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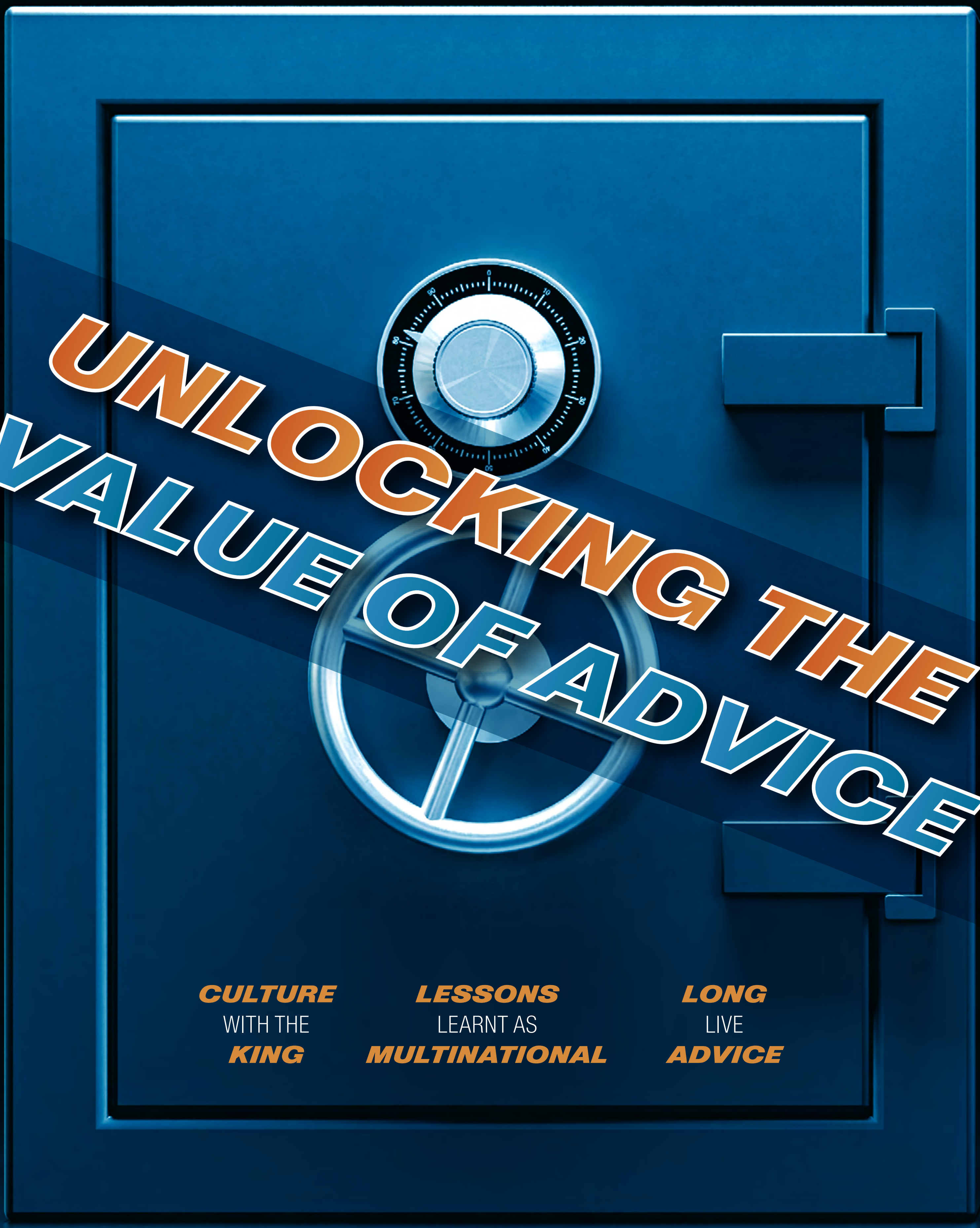

UNLOCKING THE VALUE OF ADVICE

CULTURE WITH THE **KING**

LESSONS LEARNT AS **MULTINATIONAL**

LONG LIVE **ADVICE**

FEBRUARY 2023 EDITION

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WHY RENASA,
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UNLOCKING THE VALUE OF ADVICE

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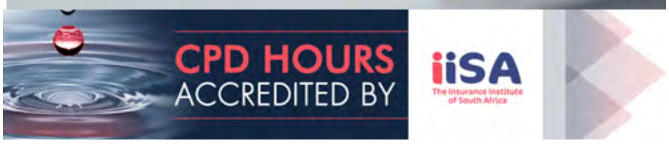
GENASYS TECHNOLOGIES

We had the vision to change the world of insurance and change people's lives through better technology globally. That is the long-term vision, but you must eat this elephant one piece at a time.



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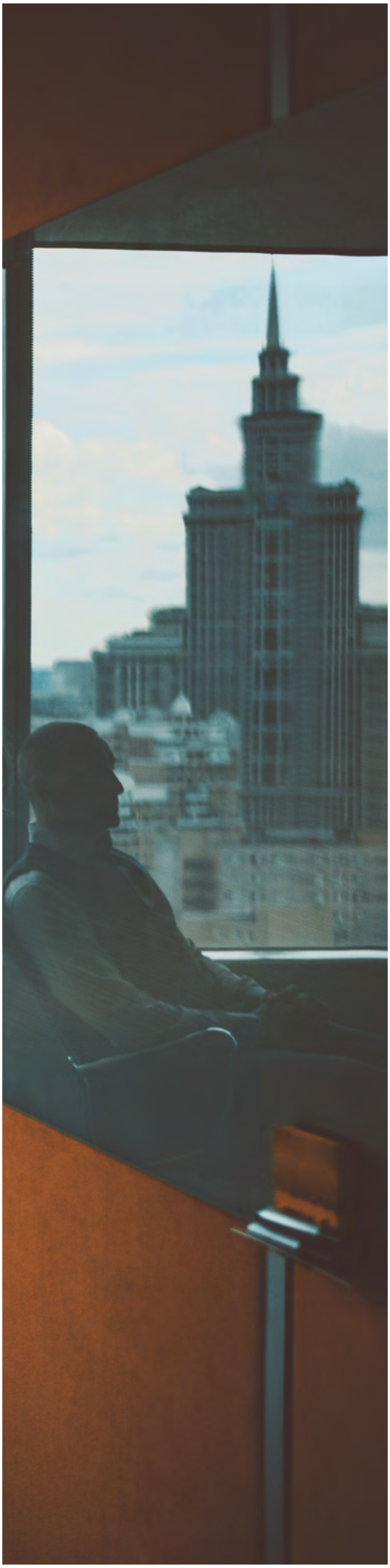

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THE BROKER'S ROLE

In late 2022 COVER surveyed over 300 independent brokers to determine their sentiment regarding some of the levers to their sustainability.

Although brokers were not overly positive about the future of the segment and growth of their businesses, their does seem to be positivity in taking advantage of a shift towards risk management services and the opportunities from increased use of technology. Brokers play a critical role in helping businesses realize their goals for growth, helping them to stay on top of risk mitigation, ensuring that their needs are met when it comes to personal service and claims.

TONY
VAN NIEKERK
Owner & Editor

Some key highlights from the survey:

- Brokers lifted out diversification, skills development and collaboration as levers for growth
- There is an intentional focus on risk management services
- Increased use of technology seen as crucial
- Main need from underwriters is personal service with claims
- Overwhelming feeling that independent broker numbers will decrease, especially small brokers

As the importance of risk management becomes increasingly evident, paired with the value that is derived from advice, to accurately assess personal and business risk and walk the journey with clients, it is my hope that this line of business expands in South Africa.

There is an old saying that says value mustn't just be added, it must be seen to be added, and as an industry, it is our role to articulate this value for the end-client in a way that resonates.

If we can successfully position the role that advice plays in the overall value-chain, we can be certain that this valuable segment thrives in tough times, as it has done so many times before. ***Long live advice! Long live the broker!***

LONG LIVE ADVICE

"The advice provided by a broker can make the difference between whether a business survives a catastrophic event or not."
- Jurgen Hellweg, CEO at Western National Insurance

WHEN THE 'BIGGER PICTURE' GOES BEYOND PRICE

THE (UNEQUIVOCAL) VALUE PROPOSITION OF AN INSURANCE BROKER

As an intermediary, the role of an insurance broker is multi-faceted, extending far beyond providing clients with advice and guidance on choosing the right amount and type of cover. In the realm of commercial insurance, brokers have a fiduciary responsibility to provide an advisory service that is underpinned by extensive, industry-specific knowledge.

As such, the most effective brokers are not only experts on insurance, but they are also risk management specialists who understand the unique threats that face businesses within a specific sector.

"THE BEST BROKERS UNDERSTAND THAT THE BIGGER PICTURE GOES BEYOND PRICE."

Brokers should see themselves as partners in their clients' businesses. The advice provided by a broker can make the difference between whether a business survives a catastrophic event or not. It is therefore incumbent on brokers to offer the kind of advice that will ensure 'business continuity at all costs.'

Theirs is a duty that requires constant vigilance, an up-to-date overview of the state of the market and a generous amount of foresight to assist clients in preempting any changes to their risk exposure that may lie ahead.

BROKERS AS SPECIALIST EXPERTS ON BEST PRACTICE IN COMMERCIAL RISK MITIGATION

Commercial risks come from several angles, particularly in the current era in which businesses face threats both in terms of physical hazards and the risk of cybercrime or digitally initiated criminal activities. Further compounding the complexity of the insurance landscape is the fact that risks are nuanced in how they materialise within specific sectors. A trucking business, for example, will be exposed to several transport-related risks linked to road infrastructure and driver alertness. The specialist aspects of risks that could apply to such a business would differ greatly from, for example, a tax advisory business, which may be more exposed to risks in the form of third-party liability claims.

This is where the unequivocal value proposition of an insurance broker comes in. Brokers have the opportunity to differentiate themselves in the market as industry specialists that can provide valuable insights into how to ensure that a business growth strategy is not thwarted by unnecessary setbacks. The hallmark of most proficient insurance brokers is a holistic outlook on their client's unique commercial needs. The best brokers understand that the bigger picture goes beyond price. They are skilled at honing in on the unique needs of the business and how to negotiate the best premium, but also at 'zooming out' and gaining a broad perspective of how market developments could affect their clients' enterprises.

EFFICIENT CLAIM FACILITATION AND THE ROLE OF THE BROKER

Furthermore, brokers serve as consultants on specific insurance products, but also as risk management advisers and ultimately as facilitators of the claims process. In the event of a claim, brokers play a key role in ensuring that the payout process is as streamlined as possible – a vital factor for cash-strapped businesses.

Therefore, when it comes to claims, mutual co-operation is key. Brokers will have the oversight to advise clients on how the process should unfold and which steps to follow. Depending on the nature of the claim, clients may need to report the incident to the South African Police Service and follow the reporting protocols of their insurer. This will involve gathering certain documentation and supplying any information that an assessor may need in substantiating the claim.

Although assessors are not always consulted in the event of a claim, in general, larger and more complex claims require their expertise. Here, brokers will be able to provide clients with an explanation of the role of the assessor and what is needed from the client in achieving a fair outcome.

Typically, the faster an assessor can gain access to the supporting documentation and the relevant premises or evidence of the damage caused or loss incurred, the faster the report can be submitted to the insurers who will honour the claim.

In this sense, effective brokerage involves an end-to-end service that starts with the initiation of the policy and continues throughout the lifespan of the business. Building a relationship with a broker is therefore an invaluable way to ensure that all bases are covered

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FINANCIAL ADVISORS: A NEW ERA OF PROFESSIONALISM.

Kobus Kleyn, CFP

The financial advice profession is entering a new era of professionalism. Financial advisors must establish themselves as experts in insurance, risk, and wealth management, or what I refer to as holistic Financial Planning.

The first step is to ensure that the financial advisor is a true professional by evolving their roles and raising the standards for the profession. With a focus on the client's well-being, there is an opportunity for professional financial planners who embrace the professional world and hybrid digital world with technology.

Recent years have seen significant changes in the financial advice profession, focusing on professionalisation and increased regulation. Financial advice providers are now considered professionals and are held to a high standard of expertise and ethical behaviour. This shift towards professionalism has been driven by the need to protect consumers and ensure that they receive high-quality advice.

One of the key ways in which financial advisors can establish themselves as professionals is through education and professional development. The Certified Financial Planner (CFP) designation is widely recognised as the gold standard in the financial planning profession and is a mark of excellence for financial advisors. The Financial Planning Institute of South Africa (FPI) is the professional body for financial planners in South Africa. It is committed to promoting the highest standards of professionalism and ethical behaviour among its members.

Personal branding is another essential principle to build professionalism. A powerful brand can help financial advisors stand out in a crowded marketplace and establish themselves as professional experts. This can be achieved through digital marketing strategies, such as social media and content marketing, as a thought leader.

Embracing technology and digital platforms is another meaningful way financial advisors can establish themselves as professionals. In today's fast-paced and ever-changing digital world, financial advisors need to be able to adapt and evolve their business models to meet the needs of their clients. By leveraging technology, financial advisors can provide clients with a more personalised and convenient experience while increasing their efficiency and productivity.

Offering holistic financial planning is another critical aspect of building professionalism. This means taking a comprehensive approach to financial planning, which includes addressing all aspects of a client's financial situation. By providing a holistic approach, financial advisors can help their clients to achieve their financial goals and ensure that they are well-positioned for a secure financial future.

Financial advisors must also demonstrate their value to clients to build long-term sustainability. They must also stay current with the latest trends and regulations. This enables them to provide their clients with the most relevant and accurate advice while ensuring they remain compliant. An important aspect of professionalism as a financial advisor is building trust and credibility with clients. It can be achieved through open communication, transparency, and honesty. Financial advisors should be able to clearly explain complex financial concepts and strategies in a way that clients can understand.

Ensuring our advice to clients is long-lived must contain valuable information and wisdom that can be applied to many different situations and contexts. The advice should be based on human experience and common sense, which must remain relevant and valuable over time.

In conclusion, long-lived advice is more than just providing financial advice; it is about building professionalism, expertise, and trust with clients to ensure long-term sustainability. Financial advisors must embrace the professional, hybrid digital, and virtual worlds and provide holistic financial planning to meet the needs of their clients and establish themselves as true professionals in the profession.

THE UNDENIABLE VALUE OF FINANCIAL ADVICE

It seems strange that, with today's substantial body of research quantifying the actual value added by financial advisers to their clients' returns, anyone would continue to doubt that financial advisers are not true professionals.

After all, the very definition of a professional is someone who adds value to outcomes through their expertise. It is true, however, that the value of specific financial advice can be quite difficult to quantify, as it also contains qualitative elements.

However, these days there is a substantial body of global research that demonstrates measurable, quantitative value that clients derive from various aspects, including improved savings discipline, tax-efficient structuring, better asset allocation decisions, and behavioural coaching to avoid costly mistakes.

In addition, the better results from advised investing contribute to greater peace of mind for clients, more success in meeting financial goals, and better preparation for retirement and emergencies, all non-quantifiable benefits that are, in fact, invaluable.

Most recently, the November 2022 Whitepaper "Financial Advice in Canada" highlighted several different studies that affirmed the value of financial advice. Perhaps the most well-known of these is Russell Investments' "Value of an Advisor" study, conducted annually in the US for several years now. In its 2022 report, Russell found that the approximate value of a financial adviser to their client was 4.91% – in other words, they added a net 4.91% to a client's total return for the year.

THEY BROKE THIS TOTAL VALUE INTO FOUR COMPONENTS:

1) 2.37% from behavioural coaching – preventing clients from moving to low-risk assets or selling out of their portfolios during market downturns, and therefore locking in losses;

2) 1.22% from tax-efficient investing and planning;

3) 1.21% from informed asset allocation choices and family wealth planning (involving insurance, accounting, trusts, etc); and

4) 0.11% from active portfolio rebalancing.

In Canada, the "2022 Mutual Fund and ETF Investor Study" released jointly by the IFIC and Pollara in October 2022, found that 80% of unit trust investors and 73% of Exchange Traded Fund (ETF) investors stated that they believed they received a better return on their investments due to the advice they received from their adviser, with 74% and 64%, respectively, saying they had better saving and investing habits due to them.

