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CONTENT

... APRIL 2021


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Sanlam is a Licensed Financial Services Provider.

It's all about the lessons learnt

LETTER FROM THE EDITOR

Rianet Whitehead
Editor

A year ago, it all started… and today we look back and wonder how we survived it. What we do know is that we are more resilient than we ever realised, we know that change is not always bad and that we sometimes get 'bullied' into new ways of doing things, only to discover that we actually like what we previously disliked or never trusted.

An interesting release, sent out by Reinsurance Solutions Intermediary Services, highlighted a few lessons learnt over the past year. A comment was made that Fitch Ratings predicts an increased reinsurance demand for the next year, due to pandemic uncertainty and increased prices in primary insurance – a trend it expects to continue for the foreseeable future and there is no doubt that we will have to innovate on various levels to design new products. What we have also picked up is that there will be a lot of long-term effects from the pandemic, and with so many unknowns, we have not seen the worst of it yet in our industry! Regardless of everything, our past experience will shape our preparedness for future events, no matter which part of the industry we operate in.

Have you read that Momentum paid out just over R750 million and Sanlam R162 in COVID-19 related claims? The number is probably bigger than we ever anticipated, but the reality is that our industry once again came to the rescue of many families who lost breadwinners, and businesses who lost key partners in this horrible pandemic. Let's share the numbers with clients… it's always a good reminder.

In this edition we focus or retirement and employee benefits – another industry that was hit hard by the pandemic, but which has been a lifesaver for many.

Funeral Supplement

We have put together a supplement focussing specifically on funeral insurance, because we have many Continuing Professional Development (CPD) users who focus purely on Funeral Insurance. This supplement is also extremely educational and can be shared with clients and anyone else who is keen to know the industry a bit better.

CPD hours

Remember that you can get all your CPD hours with FAnews. Simply register and download, or read the magazine online, complete the questionnaires related to the articles and get those CPD hours. You can also do it on WhatsApp – it is easy to use, and once you do it on your phone, you might never go back to your old way of doing it. Unsure about the process? Just email reception@fanews.co.za and we will gladly assist.

Don't leave it to the last minute… the CPD cycle ends 31 May 2021.

Enjoy the read!

THE FUTURE OF HOLISTIC FINANCIAL ADVICE

The COVID-19 pandemic saw customers gravitating towards brands with high adaptability due to their customer- and community-centric approach.

Financial services providers have had to offer a certain degree of relief and support to help their customers cope with the various devastating lockdown levels. And although these relief schemes were both attractive and somewhat a necessity during this difficult time, seeking sound professional financial advice has become vital for customers in the assessment of these support structures.

This is due to the potential long-term effects of these schemes on a customer's ability to manage their debt, position their investments and build on their future wealth.

An integral part of the ecosystem

Transparency, and the ability to transact and invest digitally, has become top of mind. As difficult as this period has been, it has created various new opportunities and accelerated 10 years' worth of technological growth.

This has meant industry players have had to revisit their current solutions, to ensure the sustainability of their brand and their offering, while pouring their resources into building and enhancing existing legacy systems that manage customer profiles. Notwithstanding all these advancements, the old trope of cutting out the middleman has never been so misguided. Financial advisers have been an integral part of this financial ecosystem since inception, and they now need to have a greater positive influence on their customers' financial journey.

Grow and adapt to these changes

Advisers have a real opportunity to grow and adapt to these changes, to ensure their relevance for years to come.

An important future consideration for advisory firms will be the ability to harness the technology landscape. Whether it is providing information on market-leading returns, debt management or helping clients effectively leverage financial vehicles to endorse a prudent approach, partnering with technology that offers a one-stop solution should be a key objective for the future of holistic financial advice.

These advancements lay the platform for a more customer-obsessed approach with cost-saving opportunities, ease of use and unbridled access to information that offers enormous value. By being better informed, the customer will have a greater understanding of market trends and product fundamentals, and consequently, be more receptive to sound financial advice.

A financial adviser's existing customer base offers an immediate marketing opportunity, and an up-to-date understanding of this base is key to remaining relevant and identifying opportunities. Using a strong and adaptive Customer Relationship Management (CRM) system should be a necessity, to ensure a sustainable practice, and provide key insights for a strategy, to acquire new customers and support existing customers effectively.

Millennials are known as the most tech-savvy and social media friendly generation, making up over 50% of the South African population. This has resulted in Millennials being a prime target market for any industry and, for financial advisers, this market should be a key consideration for the sustainability of their practices. Millennial customers generally have more needs as they look to build financial futures, manage debt, and protect their wealth, all while having the responsibility of dependants. Therefore, an adviser's true value for this market will be found in the holistic financial advice that is aided by intuitive technology.

A priority for the customer

Even though the future may mean investing in smart technology and looking to disrupt the way we do things, personal touch and face-to-face interactions can never be discounted.

It remains vitally important for advisers to continue to prioritise meetings and interactions with their clients, taking relevant COVID-19 protocols into account.

Information on financial products may be a click away but being able to translate that information into a lucrative and relevant solution requires the expertise, personalised solutions, regular interactions and overall guidance of a trustworthy adviser. So, no matter what the future may hold, it is a personal and relevant approach to customer interactions that will ensure that obtaining sound professional financial advice remains a priority for the customer.

Kreethan Budhu
Head of Broker Relations
Fedgroup

Is affordability enough FOR SUSTAINED SUCCESS?

To be successful in the future, brokers need to embrace digitalisation to improve the customer experience.

The drive towards digitalisation

Cost has always been a factor when it comes to purchasing insurance but, in today's digital age, affordability is no longer seen as a trade off with quality. Consumers have become used to the fact that technology has improved things for them, while also driving down costs, and they expect the same principle to hold good across all sectors.

The COVID-19 pandemic has also accelerated the drive towards digitalisation.

Key issues to think about

To succeed in this environment, brokers need to understand the complex nature of digitalisation, and how to use it to fulfil rapidly inflating customer expectations, while maintaining their margins.

Some of the key issues they should be thinking about include:

1 Using digital technologies to reduce costs.
Brokers have high administrative and compliance obligations, all of which consume money and time. The loss of time is particularly harmful, because the broker's unique selling proposition is his or her ability and willingness to build relationships with clients. Brokers should be constantly on the lookout for applications and services they can consume on a pay-as-you-use basis, to reduce their back-office expenses. Personal assistance, bookkeeping, invoicing, and similar services, can be accessed on the cloud with no need to invest in extra people, office space or technology. Management costs and time are also greatly reduced.

2 Leverage the digital initiatives of insurers.
Some insurers are proactively undertaking digital transformation. Initiatives include expanding app functionality and moving many processes online. Brokers should be looking at ways to integrate with these initiatives to reduce their own costs or improve the experiences of their clients.

One good way would be a self-service portal which allows brokers to generate their own quotes easily. The self-service quoting functionality should allow brokers to test variables, to accommodate client requirements. Another benefit should be a reporting mechanism allowing brokers to view their full business with the insurer, and to analyse the existing customer base, for further opportunities. Other functionalities could be added to the portal over time.

Another valuable initiative would be to complement the portal with a broker call centre to which brokers can "outsource" the process of furnishing quotes and confirming underwriting to the call centre. The call centre can then handle all the subsequent administration, including retention and claims. This kind of approach positions the insurer and the broker as part of the same ecosystem.

3 Use digital technologies to improve customer experience.
Brokers must explore how they can use digital technologies to improve service. Part of this means smart use of what the insurers offer, but other areas should be investigated. Perhaps the most obvious way that brokers can use technology, in this sense, is communications. The expectation now is for instant and targeted communication, and this is very possible even for a small brokerage if it is technology savvy. The cloud makes these kinds of technology very accessible and cost effective. It's also becoming easier for brokers to access technologies like Artificial Intelligence (AI) and Machine Learning (ML).

AI and ML offer brokers the opportunity to learn much more about their clients, and so embed themselves in each client's life journey. Used intelligently, these technologies will help brokers access information that will enable them to respond proactively to life events, and so, increase their cross-selling capability. A broker who knows that a client is selling a house or vehicle, for example, can offer cover on the new purchase.

Stay on top of the changes

COVID-19 has created the impetus for a sustained move onto digital platforms, and this process will continue.

Brokers must ensure that they are on top of the changes, and alert to how they can help reduce their own costs to make their services more affordable, while also satisfying growing consumer demands for better, more personalised service.

Morné Stoltz
Head of Department: Broker Distribution
MiWay

RELATIONSHIPS STILL MATTER

Insurance is an increasingly technologically driven industry: from chatbots to automated claims processes, there is less of a need for insurers, brokers, and their customers to engage directly with – or know – each other.

Or is there?

Convenience trumps relationships

The perception that convenience and cost savings trump relationships is, perhaps, a particularly urban one. We are always in a rush, we have an app for everything, and why should we bother to meet people in person (or even call them) if we do not have to?

We often see that when we step out of South Africa's metropoles, things often do not work like that. Why? Because relationships still matter.

It is ironic that agriculture is one of the most technologically sophisticated sectors of the South African economy. However, when it comes to their insurance, farmers (and their brokers) still want to look you in the eye as they shake your hand.

In a way, it is hardly surprising. Urban folk routinely spend a few thousand Rand a month for their various insurance policies – home, motor, life, medical, etc. – and they think nothing further of it. However, a commercial farmer's monthly insurance premium can easily top R100 000; if you were that farmer, would you not also want to know and trust whoever was taking your money and managing your insurance cover?

More than a cup of tea

I manage a cluster of regional offices in places as diverse as Pretoria, Ermelo, Middelburg, and Nelspruit, providing a one-stop shop that integrates underwriting and claims processes for broker partners and the customers they serve.

Because we are primarily a broker-facing insurer, I do not interact with our policyholders that much, but I do, on occasion, accompany a broker partner on a visit to an Agri customer. It invariably ends up being more than a cup of tea and a conversation, as the farmer takes his time to get to know us – and even sometimes ropes us into a bit of physical work! Why? Because relationships still matter.

This kind of thing does not happen only with Agri customers. As a matter of fact, Agri makes up a small portion of short term insurance overall outside of our cities, with commercial being the biggest class. It is just the way things are done in the peri-urban and rural areas.

I am fortunate that relationships are built into our company's DNA. Brokers and customers are at the heart of what we do – in other words, their interests become our interests. The philosophy means being where our customers are – that helps us to know them and provide cover and service that meets their individual needs.

Our relationships with our customers remind us that insurance is not ultimately about hedging against risk or covering losses, it is about people. Our customers look to us to cover the things they care about: the enterprises they have built, the homes they have created, even other people. They do not want to be just a number, and they want to know that we care about what is important to them. That is why relationships still matter to them, and to us.

Looking after brokers and customers

I embrace technological innovation. However, what my experience teaches me is that, if in our efforts to get ahead we forget to look after our brokers and customers, we will nevertheless end up getting left behind.

Why? Because relationships still matter, and they will continue to matter as long as there is a human workforce doing the work.

Johan Prinsloo
Regional GM: Northern Provinces
Hollard Insure

BENEFITS, TRAINING AND UPSKILLING TO BEST PRACTICE

There is a skills gap in the South African insurance industry, one that insurers will have to address, by prioritising and developing operating models capable of responding to the changing demands.

Research by the Insurance Sector and Education Training Authority (INSETA) shows that managers, particularly in the short-term space, are acutely aware of the need to upskill employees. Managers also expressed concern about the poaching of talent by other industries, which has become an issue as remote work becomes the status quo.

Challenging the status quo

Remote working has changed the game completely, for employees and employers, by levelling the playing field between employers and employees. Prior to COVID-19, international companies had a central team occasionally making use of external service providers, now these companies are employing individuals from all over the world as they can do so remotely.

As a South African insurer, you should be asking whether there is a possibility that your employees can go work for an international company tomorrow. If the answer is yes, you should start thinking about upskilling programmes to international company standards.

Give staff the luxury of choice and preference. If they want to work from home, let them do so; if they prefer to come into the office, that is great, as long as everyone keeps to their end of the bargain. A dual model, in which staff spend a few days a week in the office, and a few days a week at home, allows for maximum productivity whilst maintaining a collaborative culture.

The remote working trend

In South Africa, we are behind the remote working trend and we are still playing catchup in getting the necessary resources to our employees to enable them to optimally do their work from home. We should be thinking hard about how we can align our benefits, training and upskilling to international best practices.

A PwC survey on the insurance industry, in Ireland, noted in 2020 that the key focus areas in future are leadership and talent development, cost efficiency, and digital transformation. This translates well to insurance in South Africa, and globally.

Multi-skilled is the skill of the future

At Genasys, for example, we are increasingly looking for individuals who are technically able but are also dynamic in a team environment; people who can learn new technologies while being able to transfer knowledge and skills to peers.

This is all part of becoming more client-orientated, in keeping with the general trend in insurance.

In pursuing this, we have been on a drive to build team capacity by giving our technical employees, through training, the ability to manage agile teams and projects. This ensures continuity from on every level.

It essentially means that anyone in the team can step up on the day and be a scrum master, for example. This is facilitated by upskilling certain individuals in the team and having them coach and mentor their peers through an internal coaching system. A new employee, for instance, is partnered with someone with the same job title, and this is usually a person who was the last to join in this role at the company.

A future roadmap

The aim of upskilling staff is to work towards a future roadmap, and from the outset, identify the skills this will require at every step of the journey. In doing so, you are keeping human resources and expanding their skills, which will encourage employees to invest their future with you.

Insurers must identify the skills they may need in future, and then identify individuals in the organisation to pass these skills onto, through the myriad of learning options available today, and through mentoring and coaching.

We brought a lot of the training in-house, by training a percentage of employees and having these team leaders do internal training to other staff members. We are ensuring that the training at managerial level is filtering down to ground level.

The goal is to create a culture of personal and professional growth. Encourage staff to suggest new ideas and potential skills they think they may need and have them be on the forefront of industry. It is up to the employer to adapt around this feedback.

Dian Grobler
Human Resources
Manager
Genasys

POLICY EXCLUSIONS ARE BECOMING COMMON

Policy exclusions are becoming increasingly common. How does this impact clients and how does this change the rules of engagement?

The scope of coverage

Firstly, it is important to understand policy exclusions and the intended purpose behind them. An exclusion is a policy provision that eliminates coverage for some type of risk. Exclusions narrow the scope of coverage provided by the insuring agreement. In other words, an exclusion is any loss or damage that is not covered by an insurance policy and your client will not be able to file a claim for them.

The classic reason for using policy exclusions is to control and mitigate a specific risk present in the insured pool. Exclusions are a way for insurers to define what is covered and what is not in the insurance policy. Insurers utilise exclusions to carve away coverage for risks they are unwilling or unable to insure. Often the application of policy exclusions is used as a reinsurance underwriting mechanism that allows a product to be offered.

Consumer trends in the new reality

Before the onset of COVID-19, the insurance industry saw pricing increases and more focus on policy coverage, as well new or revised policy exclusions. This began in 2019 – pre Covid - and was magnified by the COVID-19 pandemic.

The question is, how does the increase in policy exclusions we are seeing, impact insured clients, and how does it impact the relationship between clients and the industry?

The reality is that client's attitudes, behaviours and purchasing habits are also changing, and many of these new behaviours will remain, post-pandemic. It has changed how clients work, travel, communicate, shop and more. They are asking more questions; they are reading the fine print and they are questioning value for their money.

The KPMG International report, "Responding to consumer trends in the new reality", tracks the opinions of 75 000 consumers, in 12 markets, to examine the changes and how businesses need to think and act differently in response to these trends.

The key trends include:

- Two in five (43%) consumers are worried about their financial security in 2021.
- More than one-third (36%) of the consumers are prioritising savings over spending.
- Thirty seven percent of consumers are working from home, and 60% plan to do so in the future.
- One in five (20%) consumers want to stay home as much as possible.
- Confidence in public transportation has declined (37%), compared to pre-COVID-19.
- Net spend is expected to be 21% less over the next six to 12 months, versus pre-COVID-19.
- Close to half (45%) of the consumers predict digital channels will be their main connection to brands.
- "Value for money" is ranked at 63% as the top purchase criteria.

Adapt in order to keep up

It is becoming increasingly important to understand what is driving our client behaviour, and then looking at implementing strategies and business models to determine how to adapt, to keep up.
The role of the financial adviser becomes more critical. The conversations should be centred around the key trends we are seeing in these changed behaviours.

Product knowledge and building a professional, knowledgeable work force are going to be key to rebuilding the industry's reputation, and in adapting the conversations we have with our clients. The need for consumer education becomes more critical. Intermediaries, financial advisers, and insurers will need to give clients access to the right information to empower them to make the right decisions. This requires the simple and transparent presentation of policies and exclusions.

The changes we are seeing should be seen as an opportunity. The increased exclusions present the opportunity to relook at how intermediaries and insurers can provide positive experiences for clients. They ultimately present the need for clearer documentation and communication. They also present the opportunity to embrace digital adoption and to offer innovative, value-based and integrated products to meet client's financial needs.

Bernice van Leeuwen
General Manager
VCIB

CHUBB launches civil engineering offering

Chubb announced the launch of its Civil Engineering Completed Risks (CECR) insurance offering to the South African market.

Engineering forms part of almost everything we see in the form of infrastructure, which includes road infrastructures, transportation systems (like railway lines and bridges) and building infrastructures etc. The role of the insurer is to protect the investment made by the owners against losses from sudden and accidental physical damage to property insured and can also consider adding consequential business interruption as required.

CECR insurance is designed to provide cover for medium to larger organisations operating in all areas of infrastructure. This includes motorways, railways, roads, bridges, dams, tunnels, ports and harbours etc.

Additional risks, such as rolling stock, earth and rock-fill dams, locks, piers, breakwaters, and jetties are also included.

Capacity to write significant risks

Given the nature of this type of risk and the higher insured values often amounting to multi-billions of rands, they tend to require substantial facultative reinsurance in international markets. With the rollout of CECR to the South African market, we are making available local capacity to assist with the placement of these complex exposures.

Local insurers often find it difficult to absorb this cost alone and this has resulted in brokers sourcing additional capacity from the international market. Chubb is an international player with expertise to underwrite this type of risk for the local market.

We cover losses from sudden and accidental physical damage to property insured and can consider adding consequent business interruption as required. Standard CECR insurance includes cover for fire and allied perils, flood, earthquake, theft, accidental damage, storm and other catastrophic events with the capacity to write significant risks.

Policy exclusions include damage or loss caused, or aggravated by latent or inherent defect, wear and tear, corrosion and erosion, normal settlements, war and/or civil war, terrorism, willful acts or negligence, communicable disease, nuclear and cyber risks.

Ensuring no gaps for the client

The fact that Chubb can provide CECR means we are now able to offer coverage through the construction period to the fully operational risk… we can provide full cover from the construction phase through to, and including, the fully operational risk from day one. This helps to avoid gaps in cover, ensuring no gaps for the client. Additional cover includes accidental damage, riots, strikes, civil commotion and malicious damage.

Whether it is a standalone property insured cover, or as part of a package with other relevant insurance products, our policies provide an array of cover, additions, and solutions.

A dedicated specialist unit

With a dedicated specialist unit that understands the complexities of the industry, including local and international exposures, plus a global network of employees and network partners spanning over 200 countries and territories, Chubb is well placed to service and deliver multinational programmes solutions for South African businesses.

Tirelo Tsheoga
Head: Tech Lines & Distribution
Chubb South Africa

DISCOVERY'S REVOLUTIONARY BANKING MODEL

Sharing value with clients and rewarding them as they become healthier and drive well, are synonymous with insurance and protection products from Discovery.

Value and rewards are a tangible manifestation of the core purpose the business set from the start – to make people healthier and enhance and protect their lives.

It is this exact purpose that is now the driving force behind Discovery Bank and its revolutionary model that is leading the way in a new category of banking – shared-value banking.

Easy-to-use gateway

Earlier in March, Discovery Bank introduced its new Financial Adviser Platform that provides a completely secure, prepopulated, easy-to-use gateway for over 1 000 Discovery financial advisers, and for independent advisers to generate analyses of clients' needs, give banking advice and shared-value banking benefits on a stand-alone basis.

Enabling financial advisers to onboard clients through Discovery Bank is a big step away from traditional bank assurance and shows the elevated importance the Discovery Group places on financial advice and empowering advisers to offer a full suite of shared-value financial solutions to clients.

Financial advice and onboarding

"In just 14 months of operating, we are seeing significant traction, confirming the effectiveness of our model to transform financial behaviour and to bring change in the banking industry. Discovery Bank really brings together all the elements of the Group's global shared-value insurance model – technology, changing risk by changing behaviour, and our social purpose – to make a difference to the financial wellbeing of South Africans," says Hylton Kallner, CEO of Discovery Bank.

Essentially, shared-value banking, with the bank's AI-enabled Vitality Money platform at the foundation, is designed to reward clients who manage their money well, in the form of product savings, interest rate benefits, Discovery Miles and much more.

"This value not only benefits our banking clients, but also, through our new Financial Adviser Platform for banking, the financial advisers who service them. For the first time, financial advisers will be able to manage banking advice and provide comprehensive guidance that gives clients full access to shared-value banking, and the enhanced value that product integration provides in the Discovery ecosystem. We have also created specialised and attractive remuneration structures for financial advisers around each of the Discovery Bank offerings," Kallner says.

Compared with local and international case studies of digital, Fintech or other mobile banks, Discovery Bank surpasses in every metric and attributes this to the shared-value banking model.

Significantly stronger metrics include deposits, now standing at R6 billion and growing by 5-10% each month; new client growth of up to 400 accounts a day that currently exceeds the short-term growth of other Discovery businesses; prudent credit of R3.8 billion issued with better loss ratios than the overall market, and the comprehensive set of the Bank's start-up product offerings, which are expected to expand.

Value created by the adviser

Kallner says the focus now is firmly on growth. As part of this, Discovery Bank is customising benefits for financial advisers. "One aspect is to change the landscape of bank assurance, where banks have low intermediated and advice models, to one that is advice and adviser led. With the Discovery Bank model, financial advisers are placed at the front end of providing financial advice around bank accounts and have unique opportunities to generate new income streams and the ability to advise across the full savings and investment horizon – which we see as a new generation bank assurance model underpinned by shared-value banking."

