medical aid, provident fund, and group risk cover may cater to certain demographics, a vital segment of employees often gets overlooked: blue-collar workers and those earning lower incomes.

The intrinsic and extrinsic benefits that constitute EB must become more than a checkbox exercise and need to now be structured to have purpose and to make an impact. This means it’s time for HR executives and people managers to adopt a nuanced approach to benefits and rewards by considering the specific needs of different income levels within their organisation.

The gap in employee benefits leaves behind those who need it most

When it comes to employees in the mid- to high-income brackets, existing EB packages are generally robust, encompassing medical aid, retirement savings funds, and various insurance coverages. However, the same cannot be said for those earning more modest incomes. These employees receive at best funeral benefits and smaller savings accounts, but a significant gap remains in addressing their comprehensive needs. To bridge this gap, EB programmes must evolve to be more inclusive and aligned with the earning capacity of each employee. It's not just about the generic offerings; it's about tailoring programmes that resonate with individual journeys and foster engagement across all income levels and functionalities within the business.

For lower-income employees, access to health protection as an employment benefit can no longer be overlooked. A primary health care plan, costing around R250 – 300 a month, can make a substantial difference in both physical and financial health. By subsidising a portion of this cost, companies can contribute to the well-being of their workforce without imposing a financial burden. Wellness days can also be a key strategy for understanding and addressing employees' physical and mental health needs. Beyond BMI checks and blood sugar screenings, incorporating services like mental health counselling, family planning assistance, and financial management support can provide immediate value to employees.

The power of rewards in employee motivation

The focus should not solely be on financial benefits. Rewards are more than just a feel-good addition to an EB programme; they tap into fundamental psychological principles that influence behaviour. When employees are recognised and rewarded for their achievements, it reinforces desired behaviours and improves overall performance. There are different types of rewards that can be effective, each with its own strengths.

Financial rewards, such as bonuses, commissions, and profit-sharing plans, directly tie compensation to performance and can be highly motivating for many employees. Social recognition, encompassing public praise, awards, and peer-to-peer recognition programs, can boost morale, foster a sense of community, and encourage collaboration. Additionally, developmental rewards, including opportunities for training, mentorship, and professional development, demonstrate a commitment to employee growth and future success.

However, to implement effective reward programmes, employers must actively seek feedback from their workforce. An anonymous or direct feedback session can unveil critical insights into what employees truly value. But it’s important to keep in mind that there are more rewards than time off or financial bonuses.

Here, it’s important to create a blend of rewards that employees can use outside the workplace to supplement their income and enhance their overall well-being. Employers can partner with specific vendors or service providers to offer a diverse range of coupon or discount rewards tailored to their employees' interests and preferences.

“When employees are recognised and rewarded for their achievements, it reinforces desired behaviours and improves overall performance. “

Examples of such rewards can include:

- Grocery vouchers
- Transport benefits.
- Access to services such as electronic device repairs
- Airtime
- Or workplace childcare during school holidays.

These types of rewards allow for a fixed cost savings buffer that allows more dispensable income to be retained and therefore offsets some of the EB costs subsidy from the employee’s side.

From one-size-fits-all to tailored rewards

A well-designed EB programme will incorporate a variety of reward types to cater to diverse employee preferences and motivations. The key is to move away from a one-size-fits-all approach and design EB programmes thoughtfully, aligning them with the capacities and aspirations of employees. It's about understanding that rewards should not only be about the present but should also contribute to employees' growth throughout their journey within the organisation. The success of EB programmes relies on their ability to be both an attraction and retention tool. Employers must convey a genuine commitment to the well-being of their entire workforce, from the top performers to the support staff.

Tailoring benefits for employee impact

An inclusive approach ensures that every employee, regardless of their role or income level, feels recognised and valued. The effectiveness of an EB programme lies in its ability to be dynamic, inclusive, and aligned with employees' diverse needs. Health and financial support are non-negotiables, and rewards should extend beyond the workplace to make a real impact on employees' lives. By actively engaging with staff, tailoring benefits to specific income levels, and adopting a thoughtful, inclusive approach, organisations can create rewarding EB programmes that not only enhance employee satisfaction but also contribute significantly to the overall success of the business.

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Michael Cheng
Chief Risk & Underwriting Officer, Hollard

THE EVOLVING LANDSCAPE OF EMPLOYEE BENEFITS

Thesin Vandeyar, Employee Benefits Adviser, PSG Wealth

Employee benefits are one of the most effective ways to ensure a financially successful retirement. With changing employee needs, regulatory requirements, and the broader socio-economic environment, how can organisations align their employee benefits programmes to meet these changes, what innovative solutions are needed and how do we get the smaller businesses to participate?

Employee benefits for economic development

Retirement funding forms the cornerstone of an employees' retirement planning. Understanding the South African landscape, we know most people only benefit from savings, risk cover and medical scheme benefits through what their employers provide. Stokvels illustrate that a large population of South Africans have the desire to save even if they are struggling financially. Retirement funding acts as an enabler to this savings culture and is one of the most disciplined savings vehicles. There has been a trend in South Africa of people accessing their retirement monies prematurely when changing job, which creates a significant gap towards ensuring financial stability upon retirement.

On 1 September 2024, South Africa implemented the Two-Pot Retirement System. This change is aimed at helping to preserve retirement savings while offering controlled access to funds during financial hardship. The retirement world has become more complex, and given this, it has become crucial for advisers to consider their clients retirement and risk options in the context of the clients overall financial planning. This necessitates having a clear understanding of a client's overall goals and objectives, which incorporates considering investing to achieve these goals, insuring your everyday and specialist risks, optimally structuring your estate, making smart investment choices, structuring your portfolio and implementing employee benefit solutions for yourself and your business.

Advisers, insurers, investment professionals and product houses have a social and moral obligation to ensure that members of retirement funding are provided with the best possible solutions that are also affordable. Importantly, these solutions need to live up to the product promises and ensure that the members' contributions grow and materially outperform inflation consistently. In terms of financial inclusion, providers need to remove barriers of entry into the retirement industry. SMEs are still accountable for more than half the employment in South Africa and form the backbone of our economy.

As such, SMEs have a role to play in economic development by providing retirement benefits for their staff. While the banking sector has done well, the financial services sector as a whole could look into zero admin fees for SMEs and other solutions to create an easy entry point into retirement funding.

The Employee Benefits ecosystem

Employee benefit solutions that are geared toward the employee and their ability to retire with financial stability and dignity provides a solid employer value proposition and helps grow and retain talent. It remains the most cost-effective way to save and if you look at Additional Voluntary Contributions or "AVC's" to boost savings, these amounts accrue little to no admin and consulting fees. There are various synergies between group risk, wellness and healthcare. We see employee benefits as one ecosystem, and we need to help members traverse through the various pillars of employee benefits and financial services.

Technology, like in any environment, will play a crucial role in financial services. We have already seen the impact of Fintech branching into new territories. We have also seen how machine learning and AI have positively influenced the healthcare and medical aid environment. The landscape of opportunity for retirement funding is therefore massive. From a generational perspective, having a fully customizable benefit solution will be crucial for our Gen Z's and what they are now referring to as Generation Alpha.

Everyone deserves access to financial advice, retiring with dignity and peace of mind that in the event of death, that your family is looked after.

BEATING THE DEFAULT PARADOX: BETTER SUPPORT FOR MEMBERS NEARING RETIREMENT

Karen Wentzel, Head: Annuities Sanlam Corporate Investments and Danie van Zyl
Head: Smooth Bonus Centre of Excellence Sanlam Corporate

Imagine you're on a highway, with guardrails providing a safety barrier that protects you from going off course, guiding you safely to your destination. However, when you reach retirement, and the guardrails come off, leaving you uncertain. Which direction should you take to ensure the rest of your journey is safe?

That's what it's like for many employer retirement fund members who rely on trustee's selected portfolios for their savings up until they reach the big R. Then they choose to navigate this new, complex terrain alone, which can lead to suboptimal outcomes. The guardrails come off, and uncertainty creeps in, this is the default paradox. At these critical junctures, well-timed retirements benefits counselling can make a massive difference to open members' eyes to their options. Trustees have a pivotal part to play in actioning this member education.

The journey to retirement: The road well-travelled

Up until retirement, about 87% of members rely on trustees to select an investment portfolio for their savings. Three-quarters of funds also have a target income in retirement they work towards, with 60% aligning their default investment option to this target. This aims to stack the odds in a member's favour to get them closer to their retirement goals.
The 2024 Sanlam Benchmark research shows that 71% of umbrella fund clients also believe in protecting members from market volatility as they approach retirement, for example, through a smoothed bonus portfolio. The bottom-line? The trustees put up guardrails in pre-retirement and members are happy to stay within them.

Then members reach retirement.

Choosing the right off-ramp at retirement

Members have travelled the 'default' path to reach retirement, but which path should they take next?

Retirement is a critical life stage point for members where they need to make one of their biggest financial decisions, picking a path for their post-retirement journey (through an annuity). It also when members need the most help.

Benchmark research shows most retirees (61%) wish they'd had more support at retirement. The reality is that most members are unaware of the post-retirement (trustee endorsed annuity strategy) options and support that their retirement fund's offer.

This is where timely retirement benefits counselling could give members the direction that they need to make the right decisions to foster robust retirement outcomes.