Another study, the "Value of Advice Report" by Canada's CIRANO Institute in 2018, found that after 15 years of investing, advised investors had accumulated 2.3 times more assets compared to their unadvised counterparts. And even after only four to six years of investing with an adviser, clients had built up 1.58 times more assets. The factors identified as contributing to this better outcome were higher savings rates, a higher allocation to non-cash investments (i.e., high allocation to risk assets in order to match longer term liabilities), and better, disciplined behaviour through market downturns.

NO TIME LIKE THE PRESENT FOR AN ADVISER

It makes sense that in South Africa qualified financial advisers can add at least as much value as in these developed country studies – and since our financial markets are even more volatile, financial advice could conceivably be even more valuable. Current conditions are ideal for demonstrating this value, both in terms of actual investment returns and less quantifiable types of support. This is because periods like this – with most asset valuations cheap after having sold off through much of 2022, and market conditions highly uncertain and volatile – have been found to be when financial advisers can add the most potential value to client outcomes.

For example, it is easier for investors to succumb to common human behaviours like short-term thinking, acting out of emotion, selling assets when markets are down, and being too conservative in investment choices. This is where behavioural counselling by a financial adviser can help to avoid costly mistakes like these, and to rather stay invested or even take advantage of the opportunities that exist.

EDITOR'S TAKEOUT

Financial advisors add value to clients through expertise, with the value of specific advice being difficult to quantify.

1. A substantial body of research globally quantifies the value clients receive from financial advisors in terms of improved savings discipline, tax-efficient structuring, better asset allocation, and behavioral coaching.

2. The "Financial Advice in Canada" Whitepaper highlights several studies that affirm the value of financial advice, with the Russell Investments' "Value of an Advisor" study finding that financial advisors add a net 4.91% to their client's total return.

3. Studies have shown that advised investors have accumulated more assets compared to unadvised counterparts.

4. Financial advice could be more valuable in South Africa, as volatile financial markets require expert advice.

5. Financial advisers can help avoid costly mistakes during uncertain and volatile market conditions.

EMBRACING THE "MEDICI EFFECT" IN BEHAVIOURAL SCIENCE WITH CHATGPT

Artificial intelligence (AI) research lab, OpenAI have shoved us into the future with ChatGPT. The innovation is deceptively simple the AI is trained to learn and understand exactly what humans mean when they ask questions and to respond in a conversational format.

The mind-bending piece is that the first public or user version of this tech is near flawless or at least appears that way. It is super-fast and responds in a manner that is almost unsettling in its humanity. In fact, it is near impossible to tell if the answers provided to the question posed are human or AI-generated. After scratching the surface, however, a deeper and revolutionary value becomes clear. The AI is sophisticated enough, in seconds, to evaluate and link complex ideas, concepts and even philosophies providing the essence of these linkages to searchers that will reduce search costs dramatically and add value through progressively speedy learning.

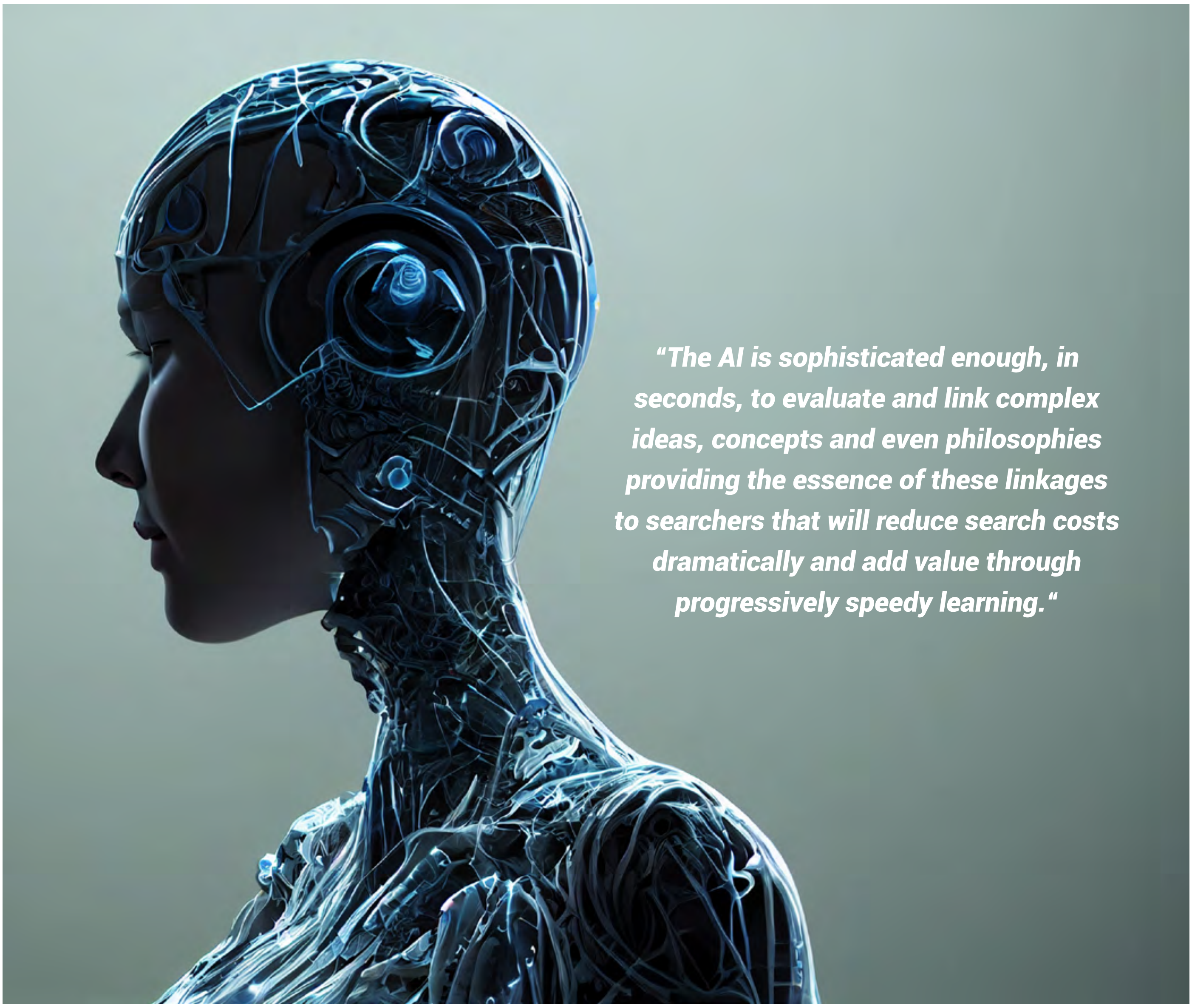
THIS IS SIGNIFICANT PROGRESS.

This is the essence behind the "Medici Effect," which if you ask ChatGPT will quickly tell you, "The Medici Effect is a term coined by Frans Johansson in his book of the same name. It refers to the phenomenon of breakthrough innovation and creativity that occurs at the intersection of diverse fields, disciplines, and cultures. The term is inspired by the Medici family, a powerful and influential banking family during the Renaissance in Italy, who supported and brought together artists and thinkers from diverse fields, leading to the flourishing of art, science, and technology during that period."

As a behavioural scientist for example, I am very interested in how we get people to save more and particularly considering the cultural diversity in South Africa. Asking ChatGPT, "How do we get people to save more taking anthropology into account?" The AI quickly (seconds) gives a concise five-point plan of the key considerations in this problem including cultural context, social norms, defaults, financial literacy, and even more complex ideas around social identity.

Instead of Googling, downloading academic papers and / or reading only slightly relevant blogs I have a concise plan generated in seconds exactly relevant to my question that incorporates psychology, economics, sociology, and behavioral science. I doubt this will be replacing Google any time soon, but it definitely replaces the above process that Google solved for and as we know the first rule in behavioral science in changing behaviour is, "Make it easy." This is very easy.

Now let us take it one level deeper. I know as a behavioral scientist that machine learning (ML) is going to be critical in my field (behavioural finance), but I want to know how to use it to help people save more and I can also clumsily include something about the actual programming code involved. So, I type in, "How can I use machine learning to help people save more with code?." The first two points it comes back with cut

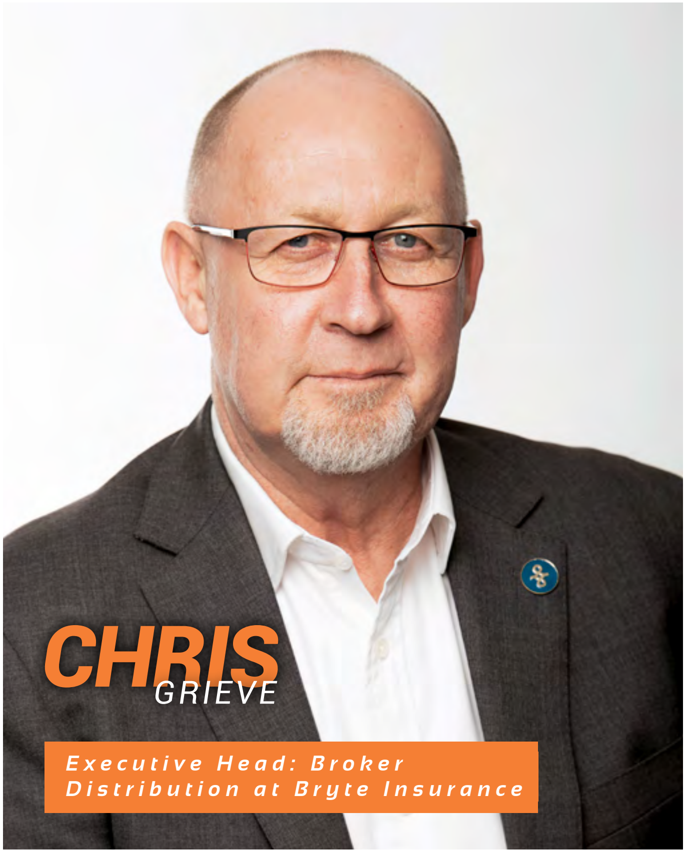


to the chase, fast. We can help people to save money by predicting their behaviour (before they spend) and we can increase personalisation using machine learning, which speaks directly to the concept of personalised nudging. A second to get to the crux of a complex question because these two things are exactly how machine learning should be used in behavioural science, to change this behaviour.

It then proceeds to provide the key machine learning distinctions I need to consider and… it provides me with the likely programming code I will need to use to execute the ML with a handy "copy code" widget. Now of course the devil here lies in preparing the data, but it is clear how much time this is going to save everyone by cutting through a vast amount of clutter. My wife is a molecular geneticist working in the pharmaceutical industry and, as the marketing manager, one of her core responsibilities is making sure her brand managers convey the science (clinical trials) to the company sales representatives effectively in campaigns. One of her biggest challenges has been getting people to understand the science fast, usually involving extensive reading and research.

Naturally, this technology has already added tremendous value. It took Facebook 10 months to reach 1 million subscribers and Instagram 2.5 months to get the same number. It took ChatGPT 5 days. Imagine a world where the AI has access to your voice calls for training and where we could be heading?

ENSURING SUCCESS IN 2023 AND BEYOND BY PARTNERING WITH THE RIGHT INSURANCE ADVISER



The impact that insurance brokers and advisers can have on business continuity has increased dramatically over the course of the last few years.

The challenges have been numerous and interconnected, from the COVID-19 pandemic, persistently high inflation, extreme weather and climate change, and the challenges presented by ongoing and escalating load shedding and potential water shedding, as well as business continuity challenges precipitated by frequent global supply chain disruptions.

These conditions mean that business survival is far from a foregone conclusion in 2023 and beyond, and clients need an expert to give advice, coupled with a financially strong insurer. As trusted intermediaries, it is critical for brokers and insurance advisers to understand the evolving risk landscape to best advise clients on varying conditions that could affect the risks they face. Not all risks can be predicted, but many can be anticipated, and intermediaries should engage with clients to prudently manage these risks.

With underinsurance being a chronic issue, it is also crucial that brokers ensure that their clients are adequately insured, understand precisely what their policy covers, and are aware of the applicable limits and deductibles and other cover that may be available in the market, at an additional cost. Brokers and advisers remain uniquely placed to help guide and drive investment in scenario planning and assessing strategy resilience to build more robust businesses. Our qualified risk engineers at Bryte are also on call to assist with risk mitigation and solutions that will help reduce risk.

They are there to support brokers and clients. Brokers must ensure that policyholders understand risks effectively and that complete disclosure is provided at every stage of the process. It is critical that policies are accurately underwritten, and that cover and policy limits continue to be reviewed and communicated. This is vital in avoiding a scenario in which policyholders face the risk of having claims rejected. Navigating the risk landscape requires partnering with experts with deep insight, foresight and a pragmatic approach to resilience. The broker's record of advice is becoming increasingly important when it comes to disputes.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TAPPING INTO TECHNOLOGY TO UNLOCK VALUE REALISATION FOR CLIENTS

Like virtually every other industry, insurers have undergone a digital transformation journey to enhance their business processes. Digital transformation enables insurers to achieve quicker turnaround times on claims and gain substantial timesaving on routine tasks. But are insurers really getting the most out of their digital investments? In 2023, insurers should work to ensure technology produces tangible benefits for customers.

For instance, digitisation should enable the business to better cater to evolving client needs and provide a higher degree of personalisation for each client. And the use of chatbots for 24/7 customer engagement via social media and AI for predictive analytics in insurance is already with us. Better risk management through predictive analytics and machine learning directly impacts claims expenses. By effectively leveraging predictive analytics, insurers can realise superior returns as, in the long run, this will help control costs and the price of insurance to the public.

Ultimately, insurers exist to allow business owners and managers to achieve their business ambitions, confident in the knowledge that the consequences of an adverse event can be mitigated. Insurance offers a degree of certainty by safeguarding assets and providing protection for people's livelihoods. Insurance brokers and advisers must capitalise on their trusted status to become a partner with their clients, enabling customers to invest more sustainably in their operations and help ensure long-term sustainability and growth.

Looming right now are insurance price increases between 15% and 40%. Brokers must be prepared to explain the reasons behind the substantial price increases to clients. High inflation on top of this does not make it an easy task for the broker. Over and above this, the broker needs to understand and explain the policy wording restrictions and changes – all of which is onerous on the broker, and this is where strong expert advice is required.

LONG LIVE ADVICE

Now is the time for insurers and advisers to build on their respective value propositions, as professionals. With the focus on the wellbeing of the client, we have entered a time of incredible opportunity. There is a change happening in the insurance, life risk and wealth management space when it comes to intermediaries that have made advice their calling.

HEINRICH PUNT

General Manager of Intermediaries at Sanlam

Hastened by the Covid-19 pandemic, this change sees positive opportunities for intermediated advice practices to be more future-forward in the design of their client offering. It also brings a realisation that practices need to be more deliberate and thoughtful to create future-savvy businesses.

This journey will continue in 2023 and beyond, specifically when it comes to embracing digital innovation and how this relates to being more engaging. The clients of today are leading their own lives and are digitally connected to a lot of information. In this context, advisers must understand they need to change the financial planning relationship to one that is more and more client-led and not solely planner-led.

LET'S GET 'PHYGITAL'

Becoming more 'phygital' in their approach to clients is one of the many chapters in this journey. This term, coined some years ago, refers to blending digital experiences with physical ones. Interpretation of the needs of clients in a human way is difficult with technology, and it is only through the affinity of human interaction and advice that clients gain confidence.

Blending the human and technological approach in an intuitive fashion is where advisory practices are heading, both locally and internationally. Gone are the days when a client would see their planner or adviser face-to-face once a year. Clients of today are much more agile; they want the interaction now and require more regular engagements with advisers, whether physically or digitally.

This regular, appropriate messaging instills confidence in clients and this confidence forms an important part of the client-led advice journey. Financial planners can benefit from this client ownership and confidence.

