The uptown funk of smart payslips

Distribution of assets on the death of a member

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Climate change demands revised thinking

Bespoke cover - a new visit to the tailor
IS THE SKY THE LIMIT, OR JUST THE BEGINNING?

We don’t see the sky as a ceiling, but a window into potential. The forces that mould the stars are the same ones that tear them apart. It’s how we choose to harness the forces at hand that set us apart. The greater the challenge, the greater our inspiration.

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OR JUST THE BEGINNING?

IS THE SKY THE LIMIT,
or is the best yet to come?
n the Fanews June edition there was a lot of coverage around the Financial Intermediaries Association of Southern Africa (FIA) awards and feedback around the way things were done this year, including the processes followed. With this, we would like to mention that Fanews wrongfully mentioned Renisa as the winner of the Personal Lines category. In clarifying this, Renisa was the winner in the Short Term Insurer of the Year – Commercial category; with Santam being the winner of the Personal Lines category.

The Insurance Conference, held at Sun City and hosted by The Insurance Institute of South Africa (IISA), the South African Insurance Association (SAIA) and the Financial Intermediary Association (FIA), was once again well attended and well planned. This event has always boasted high quality speakers and this year the calibre of speakers left me in awe with mind blowing content. The presentations made you think about the future of insurance and whether we, as an industry, are adapting fast enough. Fanews has published newsletters about the event, and we also conducted some video interviews in the Chubb lounge, which you can find on www.fanews.co.za. This year a common thread throughout the conference was the power of collaboration, and the fact that we as an industry can do so much more together if we work together. This collaboration worked really well for Fanews as we partnered with both Old Mutual Insure and Chubb during the conference – partnerships we value.

Networking was once again a critical part of The Insurance Conference and a more flexible conference programme really encouraged networking. This was something many delegates commented on and enjoyed and this brings us back to the power of collaboration. It will be interesting to see what the 2018 conference will look like under the leadership of Thokozile Mahlangu, the new CEO designate for the IISA.

On a different level, another example of collaboration that worked really well was the recently held Emerald Skukuza Golf Challenge. Emerald is one of many short term insurance players who is involved in the risk management and insurance of the South African National Parks (SANPARKS). Emerald invited short term insurance players who are connected to SANPARKS in one way or another, to be part of the Golf Challenge. The money raised from the golf challenge was donated to the SANPARKS Honorary Rangers. Emerald will also be sponsoring one of their helicopters for a year. These helicopters are used in the fight against rhino and elephant poaching, and the donation Emerald has given SANPARKS will keep one of these helicopters in the air for a year.

In this edition we have focussed a little bit more on life insurance and it reminds us once again of the conversations we need to have with clients.

I would also like to remind you that entries for The Insurance Apprentice 2018 close on 31 August. We look forward to receiving applications from all under 35’s who have been working in short term insurance (any part of it) for four or more years.

The prize is a trip to Lloyds of London (and you fly there in business class), a R75 000 bursary from Inseta and a cash prize of R20 000 from Masifunde Training Centre. Enjoy the read! Until October.

Rianet Whitehead
Editor

Law around the world
nortonrosefulbright.com/za
Managing risk is a constant struggle and when the crisis strikes, you need to react quickly. Our 50+ strong insurance team is ready to act. With over 60 years' experience we understand your industry. We have acted on some of South Africa's largest disasters. Which means your focus will no longer be on where the crisis will take you, but where you will take the crisis.

When a crisis demands top insurance lawyers, we're there.
Santam has been judged FIA Short Term Insurer of the Year for Corporate, and for Personal Lines for the third consecutive year.

South African intermediaries honoured leading South African short-term insurer, Santam, by voting the business as their top choice for both corporate and personal insurance.

Executive head of commercial and personal insurance at Santam, Edward Gibbens, says: “The fact that these awards were voted for by intermediaries is a strong endorsement of Santam’s enduringly high service levels, innovative product offering and ongoing commitment to helping intermediaries deliver value to their clients.”

The devastating storms in the Western Cape and catastrophic fires in the Southern Cape in recent weeks, as well as the sociopolitical, economic and regulatory context within which the FIA Awards took place this year, attest to the importance and value of sound advice.

“Today, more than ever, we recognise the essential role insurance intermediaries play in society, and we know it is our task to demonstrate the real value our business has for individuals, businesses, and indeed, the South African economy. The future of broker distribution depends on the way in which the entire insurance value chain faces the challenges that come its way while using the opportunities it is afforded to serve clients better,” says Gibbens.

Gibbens emphasises that Santam relies heavily on relationships of trust to deliver on their promise of Insurance Good and Proper.

“Our intermediaries are a crucial link to both our corporate and personal clients, and our relationship with them is a cornerstone of our business. We believe the Santam brand has high consideration among intermediaries because we invest significantly in building capabilities in our claims and service delivery areas, both to their benefit and that of their clients.”

Personal insurance clients are increasingly demanding simplicity, transparency and speed in their transactions with insurers or their intermediaries. Says Gibbens: “The relentless demand for transacting with insurers using online and mobile technology, for example, will continue to fuel this change in customer expectations. In this respect, we are proud to be able to say that our innovation and service delivery in the Personal Lines category underscore our consistent efforts in living up to our brand promise.”

Santam’s executive head of specialist business, Quinten Matthew, says that assisting businesses through times of insured loss by paying claims quickly and efficiently has been one of the primary reasons that more than 86 of the top 100 JSE-listed companies trust Santam to protect their businesses.

Matthew adds: “A large part of our success has been founded on focusing on the client and providing them with trusted insurance products when and where they might need them. These principles have always been fundamental to our strategy and success in the insurance market, and at the heart of the business is the relationship we have with our intermediaries.”

The annual FIA Awards present Santam with an essential yardstick to determine whether they are effective and meeting the changing demands of the market.

Says Matthew: “We have retained our position through diversification, investing in our intermediary model and constantly adapting to social, environmental and economic shifts to manage insurance risk. We continue to work hard at providing good and proper insurance by introducing initiatives aimed at improving our offering and delivering client-focused solutions through our extensive network of intermediaries. We thank them for their loyal support and for acknowledging us once again.”
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Santam is an authorised financial services provider (licence number 3416).

For more information, visit www.santam.co.za.
In previous publications over the past year we have discussed the extent to which Independent Financial Advisers (IFAs) all over the world are increasingly debating very similar issues. Many advisers would no doubt be aware of the following discussions:

- Moving from product commissions to customer agreed advice fees - pursued under the Retail Distribution Review (RDR) reforms in the UK and South Africa, and under the Future of Financial Advice (FOFA) reforms in Australia.
- The need to manage conflicts of interest that can arise between client needs and the interests of an adviser business - dealt with under the Financial Advisory and Intermediary Services (FAIS) locally, FOFA reforms in Australia and most recently the Fiduciary Rule in the United States.
- How robo-advice was touted to be a serious threat to financial advisers, only to emerge instead as an asset to help financial advisers serve smaller clients.
- How the aggressive focus on costs of advice and financial products often leads to commentators underestimating the long term value of advice to consumers. Various research reports now estimate appropriate financial advice to be worth between 2-3% per annum.

Perhaps one should not have been surprised then by a recent blog post by Heather Hopkins from Platforum, a UK-based platform and advice market research unit, about how succession planning remains one of the biggest obstacles facing IFA practices in the UK. The full article, titled “The adviser’s succession dilemma” can be accessed under the blog section of the Platforum website at www.platforum.co.uk

A growing adviser conversation
Similar to the experience detailed in the Platforum blog, the topic of adviser succession planning has featured in a number of IFA presentations and discussions we have facilitated at Investec Asset Management over the past year.

It seems that a significant number of South African financial advisers in their fifties and older have no formal plan in place to enable them to retire from their advice business one day. On top of this, most financial advisers have not built a separate retirement savings pot outside of their financial advice practice. By default then, the IFA business is the adviser’s retirement plan.

High level succession options
In many of our discussions with advisers on the topic of succession, it is clear that cashflow requirements of primary business owners, as well as the time to implement the plan, drive the succession options considered. In this regard, advisers looking for a succession plan often find themselves facing the following broad options:

1. They bring on board younger advisers who will one day take over the practice. Looking at practical experience with this option, it requires around ten years to get to the point where the primary adviser can exit. This option places a cashflow strain on the advice business, as younger advisers typically do not have access to capital to buy out the primary partner at market related valua-
tions. The culture however, and ethos of the adviser firm, is largely preserved.

2. A merger with, or take-over by, a similar-minded adviser business looking to grow their distribution footprint. This option can be implemented over a shorter time-frame, but still needs up to five years to allow the primary adviser to exit the business. Merging two profitable adviser practices places less financial strain on both firms. The larger combined business will make it easier to facilitate the transition of ownership from one partner to the other.

3. Sell the advice business to an adviser consolidator (typically a product manufacturing firm looking to grow their influence in distribution). This option requires very little time to implement. It normally takes the form of the adviser signing over clients to the consolidator, and being paid a capital lump sum over a period of three to five years in exchange. Thereafter, the adviser can choose to continue working at the new practice as an adviser, or retire on the pay-out he or she received.

4. A blend of options two and three mentioned above.

Each of these options has its own benefits and implementation risks, which advisers should consider very clearly. It often helps to talk to other advisers who have been through similar succession options to the one you are considering to avoid hidden surprises.

In the case of the UK IFA experience outlined in the Platform article, many IFA firms have chosen to sell to a consolidator since the advent of RDR regulations in that market. The merits of selling to a consolidator is now being debated intensely in the UK adviser community, as some consolidators there are increasingly requiring that clients be transferred to a preferred or in-house platform and investment proposition. This change has caught many adviser firms by surprise, resulting in a fiery debate about the true “independence” of advisers in UK consolidator networks.

Time to implement succession plan
The debate about which succession option is best for an IFA firm will continue, and there is obviously no right or wrong answer. However, what stands out most clearly to us, is how many succession options require between five and ten years to implement successfully. IFAs who leave their succession planning for later stages typically find that they are left with fewer succession options, and they are often forced to sell their businesses to cash buyers in order to retire.

For advisers looking to retire from the business they spent most of their career building, leaving their clients in good hands, it pays to plan ahead.

Jaco van Tonder
Advisor Services Director
Investec Asset Management

IFA SYMPOSIUM 2017
Sandton Convention Centre
10 October 2017
FPI CPD points: 5

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IFAs required for 1 million+ clients
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Carl Richards - USA, Behaviour Gap
Philip Calvert - UK, Social Media sales strategist

Register at www.ifasymposium.co.za
In essence, keeping things simple during product development is counter intuitive and more difficult than it sounds.

Many insurers start out with an innovative idea or concept, but through the natural development process, complexity is often added. This is probably due to the presumption that more is better and more equates to better value, starts to dominate the thinking.

In the end, rather than taking a retrospective look at the features to determine if they are truly needed, added features are retained to make products a catch-all in a highly competitive marketplace.

**Complexity legacy**

Leaving features in the final product is also attributable to a natural human response that behavioural economists term the sunk cost fallacy.

This basically dictates that the more we invest in something, be it time or money or both, the harder it becomes for the mind to rationalise abandoning it and moving on.

However, this established approach to product development in the financial services sector has resulted in an industry inundated with complex legacy products that have become entrenched.

Having developed offerings that boast all these features, it has become extremely difficult to reduce the inherent complexity in the marketplace because supporting these products and features must continue to keep clients happy, whether they add value or not.

As a result, when most consumers review available financial products, many struggle to know exactly what they are buying, even with the assistance of a financial advisor. And the more complex a product becomes, the more the consumer will need to rely on professional advice.

Even legal clauses and other regulatory requirements, such as the terms and conditions, form part of this inherent complexity. This is despite the fact that much of it is aimed at improving the customer environment.

However, despite these good intentions, there is currently so much regulation that it has become yet another hurdle in the quest to simplify products.

**Sensible moves**

Fortunately, there is an industry groundswell acknowledging that something needs to be done to reduce this complexity. However, knowing and taking action are two very different endeavours.

Not too long ago, there was this pervasive idea that simplicity was not needed. Increasingly today, we are seeing modernised financial service providers introducing step changes to simplify existing products, processes and procedures, both for the benefit of consumers and for the company’s own benefit to improve efficiencies and competitiveness.

**From the ground up**

Then there are those who are innovating from the ground up when developing new products.

However, diverging from the product development status quo is, of course, not easy. It often requires an arrogant approach from a champion within the organisation which will not be popular.

It requires that companies take an honest and critical look at what they have worked so hard to create, then chuck out most of it leaving just enough to offer some degree of choice and customisation for the customer.

It is a strategy that has helped build some of the most successful businesses in the world today, the most iconic of which is surely Apple. When Steve Jobs was brought back to save the proverbial sinking ship he stripped down the company’s offering from 1 000 products to just five. This simplification gave the company the capacity and ability to focus on producing products that their customers would want.

While there are already pockets of product innovation happening in the industry, driven by the desire and need for simplification, this has not been cracked in an industry wide context just yet.

What the local financial services industry needs to achieve is more leaders who are brave enough to make tough decisions about how their companies approach product development, or redevelopment, and to implement these changes to drive the mind shift toward greater simplicity.

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**Grant Field**

Chief Executive Officer

FedGroup
For the first time in FIA Awards History, there were 353 502 winners in a single category.

This year, the Financial Intermediaries Association (FIA) awarded PPS as the winner of the Long-Term Insurer of the Year in the Risk category.

Yet we'd like to think our win is more than an award, but an honourable reflection of our service to our special breed of intermediaries. The ones who we share our success with for the great strides we've made together, taking our 353 502 members to great heights and now being recognised for our efforts and our mutuality ethos.

Here's to many more wins, with all 353 502 of us.

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CUSTOMER SERVICE: the ultimate gauge

For most businesses their key focus remains excellent service delivery. However, while we would like to believe that customers are satisfied with the treatment and care afforded to them, the only people that can truly answer this question are the customers themselves.

It is their view of the company’s value proposition and experience with the company’s people/brand that is the ultimate gauge.

Ask the right questions
At the same time, do we as insurers and intermediaries understand what the customer sees as great service delivery? Do we provide the customer with exactly what they need on an ongoing basis and more specifically, when an unforeseen event occurs? Alternatively do we decide what the customer requires?

To answer the questions above, it is important for an insurer or intermediary to define the core components of customer service and then specifically measure their performance against these to identify whether the insurer or intermediary service levels are meeting the desired objectives. One of the most common measurement tools is a survey and this should be designed to ask the right questions to help understand not just the issues, but also the root causes of issues so that this may be appropriately addressed.

Important aspects of service delivery
An important aspect of service delivery is consistency as this builds trust and gives the customer a sense of comfort. When service levels fluctuate repeatedly, this generates distrust. While it is understandable that there are times when service levels may be affected, it is critical to ensure swift and fast recovery. This minimises the inconvenience to the customer and provides the necessary assurance of the standards for future service.

Of prime importance for insurers and intermediaries is the retention of customers, especially as the acquisition cost of new customers can be considerable. The objective has to be to provide for a speedy resolution to any issues or complaints, the first time around, to ensure the customer does not have to call repeatedly to obtain the solution.

This also has implications for the brand and reputation of the insurer and intermediary. However, at the heart of customer service lies the most important aspect - the ability of employees to deal with customers.

Accordingly, soft skills need to be developed to meet the specific customer profile demand in terms of knowledge and technical expertise. Equally important is to understand that people want to deal with people rather than a face behind a brand, making it vital for employees to establish relationships with customers and foster a sense of trust.

Furthermore, as customers engage with a range of employees across various departments, ensuring the same level of service, expertise and a good response rate across the value chain is imperative.

Technology, a seamless partner
Since we operate in a technologically advanced environment, it is imperative for insurers and intermediaries to have profiles of their customers which helps with regular interaction and consultation and guides them on how their clients would like to be serviced, what communication methods are most convenient and how they would like to access their information. This should be a core component of the service offering.

The bottom line is quite simple. Have we provided for the needs of the customer? Recent examples like the Knysna fires have shown that insurance adds tremendous value to the well-being of the customer. By supporting them on the ground and being accessible to customers, we have a first-hand view of whether we are on the right track based on their direct feedback.

Customer service is a work in progress and we need to keep the focus on integrating best practices, implementing efficient systems, retaining and enhancing the skills of employees, and maintaining open channels of communication. Focusing on these elements will enable businesses to stay ahead of changing customer needs, markedly improving service delivery and driving business growth.

Sedick Isaacs
Head: Business Support Services
Bryte Insurance
Today, in investments, everything is connected. Like our economy and the power that keeps it running. That’s why our STANLIB Infrastructure funds play an integral part in keeping South Africa’s power running – because it’s both an excellent investment and something our economy depends on. At STANLIB, we’re proud to deliver returns that are as good for portfolios as they are for the future.

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So can a machine replicate trust? How is trust built?
Essentially trust takes time to build and is based on doing what one says they are going to do repeatedly even if the person is inconvenienced by the promise made.

Unfortunately a single second or minute can destroy this trust on the basis of a deed or word which undermines this customer authenticity.

Machine advantages
A machine therefore has an advantage over man in the following ways:
• A machine will not lie, unless it is programmed to do so;
• A machine will repeat numerous actions in the same way in the same time frames at the right dates and times, all the time, every time; and
• A machine does not have days where it does not feel like working or are being distracted by domestic issues or personal matters.

So are you still sure that the machine cannot offer you trust? The answer is still yes despite all of the above. This is because artificial intelligence has not yet discovered the soul of man or his/her spirit which defines who each of us are and which makes us similar but unique enough to be different.

The adviser advantage
So how can a trusted adviser offer both consumers and insurers a meaningful advantage?

What recent consumer research is telling us is that for the consumer, it is about authenticity. This is one of the ingredients upon which trust is built. If you say you are operating in the best interest of the consumer, think before it becomes a part of one’s mantra.

Take another example, a company announces that it sources quotes from the best insurers and then offers the best advice at the best price through its highly trained workforce who are there to ensure the customers’ best interests are being served.

We serve our customers by rendering suitable professional financial advice: whether it is investments, life cover, healthcare, employee benefits, savings or short term insurance.

This means we must know our subject matter; inside out and back to front. If we get our advice wrong, the customer may only find out when it’s too late. We carry a tremendous burden of responsibility to ensure that the products and solutions we are offering meet the needs of our customers.

We should bring to bear our experience, expertise and understanding of the particular circumstances of each customer; remembering that while enough products exist to satisfy the risk exposures of most customers, there needs to be a balance between all of these products and the month to month expenditure of each person or family.

Prioritising
So prioritization of what is important to each customer is vital. Putting their needs first is one step in the direction of building trust. In the case of healthcare and elements of short term insurance, the potential exposures can manifest themselves regularly and therefore the quality of advice and product solutions can be measured more regularly.

Insurers and brokers alike have to keep educating and informing their clients about various key aspects of their insurance covers. While it ultimately remains the prerogative of the client to decide what insurance to purchase and for how much, an educated and informed client is more likely to trust their adviser and insurer.

How consumers think is the elusive Holy Grail for both consumer science and neuroscience researchers. Of particular interest is the emotional rationale for decision making which is receiving the most attention.

Peter Olyott
CEO
Indwe Risk Services
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Some of the most powerful brands use their extensive advertising weight to weave emotional narratives rather than to bombard consumers with detail and product. Coca-Cola and Volkswagen, for example, are just two of many classic exponents of this art.

Client’s financial journey
It is time for the financial services advice narrative to change – the client’s financial journey should be at the centre of communication. As with all great stories, this road has many different routes.

In the past, companies were experts at collecting and analysing data, but now they are becoming experts at learning about the motivations, impulses and circumstances that lie behind that data. Some people call this behavioural economics, but it is called being client-centric.

It is important to embark on a journey to create financial solutions that can be individualised to meet each and every customer’s needs based on where they find themselves in their own story.

A company should set out on a mission to create customer experiences with their brand – whether it is through advisers, in the branch, on the phone or online – that connect with the customers’ needs rather than the company’s needs when those needs manifest. To do this companies have to listen to their customers’ stories and deliver to their realities.

Understand the stories of clients
An adviser plays a fundamental role in this journey by listening carefully to the stories of his or her clients. Assembling the facts about a client’s finances is important, however, truly listening about to the client’s journey and picking up the essential cues as to what really matters to this client and what they are fearful of.

Great financial advice is about matching life goals with realistic and effective solutions which help to achieve those goals. That is not possible without the ability and time, to hear and understand the stories of clients.

Advisers’ stories build trust
When advisers share their own stories, and are open about life journeys, mistakes and learnings, they move the financial process from pushing products to finding solutions. This kind of honesty builds trust in a relationship.

