COVER

IN CONVERSATION
WITH IZAK SMIT, PPS GROUP CEO

ADVICE FOR THE WEALTHY
TRUSTING RELATIONSHIPS

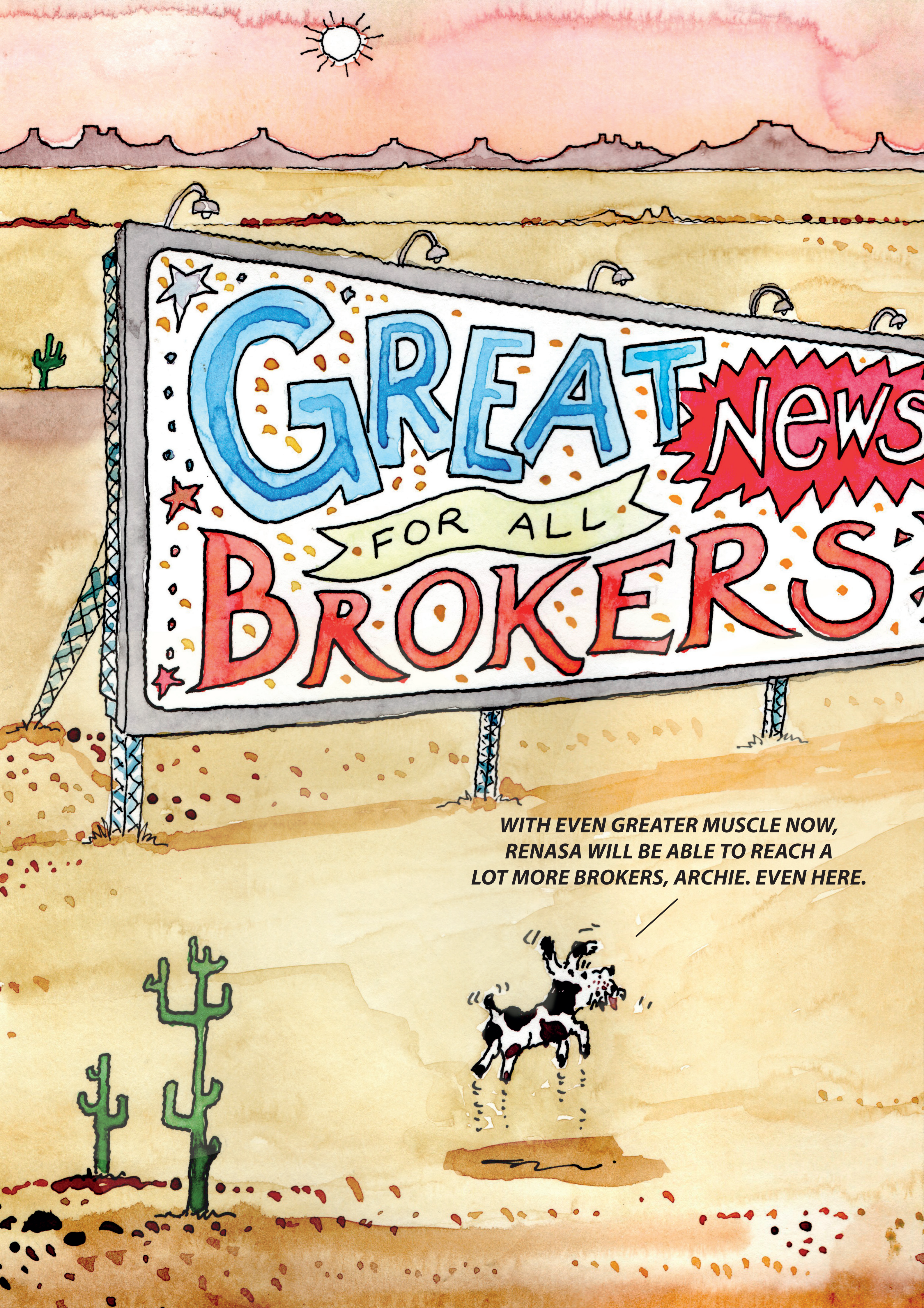
MITIGATING RISK
TO KEEP PREMIUMS LOW

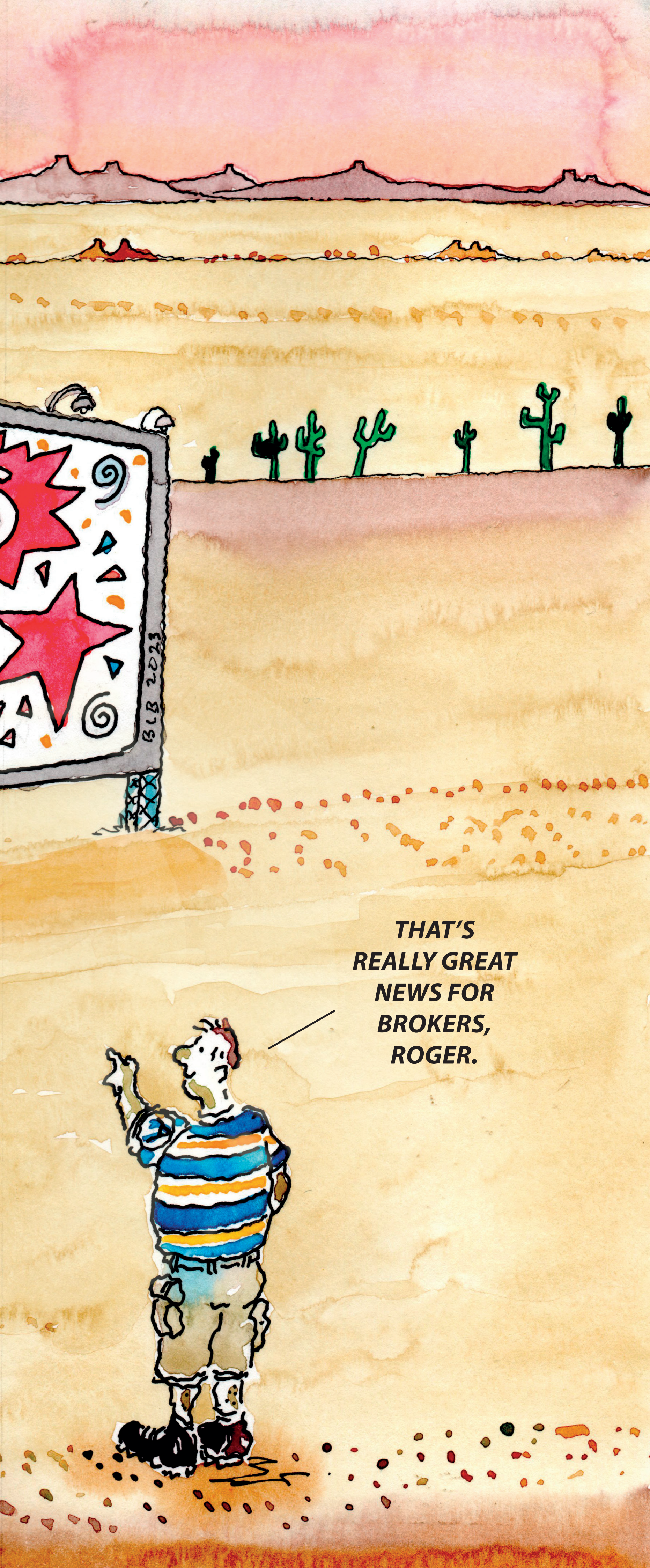
TECHFEST 2023
AI RULES THE ROOST

sharing knowledge for 35 years
35

INSURANCE
AGE OF BEING NIMBLE

July 2023 Edition


GREAT News
FOR ALL
BROKERS
WITH EVEN GREATER MUSCLE NOW,
RENASA WILL BE ABLE TO REACH A
LOT MORE BROKERS, ARCHIE. EVEN HERE.


THAT'S REALLY GREAT NEWS FOR BROKERS, ROGER.

COVER MAGAZINE

MAIN ARTICLES

IZAK SMIT

We must think on our feet, and we must be nimble. That is just the nature of doing business in South Africa.

JEAN MINNAAR

HNW clients are incredibly diverse, making it both impossible and ill-advised for financial advisory practices to offer one-size-fits-all solutions.

HERMAN SCHEEPERS

Brokers, Insurers, and clients must work together to mitigate risk and so keep premiums low in tough times.

CHRISTELLE COLMAN

We're observing an evolution, kindled by a new generation of wealth creators who are reshaping the notion of 'high-net-worth'.

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TECHFEST

IUM

Annual Golf Day 2023

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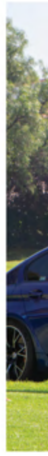


In the world of insurance, the IUM Annual Golf Day has emerged as the event of the year. Guided by the vision of Founder and CEO Antonio Iozzo, this day is more than just a celebration of IUM's industry partnerships. It's a fusion of high-end luxury, camaraderie, and memorable experiences that you won't find anywhere else.

Upon setting foot in the grand Houghton Golf Club, attendees are immediately swept up in an atmosphere of sophisticated fun. Business partners quickly become friends, engaging in friendly competition and shared laughter under the clear blue sky. Digital registration and facial recognition is effortless, which is done to automatically compile each guests own personalised photo gallery which is sent to them after the event. Following registration each guest received a personalised IUM kitbag, golf shirt, cap and towel as well as tees and balls.

The day is rich with a variety of golfing challenges, the highlight being two exhilarating Hole-in-One contests, offering an incredible opportunity to win a new BMW M4 or BMW M5. These activities, perfectly designed and executed, keep the thrill and excitement running high throughout the day.

But the IUM Annual Golf Day isn't just about golf. It's a voyage into a world of indulgence, where attendees are treated to a variety of activations, games and competitions on each hole. Mobile bars are selectively placed throughout the course offering a fine selection of refreshments, from margherita and strawberry daiquiri smoothies, delectable cocktails, elegant sorbet and champagne pairing, iced coffee and soft drinks. Every detail speaks volumes about IUM's commitment to providing an unparalleled experience.

The festivities continue into the evening with an Awards Dinner hosted by none other than Michael Scholz, a pro golfer and South African PGA Class A member. His lively presence, along with a delightful repertoire of trick shots and humor, adds an extra sparkle to the night. This is also the time for Antonio and Lester, the Executive of Sales and Market Development, to share heart-warming speeches, reinforcing the sense of camaraderie and partnership, and unveiling exciting company news.

Hole-in-one-prize | BMW M5 | Hole 16

Michael Scholz | Trick shot show

An unparalleled experience of prestige and luxury in the insurance industry

IUM Team and Golf Day Players

Hole-in-one-prize | BMW M4 | Hole 9

Bukhosi Khumalo | Marsh

Antonio's announcement of the launch of IUM's new Quantity Surveying Department, offering clients complimentary property valuations, is a clear testament to IUM's forward-thinking approach.

The IUM Annual Golf Day is more than an event - it's an exclusive, immersive experience that leaves a lasting impression. It's a day where meticulous planning meets effortless execution, where no expense is spared, and where attendees leave with unforgettable memories and a heightened sense of anticipation for the next IUM Annual Golf Challenge.

Missing the IUM Annual Golf Day is akin to missing out on a golden opportunity to network, celebrate, and enjoy a day of luxury with industry leaders. It's the event everyone in the insurance industry wants to be a part of, and for good reason. To secure a chance to be part of this spectacular day, potential attendees are encouraged to join a waiting list. The IUM Annual Golf Day is not just a golf day; it's the most sought-after event on the insurance calendar, a testament to the power of strong partnerships and shared joy.

Scan the qr code to see how the day transpired

Scan the qr code to be put on the waiting list for the 2024 IUM Golf Day

Antonio Iozzo | IUM

Shaza Greeff | Entertainer

OUR JULY EDITION PACKS A PUNCH, WITH A LARGE NUMBER OF HIGHLY RELEVANT CONTRIBUTIONS.

This month's cover story is my interview with Izak Smit, Group CEO of PPS, where he shares his thoughts on innovations in the industry, the future of intermediaries and the mutuality of insurance. An insightful perspective on where we are in the financial advice space.

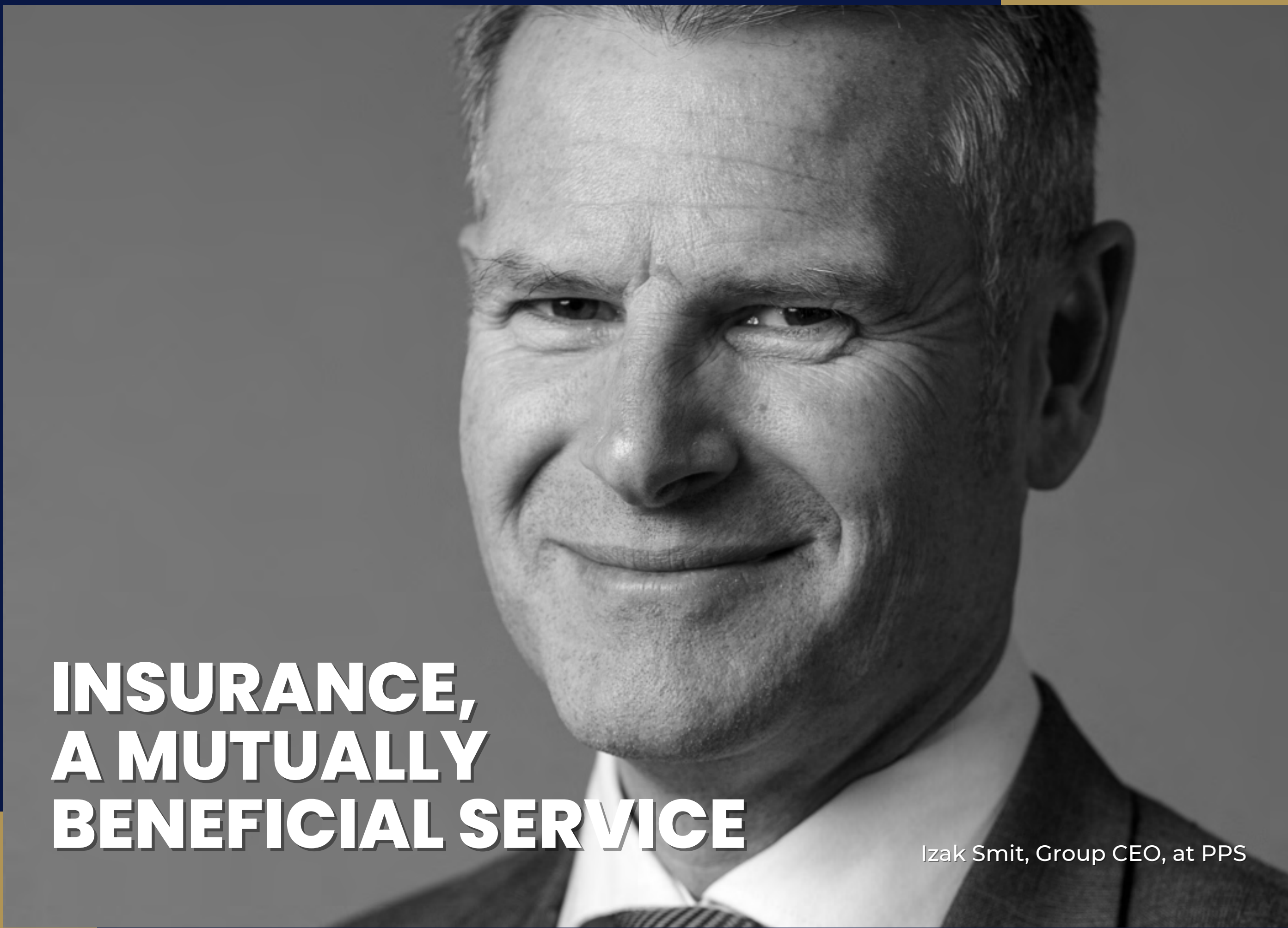
Our main feature presents a series of summaries of the various TechFest2023 talks and presentations. This year we hosted 24 speakers in nine sessions, spanning four months, where we unpacked the digitisation journey in all its stage, from the perspective of the fundamentals of successful insurance business.

Our second feature focused on high-net-worth advice, both in the short-term and long-term space. This quote by Clyde Parsons, chief innovations officer, BrightRock, explains quite appropriately some of the unintended consequences of trends in financial services: "When it comes to financial planning for high net-worth individuals, the focus is often on wealth creation and protection through investment strategies. However, if your high net-worth clients have made building financial wealth a priority, they also need adequate risk protection to keep pace with their growing asset base and changing lifestyle. In this article, we outline some key points to take into consideration when meeting with your wealthy clients to assess their life insurance coverage".

Selling has become stigmatised and adequate risk cover, which must be sold, became the victim. Read the feature and decide for yourself. Experience the future of magazine reading by visiting our WebMag at COVER.co.za on your mobile.

Enjoy the read.

Tony Van Niekerk, Editor-in-chief



INSURANCE, A MUTUALLY BENEFICIAL SERVICE

Izak Smit, Group CEO, at PPS

IN CONVERSATION WITH COVER, PPS, GROUP CEO, IZAK SMIT SHARES HIS THOUGHTS ON INNOVATIONS IN THE INDUSTRY, THE FUTURE OF INTERMEDIARIES AND THE MUTUALITY OF INSURANCE

Tony kicked off the conversation by asking Izak to describe where we are currently at as an industry?

Izak: South Africa is a challenging environment with low growth impacting the financial services industry and our consumers. It reminds me of a quote by Warren Buffet, "when the tide is out, you see who has been swimming naked." Now the tide has been out for a very long time in South Africa. We are confronted with many challenges that people in other places do not have, like load shedding and talks of grid failure. All these things are not even on the radar of our counterparts in other countries.

But there are always opportunities. One thing about the South African industry and South African managers in general is that we can make plans, and we figure out how to deal with whatever comes our way. From the PPS perspective, we still saw growth in new business last year, despite the environment. So far, this year has been a bit more subdued, but in general there is not much growth.

Tony: Globally, our industry is seen as quite innovative, and we have seen many firsts coming from here and being duplicated and grown outside our borders. If you were to look at the last two decades, what would you say were the greatest innovations in the insurance industry?

Izak: I have just had the privilege of visiting our business in Australia and we are also busy setting up a business in New Zealand. There is quite a bit of admiration from the actuaries over there, who often talk about the innovation coming from South Africa. For example, Critical Illness cover was developed here while many innovations in the short-term insurance industry also started here.

It comes back to the challenges that we must often face. We must think on our feet, and we must be nimble. That is just the nature of doing business in South Africa. As for big innovations in the last two decades, I would say it is not necessarily an insurance or financial services innovation, but it is all around us, it is our way of doing business that has changed significantly. COVID taught us a couple of things and that is not the innovation from South Africa, it is just piggybacking on how the world had to develop.

But I would say a lot of the innovation that we see in the insurance, the investments, and financial services industries, are often due to things that happen in the world in general, like smartphones and digitalization in other areas that we then use in our industry. We are continuously innovating around ways to deliver service. The basics of financial services are simple, not much to innovate: We have premium in and there is a claim payout if something bad happens, savings in and there is a payout point.

It is the innovation around that and how we make our jobs easier for our store and our intermediaries, where the real innovation happened. Not so much the products per se, the core thing that we give to our consumers, but rather how we go about it, like things that we used to do manually in the past that we can now rely on technology to do for us.

Tony: PPS is one of the last big Mutuals in South Africa. How do you see the future of Mutuals in South Africa and globally?

Izak: We are the biggest financial services provider that operate under the ethos of mutuality in the country, and in fact, at times in Africa, depending on the exchange rate and how you measure it. Sadly, in Africa, mutuality is not a common model anymore, especially with the de-mutualization of a couple of big players at the end of the previous century. In fact, below 2% of insurance premiums in Africa go to Mutuals.

It is interesting because in Africa we have Stokvels and Ubuntu, so it seems that the mutual model is something that should be more common here. We do believe it is a wonderful model that will grow again in Africa. The nice thing is that there is not a shareholder involved that is looking for dividends, all the benefits go back to the members, that is the reason for the business to exist.

For mutuals especially, purpose is important and so natural. It is the reason for our existence. We exist to be purposeful for our members. We do challenge ourselves at PPS and say that there is so much more that we can do. The way we apply Mutuality is by returning all the profits, which is fantastic and unique.

It is almost innovative in the world these days to do it that way. Other mutuals do it in other ways, but we challenge ourselves and look at what else we can do. Can we stretch it further than only the numbers? Can we play a bigger role, obviously from a financial perspective, but also a bigger role in our members' lives as a mutual.

There are things that we can do that a stock business would think twice about because they need to worry about what is going back to the shareholder. Our thinking is more about being fair to all the members and different groups within the members when asking, what is the best value we can return? It does not always have to be rands, it can be making sure everybody has a financial plan. We can start playing in the space of wellness and things like that. That is a true Mutual.