DATA-LED CLIENT-CENTRICITY

Data-led means using the enormous amount of information at the disposal of an intermediary to gain a unique understanding of the changing needs of their clients. Using this type of business intelligence adds enormously to the value proposition on offer and can take an intermediary business into a new realm. Being data-led is paramount to the modern planning practice keeping up with the evolution of the industry. Relationship-led advice needs to be provided within the context of a client's life cycle, and at various points within their financial journey with clients feeling empowered.

OPPORTUNITIES FOR INTUITIVE INSIGHT

While the need to access advice itself is not going anywhere, how it is intelligently interpreted is changing. Incorporating intuitive insight relevant to a specific client is what really instills confidence, and this is creating opportunities for clients and intermediaries alike. Evolving the advice value proposition takes more work than can be done in one year and involves continuous change.

Whether an independent broker or an insurer-linked adviser, this evolution should involve associating with the right partners to inform growth within this new world. Sanlam is one such partner that can inform and empower intermediaries to transform their practices toward client-led advice practices that create a live with confidence credo for both intermediary and client.

TODAY'S INSURANCE ADVISERS NEED TO POSITION THEMSELVES AS PROFESSIONALS WHO ARE ALWAYS IN 'BETA PHASE'

The South African insurance industry that exists today is a far cry from what it was just a decade ago.

Rapidly rising levels of cybercrime, and fraud, the far-reaching impact of climate change and geopolitical tensions, are just some of the developments that are helping to shift the ever-evolving insurance landscape. By its very nature, as an industry that helps people navigate and mitigate the emerging risks that their assets and businesses face, the insurance sector relies heavily on its ability to adapt to a changing world.

For providers of financial advice related to insurance, this means always operating the in 'beta phase': keeping abreast of industry developments, understanding that your role as an adviser is never static and requires consistent investment in professional development. Arguably, the biggest required shift for advisers is one involving mindset – adopting the work ethic, technical skillset, service excellence, and management style of respected industry professionals.

THE OPPORTUNITIES FOR THE PROFESSIONALISED INDUSTRY

Before 2004, insurance advisers required no formal qualifications to operate – their roles were seen through the lens of 'occupation' rather than 'profession'. Today, however, advisers are regulated by the Financial Sector Conduct Authority (FSCA) which requires them to not only be qualified to gain entry into the sector, but also subjects them to mandatory, continuing professional development (CPD). Additionally, there is further planned regulation like the Conduct of Financial Institutions Act (CoFI) on the cards. Regulatory and institutional bodies regard advisers as professionals. It is now up to advisers to build on their value propositions as professionals.

INSURANCE THROUGH THE LENS OF BUSINESS

Advisers have always needed to become specialists and product experts. Now, they are so much more – they are also generalists and industry experts with the ability to see the bigger picture. At the core of how the best advisers operate are excellent problem-solving skills, which as it were, is also the hallmark of successful entrepreneurs. The shifting, changing nature of the industry has produced advisers who are equipped to solve problems creatively and in doing so, to meet their clients within the context of their unique needs and lifestyle circumstances. These developments necessitate that advisers conduct themselves as both professionals and astute businesspeople.

For today's advisers, this means employing good business practices, including building a strong professional network, nurturing relationships with reputable insurers, and leveraging valuable resources that can cut through the complexities of the insurance environment. Advisers in the 'business of insurance' also need to consider the liability as it applies to their professional conduct and employ methods to mitigate risks such as professional indemnity claims.

Succession planning is another key factor that relates to the business of insurance. This involves the implementation of policies and procedures that will ensure the longevity of your advice-led business and the retention of clients across generations.

Furthermore, with the focus shifting towards the importance of customer experience and the well-being of clients, now is a time of great opportunity for advisers who can work towards offering tailored solutions to new and emerging risks.

In an age where digital technology has served to divide people as much as it has united them, consumer demands a personalised level of service. This now requires advisers to become nothing short of proficient at managing their portfolios and segmenting their practices to provide clients with individual attention.

In addition, as professionals, advisers need to invest time, money and resources in establishing and maintaining a well-run office and client service environment. The quality of support staff, for example, has become a crucial aspect of running a successful advice-led business in the insurance industry.

The nature of the insurance environment will always be complex and demanding, but within these challenges lie many golden opportunities for advisers to establish themselves as seasoned and respected professionals who are capable of running efficient, future-proof practices and add value for their clients.

"In an age where digital technology has served to divide people as much as it has united them, consumer demands a personalised level of service.

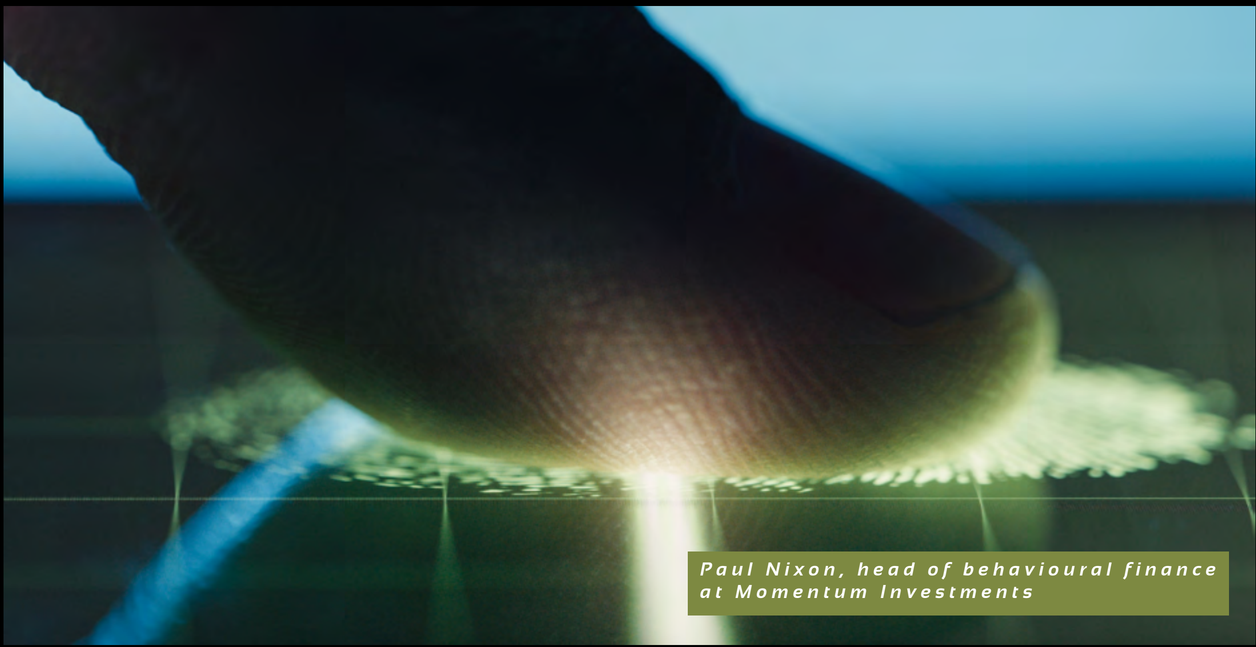
This now requires advisers to become nothing short of proficient at managing their portfolios and segmenting their practices to provide clients with individual attention."

FINANCIAL PLANNING

"OUR BEHAVIOUR WHEN IT COMES TO MONEY DEPENDS LARGELY ON TWO INTERLINKED COMPONENTS: NATURE AND NURTURE."

- PAUL NIXON, HEAD OF BEHAVIOURAL FINANCE AT MOMENTUM INVESTMENTS

WHY YOUR CLIENT'S "MONEY FINGERPRINT" IS IMPORTANT

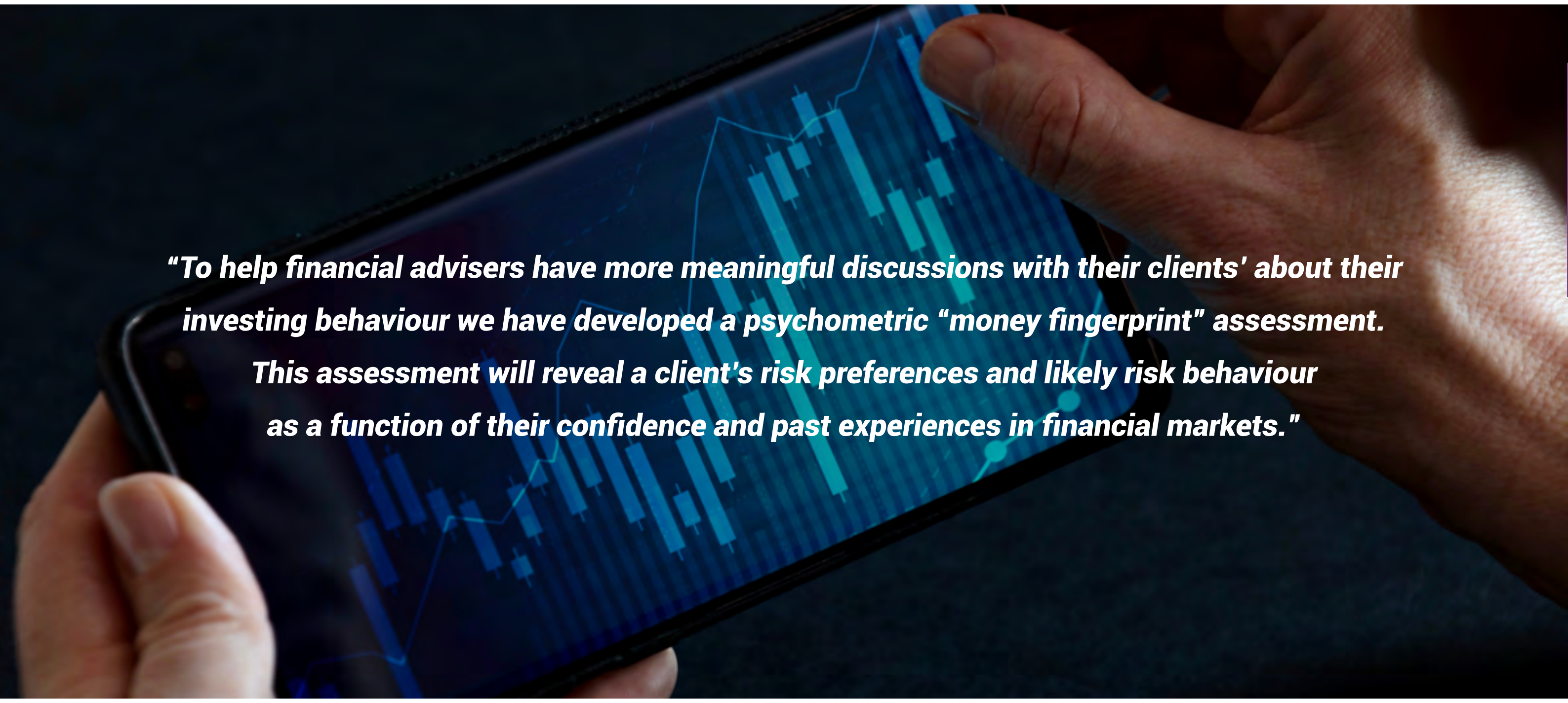


Paul Nixon, head of behavioural finance at Momentum Investments

The role of money in society has most certainly evolved. It is no longer merely a medium of exchange. Money has become an important source of wellbeing and happiness, and the lack thereof has become an important predictor of stress.

Our behaviour when it comes to money depends largely on two interlinked components: nature and nurture. The age-old debate in understanding human behaviour is no longer an issue – it's not nature versus nurture but both. We possess "factory settings" that are passed down through our genetic code (nature) represented by our personality or characteristic behaviours, but our values, attitudes and beliefs are more transient and tweaked by the people around us and societal factors (nurture). Blending these two helps us explain money behaviour.

For example, the personality trait of "broadmindedness" or "openness" refers to our inherent curiosity. Are you reading five books at any one time struggling to finish one? You may possess this personality trait which helps to explain the behaviour in this context, namely struggling to finish a task and being easily distracted. This trait also may contribute to a value system that life is about experiencing different things. This means saving may be quite difficult for a person like this. Your belief system (the way the world works) formulates a value system (you value experiences) that informs your attitude towards money (spend versus save). Spending money now on a mountaineering expedition is worth it because life is about experiences, right? This chain is linked to your money behaviours because you may be more present-oriented or living life in the moment – all stemming from your personality, values, beliefs, and attitudes.



We can therefore think of our factory settings, or traits that are inherited genetically, as predisposing us to behaviours in different contexts over our life and childhood development (being quiet and more reserved at school or being more empathetic and social-relational or agreeable, for example). Our relationships and experiences, however, will assist in forming values, beliefs and ultimately attitudes about important things, such as money.

The same personality trait of broadmindedness can be moderated and manifest in a different attitude under different circumstances (environment). For example, growing up in a household where money is scarce may formulate the belief that money is the key to happiness. Think of being in a shopping mall and seeing other children on those rocking horses that require a token to ride.

Being told there is not enough money for this experience may be teaching something to a child who now associates money with enjoyment. The personality trait or factory setting can exacerbate this because the child could be naturally inclined to be more present-oriented, or a more traumatic experience may push development into a belief that money is so important it should be retained, or even hoarded, at all costs.

In this case money, or the lack thereof, contributes to excessive anxiety. During the COVID-19 period South African investors destroyed over R600 million in value by changing their investment strategy switching between funds in response to market events. They incurred a behaviour tax by switching funds, which is the difference in future performance between the funds switched from and the funds switch to.

At Momentum Investments we understand that investing, and indeed money behaviour, is incredibly personal. To help financial advisers have more meaningful discussions with their clients' about their investing behaviour we have developed a psychometric "money fingerprint" assessment. This assessment will reveal a client's risk preferences and likely risk behaviour as a function of their confidence and past experiences in financial markets. Importantly, the assessment will also enable financial advisers to assess their client's money attitudes and even personality that will encourage reflective conversations with clients. These conversations can help to develop for example stress inoculation plans to ultimately manage or even eliminate the investor behaviour tax for clients.

Investing is personal, and we believe that the financial adviser is an integral money coach in managing clients' money behaviours for a happier and more successful relationship with money, which ultimately forms a solid foundation for clients to achieve their investment goals. If you would like to find out more you can contact Paul Nixon at paul.nixon@momentum.co.za.

COVER

CPD ACCREDITED

WHAT DOES INFLATION MEAN FOR YOUR CLIENTS RETIREMENT

Inflation is hitting historical highs globally, with South Africa no exception as we hit a 13-year high in June last year. Combined with rising interest rates and volatile markets, those on the brink of retirement may face difficult decisions. As a financial adviser, now's the time to help your clients make savvy choices to bolster their resilience for the long-term. When times are tough, it may be hard to stay the course. But this is when it matters most.

FARZANA BOTHA

Segment Solutions Manager at Sanlam Savings

Farzana Botha, Segment Solutions Manager at Sanlam Savings, says, "We need to talk more about the impact a high-inflation environment has on people's retirement especially in a nation where only 6% of people can currently retire comfortably. Many will be affected especially those seeking to materialise their savings soon, but also any person aspiring to grow their retirement investment in the current market.

FOR CLIENTS ABOUT TO RETIRE:

For clients earning a market-linked return, the concern is that they may be materialising their losses if they 'cash out' their savings. Inflation can't be avoided, but you can help off-set some of its impact by:

1. Reviewing your client's plans. Are they still on track with their goals? If not, they may need to consider key actions such as:

- Adding more disposable income to their fund;
- Delaying a fund's maturity;
- Deciding how much income they can live off (if a fund is maturing) without exceeding the maximum withdrawal and depleting capital during a period of bad market conditions.

2. Seeking sources of capital protection, such as a smooth bonus fund. The Satrix Smooth Growth Fund enables clients to invest in high-growth assets during market downturns, due to monthly declared bonuses. When the market does well, a portion of the return is held in reserve to smooth out losses during volatile periods.

3. Delaying retirement or continuing with part-time work.

4. Reducing costs where possible. It's important for clients to pursue some of their lifelong goals – like travelling – but it's critical to plan for this. They should also consider ways to curb some of the biggest costs, like downsizing their home.

5. Maximising tax efficiencies. Consider a tax-free savings vehicle to supplement retirement funding, so they can withdraw tax free money to spend, rather than relying on their retirement annuity for a cash lump sum.