Trustee-endorsed options: Get the guardrails back

The onus is on trustees to increase awareness of members options in both pre- and post-retirement, with proactive counselling and fund-supported advice to secure better outcomes for all.

One of the ways trustees can provide members with 'guardrails' as they approach post-retirement is to introduce them to their carefully curated trustee-endorsed annuity solutions to provide an income in retirement. These annuities are set up in line with Regulation 39 requirements and are often meticulously designed to balance cost-efficiency with financial security, making them a valuable resource.

However, many members end up with more expensive products, as members are not aware of their fund's trustee-endorsed annuity strategy solutions. This means many members end up with more expensive products.

Trustee-endorsed annuity strategy options can offer the 'guardrails' that members are looking for and need on their journey to post-retirement. The following are the main benefits of Trustee-endorsed annuity strategies:

- The solutions are designed and structured by professionals who understand the nuances of retirement
- They typically offer lower fees, prudent risk management, and tailored strategies that align with a retiree's changed financial goals and risk tolerance
- Where the default pre-retirement investments are geared towards accumulation, the trustee-endorsed annuity strategy options focus on longevity protection, cost effectiveness and inflationary increases (as shown by Benchmark research)
- These annuities are available at institutional pricing. To put this in perspective, a paper presented at the Actuarial Society of South Africa's 2023 Convention on the "Fairness of annuity pricing for low-income earners in South Africa" by Combrink and Taylor, showed that the difference in pricing between an institutional and retail annuity vary from 6% to 27%. Cost efficiency can make a material difference in a member's monthly income, and we are seeing two out of three members are missing this opportunity.

While life annuities may not be the best option for everyone, given the current climate they are worth exploring. South Africans retiring with life annuities over the last 12 months have been benefitting 'big time' from the current high interest rates, which may soon be passing. This means members should seize the opportunity to 'lock in' great guaranteed escalation life annuity rates.

Trustees should amplify awareness of these kinds of options, so that members can ensure that their hard-earned savings are protected and optimised, providing a secure foundation in their wind-down years.

Much like guardrails on an unfamiliar road, trustee-endorsed options provide the necessary support and security to guide retirees through their retirement journey with confidence.

IMPACT OF TWO-POT ON RETIREMENT FUND MEMBERS, AND WHAT EMPLOYERS NEED TO KNOW

Shaheed Mohamed, Head of Group Savings and Investments at Allan Gray

South Africa's retirement savings landscape is experiencing a major transformation with the introduction of the new two-pot retirement system, which was implemented on 1 September 2024. Shaheed Mohamed, Head of Group Savings and Investments at Allan Gray, delves into these critical changes, explaining their impact on both current and future retirement fund members.

What is the two-pot retirement system?

The two-pot system is designed to enhance retirement outcomes by ensuring that at least two-thirds of a member's future retirement savings are preserved until retirement. At the same time, it allows members to access a portion of their savings once per tax year if they encounter financial distress.

Providing some level of access to funds under the new system will help alleviate the extreme measures some members have taken in the past to access their retirement savings during financial crises. There have been numerous instances where cash-strapped members resigned from their employment just to access the funds in their pension or provident funds. This was detrimental because it often left them without work for a period as they sought new employment and any assets that were withdrawn and not replaced before retirement would reduce income in retirement. This was highly disruptive for employers, who then needed to source and train new staff, incurring significant costs.

The two-pot system prevents these scenarios, benefiting members, employers, and the overall retirement savings rate in South Africa over the long term. While the ability to access funds in emergencies will provide relief to some members, the long-term success of the new system relies on most members refraining from unnecessary withdrawals.

How will it work?

As of 1 September 2024, new contributions to provident, pension, umbrella, retirement annuity and preservation funds are divided into two components (i.e., the two “pots”). One-third of new contributions go into a savings component, accessible before retirement in case of emergencies. The remaining two-thirds go into a retirement component, which is inaccessible until retirement and must be used to purchase a retirement income product.

Members retain their existing retirement rights on all contributions made before 1 September and growth thereon. The value of a member's retirement fund as of the end of August 2024, less “seeding” (see below) remains invested and is allocated to what is called the “vested” component. All existing rights continue to apply to this component, but no further contributions are allowed. Ten percent of the vested component, up to a maximum of R30 000, was transferred from the vested component to “seed” the member's savings component on 1 September. Seeding was a once-off event.

What are the implications of withdrawing from the savings component?

While the two-pot system offers relief for members facing financial hardship, there are real consequences of withdrawals. Withdrawing from the savings component diminishes the full benefit of compounding. Accessing any part of the savings component before retirement will reduce the amount available at retirement for purchasing a retirement income product or to take as a cash lump sum. Additionally, withdrawals before retirement will be taxed at the member's marginal tax rate, which can push them into a higher tax bracket. Outstanding taxes due to SARS will also be deducted. It is important for members to understand that their product provider will pay the after-tax amount into their account, so they are likely to receive a lower amount that they requested.

What is the role of the employer?

Responsibility for staff retirement fund benefits often resides within the finance and/or human resources functions, with department heads typically being key decision-makers. Employers must educate their staff on the new two-pot system. As custodians of staff's retirement fund benefits, it is crucial for employers to educate their staff about the workings and implications of the new system. Management should involve the retirement fund consultant or product provider to inform their members about the pros and cons of the new system, especially the implications of withdrawing from the savings component. This ensures members make well-informed decisions regarding their retirement goals.

Employers should also understand the withdrawal process with the product provider. At Allan Gray, our approach has been to alleviate the administrative burden on employers by guiding members to submit withdrawal instructions via their secure online account. This not only simplifies the process for employers, but also helps mitigate fraudulent activity, which is more common with paper-based instructions. With the anticipated rise in withdrawal activity, there is an increased risk of fraudsters targeting unsuspecting members. Employers should inform their staff to be extremely vigilant in order to safeguard their funds.

It is important for employers to understand and communicate any additional fees under the new two-pot system, as some retirement providers levy an implementation fee and/or a withdrawal fee.

With over two decades of experience processing retirement fund withdrawals and member claims, we were prepared for these changes. Despite the additional costs incurred in setting up our systems and managing withdrawals thereafter, we decided not to charge an implementation fee nor a member withdrawal fee on our Umbrella Retirement funds at the outset – we will monitor activity for a period and make decisions based on data and experience.

To discover more about the new two-pot system, visit Allan Gray's Two-pot retirement system info hub.

EMPLOYEE WELLNESS FRONT AND CENTRE WHEN IT COMES TO COMPANY PERFORMANCE

Zonke Mashile, head of Healthy Company at Discovery Corporate and Employee Benefits

Globally, one in every eight people lives with a mental health disorder. In SA, one in every five people have symptoms of probable depression with suicide the fourth leading cause of death in young adults.

Data from Discovery Health Medical Scheme, the largest open medical scheme in SA, reveals that one in every seven members were treated for some form of mental health condition in 2021 with an 11% increase in new mental illness diagnoses between 2017 and 2021. These statistics are impacting workplaces.

The research is very clear that healthier employees contribute more in the workplace. Not only are healthier employees using less sick days, but research across the Discovery Group shows that employees who engage in exercise, have a good credit score and are not managing a mental health condition are less absent in the workplace and are less prone to making errors. Interestingly, health-related issues and behaviours like mental wellbeing and sleep habits have a significantly greater impact on absenteeism and presenteeism than traditional work-related issues like job satisfaction.

Employee assistance programmes to better support employees to live healthier lives are becoming increasingly more prevalent in workplaces. Discovery, for example, has launched Healthy Company, a digitally-enabled, comprehensive employee assistance programme and wellness solution. It identifies and proactively supports both at-risk employees and those that are well with a personalised solution throughout their working life.

The programme provides an integrated data-driven view of employee wellbeing, allowing employers to respond to individual employee challenges beyond just physical and mental health.

This much broader view of wellbeing enables insights that support employers with practical, tailored interventions for each employees' individual set of emotional, physical or financial challenges.

The programme assesses physical wellbeing through a holistic set of screenings of body mass index, waist circumference, body fat percentage, blood pressure, cholesterol, glucose, HIV screening and vision screening. Emotional wellbeing is evaluated during screenings, online assessments or phone calls guided by coaches acting as navigators of care. Employees can also capture their daily mood on the Discovery app or website. The programme then uses artificial intelligence to detect signs of emotional distress, triggering immediate interventions where risk is flagged. All members also have access to the full suite of financial wellbeing assessments through Vitality Money, Discovery Bank's proprietary behaviour-change programme.

Financial wellbeing is a critical component of overall wellbeing. The financial wellbeing aspects of our employee assistance programme are designed to measure and understand an employee's current financial situation, give them the tools to improve it, and reward them for positive behaviour changes along the way.

Digital financial wellbeing assessments are used to gather a combination of self-reported and pre-populated data, depending on the employee's underlying suite of Discovery products. The data is then used to calculate an employee's risk rating for each of the five controllable financial behaviours and an aggregated financial risk rating is created. These risk ratings inform relevant financial wellbeing interventions.

The programme also provides emergency legal support for employees. Available 24 hours a day, this support includes assistance with basic legal document creation and general legal advice, including bail assistance should an employee be arrested.