Tony: Now looking ahead, what are your thoughts on the relevance of the intermediated market over the next decade?

Izak: When you look at AI and robotics and technology sites, where you can do it yourself, many ask what is the value that intermediaries add? These technologies just allow people to play at a different level. Things that intermediaries had to do in the past, like ship paper, is not necessary these days. Good intermediaries do other things now that humans can do better than machines, like managing emotions. We know the biggest value destruction in investments is often due to us, the guy in the mirror. We sometimes make poor decisions, and a good intermediary can help us stay the course and keep us disciplined, helping us to stick to the plan and not make rash decisions. Even successful and well-educated people such as economists, accountants, and often financial advisors themselves, tell me that they need a third party to bounce their ideas off. If those people need a financial advisor, everybody needs a financial advisor.

Tony: Which issues in the industry do you see as most effective for us to focus on to ensure sustainability, especially during these uncertain economic and political times?

Izak: Sustainability is a big one that is more on a global scale these days. It is about the environment and climate change. I do not think that South Africa always appreciates it because of all our other issues and problems that we must focus on. It is going to come our way very soon, and much bigger than we anticipate. It is going to impact trade and it is going to impact a lot of things. We do not have a choice in South Africa, other than making it a big one on the national agenda. Businesses can and must proactively apply their minds to what that means. For our industry, for example, it will include and impact the assets and the way we invest.

In the short-term industry, we must apply our minds to big risk events that are climate related, while it is also in the small things that we do, where we need to have a greener mindset. Things like carbon tax will potentially become a big issue in future, and it is likely to come our way quite soon, because of global dynamics impacting the way we do business. If we can proactively think about sustainability from that perspective, we can make it happen. I imagine that South Africa is going to be an example of how we have leap frogged to be one of the greenest economies. Because out of necessity we must throw up solar panels and things now.

A few years from now most households and small to larger businesses will be using greener solutions. and that is sustainability.

FINANCIAL PLANNING

"Any investor worth their salt understands the importance of diversification, particularly in a contemporary economic environment characterised by such volatility and uncertainty"
- Braam Bredenkamp, Financial advisor at Grayswan

FUTURE OF ACCOUNTING SERVICES

Darren Isaacs, CEO and Founder of Makosi

Darren Isaacs, CEO and Founder of Makosi delves into the impact innovation has on the changing audit and advisory space.

In keeping with our focus on technologies and platforms that are available to businesses, I recently had a conversation with Darren, asking him to shed light on the company's role in the accounting and advisory space, highlighting its unique approach and global reach. Makosi is a tech-enabled platform that connects accounting firms with a global community of accountants, helping them grow and better serve their clients.

When asked about the areas they are involved in, Darren emphasized their expertise in audit services, which he described as their "bread and butter." However, he also pointed out their deep involvement in advisory services, demonstrating their commitment to delivering comprehensive solutions to their clients.

What sets Makosi apart from other firms in the industry, according to Darren, is their ability to deploy on-demand teams within a short span of 48 hours. Their goal is to simplify the process of addressing audit resourcing challenges, making it as effortless as turning on a light bulb. Leveraging technology, they ensure scalability, quality, and continuity in their services.

"Their mission goes beyond building a brand; they aim to create a movement by revitalizing the perception of audits and making the field more appealing and engaging for accountants and auditors. "

Operating in 20 countries, their global presence is a significant advantage. Darren emphasized that their ability to deploy resources globally on demand is a key differentiator for the company. Despite serving different regions, they encounter similar challenges across these areas, allowing them to bring valuable insights and solutions that benefit clients worldwide. Discussing their involvement in the FinTech space, Darren drew an interesting analogy to Airbnb. Just as Airbnb became the largest provider of accommodations without owning any real estate, Makosi aims to be the leading provider of audit services without ever signing a set of financial statements. In 2022 alone, they tackled over 10,000 audits, surpassing the audit volume of major clients like KPMG in the United States. This scale enables them to develop best practices, innovative technologies, and democratize them for the entire industry.

Regarding the composition of Makosi's workforce, Darren revealed that a significant percentage of their employees are full-time, accounting for around 60-70% of their workforce. They also have a network of contractors comprising the remaining 30%. With over 12,000 qualified and certified digitized accountant profiles, they can scale up their teams to hundreds of professionals when needed. The company particularly taps into the talent pool of South Africa, known for producing high-quality accountants, providing them with international exposure and opportunities.

Darren attributed their success to their technology platform and understanding of talent markets worldwide. The platform facilitates efficient operations while recognizing the nuances and demands of different markets. Their mission goes beyond building a brand; they aim to create a movement by revitalizing the perception of audits and making the field more appealing and engaging for accountants and auditors. The conversation also touched on the evolving landscape of auditing, driven by regulatory changes and financial reporting requirements. Their focus extends to the financial services sector, including insurance, asset management, and related industries. They serve clients in various regions, each with its unique elements in terms of GDP and industry focus.

Their diverse experience allows them to gain insights from different sectors globally, enabling them to provide valuable local expertise to clients. They also recently released a white paper on trends in the world of work and its impact on businesses, highlighting the variable workplace concept, assisting them to stay at the forefront of industry developments and to engage in thought leadership. Click here for the Embracing a Variable Workforce white paper.

In conclusion, Makosi's innovative approach, combined with its global reach and technological capabilities, has positioned them as a prominent player in the advisory and accounting space. By seamlessly connecting accounting firms with a global pool of talent, they empower their clients to overcome resourcing challenges, enhance their services, and create room for growth.

How private investors can access offshore equity and commodity markets safely

Braam Bredenkamp,
Financial advisor at Grayswan

Structured products enable diversification into offshore markets while controlling risk.

Any investor worth their salt understands the importance of diversification, particularly in a contemporary economic environment characterised by such volatility and uncertainty. Spreading investments across industries, asset classes and geographies is a key component of risk reduction in an investment portfolio, as should one investment fare poorly, the others should ideally offset this, resulting in consistent return. This is fundamental to achieving long-term financial security. Bearing in mind that JSE-listed stocks represent merely 1% of the total listed equity market capitalisation in the world, investing offshore can help you gain exposure to investment opportunities and markets that may not be available in South Africa.

It can also help to hedge against a stubbornly depreciating rand (although it is worth noting that JSE-listed companies derive almost two-thirds of their revenue from global markets, meaning that investing in the JSE comes with an inherent rand hedge). Moreover, while investing based on short-term trends and sentiments is inadvisable, those concerned about political and socioeconomic instability in South Africa can mitigate these risks through greater offshore exposure. Nevertheless, while this serves as an effective strategy to reduce risk, investing offshore is not without its own risks. These include currency exchange volatility, tax implications and the sheer complexity of choosing sensible investments among the staggering wealth of options available.

Building in protection

When gaining exposure to offshore equity or commodities, particularly with market uncertainty remaining high after an unpredictable 2022 followed by a very strong equity market recovery, it's important to build in protection, says Braam Bredenkamp, financial advisor at award-winning independent investment advisory and wealth management firm GraySwan. Structured products are a good way to do so.

"Structured products are pre-packaged, fixed-term (typically three to five years) investments that provide private investors with easy access to offshore equity and commodity markets, with a predefined risk and return profile over a predefined investment period," explains Bredenkamp, adding that these also provide varying levels of downside protection with adequate upside participation.

Structured products are offered in both offshore and local currencies, linked to a specific underlying asset. Issuers use asset classes such as equities, bonds, and derivatives to structure the performance and risk profile for the investor, also known as the risk-return payoff profile. "This risk-return payoff profile refers to the balance between downside protection and upside participation," says Bredenkamp. "More conservative investors may opt for a higher capital protection level with a corresponding lower market upside participation, while more aggressive investors may prefer less capital protection and a higher level of growth participation, with the possibility of leveraged returns."

Tax implications

As with any investment, it's crucial to weigh up the tax implications of a structured product. The first point is that these vary depending on the term of the investment: if the investor withdraws from or cancels early, it may be taxed as income; otherwise, capital gains tax applies.

Investing structured products through wrappers such as sinking funds or endowments can offer benefits in terms of tax and estate duty, too, explains Bredenkamp. "Beneficiary nominations avoid the complications of potential offshore inheritance tax and executors' fees, although the value will still form part of the investor's South African estate for estate duty purposes. Moreover, in a life wrapper, the value is protected from creditors after the investment's first three years have passed."

Weighing the risks

There's no worthwhile investment without risk, and structured products are no exception. These products don't pay dividends, and as they are fixed-term, investors need to ensure they do not run into liquidity issues. Moreover, the financial institution issuing the structured product needs to be able to deliver on its promise of guarantee, capital protection, or enhanced return at the maturity of the structured product. "Such risk can, however, be managed via a collateralised product option if the investor does not wish to be exposed to counterparty or credit risk," says Bredenkamp.

GraySwan structured products

GraySwan has established a partnership with a Swiss-based platform with an investment-grade credit rating three levels higher than that of South Africa's top-rated banks. Any level of capital protection can be selected, along with a guaranteed or non-guaranteed investment return linked to a specific underlying offshore asset. Available options include various indices, instruments (for example, exchange-traded funds and actively managed funds), single stocks or a combination thereof.

MEETING YOUR CLIENTS' NEEDS TODAY WHILE SAFEGUARDING THEIR FUTURE INSURABILITY


Clyde Parsons, BrightRock

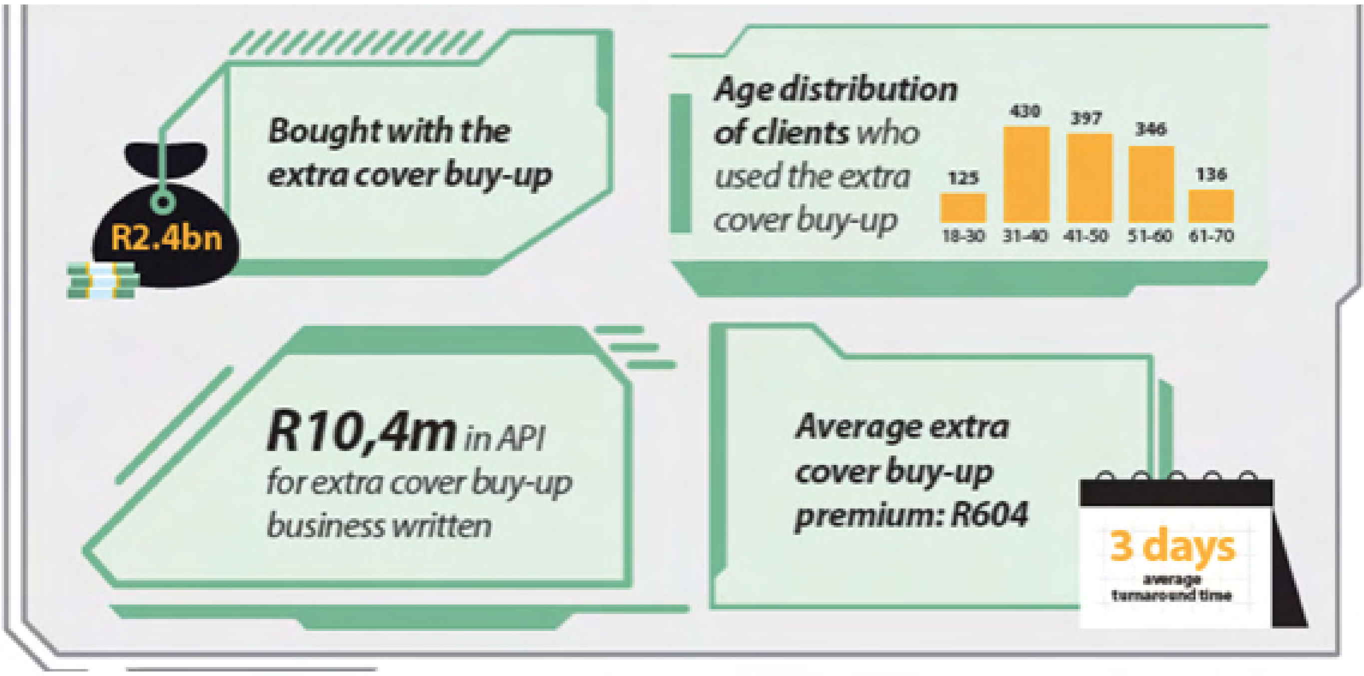
One of the challenges facing financial planners is how to secure their clients' future insurability affordably and sustainably, in a way that addresses both their present and future needs. When clients first take out life insurance, they're usually the youngest and healthiest they will ever be – but often that's also when affordability is most under pressure because that's when they typically also have the highest insurance need. While you may think an insurance policy that starts off with less cover and grows aggressively over time through future premium and cover increases will bridge the affordability gap while securing their future cover, industry statistics show the opposite is true.

The latest True South Insurance gap study, published by ASISA in 2022, shows an alignment between clients' behaviour and the decrease in their income protection need over time. While the insurance gap at younger ages up to about the age of 50 is enormous, as people get older, this gap starts to narrow as they reduce their cover in line with this reducing need. Traditional products that offer a lump-sum priced to increase over time don't adequately address clients' needs now, or in the future. One of the factors that contributes to the premium that clients pay for any insurance cover is the how long they want to keep the cover, and if they want it to increase over time. The longer the period of cover, and the more the cover increases, the higher the premium.

But if clients are cancelling their cover once they start getting closer to their retirement age, they're wasting premiums by paying too much from day one for cover that they never needed and that they're not going to keep. What's more, when they buy-down later in life, due to these affordability constraints and their reducing income protection needs, they may find themselves without cover and completely uninsurable due to health conditions that may have emerged over the years.

At BrightRock, we identified this problem early on and designed our needs-matched life insurance cover to deliver more cover for our clients when their insurance need is highest, while also safeguarding their future insurability. Our efficient pricing model takes into account that clients' need for cover changes over time, enabling them to buy up to double the cover when they first sign up with BrightRock compared to what they would be able to purchase with a traditionally-structured product. This also enables them to cover themselves better when they need it most. And then, we've built in features into our product design that ensure they can buy more cover in future, if their needs change. The extra cover buy-up is one of the features we developed to make sure our clients could access more cover without facing unnecessary barriers, should their needs change.

BrightRock's unique extra cover buy-up facility allows our clients with standard rates (including clients with medical loadings of up to 75%) to increase their cover without medical underwriting, provided they do this at least once every three years. Thereafter, the client still has access, but they need to give us a clear declaration of health to be able to add cover. If clients use it regularly, they can increase their cover up to the maximum entry age for the cover they want to add, for example, 70 age next birthday for death cover. You'd be forgiven for thinking that the extra cover buy-up is like future cover, but this isn't true.



How BrightRock's extra cover buy-up compares to future cover options in the market

We did a full analysis of the industry's future cover offerings earlier this year, and some of the findings were quite surprising. For an average 40-year-old client looking for future cover for death, we found:

1. All but one provider prohibit the client from accessing the cover when they want. They require specific events to take place, like a marriage. They also need proof of the event and limit the available cover depending on the event;

2. One provider has two variations of future cover that are automatically included in the policy for the client (certain terms and conditions apply). The rest of the future cover benefits need underwriting, are sold to the client as an additional benefit, and require the client to pay an additional premium;

3. Using the future cover is not always free of medical underwriting, in fact all except one provider will ask for proof of health in some form. The provider that asked for the most evidence will need a cotinine test, occupational underwriting, underwriting for risky part-time activities, travel, and a BMI declaration from the client before the cover can be added;

4. Even though clients are paying for the facility (we saw between 5% and 25% cost in our analysis), one provider only allows them to use their future cover for a period of four years once they're over the age of 31, after which it falls away completely.

New survey reveals almost 80% of Brits believe the retirement age should be LOWERED

A new survey has revealed the UK's sentiment regarding pensions and retirement.

The survey, conducted by investment comparison site Investing Reviews, asked over 2,000 users their opinions and attitudes towards retirement, pensions and investments to better understand the nations sentiment around said topics. Interestingly, as tensions in France continue to rise over the raising of the retirement age from 62 to 64, UK sentiment regarding retirement ages doesn't seem to differ much from the French. In the survey, 68.71% of respondents believe that the UK retirement age (which currently stands at 66) should be lowered.

This sentiment also comes alongside 71.16% of respondents believing that it is harder to retire in the UK now than ever before. However, this seems to be easier said than done according to the survey by Investing Reviews. In fact, 62.60% of respondents believe that their pension is simply not enough to retire comfortably, citing that they believe they will need additional investments alongside their pension. This may be due to the fact that over half of respondents (55.82%) agree that they are unable to make as many pension contributions as they would like to.

When it comes to employer contributions, well over a third (42.66%) of respondents would consider working in an entirely different sector to their current career if it meant greater employer contributions. In a previous study by Investing Reviews that analysed official government data from ONS, working in 'public administration and defence (including compulsory social security)' is the sector that have the highest percentage of employers contributing 20% or more to employees' pension whilst employers in the 'wholesale and retail trade (including motor vehicles and motorcycle repair)' have the lowest percentage of employer contributions of 20% or more at only 1.3%.

What is particularly interesting is that over a third (34.93%) of respondents revealed that they do not know exactly how much money is in their pension, whilst again, over a third of respondents believe they will not be able to retire comfortably in the UK. This sentiment around the difficulty of retiring comfortably in the UK and the frustration at not being able to contribute as much to their pensions as they'd like are echoed in respondents answers to the question "If I was able to, I would choose to retire outside of the UK" wherein 42.66% of respondents agreed – raising questions over the increasing rate of inflation and cost-of-living that is perhaps not something that those looking to retire, are able to keep up with if they remain in the UK.

Commenting on the findings, CEO of Investing Reviews, Simon Jones said: "There are endless debates to be had regarding the UK retirement age and the state of pensions, especially considering the recent rise in retirement age in France and the backlash that received. These responses offer a fascinating insight into the attitudes that the British public hold towards pensions and retirement ages, particularly the sentiment that it is now harder to retire comfortably than ever before. It will be interesting to see if factors such as the backlash in France to the rise in the retirement age and the increasing difficulty of the cost-of-living crisis have any effect on these sentiments in the future."

Take advantage of a cycle now favourable to debt rather than equity

By Dino Zuccollo, head of product development and distribution at Westbrooke Alternative Asset Management

Owing to its ability to generate stable, predictable and comparatively higher yields for investors whilst at the same time improving diversification, reducing overall portfolio correlation and enhancing tax efficiency, private debt investments with experienced managers have increased significantly in popularity in allocations for high-net-worth individuals, wealth managers (and some institutional) portfolios. But yield enhancement strategies such as private debt weren't always seen as a genuine means to potentially generate higher returns than those achieved by listed equities, but with significantly lower risk. So how did we get here? We'll use the UK experience as a case study.

The decade after the Global Financial Crisis was a time of exceptionally low central bank rates, which was music to the ears of equity investors who benefitted from cheap funding available to corporate management teams to drive growth. After cutting rates by 50 basis points in March 2009 to 0.5%, the Bank of England didn't act again until August 2016 when there was another cut of 25 basis points. In a market starved of yield, fixed income instruments were seen as a conservative strategy rather than a way to genuinely supplement the returns in a broader portfolio. Just as the cycle started to turn and rates in the UK increased from 0.25% in 2016 to 0.75% in 2018, the pandemic struck in 2020 and rates were slashed to 0.10% in March 2020.

Against a backdrop of practically no yield at all, equities bounced back after the initial shock of lockdowns and value investors nearly burned their textbooks as valuation multiples reached clearly unsustainable levels in the market, thereby defying all logic. Central banks desperately stimulated economies that were full of people staying home, which worked until the spectre of inflation appeared on the horizon. With global supply chain challenges and a severe demand-supply imbalance as a major catalyst, inflation reached unprecedented levels. Wage inflation has added fuel to the fire, as people in wealthy countries needed to be coaxed back to work with promises of higher wages. Once the flywheel of inflation is spinning, it's not easy to stop.

The response to inflation from central banks in most countries has been as overwhelming as the rise in inflation itself, with the Bank of England awakening from a decade-long slumber to hike rates twelve times in a row since December 2021. Despite the level of hawkish activity and a base rate of 4.5%, we aren't even back to the levels seen at the top of the 2000s bull market, which culminated in a rate of 5.75% in July 2007. In 2007, inflation in the UK was running at between 2% and 3% before the bankers of Wall Street ignited the crisis that marked the end of the cycle. In April 2023, Consumer Price Inflation in the UK printed at 7.8%. It's not clear that the current hiking cycle is over, which is good news for yield-focused investments and worrying news for equities.

In terms of equities, the FTSE 100 index is flat over both 5 years and 12 months, so the largest and most important companies listed on the UK market are only managing to tread water in terms of shareholder value, with a dividend yield of 3.5% currently quoted on the index.