FOR THOSE WITH LONGER RETIREMENT HORIZONS:

Botha suggests spending time helping these clients to visualise the kind of retirement they want, then discussing realistic ways to achieve this. "Based on the current market movements, their timeline and goals, as their adviser you can indicate if this is the best fund right now." "It's also important to explore offshore options to hedge against currency risk. If the rand performs poorly, but the dollar is doing well, having money offshore enables clients to reap the benefits of the strong dollar. The Sanlam Global Wealth Builder lets you diversify across geographies, with opportunities to invest in the 'giants' in the international investment arena, protecting against local performance.

"Encourage your clients to increase their premiums if possible, even by a small amount. When the markets are down, it's often a good time to buy units at a lower price. Consider having multiple retirement annuities that mature at different times, for a 'phased' retirement approach. A combination of life and living annuities may be optimal; a life annuity provides a set income for life, whereas a living annuity is held in the name of an annuitant, from which an income can be flexibly withdrawn. Retirement doesn't have to be one big scary goal; it could be many micro milestones instead.

"Most importantly, help them to stay the course. Exiting when the markets are bad is never a good idea – the only time you experience a loss is when you move. An Olympic gymnast once said that there were countless times she wanted to quit over the years, but her parents always said she couldn't make that decision on a bad day, only on a good one. The same principle applies." Botha concludes, "With South Africa's 'two pot' retirement system on the horizon – which will give people access to a portion of their pension savings once a year – it's crucial for advisers to help their clients make educated choices so that they can live with confidence knowing their financial future is secure."

RETIREMENT FUND TRENDS: HERE'S HOW THEY WILL AFFECT YOU

According to the South African Treasury, only 6 out of every 100 South Africans will be able to retire comfortably. A recent BusinessTech poll shows more than a third (35%) of middle-class South Africans aren't putting any money at all away for their retirement.

The two biggest reasons that retirement fund members don't have enough money to retire on are that they don't save enough, and that they don't preserve their retirement assets when they move jobs. And if you think you can easily catch up on your retirement savings by making additional contributions later, you're in for a rude awakening.

Depending on when you start contributing again, the required rate could be anything ranging from 17% to 50% of your salary. One of the positive effects of Covid-19 is that it made South Africans more aware of the need to put themselves on the road to good financial health and a comfortable retirement. To do this, it's important to know the key trends in the retirement fund industry right now, and how they affect you.

THE 'TWO-POT' SYSTEM

Government's proposed new 'two-pot' retirement system (which is currently set for 2024) tries to balance the need to survive financially both now and after retirement. Basically, the system will see you put one-third of your retirement contributions after the effective date to a savings pot that allows early access, and two-thirds to a pot that is used to buy an annuity after retirement.

The benefit is that it will prevent people from having to take out expensive short-term loans, while being forced to preserve two-thirds of their funds over the long term and not cashing in when they change employers. The downside is that any withdrawals are fully taxed and erode your capital. The bottom line: get advice.

GROWING DIGITISATION

Like most industries, the retirement fund sector is rapidly digitising. This means retirement fund members can easily monitor their funds' performance and will be able to have greater insight when they discuss their options with a retirement counsellor. In fact, using digital tools to understand the retirement income you are likely to receive is an important part of proper retirement planning.

MORE ANNUITY OPTIONS

The days of being locked into a retirement income that was chosen for you are over. There are various forms of guaranteed retirement annuities that provide an income for life (and your spouse's life, if you elect this option), or pay a lump benefit on death. Get advice on which works for you – there are options that can secure your fixed living expenses via a guaranteed annuity to ensure these costs are covered for life, while buying a living annuity with any residual capital to be able to leave some sort of financial legacy for your family.

TOUGH TIMES AHEAD AS SOUTH AFRICANS FACE FINANCIAL CRISES

Many South Africans face the prospect of a tough 2023. Inflation is the highest it has ever been, and the repo rate has steadily risen with more increases expected soon.

Further stress is applied to most consumers through (regular) significant increases in both petrol and diesel prices which not only impact car owners, but also have a knock-on effect in the price of other items such as food and transport. All these increases have negated the financial relief initially offered by the rate reductions of 2020. Our concern is that South Africans are now feeling the brunt of these increases, with rising living costs eventually influencing the number of consumers forced to default on their debt payments. Increasing numbers of defaulters may in turn increase the number of creditors instituting legal action for the foreclosure/repossession of financed goods.

RISING INTEREST RATES

While there has been a significant decrease in interest rates since the 2008 GFC – where interest rates were close to 12%, consumers have had to endure a year where the interest rate has risen significantly over a very short period.

Statistics from the South African Reserve Bank show that in December 2021, the interest rate was 3.5%; this has steadily increased throughout the year to its current levels of 6.2%.

This is unwelcome news for many South Africans who are paying off bonds and vehicle finance agreements. Further, statistics show that many South Africans are borrowing money to get them to the end of the month. Without a workable plan in place, there will be increased instances of South Africans defaulting on their credit payments which puts them in a compromising position.

Reana Steyn, The Ombudsman for Banking Services

RISING FUEL COSTS

The pockets of many South Africans are also under threat from regular increases in the price of petrol. While there have been some reductions in the fuel price, this may not continue later on in the year as many countries around the world continue to face an energy and supply chain crisis unlikely to end in 2023. The implications of this include a further reduction in oil availability and a potential surge in crude oil prices.

Oil is a key component of petrol. With South Africa being a net importer of petrol, the country bears the brunt of any increase in the oil price. Statistics show that the price of inland petrol has increased significantly over the past decade, with the price moving from just R10,65 per litre in 2012 to its current high of R24.99 in 2022.

For many South Africans, this is worse than rising interest rates. Not only does the fuel increase impact consumers directly, but these increases also exert an indirect impact on both food and clothing prices as well.

MOVING TOWARDS A COMMON GOAL

Many South Africans will be feeling a sense of dread as they are forced to come to terms with their own potential financial crisis. However, studies show that the way that you approach this issue helps determine the probability of overcoming the problem.

Managing this crisis will cause a lot of stress within households. Partners and families need to come together and formulate a plan to address their financial needs. They need to draw up a monthly budget, make provision for emergency savings, and they then need to sit and look at their monthly expenditure, making cuts where necessary. This is the first step towards addressing this crisis.

APPROACHING CREDIT IN A FINANCIAL CRISIS

Many South Africans are using debt to manage the worst effects of the crisis. The latest information from RCS Loans shows that South Africans are saving on average -0.3% of their salary per month. This means that the vast majority of South Africans are not saving but borrowing to make ends meet at the end of the month. This is problematic for obvious reasons. However, there are some instances where South Africans are left with little choice but to turn to debt. In these instances, the OBS encourages South Africans to use reputable credit providers and avoid loan sharks. Loan sharks are notorious for charging extremely high interest rates which will take years to pay off. Consumers will battle to get out of this cycle and must borrow increasingly, causing them to go into a debt spiral.

All South Africans are in the same boat when it comes to the financial pressures associated with the current financial crisis and those who are struggling to repay their debts (or anyone who foresees that they will not be able to pay their debts soon) should urgently contact their credit providers to seek assistance. This may be the difference between keeping possession of your assets or having them repossessed and, while not ideal, making alternative arrangements may be the only way to avoid having a judgment and an impaired credit profile in your named.

Over the years, the OBS has found that most banks are open to offering some form of assistance to customers who find themselves in financial difficulty. Customers should be open about their situation and to timeously communicate their financial problems with their banks and advisers. It is our experience that banks will explore multiple options to find the best possible solution tailored for the specific issue faced by the customer. There are several payment options offered by banks with the aim of rehabilitating the account in arrears or minimising the losses for the customer and the bank in the event of a rehabilitation not being possible.

EDITOR'S NOTE:

Good news that the Ombudsman for Banking Services takes an interest in consumer education in a proactive way. Her comments are increasingly relevant to consumers across the income spectrum, as interest rates increase, and economic growth is stifled.

Financial advisers should see this as an ideal opportunity to show their true value, not just in creating secure financial futures for clients, but also in assisting those who got mauled by this perfect financial storm.

WHAT WILL THE YEAR OF THE RABBIT BRING FOR INVESTORS IN CHINA?

As China drops its zero-Covid policy, Schroders experts consider what China's New Year, starting 22 January, has in store.

The Lunar New Year as of 22 January brings the Year of the Rabbit. Rabbits are a symbol of good luck. But after a difficult 2022 for Chinese assets, will investors in China be more fortunate in 2023? Schroders experts share their views.

"China's economy should do better sooner" - David Rees, Senior Emerging Markets Economist:

"We expect China's economy to stage a recovery in 2023. Our baseline forecast is for Chinese GDP growth to increase to 5% from 3% in 2022.

"The swift removal of Covid curbs should mean the economy will start to do better sooner. The service sector in particular should benefit, and this could mean that the economy grows faster than our current forecast.

Meanwhile, infrastructure spending was buoyant in 2022 and should underpin growth for a while longer as policy remains supportive. Housing indicators may have started to find a floor and could stage some recovery in 2023 from a very low base."

"Renewed outbreaks of Covid remain a risk" - Louisa Lo, Head of Greater China equities:

"Chinese equities will continue to be influenced by the global macroeconomic backdrop – i.e., the extent of rate hikes and the shape of the economic slowdown in the US and Europe. A peak in the US rate cycle and a softer US dollar should help liquidity for emerging markets.

"China has recently removed all major hurdles to its re-opening post Covid faster than expected. This is expected to provide substantial support to the recovery in consumer spending. In turn, this should support domestic earnings in many sectors of the economy. However, the exit from the zero-Covid policy remains a risk amid renewed outbreaks of the virus and, consequently, economic momentum could be volatile.

"The government has also moved to further support the property market. However, property sales will need to improve for the sector to more fully recover and, more importantly, for investors to accept that systemic risks are declining. "Despite the recent rebound, we continue to see solid valuation support for equities in China and Hong Kong."

"Greater stability for China's balance of payments" - Julia Ho, Head of Asian Macro, Fixed Income:

"After the abandonment of China's zero-Covid policy, border re-opening is going to be a bumpy ride. We are optimistic that the slow normalisation of outbound tourism should help to constrain the deterioration of the balance of payments and stabilise the Chinese renminbi. (The balance of payments is the difference in total value between payments into and out of a country over a period).

"This currency stability, along with muted inflationary pressures and a modest pace of economic recovery, should bode well for Chinese government bonds because monetary policy can stay accommodative."

"The worst of the slowdown is over, but liquidity and cashflow are key" - Peng Fong Ng, Head of Credit, Asia:

"Across Asia, credit valuations are attractive and we like Asian investment grade credits. This segment offers attractive risk-adjusted income. (Investment grade bonds are the highest quality bonds as determined by a credit rating agency; high yield bonds are more speculative, with a credit rating below investment grade).

"Asia high yield credit remains vulnerable. A focus on liquidity and cashflow positions will be key. This calls for a selective approach, especially for China property." "We think the worst of Chinese slowdown is likely over. While the growth recovery path may be volatile, we see opportunities in selected over-penalised issuers, such as selected technology, media and telecom names."

SHORT TERM INSURANCE

"INSURERS USING GEOLOCATION TOOLS TO RE-EVALUATE RISK AND PRICING MODELS IS CHANGING THE FACE OF INSURANCE."

- BY JOHN MELVILLE, CHIEF UNDERWRITING OFFICER AT SANTAM

HOW LOCATION TECHNOLOGY IS REVOLUTIONISING INSURANCE RISK

Since insurance first started centuries ago, premiums have been determined on the basis of client risk profiles, with insurers pooling risk across large numbers of clients to take advantage of the laws of large numbers.

It has always been an imperative for insurers to ensure that their premiums reflect client's individual risk profiles, because otherwise their risk pool would attract higher risk clients and repel lower risk clients. When it comes to property insurance (e.g., buildings and contents), companies such as Santam embrace technology to ensure that premiums are fairer and better differentiated between clients.

Geolocation or geocoding technology allows insurers to more accurately weigh the risk of a property based on its location. With this information, insurers can generate more accurately priced policies.
The World Bank's Climate Change Knowledge Portal states that fires, floods (caused mainly by storms) and drought have recently given rise to significant social and economic losses in South Africa.

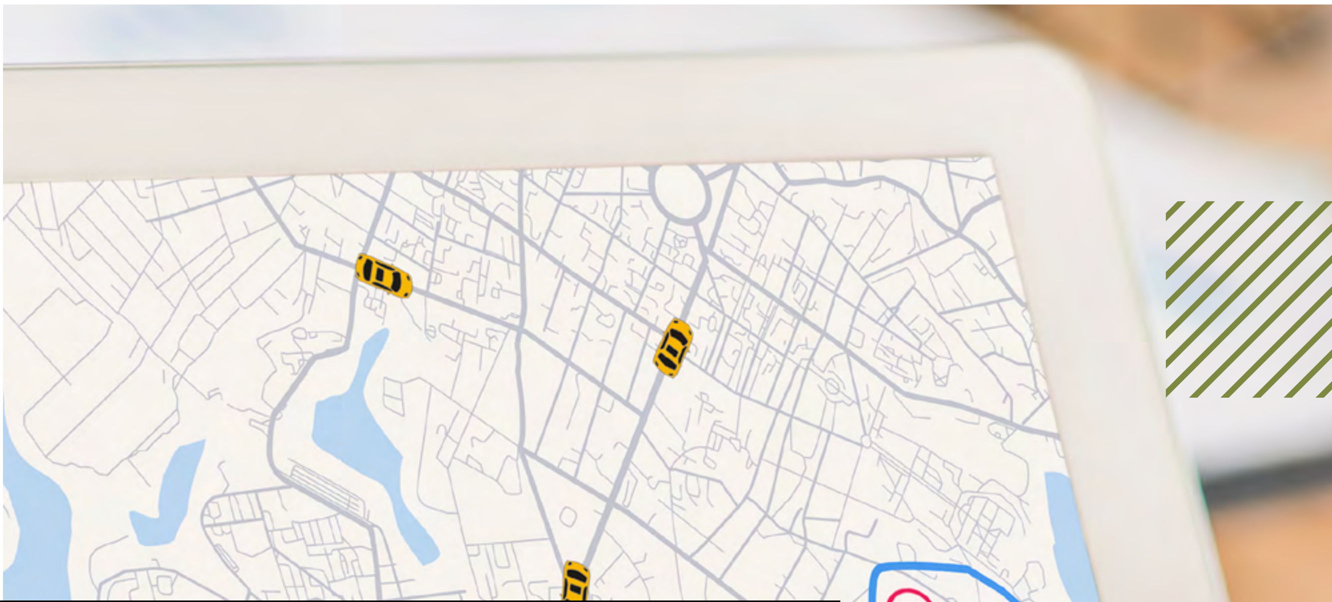
This year alone, the severe flooding and landslides caused by heavy rainfall in April resulted in 448 deaths, the displacement of over 40 000 people and the destruction of over 12 000 homes in KwaZulu-Natal. Fires have also caused major damage over the last few years and seem to have increased in frequency and intensity, from the devastation caused by the fires in Knysna in 2017 to the devastating fire on the slopes of Table Mountain above the University of Cape Town in early 2021.

These natural disasters are expected to increase because of climate change. In fact, fire, flood and drought have been identified as the three primary natural hazards facing South Africa, impacting our economy and having a major effect on the insurance industry. This has been compounded by the devastation caused by the COVID-19 pandemic. While natural disasters and even pandemics are not under our control, using technology to assess risk is revolutionising insurance.

GEOLOCATION AS A RISK MITIGATION TOOL FOR INSURERS

Increasingly, insurers are implementing location-based underwriting to identify the geographic, location-specific risk profiles of the properties that they are insuring. In fact, this is fast becoming an essential requirement for all types of insurance. Similarly, insurers having to deal with declining municipal infrastructure risk can attempt to mitigate their exposures by collecting an array of related geolocation-based information about the areas that they insure.

Properties that are in low-risk locations will continue to be insurable on normal terms, while those in higher risk areas may become increasingly difficult to insure, or lead to higher excesses, higher insurance premiums, and/or additional expenses to meet special risk mitigation requirements imposed by insurers.