Through this new bank assurance model, financial advisers can earn an advice fee based on the type of Discovery Bank account, as well as additional fee based on a client's Vitality Money status, aligning all interests and sharing the value created by the adviser directly back with them.

"Discovery has always placed a high value on financial advice and the role of financial advisers. We are now applying this in the bank assurance space where shared-value banking acts as a true multiplier of Discovery benefits," Kallner says. ●

CONSTANTIA

Insurance made personal

MEET THE EXPERTS COMMITTED TO ENABLING OUR PARTNERS' SUCCESS

From the moment Constantia was founded, our focus has been on creating authentic, collaborative relationships with our business partners. These long-standing relationships are built on trust and are the foundation of our success. Our knowledgeable teams care deeply about our partners' needs and are driven to fulfil our redefined purpose of enabling our partners' success. We do this by understanding their challenges, circumstances and opportunities, and then co-creating solutions to unlock shared value.

The Executive Team

With combined experience that covers a broad range of industries, our Executive Team continues to collaborate closely with our partners to provide insurance solutions across various sectors, enabling them to sustainably grow their businesses and ultimately, provide value to customers.

Peter Todd

Chief Executive Officer

Peter has extensive industry experience in the insurance and financial services sectors. He has held several high-ranking positions for leading companies, both locally and abroad, including chief executive of Mutual & Federal, chairperson of Credit Guarantee Insurance Company and regional managing director of Alexander Forbes Asia Pacific. Peter has also established a string of businesses in the claims management space and co-founded Repair Solutions in 2014. He has a BCom LLB degree (University of Cape Town) and became an attorney of the High Court in 1996.

Tyrone Moodley

Chief Operating Officer

Tyrone Moodley has more than a decade's experience in investments under his belt. He kicked off his career at Sasfin Securities as a research analyst, before starting private investment company, Midbrook Lane Proprietary Limited, of which he is the founder and chief executive officer. Tyrone has a BCom degree (University of Johannesburg) and is a senior advisor to Protea Asset Management LLC, an investment advisor based in the United States

Lourens Louw

Executive Financial Director

Lourens studied at the University of Stellenbosch, after which he moved to Johannesburg and qualified as a member of the SA Institute of Stockbrokers. In 1996, Lourens was appointed as financial director and compliance officer of stockbroking firm, Irish & Menell Rosenberg (Pty) Ltd and its successors in the Appleton Group. He then joined Conduit Capital Limited in June 2003 and became the financial director the following year. Lourens joined the Constantia board in a non-executive capacity in 2007 and was appointed as a full-time executive of Constantia in February 2021.

Heidi Dias

Executive: Distribution & Marketing

Over the past 25 years, Heidi has added significant value to the insurance industry, not only in senior and executive roles, but also through her passion for leading and mentoring people to realise their talent and potential. In addition to a busy corporate schedule, Heidi contributes to various industry associations and serves on the Board of the South African Insurance Association (SAIA), the Insurance Institute of South Africa (IISA), and is also a mentor in the Insurance Institute of Gauteng's (IIG) Roots and Wings programme. To Heidi, partner enablement is about working closely with our insurance partners to understand their unique challenges, allowing us to then add meaningful value to their businesses.

Toska Kouskos

Executive: Health & Life

Toska is a certified financial planner with the Financial Planning Institute. She has made a name for herself as a specialist in healthcare consulting, not only because of her vast healthcare experience, but particularly in her role as the key account lead for the team responsible for registering the Government Employees Medical Scheme (GEMS). Toska thoroughly enjoyed the challenges of business management, leadership and business strategy, so much so that she completed an MBA a few years later. Although Toska has stayed true to her passion for technical consulting in healthcare, she has broadened her scope by managing the turnaround strategies of some of the largest corporate broker houses in South Africa.

Lebogang Padi

Executive: Governance & Legal

Lebogang is an executive legal, compliance and governance specialist with extensive experience in the insurance sector. Lebo, as she is affectionately known, was a trustee and principal officer of four registered pension and retirement annuity funds, in which she was responsible for pension fund administration capabilities. Lebo is passionate about governance and ensuring that a compliance culture is embedded in businesses. In addition to her family responsibilities, Lebo is passionate about sport, especially playing tennis.

Alex Brownlee

Executive: EthiQal & Group Health Actuary

Alex is an experienced executive actuary with extensive experience in product development, pricing, risk management, advanced analytics and technical marketing. He has worked both for insurers and as a consultant, and he has been involved at executive level over the last several years, in which he enjoys the dynamics of balancing management, business and strategy development. Alex is the current chair of the Actuarial Society of South Africa's Healthcare Committee and the previous secretary and member of the International Actuarial Association Health Section. Alex's true passion is the sustainable financing of quality healthcare, which is something that inspires him to tackle challenges and opportunities without fail.

Sujeeth Bishoon

Executive: P&C Chief Underwriting Officer

Sujeeth's career in the financial services sector spans more than two decades across the insurance supply chain. He has a deep strategic and operational understanding of the business models of insurers, underwriting management agencies (UMAs) and brokers, particularly in short term insurance. Sujeeth has occupied various senior management positions at Santam and Mutual & Federal Insurance Company, and is renowned for his passion, problem-solving ability, strategic thinking and disciplined underwriting execution.

Reach out to us

Our team of experts is ready to engage with you on growing your business sustainably.

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Job# 2647/April 2021/Stratitude

CONSTANTIA
Insurance made personal

AIE- REIMAGINED to reconnect

There is no doubt that the African Insurance Exchange (AIE) conference is one of the biggest insurance conferences in South Africa, and one of the top events for many on the insurance industry calendar.

However, in light of the COVID-19 pandemic, in 2020 the Board of Directors of the Insurance Institute of South Africa (IISA), as well as the conference Steering Committee, decided to postpone the 2020 AIE conference to 2021.

AIE2021 conference is under way

From 2 to 3 August 2021, insurance professionals will be welcomed back to a reimagined AIE to reconnect in person, online or at one of the hybrid events, whichever feels most comfortable to attend.

The main conference will be held at Sun City as an in-person event and broadcast live to online-only delegates. This year the IISA has also added hybrid satellite events in Durban and Cape Town, with a mixture of in-person and online formats. These events will take place at a local venue with facilities to link to and stream from the main event at Sun City.

Phenomenal plans ahead

FAnews spoke to Thokozile Mahlangu, CEO of the IISA, about the phenomenal plans that are under way for this year's AIE conference.

"The theme of AIE 2021 is 'Reimagined to Reconnect'. After a turbulent 2020 that fundamentally changed the way businesses operate, insurance professionals are invited back to a reimagined conference to reconnect and bring us together as an industry, while limiting the size of the physical gatherings in any one place through live, online streaming and added physical locations," she said.

"The conference will be hosted live at Sun City this year and will have hybrid editions in Durban and Cape Town. The conference will also be live-streamed for delegates who do not wish to attend an in-person conference due to the global pandemic. The conference will take place in multiple venues across Sun City to ensure that social distancing protocols are adhered to at all times. Delegates will also be able to interact on a world-class virtual platform, which will promote networking during the conference," added Mahlangu.

"The popular gala and award dinner will once again provide an opportunity for networking. Attendees will also be able to network during the networking breaks in the exhibition centre. The conference will once again host numerous exhibitors, who are keen to connect with the attendees," said Mahlangu.

"We are expecting to host around 700 industry professionals at the in-person conference at Sun City, as well as hundreds more at our satellite venues and on the virtual platform," she continued.

When asked what delegates can look forward to, in terms of the key speakers and topics lined up, Mahlangu said, "The topics are nearly finalised and speakers have been invited. Keep an eye out for speaker announcements during the upcoming weeks on the IISA's social media platform and in your inboxes.

Why you should be there

"We have taken the feedback from previous conferences on board and have used it to create a new and reimagined AIE 2021, where delegates will be treated to a stellar line-up of speakers, panelists, networking opportunities, and entertainment for the most spectacular AIE conference yet," emphasised Mahlangu.

"As always, the event will attract high-level delegates from across the insurance spectrum and South Africa's top industry media, giving you unprecedented access to members of the industry and media to discuss your thoughts and ideas in an informal setting," she said.

"The 2021 AIE conference is open to all professionals in the insurance industry and provides an opportunity for junior to director-level insurance professionals to attend this CPD-accredited event," concluded Mahlangu.

To book your spot visit www.eventregistrations.co.za. ●

GLOBAL CHOICES CELEBRATES 20 YEARS OF EXCELLENCE

In celebration of the company's 20th anniversary, FAnews spoke to **Wimpie van der Merwe, Group CEO and Executive Director of Global Choices** about this remarkable milestone, the company's history, and exciting things we can expect from Global Choices going forward.

This is a milestone year for Global Choices as it celebrates 20 years of delivering quality customer services and experiences.

Global Choices, founded in 2001, is a 24-hour emergency assistance services, value-added products, digital claim solutions and Insurtech company.

A vision for success

"In my youth, I dreamt about being an architect! I wanted to build things - to conceptualise and create physical structures to house and serve the endless needs of people. Having graduated in 1993, I faced a depressed job market and with the weight of a student loan, quickly settled for a menial job of building sets on the soap opera Egoli, before being appointed as an architect, and taking on projects for about seven years," said Van der Merwe.

"Twenty-three years ago, I experienced a personal and tragic loss, which became a dramatic turning point and launch for my entrepreneurial spirit. In those early and hungry days, I pencilled this quote: "An entrepreneur is a person who has blind faith in his or her own ability, to create a vison that will become a reality for all to see". It was 20 years ago – that same year, that Global Choices was founded. On this new journey of exploring possibilities - our company motto was born and holds strong today - we are in the business of 'Adding to Life'," added Van der Merwe.

'My biggest highlight was signing up that first client, 20 years ago, and implementing the solutions that we created for their customers and seeing that it worked," continued Van der Merwe.

Seamless customer-centric solutions

"I developed a passion for connecting the dots of all the insurance touch points or experiences a customer could face. And this is where my training as an architect kicked in. I consistently applied the design principles of defining the constraints and finding a creative solution. This approach supported my quest to deliver seamless customer-centric solutions, eliminating the complexity and limitations of the traditional silo approach that continue to dominate and frustrate our industry," he said.

"Applying empathy, compassion, and trust is what this industry is built on - which we serve with our solutions. Over the last 20 years this has been my guide," added Van der Merwe.

"Insurance is about helping the customer in the best possible way, and technology is providing innovative solutions. Insuretech is the confluence of technology and insurance, and for me, it is where insurance meet its full potential," emphasised Van der Merwe.

Global Choices customised next generation Insuretech platforms that deliver personalised, relevant and timely interactions which add value to any business.

"These platforms allow us to engage with our users 24 hours a day, from emergency case management through to claim resolution. Accident tows, roadside assistance and home emergencies are our highest utilised products," said van der Merwe.

"For the customer's convenience, client app solutions including self-service and prepopulated claim forms are maintained by Digital Path. Our digital claim solution platform, Claim Central Africa, also makes insurance claims easy, transparent, fast, and as low cost as possible," added van der Merwe.

"The industry must look beyond the traditional barriers to produce differentiated products and services, digital platforms and distribution channels. We are busy developing digital risk facilitation and pro-active risk management solutions for policyholders of insurers, for insurance brokers to facilitate. With the focus on educating and assisting policyholders to prevent claims from happening, and on easy property maintenance and motor vehicle maintenance solutions," he continued.

Resilience in your own beliefs

"Technology should act as a tool for people and not the other way around. Empathy is the foundation of any business and it will never be replaced by technology. Make your solutions flexible and customisable, but always focus on the customer experience," he said.

"Surround yourself with a team, business partners, service providers and clients that share the same value system as you and have resilience in your own beliefs and the vision you create," Van der Merwe concluded. ●

Scan the QR code to listen to the full interview.

Some issues with the NEW INSURANCE ACT 18 OF 2017

IN PERSPECTIVE WITH PROF VIVIAN

Many pieces of recent South African legislation are problematic. The new Insurance Act 18 of 2017 is no exception.

One activity, one Act

Before looking at two specific issues, there is one aspect, which in my view, is a step in the right direction. It repealed the two Insurance Acts, and replaced the two, with one.

This is correct, with a return to the position which existed until 1998, when the single Act, the Insurance Act 27 of 1943, was replaced by two Acts, the Long Term and Short-term Insurance Acts. The 1943 Act had replaced the single 1923 Act.

It had become clear, a long time ago, that there should only be one Act governing insurance.

In the UK, after the collapse of the Albert life insurance company, the UK Parliament passed the Life Insurance Act of 1871. This was followed, in South Africa, with the Life Assurance Act (Cape). In the early 1900s, sources inside of Lloyd's cautioned that a fragmented regulatory system had evolved and would cause problems. Lloyd's historically focused on marine insurance, but was increasingly becoming involved in non-marine insurance.

These two markets were not regulated by Lloyd's in the same way. Marine insurance was dealt with in one way, and non-marine insurance another way. And sure enough, the chickens came home to roost. Lloyd's then adopted a unitary regulatory system.

The UK company market was heading for a similar fate. It had the Life Insurance Act, next would have been the Short Term Act, then maybe an Act for each class of business. Fortunately, the error of this way of thinking was realised, probably by keeping an eye on what was happening at Lloyd's, and the Life Assurance Act was repealed. A single British Insurance Act was passed. South Africa, some years later, followed suit with the Insurance Act of 1923.

So, one Act dealing with insurance is preferable to two Acts. It is worth pointing out that South Africa's life market is hardly an insurance market. It is probably better described as an investment management market. The rules for managing investments are different to the rules for conducting insurance, risk based, activities. It may well be time to consider passing legislation for investment companies. One Act for insurance and another Act for asset management companies.

The short term market

The short term market is now defined in terms of what it is not. Instead of being the short term market, it is called the non-life market. It is defined by what it is not. It is not a life market, and thus, it became the non-life market. In my mind that is unacceptable. The American approach is much better, it is the Property and Casualty market. The short term market should have been called the Property and Casualty market – that is an internationally recognised and accepted term. So, I prefer the Property and Casualty market; also known as the P&C market. This is more accurate.

Insurance evolved from marine, life, fire and then accident insurance. Accident came into its own from the late 1800s. This market includes workers compensation (accidental injury to persons), motor vehicle insurance (accidental loss, damage, or injury), personal accident cover, liability insurance and so on. Mass transportation gave rise to the accident market, railways, ships, motor cars and then aviation. Then, two other risks evolved, business interruption and legal liability claims. The rise of the accident market had a significant impact on the market, and thus, the American reference to casualty would be in order.

Non-life insurance policy

The definition of a non-life insurance policy in the new Act is very complex and verbose:

> "Non-life insurance policy means any arrangement under which a person, in return for provision being made for the rendering of a premium to that person, undertakes to meet insurance obligations that fully or partially indemnifies loss on the happening of an unplanned or uncertain event, other than—
>
> (a) a life event; or
>
> (b) a death event or disability event not resulting from an accident and includes a renewal or variation of that arrangement."

As can be seen from above, what was known as a short term policy can now be known as the non-life policy, and is defined to be an indemnity policy. That is brand new. The short term market was never a non-indemnity market. A problem with this definition – is a pivotal policy which emerged out of the evolution of the short term market to include the accident market, which is the personal accident policy. The personal accident policy is not an indemnity policy. So, it does not fall within the definition of a non-life policy.

Non-life accident policy

This is even more confusing, since the definition above excludes a death event and a disability event, not arising from an accident. Or stating this positively, the non-life policy includes death events and disability events resulting from accidents. So, it seems to include personal accident types of events, but only if these are arranged on an indemnity basis. Historically, this is not what personal accident insurance is. It is a non-indemnity policy, not an indemnity policy.

The non-life accident policy is an indemnity policy and is confirmed if schedule two of the Act is examined. Schedule two lists the differ-

ent non-life policies. Item 14 of the schedule deals with accident and health insurance policies and is described as insurance covering costs or loss of income from disability or death events, caused by an accident or a health event, but in this case, there is no reference to an accident. This non-life personal accident policy bears no resemblance to the historical personal accident policy, in terms of which the insurer promises to pay a specified sum and or to provide other benefits in the event of an accident or sickness.

Two cases will illustrate the point. In *Sikweyiya versus Aegis Insurance Company Limited 4 SA 143 (1995)*, the insured person was murdered. Did the personal accident policy respond to the claim? The court concluded it did. The policy would have paid out the sum insured. Now, it is not clear what the new non-life would pay out, if indeed anything.

Similarly, in the case of *Aegis Insurance Company Ltd versus Consani NO 1996 4 SA 1 A*, the insured died from a bullet wound. In terms of the policy, the insurer promised to pay R1 million to his estate. In terms of the new non-life personal accident policy, again, it is not clear what the insurer would pay out, if indeed anything.

It is not clear why the new non-life personal accident policy restricts the cover in such an abnormal manner. The traditional view of parliamentary intervention is it exists to deal with a problem which has arisen. The only possibility which comes to mind is the entry of short term insurers into the health insurance market. But this has been attended to, via the demarcation regulations. If this is indeed the reason, a better approach would be to do so more directly, without attacking the fundamental nature of the personal accident policy.

Good, accepted practices

Legislation, if necessary, should codify good, accepted practices. It should not try to create something new. So, for example, legislation can require insurers to produce audited annual financial statements and lodge these with the regulator.

Companies, as part of their standard operating practices, would in any event produce audited annual financial statements. Insurers need to hold reserves, so if the legislation specifies reserves must be kept and these need to be not less than 25% of premiums, then there can be little objection to that.

Legislation should not impose new practices or prohibit well accepted practices. Non-indemnity personal accident policies have been underwritten by short term insurers for well over a century.

Professor Robert W Vivian
Finance & Insurance
University of the
Witwatersrand

REGULAR FEATURE

CLIENTS SHOULD CONCLUDE AND READ CONTRACTS

SHA CLAIMS CORNER

In the sphere of public liability – slip and trips, injury or damage to property - often arises from outsourced services or service providers.

Most retail companies may enter into service level agreements (SLAs) with external parties such as cleaning companies, security companies and trolley service management companies. These service providers are often in the midst of liability claims, as either the primary cause thereof, or a contributing factor.

Written contracts are preferred

So, how does this effect the insurance landscape and who bears responsibility? Much may depend on the contract between the client and its service provider.

For practical and commercial reasons, larger retail clients do not operate independently. They rely on external service providers to provide certain key services. These service providers are appointed on a contract basis. Regrettably, we still find cases where service providers have been appointed on the basis of, for example, a handshake. Findings in the Professional Indemnity section of SHA's 2020 Annual Risk Review survey revealed that 18% of respondents surveyed do not enter into formal contracts This is quite problematic at claims stage, and when there has been a serious injury to a member of the public.

Written contracts are preferred, as they provide certainty as to what has been agreed upon, which is essentially binding on the parties involved. On that note, insured clients should take care that they are not confined by indemnities issued in favor of their own service providers.

Who is liable?

A grocery store, for example, enters into a service level agreement with a cleaning company, for the provision of cleaning services. On a particular day, the cleaners omit to clear the floor surface of some spillage which causes a third party to slip and fall, sustaining bodily injuries. Who is liable?

Courts have expressed in numerous judgments that if the insured outsources its cleaning duties to a reasonably suitable service provider, then the grocer should be able to avoid liability to the third party. The cleaning company would be liable, as there seems to be negligence on their part in failing to fulfil their duties. The issue may be quite costly to defend, and the contract will prove invaluable to ascertain who carries the cost of these types of claims between the grocer and its cleaning company. Insurers will also have interest in what types of agreements are being concluded, as this ultimately informs premiums and deductibles.

An insured may have some difficulty when a claim arises to defer such a claim if the underlying contract is poorly drafted, or not drafted in their favor. In many of the agreements that we have come across, they do not contain the necessary insurance/ indemnity clause which aims to safeguard the interests of the insured.

Brokers should advise their insureds

Thus, when procuring insurance policies or during renewal, brokers should encourage their clients to ensure that they have entered into written contracts with their service providers, and that these contracts contain the necessary insurance/indemnity clause in their favor, and not the contrary. There is also the very real risk that the insured could inadvertently prejudice the insurer if they have failed to, for example, timeously report a claim to the service provider in terms of the contract – thereby invalidating their right to defer the claim to the service provider.

Lastly, to ensure successful mitigation of risk, brokers should advise their insureds to employ a risk manager or designate a responsible manager who understands the risks inherent to the insured, and its obligations both to the insurer and to its service providers. Failure to have a risk manager in charge of these issues will result in the insured having to unnecessarily pick up claims, even when no liability could be attached to them. Regrettably, these costs will go against their claim's history, which will unfortunately have an adverse impact on their risk profile.

Bonginkosi Ntuli
Claims Specialist - Professional Indemnity and Liability Claims
SHA Risk Specialists

CPD ARTICLE

KNOW THE DIFFERENCE - compliance vs ethics

What is the difference between ethics and compliance? The answer is, there is a huge difference!

To illustrate the difference, it is helpful to first unpack the definitions of compliance and ethics.

Definitions of compliance and ethics

In general, compliance is about adhering to applicable legislation, rules or standards. The purpose of compliance is generally to avoid the negative consequences of being found in breach of applicable legislation, rules or standards.

According to Rossouw and Van Vuuren ethics is about what is good or right in human interaction. It is suggested that ethics is about three central concepts, being "self", "good" and "other". Ethical behaviour results when one does not merely consider what is good for oneself, but also considers what is good for others. Rossouw and Van Vuuren state that, when ethics is applied to business, the impact that organisations and business activity have on the interest of all who are affected by it, is considered.

Furthermore, they state that business ethics is about identifying and implementing standards of conduct in, and for business, that will ensure that the interests of their stakeholders are respected. Rossouw and Van Vuuren marry the definitions of ethics and business ethics, by stating that business ethics is about the ethical values and standards (good) that guide the business (self) in its interaction with stakeholders (other).

An obvious difference between compliance and ethics is that compliance obligations are generally clear. Legislation states the obligation of the business and that obligation is the same for all businesses. With ethics, the situation is different. Due to different backgrounds, cultures, religions, etc, people's personal judgement to discern right and wrong are not automatically aligned. Businesses must decide on ethical values and standards for the business, and this decision needs to be communicated widely to employees, to make sure that it is effectively and consistently applied throughout the organisation as the ethics of the business.