Smaller listed companies with lesser balance sheets have been struggling, with the FTSE 250 down 10.5% over five years and 9% over the past 12 months, with a currently quoted dividend yield of 3.2%. The rapid increase in the base rate has had the effect of shifting value from equity investors toward debt investors. With an increased cost of funding and an increasingly difficult operating environment, the debt ducks are quacking the loudest and corporates need to feed them first, with only a handful of crumbs left for equity holders. A base rate of 4.5% that is well ahead of dividend yields on the largest UK indices means that the risk-adjusted return being provided by equity exposure is not appealing in this environment.

Yield is no longer just a conservative 'stay rich' strategy designed to avoid major drawdowns in value. Instead, it has become a wealth creation tool again, offering returns that in many cases are better than equity returns even before adjusting for risk. This begs the question: where can attractive debt returns that offer a reasonable investment time horizon as an alternative to equity exposure be found? Government bonds can be dangerous for investors, as the value of the bonds is sensitive to changes in interest rates and we find ourselves in a volatile rate environment. Silicon Valley Bank's failure in the US market was largely due to mark-to-market losses on US Treasuries and forced selling to meet liquidity requirements. Government bonds only offer a so-called 'risk-free rate' if held to maturity, a critical point that is missed by many.

Even with the benefit of an inverted UK yield curve that sees six-month yields at just over 5%, this is still a negative real return in the context of current inflation rates. The six-month yield is the best rate currently available on the yield curve, with 10-year yields down at 4.3%. A further issue with bonds is that they don't tend to be easily available to investors. n the search for attractive yield with liquidity characteristics that make sense for our investors, Westbrooke Yield Plus invests in predominantly floating-rate private debt transactions mainly in the UK. The floating rate is vital in this environment, as investors benefit from the hiking cycle that doesn't show any obvious signs of slowing down.

The current yield run-rate is 9% per annum in GBP, which suggests a positive real return in the current inflationary environment. The tax-efficient investment structure adds a further kicker to the yield versus many other sources of yield in the market. Although a credit risk premium over government bonds is clearly appropriate, the risk-adjusted return is bolstered by Westbrooke's capital preservation philosophy. Over 90% of the loan exposure enjoys senior-ranking security and 80% of the fund is exposed to real estate or tangible assets. In this environment, Westbrooke Alternative Asset Management believe that yield is a front-foot strategy that takes advantage of a cycle that is favourable to debt investors at the expense of equity investors. As the US-based CEO of the world's largest alternative asset manager, Blackstone, was recently quoted as saying the current conditions are a "golden moment" for private debt across the globe.

WEALTH & FINANCIAL PLANNING FOR HIGH NET WORTH CLIENTS

"The HNW market segment is more about mindset and strategic decision-making than mere asset accumulation."
- Jean Minnaar, MD of Private Clients by Old Mutual Wealth

Clyde Parsons, chief innovations officer, BrightRock

Risk protection is as important as your client's investment portfolio

When it comes to financial planning for high net-worth individuals, the focus is often on wealth creation and protection through investment strategies. However, if your high net-worth clients have made building financial wealth a priority, they also need adequate risk protection to keep pace with their growing asset base and changing lifestyle. In this article, we outline some key points to take into consideration when meeting with your wealthy clients to assess their life insurance coverage.

Your clients might believe that having built significant wealth, their dependants are financially secure. However, it's important to consider that families may have limited access to funds after the death of a wealthy spouse or parent if their money is tied up in fixed assets, investments, and businesses. An international survey conducted in 2021 found that 58% of wealthy families only reviewed their succession and legacy planning on an ad-hoc basis, with another 22% doing so every five years or more.

Life insurance can provide dependants with access to funds to cover any outstanding debts and regular living expenses, so they aren't forced to liquidate assets to fund day-to-day living expenses.

Here are some basic, but vital risk protection tips to consider when assisting your clients with their financial plans:

- Ensure that your client's financial plan addresses the actual expenses funded by their income, ensuring that their life cover caters appropriately for each of these different needs – this includes everything from the cost of educating and caring for their children to their medical aid contributions. Ensuring that the term of the cover needed matches the term of the debt or financial obligation will make the cover more affordable because it's appropriately priced.

  A smart financial plan will protect the client's asset base in the event of an unforeseen illness or injury. Say, for example, a client loses the use of their legs in a vehicle accident and needs to make adjustments to their home so that they can move around more easily. Without critical illness cover to pay out for events like this, they would be forced to cash in investments that they had set aside for specific purposes, such as their child's education or their own retirement. Insurance prevents these investments being depleted due to a serious health condition or injury. Some innovative insurers like BrightRock also provide critical illness cover where the claim payment can be taken as a lump-sum followed by a series of monthly payments for conditions where it's understood that the client will take a while to recover and will need a bit more money.

- Carefully consider the various pay-out options for this cover. Generally, clients are forced by the constraints of traditional life products to choose between a lump-sum or a recurring benefit at policy inception, even though one can only really know which option will best suit their needs when they claim. These options have various pros and cons, so it's important to make an informed choice. BrightRock offers the ability for clients to choose the best pay-out option at claims stage – whether a lump-sum or income payment, or even a combination of the two. This means your client and their beneficiaries can enjoy the best of both worlds when it comes to protecting their income after death or disability;

- Your client may have a significant estate duty liability on death, given their large asset base and the value of their estate. Only the first R3,5 million of an estate's value is exempt from estate duty – for large estates, this tax bill can result in a significant reduction in value. However, the Estate Duty Act provides for a deduction where assets are left to a spouse, and the estate duty payment can be deferred until the second of the spousal couple dies. Your client's life insurance policy can offer financial protection against this estate duty liability by including last death insurance cover that specifically protects the last surviving spouse and provides for this payment on their death.

- Lastly, protect your client's future insurability. While their financial needs are sure to change over time as their lifestyle and net asset position changes, it can be difficult to get more life insurance cover later in life because of their age or changes in their health. BrightRock's extra cover buy-up option gives qualifying clients the option to access more cover later on with no medical tests – a feature that's built into all standard policies at no additional cost.

SHIFTING MINDSETS AND REDEFINING HIGH NET WORTH CLIENTS

Jean Minnaar, Managing Director of Private Client Securities by Old Mutual Wealth

Those who still categorise high net worth (HNW) clients solely based on the value of their discretionary investments in dollars or rands are overlooking an essential aspect. The HNW market segment is more about mindset and strategic decision-making than mere asset accumulation. While many continue to define HNW clients as individuals or families with over a million dollars in discretionary assets, financial planners and wealth managers would be better served by focusing on the intricate complexities involved in guiding these clients across multiple asset locations.

HNW clients are incredibly diverse, making it both impossible and ill-advised for financial advisory practices to offer cookie-cutter or one-size-fits-all solutions to this segment. Your success in advising the ultra-wealthy lies in meeting the needs of clients who live and invest as global citizens, prioritising wealth preservation as much as wealth accumulation. The challenges you must address extend far beyond asset allocation and portfolio management; they encompass trust structures, multi-jurisdictional estate planning, mechanisms for multi-currency exposure, and determining the most suitable geographic locations to domicile clients' assets.

Financial planning is an integral part of the broader wealth management discipline, and those who identify as wealth managers must provide services that go beyond what a certified financial planner (CFP) might offer to a typical mid to high-income client. You may be called upon to assist your HNW clients with asset management, estate planning, fiduciary advice, and specialised guidance in various areas such as law, property management, and taxation, among others. It is helpful to envision the HNW financial planner as a conductor who connects clients to a range of advice service providers necessary to achieve the client's financial goals and oversees the resulting interactions.

In the past decade, there has been an ongoing debate within the domestic HNW landscape regarding local versus offshore investment exposure. However, this debate misses the mark as it focuses too narrowly on asset management and short-term perspectives, which are not aligned with the needs of true HNW clients. Wealth management requires a shift in thinking toward multi-generational financial planning. In this context, the question of how much of a family's wealth should be invested in South Africa changes. It's essential to remember that HNW clients are global citizens who do not benefit from having a significant portion of their investment capital tied to South Africa, considering its small share of the global investment universe.

As more of your clients' assets are located offshore, new regulatory challenges arise. Local financial planners and wealth managers may face increased advisory risks, coupled with the potential inability to maintain long-standing advisory relationships with HNW clients across all countries where they have exposure. Overcoming these obstacles necessitates expanding your range of domestic and offshore wealth management services beyond asset allocation and manager selection. To succeed, your practice must establish connections and partnerships with experts in multi-jurisdictional disciplines such as custody, estates, fiduciary matters, trusts, and more.

The role of a financial adviser or wealth manager is to protect HNW clients from costly financial mistakes and help them strike a crucial balance between income, wealth creation, and wealth preservation. Private Clients by Old Mutual Wealth, as a bespoke private client asset manager, is committed to becoming a champion and thought leader for South Africa's dollar millionaires. We are the partners you can rely on when you realise that asset managers focused on retail clients cannot provide solutions that meet the resilience and strategic asset location requirements of your HNW clients, rather than default asset allocations.

ALL THINGS ENDOWMENT

Endowments are frequently seen as inflexible. There is also some scrutiny around what returns look like based on market conditions upon maturity. As a specialised solution, endowments can be the perfect key for the right lock. It's just a question of pairing the product with the correct client.

An endowment needs to be carefully considered in the context of the greater financial picture and a person's future goals. It can be extremely beneficial in advancing a financial plan, particularly for clients in a higher income bracket.

The benefits of an endowment fund

Endowment funds are ideal for clients in a higher income bracket. Those with a marginal tax rate higher than 30% will benefit from the funds flat rate, leading to reduced tax payable as the investment grows and improved returns.

Another benefit is that by appointing a beneficiary, no executor fees are applicable. When the policyholder dies, the beneficiary will be paid out directly, and will not have to wait until the estate is wound up.


Farzana Botha, Segment Solutions Manager at Sanlam Risk & Savings

In terms of Section 63 of the Long-term Insurance Act, 52 of 1998, an endowment comes with full insolvency protection after 3 years. An individual, or that of a business or trust, is protected from creditors after three years, as well as for five years after the endowment has been terminated, provided that the proceeds are payable to a policyholder's spouse, children or parents.

Furthermore, should an asset have been bought with the proceeds of that endowment, this is also protected for a further period of time.

Selecting an endowment fund means that a client has access to the leading investment funds in the industry, making it easier to select the most appropriate funds and structural benefits for their needs. A layer of protection can be added through an optional investment guarantee which will prevent losses and guarantee a specific rate of return on maturity.

Clients who are already investing in unit trusts and those who have used all their tax allowances are the kind of clients who could also benefit from an endowment.

Those who recognise and are satisfied with a five year or longer investment term horizon, who want a goal-based savings platform, and are discipled towards that target, can really take advantage of what an endowment has to offer. Alongside these attractive benefits, as an adviser, you can assist them in managing their portfolio to help them get the best returns.

There is no doubt that an endowment policy can fill a specific gap in a client's financial plan. What is important is for you to help your client understand the benefits and how to get the most out of it.

HIGH NET WORTH INDIVIDUALS VALUE ADVICE THAT LOOKS BEYOND LOCAL SHORES

South Africa has a growing number of dollar millionaires, with assets that exceed 1 million US dollars. The 2023 Africa Wealth Report puts the number at 36 500, assuming an exchange rate of around R15 to the Dollar, so the number might be less given currency fluctuations, but the point is that there are a great deal of high net worth individuals in the country.


Brandon Naidoo, Liberty Lead Specialist: Investment Proposition

SARS figures tell us that there are 282 618 taxpayers that earn an income of more than R1million a year, making this group a much bigger cohort if we expand the definition.

Research from the UCT Liberty Institute shows that high net worth individuals are focused on building wealth and take a long-term view of all things connected to this. This includes always having a plan B, creating security for their families and taking advantage of every available opportunity life has to offer. Most high net individuals live in or close to the major three urban centers, in places like Umhlanga Rocks or Stellenbosch, and many occupy senior management positions. They enjoy things like fine wine, art and travel; they value the environment and contribute to causes of their choice.

Our research also found that this group; even though wealthy, still required some guidance on how to grow their wealth. Those who had a financial adviser agreed that they felt comfortable navigating their way with the assistance of an experienced partner like this, and they were always keen to know about the benefits of new opportunities that lead to wealth creation.


Zandile Makhoba, Liberty Lead Specialist: Insights Development

The value of Insurance

It should come as no surprise then that they are quick to appreciate the value of life insurance. According to Brandmapp, some 64% are covered, and our latest figures show that since the pandemic, many of them have increased the value to which their premiums cover their families, should the worst happen. Family security ranks high for this group who often have very extensive business interests and investments, and advisers would do well to consider a very broad-based solution, which would include things like professional indemnity and cover for their children's schooling, which might include sending them overseas to further their studies or to pursue their passions.

Financial advice remains key to this growing group of people. We should recognize that clients like this have very personal needs around which advisory services have to be tailored.

Letting their money lead the way

Beyond understanding the value of life insurance, wealthy people value diversifying their portfolios. They are always looking for opportunities for their money, both locally and beyond our borders, which means they seek access to overseas investment opportunities, or just the ability to move money overseas smoothly for travel, retiring overseas or for their children's education abroad. It's really about being goal based with tailored solutions, including partnering with the right asset managers who can offer exposure to emerging opportunities.

Liberty has created a one stop shop within the Standard Bank group that covers all regulatory and legal hurdles for moving money overseas for these purposes. Our investment teams have engaged in various partnerships to access research and provide a level of due diligence for advisers and clients. Stanlib, the asset manager within the group, has recently partnered with JP Morgan Asset Management which has an experienced team that spans the world and is able to cover a broad range of sectors and industries. All of this enables us to offer the fullest range of services and opportunities for client's money in one well integrated package that keeps things simple and therefore time efficient.

Wealth is usually always earned, and this means having an eye on the future. An adviser wanting to offer their services to high-net-worth individuals would no doubt want to be able to produce a range of future proofing lifestyle options, along with proven global money management abilities, so that clients like these can get the best support available for their ambitions to prosper.

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LOOKING AT THE HIGH NET WORTH SECTOR IN SOUTH AFRICA


Florbela Yates, head of Equilibrium

When I first entered the investment industry, I often wondered why investing for high-net-worth clients is any different to investing for any other client. As I become more experienced though, I realised that it is about understanding client needs and segmenting them to make sure that each client – regardless of their wealth – is catered for individually.

As the advice landscape has changed, we have seen an evolution of financial advisers moving from general practitioners, advising on everything from life and healthcare to investments and funeral, to becoming specialists in a particular area. In the investments space, we have experienced a further evolution of advisers from giving general investment advice to establishing full wealth advisory practices.

These practices tend to focus on clients with larger investment amounts, which is where the term high-net-worth (HNW) clients come from. These clients tend to be in the top tax bracket, have investments in different domiciles and often seek advisers that can assist with inter-generational financial advice.

Advisers in this space need to have a thorough understanding of the legal and tax structures in various countries, understand probate and be able to cater for their clients' personal and business needs. This requires an understanding of tax planning, trust structures and other legislation and often requires partnerships with experts in other countries.

In addition to managing the client's needs, these advisers also often land up advising to their primary clients' children and the relationship tends to extend outside of the traditional advice area. It's not unusual for wealth advisers to get involved in opening bank accounts, facilitating forex transactions, setting up tax-efficient structures in various domiciles and even managing assets on behalf of minor dependants once their client has passed away.

And the investment universe is wider than the traditional asset classes such as equities, fixed income, listed property and cash. It often extends to direct property, private equity, crypto currency and luxury goods such as wine, art, stamps, jewellery and luxury cars. This need for expertise in so many areas is the primary reason that wealth practices often employ experts in various areas allowing them to build multi-disciplinary teams.

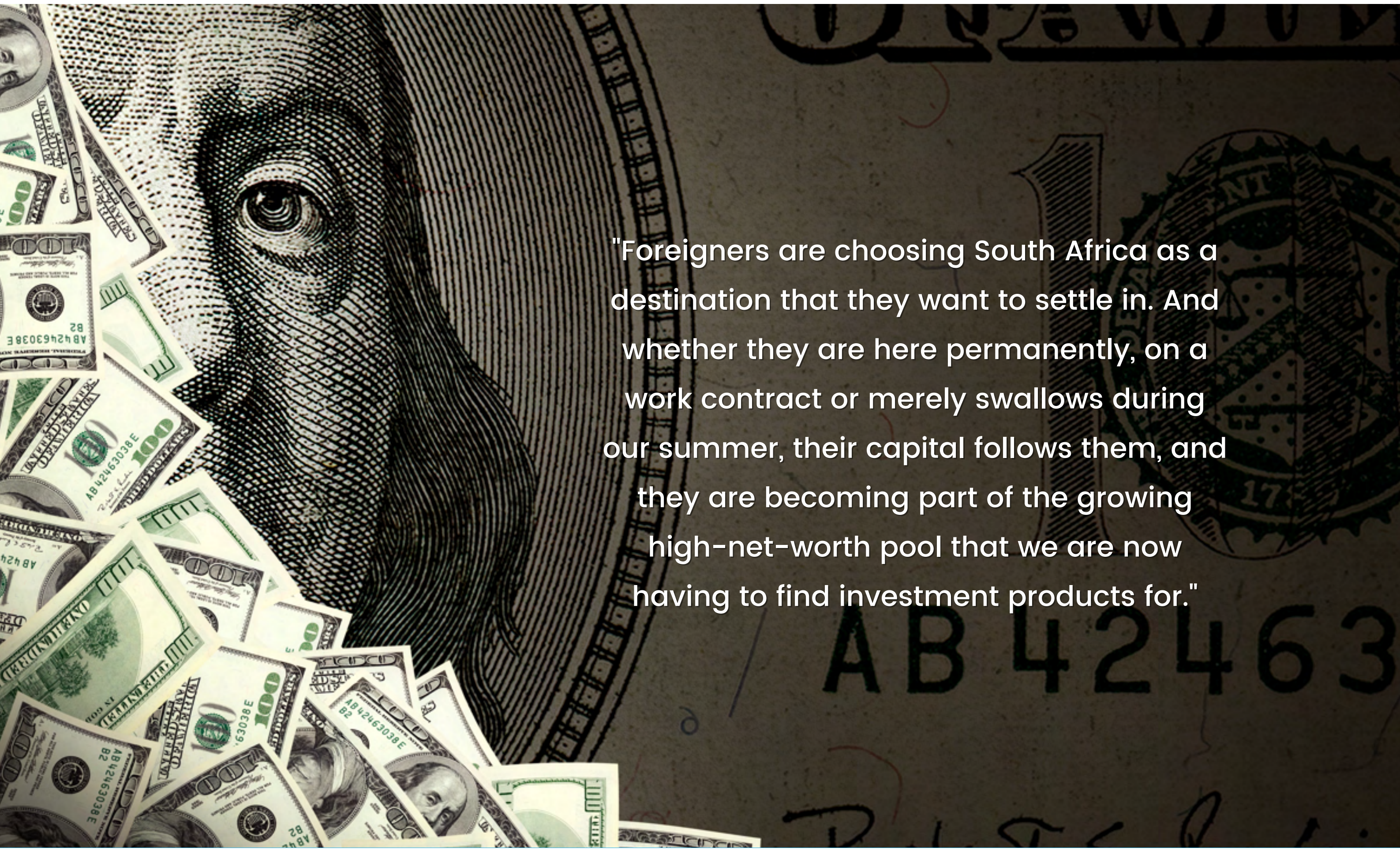
In South Africa, we have seen an increase in emigration from the high-net-worth clients over the past five years, yet this has coincided with an increase in the number of wealth practices (or wealth networks) that cater to the high-net-worth clientele. This seems counter-intuitive. But further analysis shows that although this segment has shrunk, there has also been an increase in clients moving from the middle class to the high-net-worth segment.

And although some are entrepreneurs who have built their wealth in South Africa, there is a growing number of foreign investors who are now included in this segment. I was recently speaking to the CEO of a property company in the Western Cape and she confirmed how the demand for property from foreigners has escalated. They aren't only looking for property in the Cape Town City Bowl but all over South Africa. Property companies are battling to find sufficient supply, which can include wine or game farms and even industrial property. Foreigners are choosing South Africa as a destination that they want to settle in.

And whether they are here permanently, on a work contract or merely swallows during our summer, their capital follows them, and they are becoming part of the growing high-net-worth pool that we are now having to find investment products for.

The wealth management space has grown significantly in the last decade. A good HNW adviser will have the specialisation and skill sets needed to provide comprehensive solutions for managing, preserving and growing wealth not just for this generation but for future generations as well. Using the right partners when it comes to investing gives you the peace of mind in knowing that your clients' investment objectives are secure so that you can focus on the things that really matter.

Visit eqinvest.co.za to find out how a DFM can help your advice practice.