Employees who need legal advice can contact one of our legal advisers during working hours for assistance with issues such as divorce, maintenance, custody, criminal matters, property disputes, breach of contract and claims for payment. Depending on the intervention recommended, the platform then guides employees to the trauma counsellor, psychologist, registered counsellor, social worker, debt counsellor or legal adviser most suited to assist the employee with their particular challenge.

Employers are provided with access to valuable insights and tools related to the wellbeing of their own workforce. This includes the Discovery Absenteeism Index, a modelling algorithm that uses both healthcare claims and demographic data to determine an expected absenteeism score, which is available to employers who also have a Discovery Health Medical Scheme. The Index enables employers to assess employee absenteeism without the need for human resource data and to compare their businesses data with those of others within the same sector.
Other nifty employer tools include a wellness calendar, a mental health toolkit, a mental health policy template, a mental health KAP survey and access to relevant self-selected workshops and training programmes.
Utilisation of employee assistance programmes averages between 3 and 5% globally. In SA, approximately 4 to 6% of employees with access to employee assistance programmes use them. Healthy Company's membership has grown by 22% while the number of employer groups has increased by 27% in the last 18 months.

Utilisation of the programme is over 30%. This demonstrates its relevance.

FINANCIAL PLANNING

ARTICLES

"Investing offshore can present an excellent opportunity for significant growth and currency diversification, as long as investors have their eyes wide open." -

REX COWLEY, DIRECTOR AND CO-FOUNDER OF THE SPECIALIST INTERNATIONAL PENSIONS AND FIDUCIARY BUSINESS, OVERSEAS TRUST AND PENSION

WHAT MAKES MOMENTUM WEALTH INTERNATIONAL A COMPELLING INTERNATIONAL PLATFORM?

Martiens Barnard, Marketing Actuary at Momentum Investments Group

Momentum Wealth International, Momentum Wealth's offshore investment platform, offers a wide range of investment funds designed to cater for varying market conditions and investor needs. Clients have the flexibility to choose from a range of more than 1 200 funds denominated in various foreign currencies. Yet, while we bring you this plethora of choice, we also make fund selection easier.

We do this through our range of guided Momentum solutions. These fund of funds are managed by our award-winning investment team based in London. They conduct regular, in-depth due diligence on each fund before considering it for inclusion. Once included, each fund is monitored to make sure that it continues to meet our stringent qualifying criteria. The platform provides investors with a comprehensive range of products.

We offer the Momentum International Investment Option (IIO) and the Momentum International Endowment Option (IEO). The IEO is available as the Life insurance bond or the Capital redemption bond, a sinking fund without insured lives. These products offer various structuring options for financial advisers to make sure that on death, the transfer of ownership or payment of the proceeds can be handled according to the client's wishes.

In addition, the IEO has another compelling benefit in that situs tax, a type of tax equivalent to South African estate duty and probate, can be avoided. Probate is a procedure where a legal authority approves a will as the valid and last will of a deceased testator. The probate process can be expensive, complex and time-consuming, which means that the winding up of a South African deceased estate could be delayed.

Our comprehensive range of products, investment funds and other investment components, places us at the forefront of international investment solutions catering to every client's offshore investing needs. But those aren't the only reasons that make Momentum Wealth International a compelling international platform.

Momentum Wealth International was established in Guernsey in 1999. Guernsey is a leading offshore investment centre that offers first-class infrastructure for the structuring, management, administration and custody of investment funds, offering valuable investor protection.

This means that investments remain domiciled in Guernsey, regardless of where a client currently lives or decides to live in the future. Further protection is added through our nominee structure, where money is safely held in a separate segregated nominee, MWI Nominees Limited.

We see ourselves as responsible stewards of the assets entrusted to us, consistently providing investors with access to international investment expertise. We understand the importance of being able to monitor investments at any time. This is why we give clients the necessary online tools to view their portfolios securely, access contract details, and request information such as investment statements. As an added benefit, we provide one consolidated statement for an entire portfolio, which contains a detailed audit trail of transactions, fees, and investment growth across multiple investment components.

We offer the capability to consolidate and view an investment portfolio value in various currencies, including US dollar, sterling, euro, Japanese yen, Hong Kong dollar, Australian dollar, Swiss franc and South African rand. We also offer online tools to financial advisers for managing investments. Your offshore investment isn't just another investment. It's personal to you. We can help you with the offshore investment solutions you need to achieve your goals. Speak to your Momentum Consultant to find out more or visit momentum.co.gg.

NAVIGATING LEADERSHIP IN A FAST-CHANGING WORLD

Ayanda Seboni, Group Executive: Mutuality at PPS

What are the essential principles of leadership and how can these be applied in today's fast-paced and ever-changing environment?

It starts with adaptability as a core leadership trait. In my view, successful leaders must recognise that we live in a world characterised by constant change, driven by both technological advancements and shifting societal norms. The ability to adapt to these changes is crucial, not only for personal growth but also for the sustainability of businesses and organisations.

Universal leadership principles, such as empathy, adaptability, and a client-centric approach, are essential. However, the application of these principles can vary widely depending on the specific context and challenges faced. For example, in my role at PPS, understanding the unique needs of different market segments has been key to developing appropriate solutions, such as launching a medical indemnity business to support professionals facing legal challenges.

The Role of Mutuality in Governance

One of the standout features of PPS is its mutuality model. Unlike traditional companies, where decision-making is often driven by shareholders, a mutual organisation like PPS operates for the benefit of its members. This structure offers a unique governance model, where the board includes individuals from diverse backgrounds, including industry professionals, academics, and small business owners. This diversity enriches the organisation's understanding of the market and helps in crafting strategies that are truly reflective of its members' needs.

This inclusive approach allows for a variety of perspectives to shape the company's direction. Members of PPS, who are also its policyholders, can stand for election to the board, ensuring that the governance structure remains closely aligned with the interests of the broader membership. This model of mutuality fosters a sense of ownership and responsibility among members, which is critical in making decisions that balance risk and opportunity.

I**mplications for Advisors and the Importance of Client-Centricity**

When it comes to leadership traits of professional advisers, empathy and trust in client-advisor relationships, is crucial. Advisors are often privy to sensitive personal and financial information about their clients. This level of intimacy necessitates a non-judgmental and supportive approach, especially when clients may not be financially literate.

Building trust is foundational. Advisors should focus on understanding their clients' unique visions and cultural contexts. This understanding can significantly enhance the advisory process, making it more client centric. By prioritising the needs of the client over personal gains, advisors can foster long-term relationships that are not only beneficial but also rewarding.

I think this is particularly relevant in times of economic uncertainty or personal crises, where clients look to their advisors for guidance and support. An advisor's ability to adapt plans to changing circumstances can make a significant difference in achieving desired outcomes. This adaptability, coupled with a deep commitment to serving the client's best interests, can transform a good advisor into a trusted partner.

The unique mutuality model of PPS serves as a powerful example of how organisations can align their governance and strategic objectives with the needs of their members, creating a more inclusive and responsive business environment.

For advisors, the key takeaway is clear: prioritise empathy, build trust, and remain adaptable. These principles not only enhance client relationships but also ensure sustainable business growth in an ever-changing world.


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INVEST OFFSHORE WITH YOUR EYES WIDE OPEN

Rex Cowley, Director and Co-Founder of the specialist international pensions and fiduciary business, Overseas Trust and Pension

South Africans looking to diversify their assets or hedge against currency volatility by investing offshore need to be cognisant of the complexity they may inadvertently be creating for themselves and their families when holding assets cross-border.

Whether they are looking to access hard currency in the form of dollars, euros or pounds, buy property or take advantage of investment opportunities in global companies, South Africans need to educate themselves about the various challenges they could encounter in respect their offshore investments.

Different jurisdictions, different laws

When placing assets offshore, many overlook the reality that those assets are now in a different jurisdiction with its own laws and financial services regulations, which govern those investments, as well as how they should be taxed and how they can be accessed.

These administrative matters are not necessarily top of mind when South African investors focus on what they hope to achieve through currency hedging efforts and harnessing global investment opportunities.

Some of the questions people need to ask themselves when considering offshore investment are: What happens in the worst-case scenario? Can I get my money back? How do I complain? What rights do I have as a non-resident?

The financial services sector in South Africa is well-regulated. If clients feel aggrieved or have a problem with a particular financial product, they have recourse in the form of the ombudsman or other regulatory bodies.

However, the minute they leave South African shores, they are no longer protected by this system, especially if they have invested in another country without soliciting the services of a regulated Financial Adviser.

The level of protection and recourse is likely to differ from jurisdiction to jurisdiction and will also be affected by whether the investor is a resident of that country or not. While the country might offer protections, these may not apply to non-residents.

Avoiding double taxation

It is also important to understand that taxes are withheld on the investments in the country where those assets are based or where taxes may be due on income arising from such assets. Depending on the nature of the investments - stocks and shares, unit-linked life insurance policies, bank accounts or property - it is critical to note that income or gains may be taxed at source, i.e. a withholding tax applied to the foreign investment, and this is not reclaimable from their tax authority.

In addition, the withholding tax may be higher than what would have been applied to a similar investment in South Africa. Hence, South African investors will not be able to claim credit in South Africa for the difference between the two amounts.
Property income can become particularly complicated. This is because property income generally requires that a foreigner registers as a taxpayer (not a tax resident) in that country and files tax returns.

If they fail to do so, they will end up accruing penalties or worse. Being non-compliant in respect of the taxes in another country can become especially problematic in the event of the person's death, sometimes taking years to finalise the foreign estate and pass assets to beneficiaries.