Geolocation technologies also have other benefits. During the height of the COVID-19 pandemic, Santam secured an agreement with the National Institute of Communicable Diseases (NICD) to use some of its data to better understand the spread of the pandemic. This simplified the requirement for clients to provide proof of the occurrence of the pandemic within a certain radius of their premises, and enabled the fast tracking of business interruption claims, saving clients time and effort.

GLOBAL IMPACT AND LOSSES

With the increasing prevalence of disasters affecting many countries around the world, so too is the prevalence of higher economic losses. When it comes to insurance, the sad reality is that only a small fraction of these losses is insured, with the so-called 'risk protection gap' falling on individuals, communities, and Governments.

The new EU Adaptation Strategy highlights that affordability and insurability of natural catastrophes is likely to become an increasing concern. In fact, research shows that in the past, only a quarter of the total losses caused by extreme weather and climate-related events across Europe were insured. This strategy also outlines the need for improved climate projections. Unless measures are taken, the rise of these types of climate-related disasters will further widen the related protection gap.

It will be important for Governments and Insurance and Reinsurance companies to work together to protect vulnerable individuals and businesses who are unable to access affordable insurance in future. There are many examples of public-private partnerships around the world that facilitate access to subsidised insurance e.g. FEMA, the National Flood Insurance programme in the USA, Flood Re in the United Kingdom, and the African Risk Capacity (ARC) Group in Africa.

THE NEED FOR RESILIENT ENVIRONMENTS

Another important driver of human and economic losses arising from these hazards, relates to the resilience of the environments where people live and work. This includes the quality of public infrastructure and laws, ranging from storm water drainage, land-use and urban planning controls, fire-fighting capabilities, and environmental management in general. Environmental management considers factors such as foredune management to prevent ocean flooding, riverbank vegetation and estuarine management and the removal of exotics that burn at high temperatures.

IMPACT ON INSURANCE

The insurance industry has been impacted significantly by the increase in these hazards. Santam's flood and storm damage claims from the KZN floods reached over R4bn this year alone.

Key impacts include:

Increasing (re)insurance premiums: Globally, reinsurers are cutting back on the capacity that they make available for catastrophe reinsurance, with the pricing for the capacity that they do provide increasing. This inevitably must be passed on to buyers of property insurance. Insurance may become unavailable in some instances or more restrictive in others, with insurers making greater use of location-based geo-analytical tools to assess the local flood, fire, and other risks. These analytics will be used to exclude certain types of cover in high-risk areas or impose high excesses in certain locations.

PREPARATION IS KEY

By anticipating, preparing and recovering, the insurance industry can better manage the impact of these severe weather hazards. Essentially, insurers such as Santam aim to provide clients with cover on a sustainable and appropriate basis, which requires that sufficient premiums are collected to pay claims. Expert risk assessments of properties that are particularly exposed to perils such as floods and fires are vital. Based on these, an insurer may require its clients to take action to improve the protection or resilience of their properties in the event of a catastrophe.

A CATALYST FOR ECONOMIC RECOVERY

Insurance is a powerful catalyst for economic recovery after a natural disaster and this has powerful implications for economies around the world. Economies that are uninsurable can suffer permanent damage after natural disasters and can end up in long-term economic stagnation because of it. Society has a powerful interest to work together to ensure physical resilience, so that the mechanism of insurance can be put to work. It has also been shown that insurance-led recoveries tend to be far quicker and more efficient than Government-led initiatives to recover from a disaster. Insurers using geolocation tools to re-evaluate risk and pricing models is changing the face of insurance. Location technology is not only valuable when accessing and managing risks, but also has an enormous role to play in managing insurance claims and even in detecting and minimising insurance fraud. This really is the future of insurance, and Santam is proud to be spearheading this in South Africa.

CULTURE WITH THE KING

Culture eats strategy for breakfast, in the famous words of Peter Drucker. In my chat with King Price's Chief Evangelist for Culture, or as I call him, the King of Culture, Marno Boshoff, that certainly rings true. We share tips on putting your culture on steroids.

Tony: The insurance industry really has a unique culture. How do you see culture, when I use the word 'culture' in business, what do you think or what do you see?

Marno: We have looked at it from various angles and the most simplistic definition of it, for us, is culture is the way we do things around here. When we put it to our people, it is the WAY, the HOW we DO actions. So, it is HOW we action everything we action. For us, that is the most simplistic, but still the most important definition. How do I do everything I do? We try and break away from the old thinking that culture is something that can be put in a corner.

It is not just a department, it is not just a little program, it is everything you do. It is the way you speak to a client, the way you sell to a customer, the way you serve one another, the way you invent, the way you innovate, and it is the way you execute. Everything for us is culture.

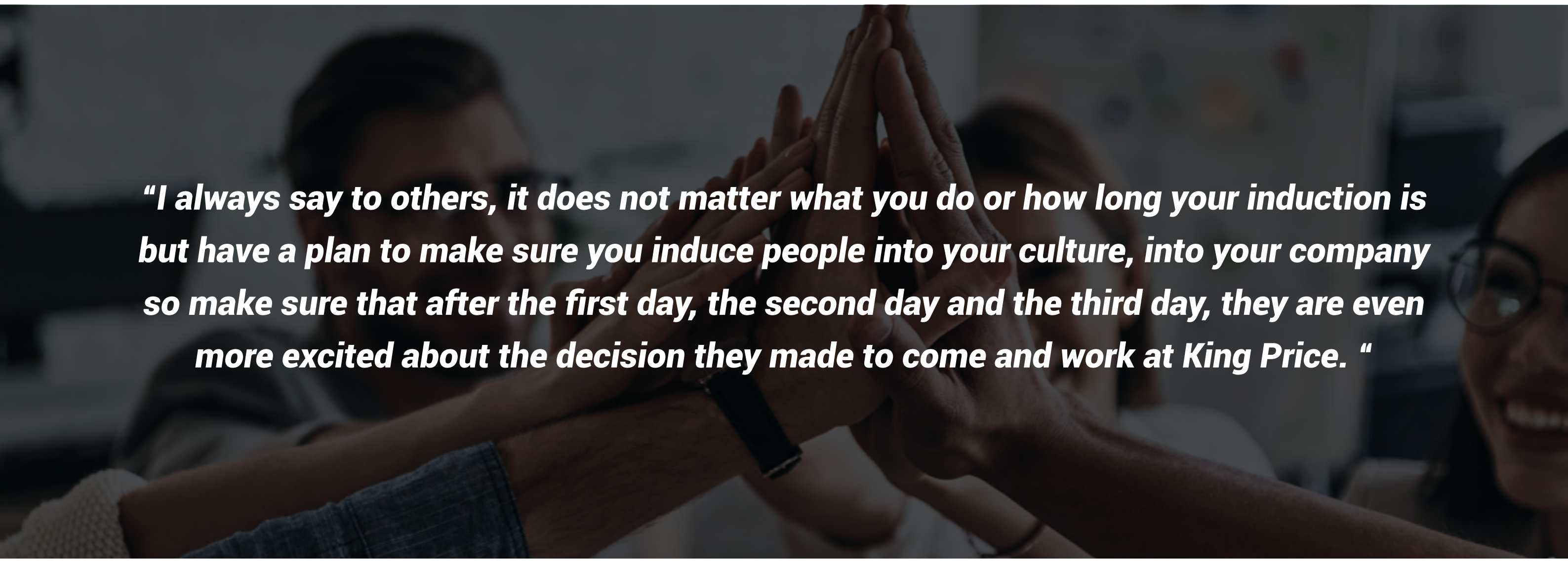
Tony: If I were to ask you to define, briefly, the King Price culture, what would that be?

Marno: Our culture is unique; it is very energetic. One of our key attributes is making decisions extremely fast, it is part of who we are. One of the things we are quite strong on is what we call our beliefs because we believe that your beliefs determine your behaviour.

I often look at our CEO, and I have had many conversations with him regarding this, to understand his strong beliefs. He always talks about speed and scale. So, things must happen quickly and at scale, without procrastination.

There is a lot of energy in our system, which is needed for innovation to happen. There must be quick thinking, quick decision making, and quick processes. Nothing with a lot of red tape works in our environment.


Crown
the king



To explain our culture very quickly; energetic, colourful, loud, but built on strong relationships, which is the cornerstone of trust. Moving at the speed of trust, that is what we try and establish within the teams and within all the different ranks.

Tony: How do you match all the different personalities, diverse backgrounds, and diverse cultures into a culture of a business like King Price?

Marno: We have learned through trial and error that people unite around purpose, values, and beliefs. They do not unite very easily if you put all the focus on the wrong things. If we focus on the traditional things that many people look at for cultures, like ethnicity, gender, or age, we find it difficult to unite people. But the moment you make the focus purpose, what do we want to achieve?

Then it is as if we leave behind my age, my ethnicity, language, or skin colour. All of that becomes second to chasing the purpose and uniting to achieve the same things. It is putting the focus on the things that unite us rather than the things that divide us and separate us from one another. So, for us it is all about focussing on the things that create common ground.

Tony: One of the things that we discussed in my visit to your offices was your induction program, aimed at getting new recruits familiar with and making that culture their own. How do you go about doing that?

On the second full day of our three-day induction, my team and I spend time with the new people just on culture. Why is culture important? What is culture? Why do we focus on culture? What do we expect of them, etc?

When we speak to our clients, they must feel like, this guy in front of me really likes his job, and he really is excited. I know him. Probably gets rejected 20 times a day but still he keeps going and sounds friendly. It sounds like he really wants to talk to me.

Marketing or branding is the external expression and culture is your internal beliefs. Your internal beliefs must eventually filter through to your external expression.

So yes, induction is a particularly essential element. I always say to others, it does not matter what you do or how long your induction is but has the plan to make sure you induce people into your culture, into your company so make sure that after the first day, the second day and the third day, they are even more excited about the decision they made to come and work at King Price.

Marno: Our induction programme is especially important to us. It is where you can baptize new people into your belief system. This is when we tell them, to get rid of the things from the green team or the pink team or the yellow team, becoming part of the red team. And in the red team, this is how we do things, this is why we do things, and this is how strong we feel about certain things, et cetera. So, induction is particularly important for us, and we put a lot of effort into that.

In all honesty, insurance is selling a grudge purchase. People are not super excited about taking out insurance, it is something they pay for that they hope they will never use. That is a tough market to be in. Selling something that nobody is excited about. Call centres also get a lot of resistance when phoning people.

I think everybody can testify to getting those calls from insurance companies. Our energy levels must therefore be even higher. Keeping the guys motivated and focused is a crucial element because we want that to filter through. We want to make sure that intervention with the client is energetic, positive, and as exciting as possible. Clients must hear that smile over the telephone.

Gideon, our CEO, tries to meet with our new people during the first three hours of their being here. We want to make sure that by the first lunch they have met the CEO. We talk about culture being caught and culture being taught, and some of the things we can teach them, and we do, and some of the things they need to just catch. Meeting with him is that 30-45 minutes where they just catch something of his energy, his excitement, his purpose, and the vision of where we are going. That is the biggest test, right there, where your call centre interacts with the customer.

Marno: We always say to ourselves that if the customer or the client cannot experience the culture, then the culture journey is not complete. So, it must filter down from the CEO into our belief system. If the client feels and experiences the culture, only then do you know you have been successful in establishing the culture in the correct way.

Tony: It is always nice for me to see when a company has a culture that people cannot just identify with themselves, but they can recognize. How do you share this culture with your clients? How do you bring the energy to them?

Marno: We always say to ourselves that if the customer or the client cannot experience the culture, then the culture journey is not complete. So, it must filter down from the CEO into our belief system. If the client feels and experiences the culture, only then do you know you have been successful in establishing culture in a correct way. In all honesty, insurance is selling a grudge purchase.

People are not super excited about taking out insurance, it is something they pay for that they hope they will never use. That is a tough market to be in. Selling something that nobody is excited about. Call centres also get a lot of resistance when phoning people. I think everybody can testify with getting those calls from insurance companies. Our energy levels must therefore be even higher. Keeping the guys motivated and focused is a crucial element because we want that to filter through. We want to make sure that intervention with the client is energetic, positive, and as exciting as possible. Clients must hear that smile over the telephone.

When we speak to our clients, they must feel like, this guy in front of me he really likes his job, he really is excited. I know he. Probably gets rejected 20 times a day but still he keeps going and sounds friendly. It sounds like he really wants to talk to me. That is the biggest test, right there, where your call centre interacts with the customer.

Marketing or branding is the external expression and culture is your internal beliefs. Your internal beliefs must eventually filter through to your external expression.

CYBERCRIME: ONE OF 2023'S BIGGEST RISKS TO SA BUSINESSES

The advent of the fourth industrial revolution has engendered several technological advancements. Innovations such as artificial intelligence, the internet of things and robotics have fundamentally changed the way the world operates when it comes to business.

Simultaneously however, these developments have run parallel to the skyrocketing of cybercrime, with compelling evidence suggesting that cyber will emerge as 2023's most critical systemic risk to South African businesses and will dominate the liability insurance market for the foreseeable future.

This was one of the primary conclusions drawn from the results of the 2022 SHA Risk Review. Commenting on the results of the report is Sizwe Cakwebe, Manager of Cyber Risk at SHA, who explains that: "60% of SHA's brokers reported an increase in requests for cyber liability cover over the last year. These movements are indicative of an evolving risk landscape and signal the importance of educating clients around the purpose of the cyber cover."

Sizwe Cakwebe, Manager of Cyber Risk at SHA

According to the review, one in three SME respondents suffered a cyber-attack, with the most common causes being malware (30%), phishing (26%), ransomware (25%), denial of service (13%) and theft of funds (13%). This is despite over 60% of SMEs believing that they were not viable targets for cybercriminals. Addressing this misconception, Cakwebe stresses the importance of understanding that: no business is immune, and that companies with 'valuable data' are not the only ones at risk of cyber-attacks. "The reality is that any company with an online presence, regardless of size or industry, is at risk and should therefore prioritise and formalise their approach to risk management."

Cyber risks come from several fronts, coupled with the constant threat to financial, legal and reputational damage. The financial risk involves the theft of actual funds or the payment of a ransom demand, but also extends to the cost of business interruption due to downtime or system failure. Companies may be held legally liable by third parties should a data breach occur whereby their information is leaked and could sustain lawsuits for infringements of data protection laws, as well as negligence. Reputational damage can be extensive and have far-reaching consequences that may, in the worst case, lead to the complete shutdown of the business or impact the share price of a listed business irrevocably.

SHA's last survey found that an alarming 53% of the victims of ransomware attacks were not able to recover their stolen data. It's also worth noting that nothing stops criminals from replicating data and selling it to criminal syndicates before 'returning' it after a ransom has been paid. This example drives home the importance of taking a preventative stance on cybercrime rather than a wholly reactive one. In terms of the ways in which cyber insurance policies are structured, most policies will contain an element of first- and third-party cover, although there are cases in which policies are structured to include only third-party liabilities.

"One in three SME respondents suffered a cyber-attack, with the most common causes being malware (30%), phishing (26%), ransomware (25%), denial of service (13%) and theft of funds (13%). This is despite over 60% of SMEs believing that they were not viable targets for cybercriminals."

In the case of the former, a first- and third-party cyber policy will provide coverage for aspects of loss, including the cost of investigations, the financial impact of business interruption and the costs associated with executing a public relations campaign to mitigate and rectify any reputational damage. It is important to note, however, that the ongoing nature of reputational damage and the ripple effects of aspects such as loss of consumer or investor confidence cannot be truly compensated for in terms of long-term impact.

Commenting on the factors that place businesses at risk of attack, Cakwebe says that employees are often the "weakest link in the cyber security ecosystem". "The notion, therefore, that the responsibility of ensuring a business has efficient and effective cyber security systems and protocols in place should not fall solely on the shoulders of high-level executives." In fact, as Cakwebe concludes, "Cyber security should not be framed as an IT process. Instead, it should be regarded as a company-wide, best practice process that involves buy-in from all stakeholders and team members.