Metropolitan Chief Executive, Khanyi Nzukuma, has for example become a strong public voice about the urgent need to tackle the personal debt crisis in the country through decent educational programmes.

His opinion carries far more weight because he is always willing to talk about his early days as an adviser in the Eastern Cape when he over-committed to a new vehicle after he received his first significant payment. He was able to manage his way out of that personal debt crisis but many do not and, through that story, he demonstrates that he truly understands why.

Thirdly, advisers still play the role of an expert and mentor, using genuine examples to explain financial concepts. Forms and facts have a role to play in ensuring compliance with essential regulations but the means of conveying this critical information changes to help the client gain an understanding.

As part of this process it is important to understand what modern African financial wellness looks like. Try to acknowledge individual success stories and try to discover more of them. It is an approach that says that a financial solution is only relevant in the context of one person’s journey. It must make clients life goals achievable.

We hope that every financial adviser will take this to heart, and that right across the industry, we will see individual South Africans with life goals and hear their stories before we think of products and policies.

The art of STORYTELLING

What is effective communication, if not marketing itself but the dark art of storytelling?

Llewellyn Allen
Head of Brand
Metropolitan
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**OUR MANAGEMENT TEAM.**
GOLF IN THE WILD... the Emerald Skukuza Golf Challenge

Emerald Africa, in association with the South African Parks Honorary Rangers, recently hosted a golf day at the Skukuza Golf Course, which is situated in the middle of the Kruger National Park, in aid of the Air Wing of the South African National Parks.

The golf day was a one of a kind golf day. All parties who are involved in some way with the insurance and risk management of the Kruger National park all got together to donate money to keep the helicopters in the air – helicopters are used to fight rhino and elephant poaching. South African National Parks (SANParks) representatives gave all golfers a demonstration of the process when poachers are spotted in the National Park – this was really educational, although a bit scary of what life holds for the Game Rangers.

Companies who donated and who were part of the first ever Emerald Skukuza Golf Challenge were Emerald, AON Benfield, Marsh, Inniu, Indwe Risk Managers, AIG, Mirabili and Scor.

If individuals or companies would like to get involved in assisting in the cause, it is fairly easy. A helicopter needs two and a half barrels of fuel for each three hour flight, so every donation towards a barrel of fuel will assist in keeping the helicopter going. If this is something you can donate towards, please make contact with Emerald for assistance in getting to the right people.
Life’s not about what can go wrong, but what can go right.

And a lot can go right if you have the peace of mind knowing who you love is taken care of. That’s why Hollard created one-of-a-kind insurance products to help secure a better future for everyone, no matter their income level.

To learn how we’re ensuring better futures every day, visit hollard.co.za/betterfuture
Entries for The Insurance Apprentice 2018 close on Thursday 31 August 2017

While the 2018 Insurance Apprentice series’ planning and masterminding is well underway, we remind you that time is ticking and D-Day is fast approaching for the close of Insurance Apprentice entries, which is 31 August.

Enter now – it’s worth it

Don’t wait until the last minute to apply. In addition to promoting and recognising talent, the exposure provided by The Insurance Apprentice is immeasurable. As many of the previous contestants will agree, The Insurance Apprentice gives you the opportunity to challenge yourself, to grow on a personal and professional level and showcase what you are all about.

To top it all off the competition offers excellent prizes. This in itself is an invaluable opportunity, one not to be missed! The winner will fly to London, in business class, for a week to visit Lloyds of London; the winner will also receive a bursary valued at R75 000 from INSETA and the winner wins a cash prize of R20 000 from Masifunde Training Centre.

How to enter

If you missed the details this is how it goes… Visit http://theinsuranceapprentice.co.za/apply-2018/ and fill out your application form and submit it. Please make sure you read about the process before you enter and remember to send us your application before 31 August 2017.

If you are younger than 35, have been in the short term insurance industry (any part of it) for four or more years, and you preferably hold some form of short term insurance studies or qualification, then this is just for you. We are looking for young people who work in the short term industry, be it at a brokerage, insurer, underwriting manager, loss adjuster, administrator or anywhere else to enter this exciting programme.

Once entries close

Once applications close on 31 August, and the top thirty candidates are identified, regional rounds will take place during October in Johannesburg, Durban and Cape Town. If you have been chosen to go through to the second round, you will be notified mid-September.

For those candidates that make it through to the second round, elimination dates are as follows:
• Durban 5 October
• Cape Town 9 October
• Johannesburg 12 October

After the elimination rounds in Johannesburg, Cape Town and Durban eight apprentices for series four of The Insurance Apprentice will be revealed mid-November. Filming will take place from 7 to 12 January 2018. The series will be aired early 2018 via the FAnews and The Insurance Apprentice websites, YouTube and Facebook.

Our proud sponsors

From the beginning, the industry has embraced this initiative with open arms, and sponsors and supporters have jumped on board, armed and geared, to bring in fresh new talent into the industry.

In showing support we have a few sponsors who have already committed to The Insurance Apprentice 2018 – thank you Aon South Africa, FNB Insurance Brokers, Financial Services Board (FSB), Hollard, Innosys, INSETA, Insure Group, Lloyds of London, Marsh, Masifunde Training Centre, Price Forbes, Santam, Sasria SOC and Tracker for your support and sponsorship. Thank you to all the sponsors for supporting The Insurance Apprentice 2018.

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Don’t avoid risk. Manage it.

How do you earn the investment returns you need with the safeguards you want? The Investec Opportunity Fund has delivered dependable, inflation-beating returns since inception 20 years ago. By investing in a diverse portfolio of quality blue-chip names and across asset classes, it aims to minimise risk and maximise opportunity. Navigate the challenges ahead with the Investec Opportunity Fund. Don’t avoid risk. Manage it.

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Investec Fund Managers is a registered unit trust manager and does not guarantee the capital or return of the portfolio. Past performance is not a guide to future performance. Investec Asset Management is an authorised financial services provider.
However, surviving these traumatic events, for example, facing the day to day challenges of a disability and living with it may be a much greater drain on a client’s finances than dying from the illness or dealing with the loss of a loved one.

Without an insurance policy, death, disability or a serious illness could spell financial disaster for a client’s family and could hurt their financial future. However, money provided at the right time will ensure that a client’s loved ones are protected should the worst happen. This means security for them and added peace of mind for your client.

An all in one benefit
With the above mentioned in mind, Assupol recently launched a new product, Progress 4Life Plan, where a client can address his or her life cover needs.

With competitive benefits and premiums, funeral cover and a 100% cashback benefit every 15 years that can be added to the Progress 4Life Plan, this is an all in one triple winner for clients as it offers life cover (death, disability and dread disease) of up to R1.2 million.

Clients can also opt for the On-Call Plus benefit that is available on the Progress 4Life Plan. On the death of a life assured, the benefit amount can be used for instantGroceries™, airtime, transport or electricity. The value of the On-Call Plus benefit is that the instantGroceries™ benefit pays out to a cellphone within an hour, and can be used at any Boxer, Checkers, Pick n Pay or Shoprite countrywide. If instantGroceries™ are selected by the beneficiary, all the premiums paid for the deceased’s On-Call Plus benefit are also paid back.

More than 500 000 lives have been covered by this popular benefit since its launch less than three years ago.

Hassle free underwriting
The Progress 4Life Plan is an affordable life cover solution for clients who want substantial cover but also do not want to go for blood tests. It is a comprehensive and exciting product built around client needs with a simple underwriting process.

The underwriting process is hassle free and suited to people wanting to take out life cover without too much effort. Without the need for blood tests, eight underwriting questions are asked telephonically at a time that suits the client.

Tied agents and brokers have emphasised that they like the way the 4Life Plan complements the other two life cover products – the 4Sure Plan and the Legacy Plan. Service is the key to Assupol’s success and in keeping the support of advisers and clients; good support tools are available for advisers in the form of online tools on mobi.assupol.co.za.

The Assupol website (www.assupol.co.za) is an interactive platform that provides easy navigation and updated information on Assupol’s complete range of products and services. The aim is to assist clients, brokers and intermediaries to make well-informed decisions about their financial needs and goals.

It features several new elements, including a quick funeral policy quote, branch locator, a “call-me-back” service, testimonials, and the latest advertising campaigns – all aimed at optimizing the client experience.

Serving selflessly
Assupol Life is a proud insurer, with its roots firmly in South Africa since 1913. We provide products and services designed for South Africans, by South Africans and we pride ourselves in understanding what our people need.

We are proud of our dedicated and personal client service, which is based on our core value of treating clients fairly. Serving selflessly; with respect to all, with dignity and integrity and fulfilling the needs of those served.
WE PUT THE FINEST TOOLS IN THE INSURANCE BUSINESS AT YOUR DISPOSAL.

OUR EARS.

The best way to insure your High-net-worth clients is to choose an underwriter that understands their goals. There’s a lot of difference between listening and hearing, so we take the time to learn their needs.
The business was established in 1992 as Insurance Outsourcing Managers, and fast became known throughout the industry as IOM. This bit of history remains entrenched in the name of the head office building in Randburg, Johannesburg, still being called IOM House. This building has been the head office and home of the company since the beginning.

Choice service lines
In 2002 the company changed its name to Insure Group to clearly identify the grouping of three distinctive service lines, each with its own trademark and logo – premium collection services were known as Epic, broker acquisition services as InAdvance and the financing of annual premiums as Premium Credit SA.

A year of change
The Epic trademark and logo almost became an icon, with some clients still using this name although it was phased out when the company name was changed to Insure Group Managers in 2013. More of this history is visible in the head office building with the main boardroom, known as the Insure Suite, still displaying the original Insure Group logo. In 2013 the company adopted its modern corporate identity, combining all services under the identity of Insure Group Managers.

Heroes all the way
An enormously important ingredient of Insure Group Manager’s success is its people – many of them have been with the company for more than ten years.
One of them is Executive Director Diane Burns, who has been instrumental in designing different financial services the business offers. Looking back at where it all started in 1992, Burns is overwhelmed by the size and volume into which the company has grown. But at the same time, she also admits she could not have foreseen that the small beginnings would have turned out into such a phenomenal success.

It is clear that the promise of service excellence originated right from the beginning. Burns lightheartedly refers to a promise the small staff compliment made to each other that any phone call will always be answered within three rings – and this led to some interesting acrobatics across desks and chairs to make it happen. This small commitment very quickly became entrenched in the values of the business. With a staff compliment of almost 70 today, with regional sales offices in Cape Town and Durban, that service promise still holds strong with many clients that have been with the company for many years testifying to the exceptional service the business delivers.

When trying to put a measure on the phenomenal growth the company has experienced over 25 years, the natural tendency should be to look at numbers or a financial graph. But Job Mamabolo handyman and caretaker of the business has also been around throughout all of the 25 years and he has a different way of looking at it. He still remembers how, in the early days, he got to know the different clients and recognize them when visiting the head office. But now, he says, this is no longer the case.

Numbers are important and Financial Director Grant Davids wonders if the people who started this would have believed the tremendous growth that the company was about to experience over 25 years. Collection volumes have grown from about R50 million back in 1992 to about R15 billion today.

Building up

Many clients have been with the Group for more than ten years. This is achieved through fostering solid long term relationships, not only with clients, but also with the industry.

What is also important is that the company has also been actively involved with the industry throughout the years, supporting the various industry bodies and associations in their initiatives to constantly improve and enhance the industry. Insure Group Managers has over time not only established itself as a recognised and respected intermediary, but has also become an active participant and role-player within the insurance industry.

Today the company prides itself on being described by clients as a team that is always available and a generally exceptional team of can-do people; built on a basis of strong financial backgrounds.

Continuing upwards

According to Cilliers, “It is not about a number on a balance sheet or a progress report, it is a journey. The business engages clients on a journey made up of various facets and broken up into multiple conversations. This means sharing experience and authenticity to support the client in getting it right- because we actually care. And that is why we have clients staying with us- some even for 15 years and longer”.

The legacy built over a quarter of a century is value, passion, commitment and authenticity. That is what got the company to where it is today, and it is going to continue… continue to grow and grow again.
However, there is a silver lining around this dark cloud. In June 2016, media organisation The Economist reported that around 70 new cancer drugs are contributing to far better prognoses for cancer patients.

Doctors are also, for the first time, starting to talk about cancer cures rather than only talking remission. This new rhetoric is being driven by significant advances in technology, both within the medical field and outside of it.

Higher survival rates
Early diagnosis, made possible by advancements in medical technology and a well-informed symptom-spotting Google-generation, are also contributing to higher survival rates. Prominent individuals like Angelina Jolie, who had elective surgery to ward off her statistically high threat of breast and ovarian cancer, are also raising awareness.

The number of cases of cancer is continuing to rise. The World Health Organisation predicts new cancer cases will rise by around 70% over the next two decades and one in four South Africans will be impacted during their lifetime either directly or through a loved one being diagnosed. However, the instances of successful treatment are also increasing sharply.

Ensuring correct cover
What this means for financial planners is that ensuring every client has the right level of severe illness cover has never been more important.

Protracted treatment periods can deal a devastating blow to patients’ financial situation as they often have to stay away from work for extended periods while maintaining all their living expenses and covering many unforeseen costs.

We are deeply committed to ensuring that severe illness benefits remain affordable in light of the high cancer stats. Currently, more than 60% of severe illness claims admitted by the life insurance industry in any year are solely as a result of cancer.

In our current lacklustre economy, most people are finding it very hard to make ends meet, and it is imperative that they do not drop cover for something with such a statistically high risk.

This is why we have become the first financial services group in South Africa to innovate our severe illness offering to allow for an affordable cancer-only option.

Remembering the past
We need to remember that severe illness cover was the brainchild of Dr Marius Barnard. The brother of Dr Christiaan Barnard proposed the idea in the 1980s because he recognised that patients were struggling to cope financially during the treatment and recovery process.

Across the industry, the severe illness offering remained largely the same for three decades. However, it is necessary in light of very distinct claims trends to adjust how risk cover is packaged so it stays affordable. We must provide cover where it counts.

Not all cancers are the same
Unlike many tiered benefits that pay according to the stage of a cancer, Sanlam’s cancer-only benefit recognises that not all cancers are the same. For instance, while it would be suitable to pay 25% for stage one skin cancer, paying 25% for stage one pancreatic cancer will fall short of properly covering clients. As a result, Sanlam’s Impact range will pay 100% of the insured amount from stage one for specified aggressive cancers.

In designing the severe illness offering, we considered the impact of different cancers in order to make sure that when consumers are given more affordable options, they remain properly covered.

The cancer-only benefit also serves as an alternative for people who are not able to increase or acquire comprehensive severe illness cover due to other medical reasons. And for those with affordability concerns, cancer-only benefits provide a means to construct a more affordable overall package by combining comprehensive and cancer-only benefits.

Deon Theunis
Head of Distribution Support
Sanlam Individual Life
When it comes to your clients, there’s no such thing as too much information

Add value to your relationships and to your bottom-line by remaining relevant to your clients’ changing needs and life stages. Partner with Tracker to stay ahead of the game by making the most of the insights and knowledge we can provide as you navigate industry transformation. Call us on 0860 60 50 40 or visit tracker.co.za

To care is to protect.
A new era at Constantia Insurance Company

Constantia Insurance Company Limited (CICL), established in 1952 and celebrating its 65th milestone, will positively impact the insurance landscape of South Africa as it establishes itself as a key market player.

The company is proud of its dynamic, highly experienced and innovative team that brings a deep embedded insurance knowledge to the market place. Living by the ethos “Insurance made personal”, there are three things that set Constantia Insurance apart from its competitors and continue to drive the business forward and these are: its people, its continued agility and its simplicity.

Tailored solutions
Constantia offers clients the best risk tailored solutions for their commercial and personal requirements.

CICL’s products and services include:
1. Commercial products – designed to minimise the gap between insured perils and business risks;
   • SME products that keep small business in business
   • Commercial property insurance, agricultural insurance
   • Heavy commercial vehicle risk management solutions
2. Personal assets – protecting personal items that are important to clients
3. Short term Motor – adaptive, intuitive, innovative risk cover
4. Medical Expense Shortfall (GAP) cover – health cost security for clients and their families
5. Primary healthcare (low cost benefit options) – an industry standard for low cost healthcare
6. Medical indemnity – positively transforming medical malpractice insurance in South Africa
7. Guarantees – specialised and customised guarantee products
8. Funeral cover – innovative products to support wealth and asset preservation with funeral benefits
9. Group Life – credit enabler and capital preserver products to support businesses

We are committed to becoming a trusted brand whose responsive teams provide innovative insurance and risk solutions in niche markets.

Exciting new developments
A recent highlight is the launch of EthiQal, the only South African based comprehensive professional indemnity solution for medical practitioners.

Constantia Cares is another concept on the way. This aligns to our strap line “Insurance made personal”. Our strategy focuses on the concerns and risks of our clients so that we are seen to be making a positive contribution.

Constantia has also launched its first “Insuretech” platform called The Insurance Club (TIC). TIC has already been recognised by significant channel partners as a key enabler for their clients.

Our investment in this concept illustrates our commitment to building new platforms that make insurance more accessible, improves service capability and provides clients with choices to align cover to specific needs.

The company also has two more technology platforms underway and looks forward to exciting developments in this area.

Filled with dreams
Constantia Insurance is celebrating 65 years in business and we are looking forward to many exciting opportunities and innovations.

Our ten year picture is filled with dreams. We believe that we can be more than just an insurance product provider. We believe in an integrated approach to insurance and risk management which is applied throughout the value chain. This approach will add significantly more value than simply discounting premiums.

Volker von Widdern
Chief Executive Officer
Constantia Insurance
Meet the team at CONSTANTIA

Constantia Insurance, a company of people who seek out new ways of doing things, boasts a highly experienced and innovative team that brings their deep embedded insurance knowledge to the market place. The Executive team, under the stewardship of Chief Executive Officer Volker von Widdern, focuses on service excellence that is supported by the vast experience of executive members and talented support staff.
This however precludes a large sector of the South African population who are lower income earners and cannot afford medical scheme premiums. Umvuzo Health hopes to change this and is making significant strides in the industry. We spoke to Rx Health Group of Companies CEO, Heinrich Rix, to find out more about the scheme and its offering.

Q: Who is Umvuzo Health?

Umvuzo Health started in 2004 as a medical scheme that wanted to focus primarily on serving the needs of lower income earners. We had a vision in mind of trying to encourage financial inclusion and offer quality healthcare to a sector of the population that cannot afford it.

We started with a single product and grew from there. Every time we wanted to add a new product, our actuaries would need to apply their minds on how to structure the products, but we structured them accordingly.

A new dawn has come for Umvuzo Health. The company launched its new brand on 14 June and with it, renewed its commitment to the members it serves. The company is in a position where it can become a force to be reckoned with in society. At a time of radical economic empowerment, Umvuzo is ready to help achieve this ideal.

Q: How has the company grown over the years?

Somewhere along our journey, we felt a shift was required, one where we could remain true to our core values.

At the core of our business, Umvuzo Health is a people’s brand and it will continue to remain so. We are steadfastly committed to going the extra mile to make sure that Umvuzo Health’s members are taken care of in the best possible way.

Umvuzo Health has embraced the value of rewarding life and believes that all its members should, through their loyalty, prosper and be given the quality care that they deserve. This is being carried out through our network of brokers who we see as key business partners. They will be vital in Umvuzo’s future growth.

Q: How are lower income earners being catered for in the medical scheme market?

Despite initiatives aimed at creating affordable low-cost healthcare, medical schemes have remained inaccessible to a large majority of South Africans.

Umvuzo Health’s Activator Option is the first real low-income medical scheme option that includes not only the statutory Prescribed Minimum Benefits (PMBs), but also provides private healthcare cover. Previously uncovered lives can now access mainstream private healthcare. The Activator Option premiums start at R490 per month which is set to disrupt the industry and give comprehensive access to employees earning R3 850 or less per month.

Further, Umvuzo Health also reaffirmed its ongoing commitment to the members they serve. The company has expressed its intention to play a significant role in ensuring economic empowerment of members by expanding its product offering.

Financial inclusion is an issue that government has been working towards and promoting for a while now. If we are going to achieve this, we need significant buy in from all sectors of society; this victory cannot be won alone.

Medical care in South Africa costs a pretty penny. If a person is not a member of a medical scheme, they have to rely on the public healthcare system to cater for their medical needs.
SOUTH AFRICA’S MOST AFFORDABLE MEDICAL AID OPTION LAUNCHED

Umvuzo Health, the country’s leading restricted low-cost medical scheme, launched the all-new Activator Option during the unveiling of their exciting rebrand launch.