Ownership of assets: what's yours is yours, or is it?

The way people own assets in South Africa can differ from other countries. For example, the first step people often take when placing money overseas is to open a bank account. In South Africa, citizens can only have bank accounts in one person's name, but with the option for someone else to have signing powers.

Some countries, however, offer joint accounts with equal ownership. This means that all parties to that account have equal rights, a concept that is not often understood in South Africa. So, if someone has a joint account with their two children and spouse, any one of them can withdraw and spend all the money, as they have the right to do so.

This means it is crucial to understand how the account is owned and the legal rights that apply to the different parties, as well as the possible constraints. This can also apply to investment accounts, stocks and shares, portfolios, and, in some instances, insurance policies.

Don't ignore the laws of succession

Many South Africans' wills cover their worldwide assets, with instructions on what to do in the event of their death. While the will might be valid in South Africa, this does not necessarily mean it will be valid in another country, and there is likely to be a conflict of laws. Anyone with investments overseas may need to employ the services of someone - typically a lawyer - who specialises in the winding up of estates to assist with the process. This can be costly and time-consuming.

If there is no valid will to deal with the foreign assets, then that country's laws of succession come into play. The downside of this is the loss of control over how the money is distributed. So, the firstborn might be entitled to a significantly larger portion than anyone else, which may not have been intended by the deceased, or a spouse's benefit may be limited or even excluded.

The other issue is the taxation of assets that reside in another country. Like South Africa, which has an estate duty tax, the majority of developed nations operate estate, inheritance, capital acquisition and/or wealth taxes regimes that can apply to assets located in their territory on death… Importantly, these laws generally apply irrespective of where the individual resides.

For example, inheritance tax in the UK is a flat 40% and up to 40% in the USA with duty being applied where the assets in these territories exceed £325K and $60K respectively. Countries such as Spain have highly prescribed laws around inheritance. If someone holds stocks and shares in Spanish companies and these don't go to their bloodline, the tax can be as high as 82%.

These duties have to be dealt with before the account provider can relinquish the assets. So, it's not a case of "this won't apply to us" - the property, investment or funds in a bank account cannot transfer until the tax matters are dealt with.

Reconsider a DIY approach when investing offshore.

While the winding up of estates and paying taxes can add time and cost to the transfer of assets, these are challenges that can be overcome. Investing offshore can present an excellent opportunity for significant growth and currency diversification, as long as investors have their eyes wide open.

When placing assets offshore, there are several steps and vehicles that can help mitigate many challenges. For example, there are international pension schemes and preservation funds that can ease the foreign probate process and foreign taxes, and ensure the seamless accession of those assets.

Trusts are another option. Again, in considering these types of structures, investors must get advice locally and not forget their domestic position before entering into these types of products. It's also important to ensure that the foreign product provider is regulated, preferably in South Africa.

Protection on home ground

While there is pressure on Financial Advisers to balance risk and return in the face of complex economic uncertainties, several foreign financial services providers (FSPs) are regulated in South Africa. This means they have an obligation to ensure that the Financial Advisers who use their products understand those products and the protections they offer.

The Financial Advisory and Intermediary Services Act (FAIS) and the Financial Services Conduct Act (FSCA) require that Financial Advisers ensure their clients fully understand the products and apply the Treating Customers Fairly (TCF) approach, which is designed to ensure that regulated financial institutions deliver specific, clearly set out fairness outcomes for financial customers.

These checks and balances, combined with the benefits of currency hedging and asset diversification, are good reasons to invest offshore. The issues flagged in this article are not a reason not to invest offshore, but are aspects that need to be carefully considered before doing so.

UNDERSTANDING THE ROLE OF CREDIT IN A WELL-ROUNDED INVESTMENT STRATEGY

Tshepo Shabalala, Credit Portfolio Manager Ashburton

He covered the definition of credit, its differentiation from equity, the distinctions between listed and unlisted credit, and the fundamentals of credit risk assessment. We unpack these key points to help personal investors and Independent Financial Advisers (IFAs) better understand how credit investments can enhance portfolio performance.

Defining credit

Credit, as Shabalala explains, is essentially a contractual agreement where a borrower receives a sum of money or another valuable asset (the use of a car, equipment or property under a lease agreement) and commits to repaying it later, typically with interest. Most people are familiar with this concept in their daily lives, whether through personal loans, credit cards, or home loans. However, when it comes to investing, credit as an asset class often remains less understood compared to equity (shares in listed and unlisted companies).

Credit versus equity

The fundamental difference between credit and equity lies in its risk and return profile. Credit offers limited upside but can have significant downside risk if the borrower defaults. Returns on credit are usually predetermined and typically do not change throughout the investment term. In contrast, equity investments offer unlimited upside potential, but this comes with the possibility of substantial losses and volatility. Additionally, in a liquidation scenario, credit holders are prioritised over equity holders, making credit a comparatively less risky investment in distressed situations. There are various categories of credit risk that one may be exposed to. At the lower end, you have government bonds which are considered risk free assets provided the debt is issued in local currency.

It is considered risk free as the government can theoretically print money to service the local currency debt. However, this does have inflation implications which will result in reduced purchasing power of the local currency. Government bonds are typically liquid and issued on a fixed rate basis. Due to their liquidity, there is volatility on its market values as indicated with its Yield To Maturity (YTM). YTMs will increase or decrease depending on country and global factors.

Upside versus downside risk

Upside risk refers to the return you earn, which is capped based on the agreed-upon interest. As an example, if you enter into a loan agreement with the bank, they will normally quote you a prime plus x% interest rate which means the bank's return is capped to that interest. Downside risk means the investment can go to zero if there are defaults. On equity the upside (return) is not capped but there are risk-return trade-offs, making credit a less risky investment compared to equity.

Types of credit investments: listed versus unlisted credit

Credit investments can be classified as either listed or unlisted. Listed credit, normally in tradable note form, is often traded on stock exchanges like the Johannesburg Stock Exchange (JSE). These instruments are dematerialised and standardised through documents such as the Domestic Medium-Term Note (DMTN) programme and Applicable Pricing Supplement (APS). Unlisted credit, on the other hand, involves more bespoke agreements that are not publicly traded, often allowing for more tailored terms and conditions.

Credit risk assessment

Effective credit risk assessment is crucial for minimising downside risk, in other words the probability that the borrower will default leading to a write down in the investment made.

The four pillars of credit risk assessment are:

1. Business character: This involves evaluating the company's business risks, market position, and sustainability.
2. Corporate governance: Good governance practices, including board independence and management integrity, are critical.
3. Environmental and social responsibility: Companies need to act responsibly towards the environment and society.
4. Financial health: Assessing the financial stability and cash flow capabilities of the company to ensure it can meet its debt obligations.

The evolving credit market

The credit market in South Africa has seen significant growth, says Shabalala. From 2002 to 2023, the total outstanding debt in the market increased from below R500-billion to R4.5-trillion. This growth was driven by both sovereign (government) and non-sovereign (corporate) issuers. However, economic challenges and cautious borrowing practices have moderated the pace of non-sovereign credit issuance since the 2008 global financial crisis.

Conclusion

Credit investments, when understood and effectively managed, can play a vital role in a diversified investment portfolio. By offering predictable returns and relatively lower risk, credit provides a valuable counterbalance to the volatility (albeit potential high returns) of equity investments.

A measured approach to credit risk assessment and strategic credit investment selections can help investors and IFAs achieve a more stable and diversified portfolio in the currently volatile global economic environment.

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TRANSFERRING CLIENTS:
IS BUYING A CLIENT BOOK WORTH IT?

Tracy Wright, Masthead Compliance Officer & Sharren Bhagwandin, Masthead Compliance Officer

Transferring or acquiring a client book can boost your financial advisory business, but it's not without its challenges. We delve into the intricacies of client transfers and the factors financial service providers (FSPs) should consider before making this decision.

There are many reasons why an FSP would like to expand their client base – increased revenue generation, diversification and business growth, to name a few. One way to achieve this is through the transfer or acquisition of a client book from one FSP to another. While this strategy can yield substantial benefits, it's not without its hurdles. Many financial advisors complain that the absence of an industry standard governing this process muddies the water.

For instance, some product providers allow bulk transfers if they receive a client bulk transfer declaration, signed by a Compliance Officer, confirming that all clients were notified of and consented to the transfer. Others require proof of individual broker appointments, which include signed broker appointment letters from each client affected by the transfer.

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Regulatory requirements

Long gone are the days when client book transfers happened without the client's knowledge or consent. Now, informing clients and getting their consent upfront, in writing or through other appropriate means like voice recordings, is a legal obligation under the Financial Advisory and Intermediary Services (FAIS) Act. The seller of the client book must inform their clients about the termination of their services, while the buyer must secure client consent or broker appointments for each client.

Moving a client book can also mean changing product providers, effectively replacing a financial product. Under Section 8 of the FAIS General Code of Conduct (GCOC), when this happens, an advisor must fully disclose the actual and potential financial implications, costs and consequences of such a replacement to the client. In other words, an advisor can't move a policy without first getting the client's consent.

Section 20(a)(i) of the GCOC stipulates that if a client cancels a policy on an advisor's advice, the advisor must ensure that the client fully comprehends the implications of this decision.
Furthermore, Section 4(1) of the GCOC requires FSPs to furnish clients with complete information about the relevant product supplier, making it obligatory for clients to be informed of the new product provider.