While the most recent SHA Risk Review found that many South African companies are making use of the basic cyber security components like firewalls and anti-virus software, a need for training and educational initiatives aimed at employees and contractors was identified. Involving the entire company and employees at every level will help employers develop a well-rounded cyber security posture."

TIH ACQUISITION OF RENASA SEEN AS A VOTE OF CONFIDENCE IN THE INTERMEDIATED INSURANCE MARKET

In June 2022, TIH announced the acquisition of Renasa Holdings Proprietary Limited, the holding company of Renasa Insurance Company Limited. (Broker's Best Friend just got the capital needed for growth). The acquisition is now effective, and all regulatory approvals have been granted

Renasa was established in 1998 and wrote primarily liability classes when first established and since its restructure commencing in 2003 have been writing general commercial and personal lines business. After the restructure, when the company was acquired by a local consortium, there was precious little capital in the business and certainly not enough to launch direct marketing operations. Renasa elected to focus on the intermediated markets and channelled all its efforts into developing expertise in the off-platform segment of the market, with the ultimate objective of positioning its intermediaries to outcompete their competitors.

Said Jonathan Rosenberg, CEO of Renasa: "There are a few elements to how we went about achieving this. The first was decentralizing the decision-making process. We established our branch networks, with local representation seen as important. We developed our branch network and brought our business to a position where it could deliver personal service locally, avoiding contact centres and using trained marketing underwriters.

This included direct access by intermediaries to our management, me included. We were at our posts on duty, wherever we were 24/ 7, 365." He went on to explain that accessibility to management and, finally, the approach of supervised independence, is what permitted them to operate in that fashion. Over time, the "supervised independence" approach which they adopted improves as they advanced their infrastructure.

Since then, Renasa have become one of the fastest growing insurers in Africa. In fact, they were the fastest growing at a compound annual growth rate of 26% in the 13 years preceding the COVID pandemic. They even dominated the FIA awards between 2017 and 2019. In 2017 they were insurer of the year for commercial and a finalist in personal lines. In 2018 they were insurer of the year in both the commercial and personal lines classes. In 2019, they were insurer of the year in personal lines and a finalist in commercial lines.

That cemented their position in the independent broker segment of the market, rounded off the growth and made increased capital imperative. Jonathan explained in respect of Renasa's capital raising objective that, from as early as 2017, the primary motivation was to access institutional capital. He said: "At that stage we concluded that the combined effect of the massive growth that we had experienced, and the regulatory change, which was coming, both in terms of supervision and otherwise, would incept consolidation in the market.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So, we foresaw that, consolidation in both risk carrying and in intermediation". They were at that stage knocking on the door of 2 billion Rand in written premium, and now had to develop to the next level as a competitor on equal terms with the key players in their segment, as opposed to being an alternative to them. This required access to significant and substantial capital, befitting a company which was writing over 2 billion Rand. When asked why TIH, Jonathan explained: "From our perspective, the entrepreneurial way we approach our business is a key success factor, so it was important for us to identify that in whoever would be the most appropriate capital partner.

TIH are highly capitalized and institutional in stature but also very much an entrepreneurial organization and privately held. So, the ethos which drives that business is very similar to that which prevails in ours. So institutional in stature, but entrepreneurial in spirit. That is really what drove us in the direction of TIH and furthermore, TIH do not operate in our segment, and they support our approach, so there is little overlap. Then, TIH operates multiple licenses. So, it is in strategy for Renasa to continue as a separate license. They have many independent businesses, and their approach is that the businesses operate independently, but benefit from a shared knowledge.

And finally, they are highly advanced from a technological point of view. We see further benefits for us in terms of that shared knowledge down the line. Those are in essence, the reasons why we are attracted to TIH. From their point of view, I believe it represents valid diversification. "He continued: "So, it is a comfortable fit. There were many respected parties interested, all of stature and all highly regarded and for all of whom I have a healthy respect, but the best fit by no small margin was TIH."

The Renasa license will continue, and the operations will continue unchanged. The management continues with an amplified management structure. According to Jonathan there was too much to do, and they were not getting to everything, so before the acquisition they added quite significantly to their senior management infrastructure. They appointed five senior managers most of whom have now been engaged for almost a year and one of whom is an Exco member All are highly experienced people.

Jonathan confirms that he will continue as the CEO, the Exco continues, the modus operandi remains the same, and that they will continue with the same personal service. Said Jonathan: "We are not going to replace that with any other method of operation. Certainly, we are not going to invoke the use of call centres to replace any of the services which our marketing underwriters deliver now, or our local representation. We are going to continue as we have. It is going to be business as usual."

Because TIH do not operate in this market segment, there is nothing really to change about the way in which they conduct business. For Renasa it will be business as usual but with the big difference of institutional capital backing, to the benefit of all stakeholders, which will position Renasa to compete on level footing with the institutions operating in their segment.

He said: "We are going to do more of the same, more of what we have done up until now. We have already incepted the plan with the appointments of the executives that I mentioned. In terms of specific plans, we have some new branches in mind, where many others are centralizing, we will continue to pursue the decentralized model. Of course, the world has moved on, it has changed a little, so now one can make better use of virtual regimes. We have appointed and are in the process of appointing for these new regions and you can expect our footprint to develop further."

INSURANCE PRODUCT INNOVATION IS CRUCIAL TO CLOSING SOUTH AFRICA'S INSURANCE GAP

The 2022 Life and Disability Insurance Gap Study released by the Association for Savings and Investment South Africa (ASISA) shows that the average South African income earner had a life insurance shortfall of at least R1 million and a disability cover gap of around R1.4 million at the end of December 2021. The study shows that South Africa's 14.3 million income earners had only enough life and disability insurance to cover 45% of their total insurance needs of their households.

BRAD TORIEN

A Director & Co-founder of Aynjil Cancer Insurance

According to Brad Toerien, a director and co-founder of Aynjil Cancer Insurance, the statistics are telling of just how much strain consumers are under post-pandemic, and how financially unprepared they are for the domino effects of a serious illness or disabling event. More pointedly though, Toerien points out that without innovation in insurance products and distribution, this gap will continue to widen. Consumers need to protect themselves in a focused and affordable manner against the most prevalent, worst-case scenarios. Toerien adds that a key area where such innovation is needed is in the critical illness insurance space, notably when it comes to cancer.

"Across insurers, cancer accounts for almost 70% of all critical illness claims[1]. And its massively underinsured, especially among younger people in their 20s and 30s who have little to no cover in place, believing that this is an illness that they need to worry about when they are older. The cancer statistics however paint a very different picture. The problem with this that if they do get an illness in their younger years, like cancer – they may find themselves uninsurable in future, either because of exclusions or unaffordable premiums which puts cover out of reach.

"**Closing this insurance gap requires two key measures** – an enormous amount of awareness and education - and this is where financial advisers are crucial, and the second is product innovation that allows people to take care of their most pressing risks, such as cancer, more affordably," adds Toerien.

In a nutshell, the ASISA study shows that of the 14.3 million income earners - 3.7million are under the age of 30 and 4.3 million are between the ages of 30-39. Combined, these two age groups represent the biggest proportion of economically active people, and it's also where the biggest insurance gap lies. "To close this gap on life cover alone, income earners would need to spend 4.5% more of their gross income before tax. I simply don't ever see this happening given the significantly affordability challenges, especially around comprehensive critical illness cover," explains Toerien.

In many respects, critical illness insurance and medical scheme benefits have many parallels that make cover unaffordable for a huge swathe of South Africa's population. Consider for example, that the key reason behind the high cost of medical scheme membership that excludes millions of people from cover is that legislation requires that medical schemes must cover a list of prescribed minimum benefits (PMBs) as stipulated in the Medical Schemes Act, which all members pay for as a base cost, whether they use these benefits or not. This core cost of PMBs puts even a starting core hospital plan at around R1200 for the main member only.

"Similarly - although it's not prescribed by regulation but rather a case of actuarial modelling - broad based critical illness insurance also covers a wide base of critical illnesses and they are fully underwritten, which makes cover more expensive, and in many respects, dilutes the benefits. When you consider that cancer accounts for around 70% of all claims, consumers end up paying for a lot of additional cover they may never need.

Additionally, anyone with pre-existing health conditions will find critical illness cover to be prohibitively expensive due to premium loadings and outright exclusions on certain cover such people may forgo any form of critical illness cover as the high costs are simply untenable, and seemingly do not justify the perceived limited benefits. It thus leaves them totally exposed with no cover at all for the single biggest claims cause of critical illness and disability claims – cancer!" explains Toerien.

It is this glaring insurance gap that led to the launch of Aynjil Cancer Insurance by Brad Toerien and co-founder Gareth Quin in October 2022, after more than two years in design and development. "Aynjil Cancer Insurance is similar to critical illness cover, however it is specialised and solely focused on cancer, which means a much lower monthly premium as we remove the costs that come with insuring a broader range of critical illnesses – for example a 32-year old male can expect to pay just R167/pm for R1million of cover with Aynjil. Cover is 100% relatable to a cancer diagnosis and there is no medical underwriting required.

You can opt for a fixed amount of cover between R500 000 and R2 million – and the policy pays out the full sum insured in a lump sum, upon any confirmed cancer diagnosis, regardless of stage or type of cancer. In addition to the lump sum cover, Aynjil also provides a suite of added-value, cancer-specific benefits that provide support for both medical and non-medical expenses that are unique to the recovery journey," explains Toerien.

Toerien also points out that cancer-specific insurance is not a case of an either/or scenario, and that it works equally well in conjunction with existing critical illness cover. "Aynjil works well as top-up cover, strengthening any existing critical illness cover in place with the added-value cancer-specific benefits and additional payments for cancer. You can also rebalance and save money by reducing the critical illness cover and adding cancer-specific insurance to make up for the heftier financial demands of a cancer diagnosis versus any other condition, at a lower cost than what you would pay by upping your overall CI sum insured."

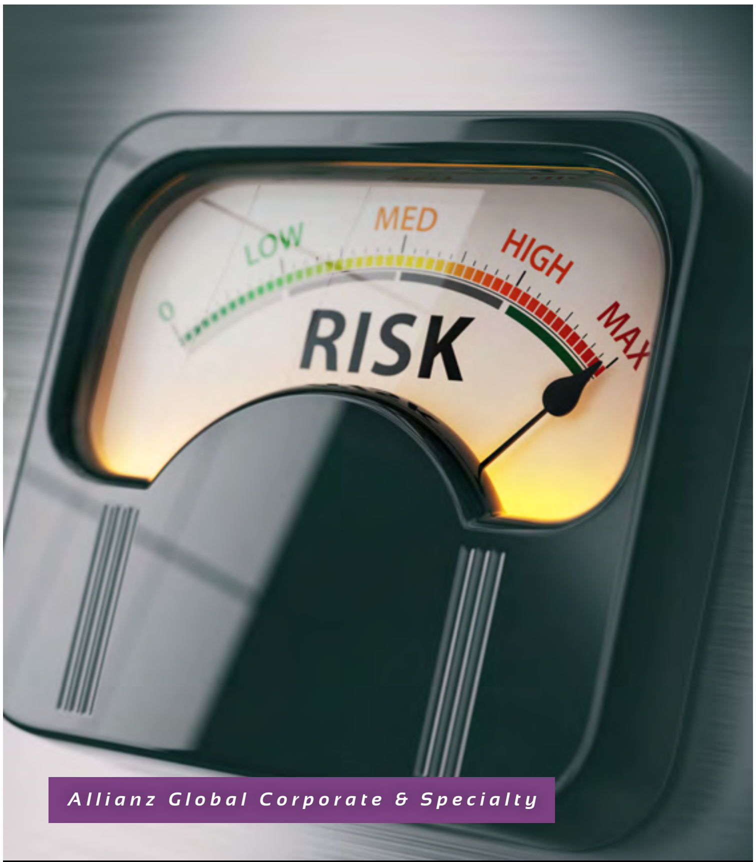
The founders' quest to find a solution to the financial quandary people find themselves in when faced with a cancer diagnosis was informed by the very personal experience of family and friends. "Cancer is different to other critical illnesses - there is a vast difference between the costs and needs when it comes to treating, living with and recovering from cancer, versus that of a heart bypass for example. It warrants a more specialised focus given its far reaching implications for your quality of life, recovery and risk of relapse, and all the related additional costs and emotional toll that go with that.

We have seen people diagnosed with cancer that expected to be back on their feet in under six months, only to find that the diagnosis, aggressive treatment and subsequent co-morbidities that come with such treatment left them incapacitated for two years and more. "In one heart-wrenching case, we are talking to a young woman who was diagnosed this year with cancer for the third time – first was at age 22 with cervical cancer, then breast cancer at 29, and now most recently, colon cancer at age 42.

Most people have no inkling of how long their physical and mental recovery will be, or if they could suffer a relapse or cancer that spreads to other organs.

This journey can be a lot slower and tougher than expected, which means you could wipe out your nest egg and any savings in the process, or that of your family and loved ones if you have no safety net. Our key objective is to close this cancer insurance protection gap for South Africans with a niche, highly focused and affordable solution that provides peace of mind for when they are most vulnerable," concludes Toerien.

ALLIANZ RISK BAROMETER 2023



BUSINESS INTERRUPTION TOPS TOURISM, HOSPITALITY, AND LEISURE INDUSTRY RISKS

Business interruption is the biggest concern for companies in the hospitality, leisure, and tourism industry, according to the Allianz Risk Barometer 2023. Despite positive moves to diversify business models and supply chains since the pandemic, businesses continue to experience significant disruption around the world. Covid-19 came as a massive shock, creating global shortages, delays, and higher prices, while the war in Ukraine triggered an energy crisis, turbocharging inflation.

The Allianz Risk Barometer is an annual business risk ranking compiled by Allianz Group's corporate insurer Allianz Global Corporate & Specialty (AGCS), together with other Allianz entities, which incorporates the view of 2,712 risk management experts in 94 countries and territories including CEOs, risk managers, brokers, and insurance experts. Respondents were questioned during October and November 2022. The survey focused on large- and small- to mid-size companies.

Respondents were asked to select the industry about which they were particularly knowledgeable and to name up to three risks they believed to be most important. It is being published for the 12th time. View the full global and country risk rankings and watch a short video here.

TOP FIVE RISKS IN THE HOSPITALITY, LEISURE, AND TOURISM INDUSTRY

Given the current 'permacrisis', business interruption and supply chain disruption (with 33% of responses) ranks as the most concerning risk in the hospitality, leisure, and tourism industry up from second in 2022. Natural catastrophes (25%) moves up from fourth to second due to frequent exposure to different types of natural catastrophe, including meteorological, geophysical, climatological, and hydrological. With 23% of response Fire, explosion (new entrant), and Pandemic outbreak (from #1 in 2022) are joint third. Climate change maintains the fifth position with 20% of responses.

BI AND SUPPLY CHAIN RISKS, A PERENNIAL CONCERN

As a consequence of many of the other top risks in the Allianz Risk Barometer, BI is of perennial concern for companies in the hospitality, leisure, and tourism industry. Therefore, it comes as little surprise that BI and supply chain risks dominate this year's Allianz Risk Barometer and, in the sector, according to Ronald Dodo-Tabaziva, a Head of Property at AGCS. "Business interruption will always be a foremost concern given it is closely linked to profits and revenues and because business models are vulnerable to the geopolitical landscape. Lean supply chains are not always as good value as they appear and there can be a very high dependence on single geopolitical regions such as China for example.

"The biggest issue is whether organizations have the ability to transform their supply chain with local reinvestments for example or partners in safer geopolitical regions." The scope of disruptive sources is wide. Cyber is the cause of BI companies fear most (45% of responses); the second most important cause is the energy crisis (35%), followed by natural catastrophes (31%). The skyrocketing cost of energy has forced some energy-intensive industries to use energy more efficiently, move production to alternative locations or even consider temporary shutdowns.

The resulting shortages threaten to cause supply disruption across a number of critical industries. A possible global recession is another likely source of disruption in 2023, with potential for supplier failure and insolvency, which is a particular concern for companies with single or limited critical suppliers. According to Allianz Trade, global business insolvencies are likely to rise significantly in 2023: +19%.