Re-branding and unveiling their new identity in June 2017 marks the beginning of a new journey with their members. A journey that offers more reward to life. A medical aid that goes the distance. A journey that reaffirms their steadfast commitment to their members.

With this commitment to their members, Umvuzo Health introduces the all-new Activator Option, which enters the medical scheme industry at an unbeatable R490 PER MEMBER, per month. This Option is rich in benefits, inclusive of private hospitalisation giving private cover to minimum wage earners. A long overdue solution. See the Umvuzo Health website below for all benefits included.

Both the new Umvuzo Health brand and the new Activator Option created great interest and a welcome relief for those earning less than R3 850 a month.

Umvuzo Health has embraced the value of rewarding life and believes that all its members should through their loyalty, prosper and be given the quality care that they deserve.

Like us on facebook at facebook/umvuzohealth for further updates.

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www.facebook.com/umvuzohealthmedical
www.umvuzohealth.co.za
One particular innovation is the development of personalised medicine to manage certain chronic diseases. A new era in medicine has just begun. Critical illnesses, for example, are being affected by advances and developments in technology and medicines.

Non-communicable diseases

The World Health Organization (WHO) has noted that the majority of deaths and disability cases worldwide are a result of chronic conditions. Chronic conditions, particularly non-communicable diseases, pose a large and growing health problem. These diseases include cardiovascular disease, type 2 diabetes, certain cancers, chronic lung disease and depression.

In 2004, a quarter of all deaths in the sub-Saharan Africa region were due to non-communicable diseases, and this is projected to increase to 46% by 2050.

Research reveals that 60% of mortality risk is driven by four lifestyle factors — smoking, poor nutrition, physical inactivity, and alcohol use — that fundamentally affect the way we approach the development of protection products.

An aging population also means that chronic diseases — such as cancer, diabetes and neurological diseases such as dementia — have become more prevalent. Personalised medicine could be applied to a wide range of chronic diseases.

The move to personalisation

Personalised medicine is a revolutionising way of separating patients into different groups or segments, based on their particular health situation. Medical professionals are then able target medicine at them more accurately in order to manage and treat their conditions more effectively. They are also able to tailor healthcare programmes for patients to help them manage their diseases.

It can also be used proactively as a way of avoiding certain conditions. This is accomplished by testing a person’s genes to find out which medical conditions they are likely to develop.

For example, if it is found that a person carries certain genes that are associated with type 2 diabetes, the individual can start making certain lifestyle changes to lessen their chances of getting this disease.

Traditionally, life insurers only measured a client’s risk once and then based all future premiums on the result. This resulted in clients paying a premium based on the average risk the insurer is covering. However, with dynamic underwriting, clients’ risk profiles are continually assessed to make sure their cover stays relevant and their premiums are in line with their risk.

Effectively, dynamic underwriting gives insurers the ability to gain more insights on how individuals are managing their health and wellness — and passing substantial value back to them for staying healthy.

There are already a number of Managed Care programmes that have been developed for individuals who have specific chronic conditions or illnesses, such as diabetes, HIV and obesity. These programmes are tailored to support an individual’s health needs, enabling them to enjoy a personalised journey to better health.

This allows clients to link their Managed Care programmes to their life plans, providing them with dynamic underwriting and significant rewards for managing their conditions. Clients are able to reduce their health loading, meaning lower premiums based on the state of their health.

Personalised medicine will lead to more involvement of patients in managing their therapy and tracking their activities during and after treatment.

Reaping significant rewards

The result is that individuals who would have traditionally been considered a high risk now have the ability to get comprehensive life insurance, improve their health, and pay lower premiums over time.

Apart from the health benefits that clients receive from this, they can also get valuable financial rewards.

Gareth Friedlander

Head of Research and Development

Discovery Life
Don’t let your professional indemnity fall over the edge.

It’s all about reputation. Which is why it’s so important to ensure your clients have the right cover. With over 25 years of specialist Professional Indemnity and Broad form Liability insurance expertise, Leppard Underwriting ensures their business is in safe hands.
Distribution of assets
ON THE DEATH OF A MEMBER

Some time ago we posed the question; what happens to a member’s pension fund assets should he or she die before he or she retires (FA News April 2013).

As a general rule everyone is free to decide what happens to their assets when they die. They can make their wishes clear in his or her will. This is not true with pension fund assets.

A subject rarely pure

Once a member dies an executor is appointed. The member can nominate his or her executor who will distribute his or her assets in terms of the Will, under the supervision of the Master of the High Court. If the member does not have a Will, his or her assets will be distributed in terms of the common-law of Succession.

The member can nominate a beneficiary in terms of a life contract in which event the policy proceeds go directly to the nominated beneficiary and not via the member’s estate or administrator (Pieterse v Shrosbree NO and others; Shrosbree NO v Love and others 2005 (1) SA 308 SCA).

If the member dies insolvent, matters are more complicated. The matter was governed by SS39 and 41-44 of the now repealed Insurance Act 27 of 1943. Aspects of these sections were declared unconstitutional in Brink v Kitshoff NO 1996 4 SA 197 CC. Section 63 was a new section in the Long Term Insurance Act (LTIA) which turned out to be incomprehensible and was recently revised but has not really solved the matter of life insurance and insolvency. As Justice Ponnan put it, relying on the playwright Oscar Wild this “is a subject rarely pure and never simple”.

Complicated matters

Assets held in retirement funds are governed by the much utilised S37C of the Pensions Fund Act 24 of 1956. This provision states:

- S37(1) Notwithstanding anything to the contrary contained in any law or in the rules of a registered fund, any benefit… shall … not form part of the assets in the estate of such a member, but shall be dealt with in the following manner:

How the assets are disposed of is thus governed by the Pension Funds Act and not in terms of the normal law of succession. As a rule, the responsibility to decide what happens to your assets rests with the “trustees” of the retirement fund. Fifty per cent are elected by employees with the balance being appointed by the employer. “Trustees” are not professionally trained to be "trustees". Generally they do not have the knowledge, skills or training to make the decisions they are required to make. This may not be a fatal flaw if trained pension fund administrators existed. The current system is sub-optimal.

The first subsection which was amended in 2013 reads:

- 37(1)(a) If the fund within twelve months of the death of the member becomes aware of or traces a dependant or dependants of the member, the benefit shall be paid to such dependant or, as may be deemed equitable by the fund … to one of such dependants or in proportions to some of all such dependants.

Dependant is defined as a person whom the member is liable to maintain, and a person whom the member is not liable to maintain; a spouse and a child of the member. The Pension Fund Adjudicator ruled some time back spouse does not necessarily mean married to.

A few assumptions

At a first glance this section may appear benign but it is not. Assume as is often the case the member wishes to leave his or her entire retirement assets to the surviving spouse. This section does not recognise this but leaves it to the fund that is the “trustees”, to decide. Let us take a few hypothetical examples.

Assume a husband was having an affair which produced an illegitimate offspring, the existence of whom is unknown to the surviving wife. The husband paid a small sum of money each month to his second family but made no provision for this second family in terms of his will. What is the position in this case?

A dependant is defined in the Pensions Fund Act to include ‘a person in respect of whom the member is not legally liable for maintenance if such person is a child of the member, including… a child born out of wedlock.’ So the “trustees” can order some of the retirement assets be paid to the illegitimate child. The definition of a dependent includes a person ‘in fact dependent on the member for maintenance’. The second family was in receipt of a monthly payment.
Clearly the provisions in the Act are far wider than the position if left to the common-law.

What happens if the member had nominated a beneficiary? This is dealt with in terms of S37C(1)(b) which reads:

- If the fund does not become aware of or cannot trace any dependant of the member within twelve months of the death of the member, and the member has designated in writing to the fund a nominee who is not a dependant of the member, to receive the benefit or such portion of the benefit as is specified by the member in writing to the fund, the benefit or such portion of the benefit shall be paid to such nominee: provided … This sub-section applies if the fund is not aware of any dependants (as defined in the Act). If the fund is aware of the existence of dependants then subsection (1)(a) applies. This subsection also does not apply if the person nominated is a dependant.

The Act continues to S37C(1)(bA) the relevant portion of which reads:

- If a member has a dependant and the member has also designated in writing to the fund a nominee to receive the benefit or such portion of the benefit as is specified by the member in writing to the fund, the fund shall within twelve months of the death of such member pay the benefit or such portion thereof to such dependant or nominee in such proportions as the board may deem equitable: … Provided this paragraph [does] not prohibit a fund paying the benefit, either to a dependant or nominee contemplated in this paragraph or, if there is more than one such dependant or nominee, in proportions to any or all of those dependants and nominees.

So if the member has a spouse (defined in the Act as a dependant) and has nominated that dependant as the beneficiary of the pension fund assets then the fund shall, within 12 months of the death of the member, pay the benefit to the dependant (spouse). However, the fund still retains discretion to distribute the funds ‘in proportions to any or all those dependants and nominees.’

It should be clear these issues are complicated as S37C continues with a number of further sections.

Managing processes

In reality the trustees are not trained or knowledgeable in these matters, to make the decisions the Act assumes they are capable of making and are called to make.

An overwhelming case can be made and is indeed made for the training and appointment of professional fund administrators trained in these matters to correctly advise trustees on this complex process. The common law position, based on property rights is much clearer. The Act should as a point of departure conform to the common law position.

Note from Prof Vivian:

- The issue is a bit complex the reason why I never did a follow up on the 2013 Article. Albert lectures this section and reminded me of the omission.
- I felt obliged to write this for the sake of his students.
- It is probably easier to understand by looking at some recent determinations on the issue.
- I think there should be professionally trained administrators to deal with this
Some of these are set to move quite quickly since the Financial Sector Regulation Bill was passed by the National Assembly on 22 June, and the Financial Services Board (FSB) has recently said that implementation will start taking effect in 2018.

Paving the way
This in turn paves the way for the implementation of the Insurance Bill which will replace certain elements of the existing Short Term and Long Term Insurance Acts and provides the framework for oversight of the insurance industry by the Prudential Authority (PA).

The balance of the two acts will eventually be incorporated into the Conduct of Financial Institutions Bill.

There have been some moves on the Insurance Bill as National Treasury and the FSB made representation to Parliament on 12 May to discuss changes. A copy on the FSB’s website makes for some interesting reading and there are certain elements that insurers need to be aware of.

Framing the changes
The first provides an overview contained in para 10.2.1 in the Memorandum on the objectives of the Insurance Bill:

The Bill is drafted as framework legislation. It is enabling or empowering (and should be in respect of the new solvency regime)… It provides for the basic or minimum issues and powers necessary to regulate insurers, and delegates the power to make secondary legislation and other authority to implement and enforce the Bill to the Prudential Authority.

It may be described as a skeleton form to which flesh is to be added by secondary legislation. The supervisory, regulatory and regulatory action powers afforded to the Prudential Authority under the Financial Sector Regulation Bill, 2015, complements the Bill.

We are already seeing some of the proposed regulations in the form of Financial Soundness Standards for Insurers (FSIs) and Governance and Operational Standards for Insurers (GOIs).

New submissions
The second thing that most are aware of because it has been part of the Solvency Assessment and Management (SAM) framework QIS submissions are the new classes of business.

The Insurance Bill in Table 2: Classes and sub-classes of Insurance of Business Non-Life Insurance makes provision for 41 classes and sub-classes of business, and two classes in the reinsurance category.

This has major implications on operational issues, not least of which are systems and reporting. There will also be costs involved, although in some respects a lot of the supporting work will hopefully have been covered in preparing for SAM.

It should also be noted that the proposed classes of business do not necessarily correlate directly with those used under SAM.

Non qualifiers
The next point is that of relicensing. The Insurance Bill, Schedule 3 paragraph 6, makes provision for the Prudential Authority to have all existing insurers relicense under the Act within two years of the effective date.

They in turn have two months from the effective date to issue guidelines on the process to be followed.

This is an important issue as it is expected that under the new regime certain insurers potentially will not qualify to write certain classes or sub-classes of business if they do not currently have enough business.

PA powers
Sub-paragraph 4 goes on to deal with what happens if the PA does not grant a license in respect of all the classes and sub-classes similar to the lines of business the insurer has been conducting.

If the insurer is not licensed in certain classes or sub-classes, the PA can then either instruct the insurer to:
• discharge its obligations;
• ensure the orderly resolution of the business; and/or
• transfer the business to another insurer.

This must happen within six months of relicensing, but implies that not all insurers will necessarily be guaranteed licenses that correlate with what they currently enjoy.

There is work ahead but it should be an interesting time providing plenty of opportunity.
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Risk can also be a strategic asset. Advances in the use of risk transfer through reinsurance as a means to efficiently manage capital management are allowing insurers to free up capital for growth.

**Define the absolute**
Growth is often an absolute for investors. The question is how to achieve it, and whether the best strategy is simple organic growth, expanding the footprint into new territories.

Other options are mergers and acquisitions or simply shifting business out of an underperforming segment and into more profitable lines of business domestically.

If expansion is needed, so is capital, and here insurers can make use of the risk they have taken on. They can, for example, monetise future profits of a long term book of business through a so-called value in force monetisation. Generally, the technique transfers the underlying risk through a reinsurance agreement, and the expected future profits are paid out in the form of a reinsurance commission.

When the best option is to sell the business altogether, a stumbling block for a potential investor may be that they do not have the knowledge or capability to manage the underlying risk – even if other parts of the assets could be of interest.

In such a case, building a risk transfer into the sale can be used to offload the risk portion to a reinsurer and hence dress the bride to make the sale more attractive to the equity partner.

**Getting volatility out**
Volatility is the enemy of any long term investor, and at the same time, it is a simple fact of life in the risk business. The techniques for managing large peak-volatility scenarios are well-known: reinsurance and the capital markets in the form of insurance-linked securities being the most popular. These solutions work well for well understood events that occur at a given point in time, such as natural catastrophes or pandemics.

However, larger than expected losses need not happen with a bang; social trends, legal norms and financial markets undergo long term change and these can creep into insurance portfolios.

The long term impact of smoking trends is probably the most famous example. Adverse developments can affect reserves and lead to increased claim amounts and losses having to be paid out earlier than expected. Because insurers need to set reserves against their expected losses, adverse development can become a huge headache and create substantial risks.

A potential solution here is to combine an adverse development cover, which limits the increase of the reserves, with a loss portfolio transfer, which takes care of the investment and timing risk.

**Accumulation**
In recent years, the accumulation issue has grown in line with an increasingly globalised world. The catastrophic losses incurred by the Thai floods in 2010 are prime examples of how global supply chains can trigger massive business interruption claims.

Here, risk transfer is often not the only answer. Tools are needed to develop accumulation scenarios, assess maximum potential losses in portfolios, and monitor accumulation processes and forward-looking models. Once the full picture is understood, it is possible for risks to be diversified and pooled together within a risk-transfer portfolio that can be placed with the reinsurer. This holistic approach keeps the portfolio attractive and the reinsurance rates low.

The above examples only scratch the surface of the interplay between risk and efficient capital management. It is an area where solutions go beyond out-of-the-box risk transfer and require strategic vision and expertise to implement.

However, the door is open for insurers to do more with risk and to employ it as strategic asset.
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Climate change is altering weather patterns and causing an increase in the intensity and frequency of adverse weather conditions. With this, insurers are required to reflect on their risk appetite and models and determine how to underwrite the additional risks that climate change brings to the covers they provide.

According to Otto-Mentz, there are two broad categories of climate risk: long term changes, such as rising sea levels and desertification and short term changes, such as an increase in the frequency and severity of extreme weather events (droughts, floods, wildfires and cyclones), which pose immediate risks to lives and asset owners as well as impacts the short term insurance sector.

“In many African cities with rising populations, these risks are compounded by a lack of institutional and individual adaptive capacity. The protection gap on the continent, given the low levels of insurance penetration i.e. the risk covers purchased for natural catastrophes outside of SA, is less than 1% of GDP outside SA. This leaves people and assets exposed. These factors combined are likely to expand economic losses in terms of property damage, business interruption and...
Unpacking the risk and implications of it crop failure for example,” she explained.

“South Africa has indeed experienced some extreme weather events over the last few years, most recently being the extreme weather in the Western Cape and the tragic forest fires that stretched along the East Coast of our country,” said Soul Abraham, Head: Commercial Lines, Commercial, Personal & Distribution at Old Mutual Insure.

Otto-Mentz adds, “This, combined with the size of human populations living in vulnerable areas (e.g. Cape Town’s exposure to winter storm and drought) presents challenges for cities and towns to address. Furthermore, extreme weather events tend to exacerbate existing vulnerabilities such as low economic growth, hunger, and water availability.”

The key, according to Otto-Mentz, is for asset owners and risk managers to better understand the risks they are exposed to; and focus on the actions that can reduce the potential for loss through increased preparedness.

Relevant data will be needed at each point of the risk management continuum from risk identification through management to risk transfer through to the purchase of an insurance cover. “If societal understanding and data availability does not keep pace with the risk development, or if the loss exposure results in a premium that the market cannot bear, you will find the insurance offers of risk covers retreating from the market. This is evident in areas of the USA where flood or hurricane covers are not available in the market in certain high exposure, high frequency areas - a situation that is not ideal.

“In order to stay competitive the short term insurance industry needs to stay abreast with the current state of climate change. This will require an understanding of how to measure risks and may also shed light on opportunities to mitigate some of them,” emphasised Abraham.

Abraham says to take into account the risks posed by climate change requires not only an understanding of the historical experience and how it has changed but more importantly an understanding of how these changes could affect experience in the future. “Key to addressing these challenges is being open and accepting of the value that new technology can offer the insurance industry,” he said.

Society’s risk managers

“As an industry we need to continue to work with our clients to help them manage their exposure to the risks posed by climate change. This can happen in many forms from appropriate product design and packaging, advising on appropriate insurance cover to take out, sending out electronic warnings to our clients if there is a strong risk of hail, to on-site visits by our surveyors and brokers to discuss risks and the possible mitigation opportunities with our clients,” emphasised Abraham.

“As insurers it is very important to ensure that the risks posed by climate change are managed internally. Key to this process is ensuring that we understand the risks faced by each of our clients and using this knowl-

edge to set up appropriate reinsurance agreements so that when extreme climate events do occur we can respond confidently and protect our clients,” continued Abraham.

“The short term insurance industry should also ensure that the products sold and advice given meet client’s reasonable expectations and provide them with the information they need to make an appropriate decision on the appropriate level of insurance cover to choose,” said Abraham.

A collective to carry risk

Otto-Mentz emphasises that Santam believes in a good and proper response to climate change, one that includes working with others to address the systemic risks climate change presents as well as adapting their own risk solutions and offers to the market.

To this end Santam is a member of ClimateWise, the global body of insurers who are working to address climate risk, and recently submitted their 7th return of progress against the ClimateWise principles during July.

Like Otto-Mentz, Abraham believes there is definitely a strong incentive for collaboration. “Its key value is that it can allow access to specialist skills in important areas where specialist skills would otherwise not be available. This allows us to focus on the areas of insurance where we excel while still being able to leverage off of specialists in any other key area where we cannot specialise.”

This aside, Otto-Mentz believes the insurance sector as a whole can contribute to the societal response to climate change by using resources responsibly and partnering with others to prepare communities for extreme weather by being risk aware and taking steps to reduce exposures to flood, fire and storm risk on the ground. This includes putting measures in place to respond to disasters, for example, flood defences, better building plans, GIS flood risk mapping and ensuring financial protection is adequate.

Santam is making a contribution in this regard through the Santam Partners for Risk and Resilience in partnership with the Department of Cooperative Governance where ten district municipalities and 53 local municipalities will benefit from the programme over the next five years.

Abraham believes by innovating and streamlining the internal processes, insurers should be able to offer solutions to their clients at competitive prices, and as such, maintain a good value proposition. •
A n Underwriting Manager (UMA) under the Long term Insurance Act (LTIA) and the Short term Insurance Act (STIA) is defined as a person that performs one or more binder functions. If that person renders services as an intermediary:

- In terms of the LTIA: does not perform any act directed towards entering into, maintaining or servicing a policy on behalf of an insurer, a potential policyholder or policyholder;
- In terms of the STIA: does not perform any act the result of which is that another person will or does or offers to enter into, vary or renew a policy on behalf of an insurer, a potential policyholder or policyholder; and renders those services on behalf of an insurer only.

As per the definitions above
In terms of the LTIA and STIA, an insurer may only allow another person to perform binder functions on behalf of that insurer in terms of a written agreement and in accordance with the Acts and Regulations.