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HIGH NET WORTH INSURANCE

"South Africa's HNW insurance sector is not contracting but evolving."
- Christelle Colman, Founder & CEO of Ami Underwriting Managers

INSURANCE FOR HIGH NET WORTH INDIVIDUALS

Gail Bosch, ArtInsure Product Head

When it comes to insurance, high net worth individuals have unique needs, as well as unique assets that they want protected, which means that they often form lasting relationships with their insurers based on loyalty, trust and confidentiality.

Unlike the average South African insurance client who is looking to be put back to the position they were in before an event occurred, the high net worth insurance client is protecting an investment.

At the same time, there is also an element of irreplaceability of the investment that is insured, so these clients require dedicated experts who can restore a unique and priceless item once it has been damaged.

According to data from the 2023 Knight Frank Wealth Index, high net worth individuals are most likely to invest in art, which saw a 29% increase in price over the past year, followed by classic cars (25% increase) and watches (18% increase), right down to diamonds (4% increase) and rare bottles of whiskey (3% increase).

The index tracks the value of 10 investments of passion across the globe. The quite staggering sums of money paid for investments of passion over the past 12 months highlight just how important these collections are to high net worth individuals and how resilient many of these asset classes are to economic and geopolitical events.

In South Africa, survey respondents indicated that there is appetite to purchase investments of passion in 2023, with 50% of investors likely to purchase classic cars, compared to 34% globally. Followed by a 45% likelihood in jewellery, 36% in art and 32% in watches and furniture, the Wealth Index reveals.

This shows that the global art market is doing extremely well, and there is also still a huge appetite for collectibles not only overseas, but also in South Africa. These investments of passion must be specifically insured because the items themselves are the differentiators, as they continue to appreciate in value and thus need specialised cover.

The fact that the global investments of passion market hit the fourth largest all-time high, at $16.5 billion (R315 billion), last year is evidence that high net worth individuals still have a significant appetite for investment, even in tough economic times.

This also sets them apart from the average insurance client who is likely to cancel their insurance policy during difficult times and hope that no unfortunate events will befall them. Wealthy insurance clients, on the other hand, understand that insurance not only protects their assets, but also an investment that grows over time.

Thus, high net worth individuals' interest in ensuring that their collectible items are insured is not necessarily determined by market conditions. Instead, they value forging long-lasting relationships with specialist insurance companies that have a team of dedicated experts who can restore, clean, transport, store and evaluate an item when required.

Unlike standard content insurance policies – for both companies and individuals – that insure items for replacement value, collectibles are often once-off and unique items that cannot be replaced if damaged or destroyed. These items are insured for agreed value and to arrive at a figure, a specialist insurer will make use of the services of experts.

Hence the relationship between high net value individuals often becomes something akin to partnerships. Specialist insurers understand that trust has to be built with the client, and the client not only needs to trust the insurance provider, but also its team of experts.

High net worth individuals are demanding as clients as they expect expert assistance and are typically very sensitive to loyalty and bad service. Ultimately, a successful relationship between an insurer and a wealthy client needs to be underpinned by confidentiality, trust and expertise.

Tarina Vlok, MD: Elite Risk, a subsidiary of Old Mutual Insure

Insuring the wealthy

From 2012 to 2022 the wealth segment in South Africa contracted by 21%. This is largely driven by poor economic growth and a 50% decline of the Rand vs. the US Dollar over the period.

Despite this contraction, South Africa still has over double the number of high net-worth individuals as any other African country and ranks 30th in the world when it comes to the number of Dollar millionaires. The growth forecast is also very positive, with 42% growth projected on the continent for the next ten years.

High net-worth trends - Trends for 2023 include a continuation of semigration to coastal regions, where high-net-worth numbers in the inland cities on the index contracted by a combined 75%, whilst that of the coastal regions (excluding Durban) increased by a combined 65%. Particular growth was recorded in the Cape Winelands, the Garden Route and the Whale Coast.

The previously identified trend of emigration in the interest of wealth protection and access to global mobility continues. Most African emigrants relocated to the UK, USA and the UAE, with many also moving to Australia, Canada, France, Israel, Monaco, New Zealand, Portugal, and Switzerland. Interestingly, many African high net-worth individuals have relocated to South Africa.

The growth of the high net-worth sector in Namibia was noted as an especially interesting development. This could open up opportunities for South African insurers who operate in Southern Africa. When it comes to investment, art remains a top asset class. Especially popular are African artists like Sydney Kumalo, Gerard Sekoto and Irma Stern. Another growing asset class for investment is the collection of classic vehicles, in particular certain makes and models, like Porsche, Ferrari, ASTON Martin and Lamborghini ranging from the 1950’s to as late as 1990’s.

Definition unchanged: With the current global economic conditions, the sluggish growth of the South African economy and the poor performance of the Rand against most foreign currencies, the sector is certainly shrinking and has shown a 21% decline over the past decade. Despite this decline, South Africa still tops the list of wealthiest countries in Africa with around 38,000 Dollar millionaires.

We also have some of the world’s most upmarket residential areas and there are around 3,700 homes in South Africa valued at more than USD 1 million. This makes us one of the 20 largest prime residential markets in the world. The most expensive real estate in the country can be found in Clifton and Bantry Bay.

Taking into consideration this indication of significant wealth, it follows that the criteria will not change, and that the global definition of high-net-worth individuals remains unchanged. Some insurers may choose to lower their qualification criteria in support of growth strategies, but those are up to each insurer and the data supporting those decisions.

Dedicated teams for specialised needs - We are all aware that with great wealth comes many options and the expectation of superior service. In an intermediated model, these clients are often VIP clients to their brokers, with linked commercial or corporate accounts.

In a corporate environment like Old Mutual, there is the possibility that the account is also linked to investment accounts, making it even more important to ensure that your service is at the best possible level. Insurers understand that to effectively service this segment, you require a bespoke model and superior skills.

Of course, this is a highly desirable market, as premiums are high due to the high values of assets insured. It needs to be understood that we as underwriters require a few things to effectively service this market:

- **Access to capacity.** Often sums insured are much higher than your exposure appetite allows, so it is important to have good reinsurance programs in place.
- **Skilled staff.** With the shortage of highly skilled staff in the insurance industry, it is important to ensure that you attract and retain the correct staff to service the segment and provide personal service wide of a call centre setup.
- **Seamless processes.** From acquisition to claims, the processes need to be seamless and smooth to ensure effective service delivery across the policy lifecycle. Where possible, it is best to utilise technology to ensure efficient processes.
- **Relationships.** For brokers to place their most valued clients with an insurer, there has to be a relationship and open communication. Brokers need to know they can contact management at any time to resolve any issue which may arise.

PERSONALISED COVER FOR THE AFFLUENT SEGMENT

Karen Muuren, Head: Segment Solutions at Santam

In a South African context, the average individual has net assets of approximately R180 000 (wealth per capita). This is a relatively healthy level when compared to most other emerging markets. There are approximately 38 400 millionaires (HNWIs) living in SA, each with net assets of R16 million or more, and 2 030 multi-millionaires, each with net assets of R160 million or more. South Africa also stands as the largest wealth market in Africa and the 32nd largest worldwide (in terms of total wealth held).

In today's ever-changing environment, it's important to ensure you have the correct insurance cover that meets your needs. Finding innovative and relevant ways to insure an individual's assets has become a leading edge for creating meaningful insurance cover.

This is why Santam launched its Personal Lines Executive offering in early 2020 to provide a premium insurance solution for affluent individuals. This forms part of a business unit that focuses on relevant consumer and business segments by providing packaged solutions around risk with in-depth knowledge and value for those segments. One of the key features of this unit is that, over and above providing value, it also provides brokers with specialist knowledge, support, underwriting and risk management.

We have done extensive international and local research into market segments that have large growth potential but also have unique needs. The findings from this research pointed to the need for insurance that included cover for high-value household contents like fine art, jewellery and collectables. Many brokers had already provided us with feedback that this had been requested; however, the additional research struck just how large the need was.

Given the realities of loadshedding, crime and other uniquely South African problems, safeguarding one's wealth can be trickier than it would be elsewhere. Our Personal Lines Executive offering provides High net-worth individuals with the bespoke personal cover insurance to protect what is important to them in this ever-changing world.

Christelle Colman, Founder and CEO of Ami Underwriting Managers

A JOURNEY THROUGH TRENDS, CHALLENGES, AND INNOVATIONS

South Africa's High Net Worth Insurance Landscape

South Africa's insurance market is seeing notable transformations, especially within the High Net Worth Individuals (HNWIs) sector. The changes are driven by multifaceted influences encompassing economic, demographic, and societal dynamics, necessitating careful scrutiny and strategic responses. An ongoing industry debate revolves around whether the high-net-worth sector is contracting or if we're expanding our understanding of wealth. Despite economic hurdles, the HNWI sector remains resilient and vibrant. We're observing an evolution, kindled by a new generation of wealth creators who are reshaping the notion of 'high-net-worth'.

The industry is formulating strategic responses to cater to this unique market. Numerous insurance companies have dedicated teams for this sector, acknowledging its distinct requirements and growth potential. Brokerages also demonstrate interest in this market, signifying robust demand for bespoke, high-value insurance solutions. A noteworthy trend in the HNWI insurance landscape is the growing demand for custom solutions that align with the unique lifestyles and asset portfolios of these individuals. This development underlines the need not just to insure high-value items but also to comprehend the complex risks associated with HNWI lifestyles.

There's a marked rise in the mobility of wealth, with HNWIs increasingly establishing roots in different parts of the world. For example, since the end of the COVID pandemic, we have noticed an uptick in foreign home buyers, especially in the highly coveted area of the Western and Southern Cape. Such global relocation of wealth adds intricacy to the insurance needs of this demographic, necessitating refined solutions that cater to global asset protection and the management of cross-border risks.

The distinctive challenges in the South African insurance market, especially load shedding, with the phenomenon of intermittent power cuts becomes an unwelcome routine, it raises risks for security systems, digital assets, and luxury appliances - features characteristic of HNWI homes. Insurers are adjusting their products and services to manage these risks, often reconfiguring their cover. This situation calls for astute brokers to meticulously design the appropriate coverage for damages triggered by power surges or losses ensuing from security system failures.

In conclusion, South Africa's HNWI insurance sector is not contracting but evolving. This evolution is influenced by changing demographics, global wealth mobility, and new challenges like load shedding. As we navigate this dynamic landscape, the role of specialist HNWI underwriters like Ami, who understand these unique needs and offer bespoke solutions, is of paramount importance.

BIO: Christelle Colman is the CEO and founder of Ami Underwriting Managers (Pty) Ltd. Ami is an underwriting agency for Lombard Insurance Co, dedicated to providing bespoke insurance products in the personal lines space to our chosen market segments, namely aspirational millennials and the high net-worth, wealth market. www.ami.co.za

GEARING UP FOR THE LONG ROAD

A guide on insurance for classic cars

Owning a classic car is an aspiration for many. Vintage models appeal to the tastes of hobbyists, collectors or those looking to revisit the nostalgia of their youth. For others, buying a classic car is a way of investing in an asset that maintains its value or appreciates with time. This in turn offers them a decent return on investment if they're able to find a suitable buyer down the line.


Karen Rimmer, Head of Distribution at PSG Insure

However, before hitting the road in your 1969 Ford Mustang or Ferrari 250 GT, there are a few important factors to consider. These relate to the upkeep of the vehicle and acquiring the right type of insurance cover to safeguard your wheels against several risks. The categorisation of classic cars is fairly broad, however, most insurers consider classics to be collectible models that are usually at least 20 years old. The vehicle should also be in a good, original or restored condition and should not be used for every day purposes.

Cover options and special conditions

In terms of insurance cover, classic car owners typically have the same cover options that are available to modern vehicles. This includes comprehensive cover, third-party, fire and theft cover as well as third-party only policies. Owners may also consider taking out laid-up cover, which provides protection exclusively against off-road risks in cases where the vehicle is not being used for a prolonged period of time. This option is popular with classic car owners, who opt to keep the vehicle in storage or in the garage for long periods of time.

Like in the case of conventional models, underwriters will consider factors such as the age of the driver, the address at which the car will be stored and the driver's claims history, in order to determine an appropriate premium. The age of the vehicle, as well as its classification as a high-powered sports car versus a sedan, for example, are also important aspects that pertain to its risk rating. There are also special requirements for ensuring ongoing cover on a classic car. These include the limit on mileage per annum, which is normally restricted to 8 000km. The benefits of maintaining classic cover will fall away if the car is used every day, as usage is a major risk factor for these older models, even if they are in good working condition.

Insurers also typically require that these vehicles are stored safely and securely as well as that they are treated as a valuable asset. Furthermore, due to the higher fire risk associated with older vehicles, all classic cars should have a fire extinguisher within reach, preferably under the passenger seat.

A note on value

Classic cars usually retain their value over time, as opposed to conventional vehicles which begin depreciating as soon as they leave the showroom. In previous years, many investors made a profit by restoring and reselling classics, but more recently, vintage enthusiasts prefer unrestored vehicles that have been maintained in their original condition.

However, owners who do modify or make material changes to their vehicle, should clear this with their insurer, as this may affect its value or give rise to additional safety considerations. In either case, it is important for owners to make every effort to maintain their classic car's roadworthy condition. For this reason, insurers often require a review of their value once every three years.

Arguably, the most important consideration that relates to the insuring of classic cars is their agreed value. This figure is obtained upon valuation by an independent, third-party expert, which may include a representative from the related car club associated with the brand or model.

Traditionally, classic owners keep a documented trail on their vehicles from date of purchase, including any invoices for maintenance undertaken or replacement parts. This information will be taken into account by the relevant valuator, as well as aspects such as the car's accident history and whether repairs have been made with the proper level of care by qualified technicians or reputable professionals.

Add-ons to consider

Additional coverage could include cover for rallies and timed events. Owners who aim to participate in classic tours may also wish to take out coverage for the cost of car hire in the event that their classic vehicle breaks down during the event.

If the car is being used for display purposes or as a mode of transport for special events such as matric balls or weddings, special coverage may also be required. Other aspects to consider would be the 'import of parts' clause (on internationally sourced or rare models) as well as 'work away from risk address' for instances where the owner intends to allow for restoration work to be performed by an outside party.

SHORT TERM

"We must understand and remember that active risk management and insurance always go hand in hand." **- Herman Scheepers, General Manager Risk & Technology at Renasa**

Agri Insurance Outlook ripens

Kobus Stapelberg, the partner that heads up King Price's agri division, perfectly sets out the Agri insurance landscape. There are still so many opportunities available.

***Tony:** To start off, can you give us a bit of an overview of the business, the growth over the last year, specific areas that are better than others and any developments that are worth noting.*

Kobus: I feel small in a big world if I am thinking back on how we started.

It is close to four years ago, July 2019, that we started with seven agri policies, which comprised of about R3 million in annualized premium. Now, at the end of June, which is end of our fourth financial year, we'll break over R400-million in annualised premium for King Price agri. This is substantial growth and a blessing.

For the past year, we budgeted for almost 50% growth on agri assets and 58% on crop growth, and it seems that we'll exceed the asset growth budget. For crops, we're almost at 60% growth year-on-year.

We're grateful for our clients and broker partners who support us and believe in the King Price agri brand. In the agri space, we only work through brokers. We can't work without our broker partners.

***Tony:** It is quite unbelievable how, in such a short time, a direct insurer sorted out a top intermediated channel. It just shows that where there is a need you just must provide a good product and service, and then you can get into the market.*

Kobus: Yes. I remember when we first started that there were broker groups and people in brokerages who said they wouldn't support us because we were a direct insurer and in opposition to brokers. We've proved to them, in the last four years, that we honestly believe in the importance of the broker channel for agri insurance.

We aren't selling agri cover directly. We need an intermediary to be our eyes and ears, and to support us with regards to risk management. So, again I want to say to all the brokers, we need you.

Tony: *Let us focus on crop insurance a bit. What is the importance of your growth in this area and how are you managing risks?*

Kobus: We have had two high growth years and are currently in our third season. We said we were going to push the growth targets hugely but, for the next year, we are back to normal growth rates. We're where we want to be. We're currently the third largest crop insurer in South Africa, and we don't want to become bigger than that.

The reason for this is that we can still select the risks that we want to insure and the areas in which we want to insure. You and I know that there are certain hail bands in South Africa. There are certain areas that we call 'red zone areas' with regards to hail. We can't insure there because we aren't the biggest. The bigger insurers need to cater for all. The smaller insurers can say that we can't take huge risks and need to be selective for the sake of our clients and the sustainability of our business.

I do not think the reinsurance market wants any other crop insurer to exit the market. It happened with one of the bigger insurers a few years ago, and it is my view that they were forced into taking risks that they would have rather not have taken, and it destroyed their crop division. We need to be very prudent on underwriting and market selection, area selection and diversification just to sustain business.

Tony: *Asset insurance in the farming environment is quite different from crops because you are exposed to vastly different risks. What is the need you are seeing from farmers when it comes to asset protection, and how has the uptake been in that space?*

Kobus: It ha been particularly good. In the past, many farmers preferred to manage their risks themselves, but with climate change and the severity and unpredictability of weather events, there has been a much higher take-up on insurance. There has also been as increase in partnerships with insurers and risk takers to participate in risk mitigation, just because everything is more severe and devastating.

Tony: *My next question answers to that a little bit. There are two, shall we call them, Godzilla's in the room, not elephants. The one is loadshedding and then the other one is climate change, these two obviously have an impact. What have you seen and what can be done to lessen the risk and the impact on farmers when it comes to load shedding and to climate change?*

Kobus: There's a difference between lightning currents and surge currents. Lightning currents occur when electrical systems take a direct strike, and a large wave of current travels through electrical systems. We know lightning and have dealt with it all these years.

Now there is a difference in lighting protection. There is cheaper lighting protection that only protects against surges. The definition of surge current is when there is a switching in surges, like when there is a strike somewhere and the current under the ground comes to your premises. It has a ripple effect and is not a direct lightning strike.

What I am reading, is that all the insurers say that loadshedding and power surge claims have increased substantially. Loadshedding will be with us for a long time to come and the stages will just get higher and higher, and the surge claims will just become even more frequent. We as insurers are paying for that and some have started allowing for it into their pricing models. We at King Price believe in avoiding these claims before they happen.

We are talking to a company that can support us by providing arresters for our farmers. If we can bulk-buy, we provide these components cheaper to our famers. They can be built into a DB board and will take over current surges that happen. We can reduce the frequency of claims drastically if we can start managing the risk from the DB board of every farmhouse as well as businesses, pack houses and workshops.

Tony: *That is proactively working with the clients as well as the brokers to manage everyone's risk, that makes a lot of sense. That is how the insurance industry has worked over the years, finding ways of shielding everyone against the loss rather than just paying out on a loss.*

Kobus: Exactly, and that comes to another thing on our asset side, an innovation that we are busy with. Just over a year ago we launched 'pay as you farm', a first in South Africa. It is usage-based insurance cover for agricultural equipment like harvesters and high-rise spray equipment – items that are high in value.

Farmers and brokers were a bit hesitant at first, but not anymore. One of our big clients, a mega farmer in the Western Cape, received R126,000 back on his 'pay as you farm' policy this year, based on the actual usage of his insured items. Then, we've partnered with V Plan, a network of more than 250 vets in South Africa. They document every sickness in an area, which we then get on a national database, allowing us to gauge what the problem could be in every province and district. We can see if it is a red water problem, a hard water issue, or a cold sickness, etc.

So, V Plan assists us with risk management according to sicknesses and management of stock.

Tony: *That is what we would call the lesser seen benefits of the insurance industry. It is all those differences that insurers make, in terms of monitoring these things, these challenges and risks to all segments of business and personal life.*

In closing, in terms of your broker partnerships, you have had stellar growth over the last four years, which is magnificent. But with the uptake you have seen, and with how farmers react to being offered agri insurance, what would you like to say to brokers?

Kobus: In general, businesses need to last for at least three years before they can say that they are successful and sustainable. We are ending our fourth year at the end of June, and for all the people who wondered whether this 'new kid on the block' in the agri space would make it, we are still here!

We are not bragging, definitely not. Anything can happen. Destruction can happen anytime. But, we still believe that our good underwriting philosophy is the base of our business and makes us a sustainable partner in agri insurance.

If you want something new, innovative, a fresh look and feel on risk management and risk selection and risk transfer, talk to King Price agri. Our culture of risk (I always use #CultureOfRisk on social media) supports better premiums via a better approach to risk. We may not be the cheapest. But, if A, B and C are the same, then we will be the same.

And, if a farmer or a broker assisting a farmer wants to manage his risks better and become a better risk, then we will save them money because they are participating in this whole sphere of risk mitigation, risk transfer and self-insurance. We will give the best of the best, and not just market-related comparative quotes.

But we need input from the broker and the client, and their support, so that we can manage the risk better in order to provide a better premium.

Tony: Insurance should not be a one-way transaction at take-up and then a one-way transaction at claim stage. There is a whole lot that should happen in between.