The risk of not managing ethics

Where compliance risk is not managed effectively, it can lead to the breach of applicable legislation, rules or standards, which in turn can lead to imprisonment, fines, penalties, the losing of a licence to operate, etc.

The risk of not managing ethics effectively, is that conduct by a business could be in contravention of business-specific standards for desired behaviour, and this could lead to negative outcomes for stakeholders as far as their legitimate rights and expectations are concerned. This could negatively impact business sustainability and business reputation.

It is possible to be ethical, but not compliant. An example, hereof, is to act in contravention of road traffic legislation, to save someone's life. It is also possible to be compliant, but unethical. An example, hereof, is where an international business dumps toxic waste in a river, in a developing country, where there is no legislation prohibiting such action.

Knowing the difference

Businesses should understand the differences between ethics and compliance, the different risks being addressed by effectively managing each, and how compliance and ethics relate to each other, to support the business in the achievement of their strategic objectives.

Chief Justice of the U.S. Supreme Court, Potter Stewart said, "Ethics is knowing the difference between what you have the right to do and what is right to do."

This is the main difference between ethics and compliance - two concepts that are closely associated in business.

Juanita Moolman
Executive Head:
Governance, Risk Management
and Compliance
Hollard

Ethics, compliance and culture: do you REALLY NEED IT?

The concepts of ethics and compliance, although interlinked, are distinct. Compliance is merely the act of adhering to laws, rules or policies. Our sector has a compliance framework that all companies need to adhere to, in order to conduct lawful business. In addition, the company itself may impose its own additional compliance requirements, usually intended to ensure a uniform approach to culture and drive particular behaviors.

Ethics, however, is about influencing positively and leading the conducting of business and discipline in the 'right' way and spirit, as opposed to merely following the letter of the law.

Compliant behaviour does not necessarily result in ethical behaviour.

Non-ethical behaviour

A perfect example of 'non-ethical' behaviour can be illustrated with the financial crisis of 2007 to 2012.

On the face of it, financial institutions did not act in a non-compliant manner. They sold products that were lawfully permitted (this was before the concept of Treating Customers Fairly (TCF)).

However, the lawful products that were sold, resulted in detrimental outcomes to stakeholders. The Federal Government of the United States realised that certain firms were allowed to exhibit non-ethical, although lawful behaviour, and this had far worse consequences than a financial bail-out. It was recognised that customers such as pension funds, mutual funds and hedge funds who were all insured, or who had invested in certain financial institutions, would be severely prejudiced by the failure.

Legislatively, TCF, attempts to direct ethical behaviour but, in many instances, it is still treated as a tick box approach. TCF, being outcomes based, is an example of how firms need to show how they live and breathe the principles within their businesses.

Ironically, in the longer term, it is the ethical behaviour and not necessarily the compliant approach that creates loyalty and trust in our sector. In South Africa, this has been highlighted by the recent various business interruption cases. A good legal argument was trumped by the expectation that firms should treat their customers right.

Compliance and ethics, therefore, have to be integrated into a company' operating policy. Although the policy needs to ensure that business systems, internal controls and approval procedures are designed to prevent misconduct, in addition, the policy must promote ethical behaviour and also hold employees accountable when they are not behaving in ethical ways.

The risk of non-compliance

International trends show companies are no longer only assessing the risk of non-compliance in the traditional sense, but also in terms of the ethical risks of the business. It has been acknowledged that risky ethical behaviour is often the root cause of general non-compliance. Having a set of ethical rules does not entrench or ensure ethical conduct. In the United Kingdom, those firms that were charged with mis-selling Payment Protection Insurance (PPI) all had internal codes of conduct and compliance training. We have seen the posters that say, 'We operate with honesty and responsibility', yet the business conducted is far from the values espoused in the posters.

What transpired in terms of the PPI scandal was that the way in which employees internalised the values and codes was directly dictated by senior management. Ethical compliance should be driven from the bottom up, as it is the front-line employees who deal with customers and business who are most likely to identify the problems.

Foster ethical working behaviour

This requires management to encourage an open and safe environment for employees to work, and requires leaders that are open, humble and foster a trusting environment.

Preventing regulatory prescripts requires us to all adopt an ethical manner of conducting business. The only way to ensure this, is to encourage and foster ethical working behaviour.

If we do not self-regulate ourselves, the regulators will be forced to impose more rules, in order to manage the risks to our sector.

Christine Rodrigues
Partner
Bowmans

POPIA... everyone has a responsibility

The Protection of Personal Information Act, 2013 (POPI Act), which comes into effect on 1 July 2021, is going to affect not only how insurers, but also how their service providers, such as brokers, loss adjusters and binder holders, deal with the personal information of insured parties.

The Act safeguards the personal information of individuals or companies (data subjects) that is processed by public and private bodies (responsible parties).

Insurers, binder holders and brokers

The insurer, as the responsible party, must grant authority to its third-party service providers, such as binder holders, loss adjusters or brokers, to process the personal information of the insured parties. This is because the Act requires an operator (a person who processes personal information for a responsible party in terms of a contract or a mandate, without coming under direct authority of the responsible party) or anyone who processes personal information on behalf of a third-party to do so with the knowledge or authorisation of the responsible party.

Insurers must ensure that the consent granted by the insured entity is sufficiently wide, to cover use of the personal information by its third-party service providers. It should have appropriate indemnities in place to indemnify them against any liability arising from the service provider's failure to comply with the requirements of the Act in dealing with the personal information of the insured third-party.

The personal information of the insured must be kept confidential and may only be disclosed if required by law, for example, where the information has to be disclosed in terms of the Promotion of Access to Information Act, 2000, subject to questions of privilege.

Binder holders and brokers with claims-handling mandates can disclose the personal information of insured parties to insurers or anyone on the insurer's instructions, for instance, the insurer's attorneys, if the disclosure is necessary to deal with the claim. The loss adjusters must ensure that their reports only go to people who need to know, such as to the insurer and, with the insurer's knowledge and consent, the insurer's attorneys.

Biggest exposure under POPI

The biggest exposure under the POPI Act is the required security safeguarding of personal information. The Act requires businesses to take reasonable measures to prevent loss of, or damage to, or the unauthorised destruction of personal information in their possession. Insurers, and any third-party who processes personal information on their behalf, must establish and maintain the security measures required by the Act.

Restrictions are placed on the cross-border transfer of personal information out of, and into South Africa. These are subject to various conditions, including the requirement of consent or contractual necessity. The person receiving the data offshore must be subject to laws specifying an adequate level of data protection that is no less than that provided in the country where the information originated.

Data protection laws

Insurers and their service providers must be mindful of the data protection laws in both countries, when investigating claims outside South Africa. Data collected and sent to, for instance, the UK or the EU will be sufficiently protected. The POPI Act ensures sufficient compliance with international standards and must be applied by insurers and their service providers to foreign-sourced personal information.

Information may not be retained longer than is necessary, to fulfil the original purpose for collection, except where the insured consents or where the retention of the records is required by law.

Personal information must be destroyed or at least de-identified as soon as practicable, once the purpose for the collection is fulfilled, and the responsible party is no longer authorised to retain the record. Once a claim has been investigated, for example, and the report submitted, it may still be necessary to keep the information because litigation may arise. However, once a claim is settled and the file is closed, there is no longer a need for the information. It should be destroyed after a reasonable time, having regard to the nature of the claim, prescription laws and data retention laws.

Breaching the POPI Act creates significant civil and criminal law exposure. So, having efficient working systems to protect the confidentiality of personal information is essential to ensure that insurers and their service providers do not fall foul of this new data protection law.

Sandra Sithole
Partner in
Dispute Resolution
Webber Wentzel

CPD ARTICLE

THE LEGAL IMPLICATIONS OF concluding contracts telephonically

Direct marketing insurance has evolved the way insurance contracts are concluded. Long gone are the days of lengthy hand-completed proposal forms. Instead, call centre agents sell insurance contracts directly to the public over the telephone.

The central focus on training call centre staff is usually to enable them to sell insurance products, and staff are often incentivised accordingly. However, an often-over-looked feature of the function of call centre staff is that in making a successful sale, they are creating a legal insurance contract.

Telephonically concluded contract

In many instances, the consumer is unaware that the answers that he or she is providing constitute binding contractual undertakings, yet in most sales calls, the consultant will rattle off a series of formal sounding disclaimers to inform the consumer of the nature of the call. The monotonous tone and speed in which these statements are delivered do little to enhance the delivery of the message that they are intended to convey.

Once the risks are accepted by the insurer, the telephonic recording of the 'proposal form' constitutes the legally binding insurance contract. Inherent in the entire sales process is a disconnect between training of call centre agents and the legal implications attached to a telephonically concluded insurance contract.

This 'disconnect' becomes apparent when a claim is made by an insured, and the insurer retrieves the sales call, to assess the veracity of statements made by the insured at the sales stage, against the assessment made during the claim. Often, an *ex post facto* review of the sales call reveals material deficiencies in the way the sales consultant communicated the elements of the contract. In some instances, these deficiencies will even result in an insurer being forced to pay a claim that it might otherwise have been avoided.

The training of call centre staff should therefore shift to the legal implications of concluding contracts telephonically. Contracts entered into telephonically should align with the Policyholder Protection Rules (PPRs) and Treating Customers Fairly (TCF) principles.

Best practices to adopt in training

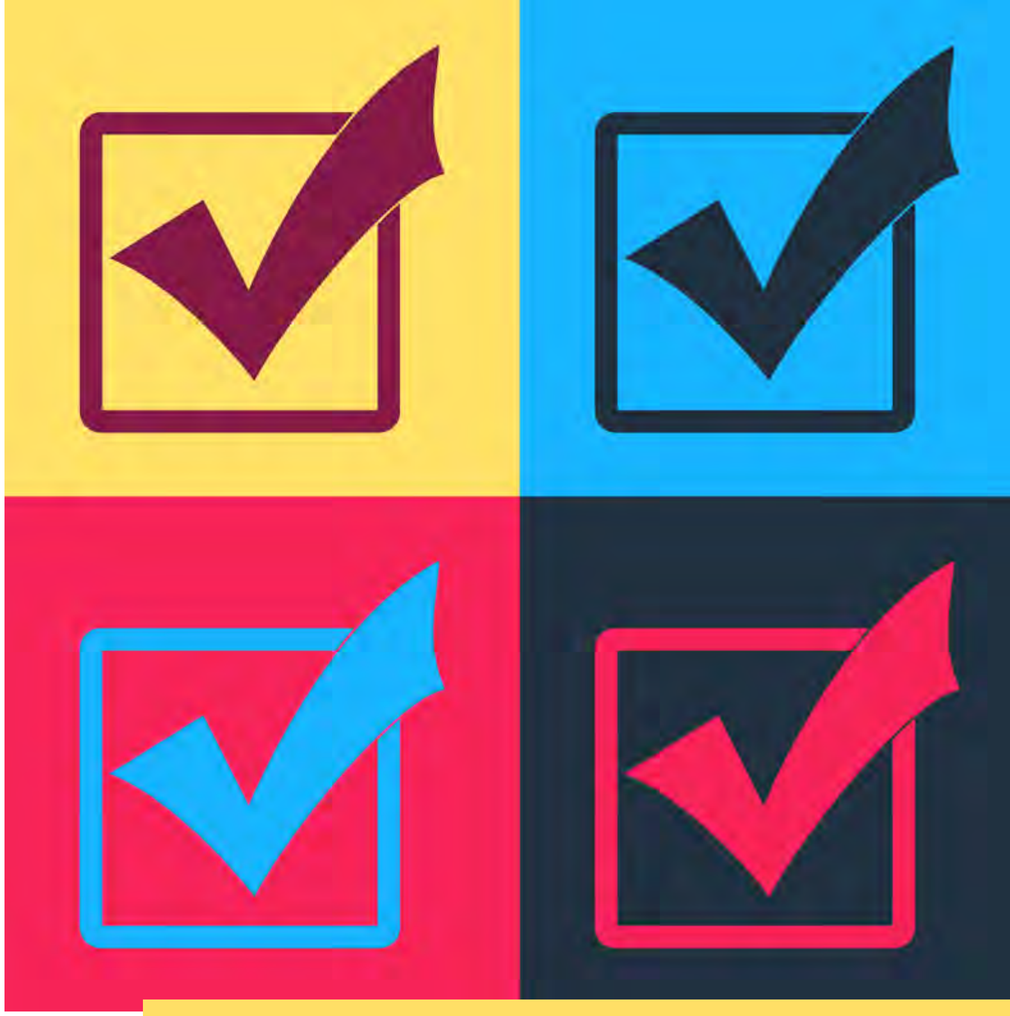
From a legal training perspective, call centre agents should adopt the following best practices:

- Understand the full legal implications of concluding an insurance contract telephonically, which include that:
  - o the insurer may be held liable for cover which it does not intend to be held liable for; and
  - o that the insured may be refused cover due to a material non-disclosure made telephonically;
- Provide customers with clear and accurate information before, during and after the point of sale in accordance with the TCF Principles and Rule 11 (Disclosure) of the PPRs;
- Inform the insured that where a policy has a term longer than 31 days, and no benefit has yet been paid/claimed or an event insured against under the policy has not yet occurred, he or she may cancel the policy entered into with the insurer by way of a cancellation notice to the insurer - Rule 4 (Cooling off rights) of the PPRs;
- Understand that the act of contacting a customer to conclude a contract without having them properly consent to all material aspects of the contract constitutes a violation of section 41 of the Consumer Protection Act 68 of 2008, which prohibits unfair tactics in the negotiation conclusion, execution or enforcement of an agreement;
- Inform the customer that they are entitled to request the telephonic recording -Rule 11 (Disclosure) of the PPRs, and that insurers are obliged to retain these records - Rule 16 (Record keeping) of the PPRs; and
- Act fairly, diligently, with due skill, care and in the interests of the customer at all times - Rule 1 (Requirements for the fair treatment of policyholders) of the PRRs.

Deanne Wood
Partner
Fasken

Emma Alimohammadi
Associate
Fasken

Giscard Kotelo
Candidate Attorney
Fasken



DON'T DO 'TICK-BOX'

Although the Protection of Personal Information Act (POPIA) is only coming into full effect on 1 July 2021, some organisations have implemented impressive POPIA compliance programmes. Others are struggling to get their implementation programmes going.

Compli-Serve SA, in conjunction with Novation Consulting and UCT Law@work presented a virtual webinar on the Act and how to stay ahead of the curve and meet the 1 July 2021 deadline.

Elizabeth de Stadler, Founding Director at Novation Consulting, and plain language and privacy law expert covered an array of topics around the important elements of the Act and the role and responsibilities of Information Officers.

The aim of POPIA

"POPIA is legislation enacted to protect and fulfil the right to privacy, as provided for in Section 14 of the Constitution. POPIA will regulate the processing of all personal information by public and private bodies in South Africa. POPIA has established the Information Regulator, who is empowered to enforce POPIA and the Promotion of Access to Information Act (PAIA)," said de Stadler.

"POPIA is principles-based legislation – it is structured according to the principles which organisations need to comply with to protect personal information properly. These eight principles are accountability, processing limitations, processing purpose specification, further processing limitations, information quality, openness, security safeguards and data subject participation. Unlike say, the Consumer Protection Act, POPIA is not organised by subject category, so this can make navigating POPIA a bit tricky," added de Stadler.

What can we learn from GDPR?

"POPIA is based on an older version of the General Data Protection Regulation (GDPR), so these two pieces of legislation do have a lot of similarities. We are a big fan of the UK Information Regulator, the ICO, and they have great resources that South African organisations can use in a POPIA context. You can find their website here (https://ico.org.uk/). You do have to be careful in some contexts, however, because POPIA is based on an older version of the GDPR, there are some key differences between the two pieces of legislation as well. We have written a white paper comparing the GDPR and POPIA (https://bit.ly/3oR6fWv), which should help you in this regard," continued de Stadler.

What you need to do

The POPIA 2018 Regulations, according to de Stadler, require you to have a POPIA compliance framework in place. A POPIA compliance framework should:

- Define the aim and principles of your POPIA compliance programme (essentially what you want to achieve by becoming compliant with POPIA).
- Identify the roles and responsibilities within the programme.
- Include a policy development and alignment plan.
- Set out a policy implementation plan.
- Describe your approach to risk assessments.
- Describe your approach to compliance monitoring.

"You need to figure out who will be responsible for POPIA compliance within your organisation on a day-to-day basis, and make sure this responsibility and associated duties are documented in their job description and KPIs. Find out what personal information your organisation has, where you got it from and what you use it for. How good is your information security management? Do you have a data breach response plan in place? This type of thing," said de Stadler.

"Make sure all of your hard work is documented. Briefly, the important documents you will need are outlined in *Regulation 4 of the POPIA 2018 Regulations*, which you can find here (https://bit.ly/36K0Biz). We have also written a handy blog on what you need to kickstart your POPIA compliance, which you can find here (https://bit.ly/2YLHxvV). For a more thorough guide on what to do and what not to do when you start your POPIA compliance efforts, go to our whitepaper *'Not another POPIA white paper: 10 years, 10 lessons'* (https://bit.ly/3oM75Up). Check your forms, T&Cs, and privacy notices are all aligned with POPIA. Either create new policies or align your current policies with

COMPLIANCE!

POPIA. Last, but not least, you need to also train your staff on POPIA. Then you need to train them again," added de Stadler.

"To a degree, all compliance should be decentralised. What I mean by that is that the information officer should not be responsible for compliance with POPIA – he or she cannot be everywhere. It is still the senior management who is the first line of defence. The IO is the second line. The third line is internal/external audit. In groups of companies, they often have to decide whether they will have group policies and standards and a group privacy office, or whether it is each subsidiary for themselves. We are fans of group policies and standards, because it is just better for business," commented de Stadler.

Responsibilities of Information Officers

In terms of POPIA and the POPIA regulations, de Stadler said Information Officers are accountable to:

- Develop, implement, and monitor a POPIA compliance framework;
- Conduct personal information impact assessments;
- Develop and implement policies that give effect to the POPIA and information governance;
- Create adequate measures and standards to ensure there is POPIA compliance;
- Develop a PAIA manual and deal with requests from the PAIA and from the Information Regulator;
- Conduct awareness sessions with the business and develop training on new policies;
- Manage incidents such as when personal information is accessed by an unauthorised user; and
- Work with the Information Regulator when there is an investigation.

"The Information Officer can delegate responsibility on a day-to-day basis for these tasks to a Deputy Information Officer, but the Information Officer cannot delegate their accountability under POPIA to anyone," she added.

Reduce the risks of non-compliance

"Organisations can reduce the risks of non-compliance by getting proper executive buy-in. This can be done with either the carrot or stick approach. Train your employees properly. We cannot emphasise this enough. Make sure your compliance function has the proper three lines in place necessary for compliance. These are the first, second- and third-line function," added de Stadler.

"Don't do 'tick-box' compliance. Write policies that matter. Train your employees properly. Use change management techniques to embed POPIA into the way your employees work and how your organisation runs," concluded de Stadler. ●

CPD ARTICLE

NEGOTIATING WITH DATA TERRORISTS

See if you can recognise this quote: *"That will never happen to us… those guys just weren't prepared"*? Yes, it probably sounds just like your network manager or system administrator when you show them the latest ransomware news, with a panicked expression.

Robert Mueller once said, "There are only two types of companies, those who got hacked and those who will be hacked."

Ransomware and data exfiltration attacks

Ransomware is a type of cyber security breach where malware has gained access to the computer operating system and restricts access to the files and applications on the computer. The victim will realise that he or she a victim of ransomware when he or she tries to access the system, and a message is displayed, declaring something to the effect of "Files are encrypted, if you do not pay, you will lose all files forever."

The offending party demands that a ransom be paid, usually in the form of cryptocurrency like Bitcoin, for them to provide the victim with the code to unlock the system and decrypt any files that may have been affected. In addition to blocking access to the victim's system, some ransomware creators extend the damage of the malware to extract the data on the victim's system and threaten to expose it on public forums if the ransom is not paid.

Data exfiltration attacks have dire consequences for any company that stores client, employee, or supplier data on the breached system, especially with Protection of Personal Information Act (POPIA) becoming effective on 1 July 2021.

The number of ransomware attacks in 2020 increased by 350% since 2018, with South Africa having the third-highest number of cybercrime victims in the world, with 577 attempted attacks per hour, according to cybersecurity company Kaspersky. These are only the breaches that are declared, with many more not reported, to avoid reputational damage, bad publicity, or possible legal action from clients whose data had been affected.

The sad reality is that ransomware attacks are increasing because they work. According to reported incidents, 27% of victims pay the ransom to regain access or avoid data being released. With an average ransom demand of $1.1 Million, there is incentive for ransomware attackers to increase attacks.

POPIA will result in more attacks

As POPIA becomes effective, there will be more pressure on data custodians to protect data. We can expect a rise in ransomware attacks aimed at extracting personal data, and blackmailing victims with the threat of releasing the data. As the reputational and regulatory backlashes on data breaches increase, we can expect more companies opting to pay ransom to avoid data exposure, without ever declaring the incident.

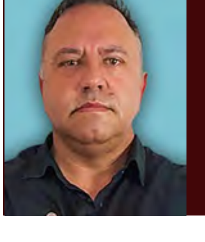
Cyber Security Insurance will become increasingly critical to support business operations, with investment in security infrastructure increasing to prevent data breaches.

If your company does become a victim of ransomware and data exfiltration it is important to have a communication strategy in place, to manage the flow of information internally and externally, including your company's cyber security insurer and the regulators.

In terms of section 22 of POPIA, any company that has reasonable grounds for believing that personal information of a person (defined as a data subject) has been accessed or acquired by an unauthorised person, must notify the Information Regulator of the data breach as soon as reasonably possible after the breach has been identified. The person affected must also be notified, unless their identity cannot be established.

Security management process

Cyber security management is not a task to be done because of an attack. Its an ongoing process of reviewing threats and security measures, responding to potential threats and actual attacks, containing and recovering from incidents and applying lessons learnt to improve the security management processes.



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The personal touch in BESPOKE INSURANCE

You may have heard the urban legend about the billionaire who used a cheap bank loan to take care of his expensive car.

The story goes that the billionaire wanted to keep his Rolls Royce in safe storage, while he went on a trip, so he took out a small loan at a bank and used the car as collateral. Consequently, the bank kept the car in storage, costing the billionaire much less than if he had stored it himself.