A UMA is therefore created through a binder agreement with an insurer in terms thereof whereby binder functions are performed on behalf of an insurer. A UMA with no binder agreement is not a UMA as per the definitions set out above.

If a UMA already has a binder agreement with an insurer and wishes to enter into a binder agreement with another insurer in respect of the same class of policies, both insurers must agree in writing to the new binder agreement being entered into before the UMA enters into the binder agreement with the new insurer.

Legalities in changing risk carriers
If a UMA no longer wants to perform binder functions for a specific insurer, the UMA can cancel the binder agreement with that insurer.

In terms of the LTIA and STIA Regulations, the binder agreement must provide for a termination period of at least 90 days that will allow the UMA and insurer to comply with any legislative requirements relating to the policies and for the transfer or sharing of all records in respect of the policies.

The insurer must, 60 days before the expiry of the termination period, inform the Financial Services Board (FSB) in writing of the date on which the binder agreement will terminate; of the reasons for the termination of the binder agreement; how the policies will be dealt with and how any legislative requirements relating to the termination of the binder agreement or policies will be complied with.

Policies after the termination
The policies are generally not affected by the termination of a binder agreement, other than the fact that the binder functions with respect to those policies will be performed by a new binder holder or the insurer.

As the UMA cannot render services as an intermediary directed towards entering into a policy by an insurer, a potential policyholder or policyholder, the UMA cannot intermediate the entering into policies between the new insurer and policyholders.

In some instances the insurer and UMA agree that if the UMA terminates the binder agreement, the insurer will transfer the policies to the new insurer for which the UMA will be performing binder functions.

Sometimes the old insurer terminates the policies when the binder agreement is terminated as the insurer can no longer service the policies.

This would be an opportunity for intermediaries of the new insurer to contact these policyholders to market the new insurer’s policies with respect to which the UMA will perform binder functions. It is also possible for intermediaries of the new insurer to contact the policyholders and render a financial service that result in a replacement.

The consent of the policyholder is required for the cancelation of the old policy and the taking out of the new policy and the replacement process would need to comply with the relevant regulations.

UMAs changing RISK CARRIERS

Juanita Moolman
Head - HAD Legal, Risk and Combined Assurance Hollard
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FAnews spoke to Origin Financial, a brokerage from the Western Cape to discuss some of the key lessons learned from the Knysna Fires.

**Q** What were some of the key lessons learned from the Knysna fires?

“The devastation of the Knysna fires made the broker community realise a number of very crucial things,” said Marius Bezuidenhout, Director at Origin.

“It made brokers realise that clients are very dependent on the accuracy of advice from their broker. It further became clear that it is sometimes necessary for good brokers to insist on their clients selecting the correct cover, which is not always the cheapest option. Finally, it is scary to realise that a claim may present itself in a blink of an eye, and very seldom in the way that one may ever imagine.”

“The Knysna fires have really brought home the awareness of risk management and proper advice by brokers,” said Tim Timmerman, Insurance Portfolio Manager at Origin. “CEO of Bryte, Edwin O’Neill came to George with feedback of the claims. They estimate that 30% to 40% of the clients are underinsured. I assisted a Loss Adjustor on some claims and saw the difficulty in explaining to a client that he would not get the actual replacement value for his home and content. As a broker, it is thus important to give your client the most accurate advice on how their home and contents should be insured.”

**Q** Once the fires started, what was the role of the broker?

“We have found that brokers reacted differently to the fires in respect of the roles that they played,” said Bezuidenhout. “One of our directors made the effort to visit the area along with some of our brokers. They provided assistance to a large number of our clients, but also to other victims by just being there, offering real-time assistance, and being the face of hope.”

“People need to realise that they need to focus on risk management, not only on insurance,” said Bezuidenhout. “Insurance only forms a part of effective risk management. Choose an insurer and a broker who understands the difference between insurance, and risk management. The difference became very clear during these last events, and people would want to rethink their risk management position going forward.”

“I agree: the importance of risk management and good advice was definitely thrust into the spotlight and those clients who had adequate policies that responded will forever remember this aspect. Tragedies such as this either draw people together or force them apart,” said Timmerman.

**Q** How does an event like this show the value of insurance and highlights the importance of risk management?

“This gave us the opportunity and privilege to be part of a community drive to manage the crisis and to provide assistance. For once we had the opportunity to model a very compassionate side to our clients, through the face of our friends on the ground, and to show them that risk management is not only about selling insurance, but also to care for our own, and demonstrating our commitment to our clients,” said Bezuidenhout.

**Q** What role does the broker play in rebuilding after the fires are gone?

“The main point is to keep an eye on making sure that relationships across the value chain (client/insurer/contractors/suppliers) are maintained and kept as smooth as possible until you have complete replacement or reinstatement of the client’s property. It is also critical to help with the risk management review not only on making sure that correct advice is given on the new property, but also to help and guide clients on methods and give practical solutions to mitigate and manage their risk in reducing or removing potential future catastrophic reoccurrences,” said Bezuidenhout.

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THE HUMAN SIDE OF INSURANCE

Risk management has become a very important topic in the financial services industry as our daily lives are becoming more influenced by risk.

The recent violent storms in the Western Cape and the devastating fires in Knysna are prime examples of why risk management forms a critical part of the insurance value chain. FAnews spoke to John Melville from Santam, Hennie Nortje from Old Mutual Insure and Cloud Saungweme from Bryte Insurance about the role that risk management plays in the insurance industry.

Knysna fires by the numbers

- It is estimated that about 4 000 people were displaced by the Knysna fires. Nearly 10 000 residents were evacuated during the fire.
- Initial estimates have been that the damage from the fire amounts to about R4-billion.
- Alexander Forbes has already noted claims amounting to around R22-million relating to the fire.
- Outurance has already seen R200 million in claims relating to the fire.
- The claims that Santam has seen coming through thus far are worth well above R100 million.
- Almost 50% of the losses in the Knysna Fires were uninsured.
- The Western Cape Government has earmarked R75-million for rebuilding Knysna.

Old Mutual Insure: small actions, big support

While the main activities of insurers come into play during claims stage, it is the small things that insurers do that often make the difference.

Nortje pointed out that Old Mutual Insure’s key priority was to register and process all claims as soon as possible so that people could get back to rebuilding their lives.

“Due to the widespread damage and the devastating nature of the fire, we opened a temporary office in Knysna to assist customers. We also took extra steps to make the claims process for those affected by the Garden Route fires as easy as possible,” said Nortje.

He added that a dedicated centralised claims e-mail facility was established and that the company dispatched a catastrophe van to support the team in Knysna with the fast and efficient submission of claims. This included non-motor assessors, motor assessors, a quantity surveyor, regional customer relationship managers, local assessors and Old Mutual Insure panel suppliers.

Immediate access

“When disaster hits, immediate access to emergency funds is vital. To provide some respite for affected parties, Old Mutual Insure made an immediate preliminary payment of R10 000 on registration of claims above R10 000. In addition to the interim claim related initiatives, various areas within Old Mutual Insure – including employees – came together to donate in over R700 000 to Gift of the Givers who distributed contributions to the affected families,” said Nortje.

He added that in the near future Old Mutual Insure will be looking into benchmarking its wildfire responses to the likes of California and Australia which experience these kinds of disasters more frequently than South Africa.

Hennie Nortje
Executive for Claims Centre of Excellence
Old Mutual Insure
Santam manages to attend to the immediate needs of its clients before the weekend after the fire started. Santam also made interim payments to clients to facilitate their immediate requirements while the assessments were being finalised.

Sometimes it is the small things that count during times of crisis. Affected people need to know that they are going to survive and that the sun will come up in the morning. The assistance offered by the insurance industry beyond paying claims is a testament to the trust that industry participants want to build with their clients every day.

John Melville
Executive Head: Risk Services
Santam

Geo mapping is a key risk management technique that is predominantly used by reinsurers to establish trends when it comes to disasters. However, during the Knysna fires, insurers also cashed in on the techniques value.

“In the Knysna fire case, Santam used surveys and geo mapping to review risk profiles. Once we had a good idea of the extent of the fires, we could map where our clients were and whether they may have been impacted by the fires,” said Melville. He added that Santam could proactively identify some of its clients and that helped the insurer to respond quickly to the catastrophe.

“As soon as our internal processes showed us that this could be a catastrophe, we implemented our Catastrophe Measures triggering the execution of our Standard Operating Procedures (SOP’s) that have been developed over the years from our past experiences of such events,” said Melville.

SOP’s defined
Melville added that these SOP’s detailed how the rules would be applied and how we would react to the requirements to ensure that Santam serviced its clients in the best possible way.

“Our goal is always to create certainty with clients as soon as possible after the event, and to ensure that we have staff and suppliers at the location as soon as possible,” said Melville.

In respect of the Southern and Eastern Cape fires, Santam’s field office was up and running within 24 hours and the insurer managed to attend to the immediate needs of its clients before the weekend after the fire started.

Bryte digs in deep

Imagine an industry that is relatively at peace; an industry that deals with the usual ratio of claims - claims that it is well equipped to handle within reasonable time frames.

Now imagine an event striking where, in the blink of an eye, clients and communities face total devastation literally overnight. A situation where the combined might of a company is stretched to the limit and is severely tested as it goes about the tough task of dealing with claim after claim that falls on their desk.

These were the situations that dawned on the insurance industry within a matter of a few days as the Knysna fires and Western Cape storms battered the country.

Cloud Saungweme, Chief Claims Officer Bryte Insurance, shared their company’s actions in the immediate aftermath of what was hopefully a once in a lifetime event.

In the blink of an eye
The recent Knysna fires were a tragic reminder of just how quickly and severely things can go wrong. Amidst the sheer devastation, it was immensely encouraging to watch businesses and individuals come together to offer support to the victims.

“What also made Bryte feel very proud was how quickly the company and its employees rallied together to do their bit to help customers and the wider Knysna community,” said Saungweme.

Bryte immediately assembled a cross-functional response team to prioritise affected customers, these included Bryte claims and customer service employees, brokers and loss adjusters.

(Continued on p48)
Three members of Bryte’s executive team flew down to Knysna to provide on-the-ground support and assurance to those impacted by the blaze. Both en route to and on arrival in Knysna, the devastation and impact were palpable. Dozens of homes had been razed to the ground and thousands of people had been displaced.

Fruity engagements
Edwyn O’Neill (Bryte CEO), Chris Grieve (Executive Head: Broker Distribution Bryte) and other members of Bryte met with some of its customers and had very fruitful engagements with brokers and the Knysna Tourism Board (KTB).

During a catastrophe such as this, expediting claims is certainly a priority. However, so is a personal response from insurers as well as face-to-face interaction with those affected. Thirty-six goodwill payments of R10 000 were provided to Bryte customers to assist them while their claims were being processed.

Bryte also adjusted requirements and turnaround times to accommodate special circumstances which included waving the need for upfront documentation in situations where it just was not possible.

Four legged victims
As animals in the area were also severely impacted by the fires, Bryte paid a visit to the Knysna Animal Welfare where water and cell phones – for workers who had lost everything – were donated.

Furthermore, as tourism contributes to approximately 70% of the region’s economic activity, Bryte assured the KTB that the company would continue to partner with its hospitality customers in the area and support them in rebuilding the industry.

This was demonstrated through the interim payment of R100 000 within three days of submitting a claim as well as a commitment to continued collaboration and information sharing between Bryte and the Board.

Response strategy
Bryte also met with 35 broker partners and five loss adjusters, presenting its combined disaster response strategy.

Response strategy
Bryte also met with 35 broker partners and five loss adjusters, presenting its combined disaster response strategy.

Cloud Saungwemem
Chief Claims Officer
Bryte Insurance

Going the extra mile...

Personal tragedy is an unavoidable reality of life. There will come a time when we will face the loss of a loved one or another life changing event which will leave those affected distraught and unsure of what to do next.

Realising this, the Financial Planning Institute of Southern Africa (FPI) sounded a call to arms which was answered by many Certified Financial Planners (CFPs) who will be offering free financial advice for a three month period to those affected by the disastrous fire.

Commenting on this, Godfrey Nti, CEO of the FPI, said “Many families have had their homes destroyed and their lives severely impacted by this disaster. We believe that financial planning is a key part of recovering from such a disaster. We would therefore like to offer our support to help victims in the affected areas re-build their lives both near and long-term.”
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Today’s business assets have changed dramatically. But while their form may be less physical, their value is no less important.

**Important shifts**

Given this shift from tangible to intangible assets, accompanied by an increasingly legislated, complex, and technology-driven business environment, the commercial insurance industry certainly has its work cut out for it. At the beginning is the need to fundamentally transform the type of cover it provides to organisations, as well as the way in which it provides that cover.

This is not a small ask of the South African insurance industry, particularly given the dynamic and fast changing nature of business in the country.

For one, as the South African business environment becomes increasingly focused on customer-protection legislation and organisations adopt customer-centric business models to ensure compliance, the likelihood of very costly litigation defence down the line is increasing exponentially.

While such customer focus is undoubtedly a good thing for businesses and their customers, few organisations have historically focused so intently on putting their customers at the very centre of their business models.

**Shifting goalposts**

Recent customer-biased business legislation, which ranges in focus from Treating Customers Fairly (TCF) to the protection of personal data, has shifted the goalposts for many of these businesses.

And while changing to a customer-centric business model is likely to increase their sustainability and profitability, it also puts them at increased risk of lawsuits if they get it wrong.

Since this is new risk territory for many companies, commercial insurers have a responsibility to take the lead in terms of ensuring that their clients are adequately protected.

**Changing face of business**

Then there is the changing face of business as a whole, and the host of unforeseen and often unprotected consequences this transformation can have for companies.

Quite apart from the growth in numbers of purely online businesses, the vast majority of so-called bricks and mortar organisations today have to adopt highly technology driven operating models if they want to remain competitive.

While this technology can range from relatively risk-simple, such as secure cloud-based data storage to the highly risk-complex, such as the use of drones, they all bring with them inherent risks that would probably not even have been considered by companies a decade or two ago.

The extent of these risks is such that it is no longer enough for the management of a business to make them the problem of an IT department.

**Third shift**

The third fundamental shift in the way businesses work needs to be covered and relates to their employees.

As much as customers are enjoying increased legislative protection, so too are employees. The labour market today enjoys significantly higher levels of legal protection than has been the case in the past. And the way people work is also changing dramatically with tele-commuting and home-based employees increasingly becoming the norm.

This evolution of the employment environment also brings an entirely new set of data security and litigation risks to bear on businesses as employers, few of which they have had to consider in the past.

All of this demands the delivery of bespoke insurance solutions that are tailored to the unique requirements of each business client. Further, insurers need to offer maximum protection, not only against the possibility of litigation by customers, employees or competitors, but also against any potential loss of value of their vitally important intangible assets.

Raveen Maharaj
Head of Broker Channel
Nedbank Insurance
The world, for example, experienced the impact of the WannaCry Ransomware malware attack on Friday 12 May which saw over 300 000 computers in 150 countries affected.

The WannaCry ransomware computer worm targets computers, encrypting data and then displays a “ransom note” demanding payments of around $300 in bitcoin within three days, or $600 within seven days from the user. Even though there is no guarantee of the release of the unique encryption code, failing to make the payment results in the data being permanently unretrievable. It is considered a network worm because it also includes a “transport” mechanism to automatically spread itself. This transport code scans for vulnerable systems, then gains access, installs and copies itself.

When businesses understand how these events occur it becomes a little bit easier to implement preventative strategies.

Growing trends
Today, trends show that attackers use less automated attack vectors. The focus has shifted to social engineering at scale.

By definition, social engineering is an attack vector that relies heavily on human interaction and often involves tricking people into breaking normal security procedures.

Social engineering campaigns have evolved significantly. They are very sophisticated with attractive credible lures with Business Email Compromise (BEC) being the mode of distribution.

At the end of 2015, BEC comprised less than 1% of the attack tactics/ vectors, but by the end of 2016 BEC made up 42% of the tactics. BEC accounts for billions of losses to businesses across the world as per various quarterly reports.

Projections for BEC into the latter half of 2017, in terms of their targeted victims, is to move downstream - meaning not focused at large corporates only but to include Small, Medium and Micro Enterprise (SMME) business.

The human factor
Social engineering is the predator and the human factor is prey.

The intent of cybercriminals using ransomware determines the methods used for distribution of the malware payload. As long as the goal is revenue generation, the e-mail route or channel will remain the distributor of choice when compared to using ransomware as a tool for disruption and destruction.

The click of a mouse by the end-user fires-off the initial attack activation when accessing compromised mail that contains the malware payload. Even though end-points can be patched “patching” to eliminate the vulnerability which the malware exploit, the human factor remains the challenge.

Angler phishing is the latest ploy being used by scammers on social networks like Twitter and Facebook. Angler phishing is a trend that spiked with 150% in the last 18 months with cyber criminals using social media as an attack vector. Angler phishing makes use of fraudulent social media accounts impersonating corporate client services directing unsuspecting clients via links to very realistic landing pages. This trend started with targeting the financial sector but has moved into the retail space over time as cyber criminals find this vector more and more successful.

So how does business defend the human factor?

A strategic focus
From a technical control perspective, in addition to already implemented protection layers, protection can be deployed in the flow of e-mails, detecting threats in attachments and URLs via sandbox services, fighting fraud by preventing angler phishing, scanning fraudulent social media accounts and accelerating incident response.

User awareness training is critical. Unfortunately the content age or immediate relevance of content for user awareness programs presented to employees compared to what is happening in the current threat landscape tend to lack behind.

Businesses of all sizes that have put in place a strategic vendor partnership to focus on mitigating cyber security risks, yet keeping a holistic view, have gained successful protection.

Pieter van Rheede van Oudtshoorn
Information Technology and Security
EOH Forensic Services
MANAGING RISKS: not if but when

The City of Cape Town’s Disaster Risk Management Centre confirmed that approximately 1 700 homes were flooded in June following the worst storm to hit the Cape Peninsula in two decades. In the same month, raging infernos in Knysna gutted more than 1 000 homes, left thousands stranded and destroyed close to 300 kilometres of coastline – it has been billed the worst fire disaster South Africa has ever seen. This all occurred in the midst of the worst drought to hit the Cape in almost a century.

Extremes of weather
Such extremes of weather are a global phenomenon, and are likely to intensify. The year 2016 was the warmest year ever recorded since global land and ocean temperature records commenced in 1880. According to the 2016 Aon Benfield Annual Global Climate and Catastrophe Report, 315 major natural catastrophe events were recorded during the year generating economic losses of US$ 210 billion – notably the deadly earthquakes in Japan, Ecuador and Italy; major flooding in China and Europe; hurricane Matthew in the Caribbean and the United States; catastrophic wild fires in Canada and drought across South East Asia and Africa.

New innovative solutions needed
The rapid acceleration of severe natural disasters is likely to increase the frequency and severity of business interruption as organisations and economies become more interconnected.

Natural disasters are not always preventable for organisations and interestingly only 26% of the economic losses attributed to natural catastrophe events in 2016 were covered by insurance. While insurance can partially cover some of the property and operational losses, it does not address other consequences such as reputational damage, loss of market share or reductions in investor confidence. In this context, traditional risk management techniques to manage business interruptions cannot be relied upon. New innovative solutions are needed.

These innovative solutions include having a dynamic business continuity plan in place, whilst maintaining a broader view of the interdependency of these risks. Transactional insurance must be supported with enhanced and tailored risk management activities covering areas such as risk financing, business resilience and deep analytical insights into, emerging risks and global trends.

Technology should be leveraged to provide effective organisational responses to natural disasters. This includes timely information and early warning of potential hazards provided by geographic information systems and remote sensing and satellite data.

Organisations should make use of available reputable global disaster early warning and monitoring providers so that quicker decisions can be made to avert major disruptions affecting people, products and premises.

An effective real time communication platform should be created to share critical information with these decision makers, as well as all affected staff and stakeholders. Organisational controls to manage natural disasters need to be flexible, taking into account that the nature of the event could change within a very short space of time.

Create collaborative efforts
Addressing these controls means organisations will always be reactive to these rapid changes.

Given that reputational events often arrive with little or no warning, organisations are forced to respond quickly and effectively in real-time, making a comprehensive reputation risk control strategy an essential part of preserving consumer trust. Meticulous preparation and executive training could prevent a critical event from turning into an uncontrollable crisis, and help maximise the probability of recovery.

The creation of platforms and forums where organisations can share their success and failures in managing specific natural disasters should be encouraged. These platforms should be used as shared learning forums to create collaborative efforts in managing these events before they occur.

The realities of risk is that it is no longer a case of ‘if’ but ‘when’ and risk managers need to explore innovative ways to cope with new and heavily inter-related complexities in an increasingly challenging environment.