Kobus: Exactly! We are small enough to still be proactive and innovative. We are like a ski-boat compared to a container ship. It is much easier to change direction in a ski boat!

Tony: *It is great to chat to you and it is fantastic to hear that there is such a big uptake in the farming community because that is where food security lies.*

Kobus: Thank you very much to COVER. Interviews like this gives us opportunity to push out the positivity in our business and in our industry.


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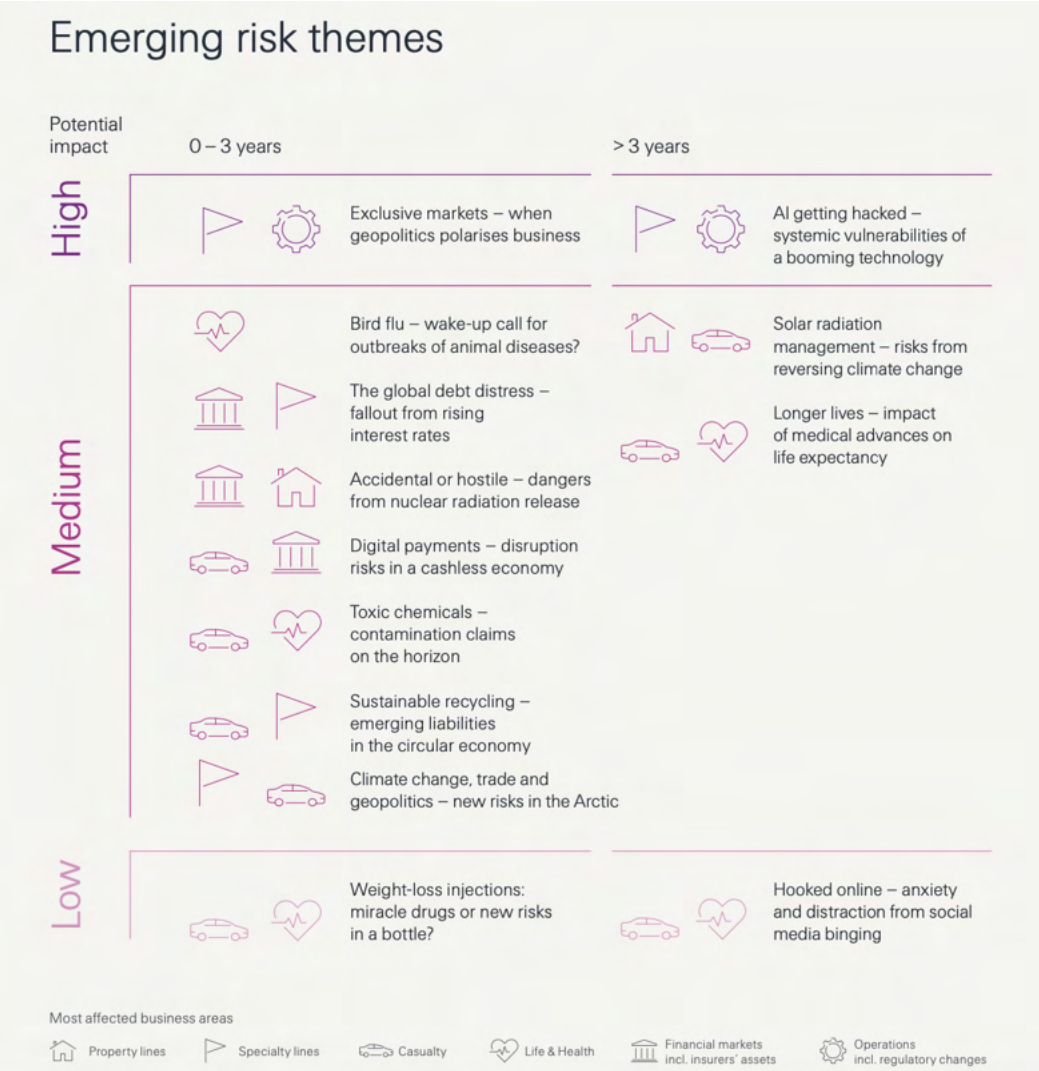
WHAT IF THERE WAS A SHORTCUT THROUGH THE ARCTIC? SWISS RE IDENTIFIES NEW EMERGING RISKS

From the opening-up of previously frozen waterways in the Arctic to hackers tampering with artificial intelligence, the emerging risk landscape is multi-faceted. The 11th edition of Swiss Re's SONAR report reveals that the threats on the horizon develop as dynamically as the technological, geopolitical and social changes in the world today.

One key emerging risk identified in the SONAR report that spans across technological, economic, social and environmental issues is the "Arctic opening". As the Arctic Ocean and adjacent land are warming up two to three times faster than the rest of the globe, the ice is melting, and new shortcut shipping routes are opening up. However, the area is a hotspot for potential geopolitical tension, provoking concerns over how economic activities and related risks will be controlled in the region.

Patrick Raaflaub, Swiss Re's Group Chief Risk Officer, says: "The concurrent increases in economic interests, environmental change and geopolitical tensions make the Arctic a hotbed for emerging risks and potential risk accumulation. With SONAR, we aim to proactively engage our clients and industry stakeholders in discussion of emerging risks, as we find this is the best way to be prepared."



A more futuristic but potentially significant risk examined by SONAR is solar radiation management (SRM) technology, which could be used to cool the earth. While this does not address the root cause of global warming, namely greenhouse gas emissions, it could help lower global temperatures.

However, techniques such as injecting highly reflective particles into the atmosphere to reflect sunlight back into space could open up a whole new set of environmental risks and the potential for international conflicts. If implemented and then suddenly terminated, the result of SRM could be fast temperature increases, bringing on related weather effects. It could lead to an increase or geographical shift of extreme weather events like droughts or hurricanes. The question would be how to compensate those experiencing negative effects.

Another emerging risk in the technology space could derive from complex machine learning systems and artificial intelligence (AI). These two high-impact areas are driving the next wave of technological advances. However, as AI use increases, so do the possible risks. Professional hackers can not only trick models into making mistakes or leaking information, they can also harm model performance by corrupting training data or stealing and extracting machine learning models.

The SONAR report emphasises how the rise of AI is increasing opportunities for fraud and intellectual property loss, such as phoney creditworthiness ratings or false insurance scores. In car insurance, AI-based claims management systems may even be tricked into seeing massive damage where there is none. If AI gets hacked, it could even result in physical harm by causing autonomous car crashes or medical misdiagnoses.

The 11th SONAR report is available here.

PROACTIVITY AND PREPAREDNESS KEY TO BEING READY FOR POSSIBLE GRID FAILURE

Karen Rimmer, Head: Distribution of PSG Insure

Loadshedding – a measure implemented by Eskom to address mounting pressures on the national electricity grid, has been a South African reality since 2007. The past few years have, however, seen a dramatic upsurge in the severity of scheduled blackouts as Eskom attempts to deal with multiple infrastructural problems as well as theft and vandalism.

The implementation of stage 6 loadshedding, compounded by various other internal challenges at Eskom, has seen the emergence of predictions from many sources that national grid failure may be an imminent possibility. Although experts are currently divided on whether the potential for complete grid failure is indeed a likelihood, insurers need to be prudent in preparing clients should such a situation occur.

Understanding the risk related to grid failure

Total grid failure would involve the complete loss of power supply and distribution via the national network for an unknown period of time. Should grid failure occur, the impact on homes, property and business owners would be immense. Security systems, such as alarms and electric fencing may be rendered inoperable. The proper functioning of fire detection systems may also be disrupted, rendering these systems slower to respond to smoke or abnormal temperature increases.

The resultant failure of refrigeration systems could also lead to major stock losses for food-related businesses as well as South African households. The knock-on effect of grid failure would also impact the national water and sanitation systems, possibly leading to a lack of water supply or reduced water pressure.

With the failure of multiple systems servicing homes and businesses throughout the country comes the increased risk of fire outbreaks, opportunistic crime, business interruption and extensive damage to property and other assets. These risks will likely land on the shoulders of insurers, as clients turn to their policies for financial relief in managing the impact of these risks.

Grid failure as a policy exclusion: what this means for the insured

With these looming threats becoming increasingly more serious, numerous insurers and industry bodies have announced that grid failure as a whole will be regarded as an exclusion on insurance policies. Many of these insurers regard grid failure as being equivalent to events such as a nuclear incident or the outbreak of war, so grid failure and consequential loss is therefore widely regarded as an uninsurable risk.

Should total grid failure occur, policy clauses such as 'prevention of loss' and 'duty of care' will still apply. What this means for insurers and their advisers is that clients – both individuals and businesses – need to be made aware of what these clauses mean and what their risk mitigation-related responsibilities are. Ultimately, these clauses infer that clients must take all reasonable precautions to prevent loss, damage or liability during events such as loadshedding. This would include, for example, installing adequate surge protection on all power outlets to prevent losses caused by sudden electrical spikes.

Similarly, the 'duty of care' clause relates to the client's obligation to exercise due care to avoid or minimise loss or damage. This could include ensuring that electric fencing security systems have adequate backup power and battery supplies to remain functional during prolonged power cuts. In the event of a claim, whether related to grid failure or not, the insured will likely be called upon to produce proof that these obligations have been met. Claims are reviewed on their individual merit and could be repudiated if non-adherence to these clauses is discovered by the insurer.

Action points for insurance advisers

Now, while grid failure remains a possibility rather than an immediate threat, clients should also reach out to their insurance advisers to ensure that they are aware of what policy wording means in this regard. Clients also have a window of opportunity to contact suppliers and service providers on factors such as security, water supply and plumbing, electricity and fire detection systems. Qualified professionals in these fields are in the best position to offer clients alternatives and recommendations that can help them prepare for risks that relate directly to the current energy crisis. Advisers will also need to apply their minds, expertise and sector-specific knowledge to support businesses in implementing continuity plans and strategies to keep their doors open in the event of a crisis.

Should the grid face a collapse, insurance advisers will play a vitally important role in ensuring that insurers remain financially viable and that the confidence of the clients who support the industry can be retained. However, reactive responses to grid failure will not be sufficient in helping clients and insurers navigate their way through a period of unprecedented risk and uncertainty. Proactivity and preparedness are therefore key to providing superior customer service, preserving the reputation of insurers and developing insurance products and services that are in line with what the future holds for South Africans.

THE 8TH EDITION OF THE AFRICAN INSURANCE AWARDS

The African Reinsurance Corporation (Africa Re) hereby expresses sincere gratitude to all the participants and judges of the just concluded 8th Edition of the African Insurance Awards, which was held on Monday, 29 May 2023 in Algiers, Algeria. About 1,200 professionals of the insurance industry took part in the event. The following are the winners of the four categories of the awards:

Innovation of the Year:

Maksure Risk Solutions, South Africa

The Company has developed a unique diaspora funeral cash plan. This product, which speaks to current trends, is an extraordinary innovative solution to the problem of premium flight. With this innovative product, premium is flowing in the opposite direction to Africa and benefitting local reinsurers while integrating international and local ecosystems.

Insurance Company of the Year:

Misr Life Insurance Company, Egypt

The 122 year-old company, which has remained a top market player in life business, demonstrated extraordinary financial and professional strength in the last 12 months. Misr Life experienced 84% increase in premium, 112% growth in solvency ratio, an exceptional rise in new issued policies which stood at 295%, significant progress in automation and improvements in customer service.

InsurTech of the Year:

BeNew Insurance, Cameroon

The company designed a unique payment solution for premium and claims via an electronic wallet. The innovation consists in recycling recovered products in exchange for insurance premiums and involved the use of new technologies. This is a welcome solution and a tool for financial inclusion for the less privileged population living on less than 5 dollars a day.

Insurance CEO of the Year:

Mr Omar GOUDA, MD, Misr Insurance, Egypt

With his over 40 years' experience in the industry, Mr Omar Gouda has brought innovation through Mobile App for Motor to the satisfaction of the clients. This innovation has significantly increased the market share of Misr Insurance. With his leardership skills, he was able to position Misr Insurance as an undisputable major player in the Egyptian insurance market.

Mr Omar Gouda has implemented digital transformation projects and initiated partnership with the Ministry of Education to create a new school. He has also been actively involved in ESG initiatives and community development programs, solidifying Misr Insurance's reputation as a socially responsible company.

Each winner has a cash prize of US$25,000

This year, the awards ceremony also featured the ten best trainees of the 4th cohort (2022) of the Young Insurance Professionals (YIPP) initiated by Africa Re in 2018. The trainees are from different African countries namely, Kenya, Eritrea, Tanzania, Egypt, Cameroon, Madagascar and Rwanda.

COLLABORATE TO MITIGATE RISK

Herman Scheepers, General Manager Risk & Technology at Renasa

In most of my insurance discussions, I see the topics of the tough economic environment, challenges facing businesses and clients, the increase in claims and other challenges that brokers and insurers face, raising their head. I asked **Herman Scheepers, General Manager Risk & Technology at Renasa** how good risk management advice can impact these trends?

Primarily, according to Herman, we must understand and remember that active risk management and insurance always go hand in hand: "The role of the broker and the underwriting manager in assisting both the policyholder and the insurer in managing risk has never been more important to prevent insurance from becoming too expensive, and in fact, preventatively expensive to the man on the street."

He said that it is in the interest of the policy holder himself to avoid unnecessary and preventable claims to protect their own individual claims track record. In so doing, he/she allows the insurer to offer the keenest pricing. But further to that, when insurers and intermediaries are in a partnership, in managing risk in a particular portfolio, they can offer better rates into this portfolio for new business. This is the kind of thing that makes the intermediary more competitive, helping to address fears about slowing new business and affordability within the client base. While it sounds so simple and logical to manage your risk to make sure that premiums are kept low in the long run, it is not as easy for people to implement, and this is where the broker comes in.

Asked what risk management strategies brokers can share with clients to ensure that claims are avoided or kept to a minimum, Herman explained that there is a myriad of topics one can talk about here, but one needs to try and keep it as practical as possible. Practical, easy to implement advice needs to be passed onto the client.

According to him, something top of mind now, that is very prominent in the industry, is power surge claims. We have seen a significant increase in power surge claims in line with load shedding and the difficulties we are experiencing on the national grid. This is a particular area, for example, where communication from the broker to the client base, in terms of the importance and the usefulness of things like surge protectors can be quite important. That is a simple example, but something that can have a significant impact on the overall performance of a portfolio and individual client's losses.

He mentioned that they have seen that several insurers have changed their approach to offering cover for power surge now, so it is essential that the intermediated market is made aware through the brokers, of the restricted cover that is currently there and the additional penalty excesses that are being introduced, so that clients have it top of mind to manage their risks on an active day-to-day basis. Proactive steps brokers can take to protect their clients from losses, thereby keep loss ratios and premiums low - Crime remains a reality in our world.

To this comment, Herman advised: "The most practical way of getting this information across to the individual policy holders must be followed so that they are aware of criminal methods that they can fall victim to. Awareness around remote blocking, key cloning, how to prevent key cloning through putting your vehicle in what they call a signal blocking pouch or Faraday pouch, that kind of information needs to be top of mind and brought to clients so that they are continuously conscious of the risks that surround them."

Tracking devices are now required by most insurers on a wider range of models than before, we have seen a significant increase in that requirement. According to Herman, this kind of implementation again needs to be conveyed by brokers to the policy holders. Not only to prevent insurance losses but, at the same time, to improve safety for policy holders. Emergency responses that come with the use of tracking devices can often be lifesaving.

Brokers and insurers can work closer together to alleviate many of these challenges – In his view, said Herman, we must remember that the insurer, the intermediary, and the policy holder form a single mutually beneficial ecosystem at the end of the day, despite the feeling, especially between insurer and broker, that we are sometimes tugging in opposite directions. It certainly is a joint effort between all parties.

According to him, there are two components that we need to consider. Prevention of loss is one side, but there is also the impact that a loss will have once it has occurred. The importance of the intermediary and insurer working together to minimize cost of claims, of course while you are still fairly indemnified by the insured, should certainly not be overlooked. This is where active coordination of procurement initiatives comes in, while advice given by the brokers to their policyholders to follow claims protocols is instrumental in achieving the benefits of service provider deals negotiated by the insurer. Then, in the commercial space, something that is top of mind is specifically fleet management within heavy commercial vehicle fleets.

Herman mentioned that, in that space, you see the application usually coordinated through underwriting managers with their brokers and clients. You see the application of telematics devices which is used in actively managing the fleets, the positioning of the vehicles at any one time, tracking vehicles going off course and any unusual behaviour. This is to try and prevent losses from occurring or if an incident occurs, trying to mitigate the impact there as quickly as possible.

The approach from Renasa - Herman said that, with Renasa now proudly part of the TeleSure Investment Holdings stable, they have greater ability than ever before to optimize on claims cost, leveraging as much as they can of the overall group's strengths. Herman explained: "We are rolling out various claims initiatives on motor, which brings by far the best procurement deals and initiatives right into the broker market, while still ensuring a great customer experience, offering incredible benefits to the clients, and providing lifetime guarantees on all motor repairs."

Another example lies in surge protection, where Renasa changed all their products to offer different levels of power surge that can be purchased according to a client's own individual needs. He stressed that, implementing changes which are different from what our intermediaries and our policy holders are used to, may sometimes be a bit difficult for everybody to get used to, but we have to keep in mind that these are only there to control the cost of claims, which in turn makes the intermediated market as efficient as possible.

Herman concluded by saying that all this is being done to ensure sustainability and competitiveness of the advice driven market, which they believe in and value: **"I am quite excited about our journey forward, because Renasa now has the muscle behind us to be truly impactful on the market and to say that we are going to be the broker's even better, best friend."**

TECHNOLOGY

"When you go to a website, and you go on a digital buying journey, there is just certain things that a customer will always expect, and you must adhere to those. "
- Tavio Roxo, CEO of OWLS™ Software

Ransomware & loadshedding make healthcare incident response planning a matter of life or death


Veronica Schmitt, co-founder of the DFIRLABS

Ransomware attacks are the most disruptive and destructive type of cyber incidents threatening healthcare, with clear impacts on the systemic functioning of hospitals in service delivery and surgeries. However, ransomware is not the only threat facing healthcare services now.

It is estimated that cyber-attacks on hospitals have increased by 51% worldwide. This shows that healthcare as a sector remains a rich target for cyber criminal groups. Considering the increase in these attacks, 36% of the hospitals that suffered attacks noted that there was an impact on surgeries and patient care.

Ransomware attacks on hospitals have increased worldwide, with the healthcare sector among those most often targeted by cyber criminals. However, cyber-attacks are not the only threat facing hospitals and their patients: the risk of power interruptions, outages and complete grid collapse specifically in South Africa could disrupt service delivery to patients, increasing the threats to patient safety.

If one considers the impact that Covid-19 had on service delivery worldwide and in South Africa the hospitals are still recovering from this. Specifically in the NHS the downgrade of services has delayed treatments for patients by months if not years. This is a virus we should have been prepared for. The question is “How prepared are we for a potential grid collapse? Digital technologies have revolutionised the delivery of patient care and treatment but the growing risk of outages and cyber-attacks make incident response and disaster recovery crucial. Digital technology is a double-edged sword – on the one hand, it saves lives. On the other, healthcare professionals may become so dependent on it that they cannot function without it when there is disruption to these systems.

IT teams and cyber security teams may be well versed on their incident response and disaster recovery plans, but the doctors and nurses on the ground need to be equally well prepared. You’ll often find that the incident response and disaster recovery plan is in a folder at the nurses’ station – nobody has read it and when in the midst no one can start learning what to do when a disaster strikes. The staff dealing with patients must be prepared and have practised what to do if systems go down. Cyber resilience must be an enterprise-wide effort – particularly in the healthcare sector. There are examples from around the world where systemic outages such as power and cyber attacks resulted in surgeries and patient care being postponed.

In an instance in Germany where a ransomware attack took place the hospital chose to divert patients to other healthcare facilities. This begs the question: are we too reliant on technology? Knowing what to do, and being capable of using old-school manual equipment, are important. One example of preparedness is a hospital in the US where nurses write basic patient information, allergy information and their most recent medication on whiteboards, so that the information remains readily available even if a critical system goes down. This ensures that the most basic of care can be given to patients whilst alternate plans are made.

A strong cyber security posture and immutable copies of backups remain crucial. I recommend close collaboration between cyber security, risk and operational teams to identify the minimum levels of care the hospital must be able to achieve during an outage, and to prioritise departments and systems for disaster recovery.

One should consider patient safety not just the responsibility of one but the responsibility of many. This is true whether dealing with outages caused by cyber attacks or power outages. You cannot be over prepared in this instance.

Veronica Schmitt is the co-founder of the DFIRLABS Digital Forensics and Incident Response practice, Assistant Professor at Noroff University in Norway, Security researcher at Medtronic in the US, and professional member of the Institute of Information Technology Professionals South Africa (IITPSA).