Getting value from insurance

It is not a true story – the details of the car and person change frequently. However, we like how it sounds, because it underscores widely felt pain about insurance: how do you know you are getting value? Insurance, of course, does not work that way. You do not get value from the payment. You get value if something goes wrong. Rather have it and not need it, than need it and not have it. The challenge for insurers is to get that message across to their customers.

For short term insurance, a lower premium or faster service usually will suffice. But the closer you move to bespoke and complicated insurance, the more intense this personal touch needs to be.

A broker's operational capacity

Enter the broker. Brokers work at the coalface with demanding customers… demanding due to the different types of coverage needs in the market.

It is an advantageous position, but also a risky one. A broker's effectiveness depends on understanding their customer's needs and balancing them against different policy choices. And though many brokers often have the relationship part down, they struggle to keep up with the information that surrounds customers and underwriters. The staggering amount of customer- and market data available today, threatens to completely consume a broker's operational capacity.

Platform systems are the answer to this. A platform is a multi-feature software system celebrated for its flexibility, scalability, and affordability.

It is flexible because users can pick what they want and leave what they do not want. So, no more paying for software bits you never use. Platforms scale, meaning they can serve a single user as effectively as a thousand users, shifting as user pools grow or shrink. This means much more flexibility around licensing costs. And they are affordable, not only because of the licensing, but also because you never have to own the platform. You just rent what you need, but you can still align the software to your specific processes and business information.

But how does this help brokers? Using the right platform, you can create multi-level risk management with ad-hoc reporting, easy data capture, and significant drill-down features, not to mention much more robust scenario planning and testing. You can use analytics to test customer sentiments, predict their churn, and pre-empt their desires. You can rely on a customer management platform to build complete and dynamic profiles of your clients.

Of course, brokers worth their salt could do these things. They have a system that works. But without the support of platform technologies, configured by a trusted partner who understands brokerage requirements, that system will become less effective — significantly if competitors are leveraging digital technologies to help them work faster and smarter. It is not true that technology replaces the system. Instead, the technology aligns with the system and makes it more potent and resilient.

The support of platform technologies

The broker spends less time crunching information for insight and strategy, and more time with customers — armed with the knowledge that makes the difference. In insurance, the personal touch matters more and more, and as such, it relies on technology.

Brokers, though, need this advantage more than anyone else - and they can now access that level of technology affordably and easily through platform systems. Using these breakthroughs, they can scale, remain agile, and keep it personal with their customers.

Sean Pyott
MD
thryve

The next 18 to 24 months ARE GOING TO BE TOUGH

The COVID-19 pandemic brought about unique challenges to commercial, specialty, and personal lines insurance.

In navigating the crisis, FAnews spoke to a few insurers about some of the challenges they have faced and how organisations can position themselves to drive success and growth in 2021.

It is going to take hard work

Insurance has always been a grudge purchase, but the pandemic has certainly placed the spotlight on the consequences involved in being incorrectly insured; and on the dangers around not being familiar with the terms and conditions of a policy.

Secondly, although there has been a recognition of the need for insurance, there has also been an erosion of trust. Nowhere has this been more apparent than in the commercial insurance, and specifically, business interruption space.

It is going to take hard work from all stakeholders involved to ensure that consumers regain some trust in the industry. This calls for reliability and for commitment through customer service pledges that are backed-up by appropriate calls to action, when said pledge promises are not attained.

Technology and the provision of digital solutions that can support the broker in his/her advice-giving process, but also take care of some of the administrative processes in and around policies, by providing self-service options, will be key.

We have come a long way. From an employee perspective we set-up employees to work from home and the process has worked well. From a product perspective, the industry needs to innovate

We've learnt to navigate

Twenty-twenty was a roller coaster of a year, and will no doubt go down in history as the year in which the insurance industry had to reimagine, readjust, restart, and reset in every single aspect of business.

As an industry, we have overcome business disruption, we have survived successfully moving the bulk of our staff out of our offices, responded actively to the changing insurance needs of our clients, fast-tracked technology implementation and dealt with tough issues related to Contingent Business Interruption.

We have learnt many lessons this past year, though none more important than that we must always keep moving forward no matter the challenges we face, and that if we work together it is always possible to achieve the impossible. Despite even the very real reputation challenges faced with Contingent Business Interruption, evidence will show in the end that clients who were insured were far better off than those who were not, and that the actions of South Africa's leading insurers in many ways led the world market with their relief payments and pro-active premium support through very difficult times.

A focus on insurance solutions that are relevant as the world of work and travel adjusts to a new-normal, is now crucial. It is imperative that our offerings continue to account for changes in technology and the diversification of asset classes. Growth will be challenging, and we must consider innovative and customisable solutions that speak directly to an individual and business's needs and concerns. Service has never been more important, and differentiation will be best achieved by focusing on a client's individual and tailored experience at every touch point with our business.

With the increase in direct-to-consumer insurance products and companies, many consumers have questioned the need for an intermediary – or broker – at all. As the world becomes increasingly complex, and risk grows, the value an intermediary provides grows too. Intermediaries continue to play an important role in supporting clients - they help simplify complex terms, assess and address risk, provide expert advice, and negotiate pricing with insurers. They are key.

To the intermediaries, thank you for your continued support and for the essential role you play in creating lasting shared value for all policyholders, suppliers, and the communities we serve.

Andrew Coutts
Head: Intermediated Business
Santam

more, but do this through acting on consumer needs. From a trust perspective the industry is struggling. We believe that reliable service can play a major role in restoring this trust, ticking all the boxes efficiently and speedily, and then also going the extra mile for our customers.

In navigating the crisis of last year, organisations can drive success and growth in 2021 simply through the simplification of policy documents, providing innovative products based on consumer insights and utilising technology as an enabler.

Do not lose hope. Reach out to your insurance partners if you are struggling. Insurers are often uniquely placed to assist, especially from an administrative perspective. Focus on customer needs and the changing patterns thereof. Listen to your customers, up your service levels and ensure that you utilise your partnerships in innovative ways.

Ricardo Coetzee
Head:
Auto & General Insurance

Brokers are integral

For the year ahead, I see the tough economic conditions that persisted in 2020 remaining, and that will put our customers, especially SME customers, under immense financial pressure. To counter these pressures, insurance has to become cheaper, and to achieve this, we are embracing data and technology.

While the insurance industry has traditionally been behind in leveraging digital solutions, the crisis has given the whole industry impetus to accelerate these strategies. Back office administrative decision making has sped up dramatically over the years, and most routine decisions have become data-driven and almost instant. The next step in the journey will be to continue to evolve our processes as customer behaviour evolves.

Those able to use the right data and technology the most effectively will build sustainable and cost-effective propositions that can meet customer expectations.

However, despite all the technological advancement we see, insurance risk remains complex. Therefore, advice is extremely important, especially to business owners operating in today's complex trading environments. The opportunity to serve and advise this much more tech-savvy segment presents a huge opportunity to leverage broker insight.

Soul Abraham
Chief Executive for Retail
Old Mutual Insure

The biggest challenge

The impact of COVID-19 remains unknown and is one of the insurance industry's biggest challenges. Even as talk circulates of a third wave of infections, it is too early to tell how the pandemic will play out.

From a business perspective, we can expect reinsurance to be a lot tighter than before. The principles in settling Covid claims are now clear, and the rules are objective, in terms of how covered claims will be paid out. For the insurance industry, the biggest challenge has been the damage done to its reputation over the matter of Covid extensions. The reputation of the industry has taken a battering over this issue and restoring our reputation will make winning our customers' hearts twice as difficult. But we must do it.

We have never faced a crisis such as COVID-19 before, and it forced us all to think on our feet. The hard lockdown proved particularly challenging: how do you accurately and fairly manage a customer's risk up front, and how do you assess a claim, without physically visiting them?

The game has changed fundamentally; I do not think we will ever fully go back to the way things were before the pandemic. We have learned new skills and ways of working, which fundamentally impact how we conduct business. But we have risen to the occasion and, most importantly, we have maintained service levels… because crises always present opportunities.

Given our experiences of the past year, we are well positioned to take on 2021. Greater certainty around claims means that we can plan better. Growth will likely come from taking market share and offering new products, and perhaps expansion into the rest of Africa. What is key to our success is consistency.

The next 18 to 24 months are going to be tough on the entire industry. I hope that we can sit back one day and reflect on how we managed to survive – and thrive. COVID-19 has taught us some hard lessons (not least around contracts).

We have to ensure greater business resilience than before, in how we run our businesses and how we manage costs… we still have the same industry requirements, regulatory issues, transformation imperatives and technological needs as before.

Life will go on!

Nash Omar
Managing Director of Broker Markets
Hollard Insure

Aligning your client's motor insurance with vehicle use GIVES CLAIMS CERTAINTY

Motor vehicle owners must pay close attention to the terms and conditions contained in their motor insurance policies before adding their vehicles to a car rental pool, because renting a car to an unknown or partially-vetted third party introduces risks that were not anticipated by the insurer. New technologies make it easier than ever for savvy individuals to share their assets for profit. A recent innovation, which can be described as an Airbnb for cars, allows individuals to add their vehicles to a car rental pool and earn money by renting them out.

Comprehensive cover woes

Adding your car to a rental pool sounds like a great idea until you consider the insurance implications. "Many, if not most, comprehensive personal lines insurance policies will cover use of your vehicle by multiple, unnamed drivers; but the unnamed driver will need the owner / primary driver's permission and must have a valid driver's licence," says Ernest North, co-founder of AI-driven Insurtech, Naked. But these policies explicitly exclude cover for renting out your vehicle for use by others, or using your vehicle to carry passengers for reward or renumeration.

Insuring a vehicle used for rental can be a costly exercise. "A large part of motor insurance pricing relates to the driver of the vehicle as opposed to the vehicle itself," says Peter Olyott, CEO at Indwe Broker Holdings. An insurer that does not have access to the claims records of a part-time driver will, therefore, have to price the cover for the highest potential risk. Another issue is that rental cars spend more time on the road and rack up more mileage than vehicles used exclusively for personal use, increasing the likelihood of an accident, hi-jacking or theft event. Your client will, therefore, end up paying premiums at a level similar to those paid by a car hire company.

What should you do if your client wishes to rent out his or her vehicle for profit? A good starting point is to advise your clients that their personal insurance cover will not respond to claims that arise while their vehicle is rented out. "A specific commercial policy will be required," says Olyott. "Once your clients see the pricing

exposure to insurers, where the person driving the vehicle comes from beyond the insured household. Late February saw the South African launch of Cridde, an app-based car-sharing platform that allows customers to rent cars from private car owners. Private car owners can participate by making their vehicles available for sharing on the app.

We asked the start-up what it expected from car owners insofar insurance cover. "The client must have business insurance cover appropriate for a vehicle used for commercial purposes; you need some type of pooled driver policy where multiple persons can use the car," says Lanre Ola, co-founder of Cridde. When new users sign up to the Cridde platform they are required to upload an insurance schedule.

Are innovators in the domestic motor insurance space ready for the challenge introduced by new vehicle utilisation trends? "We can use our technology to customise insurance for a changing world; but right now our focus is on personal rather than commercial insurance," says North. "In terms of adding products or features like cover for gig economy drivers or sharing economy car rentals to our mix, we would want to be sure that there is a viable market opportunity and that it is something that would benefit our wider customer base".

difference, as well as the new deductibles and cover exposures on the commercial cover they may think twice about offering their cars for rent". You can further assist your clients by placing the new risk in the market at the most affordable premium as well as advising them on how to reduce their risk exposures.

Repricing for extreme risks

A thorough understanding of your client's intended use of the vehicle is important. "To provide advice for such clients, you would need to understand the differences in the risk profile for such vehicles and gain an understanding of how this risk will be mitigated," says Anton Ossip, CEO of Discovery Insure. When your client adds a vehicle to a car rental pool they will present radically different risk profiles to their insurer. And this risk is so extreme that it will most likely require the insurer to underwrite the risk from scratch.

There are other risk considerations too. "Your clients could be exposed to factors that may negatively impact their personal lives, such as credit scoring and insurance loss histories," says Riyadh Mayet, Senior Manager: Pricing, Analytics and Product at Constantia Insurance. "Liability claims may still fall on the owner of the vehicle, even though they do not know the driver of their vehicles for each trip, as they authorised the driver to use their vehicle via this platform". Your client's insurance liability cover may be limited and he or she could thus face shortfalls following a large liability damage claim that stems from the renter of the vehicle.

There are a number of ride-sharing models currently in use. "The traditional ride-sharing concept relates to e-hailing services such as Bolt, Uber and Taxify," says Mayet. "In these cases the driver either owns the vehicle or is hired by the vehicle owner to provide taxi services to customers obtained via a map-based smartphone application". Some insurers already provide tailored insurance solutions to cover this type of vehicle use.

An era of true ride-sharing

More recently we have seen a true ride-sharing or rent-a-car concept for individuals through innovations like Turo in the US and SnappCar in Europe. These companies introduce open driver

Innovative solutions follow demand

"The motor insurance product is outdated given when it was developed and will need to evolve to cater for this and other types of use-on-demand covers into the future," says Olyott. He mentions the obvious example of original equipment manufacturers (OEMs) making vehicles available on an as-and-when basis. You swipe your card, use the vehicle for a few hours, and drop it off when you are done. In this model, the OEM carries the insurance cost.

Discovery Insure says the market will develop innovative solutions to meet the needs of clients as demand for such covers grow. "It is worth remembering that most risks can be insured; but always at the correct premium for the risk taken on," says Ossip. Insurers are already thinking about non-traditional pricing methods. Constantia Insurance says we could soon see usage-based insurance or insurance per car hire ride as an add-on to basic vehicle risk insurance for when a vehicle is not in use. And Cridde already has plans to partner with an insurer to offer a monthly insurance policy to meet its users' needs. In time they hope to offer cover for the specific period during which a vehicle is rented out.

Recent market entrants are already capacitated to deliver. "The key is offering a seamless, instant experience built on a back-end that can easily be integrated into other partners' systems," says North. "We have a back-end system that can be rapidly adjusted to cater for new insurance products and new user needs; and that comes from the fact that we are a digital-first insurance platform that is unencumbered by legacy systems".

Revolutionary change is coming

We are on the cusp of revolutionary change in traditional buildings, household contents and motor cover. The future where your client's driver behaviour and insurance history seamlessly attach to an insurance contract is already here. It will soon be possible to match your clients with insurers that offer risk-appropriate damage and liability cover for the few hours or days during which their vehicles are rented out, regardless of who is driving it.

Gareth Stokes
Stokes Media

NEITHER THE CLIENT NOR THE INSURER WINS

The world of insurance is evolving quickly as the risks around us are changing. Class actions are becoming more common, and the Protection of Personal Information Act (POPIA) and cyber risks are making liability exposures higher than they have been in the past.

Clients are also becoming more aware of their rights and have avenues to force insurers to take them seriously. These include attorneys and other experts who assist them in arguing their case.

Pro-actively avoiding claims

So, with all of this in mind, how do insurers best protect themselves, and their clients, to pro-actively avoid these claims from taking place and being part of the risk management solution.

Insurers are taking far more proactive decisions, before claims take place, to try and make sure that high claims are not incurred or even worse, that third parties are not injured and the reputation of the policyholder badly damaged.

High exposure, for example, in the new technology world, is the possession and processing of client data and their confidential details, that could affect them severely if the data was compromised.

The right controls

Even if comprehensive liability policies were in place, it would not be a solution to feel comfortable that any losses incurred could be covered by the insurer. It is imperative for the insurer and the client that up-front risk management is done, to avoid the loss from taking place.

Proper malware software should be installed by qualified technicians. The staff of the company should be suitably trained in how the integrity of the information technology system should be protected. Virtual Private Networks need to be installed so staff can work from home with the comfort that their connections are secure.

The interests of both the insurer and the policyholder would demand that the insurer assist the policyholder with methodologies in performing ethical hacks and penetration testing, to mitigate the risks of hackers attacking the policyholder's system and stealing sensitive data.

We live in a time where clients will aggressively enforce their rights, where their privacy has been compromised, and there is now strong legislation, and an active information regulator, that will assist them to do this. These incidents can be avoided with the right controls.

A further example of where I believe a liability insurer should provide risk management assistance to their clients is with respect to spread of fire and contamination risks. I have seen claims where large fires have destroyed large warehouses, where the sprinkler systems were not compliant, and dangerous items were stored in the warehouses without the requisite packing procedures. Had the insurers assisted and insisted on strong fire-fighting mechanisms, not only would the client's warehouse have been saved, but the damage could have been prevented.

We have seen claims where soot inspired damage has been incurred by residential and commercial properties, kilometres away, creating reputational damage and high financial loss for the client. While the financial loss can be partially reimbursed by insurers, the reputational, uninsured and opportunity costs cannot be, and neither the client nor the insurer wins.

The technical know-how

Insurers have the technical know-how and knowledge to prevent losses like these from happening, and to assume risk management, in some part, from their clients. Clients also need to play their part and co-operate, understanding that taking note of the insurer's requirements saves them later.

It should not be about the upfront expense only of installing the required measures (even though they can be expensive and must be paid for). The alternatives are worse, specifically with legislation assisting third parties, and the state, in making life uncomfortable. There are other examples, such as the listeriosis disaster, where product liability covers partially assisted policyholders from class actions, but again, the reputational damage takes a long time to recover from. With sound risk management these risks could have been mitigated.

Danny Joffe
Head: Legal
Hollard Insure

Never mind the truck –
we love the driver!
At Hollard Trucking, we believe passionately that the most important element of trucking isn't the vehicle, it's the driver:
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• Our TETA-accredited driver training assists drivers to be the best they can be
• Our driver Personal Accident covers offer peace of mind at all times
• Our Accident and Towing Toll-Free Assist means help is at hand, anytime, anywhere
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BRAZEN JEWELLERY HEIST ROBBERS ON THE RUN!

During 2020, all trade reported being adversely affected by COVID-19. Some, like the jewellery industry that was already severely affected by the state of the economy and major effects experienced by crime before COVID-19, are battling with even more layers of crime.

As an insurer, together with our brokers, we have endeavored to understand each business and have come to realise that whilst there are many common factors, each business is unique.

Security protocol

We always start at the choice of our jeweller's location, for their shop. If it is in a busy mall, depending on the size of the business, we would recommend placing a guard outside the door, having some access control, choosing a location that is not too close to an entrance as this simply makes it too easy for criminals to get in, take what they want and get out, and placement of one of the sales people in a position that would make it easy for them to have a bird's eye view of the whole shop. Most adverse incidents are planned by syndicates, and a proper stake out of a target is undertaken.

If sales staff are trained to notice different people and behavior, a major event could well be diverted. A good relationship with the mall management and security and agreeing on the course of action in the event of an incident occurring in the shop, is also something we highly recommend.

A traditional alarm with armed response is in the mix. However, due to the rise in corruption, we recommend two alarms with two different alarm companies - one not to be made aware of the other's presence on the premises. An alarm linked to a smoke cloak device being triggered simultaneously has also proven successful in stopping the event from leading to a loss, or the perpetrators feeling so disorientated that they abandon all stolen goods and efforts.

Syndicates are brazen

Whilst the jeweller can choose how much in value he leaves displayed in the windows, in showcases and in the safe, he is probably more exposed in the case of an armed robbery to have a large loss.

Syndicates are brazen, and criminals arrive highly armed, which leaves our policyholders helpless.

Good CCTV cameras, which will give the investigators some footage to work with, are highly recommended risk management tools. Of late, facial recognition software with masks being a legal requirement, renders positive identification much harder, however, we have seen the successful identification of individuals due to their mannerisms and modus operandi, despite the faces not being clearly visible.

Demand for cover for shoplifting, snatch and run, and the likes, has dwindled somewhat due to the changes in the way consumers prefer to shop. As a result, we have had to respond with cover for online shopping risks, as well as interesting and different courier and delivery risks. Just as syndicates target different high value industries, in terms of armed robberies at different times (cash in transit, mobile phone transits and jewellery robberies) industry etc., they also target different courier companies at different times.

Fighting a crime network

Partnering and sharing information with associations and bodies, in assisting customers to fight crime and finding solutions to continue to trade in unprecedented circumstances, is a big opportunity. With data analytics, and the internet of things becoming an essential tool that cannot be ignored in fighting crime, we have embarked on a journey of getting to know our customers, their world and their challenges even better.

We believe, in the long term, this approach will assist not only our efforts in recovering stolen goods from claims but will also assist in fighting a crime network… the exact same crime networks that threaten us when we step foot in any retail mall.

Natasha Maroun
National Head:
Jewellery, Fine Art
& Specie
Bryte Insurance
Company

THE HUMAN FACTOR IN CYBER RISK MANAGEMENT

While researchers routinely point to human error as a major factor behind as many as 95 percent of cyber incidents, we want to explore the role that the security culture plays in exposing our employees to hackers and fraudsters.

Human error implies that people are to blame for cyber breaches. Emerging approaches, however, are shifting the focus to an examination of the 'human factor' rather than 'human error'. This takes into account all the nuances of the threat, without stigmatising the user as the culprit.

The human factor has less to do with actual error, and more to do with inadequate security cultures, and the exploitation of human behaviour and goodwill. By understanding the ways in which people operate in the workplace, as well as how malicious actors set out to exploit classic human traits, it is possible to identify and address areas of human fallibility.

Social engineering and BEC

Social engineering is the art of tricking, seducing, or scaring/blackmailing an individual into giving away personal or corporate information or taking action, such as authorising a payment.

Perpetrators of Business Email Compromise (BEC) often target individuals responsible for sending payments, including company CFOs. Through social engineering, they use psychological manipulation to encourage users into providing information or making a financial transaction.

According to the 2019 AIG EMEA Cyber Claims Intelligence Report, BEC has overtaken ransomware and data breach by hackers, as the dominant driver of cyber insurance claims.

Home working/quarantine stresses

As businesses across the globe have activated their Business Continuity Plans in response to the various restrictions put in place in the last year, they and their staff have increased their exposure to cyber threats and exploitation by malicious actors.

Employees, doing their best in a difficult situation, are often forced to fall back on personal devices that are less secure at a time when increased stress levels potentially make them easier to exploit.