Section 3(3) of the GCOC states that an FSP may not disclose confidential client information without the client's written consent. During a client book transfer, this rule inevitably comes into play, as confidential client information is disclosed to the new advisor or product provider, making the client's written consent mandatory.

It's also necessary to consider the obligations placed on FSPs by the Protection of Personal Information Act (POPIA). Safeguarding the integrity and security of client data is paramount during the transfer process. Both the seller and buyer must have the necessary processes and procedures in place to protect clients' data.
Furthermore, client notification is a critical aspect of maintaining trust. Clients need to be appropriately informed about the transition, the reasons behind it, and the potential benefits for them.

Treating Customers Fairly (TCF) Outcome 1 is also relevant to this process. It requires that customers are confident that they are dealing with firms where the fair treatment of customers is central to the business's culture. If clients are transferred to a new FSP, they must be assured that the new FSP has their best interests at heart. In addition, TCF Outcome 3 states that customers should be provided with clear information and kept appropriately informed before, during and after the point of sale.

A NEW APPROACH TO LIFE INSURANCE: EFFICIENCY, INNOVATION, AND PERSONALISATION

By Matan Abraham, Zane Heyl, and Judith Ndaba of Elevate Life

Life insurance is evolving, and companies like Elevate are at the forefront of this transformation, rethinking the way insurance is designed, priced, and delivered.

In a recent conversation with Matan Abraham, Zane Heyl, and Judith Ndaba of Elevate Life, we explored how the company has reinvented its approach to life insurance, focusing on a seamless customer and advisor journey, operational efficiencies, and an optimised approach to pricing.

A new look at the insurance value chain

The life insurance industry in South Africa is mature, and with a multitude of providers offering comparable products, differentiation is crucial. As Matan Abraham, Elevate's chief executive, explained, "For us to come in as a new player, we needed to make sure we were solving existing problems to differentiate ourselves. Not just from a marketing perspective, but also through efficiencies and pricing." The goal was to rethink every step of the insurance value chain, from the customer onboarding process to claims handling, creating a more streamlined and cost-effective experience for both clients and their financial advisors.

Elevate started by identifying pain points in the insurance process. Customers often faced long, complex, and uncertain journeys to get coverage, while advisors were frustrated by cumbersome systems that added unnecessary delays. The solution? A digital-first approach that leverages technology to simplify underwriting and decision-making in real-time.

Matan highlighted the importance of making the customer onboarding process faster and less burdensome. "We built a digital journey, using third-party data sources and codified much of the underwriting process, so decisions can be made in real-time."

This not only reduced the time to get coverage but also cut costs, resulting in lower premiums for customers.

Designing products with flexibility and clarity

When it came to designing life insurance products, Elevate wanted to ensure they were not only comprehensive but also flexible and easy to understand. Matan noted, "We wanted to provide a product that was comprehensive enough to meet customer needs, flexible enough to adapt, and easy to understand." By removing unnecessary complexity and costs from their offerings, Elevate focused on delivering benefits that customers genuinely need, without the "fat" that often inflates premiums.

This approach also extended to the claims process, with Elevate prioritising clarity in customer expectations and responsibilities. The insurance products are designed to evolve with the customer's circumstances, allowing them to add or remove components as needed, providing greater control over their coverage.

The key to competitive pricing

In an industry where pricing is often the deciding factor, Elevate’s ability to offer competitive and sustainable pricing was crucial. Judith Ndaba, who played a significant role in optimising Elevate’s operational model, emphasised that the company's lean, tech-driven approach was instrumental in achieving these efficiencies. "Our approach was to see what available data was out there and connect to it using tech, so that humans didn’t have to go out and have nurses conduct medicals with clients. We could simply link to their medical aid or previous test results."

By using artificial intelligence and automation to handle tasks that would traditionally require human interaction, Elevate has been able to keep its team small while maximising its impact. Judith further explained, "It's about finding opportunities where tasks can be done through AI or tech, minimising the need for human interaction."

One of the biggest challenges, however, has been dealing with healthcare data, as not all healthcare providers are forthcoming in sharing data through their APIs. Judith noted that while some providers were cooperative, others have been more difficult, but the company continues to push for greater access to healthcare data to streamline the underwriting process further.

Challenging the traditional underwriting process

The life insurance industry has long relied on traditional underwriting methods but Elevate is working to break that mold. Matan pointed out that the industry's inertia has been one of the biggest obstacles. "The challenge for me was to appreciate the inertia that pushes us to do things the way they've always been done. We are always asking, 'Why is this done this way? Can't we use a different data source? Can't we absorb that risk in another way?'

By embracing automation and leveraging alternative data sources, Elevate has been able to simplify the underwriting process and build trust with clients by giving them the benefit of the doubt. The company's goal is to treat every journey as humanly as possible, despite relying heavily on technology to manage scale and efficiency.

A Forward-Thinking Pricing Strategy

Zane Heyl, who oversees Elevate's pricing strategy, discussed how the company manages to offer competitive pricing while maintaining sustainability. "Despite the change in model, the technical fundamentals largely remain unchanged," he explained. In the early stages, Elevate relied heavily on its reinsurer's expertise to help build its pricing engine. As the business grows, they continuously reassess the appropriateness of their pricing model based on real-time data and experience.

A key aspect of Elevate's success is its rigorous feedback loops, which help the company monitor acquisition costs, reinsurance structures, and other financial metrics in real-time.

"We monitor interactions to ensure they stay within the confines of what we initially intended. If someone does not get an automatic underwriting decision, we need to understand why," Zane said.

The company's real-time pricing engine has allowed it to adjust quickly, which would have taken weeks or months in traditional pricing models. This agility gives Elevate a competitive edge, enabling it to respond to market changes and customer needs much faster.

The role of advisors in the feedback loop

Elevate's interaction with advisors plays a crucial role in refining its processes and pricing models. Judith highlighted that advisors are an essential part of their feedback loop, often suggesting ways to streamline the process or raise questions about underwriting decisions. "Our advisors are quite vocal, which we love. They generate a lot of dialogue and contribute ideas for improving things."

Over time, both clients and advisors have come to trust Elevate's automated underwriting decisions, recognising that the system can be as reliable as human intervention when it comes to assessing risk and making accurate decisions.

Continuous improvement and future plans

Looking ahead, Elevate is focused on refining its model even further. Judith emphasised that the goal is to push the efficiency of their real-time decisions from 75% to 85% and beyond, incorporating more nuanced data sources to make their underwriting process even more precise.

Matan also spoke about Elevate's long-term vision, which includes deeper engagement with customers through their reward programme and embedding their products more seamlessly into clients' lives. "Our unique selling point is how we embed our journey into the lives of advisors in a way that makes the most sense for them, giving them the speed and efficiency to focus on why they entered the industry—fulfilling the needs of their clients."

As Elevate continues to refine its approach, the future looks promising for a life insurance model built on efficiency, personalisation, and technological innovation.

SHORT TERM

ARTICLES

"Property insurance, or risk transfer of fires and explosions is critical in ensuring business sustainability & continuity."

IMRAAN MOOLLA, A SENIOR RISK CONSULTANT AT AON SOUTH AFRICA

HOW ROBUST CONTRACTS & CONSTRUCTION INSURANCE GO HAND IN HAND

Jan-Hendrik Botha – Head of Underwriting at Western National

Contracts play a pivotal role in construction insurance. They serve as the backbone of any insurance agreement, clearly defining the responsibilities and obligations of each respective party involved.

Vague contracts or a lack thereof can lead to difficulties in quantifying losses and processing claims. In addition, without a robust contract, disputes can arise, leading to costly legal battles, delays in project completion as well as claim settlements. The construction sector faces both risks and opportunities as government seeks to boost its investment in infrastructure, stimulate job creation in construction and encourage foreign investment. These are times of unprecedented change.

Despite these very real challenges, there are also opportunities for construction firms to tighten their risk mitigation strategies and revisit some of the tried-and-tested ways of protecting their investments and ensuring business continuity. Contractual agreements are designed to hold parties accountable and safeguard their interests, but they are also effective ways of promoting transparency. In the construction industry, these are the building blocks of valuable relationships and ultimately, resilient businesses. Western has observed several reoccurring issues involving the use of construction contracts over the past few years.

These include vagueness and a lack of specificity, which can lead to disputes over the interpretation of roles and responsibilities, and terms and conditions. This is turn, can also lead to the parties involved shirking their responsibilities due to lack of accountability. Another issue identified by Western is inaccurate timelines – unrealistic or poorly defined timelines that are not built around the potential of unforeseen events can cause unnecessary delays, circumvention of risk mitigation measures and ultimately financial losses. Addressing these issues using precise and detailed contracts can significantly reduce the likelihood of disputes and enhance project efficiency.

What construction contracts should include

Formal contracts should outline several key details, including the scope of work, with all details regarding specifications, timelines and milestones being clearly communicated. They should also include the relevant payment terms, including agreed amounts and due dates to prevent unnecessary disputes over financial matters. To guard against lengthy disputes and legal processes, contracts should provide a clear path for addressing conflict, whether through mediation, arbitration or litigation. It's also vital to include details regarding risk allocation and to define who is responsible for various risks, such as contract works damage, third-party damage and delays.