Tavio Roxo, the CEO of OWLS™ Software

GREAT EXPECTATIONS: THE CUSTOMER JOURNEY

In this, part three of our journey on the fundamentals of insurance and how these impact your digitisation journey and your specific technology decisions, I tackle the customer/ user experience part of the journey. It is the softer side, but it is a crucial side.

Before we start the discussion about the optimal journey for a customer or the optimal journey for an internal administrator or claims assessor, whoever is interacting with the system, let us just unpack and understand what most of us believe are the attributes of a good system, or a good journey. There is some stuff which is pervasive across all technologies, not just to insurance. Let us use Takealot, by way of example. I use Takealot because they built a cool digital journey for a customer. You login to start and you choose your products, it is easy to engage with. Rule one adhered to. You can pick up the Takealot app, download it, and you can order and buy your first item within minutes after that. It is intuitive, understandable, and relatable to someone. It adheres to industrial design principles of starting at the top, moving to the bottom, having the search bar, et cetera.

The next critically important attribute of technology is to keep the person who is engaging with the technology engaged, consistently. If you log into Takealot today and choose a jacket, adding it to your cart, it is still in the cart for the same price when you log in tomorrow. If you went and looked for that jacket again, you would find it again, assuming that it has not been sold out. That is the consistent engagement that you have. We have easy, intuitive, consistent, and then it must be up all the time. Takealot is up all the time. It has a high availability, which is key. We do sometimes have some outages, but technology has become much better today than what it was five years ago, where there would be intermittent service.

If you cannot get those three fundamentals right, then you are on the back foot for any journey, whether it is an internal administrator or an external client journey, whether it is a policy holder, a claim or whatever, it does not make a difference. If it is not easy, not immediate, not consistent, and it is not available when you log in, then you are dead in the water. Let us assume that all those three attributes are there. Then you must unpack and decide exactly what that journey will be, what you will allow that user to perform and what you will not allow that user to perform, very succinctly.

You must be brutal about it in the sense that, when a user logs in and they want to perform a refund on a premium because they downgraded, that would not be something which you want to expose to the user. You might be exposing the user to only a claim lodge functionality or just the "view policy" functionality, but you must be very intentional about what you want them to see and how you want them to get there to see it.

Internally, an administrator is obviously a more technical person, so you can be a bit looser on that journey. But what we found is that you must provide quite deep detail, because as someone interacts with a system over time, they want to go down to the GL transactions on a policy. They want to go down to what the endorsements were on the policy, what upgrades or downgrades were performed? These are technical users, and you must allow that information to be accessible for them. But as a technology person, a CIO (Chief Information Officer) or a CTO (Chief Technology Officer) in an insurance business will need to decide on what they will allow the "lodge claim" administrators to see. That is a decision for the business to make, rather than "give us the system, we will try and figure it out." It cannot be like that because then you have an unwanted mishmash of confusion.

So, how do you know that UX journey is successful? Each of your clients have their own journey, which they want to preserve. That journey seems to be different per client, even though they are in the same vertical. I like to use data to assess whether a project is successful. One mechanism would be, looking at something as simple as a cash allocation where you are receiving premium into your bank account via cash or eft, that does not have the correct reference number, and you need to allocate it to a policy or to a group. What then?

Another mechanism to see whether your system's journey is working, is looking to see if there are thousands of transactions in your to-do list to be allocated, and they have not allocated one, then you know there is a genuine problem. You either cannot allocate, or it is too cumbersome or complicated to allocate. Compare this to where you had 10,000 transactions per allocation and 7,900 have been allocated immediately. You can see that you have a decent journey there. It is not as perfect as it could be (it never is in fact as perfect as it could be), you can always tweak and optimize, but you are dealing with 70, 80% of your issues using technology.

That journey is working because those items are being actioned, and that is your measurement tool. For a UX journey, onboarding an external customer, a good test would be where you do an outbound campaign of a thousand SMS's and a hundred people click, but 99 of them do not sign up. Then there is most likely a problem there, compared to where you send out a thousand, a hundred click and 75 join. You know that of the hundred that clicked, you have a 75% hit rate of people joining. That is a much better journey for that simple product.

High expectations: When a customer engages with you from an IT (Information Technology) perspective, they are expecting the same journey as Amazon or Netflix, which is unfair. Most cannot live up to that. Those are billion-dollar companies with thousands of developers working simultaneously to fine tune and fine hone that journey. As an insurer in the South African context, we just do not have that scale. We do not have the depth of architects, engineers and knowledge or sheer money required to do R&D and build up a cool journey.

It is a bit unfair that the customer's expectation is high, but it is, which means it is a balancing act. Ultimately, there are industrial design principles and IT principles. When you walk up to a door you know that you must pull the door towards you. No matter which building you go to, you know how that works. **When you go to a website, and you go on a digital buying journey, there is just certain things that a customer will always expect, and you must adhere to those.**

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10 QUESTIONS TO ASK A SOFTWARE PROVIDER

Genasys recently prepared a white paper, specifically around choosing your insurance administration software, culminating in 10 critical questions that insurance administration software providers need to clarify. We will unpack these 10 questions in two instalments.

Gavin Peters, VP of Marketing at Genasys Technologies

Purpose of the white paper

There are a couple of reasons why we prepared the paper. Firstly, we spend quite a bit of time looking at the future of the industry and exciting topics like AI. That is where most content created by technology companies tends to migrate towards, because it is a natural thing to get excited about the future. But we did notice that there is a lack of some of the important core product information, to help companies with their buying decision. We decided to create a useful, practical guide to the kind of questions you should be asking when choosing your insurance software, whether you are looking at functionality that we will deliver here and now, or at future proofing your business.

Secondly, on a more practical level, we get asked these questions all the time. When we are invited to RFP (Request for Proposal) processes or RFI (Request for information) processes we get asked to input into that process. We realize that people buying the software might be looking at insurance software or technology for the first time, or they may be coming from old legacy technology or even starting a new business. It is about helping people understand what the questions are that they need to ask, complimenting us going down there and finding out ourselves. So, we created an easy to digest, practical guide to helping people understand what the questions are that they should be asking and the factors they should be considering when buying an insurance software. Things change constantly a lot, and it is good to take a step back and think about the important things that will influence that decision.

First five of ten questions to ask your software provider

Question One: Is the insurance administration functionality fit for purpose?

You should delve down when looking at managing your insurance business. Does it have the core functionality you are going to need that is vital for the here and now? When you are assessing software, it is quite easy to take for granted that it is going to do all the functionality that you are going to need day-to-day. Then start looking at future proofing and the shiny and the new. The key thing, however, is not to take it for granted. Really drill down into everything you need, whether that is renewals, midterm adjustments, non-standard risks, and anything practical and vitally important you know that you need. Make sure those are covered first and that you understand exactly how they are done, because it is quite easy to overlook. It is by far the most important thing that you need to address in the process.

Question two: How configurable is the software and what are the tools?

Are you going to be stuck with a system that takes a long time to make any changes? Is it something that has been set up with the right kind of no-code or low-code tools that mean any person in the business can make changes to products or how things are run without needing to go into a six-month change queue, because that will have a significant impact.

Question three: Will the solution integrate with other existing technology and how can it flex to meet your needs in future?

It is important to talk about ecosystems and APIs (Application Programming Interfaces) to integrate with third parties, because no one platform is going to be able to do everything you need. Everyone has a core bit of functionality meaning that you are going to need to plug into. Do they have APIs that are fit for purpose?

Your technology does not just connect with other tech via APIs. You need to assess how they work and the quality behind them, and whether you are going to get the right input and output of data and all the functionality you need between different bits of software. _

Question four: What are the third-party platforms that the software can connect to in terms of an overlying ecosystem?

You need to understand if there is an ecosystem built around the product. For example, if you are talking to a software provider and they say that we can have a great third-party ratings engine that integrates into the software beyond what it might provide as a basic functionality, make sure you have seen a demo of it, and asked the questions: How does this work? Have you got the tools to back it up? Think about what your tech stack is going to look like, what do you need? What is the real core bit of specialist software that may not be available within the core platform, you need to plug in. Ask if they have an ecosystem partner that can provide this already or can they easily connect with your own and really draw down into the detail?

Question five: Is it appropriate to your business and how easy is it to embed the quote and buying journey on other websites?

This may not be appropriate for everyone, but for most insurance businesses it is going to become increasingly important to look at how you distribute your buying journey to other third-party digital channels. That is not always easy and there is a lot of functionality and tooling that you will need around that, to make sure that it is easy to manage. What you need is a slick piece of software that integrates into your core platform without needing a lot of ongoing management, right through from the day-to-day of quotes being provided and where/how that is stored, through to the insights and analytics on the back of it. Can you understand the end-to-end buying journey and make it as simple as possible when it is being distributed across multiple channels, which is increasingly important in the modern world?

In the next edition we will unpack the next 5 questions. You can download the full white paper HERE

Wimpie van der Merwe CEO, Global Choices

THE POWER OF MOMENTS IN INSURANCE

One of the most significant moments in my career in the insurance industry occurred many years ago. It was after an enjoyable IIKZN yearend function, during which I decided to take a taxi back to my hotel around 00h15. Surprisingly, I ended up in a completely different venue the Addington hospital casualty ... with no memory of what happened to me!

When reviewing the CCTV footage at the venue, it became clear that I got out of the first taxi to let another person in and subsequently entered a second taxi. According to medical professionals at Addington Hospital, I came by and gave my name and my wife's cell phone number to them, and she was informed of my circumstances. She contacted my colleague, who was at the function and had left before me, to visit my hotel room, but confirmed I had not slept there. He then rushed to the hospital to locate me.

I had sustained severe head injuries and was immediately transferred to the ICU at a private hospital for further observation and treatment. As time passed, various details surrounding the incident began to surface. I had been found in a dishevelled and injured state on Old Fort Road, about 300 metres away from my hotel, at five o'clock in the morning. With no identification, wallet, or phone on my person, authorities had no idea of my identity, and it appeared that I had been involved in some sort of altercation or accident. The police discovered a trending modus operandi in which the attackers stop the taxi, hold up the passenger, and then force them to make withdrawals from various ATMs before releasing them unharmed, but robbed of their possessions. Though I have no memory of the incident, signs of a physical altercation were identified when my medical reports were reviewed. I must have fought back against my assailants and sustained severe injuries as a result. This brings me to my point of "moments".

In the world of insurance, there are certain moments that hold a greater impact on customers than others. These distinct moments can be the difference between a satisfied customer and a dissatisfied one. For me, my attack in Durban was one of those moments. But more about that later. In his book "*The Power of Moments*," **Chip Heath** defines a moment as "a short experience that is both memorable and meaningful." These moments can happen at any point in a customer's interaction with an insurance company, from the initial quote to the claims process. The reason moments matter is because they have a disproportionate impact on a customer's overall perception of an insurance company. Research has shown that people tend to remember the highs and lows of an experience more than the overall average of it. This means that a few standout moments can outweigh a lot of neutral or positive experiences.

What are some of the moments in insurance that have the most impact?

One obvious one is the claims process. When someone files a claim, it's likely because something negative has happened – they've been in a car accident, their home has been damaged, etc. This is a moment that is both memorable and meaningful, and it can have a huge impact on how a customer views their insurance company. A smooth, efficient claims process can go a long way in creating a positive experience, while a frustrating, time-consuming one can lead to dissatisfaction and frustration.

"The power of moments has a transformative impact of defining experiences that have the potential to elevate, influence and change our lives and those of our customers."

Another important moment is the initial quote. This is the first impression a potential customer has of an insurance company or broker, and it sets the tone for the entire relationship. If the quote is clear, easy to understand, and competitive, the customer is more likely to feel positive about the company. On the other hand, if the quote is confusing, difficult to navigate, or more expensive than expected, the customer may be turned off from the process entirely.

In addition to the aforementioned touchpoints, there are several other crucial moments that can significantly influence a customer's experience with an insurance company. These moments could involve interactions with the emergency call centre during an emergency risk event, which may eventually lead to the submission of a claim requiring resolution. It could also encompass encounters with customer service representatives, the level of convenience when making policy changes, or the overall quality of educational and informative materials provided by the insurers. Acknowledging these points would help ensure a comprehensive understanding of the factors that affect a customer's satisfaction.

Empathy for the client's traumatic moments

During my recovery process after my attack, as I struggled with post-traumatic stress, with physical scars and no memory of the event, seeking help was a difficult and daunting task. I knew that I needed counselling to take control of the trauma and start the healing process. As a design thinker who values adding value to customers' lives, I began developing a product that could assist victims of crime, specifically those who have experienced hijackings, assaults, home invasion, smash-and-grabs, and other similar events. The result of my "moment" was the launch of the "**We Care Box**", which takes care of a person's needs as soon as they become victims of crime. When a victim reports their crime incident via our clients' emergency numbers, we respond immediately with delivery of a "**We Care Box**" that contains a RICA'd smartphone with the "**We Care**" app installed, along with airtime and data.

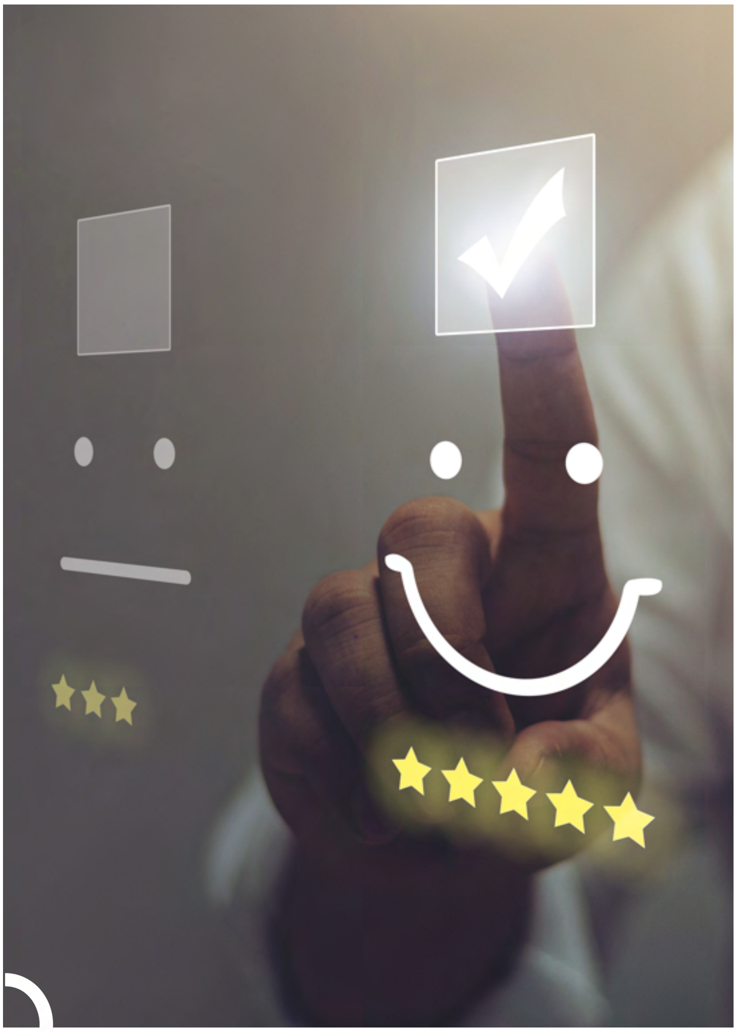
The app allows the client to contact our 24-hour call centre to activate a host of support benefits, including trauma counselling with transportation to and from sessions. The debit card included in the box allows the client to transact and load money until they can replace their bank cards, with all the banks' contact details on the app. For clients whose homes become a crime scene, the service offers temporary hotel accommodation. Included are application forms for replacement of identity cards, driver's licenses, and even temporary car hire in cases where motor vehicles are stolen are also included. We will monitor the victim's ID number for a year for possible identity theft or fraud. The benefit also includes an annual panic button subscription service that summons security guards and medical response in times of crisis.

In case the need arises, customers can also be provided with pre-populated digital claim forms for personal accident cover or to claim losses from the crime incident from their insurer. Finally, the "**We Care Box**" offers legal counselling and assistance during court cases, making sure that victims are not left to navigate the legal system alone. This product is designed to provide comprehensive and holistic support to crime victims and help them regain control of their lives after a traumatic crime event under the insurance brand we represent.

Making moments matter

Ultimately, the power of moments in insurance lies in their ability to shape a customer's overall perception of an insurer. My moment – my attack – was a negative one, but by focusing on creating positive moments at every touchpoint, insurance companies can build strong relationships with their customers and create lifelong support. Whether it's through a smooth claims process, a clear and competitive initial quote, excellent customer service or personalised services, these moments can make all the difference in the world for an insurer and for a client.

The power of moments has a transformative impact of defining experiences that have the potential to elevate, influence and change our lives and those of our customers.



THE AI GENIE IS OUT OF THE LAMP: THE DECENTRALIZED INTELLIGENCE AGE AND THE RISE OF SMALL PLAYERS

Introduction

Throughout history, humanity has progressed through various ages, each marked by transformative advancements and shifts in the way society functions. From the Agricultural Revolution to the Industrial Revolution and the Information Age, we have witnessed the power of innovation to redefine the human experience. Today, we find ourselves at the dawn of a new era, the Decentralized Intelligence Age, where the AI genie is out of the lamp, and the lightning it brings can never be put back into the bottle.

The Power of Decentralized AI

In the Decentralized Intelligence Age, the power of AI will no longer be monopolized by a select few tech giants like Google and Microsoft. Instead, it will be decentralized and democratized, allowing individuals, small businesses, and communities worldwide to harness the benefits of AI-driven technologies. This shift towards decentralization is a significant departure from the concentrated control of AI we have seen so far, presenting both new opportunities and challenges for society.

Recent studies have shown that the quality of training data, rather than sheer volume, is the key to superior AI performance. This revelation has leveled the playing field, making AI more affordable and accessible to smaller competitors. As a result, we can expect to see a surge of innovation from small players in the AI landscape, as they can now tap into the power of machine learning without requiring the vast resources traditionally associated with AI development.

Alan Burger, CEO, Infoslips

The Decentralized Intelligence Age

The Decentralized Intelligence Age marks a new era in human history, driven by the democratization and decentralization of information, driven mainly by artificial intelligence (AI). The open-sourcing of powerful AI models, such as LLaMA and GPT-3, has made AI technology accessible to a broader range of developers, researchers, and businesses. This democratization has spurred innovation and collaboration by literally thousands of new start-ups at an unprecedented pace, with numerous advancements being made within days, not months or years! In a series of rapid developments that have shaken the AI community, the open-sourcing of Meta's LLaMA, the Large Language Model Architecture, has led to groundbreaking innovations and impressive applications. While LLaMA was initially launched without conversation or instruction tuning, the release of its code fueled a surge of community-driven progress, making sophisticated AI models more accessible than ever before.

The Timeline of LLaMA-Driven Innovations:

- **February 24, 2023:** Meta launches LLaMA, open-sourcing the code but not the weights. The model is available in 7B, 13B, 33B, and 65B parameters.
- **March 3, 2023:** LLaMA is leaked to the public. Despite existing licenses, the AI community eagerly experiments with it, sparking a flurry of innovations.
- **March 12, 2023:** Artem Andreenko gets LLaMA working on a Raspberry Pi, paving the way for minification efforts.
- **March 13, 2023:** Stanford releases Alpaca, which adds instruction tuning to LLaMA. Eric Wang's alpaca-lora repo uses low-rank fine-tuning to achieve this on a single RTX 4090, making fine-tuning accessible to a broader audience.
- **March 18, 2023:** Georgi Gerganov employs 4-bit quantization to run LLaMA on a MacBook CPU, achieving the first practical "no GPU" solution.
- **March 19, 2023:** A cross-university collaboration releases Vicuna, a 13B model that achieves "parity" with Bard. Training cost: $300.
- **March 25, 2023:** Nomic creates GPT4All, an ecosystem that brings together models like Vicuna in one place. Training cost: $100.
- **March 28, 2023:** Cerebras trains the GPT-3 architecture using optimal compute schedules and scaling, outperforming existing clones and freeing the community from LLaMA dependency.
- **March 28, 2023:** LLaMA-Adapter introduces instruction tuning and multimodality in one hour of training using a novel Parameter Efficient Fine Tuning (PEFT) technique. The model achieves a new SOTA on multimodal ScienceQA.
- **April 3, 2023:** Berkeley launches Koala, a dialogue model that rivals ChatGPT in human preference. Training cost: $100.
- **April 15, 2023:** Open Assistant launches a model and dataset for Alignment via RLHF, achieving near parity with ChatGPT in terms of human preference. This development allows small experimenters to access and apply RLHF easily.