Personal devices are less likely to have the same level of protection enjoyed by an established business, or the same ability to monitor cyber activity. The burden then falls on the company to maintain high standards of IT security to help ensure their employee's devices are secure.

Automatic and unconscious behaviours

Numerous softer factors, such as the natural desire to be helpful, come into play when it comes to end user risks. From a psychological perspective, engaging in compassionate actions activates parts of the brain associated with the reward system, with positive feelings then reinforcing altruistic behaviours. It is not just about people making mistakes, as is implied by the label 'human error'.

Though training and awareness is on the increase, people are still clicking on links they should not, particularly as phishing emails become more convincing.

Addressing the cyber human factor is an essential part of an organisation's overall approach to putting in place a robust cybersecurity framework. Employers need to consider the psychological levers that cybercriminals pull when they use human behaviours to trick employees into clicking on links and giving away passwords. By understanding how these traits are exploited, it is possible to forewarn staff and implement security protocols.

The onus is, therefore, on employers to ensure end-users have the knowledge and skills they need to keep themselves and their businesses secure.

Cyber security strategy

It is time to move beyond the simple catch-all phrase of 'human error' and for, organisations to understand and address the critical vulnerabilities faced by end users. This means reducing the opportunity, improving company culture, and empowering employees with better knowledge and training.

As the cyber threat landscape evolves the most resilient companies will be those that are able to tackle this challenge on both a technological and behavioural level, using a collaborative and encompassing cyber security strategy across every level of the organisation.

**Key points from AIG's recent Human Cyber Risk Report*

Ethan Pitts
Senior Underwriter - PI/Cyber
AIG South Africa

FARMERS' RISKS ARE GROWING

Agriculture is as old as human settlement, as are some of its risks. However, the modern era and increasing commercialisation brings with it new risks – and it is vital that Agri insurance covers them all.

That is where expert brokers come into play. They need to understand their farmer customers' individual circumstances (because no two farms are the same), and how everything from fire and disease to consumer protection and product liability applies to them.

Liability most farmers cannot carry

Let us begin with one of the oldest risks: fire. The spread of fire is automatically included in urban commercial policies but excluded in more than 90% of Agri covers. Yet, if a blaze starts on a farm and burns down the district, the owner of the farm is liable in terms of the National Veld and Forest Fire Act (no. 101 of 1998).

However, fire is more prevalent than one would think, and it is a liability that most farmers cannot carry. Their brokers must apply their minds to this risk, which extends way beyond their boundary fence.

Another law with an impact on farmers is the Consumer Protection Act (no. 68 of 2008). It holds every player in the food value chain liable for an end consumer's loss – be it defective workmanship, disease or contamination (think listeriosis, African swine fever, avian flu or Congo fever), even if that player is not directly responsible.

Along with this liability issue is the fact that farmers are increasingly not just producers, but also processors and sellers of their agricultural outputs. While economically attractive to them (even a necessity), this multiplies their liability risk, and the brokers simply must factor this into devising the best insurance package for them.

Another related element revolves around biosecurity and traceability. More and more, consumers locally and internationally demand to know what they are buying and where it was farmed – for example, whether pork was produced in an area free of swine fever, or whether oranges produced in Citrusdal are organic.

This consumer demand is not a bad thing, as we have the right to know exactly what we are eating, but it has serious insurance implications from a product liability perspective.

Farms are more complex

Happily, agriculture is one of the few sectors showing growth in these times of pandemic, with increased exports having a positive impact on South Africa's GDP and trade balance. However, this once again affects farmers, who now wear an exporter hat as well – and require commensurate marine, stock throughput and other specialist insurance covers.

And finally, there's technological risk. Many of us do not realise it, but farmers employ some of the most sophisticated technologies in the world. Most of this tech is imported, requiring online support because of the vast distances between providers and users. So, do those users – farmers – have cyberattacks and liability built into their Agri cover?

A farmer's lot is a double-edged sword. While some are thriving in our current context (but not all – many are cutting back or have gone bust; one broker I know has seen a 20% drop in business), their farms are more complex commercial enterprises than ever before.

Farmers need expert brokers

Their Agri insurance simply must reflect their current legislative, regulatory and liability realities. The days of making do with crop, animal and disease covers are long over: farmers are now growers, processors, retailers, technology early adopters, marketers and exporters, and they face a multiplicity of risks that their forefathers could not possibly have imagined.

What they need to stay in business – and continue doing their bit for our country's economy and food security – are expert insurance brokers… people who understand that their potential liabilities do not begin or end at the farm gate.

Andries Wiese
Head of Agri
Holland Insure

SATELLITE DATA: USEFUL OR USELESS?

The sheer number and scale of technological solutions available daunt even the bravest amongst us. The question, then, is whether they are ego trips, or are they any good in solving real risks and challenges?

Satellite and earth observation data is used by farmers, when consuming their daily dose of weather forecasting. The fact is that a similar combination of data can also improve transparency on agricultural activity and output, as it helps to assess crop conditions and environmental risks.

Using this data, algorithms can even be developed to assess farmers' creditworthiness. This, in turn, could allow access to the necessary resources to improve production. To make this information as simple as possible, Andries Wiese, Head of Agri at Hollard Insure, spoke with Reinhard Kuschke, CEO of Agriseker, and credited him for the insights and information he provided.

Risk transfer mechanism

The principal risk transfer mechanism in the fruit and field crop sectors is the crop insurance industry.

Over the past decade, insurers have implemented satellite data and derived information to support their objectives of monitoring, planning and post loss evaluation. As with any newly introduced application on existing processes and procedures, it had to prove its value to justify its continued use. As a monitoring tool, one can employ satellite data to track a variety of indices to detect and evaluate conditions which are important to agricultural production: from droughts to the extent of highly destructive hailstorms.

The application of this data source, in its widest sense, is limitless. An array of indices and parameters are available. One can keep track of cropping conditions to evaluate the extent of hail losses or active veldfire events. In the case of fire detection, and hail loss, a relatively simple evaluation can be implemented to determine the extent of the loss. This will give a clear picture of the affected area, but not quite the quantification of monetary losses.

You must be able to determine whether a loss was suffered, due to an insured peril, and to what extent such peril impacted the cropping production. To any user, not just the insurance industry, there must be a direct correlation between what you are measuring and the outcome of the event.

The use of satellite data

Firstly, one should be aware of the basis risk involved in spatial resolution. Basis risk exposes the uncertainty of a value between two adjacent measurements. This was considered as the biggest critique towards implementation of index insurance. An individual farmer will never accept the outcome of an interpolated value, should it not reflect his experience of the event he insured. It did not rain on his fields, for example, but the weather stations around him recorded rainfall events. By just applying the index, it looks as though it rained on his fields - which is not true. The use of satellite data will overcome this problem to a certain degree, depending on the spatial resolution of the data and the pixel size of the data sensor.

Secondly, the current offering in satellite data is vast. This number multiplies when the spectral capability of the sensing platforms is considered. You need to evaluate the type of data available to quantify your need or objective. Spectral bandwidth available can provide virtually any solution. This ranges from determining soil moisture, evaluating field size and burn scars to near infra-red and infra-red sensing to evaluate plant growth and by combining various bandwidths. The variables required to run crop growth models can also be achieved.

A third consideration should be the temporal resolution of the return in data. This is the intervals of receiving sensed data. Some platforms provide data sub-hourly, such as meteorological satellites evaluating fast moving weather systems. Some platforms will only perform a bypass every 10 days, and some take even longer.

Evaluate against benchmark

All environmental data needs to be evaluated against some benchmark. If it is an absolute value, then it needs to be calibrated against a standard. If it is an index derived from data acquired across various platforms, then it also needs to be evaluated against its own history to derive useful statistics. By converting radar data to a soil moisture index (as an example) and evaluating this value over a period will help determine whether a dry period is at play, or not.

Lastly, in raw format, none of this data is useful. Reinhard stresses the basic difference between data and business intelligence. The data must be converted into information which the end-user can interpret. This process requires highly specialised data scientists, with access to computing facilities, which can process huge amounts of data on the fly by applying various algorithms. Many agencies have a boutique of shelved products, ready and pre-processed, which are accessible to the public.

It is worthwhile to evaluate the considerations above when one needs to appraise the value proposition of using satellite data as a monitoring or evaluation tool. The success rate of risk management and mitigation, in this regard, is proportional to data quality and its ability to help you address the problem. ●

Understanding the factors behind THE INCREASE IN CLAIMS

Since 2020, the insurance landscape has evolved significantly, and this has impacted both the number and cost of claims. We take a look at some of the factors that are catalysing these changes - and what they mean for us as insurers and intermediaries.

What is driving the increase in claims?

Despite the fact that there is less traffic on the road, Momentum's data shows that the average claim for motor vehicle insurance has increased, when benchmarked against 2019 data.

While a deep dive is required to understand the exact reasons for this, several possible contributors have emerged, such as speeding on quieter roads - which typically results in more extensive damage and thus a larger claim.

Claims related to the contents of a client's home have also increased over this period, and there are numerous factors at play here. Last year's heavy rainfall was a significant contributor, while load shedding increased the volume and cost of claims.

Anecdotal industry feedback suggests that with more people working from home, consumers are picking up issues that may have been overlooked in the past - such as a leaky tap or faulty geyser - driving up the number of claims.

An area to keep an eye on is the liability claims environment. Consumers are becoming more aware of their rights on a daily basis, businesses are under the microscope from a shareholder perspective due to an increased awareness around corporate governance, and the full impact from COVID-19 is still to be seen.

WFH and crime

While in the past the majority of burglaries happened when consumers were not at home, the rise in work-from-home (WFH) has seen a shift away from claims related to incidents of simple theft, to an increase in incidents of armed robbery. As criminals now have additional time in the home, more items such as jewellery and vehicles are being stolen, driving up the cost of claims.

Businesses also face more risk as they now have hardware – laptops and other office equipment – located outside the safety of their buildings.

The risks from a cyber-perspective have also increased, as more people are using their own devices and networks due to WFH. This is an area where there will be a significant amount of focus in 2021, as this type of crime impacts individuals and businesses alike.

Macro-economic impact

As disposable income decreases, policy lapses will increase, which is not good for consumers and insurers alike.

In many cases, convenience cover such as car hire, accidental damage or all risk insurance have been removed, leaving clients exposed. We would advise clients to consult with their financial advisers before making these changes, to ensure that all available options have been considered. The insurance industry has done an excellent job in providing more affordable forms of comprehensive insurance over the last 12 months, and these should be investigated before cancelling existing cover.

The role of technology

Technology can play a key role in reducing risk. For example, installing sensors on a DB board or water meter will allow clients to understand their consumption patterns better, so that they can make changes where necessary and save costs.

Telematics in vehicles is finally starting to gain some traction, as user-based insurance gains popularity among consumers who have been driving less over the last year. Telematics can add significant value in helping younger drivers to become more aware of the behaviours that increase their risk, while at the point of claim, it can even save lives, through making the insurer aware that an accident has taken place.

Machine learning and AI are also gaining momentum, as insurers look to apply these across the insurance policy life cycle to enhance the customer experience and reduce operational costs.

The insurance industry remains in a state of flux, and the full ripple effect of the past year's happenings have yet to be seen. It remains our responsibility to educate consumers on how these events apply within the context of their own personal circumstances, helping ensure that they remain both covered and protected.

Jonathan Lewarne
Head of Short-term Insurance Solutions
Momentum Consult

RANSOMWARE ATTACKS... SA businesses' biggest risk

Ransomware attacks have skyrocketed in recent years. SHA Risk Specialist's most recent Annual Risk Review found that one in five small and medium enterprises (SMEs) have been victims of ransomware attacks, with demands most commonly ranging from R25 000 to R50 000 – this is in line with global statistics.

Thirty seven percent of businesses surveyed said that they had experienced some form of a cyber event in the past 12 months, with just over half of the incidents arising out of the negligent actions of an employee. That would likely have involved the staff member unwittingly having clicked on a malicious link in a phishing email.

These statistics clearly indicate that risk management and cyber-awareness training for employees are not enough of a priority within small businesses.

Cyber-awareness training

By all accounts, the human element is still the greatest threat to cyber security. It is a business imperative to ensure that employees and contractors are informed and trained on the latest cyber security risks and trends. Businesses can spend millions on security but if users are not trained, it is all for naught.

This can be done by educating staff (including IT) on some of the most common access points into a business that cybercriminals use and how to avoid falling victim to these scams. Examples of these include not clicking on unverifiable links or untrusted email attachments, strict download policies, tighter controls on personal data, using Virtual Private Networks (VPN) and the likes. Most importantly, all companies should conduct frequent data backups, as that will ensure that data recovery is less problematic should they fall victim to a ransomware attack.

A risk transfer standpoint

Ransomware and extortion attacks have become far more sophisticated and cyber exposures are not limited to businesses that store confidential information. Companies that operate technology driven manufacturing plants or distribution centres are also vulnerable to cyber risks. For these entities, being offline for even a few hours can mean a serious drop in revenue. The 2020 Risk Review showed that in the SME sector, 23% of commercial victims were offline for between 24 and 72 hours. A further 7% suffered business interruption exceeding three days.

Given the high volume of successful ransomware attacks, which continue to rise in both frequency and sophistication, it is almost inevitable that any modern business may find itself at the mercy of these cybercriminals at some point.

From a risk transfer standpoint, our survey showed that only 18% of businesses had some form of cyber cover in place. It is worth noting that the purchase of coverage remains higher in the larger, corporate sector where governance and risk management tends to be more of a business imperative. While the more vulnerable small businesses remain largely exposed and are far less likely to recover.

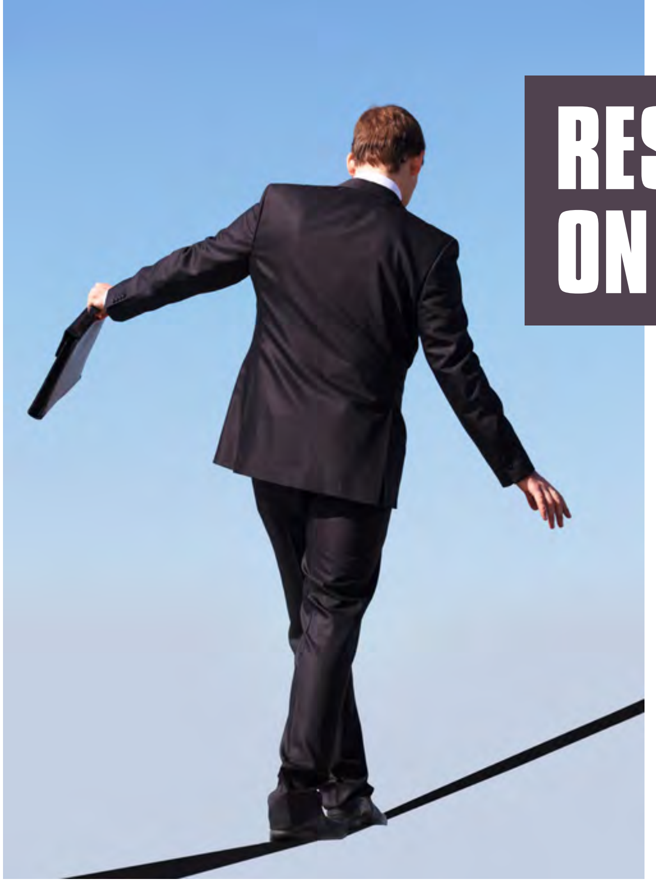
Cyber insurance policies

Cyber policies generally respond to first- and third-party losses, following hacking or privacy breaches, and extend to cover a range of regulatory exposures. Some cyber insurance policies cover a wide variety of first party (own damage) cyber exposures ranging from data breach response, restoration, business interruption, cyber extortion and ransom, cybercrime (theft of funds), PCI-DSS as well as a range of third party (liability) based exposures such as, confidentiality and privacy, network security and media liability.

The numbers reflected in SHA's 2020 Risk Review are somewhat encouraging, as it appears as though businesses are becoming more aware of the escalating cyber risks. Of the companies surveyed, 84% are now relying on antivirus software (an increase of more than double reported in 2019), 70% have firewalls in place and more than half do regular data backups to protect company information.

If there was any benefit to the global tragedy of the lockdowns, it seems that more focus was placed on keeping company networks secure as businesses were forced to adapt to employees working remotely. The fact remains, however, that without cyber insurance, any business remains exposed to significant financial losses after an attack.

Sizwe Cakwebe
Cyber Risk Manager
SHA Risk Specialists



RESILIENCE HIGHER ON THE AGENDA

The seventh edition of the Institute of Risk Management South Africa (IRMSA) Risk Report, which launched on 24 February, comes at a very crucial time amidst the challenges caused by the COVID-19 pandemic.

The pandemic has boosted topics such as risk management, existential threats, and resilience higher on the agenda, and it has demonstrated the necessity of risk-based decision-making in achieving strategies, especially when confronting volatile scenarios and global risk impacts.

Catalyst for change

Christopher Palm, Chief Risk Advisor of IRMSA, shared similar sentiments to those shared in the report.

"The current pandemic has reminded us of the fundamental value of doing effective risk management and being ready to respond to the effect of uncertainty on objectives," said Palm. "The crisis has brought out the best in many leaders, but we continue to face some significant challenges that are not quick fixes," he added.

The top risks

According to the IRMSA Risk Report, the top risks the country faces are:

1. Visionary and ethical leadership
2. Governance failures
3. Fraud and corruption
4. Consumer behaviour
5. National health system
6. Structural inequality
7. Education and skills
8. Youth – lost generation
9. Climate change
10. Economic collapse
11. Cyber risk
12. Disruptive technologies

Trends in the report

In terms of South Africa's risk context, these are the risk development focus areas for 2021:

- Global macro-economic impact - South Africa is highly dependent on the global economy, and the global economy carries significant risks. If the global economy does badly, this impacts directly on the South African economy, evidenced by the impact of COVID-19;
- Geopolitical considerations - An increase in geo-political and socio-economic risks and the challenge on finding the most effective risk responses to deal with the low growth environment and the ongoing need to address inequality;
- Revisiting the regulatory policy framework - We need a regulatory environment that enables businesses to grow, and the largest concern is what shape the future regulatory environment will take;
- Continued demand for visionary leadership - These challenges have reinforced the critical need for visionary leadership at all levels of society and an increased leadership role for corporate South Africa;
- Changes in the corporate and social fabric - There is growing evidence of a change in the corporate and social fabric, with the world moving from a shareholder primacy, toward a more stakeholder led focus, driven in part by the democratisation of social networks and increased stakeholder advocacy;
- Structural inequality and human potential - The current crisis has only served to deepen levels of inequality and the digital divide, with many households merely focusing on surviving;
- Opportunities in disruptive technologies and innovation - On a positive note, the last year has significantly increased the momentum of disruptive technologies and organisations have recognised that the future is digital, but the level of market penetration and access to the internet still present challenges; and
- Reinforcing the role of the Chief Risk Officer - Lastly, the importance of risk management and the role of the Chief Risk Officer has been reinforced over the last 12 months, with many organisations recognising the importance of more real time risk intelligence and the need to embed risk management activities into business and decision making.

The 2021 challenge

"In this context, South Africa has run out of rope. We are at a point in our history, where we need to make robust decisions and we need to make them fast. It is time for collaboration, but with the same end state in mind," said Palm.

"The year brought many challenges, and all of these have highlighted the reality of persistent and disruptive volatility. This highlights the importance of integrating risk management with strategy and business resilience," he added.

"It has changed the way we are, the way we work, the way we think and the way we act. It has accelerated innovation and digitalisation and created an imperative for companies to transform their operations. It's about agility and how quickly we respond to changes, and the making of better-informed, faster decisions to survive in a rapidly changing environment," concluded Palm. ●

CPD ARTICLE

REDUCING EXPOSURE...

Risk is pervasive, affecting individuals, businesses, communities, and economies on a daily basis.

COVID-19 has truly contextualised the detrimental effects of risks - in so many different ways - and created a new appreciation for the effective management thereof. Within the business context, some of the more common exposures relate to financial, compliance, security, technology, environmental and reputation.

A multi-step approach

Moderating the effects of diverse exposures involves a multi-step approach, which entails:

1. Identifying a range of risks that could negatively affect the enterprise;
2. Determining the likelihood of these events occurring and the extent of their impact;
3. Implementing a range of mitigation measures to prevent or curb such threats, as well as respond to unidentified perils;
4. Controlling the effects of an incident to enable a speedy recovery, should all else fail; and
5. Monitoring the risk, as well as assessing the effectiveness and relevance of mitigation measures, on a regular basis.

Risk complexities

Most risks may be relatively common, but their effects from enterprise to enterprise can be in complete contrast. The size of a business, type of operations, location, workforce, partners, etc., are all critical considerations when evaluating and ranking exposures. Being complacent about risk – or worse, ignoring some – can lead to serious financial and reputational ruin. On the other hand, anticipating and managing these effectively can present a range of business opportunities. Prudent risk management can be simple, but at times, also relatively complex hence it requires a collective and proactive effort.

The journey of risk moderation is thus multi-faceted; from implementing early warning systems to mandating the strict adherence to operational, safety, health, etc. protocols, to timeously responding to emerging challenges - before these become issues and issues turn into a crisis. Granted, you cannot plan for every eventuality, but businesses can certainly implement processes that help address some of the unknowns, as these arise.