Michael Ferendinos
Enterprise Risk Business Unit Head
Aon South Africa
This complacency can no longer hold sway. Speaking at the recently held Insurance Institute of South Africa’s Annual Sun City Conference, which was held at the end of July, Spiros Fatouros – CEO of Marsh South Africa – pointed to the recent World Economic Forum’s Global Risk Report as examples of the ever present nature of risk.

Technology: managing disruption
One of the major risks we face, a risk that was spoken about extensively at the conference, is technology and the fact that it is significantly disrupting our world.

The risk report points out that evidence suggests that technological change provides a better explanation than globalization for the industrial decline and deteriorating labour-market prospects that have driven anti-establishment voting in many of the world’s advanced economies.

Today’s world is one in which production, mobility, communication, energy and other systems are changing with unprecedented speed and scope, disrupting everything from employment patterns to social relationships and geopolitical stability.

Driven by the convergence between digital, biological and physical technologies, the Fourth Industrial Revolution (4IR) is creating new global risks and exacerbating existing risks.

Most assessments suggest that technology’s disruptive effect on labour markets will accelerate across non-manufacturing sectors in the years ahead, as rapid advances in robotics, sensors and machine learning enable capital to replace labour in an expanding range of service-sector job.

“A lot of conversations in the industry are about disruptive technologies. None of this happens in isolation, we need to be cognisant of change,” said Fatouros.

Environmental challenges
Environmental challenges are also becoming pertinent risks.

Environmental risks are also closely interconnected with other risk categories. Four of the top ten risk interconnections in this year’s GRPS involve environmental risks, the most frequently cited of these being the pairing of “water crises” and “failure of climate change mitigation and adaptation”.

This shows that ineffective management of the “global commons” – the oceans, atmosphere, and climate system – can have local as well as global consequences.

For example, changing weather patterns or water crises can trigger or exacerbate geopolitical and societal risks such as domestic or regional conflict and involuntary migration, particularly in geopolitically fragile areas.

“We have seen examples of the geopolitical shocks in the world over the past year. While not directly related to changing weather patterns, we personally experienced the recent drought that hit South Africa and the effects it had on the economy,” said Fatouros.

The risk report adds that further progress was made during 2016 in addressing climate and other environmental risks, reflecting firm international resolve on the transition to a low-carbon global economy and on building resilience to climate change.

Interconnected problems
Fatouros added that the risk report identified a few key interconnected problems that are driving risk in the world today.

The first problem is flawed capitalism. The bridge between the haves and the have not’s are ever widening and there is growing tension within societies who feel that equal opportunity at a better life needs to be given to all.

The second issue is stagnant economies. As we have seen in South Africa, economies are not growing fast enough to enable the growth that is needed to supply all members of society with an equal opportunity at prosperity. Unemployment is growing in many markets and job creating is slow. Because of this we are seeing increasing instances of civil disturbances, which means higher claims for the short term insurance industry.

Finally, artificial intelligence (AI) is a major problem. Fatouros pointed out that by 2050, AI will displace 70% of the world’s workforce. What effects will that have on South Africa? I suppose only time will tell.
However, business success can only be achieved if we can connect the dots and generate insights from this data.

Clever workers

Upon closer inspection, data can be shaped into meaningful bits of information that can assist in delivering better products and services to effectively address customer requirements.

To find some actionable insights, most companies rely on data science, which involves using algorithms to analyse large amounts of data to understand its meaning.

Algorithms are sets of steps to accomplish a task. They can perform calculations, data processing and automated reasoning tasks. As humans, we are running simple algorithms through our minds every day with questions such as: could I have taken a less congested route to work; is there a better way to make a tasty, hassle-free meal; could I have organised my day differently to be more productive?

Social media users

In computer science, it is the same. Facebook, for example, uses algorithms to suggest friends for you to connect with. Google Maps uses a route-finding algorithm to indicate the available and best routes for you to get to your destination. A good algorithm solves a problem and does so efficiently.

There are many benefits to using algorithms in business. We run algorithms to obtain answers to important questions. Sometimes the algorithms provide results that generate more questions, but ultimately algorithms indicate patterns and provide insights to decision makers on when things should change or when there is an urgent need for something to happen.

Solving the puzzle

Each algorithm result provides an answer, and each answer helps to solve a unique piece of a puzzle that ultimately completes the picture. The power of the algorithm is solving the puzzle within a puzzle.

The applications for algorithms are numerous. In the freight industry, a route-finding algorithm could determine in seconds the most efficient route for a truck to deliver packages, starting and ending the day at a depot. It would take weeks to manually go through all the possibilities. Algorithms also help monitor input from vehicle tracking devices to assist in determining efficiencies and cost optimisation, and help address unsafe driver behaviour.

Analysing trends

Insurers use predetermined algorithms to assess risk and calculate policy rates for customers accordingly. Algorithms also help insurers avoid settling false claims by flagging anomalies or criteria for concern.

In insurance, algorithms can also transform data into insight to help address customer needs effectively and provide more personalised and behaviour-based products and services.

For example, a trendy millennial who often takes an Uber rather than driving her own car could be offered a pay-per-drive insurance policy.

In just about any area, algorithms allow massive computational power to be harnessed to do things that people really need and care about. Imagine having a personalised algorithm that provides insight into why you feel the way that you do, based on analysis of the food you have eaten and the activities you have completed. You would then know that takeaways make you feel lethargic, chocolate triggers a headache and traffic induces insomnia, and you could take the appropriate actions to adjust your lifestyle accordingly. These algorithm insights would enable you to positively adjust your activities, and for business it is the same.

There has never been a better time to use algorithms to obtain intelligence from data.

Wikus Combrinck
General Manager: Business Intelligence Competency Centre
Tracker South Africa
Cuvva and Trov, with their on-demand cover offerings, have shaken up traditional views of how insurance products should work. Friendsurance and Guevara have proved that peer-to-peer insurance can be turned into a viable business, and Brolly plans to give its customers a single place to view, manage and buy insurance, all through a mobile app.

True artificial intelligence
Using artificial intelligence and machine learning, the Brolly Adviser aims to replace the human broker. This is true artificial intelligence in action: the more a customer engages with the Brolly platform and shares information, the better the software will “know” them, and the more personalised the advice will be.

So is this it? Is this the beginning of the end of the warm-blooded financial adviser and broker? That depends on what you believe the Insurtech disruptors are actually selling. Despite how these businesses are seen in the market, it is not technology.

Without exception, the success stories in this space have two things in common: an uncompromised focus on the policyholder and a real willingness to move away from how things have always been done. From selling the types of products consumers are asking for, no matter how unusual, to ensuring that policyholders can access products and services in a way that suits them, rather than the other way around. If it means a better experience for the consumer, the disruptors are willing to try it.

Keeping it simple
For most insurance businesses, especially Small and Medium-Sized Enterprises (SMEs), the kinds of technology linked to the big-name disruptors can be hugely daunting. After all, the closest most of us get to artificial intelligence is trying to persuade Siri to dial a phone number for us.

Even once you are up to speed with the latest and greatest, affordability can pose a real challenge – rooms full of PhD software engineers come at a price. As it turns out, sinking the GDP of a small country into a technology innovation project that will set you up as the next big disruptor may not actually be necessary.

US-based online insurance broker, PolicyGenius, has shown exactly that. Without robo-advisers, a ground-breaking business model, or even a particularly foxy mobile app, it achieved the number one ranking in Forrester’s 2016 US Life Insurance Digital Sales Benchmark report. PolicyGenius got the top spot by focusing on making product advice really accessible and keeping the purchase process as simple as possible.

Focus on being unbeatable
Surprisingly, when you look a little closer at one of the most talked about disruptors of all, you will find the same. Lemonade’s business model is really quite unremarkable. It certainly is not the Uber or Airbnb of the insurance industry. It is an insurance intermediary, no more and no less. What it lacks in revolutionary business model, however, it makes up for (and then some) in a truly superior customer experience.

Certainly the likes of Lemonade and PolicyGenius have invested in technology, but not for technology’s sake, nor with the intention of being labelled as disruptive. Instead, they have focused on being unbeatable in areas where customers felt the market was falling short. In doing so, they are seen as offering something quite unique. If our intermediary market should be paying sharp attention to anything, this is it.

The best advice for playing in a disrupted market space starts with a Theodore Roosevelt quote: “Do what you can, with what you have, where you are” – provided you keep focused on your customers’ needs. After all, doing something better – even if it is not revolutionary – is often all you need.
We are in the Information Age, where the Internet of Things (IoT) and insurance are intertwining along with volumes of data, the complexity of making sense of it and the speed at which this is being processed.

Time to thrive
As the balance of power shifts in favour of the customer, insurers need to look at new ways to remain viable in this digital world. It is more important now than it ever has been for insurers not only to survive, but to thrive.

Digital is a journey; one with various stages of evolution. Organisations that are able to capitalise on the opportunities at hand should thrive in the market, while those that do not will most likely run the risk of losing out to new competitors and being left behind.

Insurers and brokers who embrace emerging technologies and communication channels will ensure service excellence and gain essential customer engagement: leveraging off data-led, mobile-led, social-led and cloud-based technologies. This will prompt insurers to re-evaluate operational processes, such as new customer engagement tactics.

Implementing a digital strategy
Building customer loyalty and engagement to generate value and revenue is a necessity. This needs to be consistent across all channels and devices, as well as social and digital media, which also needs to be personalised and consistent with new business acquisitions.

In an article by McKinsey & Company ‘Making Digital Strategy a Reality in Insurance’ with a structured approach to capturing value, insurers are experimenting with many different approaches to digital, but all are grappling with the same challenge: deciding where and how to focus in order to establish or maintain a competitive edge.

A successful digital transformation calls for a structured approach with action on five levels:
1. **Strategy**: Align on a long term vision to overhaul operations and generate new sources of value based on clearly articulated, shared priorities;
2. **Value capture**: Build the mechanisms to execute the strategy by improving today’s business and processes through digitisation while simultaneously launching efforts to build tomorrow’s business through innovation;
3. **Capabilities**: Invest in the core technical competencies needed to support digitisation and innovation, such as flexible modular IT architecture, deep data access and analytics, user-centric experience design and digital operations;
4. **Culture, talent and organisation**: Build agile test-and-learn capabilities at the front line to encourage experimentation and shift to a digital-first mind-set; recruit and develop new types of talent such as data scientists and design thinkers; and revise formal organisation structures to encourage collaboration between functions and reflect the importance of digital; and
5. **Road map**: Build an integrated transformation road map that addresses all the elements above and takes into account the organisation’s digital maturity and readiness to embark on a multiyear digital journey as well as the value digital can bring to its specific markets and products.

Providing service excellence
Being more customer-centric and providing service excellence is a significant advantage and differentiator for the insurance industry, assisting insurers and brokers win-over customers in a highly competitive environment as well as cost saving.

How does service excellence work and what are the benefits?
- As a driver of continuous improvement by allowing organisations to self-assess their capability; in relation to customer-focussed service delivery, identifying areas and methods for improvement; and
- As a skills development tool by allowing individuals and teams within the organisation to explore and acquire new skills in the area of customer focus and engagement, thus building their capability for delivery for improved services.

As digital disruption continues to disrupt the insurance landscape at an accelerated pace, insurers who proactively embrace and leverage off of technological advances to enhance their collaborative, co-creational, innovation and operational capabilities will gain a competitive edge and thrive in this digital world.

Thomas Kieck
Business Development Director
Tial Technologies
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The reality, however, is that technological progress in our industry cannot be slowed or even paused. Administratively heavy, process driven environments like the insurance industry are actually ripe for digital disruption.

Cutting through the noise
Digital disruptors provide new and more efficient ways of solving problems within the insurance industry. In the insurance space the highly administrative tasks have massive cost implications in getting products to the market and providing the valuable after-sales service necessary to deliver on the ultimate promise to pay claims.

A recent McKinsey report “Digital Disruption in Insurance: Cutting Through The Noise” suggests that claims admin costs in some environments could be cut by as much as 30%. In a market where margins are under pressure, those claims savings would be welcomed by policyholders and insurers alike.

In the niche insurance environment where SHA operates, one could assume that digital disruption is less likely due to the complexity of the cover. However, this is an area where intermediaries are especially vulnerable, including underwriting managers who are dependent on supplying intermediated business.

Open up the door
In a recent survey conducted by SHA amongst brokers, brokers meet with commercial clients less than twice a year and in those meetings, less than 38% of the time is spent on niche casualty insurance. This is not an indictment on the way brokers operate, as it is often the clients who do not allocate enough time to meeting with their financial advisors.

This does, however, open up the door for digital disruption. Clients may find it more convenient to mull over their insurance needs after hours or during weekends when many insurance practitioners are not at work. Brokers that have access to interactive digital tools that can be made available to their clients at their convenience have a strong advantage in this regard.

There are already a number of self-assessment tools that can make it easier for clients to establish a “high level need” before they go through the process of actually applying for the cover. The danger is that they may give the applicant a false sense of security.

Unfortunately, the depth of self-assessment tools is often not sufficient, hence the need to keep the broker involved in the risk assessment process. Relying completely on some form of artificial intelligence without taking into account the nuances and unique properties of liability exposure could be very dangerous. This is where the brokers need to continuously drive the value of sound, experience-based advice. All too often, digital disruption is focused on the commoditisation of products with the lowest price being the primary objective. Differences in casualty exposures, even amongst similar business types can cause problems at claims time.

The positive impact of digital
One however cannot dispute the positive impact of digital tools in our environment. They have the capability of simplifying what would ordinarily be quite a complex bouquet of casualty insurance products.

Applications that use videos to explain covers help brokers relay coverage information to their clients which is highly beneficial to all the parties in the supply chain. Turnaround times are positively impacted by Insuretech because quotes and policy documents can be in the hands of the brokers or clients within minutes rather than weeks, enhancing contract certainty between the policyholder and insurer. It should be noted, however, that the greater impact is more likely to be felt primarily in the SME space, rather than in the corporate insurance field.

Whilst we may be less likely to see start-up digital insurers for the time being, alliances between tech companies and insurers are definitely on the cards and specialist insurers will not be immune to this phenomenon.

Brokers and underwriters have emphasised that digital disruption will be difficult in the South Africa environment because of the myriad of regulations governing insurers and intermediaries.

Simon Colman
Executive Head, Digital
SHA Specialist Underwriters
Domestic and global research show that it is increasingly difficult for active equity managers to outperform passive market indices. For example, data from the S&P Dow Jones Indices show that only 13.5% of South African equity managers outperformed their passive benchmarks over the last five years, while this number is as low as 3.5% globally. Let us discuss this debate a bit further.

Sensible approach
If most of active equity managers underperform passive benchmarks, and given that they generally charge high fees, it is tempting to conclude that employing a passive strategy should be the preferred solution for most of those looking to invest in the equity market.

There are three reasons why this should be the most logical and sensible thing to do:
1. Passive strategies are transparent as the portfolio allocation is not discretionary;
2. Passive solutions are inexpensive when compared to active investing since there is no need to analyze securities in the index; and
3. Passive solutions are generally tax efficient as infrequent rebalancing is unlikely to trigger huge annual capital gains tax (CGT) bills for voluntary money.

Despite these undisputable benefits of passive over active investment, the major downfall of passive investing has tended to be overlooked by market professionals.

Inherent weaknesses
The major weakness of a pure passive approach is that the investor is guaranteed to underperform the benchmark after investment management fees and other transaction costs are taken into account.

Put differently, the return to a passive investor should roughly be equal to the benchmark return, minus the total investment cost.

In our view, both active and passive investment styles have significant drawbacks and deciding on whether to use active or passive funds is largely a matter of belief rather than hard evidence.

While we find the passive-active debate quite relevant, we believe that there is another avenue that has been overlooked. In our experience, combining aspects of both investment styles results in better control of active risk while significantly reducing total investment costs.

A blended approach
Our research suggests that adopting a long-term, strategic framework to blend passive (core) and active (satellite) is more efficient than trying to uncover which style works best.

Each investment strategy has its merits and shortcomings, suggesting that the most robust portfolio should be a combination of both styles. The allocation between the two will depend on the investor’s risk tolerance and objectives.

More evidence
Although the core plus satellite framework seems to resolve the acrimonious debate about active and passive, there is another angle where this solution is even more compelling.

When a manager overweighs a stock relative to its weight in the index, there is an active position. The summation of all the active long positions and the absolute value of the summation of all the active short positions divided by two (to avoid double counting) gives the percentage of active share of a portfolio.

Our experience shows that for such a portfolio, the active share component is generally around 25%. Alternatively, the value manager has a portfolio that mimics 75% of the benchmark while holding only 25% of shares that reflects his views.

A delicate art
The art of combining active and passive lies in the investor’s risk budget, which will then inform the allocation between the active and passive investment strategies. In so doing, there is greater transparency between the investor and manager, helping to better manage the investor’s expectations.

The point is that the allocation must be managed in a more innovative manner, without taking excessive risk to at least return index performance after fees.

The active portion should therefore be allocated to the market risk that the investor intends to gain exposure to. There are a number of well documented and proven risk premium.

Monei Pudumo Roos
Head of Institutional Development and Executive Director
Prescient Investment Management
This is always going to be a potentially fraught interaction requiring delicate client education.

Engaging conversations
The client may not like what she hears, but the truth has to be told... risk and return are joined at the hip and this empirically proven relationship underlies most of modern day financial economic theory.

The trick is to turn this expectation around. In truth, what the client actually wants is the highest possible return at a risk that she can live with.

In this way, the conversation gets turned around. Ask: what is this money going to be used for? When do you envisage needing to access it? How does it sit within the rest of your financial assets?

Differing meanings
Risk means different things to different people. For me, risk is synonymous with timing... the riskier an asset, the more time you need to be confident of achieving your expected return.

While recent experience might suggest otherwise, it is widely accepted that over time, equities will deliver higher returns than bonds. Further, both equities and bonds will deliver higher returns than cash. Why? Because the risk of owning each type of asset differs, and the investor needs to be compensated for this risk.

Indeed, it follows that even higher returns should theoretically be possible within the realms of emerging markets, venture capital, private equity and other more alternative markets such as art and antiques.

Strategy invention
We create investment strategies for our clients by combining different asset classes; each investment strategy will have its own expected risk and return characteristics.

The most beneficial of these portfolios to our client is obviously the one that delivers the maximum return for the risk that she is willing and able to carry. In investment theory, this is the portfolio on the efficient frontier.

Within the asset class return, assumptions used to construct such portfolios lay a whole host of other risks.

For example; asset specific risks, company risks, industry risks and country risks. Also, global factors such as geo-political crises and emerging market risks.

Investing in a single share from a single stock market may well give you an equity return over time, but such a return is likely to come with significant volatility.

Promising signs
So when portfolio managers talk about the benefits of diversification, they are alluding to the fact that, by creating a portfolio of independent investments, they can deliver or outperform a desired asset class return with a lower level of volatility.

Timing risk has another, less obvious side to it; the risk of missing market returns altogether. In its 2014 Guide to Retirement, JP Morgan pointed out that missing the 10 best days out of the previous 20 years would have reduced annualized returns from 9.2% to 5.4% due to the enormous compounding effect of those few days’ returns.

Returning to the client
So let us return to our client. We have convinced her that she actually has a risk budget rather than no risk tolerance at all. With this risk budget, she should be able to achieve a certain level of return.

Our job is to now to make sure that this occurs as efficiently as possible. We can do this by:
• ensuring the best-expected return for the risk budget through appropriate asset allocation;
• diversifying where we can across manager styles and across markets; and
• staying invested; do not try to time the market.

In this way, we meet our client’s needs by managing their return expectations while delivering on these expectations without taking unnecessary risks.

A new client walks into my office. I can see that she is nervous. She has received a windfall and wants my advice on how to invest it. “I want the highest possible return without any risk,” she challengingly declares.
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How then should a South African with South African spending requirements adequately preserve their purchasing power in South Africa while still reducing or minimising the risk inherent in the South African market?

Strong support
First, the risk that the rand might strengthen from here is not outlandish. Based on purchasing power parity, it is not obviously expensive. In addition, there has been strong support for emerging market currencies as investors have continued to search for yields in the context of improving global growth. Should global growth continue to surprise on the upside, this trend might remain in place for some time.

The political uncertainty swing
Second, while political uncertainty in South Africa remains a factor weighing heavily on the rand, it is possible that the political situation from an investor perspective might still resolve itself for the better. At the moment this looks unlikely, the South African Reserve Bank (SARB) has just halved its anaemic growth forecast for 2017, and consumer and business are close to all-time lows, but this bad news might already all be in the price.