The rapid advancements in AI following the LLaMA launch have democratized access to powerful language models, making them cheaper, more efficient, and easier to use. As the AI community continues to experiment and innovate, the future of open AI technology looks brighter than ever. In this new age, decentralized AI ecosystems are emerging, which aggregate various AI models and foster cooperation and competition within the AI landscape. These ecosystems facilitate sharing of knowledge and resources, leading to rapid progress in AI research and applications.

The Decentralized Intelligence Age is also characterized by the development of affordable AI solutions, with models like Alpaca and Vicuna being trained on low budgets. This affordability allows smaller organizations and individuals to experiment with AI, driving innovation and creativity across various industries and sectors.

Challenges and Opportunities in the Decentralized Intelligence Age

While the Decentralized Intelligence Age presents numerous opportunities for innovation and progress, it also brings with it new challenges and concerns. These include:

1. Data privacy and security: As AI becomes more decentralized and accessible, ensuring data privacy and security becomes increasingly important. Developers and researchers must prioritize the protection of user data and develop AI systems that respect privacy rights.

2. Ethical considerations: The democratization of AI raises ethical questions about the use of AI in various applications, such as surveillance or autonomous weapons. Establishing guidelines and regulations that promote the responsible use of AI technology is crucial.

3. AI alignment and safety: Ensuring that AI systems are aligned with human values and are safe to use is of paramount importance in the Decentralized Intelligence Age. Collaborative efforts to create datasets, like those by Open Assistant, help to facilitate AI alignment and safety research, enabling smaller experimenters to contribute to this crucial area.

Conclusion

The Decentralized Intelligence Age promises to be a transformative era in human history, with the potential to reshape industries and change the way we live and work. By addressing the challenges and embracing the opportunities it presents, we can harness the power of decentralized AI to drive innovation and progress, shaping a brighter future for all.

DEMOCRATIZATION OF SOCIAL INTELLIGENCE: TRANSFORMING THE INSURANCE INDUSTRY

In the era of Decentralised Intelligence, the democratisation of social intelligence is revolutionising the way artificial intelligence (AI) is utilised.

By Tony Van Niekerk, Editor, COVER

No longer monopolised by a few tech giants, AI is becoming decentralised and accessible to individuals, small businesses, and communities worldwide. While this shift brings opportunities for innovation and progress, it also raises concerns, particularly within the insurance industry. This article explores the concept of democratisation of social intelligence and its potential impact on the insurance sector.

Democratisation of Social Intelligence - Traditionally, AI technology has been controlled by a handful of dominant players, such as Google and Microsoft. However, the democratisation of social intelligence aims to distribute AI capabilities more broadly, empowering a wider range of users. This shift allows individuals, small businesses, and communities to leverage AI-driven technologies for their specific needs, ultimately democratising access to social intelligence.

Key Role of Quality Training Data - In the pursuit of superior AI performance, the focus has shifted from sheer volume of training data to the quality of that data. High-quality training data is vital in ensuring accurate and reliable AI models. Democratisation of social intelligence emphasises the need for diverse and representative training data, as biases and limitations can have profound consequences. By considering a wide range of perspectives and ensuring unbiased data, the democratisation process aims to enhance AI's effectiveness across various domains.

Opportunities and Challenges - While the democratisation of social intelligence presents significant opportunities for innovation, it also brings forth new challenges. One concern is the potential for inexperienced or poorly trained individuals to wield social intelligence, leading to unintended consequences or even devastating outcomes. In the context of the insurance industry, this could result in misjudgments, inadequate risk assessments, and improper claims handling, impacting both insurers and policyholders.

Impact on the Insurance Industry - The insurance industry is experiencing a paradigm shift with the democratisation of social intelligence. Hyper-personalisation trends have emerged due to vast amounts of data and advanced analytics capabilities. This has led to more tailored insurance products and pricing, enabling insurers to offer coverage that better aligns with individual needs. However, this trend also has potential drawbacks, such as exclusions based on certain groups or individuals who may be deemed high-risk.

Moreover, democratisation may impact claims control and fraud prevention, thereby enhancing profitability for insurers. With improved AI-driven algorithms, insurers can detect fraudulent activities more effectively, leading to reduced losses and improved risk management. This, in turn, may make insurance more accessible to a wider range of individuals and businesses.

Employment Impact in the Financial Services Industry - The democratisation of social intelligence also poses challenges for various employed groups within the financial services industry. As AI-driven technologies become more accessible, some roles that were traditionally carried out by experts may be automated or replaced by AI systems.

However, this transformation also creates new opportunities for skilled professionals to specialise in managing and interpreting the outcomes of AI algorithms, ensuring ethical and responsible use of social intelligence within the insurance sector.

Thoughts to ponder - The democratisation of social intelligence marks a transformative phase for the insurance industry. While it presents exciting prospects for hyper-personalisation, improved claims control, and fraud prevention, it also carries potential risks and challenges. Striking a balance between accessibility and ensuring responsible use of AI-driven technologies is crucial.

By leveraging the power of democratised social intelligence, the insurance industry can embrace innovation while safeguarding against unintended consequences, ensuring a fair and inclusive landscape for both insurers and policyholders.

RETHINKING INTELLECTUAL PROPERTY IN A DIGITAL WORLD

Intellectual property (IP) encompasses intangible assets that are the result of human creativity such as inventions, literary and artistic works, symbols, names, images and designs used in commerce. And as we move into an increasingly digital world where the concept of the metaverse (a single, shared, immersive, persistent, 3D virtual space) is slowly finding its origins, the perception of IP and how it is evolving in this new reality is pushing the boundaries on legislative rights, fundamentally changing the concept of what it means to own intellectual property and how to protect it.

Traditional intellectual property rights are outlined from a legislative point of view on matters such as copyright, trademark and patent infringement; also addressing trade secret misappropriation, software piracy, counterfeiting and plagiarism. But when these matters are viewed through the lens of Artificial Intelligence (AI) or the ability to sell digital assets using non-fungible tokens (NFTs) in any global jurisdiction or the emerging risk of name, image and likeness (NILs) rights, owners of intellectual property rights have a fair bit more to consider.

The Age of Artificial Intelligence (AI)

AI is currently taking the world by storm with a plethora of online applications making their way into cyberspace. The most noteworthy being AI natural language processing tools that can assist you with composing mails and writing essays, to mention a few. While handy, these AI platforms are raising some questions and speculation around copyright infringement, posing a challenge from a regulatory and legislative point of view.

AI's mimicking of personality traits such as voices that are immediately recognisable, also raises uncertainty around who owns the voice, especially if that voice is used on a commercial platform endorsing an idea, product or entity.

Zamani Ngidi, TMT Champion & Cyber Solutions Senior Client Manager at Aon South Africa

One such example is a video shared by a local soccer club with a very distinctive voice narrating the video. It serves as the perfect example of a grey area that exists from a legislative point of view, especially across jurisdictions that could leave companies exposed to legislative proceedings.
The legal concept of protecting IP, grants exclusive rights to individuals and entities, to control and profit from their inventions or creations and safeguard against unauthorised use, reproduction or exploitation of their IP. It is crucial for organisations to fully understand the value of an organisation's IP and how to protect it.

Identifying Critical IP Assets

In the past decade there's been a direct correlation to market value and the increase of intangible assets. As businesses begin to drive their digital journey and technology enabled business models, they increase their susceptibility to IP infringement and IP related risks. Part of the change in the business landscape is for businesses to be able to trade across geographies, as such, further exposing themselves to potential and more litigious geographies. Financial analytics and modelling can help inform risk transfer methods, such as limits and scope of intellectual property insurance coverage. As IP theft becomes a more considerable issue and competitors look to increase market share, companies may also need to defend themselves against accusations of IP infringement or theft. As a result, businesses could be exposed to potentially significant financial losses and reputational damage.

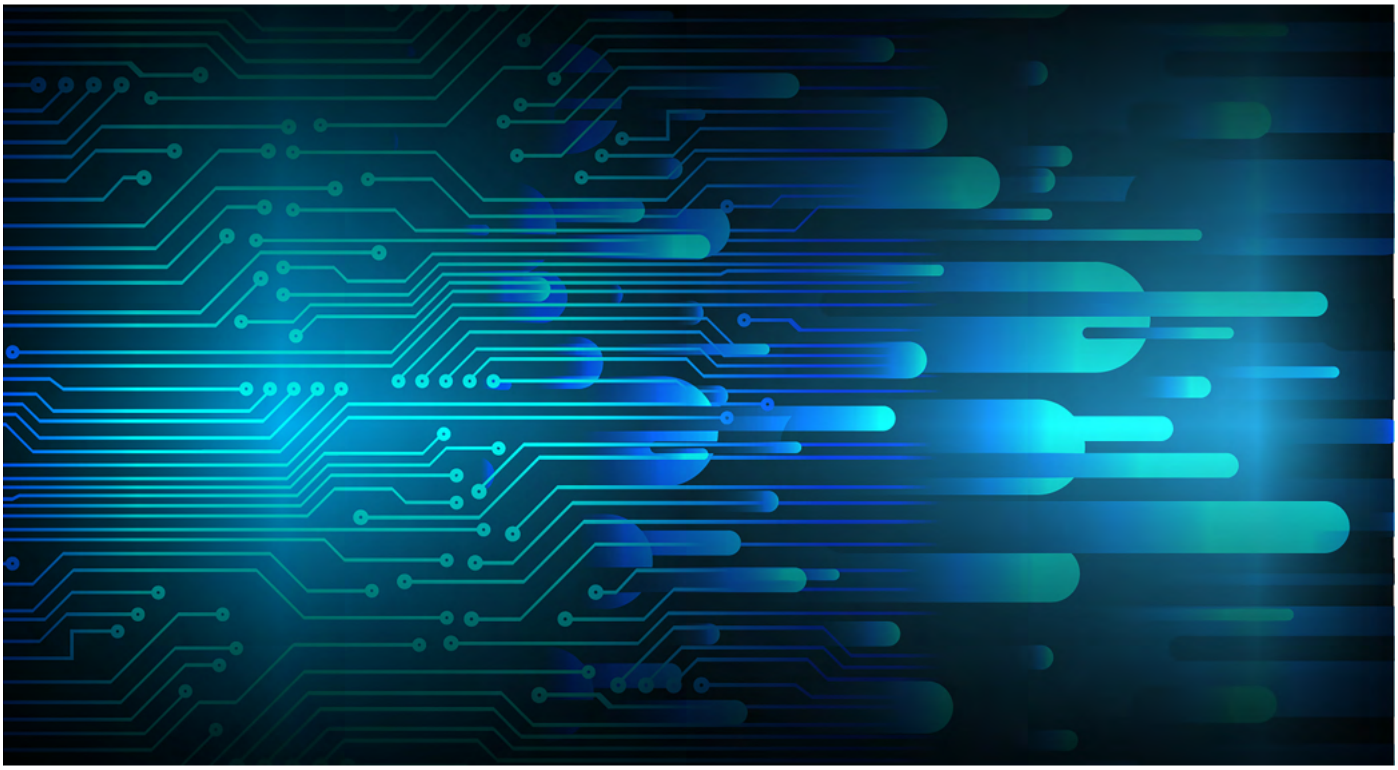
South Africa, whilst not litigious, has had legal frameworks in place for IP infringement for quite some time such as the Trademarks Act of 1993, Copyright Act of 1978 and the Patents Act of 1978. Recent cases that have come to fruition are, however, setting a trend in the importance of companies being able to articulate and defend what differentiates their business in the intellectual landscape.

These include:

- Makate v Vodacom
- Multichoice South Africa (Pty) Ltd v Barron and Another

As businesses drive their tech enabled journey, they cannot be left negligent in developing an IP strategy. It is at this junction that the assistance of an experienced broker that has insight into intellectual property solutions becomes crucial. Speak to your broker today about IP infringement cover from both a defensive and prosecutive point of view that is optimised to provide you with the peace of mind of knowing that your most valuable IP assets are protected and secure.

RUNNING UP THAT HILL



How to win the 2030 insurance technology challenge - For your convenience I provide a brief overview of a series of articles published by Sapiens in this E-Book. I urge you to follow this link here and download the full E-Book for the more comprehensive version.

Data: Real time – or otherwise

Ex Vice President and Associate Actuary, AIG discusses the future of insurance and the challenges it faces, such as failed modernisations, legacy platforms, inward-looking approaches, and the war on talent, in the first article. However, it also mentions a potential positive change brought by data as a key area of challenge and opportunity in insurance technology. The article emphasises the need for insurers to adapt to evolving customer needs and expectations, overcome risk-averse behaviour, and develop innovative products and services to stay relevant in a rapidly changing market. The authors identify several themes that need attention, including emerging risks, cyber and climate change, talent and culture, world events, client-centricity, operational resilience, and new operating and underwriting models.

They suggest a radical shift in how organisations operate, use data, technology, and talent. The insurance industry has access to vast amounts of data from various sources, including satellite data, IoT data, and third-party data. However, to leverage this data effectively, insurers need a strong leadership vision, a people-centric change and development program, and the right technology and infrastructure. The key takeaway is that insurers must anticipate and understand the future faster than it emerges to stay competitive. They need to adopt an exploratory approach to understand available tools and technologies and develop a data-driven strategy to meet their challenges and growth aspirations.

Experimenting with Innovation

In this article, ex COO of StarStone Insurance discusses the importance of innovation in the insurance industry and the need for insurers to overcome their risk-averse nature and embrace new technologies. It highlights specific changes that need to be considered, including the impact of the war on talent, the shift from startups to scaleups, and the focus on reducing expense ratios and implementing common data and contract standards. The article acknowledges that the insurance industry has been hesitant to adopt new technologies and innovate, despite the increasing demand for digitised and cloud-native products and services from customers.

It attributes this hesitancy to the perception that emerging risks are closely tied to emerging technologies, causing concerns among insurers. The lack of successful technology ventures in the industry is often attributed to a lack of change management and integration with existing systems. Insurers need to prioritise usability, connectivity, and integration when implementing new technologies to ensure they are widely adopted and beneficial. The article suggests that insurers should demonstrate the high levels of usability and connectivity already available in modern technologies, creating an environment where practitioners can thrive and solve complex problems. Access to real-time data is also emphasized as crucial for supporting the underwriting value chain.

Overall, the article calls for a shift in the insurance industry's culture and mindset, urging insurers to embrace innovation, test new software quickly, and have flexibility in adopting new technologies to stay competitive.

Are we customer centric?

The third article in this E-Book emphasises the need for customer-centricity in the commercial insurance industry. It acknowledges that insurers are currently distanced from their end-customers and are being outpaced by them in terms of data adoption, insights, and new technologies. With the potential entry of companies like Google into the insurance market, insurers need to prioritise customer needs and develop strategies that align with them. The shift from product centricity to client focus is highlighted, as clients prefer a one-stop-shop for their insurance needs rather than multiple policies from different distribution partners. Portfolio underwriting and analysis are becoming more prevalent, allowing for transparent segmentation and a race to attract profitable and well-risk managed clients. The article proposes an Amazon-style approach to insurance, where a set of customer-centric products and services are offered within an ecosystem.

This includes features like loss history analytics, customer benchmarking, claims experience monitoring, connections to service providers, risk management support, pre-vetted suppliers, and a user-friendly claims portal. The importance of coupling product offerings with services is emphasised, particularly for clients who are not at the top. The customer-centric approach aims to drive better risk management behaviour and make the insurance purchasing process desirable. Customer-centricity is also identified as a key enabler for futureproofing in the industry. It highlights the need for employees to deliver great service, the importance of having a single view of the customer, the use of client relationship management systems for cross-selling, end-to-end automation for customers, improving the claims process, and incorporating behavioural analytics into the underwriting process.

The author stresses the need for insurers to prioritise customer needs, enhance the customer experience, and align their strategies with evolving customer expectations to stay competitive in the changing insurance landscape.

Deciphering distribution

The importance of distribution in the insurance industry and the challenges associated with it is the focus of the fourth piece. It emphasises the need for organisations to deliver on the promise of being "out of the box but tailored," which is often not achieved. The complex requirements for global and local service, omni-channel distribution, and superior customer experiences make distribution a daunting task. The insurance industry's regulatory landscape adds another layer of complexity, requiring organisations to navigate multiple compliance, legal, and regulatory frameworks. To succeed globally, tailoring products and services to meet country-specific or regional regulations is crucial.

Data and technology play a significant role in enabling regulatory customisation based on coverage rules and permutations. Ensuring that a product is operationally and technically "out of the box" becomes a key differentiator in the market. Taglines such as "global where it matters and local where it counts" support the importance of tailoring products to specific markets. The article identifies distribution as crucial for future proofing in the insurance industry and highlights the need for easy connectivity with intermediaries' systems to distribute products, information, and documents. Portfolio management capabilities are seen as essential to track and manage multiple distribution channels, ensuring they align with portfolio criteria. Speed-to-market is emphasised as a significant factor for success.

In summary, the article emphasises the challenges of distribution in the insurance industry and the need for organisations to tailor their products and services to meet local regulations. It underscores the importance of easy connectivity, portfolio management, and speed-to-market as key elements for future proofing distribution strategies.

The talent cliff edge

The final article highlights the importance of talent in the insurance industry and the challenges associated with a potential talent shortage. It mentions the prediction that 50% of the insurance market is likely to retire in the next 10 years, creating a talent cliff edge. Additionally, it mentions unspent Apprenticeship Levies returning to the government, indicating a potential missed opportunity for developing talent. The article raises the question of where the necessary experts will come from to fill the talent gap. It emphasises that while data, technology, and customer-centricity are important, the industry is ultimately reliant on people. However, many transformation efforts in the industry neglect to include a "people" stream, failing to address the need for reskilling and upskilling employees and guiding them through changing work practices.

The article suggests that a well-thought-out strategy is needed to bring new talent into the insurance industry and to provide effective and ongoing training programs while experienced professionals are still available to provide mentorship. This would result in a diverse and hybrid workforce with a range of skills and expertise. Talent is a key enabler for future proofing in the insurance industry. The article suggests that organisations should design systems alongside people, empower workers to embrace change, and focus on building superior experiences to attract talent.

It also emphasises the importance of creating a continuous learning culture within organisations due to the decreasing half-life of knowledge.

TECH FEST

THE NEXT STAGE IN THE EVOLUTION

In this selection of articles, I unpack the various presentations at this year's exciting insurance technology conference - TechFest2023. I would like to thank all delegates who attended the various days and presentations as well as our sponsors who made this possible. Our upcoming TechFest2023 E-Book will have more comprehensive articles on the various representations as well as various other complimentary articles. We are in the process of planning TechFest2024 and, if you would like to participate as sponsor or presenter, please contact us to discuss.

THE FUNDAMENTALS OF SUCCESSFUL INSURANCE BUSINESS

Izak Smit, the Group CEO of PPS, delivered the opening keynote speech at **COVER's TechFest2023**. He emphasised the critical role of technology in the insurance industry and shared insights on PPS's unique focus on the professional market segment. Izak highlighted the importance of technology in the delivery and distribution of insurance and stressed the need for continual investment and evaluation of IT platforms. He also discussed the impact of technology on job displacement and emphasised the significance of embracing Insurtech for efficiency, improved business processes, and risk management. Izak underscored the importance of human interaction and judgment in the services industry, alongside technology.

More than an enabler - Tavio Roxo, CEO and Founder of OWLS™ Software, discussed the broader role of technology in the insurance industry transformation. He highlighted how technology can enhance interactions with policyholders and stakeholders, enabling consistent engagement. Tavio emphasised the importance of accurate data as the foundation for successful technological advancements and the need to build various functions on top of accurate data using different technology stacks. He mentioned the challenge of automating manual processes within insurance companies and the goal of integrating individual technologies into a centralised platform for operational efficiencies.

Clearly define business problems - Hanno van Aarde, CEO of Briisk focused on the importance of defining business problems and prioritisation in Insurtech. He discussed the challenge of unclearly defined business problems and highlighted the significance of establishing specific desired outcomes for technology implementation. Hanno emphasised the need for technical experts to understand business requirements and consider profitability and return on investment. He emphasised the importance of prioritising projects and avoiding becoming project delivery blockers.

Seamlessly connecting data sources and software - Jen McKay, Director of Linktank discussed the state of technology in the financial advice industry and the challenges and opportunities for smaller businesses. She highlighted the lack of practical planning and strategy in technology decisions among smaller businesses and the persistent integration problems. Jen emphasised the growing importance of client engagement and the need to seamlessly connect data sources and software. She mentioned the valuable investments of CRM (Customer Relationship Management) and practice management systems and the increasing importance of behavioural finance, client engagement, client portals, and a comprehensive view of the client.

The fragmented client journey - Christelle Colman CEO & Co-Founder of AMI Underwriting Managers shared her vision for transforming the insurance industry and creating exceptional digital experiences. She discussed a unique approach they took to gather suggestions for improvements by organising a competition for brokers. Christelle highlighted the problem of the fragmented client journey and the need for an exceptional digital experience, simplified claim submissions, and improved communication. She mentioned solutions proposed by intermediaries, such as pre-populated forms and efficient communication channels like business WhatsApp. Christelle believed that focusing on communication and delivering a personalised experience through digital innovation would be a game changer for the industry.