A partnership approach

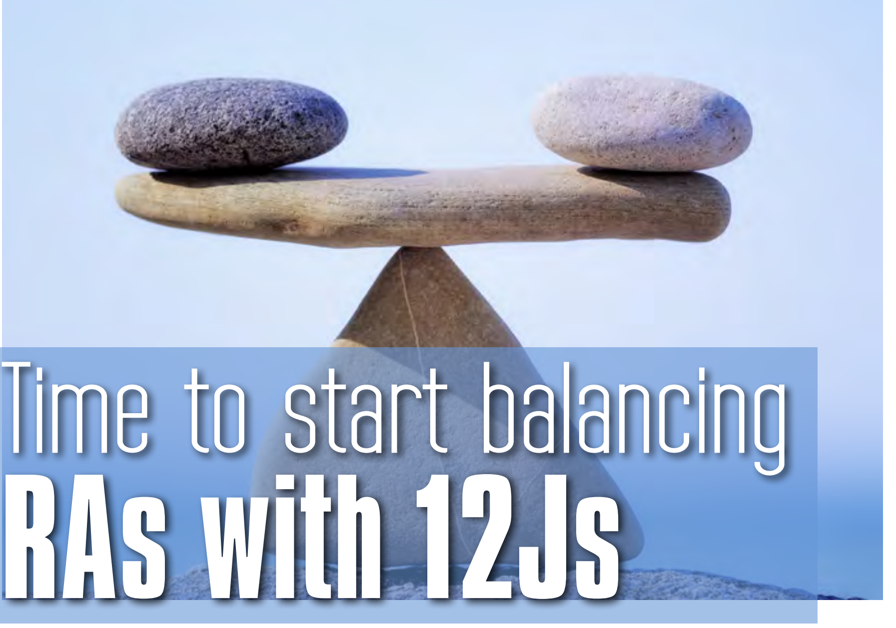
As no business can go at it alone, intermediaries and insurers have an enabling role to play in supporting enterprise agility and stability. Brokers are particularly well placed to drive awareness, influence a risk ready mindset and help clients develop prudent, tailored mitigation strategies. Such strategies involve a series of actions, tailored responses and expertise to enhance the business' risk profile and minimise losses. Part of this, is risk avoidance, which focuses on ways in which to prevent an exposure from becoming an issue or even a crisis.

Another aspect is moderating the effects of exposures in a variety of ways - the transfer of risk being a common one - which is where the insurance industry fits in. The field of risk engineering is also particularly valuable as it entails anticipating a range of exposures; comprehensively understanding the evolving risk landscape; and recommending holistic, pragmatic and sustainable responses. It further combines competencies, processes, methodologies, and best practice to avert/minimise loss – all on an ongoing basis.

It thus stands to reason that for a business to achieve relative success in its journey of risk management, the expertise of internal stakeholders, together with the depth of resources and capabilities of external partners, all are critical contributors to business resilience and longevity. It is, therefore, advisable that intermediaries engage and guide clients with both insight and foresight, with a view to drive better risk decision making.

Risk management strategies/responses must be sustainable, and should not create an illusion of control, but rather provide certainty in the business's ability to deal with both the expected and unexpected. It is this approach that will help businesses, and those in the risk management value chain, achieve compelling outcomes… outcomes that not only create opportunities for business growth, but equally for economic progress which benefits communities and countries.

Sedick Isaacs
Head of Business Support Services
Bryte Insurance



Time to start balancing RAs with 12Js

For individual taxpayers, retirement annuities (RAs) and Section 12J investments are effective annual investment options which allow taxpayers to reduce their income tax or capital gains tax liabilities.

Given the significant upfront and backend tax benefits associated with RAs, it is no wonder that wealth managers have, for many years, encouraged clients to max-out their RA contributions each year.

Reduce clients' tax liabilities

With a sharp increase in 12J investments, as an additional tax shielding mechanism, wealth managers have started to combine 12J investments with RA investments, to further reduce their clients' tax liabilities (in some cases to zero).

An excellent example is one introduced to me by seasoned Wealth Manager, Craig Gradidge, of Gradidge-Mahura Investments, who explained to me that:

"Depending on various personal circumstances of each client, I would look to invest R800 000 in a Section 12J investment. This would allow the client to claim a rebate of approximately R360 000 from SARS. I would then allocate R350 000 into an RA, which will allow the client to claim a rebate of approximately R157 000. By balancing an RA and a 12J investment, the net effect is that the client's asset of R800 000 would have grown to R1 317 000 just through the rebates paid by SARS."

Balance clients' investments

The combination of investing in both RAs and 12J investments is not limited to the tax benefit. Wealth managers can balance their clients' investments to ensure that funds invested are accessible before the age of 55. This is as a result of 12J investments only having to be held for five years in order to enjoy the full tax benefit. 12J investments also provide dividend income streams through the duration of the investment. This careful balancing mechanism can create liquidity prior to retirement.

In addition, the 12J investments market is extremely diverse with taxpayers having the option of investing in high growth riskier investments, mid-tier conservative investments and low risk capital preservation investments. These options allow wealth managers to balance their clients' risk profiles together with their RA contributions.

Some investment characteristics

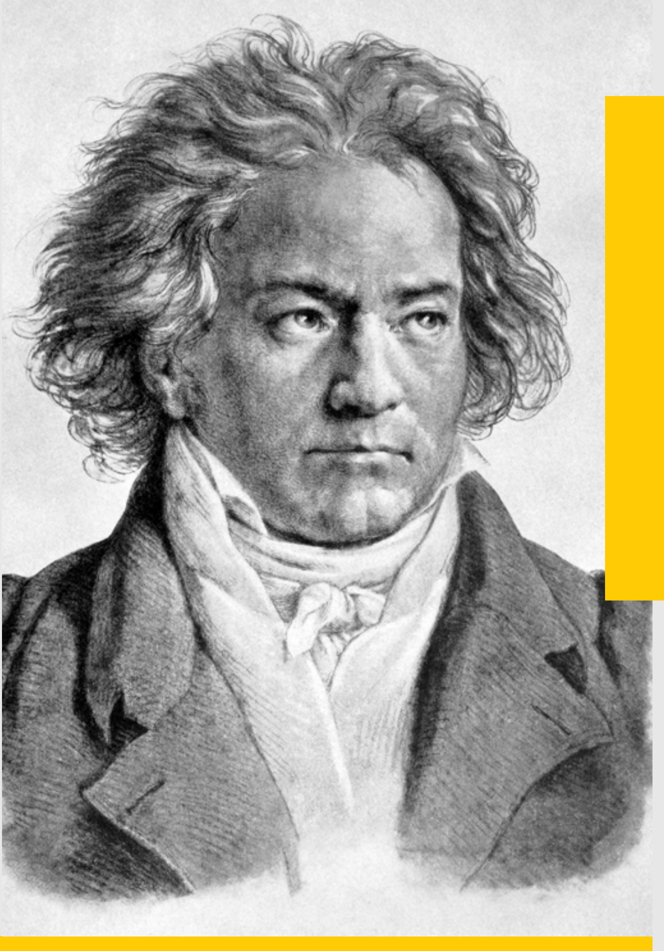
Unlike RAs, 12J investments are not vanilla investments and have historically been notorious for charging taxpayers high performance fees, and in some cases, have failed to invest investors' capital timeously. The market has since developed, with new alternative 12J investments starting to gain in popularity, allowing wealth managers to diversify their clients' exposures across a number of 12J investments. Even though the market has started to mature, taxpayers would be well advised to consult their wealth manager before making an investment.

Important to note is that the Section 12J incentive will come to an end at the end of June this year. Taxpayers, therefore have one last opportunity to reduce their 2022 tax liability by investing in a Section 12J investment.

Jonty Sacks
Partner
Jaltech Fund Managers

A comparison of some investment characteristics, between 12J investments and RAs:

	12J Investment	Retirement Annuity
Term	5 Years	Age 55
Deduction	100% deductible	100% deductible
Underlying Investments	Private equity (hotels, asset rental, private equity investments into SMEs etc)	Limited by regulation 28
Offshore Exposure	Zero - prohibited by law	Max 30% of total funds invested
Dividend/ Income Stream	Dependent on the type of underlying 12J investment. Usually dividends for low-med risk investments are expected to be paid within 18 months from the date of investment	No income stream until retirement
Tax Implications During Term	Dividends withholding tax on all distributions	None
Tax Implications On Exit	Dividends withholding tax on all distributions and capital gains tax at a base cost of zero on exit	Retirement withdrawal tax (R500 000 tax free with 18-36% banded thereafter)
Risk	Medium to high (depending on underlying investment)	Low to high (depending on fund choice)
Maximum	R2.5 million p.a for individuals/trusts, and R5 million p.a for corporates.	27.5% of remuneration capped to R 350 000 p.a.
Minimum	R100k to R1 million	No minimum
Returns	Target of 15% to 40% p.a., risk profile dependent	Fund and time horizon dependant. Low risk = CPI +2%. High risk = CPI + 5%
Fees	Typical: 2.5% p.a and 20% performance fee	1.5% - 2.5% p.a and a possible performance fee above hurdles
Withdrawal	No legal restriction when funds can be withdrawn	Only after term and only 1/3 can be accessed in cash. 2/3's must be contributed to a compulsory annuity
Last Date To Invest	30 June 2021	N/A



BETTER BUSINESS BY VIRTUE OF BEETHOVEN

"For the last three years my hearing has grown steadily weaker... in the theatre I have to get very close to the orchestra to understand the performers, and... from a distance, I do not hear the high notes of the instruments and the singers' voices."

These were the words of Ludwig van Beethoven in 1801. At the young age of 30, Beethoven's hearing deteriorated, and he was going deaf. Beethoven, a recognised sensation in the field of music, continued to compose, despite the ringing and continuous buzzing in his ears, and by 1800, he had almost completely lost his ability to hear.

Beethoven's tragedy propelled the world of music to new developments and heights. It is in this, that we hold a valuable lesson in comparing the current challenges of the stock market.

Society's soundtrack

While he was completely deaf, Beethoven achieved his greatest musical triumphs, including what many see as his greatest triumph of all, The Ninth Symphony. It was this piece of music that became internationally regarded as the greatest orchestral piece of all time. Beethoven became more brilliant as a composer, despite the adversity of his deafness.

As his hearing deteriorated, he was less influenced by the prevailing compositional fashions of the time, and more by the musical structures forming inside his own head. Therefore, it was his deafness that freed Beethoven as a composer because he no longer had society's soundtrack in his ears.

The noise around us

Perhaps therein lies a lesson for us as fund managers. There is always so much noise around us… political, economic, downgrades, and the ongoing pandemic. This onslaught of information overload creates uncertainty. This can lead us to extrapolate the bad news flow into our investment decisions. In bull markets and bear markets we need to deafen ourselves continually to the noise around us.

We should remain deaf to the noise, paranoia and hysteria of others and focus our energy on our own trusted process. The 'deaf investor' should stay headstrong on holding a well-diversified portfolio of great companies and following a disciplined strategy for decision making.

We should focus on the still, silent voice within. We should caution ourselves not to get caught up in the current optimism and positivity that may lead us to be too aggressive and take on more risk.

Let us calmly do what we do best, by following our innovative and unique philosophies. These processes will guide us as we bring our portfolios back into balance and back to the correct asset allocation.

Being deaf to the noise

In our deafness, our process confirms what Peter Lynch mentions in his book, "In the current market p/e ratios do not exist in a vacuum. The stock market has its own collective p/e ratio, which is a good indicator of whether the market at large is overvalued or undervalued. I know I have already advised you to ignore the market, but when you find that a few stocks are selling at inflated prices relative to earnings, it is likely that most stocks are selling at inflated prices relative to earnings. That is what happened before the big drop in 1973–74, and once again (although not to the same extent) before the big drop of 1987. During the five years of the latest bull market, from 1982 to 1987, you could see the market's overall p/e ratio creep gradually higher, from about eight to 16. This meant that investors in 1987 were willing to pay twice what they paid in 1982 for the same corporate earnings — which should have been a warning that most stocks were overvalued."

If there is anything we should all take away from this unpredictable cycle is that when it comes to investing, being deaf to the noise proves fruitful in making decisions.

Mel Meltzer
Investment Manager and Cofounder
Platinum Portfolios

OFFERING CLIENTS OPTIONS TO COPE WITH VOLATILITY

Anyone who has been in the trenches of investing will tell you that frightening market slumps are inevitable, as is long-term growth. One real hedge against these savings potholes are insurance-based investment strategies that provide a guarantee against excess downside volatility, protecting clients against the dips, but allowing them to fully benefit from market gains.

Therefore, would it not be ideal to participate in the rollercoaster's climbs, but have some sort of protection against those frightening downward sections? Especially when the client is drawing down for an income whilst in one of those slumps.

Volatility, the extent to which an investment rises and falls due to market changes, is part of the course, but understandably daunting. Having a highwater-mark guarantee is a way to control this.

This is something that ordinary investment strategies do not normally offer.

Making the choice

So, how should financial services providers – whether licensed insurers, asset managers or wealth managers – be managing their clients' funds?

Living annuities remain the firm favourite in the South African market. Statistics from the Association for Savings and Investment South Africa (ASISA), for the period January to June 2020, show that only 8 856 life or guaranteed annuities were purchased, in comparison to 22 000 living annuities – a 29% to 71% split. It has been shown that living annuities keep pipping guaranteed annuities at the post.

Whether the choice of living annuity versus guaranteed annuity is purely driven by a retiree's urge for more control, going at it alone is never ideal and is probably terrifying for most clients. Lifecycle-specific goal-based advice is vital to support investors making decisions on drawdown rates or investment direction.

The risk decision

When faced with volatility, a client could choose to adjust his or her risk appetite and the risk-profile of all underlying investments to such an extent that the rollercoaster turns into a steam locomotive – chugging steadily towards its destination.

This will take care of volatility, but could cause a different type of risk, where the client never reaches the financial destination that was originally planned.

Multi-strategy investment portfolios, for example, are actively managed and reviewed by professionals whose specific mandate it is to deliver performance during any market cycle. The five different approaches range from conservative (target of CPI+ 1 – 2% over 0 to 2 years) to aggressive (CPI +6% over 5+ years) and includes the client in a co-creation exercise to find the solution that matches their needs.

For those invested in more aggressive portfolios pre- or post-retirement, either through a retirement annuity or through a living annuity, a high-water mark guarantee provides a unique tool to protect against market slumps.

For an upfront fee of 1% of an investment lump sum, it protects 80% of the highest value that the investment reaches at each quarter end, over a five-year period. It also protects the investor's income drawdown because if the investor is below the guaranteed level, part of his or her income will be paid for by that guarantee throughout the five-year period that it is in effect. There is an element of growth sharing in the years when markets perform well. If, at the end of five years, the investor's investment is below the guaranteed level, his or her investment will get topped-up to that level.

In essence, it creates a rollercoaster where there are more ups than downs.

Evolving advice

Ongoing goal-based advice is part of this evolution, this has become more important than ever in a world where people are living longer and attitudes toward retirement are changing. It is a transition into a new phase of life that may realistically include a centenary birthday.

The multi-strategy model fits well into an approach where clients are provided with holistic lifecycle goals-based planning. Combining it with an offering like a high-water mark guarantee does offer peace of mind, so the bumps of market volatility can be smoothed out, and the profits of a good upturn can be enjoyed.

Vimal Chagan
Divisional Executive for Investments
Liberty

Helping high-net-worth clients NAVIGATE TOUGH ECONOMIC TIMES

During an economic crisis, such as the current one induced by the Covid-19 pandemic, wealth advisers the world over, saw the impact of the lockdown and ensuing economic distress on clients across the age-and wealth spectrum.

Playing out different scenarios

The financial impact has been just as real for high-net-worth clients, with repercussions playing out in different scenarios:

- Specialist physicians, for example, were forced to close their practices for months on end with no income.
- Retired clients that depended on their living annuity income were particularly distressed because, for some, this was their only or primary source of income. Seeing their capital values dramatically reduced, created anxiety and despondency. A large part of this anxiety stemmed from the uncertainty of not knowing when or if the capital-portion of their annuities would recover.
- Younger investors experiencing a market crisis for the first time were left confused and unsure of how to react to the fluctuations and plummeting of their savings.
- Some clients were forced to reduce or cancel debit orders on their investments as their cash flow was compromised due to salary cuts, job losses or their businesses closing doors.
- Other clients had to withdraw the savings in their preservation funds to provide income for an uncertain future, as they did not know when they would be employed again.

Markets go through cycles

When assisting clients during this period of deep uncertainty, it is important to bear in mind that we have been through such situations before, the most recent being the 2008 global financial crisis (GFC). This economic crunch was thought to be one of the most cataclysmic events in history and the market recovered within 18 months. History preceding, even the GFC tells us that markets go through cycles and a recovery will follow. What we cannot predict is the timing of the recovery.

Proactively checking in with clients, as well as providing a calm, informed and guiding voice during a tumultuous period takes on paramount importance. It is also vital to remain resolute with the plan the client initially decided on. Barring a sudden change in their risk profiles, the client needs to trust the process and be reassured that the crisis will eventually pass.

However, such confidence is only possible if the adviser is comfortable with the appropriateness of the plan – informed by the client's goals, investment horizon, risk profile and fund choices.

Positive impact for advisers

On the upside, online meetings - held to curb the spread of the virus, have become invaluable in terms of client interaction. These meetings are easier to fit into client schedules facilitating easier planning, and for many advisers, this is also a cost-effective interaction.

Given the uncertainty and anxiety currently, showing empathy and employing proper listening skills are paramount when dealing with clients. Some clients will need handholding to cross the uncharted terrain along the journey to a prosperous retirement.

Clients today want more than advice, and the role of the adviser has evolved to someone who listens, particularly in light of the very personal subject matter of finances. Your client wants to know that you see the person behind the numbers rather than simply rattling off clinical advice and information.

Finally, self-care is also vital. Reach out to your company when you feel stressed or overwhelmed. The focus is on investors and their funds, but you need to nurture your own mental health, so that you are better positioned to provide proper service and advice.

Eugene Joubert
Financial Planner
PPS

Healthcare brokers face an uncertain future AMIDST NHI UNCERTAINTY

There is so much financial and political uncertainty surrounding South Africa's National Health Insurance (NHI) implementation that even experienced healthcare commentators hesitate to offer a definitive view on the future of the country's healthcare brokers.

A sustainable, transformed healthcare system

The Financial Intermediaries Association of Southern Africa (FIA) says there is broad intermediary support for a transformed healthcare sector. "We took a decision to contribute towards a sustainable, transformed healthcare system because we understand the importance of healthcare in society," says Lizelle van der Merwe, CEO at the FIA. They would like to see a hybrid healthcare model that incorporates both private and public healthcare providers and emphasises the role of the intermediary.

The FIA's stance on a sustainable, transformed healthcare system is echoed by Tiago De Carvalho, CEO at Ambledown Financial Services. He says that universal healthcare is the only way to address the current inequalities: "We have a two-tiered healthcare system that provides the highest standard of healthcare in Africa to a few, leaving the majority to face a crumbling public healthcare system". There is broad consensus that the current system is inadequate; but the lack of detail in the NHI Bill, already years in planning, makes it difficult for stakeholders to give informed input.

A collaborative private/public approach

"It was never up to the FIA to address the detail of the NHI proposal, those details are not yet known," says Van der Merwe. "Our role in the debate was to provide comprehensive proposals that incorporate the important role of the intermediary". The risk in taking a 'detail first' stance, according to the association, was that its voice would not be heard. "We do not want to sit back and wait to see what the outcome is; but rather play a constructive role, guiding the thinking on NHI and driving the strong message of a collaborative approach between the private and public sectors," she says.

Healthcare brokers who currently generate the bulk of their revenue through commissions paid by medical schemes could be excused for feeling jittery given that the proposed NHI is just moments away from implementation. The Bill will radically alter the affordability, availability and utilisation of resources in both the private and public healthcare sectors. Are they right to feel nervous? Mike Settas, Managing Director at Cinagi Gap Cover, says there is still a long road to travel before NHI becomes a reality. "It must be borne in mind that various Health Market Inquiry findings may also be acted upon, which could bring a different set of pressures to the healthcare broker market".

A guaranteed future for brokers

Andre Jacobs, a member of the FIA's Healthcare Executive Committee, was more reassuring. He says that the role the broker performed in the current healthcare system will become more critical in a transformed system. "Brokers will still have to advise clients about their choices, obligations and rights; educate clients about the functioning of the various health insurance products available to them; and protect clients by ensuring they receive the benefits and treatment due to them,' says Jacobs. "I can guarantee you that there is a role to be played by intermediaries in ensuring the rights and duties of members under NHI".

But a definitive answer on the future of healthcare brokers hinges entirely on the roles that insurers and medicals schemes will play in the emerging dispensation. Clause 33 of the Bill states that medical schemes cannot provide cover for services that are part of an NHI benefit package. "The benefit package is undetermined; but whether the NHI actually delivers these services or not is irrelevant, as long as it exists on paper within the defined benefit package, medical schemes will not be permitted to offer cover for those services," says Settas.

Further uncertainty arises because the NHI benefit package may evolve over time. If the NHI adds new services to its benefit package, medical schemes will have to remove these from their insured benefits while the providers offering these services will have to negotiate with the NHI to provide them. This could be a death knell for private investment into the healthcare sector.

Criticism of weak governance

The NHI Bill has been widely criticised for its weak governance. It calls for a centralised fund, national authority on provider accreditations and remuneration and national procurement with little oversight of the exercise of these powers. "As proposed, the Minister of Health will be able to control NHI appointees to various NHI committees, each with control over enormous buying power and influence," says Settas. The FIA notes that where the Bill proposed to give the Minister full powers to appoint people, they proposed that appointments be made with input from civil society and organised labour.

Affordability will be an issue too. The NHI proposes creating a complementary single-payer fund (CSPF), which is an expensive solution in which the state assumes responsibility for healthcare for all citizens and intentionally crowds out the private sector. "The pressure on government finances could force them to change the complementary nature of the NHI Bill to a supplementary nature, thus creating a supplementary single-payer fund (SSPF), where medical schemes could continue in their current form," says Settas.

De Carvalho agrees. He points out that the NHI Bill remains un-costed and that all independent attempts at estimating the cost demonstrate that it is beyond the country's fiscal resources. "It is unaffordable because it proposes the provision of comprehensive health cover to the entire population, with freedom of choice of service provider, and without any form of co-payment," he says.

Medical schemes may not survive

This crisis of affordability will result in a phased NHI implementation, under which medical schemes and other forms of health insurance will continue to exist. But in the long run it is unlikely private medical schemes will survive. "The not-for-profit medical scheme will eventually cease to exist and will be replaced by for-profit health insurance schemes that will provide cover for private healthcare," says De Carvalho. These insurers will have to abandon the open enrolment and community rating requirements that were introduced by the Medical Schemes Act.

Can healthcare brokers survive the uncertainty? The FIA believes that the complexities introduced by a more comprehensive private / public healthcare system will increase the need for the professional services offered by healthcare brokers. "The healthcare broker will need to contend with the future complexities of the NHI scheme, the client's healthcare needs and the availability of health insurance plans," continues De Carvalho. He adds that there will be many opportunities for healthcare brokers to earn commissions beyond medical schemes, driven by employer participation in the emerging product environment.