Managers that have bought into domestic-focused equity companies, or been attracted to the high yield on offer from South African government bonds, have arguably been too early on this trade. However, these managers are positioned to benefit should circumstances improve, and having negligible exposure to both these areas of the market skews one’s portfolio to benefit only if the rand continues to weaken.

Investing in South Africa does not come without its challenges. It is interesting how much more seriously all managers now need to take Environmental, Social and Governance (ESG) issues when it comes to assessing the merits of investing in a company or State Owned Enterprise (SOE) with potential issues.

It is vital that today’s asset managers are able to assess these risks adequately and engage in these entities post-investment. Our recent experience as multi-managers is that many asset managers are now expected to play a far more considered role pre-investment, and a more accountable role post-investment, than they might have done in the past.

Spread the eggs
Thirdly it is also absolutely vital that South African investors do not have all their risk embedded in South Africa.

An investor, for example, that holds all their assets in South African cash, has limited protection against rand depreciation, and is very dependent on the continued independence of the SARB and its ability to raise interest rates appropriately should inflation expectations deteriorate.

This is obviously an extreme example, but it illustrates the need to have exposure to assets that can generate returns in an environment where the rand depreciated and increasing inflation erodes investors’ future purchasing power.

One can invest in rand-hedge shares listed on our stock market and directly benefit when the rand weakens plus have exposure to inflation-linked bonds that pay a higher coupon should inflation increase to partly mitigate this risk. However, explicit exposure to non-SA assets is also advisable.

Balanced approach
Finally, as multi-managers, we would argue that taking on excessive manager specific risk (a certain style, a certain macro view, a certain manager) is unnecessary and this can be diversified through a sensible process aimed at reducing this.

In our own portfolios, we deliberately use both South African and international asset managers to strike an appropriate balance between local imperatives and a wider global perspective.

A balanced, measured approach is what is needed in today’s investment environment.
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**Step 1 – Tell ItransactGO about yourself and your investment goals**
ItransactGO does not ask you to sign up before you or your client can use the technology – you can just plug and play. We ask certain questions about your client where after a modern investment portfolio theory and behavioural science we help prepare a unique intelligent investment strategy.

**Step 2 – ItransactGO sums up the calculations and creates a personal investment portfolio**
Each portfolio we create is unique and diversified across all the asset classes combining efficiency and low costs both of which are powerful drivers of superior returns.

Once your client is happy with their personal portfolio, they simply complete the application form online, upload their FICA documents. (On mobile devices this function opens up the devices camera)

**Step 3 - We manage your portfolio and you can check on it at anytime**
After opening an online account, you and your client can view the investment information any time.

**WHAT ARE THE COSTS?**
ItransactGO’s costs are low and 100% transparent. We only use ETFs as the underlying funds for our portfolios. ETFs are on average five times less expensive than traditional unit trusts. Richard Branson had this to say - “We never employ fund managers (some of the world’s most highly paid people) since we discovered their best kept secret – they could never consistently beat the stock market index”

<table>
<thead>
<tr>
<th>ANNUAL FEES (excl. Vat)</th>
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<tbody>
<tr>
<td>Investment management</td>
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<tr>
<td>Robo usage fee</td>
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Financial advisors may charge ongoing advice fees up to 1% and initial fees of up to 3%

Effective annual cost (EAC) for an investor investing R300 per month in a retirement annuity portfolio with 0.50% ongoing advice fee.

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**WHY ITRANSACT?**
Itransact has been serving thousands of satisfied financial advisors and investors since 2010 and is South Africa’s leading independent low cost investment product platform. We make investing simple.

**HOW SAFE ARE ETF PORTFOLIOS?**
Our portfolios are subject to Financial Markets, Collective Investment Schemes and Financial Advisory and Intermediaries Acts. We store personal information with 256-bit AES encryption protected under POPI and PAIA acts.

**EDUCATION**
ItransactGO has easy to understand videos that explain how our portfolios work.

**CONCLUSION**
ItransactGO is smart and will get smarter. Our algorithms are intelligent. They “listen” to investor’s needs and make continual automated adjustments ensuring portfolios are automatically rebalanced and on track.

For more information contact us on 0861 432 383 or visit our website www.itransact.co.za

Lance Solms
Head of Itransact
WE MAKE INVESTING SIMPLE

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Business owners are often so focused on generating an income through their businesses that they either neglect their retirement planning or see their business as their retirement plan.

Sooner than anticipated
To some extent, it is not surprising that business owners reinvest most of their profits in the business. For many, their businesses provide much more than a job – they cannot fathom walking away after 20 to 30 years of building up their ventures. They plan to be involved in one way or another throughout their lives.

However, the problem is that life catches up with everyone. We reach a point where physical or other constraints prohibit us from working any longer. Some people reach this point sooner than they anticipated, especially if it was a stressful business to run. The business owner is then left with one option; to try and sell the business.

The unfortunate reality
However, the unfortunate reality is that not many entrepreneurs are able to sell their businesses at a price that will give them complete financial independence in South Africa.

A business may simply not be sellable when the owner is not part of it or its value may not be enough for the business owner to retire. For instance, a client might be planning to sell his business for R10 million and invest the proceeds to provide for his retirement. However, if the buyer is only willing to pay R6 million, your client will be left with only 60% of what he planned to invest. He will have to rethink his retirement plans.

The best solution for this client is to take out portions of profits and invest them somewhere else. If all eggs are in one basket and the basket drops, then all the eggs are broken. However, when the client builds assets outside of the business, the client diversifies their risk.

Longevity statistics have strengthened the argument for investing in vehicles that are specifically tailored for retirement such as retirement annuities and annuities that offer solutions for the longevity risk of outliving one’s retirement savings. Around the world, in countries like of America and Australia, business owners are forced to work for the rest of their lives or end up dependent on Social Security.

South Africa is no exception when you consider that life expectancy increased from 55.2 years in 2002 to 62.4 years in 2016 while the household saving ratio dipped to negative territory for the past decade. Sanlam’s 2017 Retirement Benchmark Survey shows that for the employed population, the number of people contributing to retirement funds decreased from 48.5% in 2013 to 46.5% in 2016. Figures for self-employed individuals are likely to paint a gloomier picture if you consider that studies around the world show that at least one third of self-employed people do not save for retirement at all.

Succession planning
Another mistake that business owners often make is to assume that their children will take over the business and look after them. However, that is a very dangerous assumption to make.

Clients need to discuss this with their children first. It is also important for clients to consider key employees as successors, other than family members. It may be better, in this case, to sell the business to the children so that the client can have his or her own retirement capital.

In conclusion, business owners need to save for their retirement, regardless of how their succession plan looks.
This simple change, if adopted carefully and extensively, will grow capital to stimulate economic growth, develop trust in the employment relationship and even save a few trees.

Failings of employers

In their popular book *Nudge*, behavioural economists Professors Richard Thaler and Cass Sunstein highlighted the failings of employers to provide the right nudges to ensure that their consumption-driven employees consistently make good decisions when it comes to avoiding the cold damp decline to an impoverished retirement.

Using new technology, the intelligent payslip can be constructed (in a scalable way) to include personalised information. This includes the amount of tax saved by an employee through contributions to a pension or provident fund, the additional savings achievable by increasing these contributions, the projected retirement capital at the current contribution rate, the projected capital as a percentage of recommended retirement capital and the required contribution rate to reach the recommended amount.

By answering three simple questions on a monthly basis, employers can use intelligent payslips to provide the most important personal financial information (at a fraction of the market rate) to employees on their road to financial independence: where am I financially? and where am I going? If the answers to the first two questions are less than satisfactory what do I need to change to get to where I want to go?

The availability of better technology allows employers to replace the standard homogenous payslip of old, with relevant and reliable personal financial information.

Poor savers

South Africans are rightly chastised as being amongst the worst savers in the world with the World Bank figure currently at 16.2% of gross domestic product (GDP). This compares poorly against the global average of 25.1%.

As any thinking person faced with this problem is forced very quickly to admit, South Africans must be encouraged to save. The advantages include the positive macro effects of the accumulation of capital in growing our economy and importantly, the psychological micro effects of individual financial security on improved mental health. This feeds into various societal trends such as rates of divorce, suicide and substance abuse.

Pick the right investments

South Africans should primarily be encouraged to save in tax-deferred retirement savings vehicles as such vehicles ought to be the first choice for South African employees whose circumstances permit some level of saving.

This is true for two main reasons. Firstly, all contributions have a triple tax benefit because contributions are made from pre-tax income thus reducing taxable income and the effective tax rate. All growth within the investment vehicle is tax-free (no interest or dividends tax), and withdrawals are subject to significant exemptions and taxed at the marginal rate. This is usually relatively low during retirement.

Secondly, these investments are long-term and benefit from the eighth wonder of the world... compound interest.

Given the indisputable superiority of this type of savings vehicle, employers can use the intelligent payslip to cheaply secure the health, wealth and longevity of employees and discharge the underlying moral responsibility of giving sound advice on matters of immense personal importance.

While you may object that, despite our best efforts, the switch to an intelligent payslip may not be the answer to all of South Africa’s economic or social woes, but its contribution to a change in culture just may be precisely the straw so desperately needed to break the back of the spendthrift South African camel.

**THE UPTOWN FUNK of smart payslips**

To keep pace in this digital age of the “Fourth Industrial Revolution”, intelligent payslips are the only real choice. They save the economy and put the soul back into the employer-employee relationship.
A convenient lie

The South African economy is struggling, having shifted into an official recession while the Business Confidence Index has fallen to the lowest point since the 2009 global crisis.

At the same time, we have seen retrenchment and disability experience in the group market deteriorate. Clearly, this is not an easy environment for employees.

THE GROUP MARKET’S WOES

Based on RGA’s Profitability Survey of the South African group market (conducted in 2016), half of the insurers interviewed reported making a loss on disability income products in 2015, while 83% said 2016 was worse.

It would be easy to conclude that the economy is driving the poor disability experience and that employers, intermediaries and insurers are largely unable to influence this environment. The market is also warily watching the 2015 tax changes, which saw disability income benefits become tax-free.

Together, these two factors are often cited as the reason for the group market’s woes. But is this really the whole story?

DEGREE OF COMPETITION

Part of the challenge in the group market, as we have seen in other countries, is the high degree of competition. This is partly a result of frequent market testing, with insurers struggling to grow in a flat market. While this can be beneficial for members in the short term, unchecked competitive behaviour can negatively impact long term sustainability.

In some cases, premium rates have been pushed below the true cost, while cover limits have been generously increased.

Further exacerbating this is the fact that the actual profitability of a disability arrangement is not immediately apparent. This is due to the long term nature of the benefit, including reporting delays and the need to make assumptions about benefit payments many years into the future.

The reality is that the group experience represents the convergence of many trends, including the economy, market competition and the context of our modern lifestyles.

Increasing premiums and expanding claims assessment capacity will address the immediate issues of the economy and even tax changes, but could miss the deeper environmental shifts.

TRANSFORM THE VIEW OF DISABILITY

This environment is reflected in workplace stress and lifestyle demands: we are all trying to do more with less. In turn, claims assessors report seeing a dramatic increase in the complexity of claims due to co-morbidities. These additional conditions vastly complicate treatment and recovery; for example, a claim may include a physical condition that is compounded by anxiety or depression.

Previous losses in the industry helped transform the view of disability from a purely medical one to one that allows a deeper consideration of function and the ability to work. Recent experience could herald the need to shift yet again.

This new era could be based on a biopsychosocial model of disability, enabling a far broader view of members than traditionally considered. Under this model, a person’s medical condition is one component, along with his or her psychological and social state, encompassing such characteristics as personality and resilience. In particular, a person’s ability to adapt to change is key to understanding his or her capacity to cope with health challenges. Knowing this, we can provide personalised and targeted case management.

Growing research from academics shows that the strength of a person’s social support network can predict how likely he or she is to become ill, and even recover from disease (Social Support and Physical Health, B.N. Uchino). These results imply that integrating social wellness into insurance products will become as important as traditional measures, such as physical activity.

In an increasingly complex world, the trend in poor disability experience is perhaps not a trend at all; it is a symptom of context.
Take out the uncertainty from the markets and **offer your client a rate of up to 14%** before tax* with our **Guaranteed-return Single-premium Policy**

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*Dependent on individual marginal tax rates and a guaranteed rate of at least 7.7%.
Digitization is sweeping through the medical industry way faster than any scientist would have predicted a few decades ago.

Children born today may not know what it feels like to catch a common cold. We can no longer rule out the possibility that a digital device will warn them to increase their Vitamin C intake long before the first symptom is felt.

THE FUTURE IS HERE
Far from this scenario being years away, the future is already here if we consider that:
• Robot doctors can perform complex brain surgery in two and a half minutes;
• Virtual Reality is being used as an alternative anaesthetic;
• Robotic counsellors are helping treat post-traumatic stress disorder;
• Diabetics can utilise a microscopic contact lens to detect glucose control and feed live reports through to an app, which then triggers the automatic release of insulin from a pump inserted into the abdomen; and
• ECGs and X-rays can be done via smartphone, and results are immediate and cheaper.

What does this rapid pace of digitization in the medical industry mean for insurers?
Multiple global companies are busy putting resources towards eradicating cancer and using technology to make treatment more affordable and accessible. This has big implications for insurance both from an underwriting perspective, to evaluate risk, and in terms of resource allocation.

SHARED ECONOMY
Medical records will soon be online and accessible for individuals to share with a professional in the health or insurance field if they wish.

Paper-based forms will soon be a thing of the past. Big Data will capture an individual’s entire medical history and make it accessible via smartphones in a matter of minutes. Medical care will be more accessible than ever before, and insurance products will be better tailored to give people exactly what they need.

Online activity is also giving insurers unprecedented insight into what individuals really need. If you are a runner and we see that you have signed up for a major race, we know you could be interested in insurance that covers you against accidents and injuries for the event’s duration. We as insurers are therefore able to offer increasingly relevant products based on people’s activity online.

CHANGING THE GAME
The use of apps and wearable tech by young people is changing the nature of fitness and insurance through gamification.

International studies have shown that a reward-driven approach lowers claims ratios. People become increasingly conscientious about daily exercise routines. This will be a fixture of the future. The digital world will be increasingly linked to rewards in the insurance realm. Positive incentive schemes will benefit both the insured and the insurer.

That said; delivery of these innovative IT medical systems to consumers is not without challenges. Regulation of devices and technology becomes a huge concern. It is difficult for customers to discern the genuine technology from bogus quick money making schemes. While global health organisations are looking at this, the explosion is so rapid. Regulators find themselves always playing catch-up. In the insurance industry this unregulated market poses challenges at both underwriting and claims stage.

ANTI SELECTION
At underwriting, there is concern that customers will change their views regarding insurers as this technology allows them to be diagnosed without any medical history records. At claims stage, providing results from these sources without support from medical specialists may also result in legal recourse when claims are declined.

Furthermore, the delivery of diagnostic answers to the individual without sufficient medical support and counselling has also been a huge source of contention. The sale of genetic testing to the public in the USA is an excellent example. Some of the results were devastating to individuals and also misinterpreted.

Lastly, the lack of human interaction in this new world is a challenge. The move to a world where robotics replace humans, should not replace the need for the human interaction.

In the insurance industry this unregulated market poses challenges at both underwriting and claims stage

Dr Marion Morkel
Chief Medical Officer
Sanlam
The debate around vaping as a healthier alternative to tobacco use is far from resolved with an increasing number of organisations, regulators and scientific bodies stepping into the fray to argue for or against the use of e-cigarettes.

Proponents of vaping argue that e-cigarettes contain significantly less toxic substances than tobacco products. Therefore, they are a suitable form of smoking cessation for people who would like to quit tobacco smoking.

THE OPPOSITE END
On the opposite end of the debate, organisations like the World Health Organisation (WHO) and the Cancer Society of South Africa (Cansa) argue e-cigarettes have the potential to create a whole new generation of nicotine addicts and that they contain life-threatening ingredients.

Adding to the controversy surrounding e-cigarettes, many countries have put restrictions on its sale and consumption in place with a handful of governments placing entire bans on vaping.

Some reinsurers are also starting to take a firm stance against the use of e-cigarettes.

According to the general liability division of Gen Re, there are 450 e-cigarette brands and over 7 700 e-cigarette flavours available on the e-cigarette market, making it hard to regulate the industry.

They warn that apart from varying levels of nicotine, vaping liquids also contain a variety of chemicals and food flavourings. While food flavourings may sound harmless, most of these ingredients have never been tested to determine whether inhaling it could cause any harm.

IN MORE DETAIL
Gen Re points out that one of these flavourings is Diacetyl, a chemical butter flavouring that has been used throughout the food and beverage industry for over 60 years.

After some workers at microwave popcorn plants developed bronchiolitis obliterans, an illness that cripples lung function, the US federal government found that the inhalation of diacetyl can be life-threatening.

Sufferers of this condition may need single or double lung transplants. Further studies found that vaping liquids contain other harmful chemicals like aldehydes (which may cause air constriction), cadmium, isoprene, lead and many more dangerous substances like N-nitrosonomocitine, nickel and toluene.

WORRYING LACK OF EVIDENCE
The reinsurer warned in an earlier report that it is not just the harmful effects of vaping that is concerning, but also the lack of conclusive scientific evidence to support the view that vaping aids in quitting smoking.

In fact, many smokers do not stop smoking, but instead become dual-users of tobacco and e-cigarettes.

ADDED GRAVITAS
Munich Re is just as vocal about the dangers of e-cigarettes, arguing that the popularity of e-cigarettes is the result of a widespread misconception and that inhaling vapours containing nicotine is by no means healthy.

In addition to referring to the harmful ingredients in the vaping liquid, they refer to 2016 study which found that roughly one third of all e-cigarette users in the US have never smoked before.

They emphasise that this is especially alarming as it shows the younger generation in particular can develop a nicotine dependency via e-cigarettes.

Munich Re also warns that e-cigarettes poses a challenge from an underwriting perspective as drawing a distinction between the users of e-cigarettes and tobacco is particularly challenging. The reason for this is that cotinine screening cannot identify the method of nicotine intake.

They flag the absence of detailed long-term studies on the safety and impact of using e-cigarettes and recommend that life insurance providers carefully consider how e-cigarette users should be categorised.

SMOKING IS SMOKING
Linking up to Munich Re’s warnings about cotinine screening and the health risks associated with vaping, major life insurance industry players are likely to treat vapers and users of nicotine as smokers, regardless of the nicotine source.

And with the absence of long-term studies with concrete findings continuing to be one of the major concerns around the use of e-cigarettes, they will continue to err on the side of caution.

It is not just the harmful effects of vaping that is concerning, but also the lack of conclusive scientific evidence to support the view that vaping aids in quitting smoking.
Adapting to the changing world of genetic testing

Genetic testing is steadily gaining more and more awareness, especially when people like the Chief Medical Officer of Britain calls for “Genetic testing to be routinely offered to cancer patients to help select the most effective treatment.” This is according to a recent article published in Sky News where research suggests that in 60 per cent of Britain’s cancer cases, the genomes of cancer patients reveal “actionable” data which can shape the future of precision treatments.

Genetic testing can be defined as the study of a person’s DNA to identify genetic differences or susceptibility to particular diseases or abnormalities.

Science and technology of a different kind

With the drastic advances that are made in the medical field it comes as no surprise to read about scientists that are able to determine, via genetic testing, if an individual has a high probability to develop Huntington Disease. Even more astounding is the fact that scientists from Georgetown University Medical Centre in the United States (US) can determine, via a simple blood test, if a person is likely to develop dementia within three years from when the test was conducted. This is according to their research findings that were published in the Nature Medicine journal. According to them, the differences in a person’s blood biomarkers may signify the early stages of Alzheimer’s disease – a condition which affects 35 million people worldwide.

Genetic testing makes you think very differently about life in general and the quest for designing new ways that can assist with early detection of health disorders which has also migrated to the field of technology.

Hence, young women with a pre-disposition to breast cancer can now benefit from early detection using an imaging scan called the Digital Infrared Thermal Imaging (Diti) method. These cameras are similar
to those used at airports to scan travellers although
the software used is different. Traditional methods of
diagnoses, like mammograms, often detect cancer at a
fairly advanced stage. This technology can detect most
breast disorders at an early stage.

Reflecting on what is available out there makes it
difficult to comprehend that these breakthroughs are
even possible. However, this is not science fiction but
a reality of our time. Looking at all the possibilities
that emerge from these scientific and technological
developments, one cannot help but think about the
impact that this might have on the life insurance
industry.