While insurance itself involves fundamental processes like collecting premiums, appropriate pricing, claims assessment, ensuring capital adequacy, and risk management, Izak emphasised that the delivery and distribution of insurance heavily rely on technology.

DIGITAL STRATEGIES IN A DATA-RICH INDUSTRY

Tavio Roxo, CEO and Co-founder of OWLSTM Software, highlighted the need for insurance companies to upgrade their technology and adapt to the digital expectations of younger generations. He emphasized the importance of building trust through transparency, inclusiveness, and providing customers with an end-to-end digital journey. Tavio also discussed the rapid growth of mobile money transactions in Africa and the need for proper technology infrastructure to leverage this opportunity.

Amritha Reddy, Head of Fraud at TransUnion Africa, discussed the challenges and opportunities of the digital age in the insurance industry. She emphasizesd the importance of navigating the digital landscape while managing risks and maintaining a balance between risk management and client experience. Reddy highlighted the evolving fraud landscape and the need for organizations to focus on channel security and establish trust with consumers. She advocated for automation, robotics, and AI in fraud prevention and emphasizes the significance of transparency, data utilization, and consistent omni-channel experiences.

Robin Wagner, head of the insurance practice for TransUnion, discussed the evolving business model of insurers and key trends driving this evolution. He highlighted the cost-of-living crisis, the decline in transactions to the bureau, and the challenges faced by insurers due to revenue-focused challenges and rising claims costs. Wagner emphasized the need for insurers to adopt advanced techniques, digitization, automation, and data utilization to enhance decision-making, reduce fraud, and improve the claims experience.

Overall, the commentators agreed on the importance of digital strategies, the continuous nature of the digital journey, and the need to adapt to evolving data needs. They stressed the significance of leveraging data to enhance operations, pricing accuracy, and fraud prevention in the insurance industry.

REINVENTING THE WHEEL

In this session on reinventing the wheel, Brad Toerien emphasised the importance of purpose-led innovation and discussed barriers to innovation in businesses and industries.

He highlighted the need to align innovation efforts with a larger purpose and remove obstacles such as leadership, culture, and outdated processes. Brad emphasised the significance of building innovation into a company's DNA and focusing on customer needs. He also discussed barriers and enablers for innovation in the insurance industry, including the lack of consumer trust and the importance of technology and alternative sources of customer data.

Market adoption, distribution, and compliance were identified as crucial factors for successful innovation. The talk stressed the importance of trust, purpose, culture, technology, and data in fostering innovation in the insurance industry.

Gavin Peters, VP Marketing at Genasys Technologies, in his talk, discussed the challenges and opportunities of innovation. He highlighted the difficulty of understanding and predicting change and the barriers insurance companies face due to complex processes and limited customer feedback. He introduced the concept of "pro adaptability" and emphasised visionary leadership, a flexible culture, and the right processes and technology as key areas of focus for innovative businesses.

Peters emphasised the importance of considering the end customer and putting oneself in their shoes to solve their problems. He discussed the need to look at customer wants and improve insurer processes through automation. Overall, the talk emphasised the importance of innovation for insurance businesses to stay ahead in a rapidly changing landscape by embracing pro adaptability and addressing barriers to innovation effectively.

The enablers of innovation include having a clear business purpose, fostering a culture that rewards innovation and experimentation, embracing technology, and leveraging alternative sources of customer data.

THE POWER OF DATA: UNLOCKING INSIGHTS FOR BUSINESS SUCCESS

In this talk, Kali Buggery, CEO of The Data Company, emphasized the importance of data in driving business success.

The talk highlighted the exponential growth of data and how harnessing it strategically can lead to better decision-making, operational improvements, and future opportunities. The role of data integration, visualization, and modern technologies in achieving these goals was discussed. The talk also stressed the need for businesses to embrace AI to enhance data analytics and stay competitive. Finally, The Data Company presented a six-step process to guide organizations in their journey to artificial intelligence and effective data utilization.

Navigating the Challenges of Data in the Insurance Industry

Paul Donnelly, Executive Vice President for EMEA at Fineos, discussed the complexities of data management in the insurance industry.

The underwriting process was highlighted as a critical point for data collection, especially in life and health insurance, where vast amounts of personal and sensitive data are collected. Meeting scale and sensitivity challenges while adhering to data protection regulations like GDPR was emphasized. Legacy systems were discussed as a barrier to meeting evolving expectations regarding data transparency and usage. The importance of responsible data management and innovation in data processing, using AI and machine learning, was emphasized as a key to success in the insurance industry. Fineos' role in addressing data-related challenges, providing specialized support to claimants, and ensuring responsible data usage was also presented.

90% of the data in existence today has been generated within the past two years. This exponential growth can be attributed to factors such as increased internet usage, virtual conferences, social media interactions, and the digitalisation of various processes.

EMPOWERING INTERMEDIARIES: AUTOMATING INSURANCE BUSINESS WORKFLOWS

Hanno van Aarde, CEO of Briisk spoke about insurance business workflow automation, while focussing on empowering intermediaries. He was joined by **Fred De Beer a serial, local and global entrepreneur in the financial services space,** and **Stephen Motseki, an experienced player in insurance industry coming more from the UMA distribution side at Quantum Leap Risk Management.**

The presentation discussed the importance of automating insurance business workflows and empowering intermediaries. It highlighted the role of technology in streamlining insurance processes and complying with regulations. Intermediaries, who perform various tasks on behalf of clients or product suppliers, are seen as crucial in connecting different business processes within the insurance industry.

The main challenge faced by the industry is the mass customisation of insurance products, which adds complexity to workflows. The solution proposed by Briisk is a platform approach that allows intermediaries to develop their unique workflows and customer journeys. Creating a single customer view and eliminating data redundancies through digitisation and secure data sharing are also important goals.

The focus is on addressing the challenges faced by intermediaries in navigating technical requirements and determining which processes to automate. Briisk emphasises the importance of data in delivering quantifiable benefits and acts as an orchestration layer between legacy systems and digitised insurance practices.

Customer experience and engagement are prioritised by leveraging digital automation. The implementation of automation solutions can be challenging in terms of time and cost, but customisable templates are provided to accelerate the process. Digital transformation is seen as necessary to meet the expectations of future customers and stay competitive.

The role of intermediaries is crucial, and their workflows should be digitised and streamlined. Insurers need to understand customer preferences, leverage technology, and align it with business requirements to succeed in the digital era.

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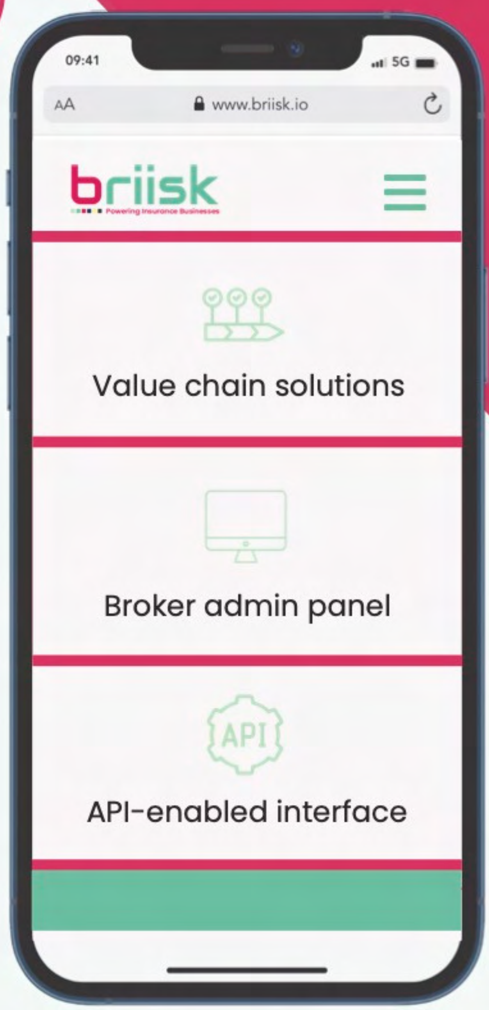

SPEED TO MARKET AND ITS IMPORTANCE IN THE INSURANCE INDUSTRY.

The session included presentations by Wayne Tom, CEO of GhostDraft, Dane Richard, CEO of JMR Software, and Alan Burger, CEO of InfoSlips.

Wayne Tom's presentation highlighted the need for insurance companies to bring new products to market quickly to stay competitive. He emphasised the changing customer expectations, the influence of the digital revolution, and the challenges faced by insurers internally. Wayne identified seven key levers to improve speed to market, including using advanced analytics for customised products, implementing digital sales channels, offering value-added services, and utilising data and automation.

He also discussed three critical technologies for enabling speed to market: ecosystem-based policy and claims administration systems, customer journey mapping and experience initiatives, and AI and natural language processing tools.

Dane Richard focused on enhancing client communication for accelerated market success. He emphasised the importance of trust, clear communication, personalisation, and proactive communication in building long-lasting client relationships. Dane also highlighted the significance of effective claims handling and clear communication throughout the claims process.

Alan Burger discussed the shift towards customer conversations in the insurance industry. He highlighted the use of technology, such as AI, to engage in meaningful interactions with customers and build trust. Alan emphasised the importance of understanding customers on a human level and the potential of conversational interfaces to transform static documents into dynamic conversations. He also mentioned the preferences of younger generations for digital interactions and the need for omni-channel experiences.

Overall, the presentations emphasised the need for speed to market, effective client communication, and leveraging technology to meet customer expectations and stay competitive in the insurance industry.

AI IN THE FINANCIAL SERVICES INDUSTRY

Trustworthiness in Algorithms, Addressing Mistrust and Fairness in Artificial Intelligence - Federica Pisano from Guidewire discussed the role of AI in society and the growing mistrust surrounding AI algorithms. She highlighted the reasons behind this mistrust, such as biased outcomes, job displacement, and data privacy concerns. Federica also explored the state of AI regulation and emphasized the importance of adopting a fair approach to AI. She mentioned some initiatives taken by Guidewire to address these concerns.

Exploring the Power of AI in Underwriting, Fraud Detection, and Claims Processing - Abri Kohn from Santam focused on the significance of AI in the underwriting space and its potential in various areas of the insurance industry. He discussed how AI can improve underwriting decisions, enhance fraud detection, streamline claims processing, and enable better risk management and predictive analytics. Kohn also highlighted the importance of hyper-personalization and mitigating bias in AI algorithms.

Addressing Challenges and Building Trust in AI for Financial Services - Bryan McLachlan from Cyborg Intel addressed three crucial problems in AI for financial services: talent and skill shortages, time-consuming projects, and the issue of trust. He explained how Cyborg Intel tackles the trust problem through transparency, documentation, feature control, and model risk management. McLachlan emphasized the importance of explainability, control over feature selection, and proactive model risk management to build trust in AI.

Enhancing Consistency, Fairness, and Trust in Financial Services with VOYC AI - Matthew Westaway from VOYC AI discussed the need to improve voice interactions in financial services to ensure consistency and care. He emphasized the importance of accuracy, diversity, and explainability in achieving fairness. Westaway highlighted how VOYC AI focuses on accurate transcription, promotes diversity in their team, and provides transparency and clarity in AI-driven decisions. He also demonstrated how their platform monitors and improves customer interactions through detailed transcriptions and alerts.

Overall, the presentations highlighted the transformative potential of AI in the financial services industry, while addressing the challenges of mistrust, bias, talent shortages, and time constraints. The speakers shared insights and solutions to build trust, ensure fairness, and enhance customer experiences through responsible AI practices.

THE NEED FOR INTEGRATION AND COLLABORATION IN THE FINANCIAL ADVICE INDUSTRY

In a series of presentations at a recent conference, industry experts highlighted the pressing need for integration and collaboration in the financial advice industry. Jen McKay, Rudy Bedeker, Sandro Geyser, Jason Judge and Pieter Erasmus discussed various aspects of this crucial topic, providing valuable insights for advisors and businesses in the industry.

Jen McKay, Co-founder of LinkTank, in her talk, focused on the challenges faced by advisors due to the lack of integration options in technology solutions. She highlighted how the limited availability of integration options leads to inefficiencies and a loss of profitability for advisors. The need to interface with product providers further complicates the situation, adding to decision fatigue and frustration. McKay emphasised the importance of collaboration and investment in technology for improved efficiency and client service.

Rudy Bedeker, co-founder of Concourse IT, addressed the challenge of digitisation and the difficulty of knowing where to begin. He stressed the importance of breaking down the digitisation process into manageable steps and focusing on addressing the most pressing needs. Bedeker highlighted the risks of not embracing digitization and urged businesses to evaluate the potential consequences of not pursuing this route. He emphasized the need to identify real needs, find a supportive tech partner, and consider scalable billing models for successful digitization.

Sandro Geyser, Managing Director of Integrisure, provided insights into the broker's journey towards embracing technology and digitisation. He emphasised the need for IT investments to align with business strategy, rather than technology driving investment decisions. Geyser advised brokers to adopt technology thoughtfully, considering their specific requirements and objectives. He stressed the importance of a comprehensive change management process and the need to capitalize on low-hanging fruits to streamline processes and enhance client experiences.

Pieter Erasmus, co-founder at Ctrl, highlighted the importance of understanding the ecosystem and omnichannel environment in the financial advice industry. He emphasised the availability of solutions that connect brokers, insurers, and third parties, enabling the enrichment of the ecosystem with data. Erasmus emphasised the significance of client segmentation and focusing on the end user's needs to provide exceptional service.

Jason Judge, co-founder of Concourse IT, highlighted the importance of digitisation and cloud computing in his talk. He emphasised that partnering with the right technology provider is a solution for small to medium-sized enterprises facing challenges such as cost, time, and skills when it comes to tech investment. By selecting a provider that offers long-term partnership and assistance throughout the implementation process, organisations can overcome these obstacles and focus on their core business processes. Cloud computing was highlighted as a significant component of digitisation, offering collaboration, accessibility, and data security.

Overall, the presentations at the conference underscored the need for integration, collaboration, and investment in technology within the financial advice industry. By embracing technology, streamlining processes, and focusing on client needs, advisors and businesses can enhance efficiency, improve client service, and navigate the ever-evolving digital landscape successfully. Long live advice!


IT TAKES 78
SPECIALISTS
TO CHANGE
A SKYLINE
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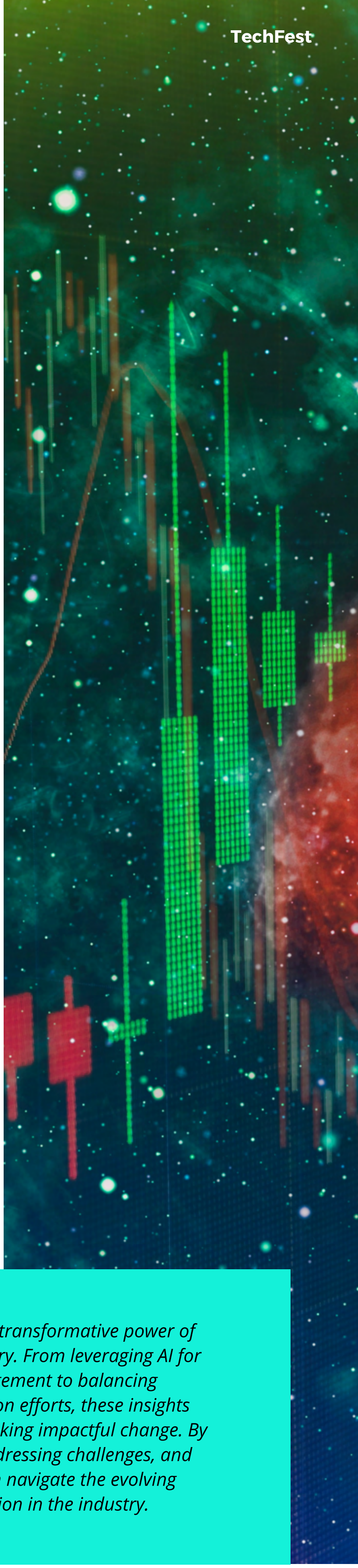
TRANSFORMING INSURANCE THROUGH TECHNOLOGY: THE POWER OF AI, MODERNISATION, AND BALANCING TRANSFORMATION

At the March edition of COVER's TechFest event, industry leaders **Craig Olivier, Alan Burger, and Bart Patrick** shared their insights on transforming the insurance industry through technology. **Craig Olivier, COO and co-founder of Genasys Technologies**, kicked off the event by discussing the pivotal role of technology in driving innovation. He emphasised the need for insurers to adapt to disruptors like social, tech, political, environmental, economic, and industry changes. Craig urged the industry to embrace urgency in implementing necessary changes and aligning technology with specific objectives.

Alan Burger, CEO and Co-Founder of InfoSlips, shed light on the power of AI in revolutionising customer engagement. He highlighted the need for better ways to deliver personalized and timely information to meet changing customer demands. Alan showcased how AI enables hyper-personalisation in communication through tailored videos, content summarisation, and instant query responses. He emphasized the benefits of AI-driven solutions in optimizing resource utilisation, reducing frustration, and enhancing customer satisfaction. Alan also emphasised the challenges faced in introducing innovative technology solutions due to legacy systems and resistance to change in the industry.

Bart Patrick, Chief Revenue Officer at Genasys Technologies, provided insights into the delicate balance between transformation and modernisation in the insurance industry. He stressed the importance of aligning technology with the core purpose of managing risks. Bart highlighted the challenges faced in achieving desired outcomes despite significant technology investments, such as technical debt and outdated legacy systems. He advocated for a pragmatic approach to transformation, prioritising modernisation before full-scale transformation. Bart recommended allocating resources wisely, adhering to industry standards, and evaluating the impact of each system. By modernising the core aspects of their business, insurers can unlock the potential benefits of innovative technologies.



Overall, the talks emphasised the transformative power of technology in the insurance industry. From leveraging AI for personalised customer engagement to balancing transformation and modernisation efforts, these insights provide a roadmap for insurers seeking impactful change. By embracing technology trends, addressing challenges, and aligning objectives, insurers can navigate the evolving landscape and drive innovation in the industry.

TECHFEST 2023 MEETING JMR

Dane Richards, CEO at JMR Software

JMR Software are Financial Services IT experts providing specialist IT Consultancy, Software, and Solutions through their enterprise-scale solutions and IT implementation services.

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They have delivered technology-led change for over 30 years, helping clients improve performance, from managing and monitoring complex legacy systems to implementing the latest digital innovations. CEO Dane Richards says their goal this year is to focus on their CloudCover solution. Having built a significant local client base, they are now looking to expand their Insurance Administration Solution into international markets.

JMR are quite well known within the insurance industry for their many years of expertise particularly in data migration, which have led to its growth locally. "We have considered all the pain points and challenges that customers experience when implementing an Insurance Administration System and so when developing our own platform we sought to address all these pain points." Dane Richards: JMR CEO

He says that they created a completely new and modern Insurance Administration System; born out of the expertise they gained on this platform over the past few decades. According to Susan van Zyl, Head of Sales and Marketing at JMR, one of the key differentiators with their insurance administration system is that they have their own data migration framework built into their CloudCover solution and are recognized as data migration experts in the industry.

"The advantage here is that, if a client needs to move from a current platform or a legacy system to our platform, one of the main benefits is that JMR are able to do the data migration for them, which significantly reduces the risks associated with moving to a new platform", says Susan.

Unique value proposition – Susan indicates that the main advantages they have over their competitors, is that they are able to significantly reduce implementation timelines and their system is highly configurable. Nowadays clients like the terminology low code which really allows customers to launch new products amazingly fast and make changes to keep up with constant regulatory changes. Susan explains that they, or the customers themself, can implement changes rapidly. JMR caters for all lines of business so, if you have more than one product, you can manage them all on the same system. "We even have the document management module, plus the communication module built into the system. It is truly a one platform solution where you do not have to go out and purchase a separate communication module or a document management module. A complete Insurance Administration System that solves all your needs," she says.

Susan also states that the speed at which they can implement is a huge benefit for their customers. This is of specific value to clients with large legacy systems, created over decades of doing business. When they are moving from legacy systems or an existing platform, data migration challenges can slow innovation down. However, as data migration experts, and because they have included that framework into their CloudCover system, this kind of delay is avoided. Customers can therefore move seamlessly, from their current platform to a new platform.

Dane concludes: *"It is our cloud-based Insurance Administration Solution, known for very rapid implementation timelines and speed to market that enables our clients to meet their business needs quickly and easily. This, coupled with our proven, highly configurable data migration solution, allows us to rapidly bring existing policy data into the platform and users to hit the ground running."*