Employers will want to take maximum advantage of the economies of scale and the flexibility that exists in a deregulated insurance sector. And healthcare brokers will act as intermediaries for the various health insurers in the creation and provision of employer-backed, for profit health insurance schemes. They will earn a commensurate broker commission for this role.

Business as usual, with a twist...

In the meantime, brokers are pushing ahead with their practices on the basis it could take a decade or longer for NHI to fully bed down. Until such time they will be able to earn a living advising their clients on medical schemes, supplemented with commissions on health insurance products. Many are also exploring adding critical illness covers underwritten by traditional life insurers to their product offering.

Gareth Stokes
Stokes Media

Change in the medical scheme **MEMBER MINDSET**

Financial strain is terrible to live with at the best of times, and here we are, in one of the most difficult periods in modern history. Unfortunately, that is not where the problem ends.

It is a tiring trope, yes, but the truth remains – we cannot escape the reality that not only has our economy been turned on its head, but life has also changed dramatically.

It is essential that medical schemes take the time to stop and consider these factors. As humans, it is important to remember that everything we have experienced – the personal losses, the adjustment issues, the frustrations and fears – are things that each and every one of our members has gone through.

In such times of uncertainty, a medical scheme's reliability and stability can become differentiating factors – a long history and proven track record alongside a high solvency ratio can add to a member's sense of security.

Better healthcare for consumers

South Africans are doing everything within their power to hold on to their healthcare cover, yet medical schemes should not take this for granted. In fact, now is the time for schemes to focus resources towards increasing people-centricity and assisting members to become better healthcare consumers.

A change in context translates to a change in needs, and each individual household requires not only a choice of fitting options, but also the guidance to make their decisions wisely.

Choosing the right healthcare cover is not a straightforward decision. In fact for most people, it can be overwhelming and intimidating – in short, it is a grudge purchase. Medical schemes must take responsibility to not only provide members with sound healthcare cover but to also assist them in making the right choices from the outset, taking into consideration their healthcare needs as well as affordability.

Financial wellness without sacrifice

For many members, priorities have shifted and where convenience once came first, financial savings are now important. A discounted option, for example, that can ensure savings on contributions of up to 25% can meet a growing demand for affordability.

Encouraging members to take command of their financial wellness can be balanced by reminding them of the importance of self-care, particularly essential health checks. Providing excellent health and preventative care benefits assists in bolstering the physical health of members, as well as a general sense of control in a time that is so uncertain.

Addressing real life issues

Forward-thinking schemes can assist in taking some of the pressure off for parents, with excellent kids benefits such as important screenings and healthcare provider visits, as well as nutritional assessments and exercise programmes. This may go a long way to improving the outlook for exhausted and stressed parents.

Unfortunately, the possibility of falling seriously ill at any time remains. Peace of mind in the form of excellent chronic illness and unlimited oncology benefits is, as ever, essential.

Sadly, for many people mental health has not only taken a knock but also a back seat. Offering unlimited professional telephonic emotional health and wellbeing support, round the clock, as well as referrals for one-on-one counselling when required, can be a lifesaver.

A 'people-first' promise

We may be living in the time of the smart consumer, but this does not pardon schemes from engaging members on a detailed level, to ensure they fully understand what they are getting into when they sign up for cover. Ultimately, it is the duty of the scheme to live up to their promise of serving members to the best of their ability, which must include reaching out to and educating members at every turn.

Medical schemes provide cover to help safeguard people's health. This means schemes have a direct connection to the most important asset people have. South Africa's schemes must, therefore, put people first. We cannot be in healthcare without practising this foundational philosophy.

Josua Joubert
Chief Executive and Principal Officer
CompCare Medical Scheme

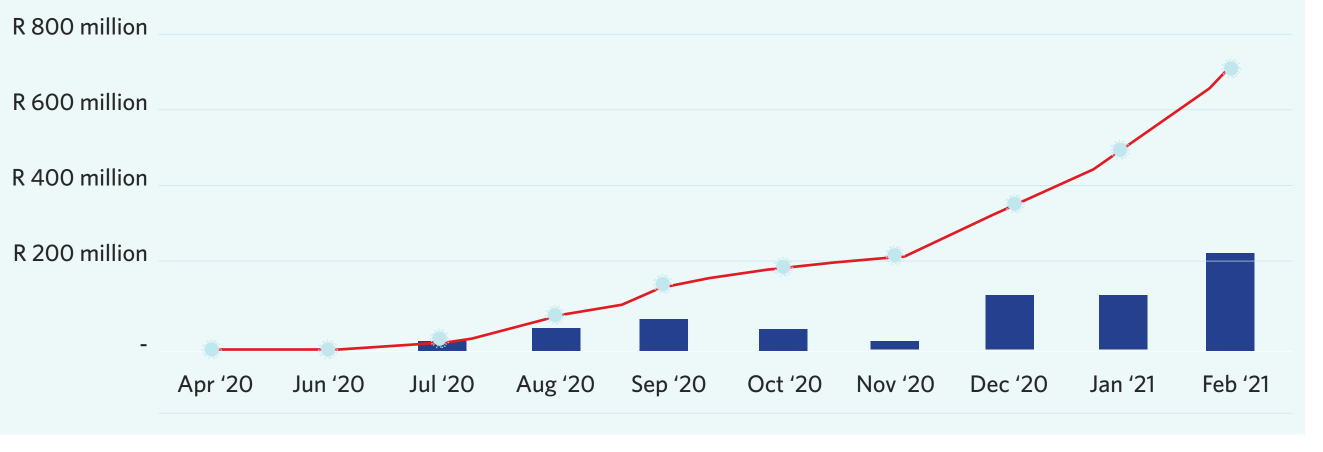
Securing your clients' legacies today

The COVID-19 pandemic has created uncertainty in nearly every aspect of daily life. Never before has it been so important for people to regain control over their lives, and have peace of mind about what the future holds.

A drastic spike in mortality

According to George Kolbe, Head of Marketing for Retail Life Insurance at Momentum, "COVID-19 has brought death much closer to home, for many people, either directly or indirectly. As a result, Momentum saw a tremendous increase in the number of COVID-19 related claims. In fact, to date, we have paid in excess of R750 million in COVID-19 related death claims; and that is just on our Myriad product range but our older legacy books have also seen significant death claim pay-outs."

The graph below will give you an indication of how quickly the COVID-19 related deaths increased, and our death claims had actually spiked during the second wave, with the highest number of claims coming through in February 2021."



George highlights that, "If the first and second waves are compared, it is clear that we have had a shocking increase of about 205% in the value, or size, of death claim payouts and there was also an increase of more than 140% in the number of claims. The disparity is a result of some bigger claims coming through during the second wave of the pandemic."

Insights regarding Momentum's COVID-19 claim experiences

"Our death claim experiences during the pandemic is very much in line with the national COVID-19 statistics", states Kolbe. He adds that, "The older clients were affected the most and in most instances it was related to comorbidities. Although our claim experiences did not indicate a big difference between the first and second wave, the age group of 60 to 80 years was definitely impacted more severely during the second wave.

The oldest Myriad client who passed away, to date, was an 89-year-old lady who died from pneumonia complications. In contrast, the youngest Myriad client who passed away was a 32-year old teacher who, in a double tragedy, died due to a combination of the virus along with birth complications.

George points out that, "Each of these claims tell their own unique story, each of them as significant as the next, all of them leaving devastated families behind which is really heartbreaking."

When gender is taken into account, our claim experiences indicate that there were approximately twice as many deaths for males compared to females. This seem to be relatively consistent across both waves of the pandemic.

The largest death claim that was paid during COVID-19, to date, was for **R77 million** and the policy was only in force for three months. This is a story of a client, a father and husband, who made the right decisions when his financial adviser compiled his financial plan - and when the worst happened, his loved ones were left financially secure."

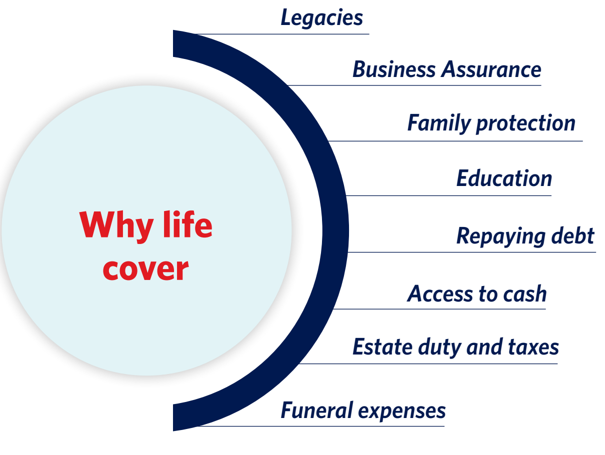
Looking ahead has never been this important

George shares his thoughts on the future by stating that, "I think it is probably inevitable that a third wave will follow, especially with the relaxed lockdown restrictions and the recent Easter holidays. I think insurance has arguably never been more relevant than now; after all, we are in a pandemic! We urge our financial advisers to do their best to see as many clients as possible and ensure that their cover is in place and that they have a valid will in place and a reputable executor, such as Momentum Trust, to administer their estates.

The COVID-19 pandemic should not be the only reason for people to take out life insurance. There are many reasons why one would want to have life cover in place. Some people may think of life cover as just another expense and might not see the point, but I would suggest that they ask themselves just one question which is: '**Would someone in my life suffer an economic hardship if I were to die?.** If the answer is 'yes', then life cover is something that you should have in place because it is a very economical way of providing financial protection and financial stability to your loved ones when you pass away."

Finding what works for individual clients

According to George, "There are a number of reasons why people should opt for life cover and some of these could include: leaving a legacy, ensuring that your family's future is secured, providing for future education needs and having enough money to pay for funeral and estate related expenses. It goes without saying that the death of a loved one will leave the dependents emotionally vulnerable and the very least one could typically try to do is to limit the impact by not also leaving them financially exposed and this is something that is best explored in consultation with a financial adviser.



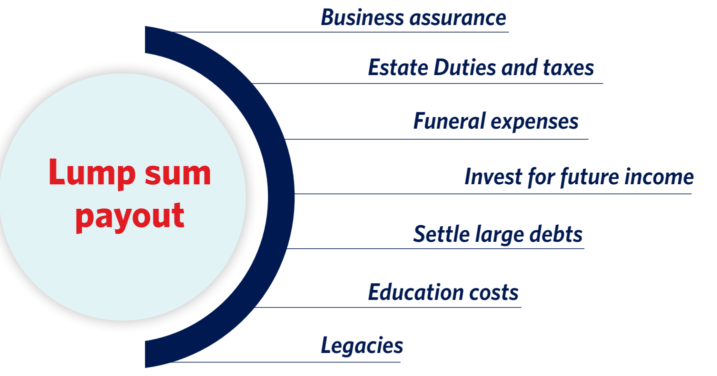
There are many reasons to have life cover in place, but some generic needs apply to most people, e.g:

- **Funeral expenses:** Firstly, when a loved one passes away, there will probably be some sort of funeral related expense and the timing of a life cover claim payout is important in this respect, as not everyone has sufficient spare capital on hand to cover these expenses. It is noteworthy to mention that the average cost of a funeral is approximately R40 000, but might vary widely.
- **Access to cash:** Cash flow becomes a pressing matter after a loved one's death because there are probably a number of regular payments that must be made such as mortgage payments, car payments, credit card payments, etc.

'Would someone in my life suffer an economic hardship if I were to die?'

Different types of death benefits tailored for different client needs

“Let me highlight some of the different death benefits that Momentum offers to suit clients’ unique needs,” George states. He continues by saying that, “I think the best known type of life cover is just a standard lump sum cover that pays out a lump sum of money to the nominated beneficiaries, leaving it up to them to use it at their discretion. This can typically be used to invest for future income, or to cover large amounts of debt that would be financially crippling to the dependents.

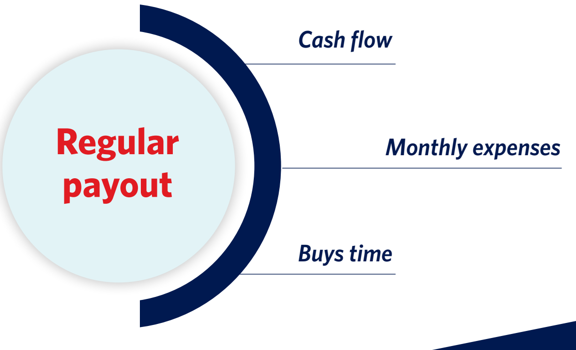


The lump sum cover can typically also provide for an immediate payment, which pays out a predetermined amount within 24 to 48 hours after a death certificate has been provided. This is typically a great benefit to have to provide cash quickly to provide for funeral related expenses. Some types of lump-sum cover is created specifically to provide for funds to ensure that professional services can be paid for to settle the deceased estate, for example our Estate Provider Benefit.

We also have a specific type of cover called the Last Survivor Death Benefit again used successfully as part of a proper financial plan, where a pay-out is only made on the death of the last surviving spouse. This is quite helpful to create liquidity when the entire estate is left to the surviving spouse, and they want to leave a legacy when the last surviving spouse passes away.

Another type of death benefit that is very popular is our Education Protector Benefit that is ideal for providing education provision as it will provide a pay-out when a claim event happens , or all premiums will be returned if there was no claim during the cover period.”

Another type of life cover we provide is designed to provide regular payouts, like our Death Income Benefit. It is designed with the explicit intent to provide a steady stream of income for a predetermined period. Effectively, what this benefit does is to provide the dependents with enough time to grief and not having to worry about difficult financial decisions during a very emotional time in their lives. This type of cover is typically used to great effect in combination with lump sum life cover, and it provides cash-flow to cover everyday expenses and pay bills in the same manner as it was typically done when the deceased spouse / person was still around.



Vital lessons for our life journeys

George concludes by stating that, “If the COVID-19 pandemic has taught us anything, it is to have a proper plan for the future. We do not know what will happen tomorrow, or even today, and therefore it is vital to plan for the things we can control such as financial security for our loved ones, when we pass away. Momentum understands this inherent need for security and therefore provides claim certainty for clients by always looking for reasons to pay valid claims.”

Closing the knowledge gap BUILDS TRUST

According to a South African Customer Satisfaction Index1 (SAcsi) survey, trust and delivering on promises are the two key satisfaction criteria when it comes to choosing a life insurer, rated even ahead of cost. The two are synonymous with each other. When we do not deliver on our promises, we erode trust. And when we do deliver, we build trust. It's as simple as that.

So, why then has the financial services industry been rated as the least trusted business sector for ten consecutive years in the global Edelman Trust Barometer study? What drives this negative perception and how can we address this?

Lack of understanding

In the insurance industry, not delivering on promises equates to not paying claims. When we take a look at FMI's 2019 Claims Report, the key reasons for non-payment of income protection claims were due to a combination of non-disclosure, the claim duration being shorter than the waiting period and general policy exclusions. This points to a lack of policy understanding on behalf of the policyholder.

Customers often misunderstand what they are covered for, which invariably leads to dissatisfaction and frustration, at claim stage, and erodes trust.

The support of financial advisers

Policyholders very rarely read their policy documents. The insurance industry is bound by legal requirements to cover all information regarding the use and licensing of a product. However, statistics from a Deloitte survey in the United States found that 91% of people do not read their terms and conditions, largely due to the length of the documents.

This is where the industry relies on the support of financial advisers to ensure their clients understand the cover they have.

According to an article in BusinessTech2, "intermediated insurers do better than direct insurers in meeting and exceeding customer expectations – this is put down to the importance of the advice process and helping customers understand exactly what they are covered for – and not covered for – and managing customer expectations at inception of cover and not at claim stage."

How you can help at application stage

When it comes to income protection cover, there are four key areas that an adviser needs to help their clients' understand at application stage, to ensure a positive outcome at claim stage. These are:

1. Protecting 100% of your clients' income and keeping their policies up to date in line with their annual salary increases. When it comes to income protection, being underinsured will likely lead to disappointment at claim stage if your client's pay out doesn't sufficiently cover their monthly expenses.

2. Ensuring your clients understand the cover they have. For example, many customers are unaware that disability lump sum benefits only pay out in the event of permanent disability.

3. Ensuring your clients have both temporary and extended income protection. Many customers opt for only temporary income protection benefits, believing their disability lump sum cover will be sufficient should they need to claim for more than 24 months. But not all long-term claims are permanent.

4. Ensuring your clients choose the shortest waiting period possible and understand what a waiting period means. In many instances, clients are unaware of the waiting period on their policies and are disillusioned when they discover they won't receive any income during the period they're booked off for. Nearly two-thirds of all FMI's claims last less than 30 days, and yet more than 60% of clients have chosen waiting periods of 30 days or longer3. This could also be due to the fact that many clients think their waiting period refers to the period from inception of cover to when they can claim, rather than the period they have to be booked off for before they can claim.

As an adviser, your knowledge and guidance can make all the difference to your client's claim experience and will help in closing the trust deficit within our industry.

1 The South African Customer Satisfaction Index (SAcsi) is an independent national benchmark of customer satisfaction of the quality of products and services available to household consumers in South Africa.

2 BusinessTech article dated May 2020 and titled South Africans don't trust insurers to have their backs

3 FMI 2019 claim stats

Steve Piper
Chief Distribution Officer
FMI (a Division of Bidvest Life)

THE FUTURE OF VACCINES

The COVID-19 pandemic serves as a reminder that a vaccine was the most important public heath achievement of the 20st century. This makes one wonder about the future of vaccines, in general, as well as how it might be utilised going forward, to prevent and treat other diseases.

According to an interesting article that was published on vaccinestoday.eu, research on new vaccines and their delivery technologies, as well as how it can be applied in the prevention and treatment of non-infectious, chronic diseases such as dementia and cancers are becoming more and more important.

A complex environment

The article states that longevity serves as ample motivation for scientists to develop new vaccines. This is due to the cost of caring for aging populations, where chronic diseases such as dementia are increasing and becoming an unbearable burden on global health care systems. The World Health Organisation (WHO) provides ample perspective on this matter because they estimate that globally, there are nearly 50 million people with dementia, and nearly 10 million new cases of this disease are diagnosed each year.

While several scientists around the world dedicate their efforts to finding an effective treatment for Alzheimer's disease, as the most prevalent form of dementia, a viable alternative seems to be a vaccine, because it can prime the body to defend itself against chronic diseases. However, to develop effective vaccines for chronic diseases has proven to be a much more complex process, since the harmful cells often resemble our own normal cells more closely, which makes it difficult to target and isolate the harmful cells.

Yet, some viral infections are responsible for the development of chronic diseases such as cancer, and preventive vaccines play an important role in reducing the risk of contracting these viruses, such as the human papillomavirus (HPV) types, which causes cervical cancer in women.

Redirecting vaccination efforts

The article also states that scientists have started to redirect their approach on how vaccines are utilised, to fight chronic diseases such as cancers. There seems to be a shift from using vaccines as a preventative measure, to rather using vaccines to treat diseases effectively, once diagnosed. This approach focuses on 'therapeutic vaccines' that "weaponise" the body's natural defences against existing chronic diseases, such as malignant tumors, instead of offering protection in the way that traditional vaccines do.

This is possible because these tumors manifest in a unique way, which varies from one person to the next, and have their own unique antigens. Therefore, more sophisticated cancer vaccine approaches are necessary to help the body distinguish cancer cells from its own normal cells. In the past, many vaccines failed to deliver on the required outcomes, but in 2010, the Food and Drug Administration (FDA) in the U.S.A approved the first therapeutic vaccine for prostate cancer, called Provenge.

The life insurance industry

According to a recent statement from the Association for Savings and Investment South Africa (ASISA), the life insurance industry recorded 434 216 death claims in 2020, which is almost 40% more than the 317 442 claims that were received in 2019. Although COVID-19 was responsible for the inflated number of death claims during 2020, chronic diseases also contribute a great deal towards annual death, disability and critical illness claim payouts in the long-term insurance industry.

As vaccines evolve and become more effective against viruses and chronic diseases, the result thereof is bound to play out in the claims environment. This could lead to a noticeable reduction in claims and improve the overall claims experience for clients. From a macro perspective, vaccines could also have a major impact on the underwriting process, which could result in a much less 'invasive' and more progressive process, should clients choose to disclose their vaccine history during the application process and thereafter.

Therefore, one cannot dispute the power of vaccinations and the positive effect it could have on our global society, where everyone can reap the benefits of improved quality of life in a sustainable economic environment.

Jenny Ingram
Head of Product Development
Momentum Retail Life Insurance

DIGITISATION… disrupting the way insurers operate

We live in a digital world... Cliché yes, but these words have never been truer.

For almost everyone living in a developed country today, digital technologies are involved to some extent in most aspects of our lives, even if we are not aware of it. In most cases, these digital technologies have developed out of a desire to make our lives easier, or more efficient.

That phone in your hand has replaced several products such as the alarm clock, calculator, camera, compass, fax machine, flashlight, landline phone, personal computer and more… the list goes on. As a result of this, we are generating an exponential amount of data. In 2020, each of us created 1.7MB of data every single second. In fact, in the last two years alone, an astonishing 90% of the world's data has been created.

Connected, yet disconnected

Data fragmentation refers to the huge and growing proliferation of data across different locations, infrastructure silos and systems that prevents organisations from fully utilising its value.

Almost every industry is faced with this challenge, and it is a double-edged sword: the more data is generated, the more fragmented it becomes. At a consumer level, it is even harder to understand where all your data resides, let alone access it. It has become second nature to register, login, accept those cookies, opt-in, share your information with an app… yet we may be losing a grasp on what we should be able to control and manage.

Globally, legislation is changing this, to protect the consumer and bring back some of the control.

Adopt or be left behind

Like almost every industry, insurance is experiencing widespread digital disruption. Traditional insurers are faced with increasing competition from new players in the market, such as Insurtech companies. Data analytics, Artificial Intelligence (AI), Internet of Thing (IoT), blockchain and telematics are all disrupting the way insurers operate.

Insurers that do not adopt continuous digital innovation and fail to cater to the changing expectations of consumers, will be left behind. Big Data and analytics technology is driving the disruption. The technologies can be used to improve the insurance industry's offering, to reduce its underwriting and distribution costs, to create new revenue streams, and to provide its customers with data-driven, customised solutions.