NATURAL CATASTROPHES REMAINS A PRIORITY RISK

In Africa, insurance penetration is seldom above 1% of national GDP. The combination of low insurance coverage and high hazard has ensured nat cat remains a priority business risk in those regions. The shortfall in protection represents an opportunity for insurers to close this gap and help to build more resilient societies in vulnerable regions for the future.

Notable events that affected the sector in 2022 include widespread flooding in South Africa, which caused the death of almost 500 people and displaced more than 40,000 people, a tropical storm in Eastern and Southern Africa, which affected around 21000 people, drought in the Horn of Africa, which forced families across Djibouti, Eritrea, Ethiopia, Kenya, and Somalia to leave everything behind in search of food and water, and put their health, safety, and education at risk.

FIRE IS THE LARGEST SINGLE CAUSE OF LOSSES

Fire risks are often well understood and typically well-risk managed. However, fire remains a significant cause of BI and supply chain disruption, especially where companies rely on third-party suppliers for critical components. Claims analysis by Allianz shows that fire is the largest single cause of corporate insurance losses, accounting for 21% of the value of 500,000+ insurance industry claims over the past five years (equivalent to €18bn). Aging property and infrastructure is a worrying cause for fire and BI-related losses, as is a lack of trained personnel.

"Aging assets and processes are harder to maintain, and these can be contributory factors impacting fire and explosion losses," explains Dodo-Tabaziva. "A number of claims were caused by human errors in the first instance, but these errors also occurred because of production pressures and the hiring of third-party contractors to maintain works, who may not have had the same expertise and knowledge of the permanent workforce." Regularly assessing and updating prudent fire mitigation practices, including preventative measures, fire extinguishing methods, and contingency planning, remain essential for all businesses to lower the risk of loss from an incident.

PANDEMIC OUTBREAK ENABLED HOLISTIC BUSINESSES FOCUS

While the pandemic outbreak plummeted down the list of concerns overall in the report globally (#4 in 2022 to #13 in 2023) as vaccines have brought an end to lockdowns and restrictions in most major markets, it is still a major concern in the hospitality, leisure, and tourism industry. "One of the lessons from the pandemic has been the importance of people for business continuity, as well as the broader societal environment in which business operates," adds Dodo-Tabaziva. "The past three years have demonstrated the need to focus on the whole business and not just specific triggers for business interruption."

CLIMATE CHANGE INCREASINGLY FELT BY COMPANIES

Climate change and global warming threaten companies in a number of different ways. First and foremost, higher property damage and business interruption risks as a result of natural hazards and extreme weather events such as floods, storms, thunderstorms, or droughts. Then there is the threat of legal and liability risks due to the comprehensive regulatory framework around the world, increasing disclosure requirements, and the threat of greenwashing accusations or climate lawsuits.

Last, but not least, companies are confronted with a wide range of transformation risks resulting from new market conditions or product requirements, or from changes in business strategy. All these effects of climate change are increasingly felt by companies. Nevertheless, those risks which are more immediately experienced such as cyber, high inflation or the energy crisis in the wake of the Russian invasion of Ukraine ultimately determine the risk perception of companies in 2023, whether it is multinational corporations or small enterprises.

According to respondents, the top three actions firms are taking to combat the direct impact of climate change are: adopting carbon-reducing business models (e.g., switching to renewable energy sources); developing a dedicated risk management strategy for climate risks; and creating contingency plans for climate change-related eventualities, such as assessing critical systems and resources.

POSSIBLE ELECTRICAL GRID FAILURE FOR SA

IT IS IMPORTANT TO UNDERSTAND THE DIFFERENCE BETWEEN LOADSHEDDING & ELECTRICAL GRID FAILURE

Loadshedding, as we understand it today, is controlled interruption of electricity supply to the public. These scheduled interruptions do not affect any municipal institution; however, electrical grid failure will affect municipalities as well as any public infrastructure.

The thought of having a complete blackout for an indefinite period of time does not only bring consumers to the edge of their seats, but also demands attention from insurers, who are predicting an increase in losses should grid failure become a reality. A few insurers have reacted to the risk of grid failure, with notices to clients of imminent policy terms & conditions tightening in an effort to mitigate their exposure and align to their reinsurance treaty requirements.

Reinsurers support or provide cover to insurers especially in the event of a catastrophe. For the reinsurance policy to perform, the insurer has no choice but to comply with the requirements of the agreement. This is similar to a general policy condition that a client needs to adhere to for the insurer to honour their claim.

How will this play out for South Africans? From a personal and commercial policy perspective, I think it's clear that insurers have learned from the business interruption claims of the past and have improved on their ability to preempt exposure and therefore implement proactive risk mitigating measures. Initial commentary from the insurers have been somewhat ambiguous in terms of what is covered and what is not; what seems to be clear is that there is a definitive push to avoid any losses associated with grid failure.

Herein lies endless questions around consequential loss and whether it can directly be associated to a particular claim. We've also seen some insurers saying that if the grid failure results in any other public supply being affected (e.g. water), then any consequential loss might also not be covered. It begs the question, what exactly will be covered?

The breadth of exclusions of cover remains significant based on the initial reaction from insurers. However, there have been some alternative views coming through that should the grid failure not be material to the loss, then the client will continue to enjoy cover. This sparks questions around security requirements at a client's property if you're to maintain the cover.

Should an alarm not be in working order during grid failure and theft occurs, will the client still be covered? Possibly not, and so it's therefore important to be clear on the policy conditions and decide whether it makes sense for them to remove an alarm as a condition of cover and pay a higher theft premium (that is if the insurer does not exclude theft in totality during grid failure).

It's unfortunate but it's also clear that just as with claims resulting from loadshedding, insurers will not cover any business interruption claim caused by grid failure. Therefore, should a defined event take place at business premises due to grid failure (fire, stock deterioration that has caused financial loss to the business), there will be no cover.

The best approach would be to invest into alternative energy solutions that can power alarm systems, outdoor lights and electric fences. From a business perspective, clients need to ensure that they regularly back up data via Cloud solutions, consider the amount of stock they hold at a time and possibly evaluate their business model for opportunities to be less energy dependent.

I believe each insurer will ultimately react in their own way within the ambit of their own risk appetite and reinsurance agreement. It's therefore of utmost importance that South Africans engage with a qualified short-term insurance adviser who could interpret an insurer's policy wording and advise consumers accordingly.

TECHNOLOGY

INNOVATION

"IN A BID TO SAVE CONSUMERS AND INSURERS BILLIONS OF RANDS, IT'S FAR BETTER TO OPT FOR AN AI DRIVEN PROCESS FOR ACCIDENT CLAIMS."

- FILUM HO, CEO OF APOLLO STUDIO

WHAT TO KEEP IN MIND WHEN YOU MOVE YOUR INSURANCE BOOK

A SOFTWARE ARCHITECT'S GUIDE TO REPLACING POLICY ADMINISTRATION SYSTEMS.

Taking the leap to undertake a Policy Administration System (PAS) replacement can be an intimidating prospect. On the one hand, there are myriad benefits in making the move. On the other, there are complexities, dependencies and risks that could make the process look as daunting as carrying out a heart transplant. With the right planning and expert help, PAS replacement can be executed seamlessly and with limited risk, giving your insurance business a new engine.

Having helped many different organisations replace their PAS, here are some key points to bear in mind:

Step 1: When do you really need to replace your PAS?

Very few insurance companies are in a position to avoid considering a PAS replacement. Some want new systems to support innovation and deploy emerging technologies. Others have existing systems that are too challenging to manage and are limiting for business.

Some companies' data is being held hostage by previous service providers, who may also be gatekeeping changes. In those cases, any changes are expensive and take a long time. Your PAS could also be restricting innovation and new product releases if it is inflexible and purpose-built for a specific product type.

If your existing system is not flexible enough to accommodate new products, doesn't cater for real-time embedded digital distribution, or has poor or non-existent APIs that make it hard for partners to integrate with you, it may be time to move on.

Step 2: Assess your risks

Many of the concerns around PAS replacement are warranted. Potential data integrity issues due to the book move are a key concern. A new system could come with increased complexity and more systems to look after – particularly if there are delays in moving the book and you end up running two systems alongside each other. There could also be unrealistically high expectations for the new system among stakeholders and users in the organisation. Or a temptation to overreach by trying to address all the organisation's pains and dreams in one fell swoop.

On the other hand, there is also the maddening tendency to end up simply replicating exactly what you did on the old system on the new system (even though there is often no clear reason or understanding why you did it that way in the first place). If you do that, you're just adding friction and missing the opportunity to make a big leap forward. A good way around most of these risks is a Proof of Concept. Play around and test the solution in your environment before committing to a wholesale replacement.

Step 3: Decide on your guiding principles

In our experience, the insurance companies that get the best results are explicitly clear on their goals and follow four basic principles when replacing a PAS.

Principle #1: Lean into the opportunity - Sunk-cost fallacy is not only about letting go, but also about realising that holding on to unnecessary old technology will materially increase maintenance overhead and costs in the long term. This is an opportunity to set your organisation up for the future. Take it.

Principle #2: Simplify the environment - Reduce risk surface area, take out systems where possible, and avoid keeping or creating unnecessary dependencies.

Principle #3: Take a holistic architecture view - Modern technology solves many of the previous generation technology problems out of the box. You used to need separate systems for pricing, communications and premium collection. These days, there are low-code insurance systems that can tackle all of these in one.

Principle #4: Replicate first, then iterate - Make sure you have the basic functionality in place before you start iterating. This allows your business to keep running without too much disruption, and lets you improve the system over time.

What is the right way to do a pas migration?

We've seen three main options for PAS replacement, but there's no silver bullet that works for everyone.

Option #1: Run the new system completely separately from the legacy stack, end-to-end. Keep old policies on the old system, sell all new policies on the new system, and let the old book run off. The pros of this are that no major book move is needed, and you can slowly migrate internal users from the legacy system to the new system. This approach also gives you the freedom to truly innovate on new product design right away. The cons, however, are that you will have to maintain two systems until the book is run off, which may be costly.

Option #2: Run the new system on top of the legacy system, syncing newly sold policies to the legacy PAS as you go. This gives you the option to fall back at any time if things don't work out. Conversely, it also gives you the opportunity to lean in when things go well by turning off the legacy system behind the scenes. The advantages of this are – again – that you do not require a book move, and you can rapidly innovate using the new system to distribute new products through new channels.

Meanwhile, day-to-day operations continue as normal on the old system. Do bear in mind, though, that the new system's potential may be hobbled by shortcomings and inflexibilities in the legacy system to which you have to synchronise the data. Another disadvantage is that you have to maintain two systems until the book is run off, with the associated extra costs. There are also the risks and challenges of integration between the old and new systems.

Option #3: Full system migration/replacement. This approach entails a complete move of the policies from the old system to the new one. You can innovate more effectively and avoid the costs and complexity of dealing with two systems. However, this does mean a full book move and all the data integrity risks involved. Each alternative comes with its own pros and cons, so the ideal approach depends on the specifics of your business, its risk appetite and budget.

Step 4: Take action

Planning paralysis is a real risk in PAS replacements, because the stakes are so high. That is precisely why it's important to get some momentum going, and start taking action as soon as the general approach and strategy have been decided. In our experience, the momentum created by a Proof of Concept on one small aspect can do wonders to crystallise thinking, and guide iterations. This principle is applicable across the board: we have seen all shapes and sizes, complexities and requirements, and they have all found a way to move forward with approaches that suit them.

IS AUTOMATION MAKING CONTACT CENTRE AGENTS REDUNDANT?

If you watch the customer service space closely, you may have noticed that in late November, US-based low-cost carrier Frontier Airlines shut down its customer service phone line.

Anyone with a query or dispute has to now rely on a chatbot on the airline's website, a 24/7 live chat option, its social media channels, or WhatsApp. While the move is largely unprecedented in the airline sector, where most maintain call centres, it's hardly shocking. Human agents are already forced to act like robots, following prescribed scripts and logic flows for most service queries and disputes. What they say and do is defined in detailed procedural manuals, and they are seldom able to go outside their lane. This makes these queries ideal for automation. If more and more requests, queries and disputes get handled by virtual or digital agents, is there a role for human agents? And do thousands of customer service agents now risk losing their jobs to automation?

CHATBOTS WORK THE ROUTINE

The answer is both yes and no. There is no doubt that rule-based, repetitive work is being shifted away from human agents and handed over to virtual agents. Virtual agents can do this better, across more channels, and a lot more cheaply. This means the demand for human agents to perform routine customer service-related work will definitely drop. That said, the demand for human agents to offer customers a premium customer engagement experience will rise. They will be asked to handle conversations that are shaped less by rules and more by emotion. The impact that an agent can have on the outcome of each engagement is significant, and therefore of higher value.

ONLY PEOPLE CAN "HUMAN"

Customers still want the option to talk to a human agent, either because they can't resolve it satisfactorily themselves, or they simply want to feel heard. They want to connect with the company at a human level, to have their situation and frustrations understood and acknowledged. And they are often prepared to pay more to do so. Take the banking industry for example. Most retail banks actively encourage their customers to engage with them through their app or website rather than a branch or contact centre. These businesses are investing enormous amounts of money to limit the need for human-to-human contact. Part of the reason is that they don't earn that much off customers who use human contact only for basic transactions.

The real money comes from human contact with higher earning customers and those who take out loans. Higher value business tends to require more of a relational approach. And for this, humans are key. The move to service automation is making space for human agents to specialise in the relational work that really makes the difference to the banks' bottomline. Typically this relational work is linked to sales and customer retention - where the focus is to grow revenue, not save costs. This shift means that the value of human agents is set to rise as a result of improved service automation. And with this comes better pay and better working conditions.

THE FUTURE IS BOTH DIGITAL AND HUMAN

The ability of virtual agents to perform rule-based, repetitive work liberates human agents to focus on the work they are particularly good at. The sooner the boring, mind-numbingly repetitive work is completely handed over to virtual agents, the better.

Yes, this means those jobs will be lost to automation. But in their place, new, better paid jobs will emerge. These jobs will tap into the skills and capabilities that are intrinsically human: the ability to listen, laugh, empathise and feel, to truly connect with each customer and to make them feel valued. Automation will raise the value of human work in the customer sales and service space, and improve the quality of the work as well. The combination is good for staff, for customers and for business.

TOP 5 DATA PRIVACY AND PROTECTION TRENDS TAKING SHAPE IN 2023.

Prompted by the dramatic global upswing in cybercrime, an increasing number of businesses across the industry spectrum are coming to a better understanding of the importance of managing and protecting data

Without adequate and efficient cyber security management systems and detailed internal policies, companies; as well as their customers, employees and stakeholders remain vulnerable to data breaches – the recent spate of which has resulted in far-reaching accumulative losses. According to Acronis's latest cyber threats and trends report for the second half of 2022, the number of cybercrime victims in South Africa increased from 14.1 victims per million Internet users in 2019 to 50.8 victims in 2020.

Also according to a report by IBM and Ponemon Institute, the average cost of a data breach touched a record high of US$4.35 million in 2022. Researchers attribute this staggering figure to several cost implications, including legal fees, regulatory and technical auditing, loss of brand equity, business interruption and the loss of turnover, as well as a drain on employee productivity.

Over and above these financial losses, the potential reputational damage caused by a data breach could deal an insurmountable blow to public and stakeholder confidence. In light of the magnitude of this issue, businesses need to employ a two-pronged strategy. Firstly, as matter of urgency, companies need to update and upgrade their cyber security systems in line with developments in the cybercrime arena. This should form part of consistent and regular 'cyber hygiene.'

Secondly, business leaders need to adopt a proactive stance on bolstering their defenses, keeping abreast of industry trends and developments and anticipating the emergence of potential future threats.

These are 5 of the leading data protection trends that will shape the future of the industry this year:

Greater emphasis on "privacy by design"

Up until very recently, privacy policies and processes were factors that were considered as part of the post-development product phase. But an increasing number of companies are realising that privacy should be more than an after-thought instead, it should be considered from the beginning of every project. The rewards of bringing privacy issues into the early stages of developing products and services can be immensely positive for the future health of businesses. In 2023 therefore, this shift toward a "privacy by design" approach, which brings user privacy into every phase of the development process will become standard practice.