The implications of genetic testing for the
insurance industry
Unlike other countries including the United States of
America (USA) and Britain, in South Africa, genetic
testing is not a component of the long-term insurance
industry’s current underwriting processes.

However, during 2009, ASISA released the “ASISA
Standard on Genetic Testing”. This stipulated that an
insurer is obligated to review the terms of a policy if an
applicant provides the results of a predictive genetic
test. Furthermore, when assessing an individual’s risk
profile, the insurer should take the value of specialist
surveillance, medical intervention and successful
treatment into consideration.

In addition, the insurer may not request an applicant
to undergo a genetic test to support an application for
insurance whether this is in order to obtain a lower than
standard premium rate or to indicate the presence or
absence of a suspected genetic condition.

Although these standards are not legally binding,
support for the various parties is provided through the
Long-term Insurance Ombudsman whose role includes
mediating disputes between insurers and the insured
life. This includes cases where there is a concern of
genetic discrimination or adverse selection.

From our perspective
When it comes to including genetic testing in our
underwriting processes, George Kolbe Head of
Marketing for Life Insurance at Momentum states that
“We do not foresee sending clients for genetic testing,
but there might be instances where clients do specific
genetic tests to prove they are a lower risk than what
we attribute to them, based on their family history. But
those tests are done voluntarily and initiated by the
client.

He further emphasises that “Momentum’s underwriting
research and development unit, in collaboration with our
experienced product development team, is focused on
keeping abreast with changes in the medical/insurance
arena and on finding ways to pass the benefit of any
learning on to our clients. Also, industry underwriting
practices are regulated by the Association for Savings
and Investment South Africa (ASISA) and we adhere to
their standard.”

Janet Brodie-Thompson, Chief Underwriting Officer for
Product Development at Momentum, states that “We
do expect clients who have had genetic testing done to
disclose this to us and also to divulge the result but we
will not request a client to have a genetic test done.”

She continues by saying that “Genetic testing is
not undertaken lightly and is normally only done
after extensive counselling where physical signs
and symptoms of a disease exist or where a risk
for developing a disease exists. This is most often
suggested in the client’s family history. Momentum’s
normal underwriting practices will scrutinise a client’s
family history and the information will be utilised as
a proxy to determine the probability of developing any
hereditary medical conditions.”

Conclusion
Kolbe concludes by saying that “From a consumer
perspective, numerous fears can crop up regarding
genetic testing once the test results have been disclosed
to an insurer. These may include the fear of genetic
discrimination that limits access to insurance by ways
of medical underwriting, impacting the claims process,
sacrificing privacy regarding medical information as well
as affecting affordability of cover.

Herein lies the dilemma: genetic testing and other
new-generation tests impacts on an ethical, regulatory,
social, constitutional and emotional level and leaves
us with the burning question: “In this day and age of
revolutionary medical testing and technology, how does
one find a balance of fairness for both the insured life
and the insurer?”

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Casting the wide net on critical illness

Since the 2015 launch of the Cancer Moonshot programme in the US, significant progress has been made to find cures for different types of cancers.

With a focus on precision medicine, scientists are moving closer to identifying patient-specific cancer treatments that is set to significantly prolong life or even cure the disease.

HOPE SPRINGS ETERNAL
By having a thorough understanding of the analysis of subgroups of people with similar genetic characteristics, and how these factors impact individuals’ health, doctors are in a much better position to diagnose the early onset of diseases like cancers. They can also prescribe the most effective treatment.

A recent example of this includes bio-engineers at the University of California who developed a new blood test that could detect cancer earlier, and locate where in the body the tumour is growing.

Doctors can even target progressive cases of specified cancers with tailored treatments that can prolong life significantly or even cure the disease. One such example includes former US President Jimmy Carter who was diagnosed with an advanced brain tumour in 2015.

Just more than six months later he announced that his brain tumour had disappeared as a result of chemotherapy and the use of a new precision immune therapy cancer drug called Keytruda.

THE REALITY OF CANCER
Cancer is an extremely expensive disease to treat, and medical schemes were not really designed to address such treatments.

Added to this is the cost of cancer treatments vs the quality of care that is actually provided. This means that how individuals respond to cancer treatments, taking into account the side effects, and how many years it actually adds to their lifespan will vary significantly.

This is where precision medicine can make an immense difference when it comes to increased success of cancer treatments, limited side effects and the cost-effectiveness of the treatment.

Even though our understanding of precision medicine is still in its infancy, it is well on its way to evolve into targeted treatments with verifiable outcomes. However, those treatments are the ones that are very costly.

A COMPREHENSIVE APPROACH
Looking at recent media coverage – where various pharmaceutical companies are scrutinised by the Competition Commission because of the high cost linked to new generation cancer drugs – it serves as a strong reminder why it is vital to have comprehensive critical illness cover. Comprehensive cover can give clients access to these new generation drugs and tailored treatments.

With more than 3 000 women dying from breast cancer every year in South Africa, one new generation drug called Herceptin was specifically designed for the treatment of patients with HER2 related breast cancer. This drug is very expensive and can easily cost half a million rand for a year’s treatment. Most medical aids will only provide it if a medical panel approves it and then capped limits will apply. The great news is that a biosimilar (generic) of Herceptin was produced in India but this is not available in South Africa yet.

Research costs high
It is important to take into account that research costs linked to the development of precision medicine is very high and will remain so in the long run.

This is why sufficient critical illness cover remains a non-negotiable item, especially in a country like ours where we do not have a regulated national health system.

From an insurance point of view, precision medicine does open up new avenues with regard to the way that critical illness cover is structured, especially with early diagnosis.

With affordability always an important consideration, it is vital for insurers to provide both tiered pay-out critical illness cover options and options that pays 100% earlier on, with both options covering the same events. Comprehensive critical illness cover offers clients more choices based on tailored preferences rather than generic availability.

George Kolbe
Head of Marketing for Life Insurance Momentum

Cancer is an extremely expensive disease to treat, and medical schemes were not really designed to address such treatments
WHEN I CALLED MY ADVISER SHE TOLD ME NOT TO WORRY, I HAVE ALL THE COVER I NEED. IT WAS SUCH A WONDERFUL PEACE OF MIND.

2016 was a bitter-sweet year for Denise – she celebrated her 60th birthday and the long-awaited birth of her first granddaughter, but in the same week, she also received the earth-shattering news that she had breast cancer. Fortunately, her financial adviser understood the importance of income protection for business owners, and Denise could simply focus on her recovery without the financial stress.

Life is unpredictable. That’s why we protect your future plans and dreams.

To watch Denise’s story and others, go to: fmi.co.za

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The pervasive perception in the broader consumer market that insurers try to find reasons not to pay claims is obviously a concern for the industry. However, in many instances, this perception is shaped by consumer expectations that are based on a misunderstanding about the meaning of paying claims in good faith.

**COLLOQUIALLY SPEAKING**

In the colloquial context, good faith on the part of the insurer suggests a belief and trust in the policyholder that they are making a legitimate claim against their policy conditions. Basically, it means taking the claim at face value.

However, in the context of an insurance policy, good faith refers to a requirement to act reasonably to meet contractual obligations, to ensure a fair resolution of claims on the part of both the insurer and the policyholder.

The idea that insurers should pay claims based on the colloquial definition creates this gap between the expectations of policyholders and the industry reality, which is what leads to misunderstanding. The fact of the matter is that both the insurer and the policyholder have contractual obligations which must be satisfied to warrant a payout at claims stage.

From the policyholder’s perspective, they need to firstly ensure that they are purchasing an insurance product that they need and one that will provide the cover they require, whether there is an adviser involved in the process or not.

**A MATTER OF UNDERSTANDING**

Secondly, they need to understand the conditions under which a claim will be paid. Ambiguity in an insurance contract will always favour the policyholder. Accordingly, there is very little ambiguity in the insurance sector today with contract conditions stating clearly what is covered and conditions under which claims are payable.

In cases where there is a dispute, there are independent platforms, such as the Ombudsman for Long Term Insurance, which can adjudicate on matters where there may be a divergence of views. Also of immense importance is full disclosure at the policy inception stage. Insurers use this information to rate risk.

If there was material non-disclosure at the underwriting stage, the insurer would be prejudiced and within their right to decline a claim, or possibly refund the premiums without making a full payout.

This also protects the insurer from those who try to exploit insurance policies for financial benefit, which is particularly prevalent during periods of depressed economic conditions.

**COMPLEXITY VS TRANSPARENCY**

Clarifying these contractual conditions at claim stage is too late. However, this is often when the expectations of policyholders are not met and reputational issues for the industry at large arise, even when there are valid reasons for an insurer not to pay claims in good faith.

From the insurer’s perspective, to minimise the gap between the expectations of policyholders and the reality at claims stage, products need to be straightforward and transparent to be easily understood.

Rather than develop and push unnecessarily complex products that insurers believe the market wants, the industry should listen more to consumers to better understand their requirements and then design products that meet these specific needs.

Currently, there are many complex insurance offerings targeted at consumers who are then required to make an assessment on the applicability of these products in relation to their needs.

By making this process unnecessarily complicated, insurers simply perpetuate this situation where policyholders do not get what they expect, mainly because they did not understand what they were purchasing in the first place.

For these reasons, consumers should also be wary of insurance products that are overly complicated. They should also remember that they have a choice about which products they purchase.

And if more insurers chose to simplify products, more claims would be paid in good faith, because each could be assessed against clear, unequivocal criteria and evidence, effectively making the colloquial concept an industry moot point.

Consumers should also be weary of insurance products that are overly complicated
Keeping up with client expectations

An increasingly connected and ‘on-demand’ world has resulted in a more fluid workforce, especially among the younger generation.

The average professional tends to be much more flexible and less structured in terms of their ways of working and how they execute tasks. As a result of this, we are seeing a number of trends that are impacting the disability claims space.

These new ways of working have placed working individuals under an immense amount of pressure, yet many of these people seem to not have the adequate coping skills.

As a result, an increased number of clients are being diagnosed with psychiatric conditions, creating a major challenge when it comes to assessing disability claims filed under such circumstances.

**A MOVING TARGET**

Client expectations are often a moving target, especially when it comes to disability cover. Clients tend to expect a payment for a condition that is not necessarily a disability, but rather a health impairment that, with the right treatment plan and rehabilitation program, can be managed very effectively.

This is especially prevalent with psychiatric conditions. In this regard, it is important for the industry to work together to ensure that effective best-practice guidelines are put in place.

Clients have also become more vocal and more empowered and are challenging insurers and holding them accountable for promises that have been made to them.

This is by no means a bad thing, we need consumers to engage with us and provide feedback so that we can improve. However, because insurance cover is based on certain policy terms and conditions, this power to engage and disseminate one’s opinion is sometimes misused by consumers to advocate inaccuracies, which results in unnecessary reputational damages to players in the insurance industry.

Claimants also tend to over-estimate the ability of their disability lump-sum benefit to maintain them until retirement, so they stop working even if they are still able to do some form of work. Should they then run out of money, they have missed out on years of work-experience and income.

**TRENDS DEVELOPING AMONG CLIENTS**

One of the biggest problems we face is that clients do not always spend time trying to fully understand their policies and the wording thereof, yet often they expect to receive the full benefits when a claim is filed rather than when the benefits are designed to pay out.

Another trend that is developing among clients is an increasing expectation for more flexible, on-demand cover that does not require much underwriting or the submission of medical requirements. This can be compared to the mobile app revolution that is taking place in the taxi industry – a service that is available faster and is generally more convenient.

In order to address these factors, it is important for insurers to make sure that their disability benefit product definitions are clear, transparent and say exactly what is covered to ensure that clients are not disappointed. Disappointing clients when it comes to insurance pay-outs will result in more disputes being filed and a loss of trust in the insurance industry. It is also the role of the broker to fully understand and explain the products they are selling to their clients and encourage clients to ask questions.

It is our responsibility to take care of our clients and promote trust in our industry. In order to maintain this trust there is a need for all parties working in the industry to promote transparency, understanding and pay out valid claims quickly.

This, however, needs to be balanced with the intentions of what the insurance products are meant for to ensure long-term sustainability of the industry.

At the end of the day, it is all about keeping up with the changing times and expectations of clients.

Clients have also become more vocal and more empowered and are challenging insurers and holding them accountable for promises that have been made to them.

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Francis Aldrich CFP®
Technical Marketing Specialist
PPS
Revitalizing your HNW clients’ retirement plans

A wealthy retirement seldom means a simple retirement. Why is the life insurance policy an innovative yet less obvious way to maximise retirement savings for High Net-Worth (HNW) clients?

HNW individuals are driven by a sense of purpose and desire to succeed. Yet, what makes their lives worth living is not money, but the freedom of choice it represents – especially at retirement.

IDENTIFYING UNIQUE NEEDS
HNW clients represent a market segment with unique needs. With a minimum net asset value of R50 million and earnings of between R4 million and R5 million a year, HNWs are not focused on the cost of premiums but on benefits accruing. Therefore, they rely on a “family office” of integrated specialists – including a financial adviser – for frequent and astute input. This input guides estate and tax planning, trusts, investments, company structures, succession and retirement planning, medical scheme and life insurance investments and decisions.

Invariably HNW clients will house their assets in various investment vehicles so that liquidity is tied up for long term growth. That makes life cover one of the most tax-efficient, cost-effective ways to access liquidity for estate duties and associated costs.

QUESTIONING LIFE COVER NEEDS
It seems obvious that, as a HNW’s individual assets grow, the need for life insurance - ostensibly - reduces. Not surprisingly, there comes a point where many HNW clients question the need for any life cover at all. However, the question posed is why cancel a policy towards which premiums have been paid for years?

It is important to keep the life policy as a funding mechanism - 95% of my HNW have funding structures in place to pay the premiums for whole life. Some studies on retirees show that almost half - HNW retirees included - significantly alter their lifestyle because of unforeseen financial issues. What is the use of a client paying a policy throughout his or her life and not having a funding mechanism or plan to ensure he or she can afford his or her premiums later in life or ensuring that his or her loved ones see the benefits of a payout?

FUNDING MECHANISM OR PLAN?
Managing risk is a key role for financial advisers to play for their HNW clients. There is great value in a plan that converts life cover into cash without exposing clients to any investment risk.

Consider a situation in which a client purchases the cash conversion benefit at a cost of R15 616.53 per month. A plan that converts life cover into cash could pay out around R26 258 798 to a client at age 65.

Loyalty goes a long way. Integration of financial products under the umbrella of a single insurer can see clients rewarded with access to an innovative tax-efficient savings vehicle that reduces the cost of investment and provides additional retirement funds. There is also great value in the option to convert unused life cover into a tax-free installment during retirement and it makes sense to combine it with risk-cover for critical illness and disability.

HNW clients also find value in the choice, at policy inception, to pay slightly more towards their premium over their working life in order to stop paying premiums at age 65, but continue their benefits.

These clients can find themselves exposed to larger risk by nature of the amounts they invest and the range of investments they buy into. I keep to transparent and well-regulated options that stand up to scrutiny and the test of international regulations.

Ultimately, a combination of the correct advice, and investment tools that are tailored to suit a HNW individual’s unique needs, can unlock exponential long term financial security for generations to come.

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Reward your clients with an additional **PREMIUM DISCOUNT OF UP TO 15% for good health**

We believe that whether your clients are healthy or trying to get healthy they have the power to change the way they behave, which is why, we have tailored solutions specific to your clients’ needs and lifestyle.

With Vitality Rating they can receive immediate value through an additional premium discount of up to 15% on qualifying benefits. If your clients are healthy, they can lock-in their Vitality Rating discount for whole of life while being able to earn significant financial rewards over time for managing their health and wellness.
The disconnect with today’s customers

Advances in technology and means of communication combined with growth in data and information have given rise to a more empowered global consumer.

The customer of today views the world in a far more complex lens than the previous generation of consumers since technological development had yet to influence their purchasing decisions.

The 2012 Ernst & Young Global Consumer Insurance Survey report, “Voice of the Customer” focused on how customer attitudes and behaviours determine how they purchase long term insurance along with other insurance products.

THE NEEDS OF TODAY’S CUSTOMERS

Customers today are more demanding than ever, not only are they empowered by consumer rights and legislation, but the information age has also infiltrated their households in ways that make them more powerful and insightful on products that they purchase.

No longer does a customer compare your company only to your direct competitor. You may be in manufacturing business but your customer service is now being compared to a recent experience at a hotel or a restaurant or even an employee at a local retail store who was so helpful. This means that businesses of today have to include a support mechanism in their value propositions that encapsulates the needs of today’s customers.

PRODUCTS THAT CAPTURE A MARKET

The key underwriting principles of underwriting life insurance are medical in nature. This means that age, type of lifestyle, family history and existing health conditions are among the key risk factors that insurer assess when determining risk. Hence the value proposition of a life insurer is to reinforce a positive message to consumers about their health and wellness decisions.

People continue to follow the path of least resistance when it comes to their health and wellness, which is detrimental not only to their health but to the financial stability of their households too. While there is evidence, particularly in South Africa, that the large majority of the working population do not have sufficient life insurance cover, it remains a challenge for life insurers to offer products that capture this market and influence their behaviour.

BREAK INTO NEW MARKETS

The 2015 PWC Insuring African Growth Report highlights the importance of understanding the insurance landscape in order to better service existing clients and break into new markets, thereby increasing growth. Over the past few years, for example, most life insurers have made significant mortality and morbidity profits on risk products in South Africa. Aids loadings previously priced into premiums and valuations because of the uncertainty surrounding the disease are not manifesting in experience. The roll-out of antiretroviral treatments has succeeded in reducing mortality rates.

Consequently, the report notes that insurers have started to amend policy benefits on existing contracts and premium rates on new policies issued in line with Treating Customers Fairly (TCF) regulations. This is a progressive move towards bridging the disconnect between life insurers value propositions and today’s customers.

The support services provided by the insurers to existing clients will go a long way towards ensuring that clients get the best out of their cover. Self-service options which have now become as important as purchasing a product will have to form a key aspect of the insurer’s value proposition and product offering at large. Ongoing access to health and wellness programmes which are interactive and regularly updated will have to be integrated into client service.

This will obviously require an internal research unit from insurers which will use learning’s of behavioural economics to nudge policyholders towards healthy behaviours.

Dynamic pricing and rewards to reflect policyholder engagement over time should also be a key factor in connecting the life insurer’s value proposition to the customer of today.

While there is sufficient evidence to suggest that life insurers have aligned their value proposition to today’s customers, it is vital to invest heavily in research to keep the momentum going and penetrate markets which previously where considered uninsurable.

Thapelo Mokau
Claims Expert
AON Benfield

Customers today are more demanding than ever
A new strategy to define care

Cancer is a group of diseases involving abnormal cell growth with the potential to invade or spread to other parts of the body.

Underwriting cancer survivors is based on cumulative survival rates of that specific cancer as published in medical literature. The underwriting terms are regularly updated as more updated research becomes available and reflects the results of modern optimal treatment for the specific type of cancer.

Mitigating factors

The survival rate of cancer (and underwriting terms) is dependent on many factors. These need to be put into specific boxes which define the approach to underwriting. The first issue to look at is the type of cancer; certain types of cancer have a worse outcome than other cancers.

The next issue to deal with is subtype. Breast cancer can be of different subtypes (e.g. ductal, lobular, mucoid) each of which has different outcomes. There can even be differences in the same subtype such as those with estrogen hormone receptors which can be manipulated with hormone therapy so that the prognosis is better than similar cancer without the receptor.

Tumour dimensions and spread within the site of origin also need to be considered. These are indicated by T1 to T4 with T4 a large tumour with deep invasion of tissue and T1 a small tumour with micro invasion. The grade is the next factor to consider. This is an indication of how aggressive the cancer is. Prostate cancer with a Gleason score of less than six has a better prognosis than those of seven or more.

The stage (spread to other organs), type of treatment and time since remission or last treatment are other factors that may influence the terms.

Assessing total risk

The final terms will be determined by assessing the total risk and considering the type of product. Without sight of the initial diagnostic reports, and reports from the treating oncologist or other specialist, the medical underwriter will find it impossible to assess the risk.

Offering terms

The following terms can be offered by underwriters:

- The insurer can decline the application where the risk is extremely high (e.g. stage four cancers) or soon after the diagnosis of a cancer;
- The insurer can postpone the application if it is made too soon after the diagnosis to offer terms. The time postponement will differ depending on the particulars as above;
- The insurer can load the premium. Usually this will be a temporary loading for a certain amount of years. A flat permanent loading has the dilemma that it will underestimate the short term risk and overestimate the long term risk and is therefore less often used. There might however be a combination of the two types of loading;
- The insurer can include an exclusion clause. This can either be a total cancer clause or an organ-specific or type of cancer clause. Certain cancers are easy to identify the origin even if it has spread to other organs, in these cases organ specific clauses can be used. The clause might be combined with a premium loading; and
- The insurer can opt for standard rates. Depending on the time since diagnosis, standard terms might be offered. This implies that the risk is the same as for the rest of the population.