In providing clear guidelines on what each agreement entails, contracts can lay the groundwork for deciding what kind of insurance cover would be best suited to each project. Some of the most common forms of insurance requirements include public liability cover, workers' compensation cover and contract workers' cover. These protections serve as a financial safety net in the event that the unexpected occurs. I must warn against trying to sidestep or rush the formal processes involved with the drawing up of contracts and instead, I urge construction companies and developers to seek legal counsel to ensure that contracts are clear and valid. Alternatively, they can consult contract and construction committees such as the Joint Building Contracts Committee (JBCC), the Master Builders Association, etc.

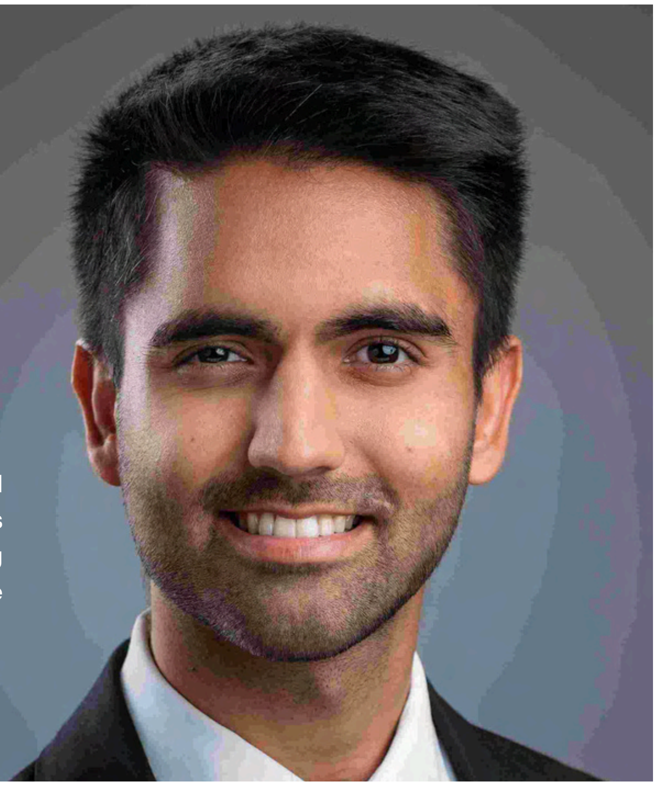
Consulting with an attorney who specialises in construction law or a committee that provides standardized forms of construction contracts like the JBCC, will ensure that the contract adheres to all relevant laws and regulations. Lastly, building developers and contractors need to understand that contractual agreements are dynamic rather than static and need to change and be updated as circumstances evolve and the project progresses.

As standard best practice therefore, they should conduct regular reviews of their contracts to check for relevancy, accuracy and comprehensiveness. Proper contracts, coupled with timeous premium payments, compliance with engineering specifications, regulations and standards will ensure that insurance cover remains in place.

BUSINESS PROPERTY INSURANCE & FIRE RISK

Imraan Moolla, a senior risk consultant at Aon South Africa

Property insurance, or risk transfer of fires and explosions is critical in ensuring business sustainability & continuity. Apart from transferring the risk, it is important that businesses mitigate the risk, and protect lives.



Property insurance originated following the Great Fire of London in the 17th century, which destroyed property to an estimated value of £10m (£1.5b in today's economy). The dangers and potential damages of fires and explosions is often the biggest threat to a business, due to the value associated with the potential damage as well as the resulting business interruption.

A comprehensive fire protection system is the most effective mitigation against fire and related risks. Sprinkler systems, hydrant systems, hose reels and other associated systems utilising water at predetermined flows and pressures, are all designed to contain and suppress fire to protect life and property.

These systems are now legally required, dependent on the occupancy and size of a property. Due to the large claims associated with fires and related incidents, these fire protection systems may also be required by insurers and reinsurers prior to them taking the risk on their books, often requiring higher levels of protection than prescribed by minimum life safety (legislative) requirements to protect assets and subsequent business interruption adequately.

These systems are carefully designed to cater for the specific conditions experienced at each protected area. The success or adequacy of these systems is directly dependent on their water supply. The team will need to analyse the available water volume and supply in the form of water flow rate and pressure supplied to these systems to find a solution that will address a fire hazard sufficiently.

With municipal water supply infrastructure remaining the same and with an ever-increasing demand on the supply due to numerous factors such as population growth, urban expansion, climate change and such, water is received at decreased and varying flow rates and pressures often below the fire system design requirements.

As a result, fire pumps and water storage reservoirs have become integral to an adequate water-based fire protection system in ensuring that the water supply to the systems is enhanced and aligned with the system design. These pumps and water Reservoirs are critical in ensuring that a sufficient supply of water reaches all protected areas at the required flow and pressure for the required minimum duration. Having a water-based fire protection system with inadequate water supply completely invalidates the entire system.

In industry, the most common types of fire pumps seen are centrifugal pumps, which enhance water pressure by the action of a centrifugal force. Water in centrifugal pumps enters the suction inlet of the pump and passes to the centre or eye of the impeller. The impeller rotates which drives the water centrifugally to the rim where it is discharged from the pump at elevated pressures.

The most common types of centrifugal pumps include:

1 - Horizontal Split Case: The pump housing lifts at the centre line or horizontal plane, which allows easy access to the impeller and associated parts. This pump can consist of a single or multiple impellers and further allows for double suction.

2 - In-Line: The suction and discharge flanges are on the same plane, and this pump supports the driver (electric motor only).

3 - End Suction: Unlike the horizontal split case, this pump is a single suction pump. The discharge outlet and suction inlet are perpendicular to each other.

4 - Vertical Shaft Turbine: This is the only type of centrifugal pump that can operate without positive suction pressure, in other words, this type of pump is not filled with water.

5 - Multistage Multiport: Multiple impellers operating in series, typically used in multiple zone high-rise buildings.

The choice of fire pump can make or break a fire protection system. Consultations with approved and competent fire risk individuals must be held when making such a decision. In terms of selection criteria, **there are three key factors to consider**, namely, water supply, system demand and pump performance.

1 - Water Supply: Is the system fed directly via municipal supply, a raw water source such as a dam or lake, or is the system fed via private water storage tanks. Different sources have varying implications in terms of pump choices.

2 - System Demand: It is important to determine your most remote area of operation, furthest from the water supply and to calculate water pressure and flow requirements at this point factoring elevation and friction into the equation.

3 - Pump Performance: The pump should operate as per the pump curve. Pumps should furnish no less than 150% of rated capacity at no less than 65% of the total rated head, and the shutoff head or churn pressure should not exceed 140% of the rated head for any pump.

Once the correct pump is selected, pumps must be maintained as per the original equipment manufacturer and insurer requirements.

- Fire pumps need to be tested on a weekly basis. Electrically driven pumps need to run for a minimum of ten minutes to allow for a transitioned discharge of the initial electric load received when starting the pump, while diesel-driven pumps should run for a minimum of thirty minutes to allow the diesel engine to achieve optimal and normal operating conditions and temperatures.
- The pumps also need to be serviced annually by approved service providers.
- Sprinkler system control valves need to be overhauled on a three-yearly basis.
- The pumps must undergo an annual flow test by an independent, approved third party.

Too often when conducting risk engineering surveys, following pump analyses and testing, clients are deemed to have an inadequate pump in place or the maintenance controls are considered inadequate which has a direct, negative impact on pump performance. If a site is deemed to have inadequate water supply at their fire protection systems, insurers could withhold cover until the issue is resolved, or they could impose high deductibles and associated increased premiums.

It is here where the input and insight of Aon's independent risk consulting team proves invaluable in ensuring that fire protection systems including fire pumps, are designed, inspected, serviced and maintained in accordance with recognised standards which are aligned with insurer requirements. This may involve an initial, additional expense; however, this expense is likely to be recovered in terms of lower premiums, deductibles and appropriate insurance cover that protects all your most valuable business assets.

OUTSOURCING – A NEW WAY FORWARD

In conversation with Willem Reynders, Compliance Specialist at Telesure Investment Holding SA

The Prudential Authority and the Financial Sector Conduct Authority (PA and FSCA) published Joint Standard 1 of 2024 (Joint Standard) in terms of the Financial Sector Regulation Act, 2017, which will come into effect from 1 December 2024. Please give us a brief overview what this means?

The publication of the Joint Standard demonstrates the ongoing focus which will be placed on outsourcing by the regulatory authorities. This Joint Standard will replace the previous Prudential Standard GOI 5 from 1 December 2024 and aims to ensure uniform application of outsourcing requirements by both authorities. Some key things that need to be done as part of the change:

- Insurers must ensure their outsourcing policy is updated in accordance with the new Standard.
- Insurers must have an in-depth look at their business model to identify what functions they consider to be material functions.
- Insurers must conduct thorough due diligence before entering into outsourcing arrangements to identify and manage risks. A more enhanced due diligence assessment by insurers on outsource service providers is expected, especially where the function is of a material nature and moving forward a materiality assessment will be required.
- Insurers are required to implement robust performance management processes and policies.
- Outsourcing arrangements must be evaluated for access, credit, compliance, market conduct, contractual and other relevant risks.
- Insurers must ensure that the service providers they partner with are reliable and capable of meeting their obligations in terms of the outsourcing agreement.
- Insurers must notify the PA and FSCA at least 30 days before entering into material outsourcing arrangements.