Rise of privacy-focused tech

As consumers become more concerned about their online privacy, there will be a surge in demand for technologies that prioritise privacy. This includes everything from secure messaging apps and browsers to virtual private networks (VPNs) and encrypted email services. It's important to note that while these tools can certainly help to protect data, they're not a silver bullet – organisations need to remain vigilant and conduct regular due diligence to ensure that their information remains secure.

Increase in regulations

Governments around the world are paying closer attention to the seriousness of cybercrime and growing more concerned around issues related to data privacy. Since the ratification of the General Data Protection Regulation (GDPR) by the European Union in 2018, there has been a steady rise in restrictions and stringent regulatory policies around data privacy and protection. This trend is likely to continue as more countries look to follow suit and close ranks against opportunistic cybercriminals.

The United States, for example, is currently considering passing a federal data privacy law much like the GDPR. Other countries such as Canada, Australia, Japan and India have also introduced; or are in the process of introducing, new data privacy laws. This will require companies to implement stricter data privacy policies and procedures to ensure compliance with these regulations and to protect the personal information of their customers.

Greater transparency

The trend towards greater transparency in data privacy is being driven by an increasing level of awareness around the importance of protecting personal information and the need for organisations to become more accountable for their data collection and use practices. In 2023, organisations will begin to be more transparent about their data practices by providing individuals with more control over their personal data and how it is used and processed. This includes giving individuals the ability to access, correct, or delete their personal information, and the ability to opt-out of certain types of data collection. This will be a win-win for both consumers and businesses, and will help to build trust and foster a sense of mutual cooperation and accountability.

Goodbye Cookies

As first-party data becomes more significant and consumers become more conscious of their data, third-party cookies will soon become obsolete. Many companies and organisations are now looking to move towards a cookie-less future by implementing new technologies and methods for tracking and targeting users. For example, some companies are exploring the use of browser fingerprints, which are unique identifiers that can be used to track users without the use of cookies. Other companies are experimenting with the use of privacy-enhancing technologies to provide a more secure and private way of tracking users.

ACCIDENT CLAIMS: HOW AI CAN SAVE CONSUMERS BILLIONS

Artificial Intelligence is taking the world by storm, especially with the latest tech hit, ChatGPT, going viral. If you haven't heard of or tried ChatGPT, it's a highly advanced artificial intelligence tool that you can use to ask any question, and in return, it will provide you with an intelligent, well-written answer back all within seconds.

From writing essays to typing up software code, producing song lyrics to doing advanced calculations and more ChatGPT is fast becoming what Google was for search when it launched back in 1998.

ChatGPT, though, is not the only advanced AI tool being developed. Tech giants, ranging from Google to Amazon, are also playing in this space and we can expect to see more tools hit the market in the months and years to come.

However, there is also a more unseen, practical side of AI that has the potential to save hours of time and money for several industries and consumers. And I'll highlight just one of these practical implementations for the automotive sector.

SPEEDING UP ACCIDENT CLAIMS

Currently, car accident claims are a very slow and cumbersome process. When you're in a car accident, what normally happens is that you'll call your insurance provider and then register a claim. What ensues is then a lengthy process where your car will either be assessed, by appraisers, at an assessment centre or a panel beater. These appraisers then quantify the damage and send that quantification back to the insurer.

The insurer then takes a long look at the claim, maybe moderates it, studies the pricing of the parts, and then tries to figure out where they can get the best repair work done, at the best cost. If after all of this, the claim is authorised, the insurer will direct you to take your vehicle to a panel beater that they've selected. Eventually (and hopefully) your car is fixed, and you can then be on your way.

It's clear that the cycle time here is long, with a lot of people involved. Because there are so many people involved, there's the risk of human error or worse price manipulation and fraud. In a bid to save consumers and insurers billions of rands, it's far better to opt for an AI driven process for accident claims.

CLAIMS, DONE THE AI WAY

Let's say we're dealing with the same car accident as mentioned above, but this time you as the driver are using an AI-driven claims process from your insurer. Instead of having an assessor coming out to look at your car, you will get a WhatsApp message with a link in it from your provider. Using that link, you'll be prompted to take 4-5 photos of the damage to your car on your phone.

An AI engine then runs the pictures through its algorithms and quantifies the damage and estimated repair costs and parts required, all within minutes. The insurer then sees this information and validates it to ensure they are getting the best price and highest quality repair.

The insurer makes use of a fair parts system, which includes both OEM (Original Equipment Manufacturers) and OEE (Original Equipment Equivalent) parts. OEE parts are manufactured to the same quality standards as OEM parts, often by the same manufacturers, but cost up to 50% less. With the economy being as tough as it is, no one is complaining about being able to save.

In addition, AI can also provide real-time updates on the progress of the repair, which can help to keep the insurance company and the policyholder informed. Ultimately, AI has the potential to significantly improve the efficiency of the automotive repair process in the insurance industry.

By automating the estimate review process and providing more accurate repair cost estimates, AI can help to save huge amounts of time and money on premiums as insurers process their claims more efficiently.

At Apollo Studios, we've already developed this technology in what is a first for the SA market. We'll be talking more about it in the coming months. It's early days but we are already working with several large insurance partners, and we have also been recognized by Discovery Insure as their innovation partner of the year.

AI is bringing exciting changes to our world.of data to another location to separate it and prevent infection. Tape is an excellent example of this, where backup data is taken offsite to secure storage and repatriated on request.

LESSONS LEARNT AS A MULTI-NATIONAL

We are talking leadership with the famous duo, Andre Symes and Craig Olivier, co-CEO's at Genasys Technologies.

Tony: You have done amazing things with Genasys over the past two - three years in terms of your expansion into other countries. Can you tell us about the motivation for expansion outside South Africa?

Andre: We had the vision to change the world of insurance and change people's lives through better technology globally. That is the long-term vision, but you must eat this elephant one piece at a time. We had reached a significant size within South Africa, where the law of diminishing returns showed that we would need to look at additional territories if we were going to start jumping into this big global picture of taking our technology around the world.

It just made sense at the time that the first place would be the United Kingdom, due to the similarities in insurance, the similarities in language, time zones, et cetera. This was all part of Craig's bigger plan to change the world one country at a time.

Craig: We secured one of our first customers in the UK back in 2005. We dipped our toes in the water there until we understood what the landscape and insurance requirements looked like, the integration requirements, etc.

It gave us a proof point that the Genasys platform could provide the software capabilities that the UK needed. However, at that point we were not quite ready to jump across and start actively marketing in the UK. We still concentrated only on the South African customers and opportunities. We found that there are many similarities and opportunities in the UK and about two and a half years ago, we actively started driving growth in the UK.

Tony: Over the last decade many companies have expanded into other countries. Many of them unsuccessful. Even large companies like Woolworths burnt their fingers, but also many have been successful. What risk measurements or risk management did you implement to assist you in a cautious entry, without risking the farm?

Andre: After building a strong relationship with the managing director of our UK client, he gave us quite a bit of steer as to what was needed and what was not needed. So, we had a promising idea that the agility of our product would be able to be moulded into something that the UK customers required.

The risk mitigation question is more the opposite, as when you commit, you commit to it properly. We often say that you should not half ass something. If you try and do an expansion into a different country without full commitment from the executive committee as well as the shareholders supporting you on that, the moment you see one or two small failures in the new territory, it will be easy to pull back to your core functionality to be risk averse.

The reason we succeeded is because Craig and I spent two and a half years knocking on doors, nonstop cold calling customers, building up networks, it was tough as hell. It was our African tenacity that ended up coming through and making a success of it. We did not have the luxury of coming back. We had to make it work, so we simply did.

Tony: Your product has been highly successful in South Africa before you even started thinking of the UK, how did the product stack up with the competition there?

Andre Symes,Co-CEO of Genasys

Craig Olivier,Co-CEO of Genasys

Craig: Decisions we made, pretty much when Genasys started, was looking at how we could create a framework, or a tool set that understands insurance in a very dynamic fashion. What we believe one of the key capabilities of the platform is, is configurability and being able to configure different product offerings that customers would need.

There were some localization bits that we needed to do, but the agility of the platform itself allowed us to configure the insurance product requirements, the integration requirements that our customers needed, and our first customer was that kind of proof point. Any new customer we have gone into, there has always been additional requirements. From my perspective, the product has really shown to be agile and extendable, without having to go back and rewrite the core capability. It was good architectural decisions made in the beginning which has allowed the product to scale into new territories.

Andre: We also must be honest that, at the time of entering the markets, the incumbent technology providers in the territory were lacking. Quite honestly, they were expensive to change because they were hard coders. There was a lot of customer frustration, and the customers were shouting out for something that was quick to deploy, easy to change as they saw the market start changing and new risks emerging.
We could come in and do a rating change in a couple of minutes where it would take another vendor three or four weeks to do it.

The customers really took to this. It is like we say in Africa, you do not have to outrun the lion, you must just outrun your friend. So, you must be a little bit better than the next best and customers would want to partner with you.

Craig: On that point, a lot of insurance companies in the UK are not startups. They have been running for some time, so they are running on stable legacy platforms and a lot of them are, from a leadership perspective, looking to innovate and offer different products. That is also created an opportunity for us to come in and be able to provide this more innovative product offering capability from a platform perspective.

Tony: How did onboarding new clients there compare to onboarding new clients with legacy systems locally? Do you find it more challenging here or there?

Andre: Currently, it is a bit more challenging in South Africa than in the UK. The reason I say that is that we target different size customers in the two territories. If you look at it from a GWP point of view, someone like Royal Sun Alliance on their own, in their general insurance space, write more business than the entire short-term market in South Africa. So, they are more open to trying something new in the UK now, than what we call the higher end customers in South Africa.

But again, in SA we do not have the luxury, and I say we as policy holders, and the entire insurance industry, of a mandated or compulsory insurance. We must be clever, and we must work on shoestring budgets in South Africa. People in SA are slightly more price sensitive; the cost-of-living issues here are a problem. There seems to be a little bit more budget available in the UK for innovation.

Craig: One thing that we did need to navigate in the UK specifically, is larger customers coming on board and the pure governance around the procurement and selection process.

We needed to mature our project methodologies and engagement pieces a bit, to work with a lot of these companies. Mutuals as an example, are run by their existing shareholders, so there are a lot of governance issues and we had to get consulting firms in to run the procurement process, which has been a great learning for Genasys to scale up those capabilities.

Tony: Craig, you noted two important things to keep in mind, one being to decide what you are going to do and then fully committing. and the other that our local businesses should be more open to local innovation than thinking they must go overseas to "fetch" innovation.

Do you have any other lessons that you would like to share with, firstly, the insurance companies here, and with local businesses, even tech companies who are looking at expanding?

Andre: There are two bits of lessons learnt, or advice that we could pass on. The first one is not to underestimate the ability of South Africans to innovate in the technology space. The more time we spend in the UK, the US, and in Latin/ Asian Pacific, with the customers out in New Zealand and Australia, the more we realize just how good South Africans are at creating great technology.

Clayton Christensen wrote about it in the Innovators Dilemma, about utilizing emerging markets to test new technology or disruptive technology before you take it to establish markets. It was true 30 years ago when he wrote the book, and it is very much true now. So, do not underestimate the technological abilities in South Africa, there are people looking at us saying the next big thing is coming from there.

From an advice point of view, expanding into a new market, one of the biggest lessons learned is to not underestimate the differences in culture of the people who are buying your product. Even though we think that the UK /South Africa share languages and time zones, the culture, and the way of doing business is very different. I would certainly advise people to do a bit of research, go spend time in the country that you want to expand into before you pull the trigger. It is a lot more challenging dealing with people of a different culture than what you think it is.

Craig: Just to add to that, one of the drivers of success for Genasys was that we were there. Do not think you can do it flying in and out. You need to dedicate time in the territory. In South Africa, if Andre and I end up at an insurance event we know quite a few people and we can have conversations, we got to know the key leaders in the market. When we got to the UK, we knew no one, we would go to a function, and we would walk around introducing ourselves and we still joked with ourselves that we would have made the first bit of success when someone phones us to ask about what software we have and asks us to help them.

It took a fair amount of time, talking thought leadership, getting involved in the different organizations and marketing spaces in the UK, talking about what we do, talking to everybody we could. But being there and understanding the landscape was one of the key things that helped with our success.

THE ROLE OF TECHNOLOGY IN INSURANCE: ENABLER OR MORE?

Article based on a presentation by Tavio Roxo, CEO of OWLS Software, at COVER's recently held TechFest2023

The insurance industry has come a long way from the old paper-based processes that were heavily reliant on manual labour. Technology has played a significant role in making the insurance industry more efficient, convenient, and cost-effective. However, the question arises, is technology just an enabler in the insurance context, or can it be more than that?

According to Tavio, technology is an enabler in the short term, but if approached with a bigger vision, it can be more than that. He emphasizes that utilizing technology effectively can make consistent engagement across various stakeholders, from policyholders to intermediaries, leading to efficiencies and cost savings.

However, the challenges remain, primarily focused on data. Getting the data right is essential to getting everything else right. If the underlying policyholder data, including benefits and everything mapped correctly, then automating the various operations is an easier task. But if you get the data wrong, then it becomes as friction filled as if you were not using any technology.

Moreover, Tavio points out that many insurance companies have formulated a lot of their business processes based on the technical restrictions that existed at the time. The introduction of new technology enables them to streamline a whole bunch of other areas within their business and control the digital journey of their clients with their organization through a digital platform.

However, often the tech is already out there, but the world does not want to adapt, for whatever reason, to that new technology. It is sometimes wonderful tech, but people do not want it. So, picking the right technology to adopt becomes a difficult and tricky problem.

On the question about allowing the customer to choose how they want to interact, or even halfway through, decide to change their minds and swap over to a different route of interacting. Tavio responds by drawing a distinction between the insurer space, the UMA space, and the intermediary space. Different considerations must be considered depending on which stakeholder you are.

In the intermediary space, things get complicated when you are a multi-product brokerage across multiple carriers or multiple UMAs. To quote, you must engage with three or four technology platforms, and once your client accepts the quote, you must do something on one platform but have your technology to cross-sell to another client. Ultimately, you are doing work in three or four places, creating friction.

However, in the insurer's world, technology can be applied end-to-end in its business, allowing brokers to log in and access an effective technology solution. One that potentially could save some costs.

In conclusion, technology is undoubtedly an enabler in the insurance context, making it more efficient, convenient, and cost-effective. However, it can be more than that if approached with a bigger vision, utilizing technology effectively can make consistent engagement across various stakeholders, leading to efficiencies and cost savings. The challenge remains in getting the data right and picking the right technology to adopt.

Ultimately, the end goal is to allow customers to choose how they want to interact and make their digital journey with the insurance organization more streamlined and efficient.

EVENTS & NETWORKING

WILL WE SEE YOU AT AIE 2023?

Registration for the 2023 African Insurance Exchange is proceeding at a rapid rate. "After a successful early bird registration period we are well ahead of our booking targets and look set for another bumper conference," says IISA CEO, Thokozile Mahlangu. The dates are 24 to 26 July 2023, either in person at Sun City or live via web link.

The costs to attend or live-stream are:

IISA Coporate Partner: R9,000 (Live) | R4,700 (Online)
IISA Individual Member: R8,800 (Live) | R3,700 (Online)
Non-member: R11,100 (Live) | R6,600 (Online)

Payment is due 14 days after registration. Prices exclude VAT, accommodation, transport and recreational activities. “Non-members who pay and join us for the event will receive a one-year IISA membership,” says Mahlangu. AIE is South Africa's foremost insurance conference, catering to the entire industry from non-life and life insurers to brokers and service providers.

“Speakers and panellists come from around the world to share their knowledge and insight with the South African industry, while sponsors and exhibitors get to showcase their brands, products and services to a niche and captive audience,” says Mahlangu.

“We have already signed up a number of amazing speakers and panellists, and there are still a lot of opportunities open for sponsors and exhibitors.” If you are interested in finding out more, **contact Vumokuhle Ntanzi (vumokuhle@iisa.co.za)** or you can REGISTER HERE.