A complex undertaking

Underwriting of previous cancer instances is usually complex and needs sight of medical documentation. The good news however is that local insurers do insure cancer survivors. As more medical research gets published; better evidence based decisions can be made.

As more medical research gets published; better evidence based decisions can be made. Do not assume that an applicant with previous cancer is uninsurable. It is suspected that newer and less toxic treatments (like immunotherapy) will enable insurers to offer better terms to cancer survivors.
For some mid-winter fun, with the perfect mid-winter warmer, Gauteng Women in Insurance (GWII) hosted a witty, warm and welcoming Winter Solstice event at Hollard’s Villa Arcadia with Hollard and Fulcrum as the main sponsors.

One of South Africa’s smartest and most entertaining corporate speakers, Rich Mulholland, Columnist for Longevity magazine and founder of 21 Tans – SA’s first lab, left room for thought when he pointed out how people are often struggling with decisions to make because they believe the risk is far too great. “Every decision you do not take action on you are going to regret,” he says.

Those attending were asked to bring along toiletries or cash donations for two charities, Vuyiswa Home for Disabled and Johannesburg Organisation of Services to the Homeless.

GWII also asked members to wear a pair of gloves they can leave behind after the event so they can donate the gloves to people in need. We are truly grateful for the huge amount of toiletries and cash received. And as always a big thank you to Insure Group, who kindly donated R3 000 to each charity.

A few lucky ladies walked away with prizes donated by sponsors. The sponsors who contributed to the prizes were: Allianz, Crawford & Company, Constantia and MUA.

GWII would like to thank Hollard and Fulcrum for their sponsorship and support for this event. Without them this would not have been possible. A special word of thanks also Allianz, Crawford & Company, Constantia and MUA.

A big thank you also goes out to Insure Group for once again sponsoring our photographer.

And lastly, to all GWII members thank you for attending this event in aid of some mid-winter fun, with the perfect mid-winter warmer. We hope you feel inspired with a whirlwind of fresh thinking, fresh perspective and fresh ideas!
winter solstice
Gauteng Women in Insurance (GWII) hosted a breakfast with the theme ‘A Winter’s Tale’ at Moyo Zoo Lake with JLT as the main sponsor and Cunningham Lindsay and Old Mutual Insure as co-sponsors. Members were greeted at Moyo Zoo Lake with friendly faces, drummers (sponsored by Hollard) and face painters in Moyo’s style.

Gcina Mhlophe, South Africa’s best known storyteller, encouraged and uplifted the ladies with an inspirational and motivational talk. Those attending were asked to bring along a blanket for someone in need this winter and some dog/cat food to feed our fury friends. All proceeds were donated to the 9th Day Rescue, Rehabilitation & Rehoming Centre, Toddlers and Treats charity foundation and Jicama 89.

A few lucky ladies walked away with prizes donated by sponsors. The sponsors who contributed to the prizes were: Allianz, Constantia, ELB Engineering Services, Factory & Industrial, Generic Marine Underwriting Managers, GIB and PG Glass.

Thank you
GWII would like to thank the main sponsor JLT and co-sponsors Cunningham Lindsay and Old Mutual Insure for their sponsorship and support for this event and Hollard for sponsoring the drummers. Without them this would not have been possible.

A special word of thanks also to Allianz, Constantia, ELB Engineering Services, Factory & Industrial, Generic Marine Underwriting Managers, GIB and PG Glass.

A big thank you also goes out to Insure Group for once again sponsoring our photographer and SHA Specialist Underwriters for carrying our insurance.

And lastly, to all GWII members thank you for attending this event. We hope the fire within you ignites the shine that will change yours and others lives.
Prescient launches absolute defensive fund - The Prescient Absolute Defensive Fund is a low-risk low-equity balanced fund aimed at delivering stable income with some participation in equity markets to enhance the potential long term value creation for society.

Chubb launches upgraded Travel Premier insurance policy and new Travel Smart App - Chubb announced the launch of the newly enhanced corporate travel insurance policy and associated innovative technology solutions for corporate clients. The new Travel Premier platform offers a revised look and user-friendly dashboard along with enhanced user functionality for companies to manage their travel insurance needs and track employee trips. Chubb has also developed a leading and innovative online risk management tool called Travel Smart. This comprises an online dashboard which provides real-time data for HR professionals and risk managers to monitor, locate and communicate with travelling employees.

Fulcrum partners with Markit to upgrade prominent broker system - The Fulcrum Group have partnered with international digital technology house Markit Systems for strategic upgrades and enhancements to the organisation’s well established broker system – Fulcrum Flexi (Flexibroker).

Auto & General launches AutoSOS - Auto & General Insurance has launched AutoSOS, a smartphone-based automatic crash detection service which eliminates the need for a deep-installed device. The aim of AutoSOS is to reduce the response time of emergency medical services by pinpointing the exact location of an accident.

Sanlam launches limited edition fashion accessory for National Savings Month - During National Savings Month, Sanlam tackled the issue of low savings rates in South Africa by launching a limited edition fashion accessory with a difference. The Mna Nam is wearable tech or ‘functional fashion’ with an embedded QR code which allows an instant ‘scan and save’ action. The aim is to make it as easy to save money as it is to spend it.

Resolution Insurance partners with SSP Pure Insurance - Resolution Insurance has chosen global insurance technology specialist SSP to provide a new, robust, flexible IT system to underpin its expansion plans. The deal will see SSP Pure Insurance deployed as a single flexible, end-to-end core insurance solution across Resolution Insurance’s operations in Kenya and Tanzania, with local account management support from the Kenyan office.

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Prescient launches absolute defensive fund - The Prescient Absolute Defensive Fund is a low-risk low-equity balanced fund aimed at delivering stable income with some participation in equity markets to enhance the potential long term growth. The Fund offers exposure to unique investment opportunities in renewable energy inflation linked bonds, incorporating the benefits of diversification and inflation protection.

Sanlam UCITS Fund managed by Artificial Intelligence - Sanlam Global Investment Solutions (SGIS) announced that the Sanlam Managed Risk UCITS Fund is now managed solely by Artificial Intelligence (AI) – making it the first Balanced Fund in the world fully driven by AI.

Hollard introduces insurance for sports fanatics - Hollard’s new generation insurance option, the Sporting bundle, is just the ticket for the sports enthusiasts who want to take care of all their gear and any potential liability that could arise from their sporting pursuits. Hollard’s Sporting bundle covers sporting assets and liabilities.

GCR affirms Chubb’s rating at AA (ZA); outlook stable - Chubb announced that Global Crediting Rating (GCR) has affirmed the national scale claims paying ability rating assigned to Chubb Insurance South Africa Limited at AA(ZA), with the outlook accorded as stable.

Resolution Insurance partners with SSP Pure Insurance - Resolution Insurance has chosen global insurance technology specialist SSP to provide a new, robust, flexible IT system to underpin its expansion plans. The deal will see SSP Pure Insurance deployed as a single flexible, end-to-end core insurance solution across Resolution Insurance’s operations in Kenya and Tanzania, with local account management support from the Kenyan office.

Satix set to launch three global ETFs - Satix is launching three new global Exchange Traded Funds (ETFs), making it possible to invest in both developed and emerging markets globally. Investors can now access global equity markets on the JSE alongside their local ETF investments.

CEO’s collaborate to improve reporting framework - Hendrik du Toit, CEO of Investec Asset Management, has joined over 20 leading global CEOs in spearheading a new approach to improve the way businesses report. This encourages firms to clearly demonstrate their contribution to sustainable long term value creation for society.

CIB acquires FPA Underwriting Managers - CIB announced the acquisition of FPA Underwriting Managers. The change of ownership comes into effect 1 August 2017 and will see FPA (better known as FIRSTPROP) become a division of CIB.

Syg尼亚 obtains approval for purchase of DB X-trackers - Syg尼亚 announced that the relevant regulatory approvals of the Competition Authorities and the Registrar of Collective Investment Schemes, have been obtained for its purchase of DB X-trackers from Deutsche Group Holdings South Africa for a total consideration of R325 000.
MiWay’s BusinessAssist to promote growth in the SME sector
- MiWay recently introduced MiBusinessAssist, a new business support service designed to save SME’s time, reduce unnecessary operational costs and offer the business acumen and expertise required to sustain long term growth. MiBusinessAssist provides welcome relief for small business owners starved of appropriate know-how and resources, enabling them to get on with the business of running a business.

Strategic partnership to broaden Old Mutual Group’s offering
- Mutual & Federal Risk Financing announced that it has entered into a partnership with the underwriting management agency, SA Guarantee Specialists. This strategic partnership allows the Old Mutual Group to broaden its offering to benefit clients, customers and the rest of the industry.

Investing made easy with Sunny Money and Sweat to Stash
- Stash, a new savings and investment app powered by Liberty allows clients to stash money. Stash rounds up the amount of every transaction on a client’s bank or credit card. If a user decides that their Stash limit per transaction is R10 and they make a transaction for R45, this would be rounded up to R50. The R5 in change is stashed. With Sunny Money, every morning Stash checks the weather in a user’s area. If it is sunny, the app stashes R5 (by default), but the user can also choose to stash R10 or the maximum temperature of that day (in Rands). With Sweat to Stash, the feature stashes money when the user moves. Stash uses the built-in step counter to work out how many steps the user takes. The average person takes between 5 000 and 7 000 steps a day. So, if the user walks 7 000 steps a day they will Stash R3.50.

Chubb unveils Chubb Ignite, an online platform for brokers’ SME clients
- Chubb unveiled Chubb Ignite, an online platform for brokers’ small and medium sized commercial clients in South Africa. Chubb Ignite is quick and easy to use and allows brokers to quote specialist insurance online and be bound by Chubb within minutes, with instant documentation available online or via email.

Sasfin Wealth launches global equity fund
- Sasfin Wealth announced the launch of its global equity fund. The fund launch aligns with the business’ strategy to enhance its global offering for clients, which also includes managed global share portfolios. The various global investment options provide clients with appropriate and cost effective ways of accessing global markets.

Santam launches new TV commercial
- Santam launched a brand new TV commercial entitled “What Could Go Wrong?” as part of its broader brand campaign. The television commercial depicts scenarios from the surge of innovation currently underway and alongside possible risks that need to be managed in advance. In this commercial, Santam shows that they are at the forefront of technological change and are already asking the difficult question of “What Could Go Wrong?”

ALU and Swiss Re partner to open School of Insurance for insurance professionals
- The African Leadership University (ALU) and Swiss Re launched the ALU’s School of Insurance, which will offer innovative short courses and executive education to upskill existing insurance professionals across the continent. The school will also offer full-time BSc Actuarial Science programmes designed to meet the needs of local African insurers.

Swiss Re Foundation to support 150 students
- The Swiss Re Foundation will provide financial support for 150 students. A vital part of the funding includes a programme to ensure access to the school’s programmes for talented future leaders from financially disadvantaged backgrounds. Inline with the ALU’s philosophy, Swiss Re’s work has also brought together other industry players to ensure trainee and work experience opportunities exist for students.

Websure updates set to advance Brolink
- Brolink has announced updates to its Websure system that will help to deliver the highest standards of administration to brokers and insurers alike in a rapidly advancing tech environment. The Websure updates comprise a .NET enhancement and changes to the user interface, which will provide a host of benefits.

Liberty launches Agile 2
- The significant success of Liberty’s Agile retirement solution, combined with the current market uncertainty has spurred the insurer to introduce a new feature to the retirement solution by launching Agile 2. The enhancements now allow investors to realise more aggressive, guaranteed investment returns.

Subscribe to our EMAIL NEWSLETTER at www.fanews.co.za.

Each space is occupied by a die whose colour corresponds to one of the eight directions (up, down, left, right and the four diagonal directions that lie between these). Begin in the centre space (the red two in this case) and at each move you land on a die, move the number of spaces that is indicated by the die and in the direction that it indicated by its colour. You should never jump off the board and you should land on ever die, but only once.

THE QUESTION IS, WHICH IS THE LAST DIE YOU LAND ON?

Visit www.centiq.co.za/braingames for the SOLUTION, as well as more puzzles and brain challenges.
Collaborating with industry partners
FAnews had the privilege of partnering with Chubb and Old Mutual Insure at The Insurance Conference… working together is what this industry is all about. Thank you Chubb and Old Mutual Insure!
The insurance industry and the FAnews team gathered at Sun City for the 44th Annual Insurance Conference, themed “Disrupt – Debate - Deliver” hosted by the FIA - Financial Intermediaries Association of Southern Africa, The Insurance Institute of South Africa (IISA) and South African Insurance Association (SAIA) from the 23-26 July.

Packed with a panel of eminent speakers, debates and discussion on key issues and pertinent topics, over the two days, the conference examined the significant issues relating to the changes digital transformation is causing and the tremendous potential it has to disrupt the industry.

The event was set with some social functions and also boasted exciting networking opportunities with delegates from local and international markets.
44th INSURANCE CONFERENCE

[Images of attendees at the conference]

The Insurance Conference 2017
DISRUPT
DEBATE
DELIVER

FAnews AUGUST 2017
Bidvest Insurance makes a difference this Mandela Day
Bidvest Insurance took action this Mandela Day by allowing their employees to spend 67 minutes helping deserving initiatives and organisations across the country. Five different Bidvest Insurance teams with approximately ten to fifteen volunteers per team visited various causes on the day which included Khulani Children’s Shelter in Durban North, La Lucía Baby House, the Durban SPCA, Umhlanga UIP Assist and the Kids Haven and SPCA in Benoni.

Not only was quality time spent at the various organisations by the dedicated Bidvest Insurance staff, but much needed donations and resources were also collected and donated as well.

1. From left: Claire Brider from Bidvest Insurance and Sheila Collins from La Lucía Baby House. The money donated will be given in the form of a Dischem voucher for them to use for medicines for the babies.

2. From left: Banu Aurakeasamy, Michele Bekker and Serena Janse van Rensburg.

3. Dewet Geldenhuys from Umhlanga UIP receiving a cheque from Matthew Reardon from Bidvest Insurance.

Brightrock hosts Play the Bounce Braai with the Springboks
One of the big annual social events where the Springboks get to mingle with the fans was held at Monte Casino in Johannesburg on 20 June as Brightrock teamed up with the Chris Burger Petro Jackson players fund to host the Play the Bounce Braai with the Springboks.

The evening saw the current Springbok squad, as well as former South African rugby legends, raise money for a fund that assists players who are victims of life changing injuries while playing rugby. Fun was had by all as attendees got to mingle with the Springboks, team up with them to complete a rugby based quiz, and to participate in an auction which raised the necessary money for the fund.

FMI shines a light on a young man’s journey to normality
Friday 9 June 2017 marked a very special day for Warren Bonn who received a generous donation of R20 000 from FMI, in a handover that took place in Umhlanga. Warren suffers from a rare condition called Arteriovenous Malformation (AVM) of the tongue and the money donated by FMI will be put towards the remainder of his required medical procedures. Brad Toerien (CEO of FMI) handed the R20 000 cheque to Warren Bonn.
New appointments in the industry
From left: Allianz Global Corporate & Specialty (AGCS) Africa has appointed Senzi Ndlozi as Business Development Manager; Euler Hermes has appointed Stephane Rutili as Country Manager for South Africa; Innovation Group announced the appointment of Drew Schnehage as Commercial Director; Innovation Group announced the appointment of Vimal Jairam as Head of Customer Service and Pieter Smit as General Manager Continuous Improvement.

Hollard appoints Saks Ntombela as CEO - Hollard has appointed Saks Ntombela as Group Chief Executive Officer. Ntombela will assume the role on 1 October, taking over from current CEO, Nic Kohler, who announced in January that he would step down after 10 years at the helm. Ntombela joined Hollard five years ago as head of its fledgling life and investments area, having previously served as Head of Retail Banking Product and Segments at ABSA. Prior to that Ntombela held a number of executive positions at Nedbank, where he was most latterly responsible for the Bank’s retail business.

24Fix to become BEE supplier of choice to the insurance industry - Europ Assistance South Africa announced the sale of its subsidiary company 24Fix to a Black Economic Empowerment consortium (BEE consortium). This deal positions 24Fix to become a preferred supplier of emergency geyser and plumbing repairs to the entire South African insurance sector. From left: Eric Sigama; Monelisi Vuso and Christelle Colman.

SAIA Annual Cocktail Function - FAnews attended the South African Insurance Association (SAIA)’s Annual Cocktail Function.
**Momentum Investment Launch** - FAnews attended Momentum Investments’s Outcome-Based Investing Launch where guest speaker Thuli Madonsela, Former Public Protector, spoke about how outcome-based investing can help clients truly solve their needs.

**MMI Holdings and African Bank enter mutually beneficial partnership** - MMI Holdings and African Bank announced that they have entered into a mutually beneficial partnership. Subject to regulatory approval, the partnership will enable each group to leverage each other’s strengths and provide greater value to their respective customer bases, through offering a wider range of products and services. From left: Brian Riley (CEO African Bank) and Nicolaas Kruger (CEO MMI Holdings).

**Santam contributes R1 million to Eastern Cape municipalities following fires**
In the wake of the devastating fires in the Southern and Eastern Cape, Santam has provided over a million rand in fire-fighting equipment to the Sarah Baartman District Municipality to assist in curbing loss of life and help reduce the destructive impact of fires and other risks within exposed communities across the region.

**New appointments in the industry**
From left: Norton Rose Fulbright announced that Mark Gilbert has been appointed to the newly-created position of Deputy Chief Executive Officer, South Africa; Gerhard van Emmenis has been appointed the Principal Officer of Bonitas Medical Fund; and Assupol's Chairman, Andrew Birrell, announced the appointment of Riaan van Dyk as the new Assupol Group CEO.
New appointments at AIG
From left top row: AIG South Africa announced that Roxanne Griffiths has been promoted to Underwriting Manager for Financial Lines South Africa and will also continue to lead the Professional Indemnity, Cyber and Kidnap and Ransom portfolios of the South African business; Heather Morris has been promoted to the position of Liability Profit Centre Manager for South Africa responsible for all Liability business across the country; Makolo Kalambaie has been promoted to Financial Lines, Profit Centre Manager for South Africa responsible for all Financial Lines business in South Africa; Bryan Willoughby has been promoted to Property Manager for AIG South Africa; Eric Dom has been promoted to the role of Strategic Business Development for Liability and Financial Lines South Africa, and he will continue to underwrite selected Liability risks while focusing on business development across the Liability and Financial Lines portfolios.
From left second row: Shaun Scandling has been promoted to the role of Property and Special Risks Leader, AIG Africa; Senele Mbatha has been promoted to the role of Chief Financial Officer, AIG Africa. Senele will be responsible for all the financial functions including Controllership, Financial Planning & Analysis, Capital Management, Actuary, Tax and Financial Operations for AIG across Africa; Prernita Naidoo has been appointed as SME Lead for Portfolio Solutions in the Package Specialty Lines; and Madhav Kumar has been appointed as of Head of Individual Segment for Personal Insurance, AIG Africa.

New appointments at Old Mutual
From left: Old Mutual Insure announced the appointment of Christoph Leuzinger as Head of Financial Lines & Casualty, and the early retirement of Raimund Snyders, Chief Executive Officer of Old Mutual Insure, from the end of 2017. Snyders, who has been with the Old Mutual Group since 1990, has been the Chief Executive Officer of Old Mutual Insure (previously known as Mutual & Federal) for the past four years. Old Mutual Alternative Investments (OMAI) has appointed Nabeel Laher as Head of International Private Equity; Old Mutual Emerging Markets (OMEM); and announced the launch of a new Wealth and Investment cluster to be headed by Dave Macready, the current CEO of Old Mutual South Africa (OMSA).

Young Leaders' Conference
My Career in Insurance hosted a Young Leaders’ Conference which FutureLeaders attended, for an informative, fun experience about study options and careers in the insurance industry. Winner of The Insurance Apprentice 2017, Kabelo Paile attended the event and shared her experience of The Insurance Apprentice with these young individuals. Inspirational stories were also shared by speakers from companies such as Allianz, SHA Specialist Underwriters, Camargue Underwriting Managers, the Insurance Institute of South Africa (IISA), Firedart Engineering Underwriters and many more.
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