Who do the joint standards apply to?

Joint Standard 1 of 2024 applies to all insurers licensed under the Insurance Act in South Africa, with the exception of Lloyd's and branches of foreign reinsurers. This standard specifically targets the outsourcing of "material functions" by these insurers. The reality however is that insurers will subject their outsource service providers and intermediaries to additional requirements where applicable therefore expanding the application and creating the intended safeguards. There are much more to this than we can cover in one sitting, so I thought of just looking at one or two interesting issues:

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The requirement that: Outsourcing arrangements should only be entered into where there is evidence that the benefits outweigh the costs and potential risks. What does this mean for brokers and their current models?

The requirement that outsourcing arrangements should only be entered into where the benefits outweigh the costs and potential risks means that brokers and Insurers will need to carefully evaluate their current models and practices. Some key points according to Renasa:

- It may be beneficial for brokers to conduct a cost-benefit analysis for each outsourcing arrangement they have entered into with an insurer to demonstrate the efficiencies and benefits introduced and to show the improved customer outcomes.

- Brokers may need to reconsider their partnerships and possibly renegotiate terms to align with the new requirements to enhance benefits and service offerings. They should focus on building relationships that offer clear benefits and minimal risks which may lead to unsatisfactory outcomes for customers.

- Brokers must also identify, manage and mitigate potential risks associated with outsourcing. This includes operational, financial, and reputational risks.

- It may also be beneficial to brokers to maintain documentation to demonstrate that the benefits of outsourcing outweigh the costs and risks. This documentation will be crucial for regulatory compliance and audits.

Brokers will be required to adopt a more strategic approach to entering into outsourcing arrangements as it is likely to attract additional oversight requirements and pave the way for enhanced collaboration between broker and insures in delivering the outsource services. Brokers also have a responsibility to ensure that every arrangement is beneficial to customers and in compliance with the new Joint standard.

The following appears in s7.5: "An insurer may not enter into or maintain an outsourcing arrangement relating to a material function unless" It then states several requirements. Please tell us more about that?

Firstly, I think it is important to define what a material function is. In terms of Joint Standard 1 of 2024, a "material function" is defined as a function or activity related to an insurer's business that has the potential to significantly impact the insurer's business operations or its ability to manage risks effectively if it is disrupted. This definition highlights the importance of these functions in maintaining the stability and efficiency of the insurer's operations.

Insurers must identify and evaluate which functions within their business are considered material. For example, this could include outsourcing the insurer's claims or complaints department. These functions may be considered material because their outsourcing could have a significant impact on the insurer's business operations or its ability to manage risks effectively, should it be disrupted.

Specific requirements should an insurer wish to outsource any function it deems to be material:

Section 7.5 of Joint Standard 1 of 2024 outlines specific requirements that insurers must meet before entering into or maintaining an outsourcing arrangement for a material function:

- Insurers must conduct a thorough due diligence assessment to identify and manage all risks associated with the outsourcing of a material function.

- There must be clear evidence that the benefits of the outsourcing arrangement outweigh the costs and potential risks. The fee payable for the function outsourced must be reasonable and commensurate with the services performed for the fee and the insurer must ensure that fair outcomes to customers are not impeded.

- The Insurer must be satisfied with the Service Provider Competence's to fulfil the material function being outsourced. The service provider must meet the fit and proper requirements relating to competence and integrity as specified in Prudential Standard GOI 4 and be able to demonstrate this. (Fitness and Propriety of Key Persons of Insurers).

- Risk Assessment to be conducted by the insurer. Insurers must assess whether the service providers have multiple outsourcing arrangements with other insurers that could increase risks to the Insurer.

- Insurers are required to notify the PA and the FSCA at least 30 days before entering into a material outsourcing arrangement.

- Insurers must also inform the Authorities in the prescribed format within 7 days of terminating any outsourced material function.

What would you advise brokers to do at this stage and what assistance can they expect from Renasa?

Brokers should be aware that the new Standard may likely introduce changes and amendments to their current outsourcing agreements with insurers and will require enhanced collaboration between Renasa and the brokers to give effect to the various requirements with the ultimate aim of improving the business relationship and outcomes for the policyholders.

For any outsourcing arrangements between Renasa and brokers entered into before 1 December 2024, these must comply with the Joint Standard by 30 November 2026 (24 months). Or alternatively, Renasa must comply with the Joint Standard upon the renewal or renegotiation of the outsourcing arrangement, whichever comes first.

Renasa is currently reviewing its outsourcing agreements to ensure compliance and will introduce a streamlined process to facilitate the transition.

As the broker's even better best friend, Renasa will guide and support brokers to ensure a seamless and effortless transition which benefits Renasa, the broker and most importantly the customer.

PARTIALLY OCCUPIED OFFICES A RISK FOR BUSINESS OWNERS

Thabo Twalo, Chief Underwriting Officer at Santam Broker Solutions

While several large companies have spearheaded a gradual return-to-work, the hybrid working model has remained sticky for many South Africans. The latest BrandMapp survey indicates that as of 2023, 54% of “mid-market-and-up” South Africans are either following the hybrid work trend or working permanently from home.

Brokers should alert their clients of the potential risk to their properties and assist then in putting the needed risk management measures in place. The reality is, offices still aren’t at full capacity. Every business owner needs to be a risk manager – prevention is always better than cure. Office capacity has an impact on the type and frequency of risk management activities needed to protect staff well-being while in the office.

Some of the potential risk management considerations resulting from partially occupied office spaces:

Threats of fire

Fires are considered the number one risk to businesses. One large fire could tragically be the catalyst to close a struggling business, permanently. A lapse in fire-safety maintenance could increase the risk of a fire. For example, if a generator isn’t maintained, the automatic sprinkler system could fail, which means flames could spread quickly. This becomes even more important as the potential for early detection by employees is reduced, as offices are not fully always occupied.

Poor maintenance and adherence to policy conditions

Business owners face numerous challenges, such as dealing with stressed staff and managing tight cash flow. Despite these challenges, it is crucial to ensure that maintenance and security costs are covered. Some insurance policies may have specific conditions, such as requiring regular servicing of equipment or testing alarm systems. Failure to meet these requirements could potentially impact a claim in the event of an accident.

A changing risk environment

Not only does one need to evaluate the impact of new and emerging risks, like cyber and increasing severe weather events, but one also needs to consider how their own business risk profile has changed due to employees working from home (with company assets) and the extent to which their premises are now partially occupied. Intermediaries play a vital role in advising clients on new emerging risks and can also assist with reviewing policies to align with changing circumstances.

Business processes and reliance on business partners

Risk management needs to include consideration of reliance on business partners and supply chains. If their risk environment is changing, are they adequately protected, and risk managed? Business owners should have contingency plans in place, which they can discuss with their intermediaries and purchase insurance where necessary.

Ways to mitigate risk when an office is partially occupied:

- Maintain equipment: Ensure regular maintenance and servicing of equipment, such as fire-fighting equipment and plant and machinery, are undertaken if due.
- Alarms need to be tested, function properly and be activated when needed.
- Ensure sprinkler systems have been inspected and certificates issued.
- Obtain gas compliance certificates if due.
- Ensure electrics are in good order– these are the most common ignition sources of fire. Should there be any doubt, get an external contractor to conduct thermographic infrared imaging of the electrics of the building.
- Ensure all the certificates of compliance are in order and safely stored should anything happen at the premises.
- Ensure your fire teams are in place and arrange firefighting training for new staff from an accredited provider.
- Ensure your insurance policies are up to date. Work with an intermediary who can advise you appropriately, especially where your risk circumstances have changed, for example, if vehicles are being driven less.

The shifting risk landscape has increased awareness of the need for business owners to review their policies more frequently and keep their intermediary abreast of any changes in circumstances. A large part of any business owner's risk management function is to disclose all pertinent changes to your intermediary. Doing so opens the door for the intermediary to notify the insurer accordingly which helps to avoid situations of cover shortfall.

While most businesses tend to renew and review their policies every 12 months, the pace of change has escalated in the last 4 years - making it clear that a more regular review of policies is paramount.

TECHNOLOGY

ARTICLES

"If I had just one minute to sit with you and tell you how you could ramp up your insurance company's data security, I would ask you one question: how strong is your password?"

BRENT MCDANIEL, GROUP CHIEF SOLUTIONS ARCHITECT, CARDINAL INSURANCE MANAGEMENT SYSTEMS

WE MITIGATE CYBER RISKS WHEN WE CHANGE CYBER BEHAVIOUR

Brent McDaniel, Group Chief Solutions Architect, Cardinal Insurance Management Systems

If I had just one minute to sit with you and tell you how you could ramp up your insurance company's data security, I would ask you one question: how strong is your password?

I know it might be a basic question, but it's a fundamental one. Despite the firewalls we have today, the antivirus software, the intrusion detection, and all the world's technical cybersecurity tools; human error is still a top cause of data breaches.

Secure Your Environment

That said, the most complex of passwords isn't going to do much good if your environment isn't secure in every possible way. This is why ISO 27001 compliance is becoming increasingly important. For us, it's a way of showing that we have one of the most sophisticated information security management systems (ISMSs) available. It's really about how Cardinal secures itself. And by securing ourselves, we are securing our clients too.

Data protection is paramount, especially in the world of insurance technology, and you want nothing less than the most advanced software, loaded with enhanced security measures. One crucial layer of protection, for example, is the encryption of sensitive data. At Cardinal, we've designed our insurance management systems to ensure that personal and financial information remains secure and indecipherable to unauthorised parties.

Network segmentation is another strategic approach that isolates critical systems and data from the rest of the network and restricts an attackers' access to sensitive areas. We're obviously also hyper-vigilant about our cybersecurity protocols, security audits, and frequent updates, and when it comes to human error, the technology of automated reporting is another invaluable tool.

Check Your Access Management

When it comes to human error and cyber behaviour, it is also imperative that only the right people have access to each environment. Again, the ISO 27001 is an outstanding framework regarding the control of access to organisational data. Essentially, each user is provided access only to the specific information they need to perform their role within the organisation.

Not only is this role-based access control (RBAC) firmly in place at Cardinal itself, but we also tailor this access control and authentication mechanisms for each client to help them ensure that employees have access only to the data necessary for their specific roles, which minimises the risk of internal breaches and unauthorised access.

Access management goes far beyond restricting certain levels of information, networks, and resources. It starts, in fact, with hiring procedures and onboarding policies, and extends to creating a sense of individual accountability through ongoing communication, highly detailed contracts, and the "one user, one ID" principle – so that every user of every system is trackable – and more than that, responsible for their own actions.

And then of course we layer that with tools like two-factor authentications, protection software on all PCs and laptops, encryptions, and software that checks shared folders – all these things can be centrally managed from one ecosystem. At Cardinal we've also partnered with BCX, so we have their controls in place too. Their network architecture, their fortigate routers, their intrusion detection, and the team that actively monitors it all 24/7. Sometimes it feels like you're living in a spy movie, but that's what it takes these days.

Take Your Corporate Password Policy Seriously

And finally, we come to the question of the password. If we all remembered the story about how it used to take years to crack an eight-character password but now it takes only 37 seconds, we'd probably be a lot more vigilant about our choice of passwords and how we store them.

No matter how powerful computers become, the best defence against brute force algorithms, AI snooping, and immense databases of dictionaries and possible password entries, is a rigorous corporate password policy. I'm sure you already have one – you just may not be enforcing it. Added to that, I would caution that random passwords are not always quite so random when it comes to brute force. In fact, I like to suggest creating long phrases of up to 80 characters because they can be a nightmare to reengineer.

The best practice is to enable the password security features that come with the software, like Cardinal's C360. I know that it means you have to keep up with the unavoidable necessity of creating more hard-to-guess yet still memorable passwords than you feel like you have the time for, but it's the nudge we all need towards developing more responsible and safer cyber behaviour.

UNLOCKING DATA'S FULL POTENTIAL IN INSURANCE

Angus Black, Director, BarnOwl Data Solutions (BDS)

I have spent a significant portion of my career dealing with the complexities of data management, particularly in the insurance industry.

When we talk about data standards, we are really talking about the backbone of how we communicate information accurately and effectively between systems. In the insurance world, this is vital. Without clear standards, the data we share would be subject to misinterpretation, making it impossible to maintain regulatory compliance or provide accurate insights.

At its core, a data set consists of three key elements. First, you need a list of data fields or elements that meet the business's specific needs. Each field must have a well-defined purpose and clear instructions on its data type—whether it is a number, text, or some other form of data—and any restrictions that apply, such as length limits. Second, any data standard must include a minimum set of required fields essential to keeping the system functional. Some fields may be optional, but without these core elements, the data exchange simply will not work. Lastly, there are validation rules that guide how the data should be collected, how it can be verified for accuracy, and what dependencies exist between fields.

In the insurance sector, the need for such standards is driven largely by regulation. While there are always slight variations in how different companies approach their business, regulation ensures that the foundational elements remain consistent across the industry. The challenge, though, is that things change rapidly. You might achieve uniformity on day one, but by day 100, regulatory requirements could have shifted, and companies must continuously adapt their systems to stay compliant.

One of the biggest hurdles we face is the sheer variety of platforms and systems in use. Some companies rely on off-the-shelf solutions, others build custom systems, and many use a combination of both. The diversity is so broad that it was once humorously described to me as being like "a box of Smarties." Each system has its quirks and getting them all to communicate effectively is a challenge. One of the main obstacles we encounter is repeatability. If the data coming from the same source is inconsistent from one day to the next, it becomes nearly impossible to manage. We also deal with ambiguity—take "gross written premium," for example. Does it include VAT or not? Is the broker's commission factored in? Every data element must be clearly defined to avoid confusion.

Flexibility is crucial in our approach. Initially, we were too rigid, expecting every source system to perfectly align with our standards. That was a mistake. Now, we are much more pragmatic, collecting what we can and handling data transformations on our end rather than expecting them to be fixed at the source. In some cases, especially with older, historical data, it is impossible to meet current standards, and we need to account for those variations.

Another major challenge we face is dealing with problematic data. Even when you have established your own standards and educated your clients, issues inevitably arise. The key to overcoming these challenges is to agree on consistent metrics for comparison. We assess the data using system-generated bordereaux, which provides a structured format for reviewing the data. By applying repeatable rules, we ensure consistency month over month. It is critical that our internal processes are just as repeatable; you do not want to analyse the data with 50 rules one month and then suddenly shift to 100 rules the next month. This would only create frustration for everyone involved.

In terms of automation, most of our processes are indeed automated. We are dealing with millions of records each month, so manual checks just are not feasible. However, despite the high level of automation, there are still times when human intervention is required. This is where having a team that understands both the data and the nuances of the insurance industry comes into play. Sometimes, it is necessary to flag issues to the client when something does not look right. Automation takes care of the bulk of the work, but a skilled eye is still needed to ensure the data we are processing is accurate and meaningful.

At the end of the day, managing data in the insurance industry is a balancing act. It is about maintaining the right level of flexibility without sacrificing accuracy, and about continuously adapting to the ever-evolving regulatory landscape. Data does not just serve as a regulatory tool—it has far-reaching applications that can help businesses make smarter decisions and streamline operations. As we continue to develop our data services, it is exciting to see just how much potential there is for growth in this space.

There are countless use cases for data beyond just ticking regulatory boxes, and we are only beginning to scratch the surface of what is possible.

EVENT

ARTICLES

"Unity is strength...when there is teamwork and collaboration, wonderful things can be achieved."

MATTIE STEPANEK

OESAI 2024 CONFERENCE: A MEMORABLE GATHERING AT VICTORIA FALLS

Against the breathtaking backdrop of Victoria Falls, the 46th OESAI AGM came to life in spectacular fashion. The 2024 conference commenced with a Golf Day at the renowned Elephant Hills Resort, where participants enjoyed stunning vistas of the Falls and the nearby wildlife, blending the natural beauty of Zimbabwe with the excitement of the game.

The welcome cocktail function set the tone for the event, offering a relaxed yet elegant atmosphere for delegates to reconnect. With exquisite canapés and refreshing drinks, old industry friends and new acquaintances mingled, laying the foundation for meaningful discussions to follow.

Over three days, the conference delved into pressing issues affecting the African insurance sector. Speakers tackled economic, digital, and geopolitical uncertainties, sparking important conversations. Networking remained a focal point, with meetings and connections made in both formal and informal settings, ensuring the event was as much about collaboration as it was about learning.

A standout moment of the conference was the vibrant dinner held at the iconic Boma. Guests indulged in mouthwatering cuisine cooked over open flames, including local Zimbabwean specialties such as Mopane worms, all while sipping ice-cold Zambezi beers. The evening came alive with the rhythm of local dancers and an unforgettable interactive drumming experience, making it a night to remember.

With over 500 attendees, the 46th OESAI conference was a resounding success, thanks to the exceptional efforts of Rose Wanda and her dedicated team. Their hospitality and flawless execution ensured a truly remarkable experience for both attendees and sponsors, making the event one for the books!

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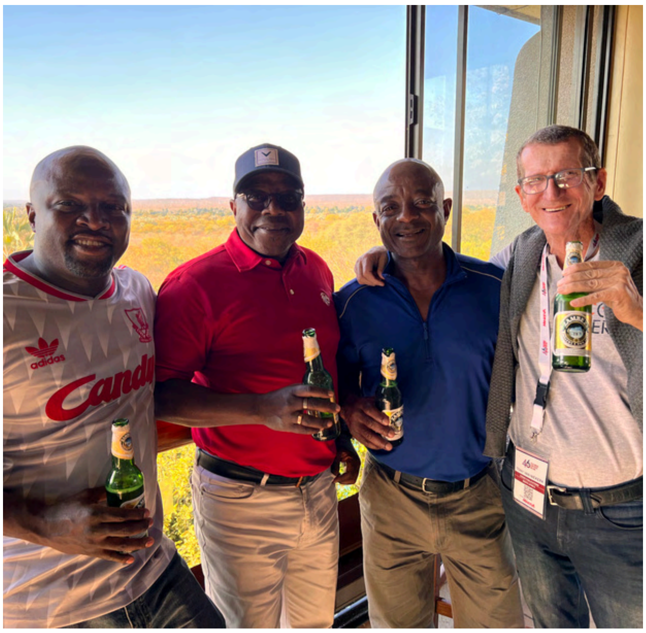

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