Consumers expect the same ease of doing business from insurers that they do from retailers. Today's consumer is savvier (and less patient) than ever. With a few finger taps, they can assess and compare insurance products instantly. Their expectation is simplicity, instant engagement, and highly personalised offers.

The combination of Big Data and analytics, sensor technology and connected networks can allow insurers to anticipate risks and customer demands with far greater precision than ever before. The benefits could include not only more precise customer targeting and pricing, but a decisive shift in insurers' value models from reactive claims payers to preventative risk advisers.

The future, now

The explosion in available customer data, the growth in analytics technologies, and the rapidly declining cost of computing power and data storage are providing opportunities for insurers to innovate. Forward-thinking insurers should be investigating data-led models and partnering with digital enablers.

Low engagement, disintermediated insurance models where customer interaction is delegated to agents and brokers is becoming obsolete.

Instead, data-driven solutions give insurers the chance to understand their customers better. That means they can price and underwrite more accurately, and better identify fraudulent claims. They can also offer clients more tailored products – life insurance that incentivises clients to become healthier, for example. In an analog world, an insurer will be unaware when a customer's health profile changes. In a data-rich digital world, that customer has a connected wearable device and consents to their medical history being shared.

Now, the insurer is empowered to continuously underwrite, and the customer can be rewarded with accurate, personalised cover.

Simon Spurr
Co-founder and Chief Executive Officer
HealthCloud

A half-trillion rand boost to the domestic economy as LIFE INSURERS PROVE THEIR VALUE

The country's long term insurance industry added more than half-a-trillion rand to the domestic economy last year in meeting their contractual commitments to policyholders and policyholders' beneficiaries.

Statistics from the Association for Savings and Investment South Africa (ASISA) show that a staggering R522.7 billion was paid out to beneficiaries of critical illness, death and disability claims and to recipients of endowment and retirement annuity benefits in 2020.

Exceeding solvency requirements

Hennie de Villiers, Deputy Chair of the ASISA Life & Risk Board Committee, said that the industry emerged from its toughest year with more than two times the required solvency regulatory capital. "The industry is in good condition to be able to meet its commitments to consumers," he said. "This is critical to consumers who need assurances that their insurer will be there to honour a claim three or four decades from now".

Pandemic had a significant impact on insurers and policyholders alike. From a claims perspective, Liberty Holdings had to establish a pandemic reserve totalling more than R3 billion to provide for expected future morality and persistency impacts due to COVID-19. The group expects up to 97% of this reserve to relate to mortality claims. ASISA considered the operational impact of the pandemic by observing that fewer new business risk policies were written across the industry as a consequence of the hard lockdown in Q2 2020.

"Insurance advice and sales happen face-to-face and intermediaries were not able to do that during lockdown," said De Villiers. "Another reason [for declining new business] is the financial strain that consumers are under; they were not in a strong position to make additional financial commitments". Nothing illustrates this reality better than the value of new business in Liberty's SA Retail segment, which was down from R290 million in 2019 to just R30 million in 2020. The group observed that acquisition expenses continued to increase at inflationary levels.

Assisting advisers and their clients

Insurers did what they could to help struggling policyholders. ASISA members provided around R1 billion in financial assistance to some 500 000 policyholders, largely in the form of premium holidays. Liberty, one of the association's larger members, paid out a total of R11.7 billion in death and disability claims in 2020 while also going 'above and beyond' to assist both advisers and policyholders financially.

"We provided premium relief measures to assist retail and corporate clients to the value of R800 million with an additional R150 million in adviser relief and related expenditure," noted Liberty Group CEO, David Munro, during the firms' annual financial results presentation.

One of the best ways to consider the health of the industry is to consider its lapse and surrender statistics. A lapse occurs when a policyholder ceases paying the premium and the policy is no longer in force whereas a surrender involves giving up a policy for its surrender value. Lapses came through strongly in 2020 due to financial hardship and cashflow challenges; but there was good news on the surrender front. ASISA reported fewer surrenders of both recurring and single premium savings products last year. "We must recognise that one of the industry's functions is to allow clients to cash in their polices and receive the benefits associated with them, especially during times of crisis," said De Villiers.

A flood of mortality claims

Insurers, meanwhile, are bracing for a flood of mortality claims. Momentum recently confirmed a 50% spike in death claims in the 40-70 year age group and a 2020 mortality loss of around R500 million. The group also said that the death experience on its retail life book was around 20% higher in 2020 compared to 2019. Liberty said it paid out around R800 million in COVID-related death claims. And the insurer recorded up to three times its daily death claim experience in late July, early August 2020.

Gareth Stokes
Stokes Media

FIDUCIARY CHALLENGES FOR MUSLIM COMMUNITIES

South Africa is a diverse country with many different cultures and religions, each with its unique characteristics.

Often these unique cultures and belief systems define the lives of the people who want to uphold their culture and religion, and they find themselves living in a world where culture and modernity create compromise. One religion that has very specific governing principles when it comes to financial aspects is Islam.

Islamic religious law

Shari'ah is an Islamic religious law that governs not only religious rituals, but also the aspects of day-to-day life in Islam. Up until now, there have been very few feasible financial services solutions for South African Muslims who want to honour their Islamic faith in this regard.

When it comes to banking, investing and estate planning, modern day Muslims in South Africa have very real challenges to make sure they are financially responsible, as well as religiously correct.

Even drafting their Last Will and Testament can present challenges and can have serious consequences for their dependants and children.

Insurance is considered impermissible

Islamic law of inheritance differs considerably from South African law of intestate succession. This means that an estate administered under South African law will not be administered, according to the principles set out in the Quran.

Conventional insurance is considered as impermissible, because it incorporates elements of gharar (uncertainty), maysir (gambling) and riba (interest), all of which are prohibited in the Quran. As a result of this, many Muslim families remain at risk, or are forced to take out insurance that goes against their religious beliefs, to protect their family when the main breadwinner passes away.

There are more than a million people of Islamic faith in South Africa, and our research shows that as few as 11% have adequate life cover in place. This is almost entirely due to the lack of feasible solutions available to Muslim clients.

Another scary statistic in South Africa is that nearly 75% of people pass away without a valid Last Will and Testament in place. This can cause devasting consequences for their dependants and children, not least of which is that it can cause massive delays in inheritances being distributed. This crisis is compounded in the Muslim communities who often do not know who to turn to for help with drafting a Shari'ah-compliant Will.

Drafting a Shari'ah-compliant will

Muslims must draw up a will because Shari'ah Law is, at present, not recognised in South Africa. Any will that is drafted to observe Islam, needs to adhere to Islamic principles, as our country's law of intestate succession does not recognise these principles. Any estate administration that is done on behalf of a Muslim client, is best done when it recognises the client's religious beliefs and testamentary wishes.

A Shari'ah compliant will or Islamic will differs from other wills in that the beneficiaries are determined on the death of the Testator, rather than being specially identified under the terms of the will drafted during a testator's lifetime. It is the duty of every Muslim to ensure that Qur'anic Law is applied to their estate.

If a Muslim does not have an Islamic will, Shari'ah law will not apply, and their Islamic Heirs will be at a disadvantage in terms of the inheritance they ought to have received. The Laws of South Africa will apply to govern the distribution process, which is not in line with the Shari'ah law.

Another aspect of Qur'anic Law to be aware of is that non-Muslim relatives cannot inherit from a Muslim, but they can be given a bequest (a gift to a non-Heir) and the sum of all bequests cannot exceed one third of the estate.

Alex Simeonides
CEO
Capital Legacy

MENTAL HEALTH...
delving deeper into the real issues

The COVID-19 pandemic has had a massive impact on the mental health and wellbeing of people on several levels. FAnews spoke to a few industry experts (from the employee benefits, life and health spaces) about the factors at play in the short, medium and long term.

Medical scheme and the employee wellness environment

With the expectation of an increase in mental health claims, a few medical schemes discuss what the impact of the lockdown/s and COVID-19 has been on members' wellness and mental wellbeing, the emerging trends and predictions and how will it impact the healthcare industry

Tackle any possible problems now

In just one year the workplace landscape has undergone a dramatic shift. Employees who were previously able to cope with daily life are now struggling to cope. Many are trying to balance parenting and home-schooling alongside working from home and managing family and spousal relationships at the same time. Job cuts and pay cuts have had enormous financial implications on the stability of households. A lack of physical activity, unhealthy level of alcohol consumption, less healthy eating and a decrease in real-life social interaction have not made the situation any easier.

Simultaneously, many who have existing mental health conditions experience a worsening in their symptoms. What is clear is that the impact of the pandemic on general mental health is huge. The long-term effects of existing in this type of mental space can be quite serious on an individual level and can lead to a decline in work performance and generally low morale at a group level.

Mental healthcare benefits are often bundled with other healthcare services as part of auxiliary services in a medical scheme. These benefits are unfortunately often not rich, and they run out quickly. There is a need for mental wellness support, and it is encouraging to see that some medical schemes offer psycho-social counselling helplines, as well as a number of face-to-face sessions.

Employers should maintain an active role in monitoring the wellbeing of their employees. They play an essential role in the medical scheme and employee wellness environment. They are the bridge between employees and their wellness programmes. Employers have the potential to create awareness and to guide their staff base towards helpful tools.

When it comes to the long-term effects of mental health issues, individuals and employers should avoid allowing a situation to deteriorate and to tackle any possible problems now.

Ina van der Watt
Managing Director of Corporate Wellness
Universal Healthcare

Importance of employers supporting employees

The impact that lockdown had on our members' mental well-being was noticeable, but there was not really an increase in claims. Partly because of the lockdown situation, members could not consult with their practitioners. Those who could consult virtually, did so, but the majority had to rely on other support structures.

Approximately 67% of our members belong to the scheme via their employer organisation. The importance of employers supporting their employees in this manner, but more so the importance of employers within the medical scheme industry, cannot be stressed enough. It is a fact that members who do not participate via their employer – known as individual members – are more likely to cancel their membership during the year, especially when they are experiencing financial difficulties.

Corporate members, however, tend not to cancel their membership. This is because employers often prescribe in their conditions of service to their employees that they should belong to a medical scheme and are prescriptive in terms of when employees may change or cancel their membership.

Another value that employers add to the medical scheme industry is that they automatically create a unique environment in which any medical scheme can implement initiatives or campaigns either to address certain health risks or launch health awareness campaigns. One such intervention is to design and implement a corporate-specific workplace wellness programme built around the specific needs and health risks that exist within the corporate. These programmes are very successful because they are implemented and developed for a smaller group. Therefore, the results can be easily monitored and changes to the programme can be implemented quickly and effectively.

Elmarie Jooste
Executive: Corporate Services and Wellness
Bestmed

Long-term implications OF COVID-19... cause for concern

For life insurers the focus has expanded. From the short term consequences of COVID-19, to the long term implications... depression, anxiety, stress, and burnout, to disability claims related to mental health, there is cause for concern

The unknowns of 'long-term COVID-19'

Studies show that COVID-19 cases are still affected by long-Covid symptoms eight weeks later. The WHO (World Health Organisation) recently declared increased blood pressure, obesity and psychological complaints as possible risk factors for long-COVID. These factors are being monitored to understand their impact and may result in adjusted premiums and enhanced underwriting protocols.

A recent study conducted at a UK university produced the following results - 98% of staff and 78% of students worked or studied remotely, 22–24% of the staff and 46.5% of the students reported clinical-level anxiety and depression scores. Staff experienced high stress levels due to COVID-19 (66.2% labelled vulnerable) and students were 71.7% resilient. These results are an example of the potential long-term impact that this may have on claims.

COVID-19 has made claim processes considerably more complex. It has made it difficult to obtain insurance medicals and made income disability claims challenging. Insurers use technology and advances in telemedicine to conduct remote medical assessments, while mitigating risks by including questionnaires to inform policyholders of the virus, preventative measures, and the symptoms.

Technology has provided flexibility and increasing opportunities for claims managers to create flexible working arrangements. Appropriate modifications allow a claims assessor to offer more support to a claimant to ensure a safe and sustainable return to work following injury or illness. This could enable better health for the claimant and improved termination rates for the insurer.

As we gain a better understanding of the impact of COVID-19, insurers should implement the necessary actions and strategies, to overcome the hurdles, and absorb uncertainty without risk to policyholders.

Walter van der Merwe
CEO
Fedgroup Life

Use the pandemic as an opportunity

Discovery Life saw a significant increase in death and income-disability claims during the pandemic, having paid out more than R1.5bn in identified COVID-19 claims. We have seen some early evidence of an increase in mental wellness related cases. Financial related stress, as well as blurred work/life boundaries, contributed to an increase in stress in the environment.

Although some uncertainty remains around the impact of 'long-COVID', the industry should use the pandemic as an opportunity to improve products and processes, and to thrive on the back of new innovations, because COVID-19 has amplified the value of life, disability and severe illness insurance. The fundamentals of the Shared Value life insurance product proposition have been strengthened during the pandemic.

Discovery Life has invested in virtual underwriting that allows medical underwriting to be done through video conferencing, thereby improving the convenience to the customer, and reducing turnaround time of underwriting. We have also seen many advisers embracing digital technologies such as Zoom or Teams which allows them to connect efficiently with their customers.

In the long term, we expect a greater focus on wellness, given the positive impacts that wellness, lifestyle and exercise has shown to reduce the risk of the pandemic. Healthy lifestyle choice and exercise improves resilience to infectious diseases. We also expect a greater reliance on digital technologies to connect advisers, customers and insurers going forward.

Riaan van Reenen
CEO
Discovery Life

Gearing up for the medium and long term

We recognise the potential impact that COVID-19 and lockdown has had on employees' mental and emotional wellbeing. Unfortunately, the cycle of pandemic waves with acute challenges will continue for the foreseeable future but over time, the medium and long-term consequences also need to be included in this management.

We will likely see further impacts, but at this stage we cannot say how big they will be, or if it will overshadow what we have seen to date. There has been a meaningful impact on income protection, death and funeral cover. We also expect to see some fall-out in terms of severe illness and disability cover.

We are also starting to see long-term claims, highlighting the importance of focusing on both the acute and long term. Over the last few months, we have started to see what the medical fraternity has now termed "long-term COVID-19" such as multi-range respiratory conditions, from a mild persistent cough to end staged respiratory failure and significant neurological fallouts following a COVID-19 infection. Although the number of long-term cases is currently small, we anticipate an increase.

We are also gearing ourselves up for a spike in mental health-related claims, but while workplace stress is likely to be a contributing factor to claims, it is unlikely to be the primary cause. There are, however, many societal indicators of significant stress present within our communities. These are usually precursors to the stressors becoming illness and illness becoming a claim.

The insurance industry should focus on protecting and retaining their existing customers with the understanding that every customer is important during these trying times. These leaner times drive home the importance of cover and we are seeing far more customers enquiring and interested in the different offerings in the market.

Dr Marion Morkel
Chief Medical Officer
Sanlam

Remaining responsive to emerging data

While there are still many unknown factors regarding the long-term health implications for COVID-19 survivors, there are already indications that the disease can cause permanent organ damage, which could lead to more requests for chronic care. Insuring one's health is critical especially in light of the direct mental and physical health effects that could indirectly lead to yet another wave of medical sector issues.

In addition, long-run systems effects include a negative impact on patients with other critical and chronic conditions who will out of fear or out of necessity delay going to hospitals for treatments or procedures until the risk of contracting COVID-19 is reduced, and/or until hospitals have the resources to attend to them. In the mid-term, the heath and financial costs from these delayed treatments could be significant for patients and insurers. In the long run, overall longevity and lifespans could be reduced due to the economic impact on living standards and overall healthcare available.

In South Africa, researchers estimate that COVID-19 precautionary measures will result in 146 000 cancelled surgeries, 12 000 for cancer. A long lockdown will lead to much sicker patients and dramatic increases in death rates for major illnesses such as cancer. Conversely, a 1% reduction in GDP, will decrease life expectancy by approximately 10 days. In Africa, activists are concerned that COVID-19 will set back women's access to reproductive healthcare and contraceptives.

The COVID crisis is evolving rapidly, and we continue to monitor numerous data sources including news flow, medical research, and inputs from international reinsurers among others. We remain open to business and are doing so responsibly, as such we are responsive to emerging data to inform adaptations of our risk assessment and pricing.

Dr Dominique Stott
Chief Medical Officer
Liberty

The changing landscape of employee benefits

The workspace has changed… some employee benefit providers discuss the impact of mental health challenges and the changing landscape of employee requirements, and how it will impact the EB space.

Its all in the stats

In a survey conducted by a leading South African pharmaceutical firm, 56% of respondents reported heightened levels of psychological and emotional distress due to the pandemic[1].

Remote work has also exacerbated the feeling of isolation amongst employees[2]. Furthermore, research on wellness revealed that a significant number (41%) of participants experienced burnout during the pandemic[3].

A global survey showed that 17% of respondents have expressed that COVID-19 has prompted them to take mental health more seriously[4]. This suggests that, going forward, employees are likely to increase demand for solutions from their employers that not only encompass a financial wellbeing aspect, but also a comprehensive emotional wellbeing aspect.

Research shows that the COVID-19 pandemic has caused employers to focus more towards offering enhanced wellbeing programmes and mental health stress management services[5] with emphasis on virtual access[6]. However, some employers have also indicated that, to accommodate the new benefits and associated cost increases, employee benefit packages may have to be adjusted, leading to reduced benefits[5].

"Employers in Africa are increasingly considering employee wellbeing as a strategic priority"[7]. Employers are stepping up to implement new virtual solutions for employees who are working at home which include activities such as virtual workouts and virtual social gatherings[5].

Employers should be taking more responsibility for employees' mental health[8].

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Liberty Corporate and Mentenova

Still so much that is unknown

With data and experience over the last year, we have seen the following:

- Greater use of the emotional support services;
- 65% in 2019 pre-COVID-19 to 78% during COVID-19;
- We have seen a significant spike in the high and medium risk rating categories for our clients, meaning that the need for emotional support has increased for these clients – medium & high-risk classification moved from 20% pre-COVID-19 to 31% during COVID-19;
- We have seen an increase in the negative moods over the past year, with those who reported happiness and excitement decreasing by 35% during COVID-19 times; while there has been a 22% increase in those reporting stress, anxiety and sadness during COVID-19 times; and
- Gender Based Violence, stress, burn-out and trauma account for 70% of the focused interventions requested by employers for their employees.

The data also shows that depression increased to 17% in 2020 from 11% in 2019, work-life balance increased to 17% in 2020 from 11% in 2019, grief/loss increased to 16% in 2020 from 11% in 2019, loss/bereavement increased to 9% in 2020 from 8% in 2019, and anxiety increased to 13% in 2020 from 5% in 2019.

COVID-19 as a direct or indirect cause of a claim will certainly exist, but the extent of it is uncertain. There is still so much that is unknown. In terms of group insurance strategies, we expect rates to increase in both life cover and disability cover, as COVID-19 is expected to have a medium to long-term impact on both of those.

The insurance industry's adaptability will need to continue as consumer challenges change. The need for insurance has never been more widely accepted and recognised, but so has the need for excellent value in every single budget line.

Guy Chennells
GM and Head of Products: Employee Benefits
Discovery

Reframe employee wellbeing

There is currently a serious need for real-time interventions that look to monitor and assist in managing employee health and wellness.

The changes brought on by social distancing has placed staff experiences miles apart. People manage work and life differently. As our work lives encroach more on our personal ones, employee wellbeing might in fact need to look to processes that facilitate guidance and assistance. Whether it is factors like flexibility, affordability, the reality of a multigenerational workforce or the need for partial benefits, employee benefit providers will need to take this into consideration when understanding benefits within our current uncertain environment.

It is important to ensure that leadership has a clear, holistic, and succinct strategy when it comes to investing in their staff. During this current uncertainty, these processes need to be compassionate, add real value and build morale. We also need to consider other areas that this unprecedented era has impacted like financial volatility, social isolation, the difficulties around work-life integration and family wellbeing.

The emerging trend from this 1 in a 100-year event is the need to implement engagement and communication strategies that allow for measurable outcomes. These types of support processes can no longer be a one-sided conversation, but rather an open dialogue. Employee assistance programs need to adapt to be intuitive, proactive and create more of a value proposition than a reactive assistance program.

Corporates must now prioritise mental health by understanding employee needs on a personal level, implementing tailored interventions, incorporating a holistic employee wellbeing approach, monitoring to evaluate overall sentiment and promote recovery by establishing a culture of adaptability, compassion and resilience.

Abdur-Rehman Mangera
Group Benefits Team Leader
Fedgroup

Appropriateness of solutions

The pandemic has highlighted the importance of group insurance benefits. The search for greater cost efficiencies is also giving further impetus to the move to umbrella funds, which offer more cost-effective retirement and insurance benefit solutions. We are also seeing new models emerge, for example, flexible hybrid models to meet employees' diverse needs.

Given that employer and employee needs are continuously changing, it is important that employers and their appointed financial advisers work closely with service providers to regularly review the appropriateness of employee benefits solutions.

The increasing numbers of Millennials and Generation Z in the workforce are also shaping the future of employee benefits. These employees expect employee benefits solutions to add value throughout their working careers. This is why some employee benefits providers offer their clients' employees access to value-added benefits that enhance employees' day-to-day lives. These younger generations also expect greater choice and personalisation.

Employee benefits providers need to be able to leverage technology in order to offer integrated, seamless engagement across multiple channels.

Employee wellbeing in 2021 requires a holistic approach which addresses employees' financial, mental, emotional and physical wellness. South African employers are looking for an employee benefits (EB) mix which not only helps them win the war for talent acquisition and retention, but also addresses all aspects of employee wellbeing.

Rudi van Rooyen
Head of Group Insurance
Momentum Corporate

Modernise wellness programmes

The need to modernise wellness programmes and encourage employee participation to curb potential mental related illnesses is now more important than ever. According to the World Economic Forum Future of Jobs 2020 report, 84% of employers are set to rapidly digitalise working processes, including a significant expansion of remote work. Potentially, about 44% of employer workforces could operate remotely most of the time on a permanent basis.

We are moving into a new era of work and we expect our staff to have a leadership mindset regardless of their role. With our understanding that work is what you do and not where you go, we will continue to foster a purpose- and values-driven culture in which an empowered workforce can continuously improve on our value proposition to our members.

We believe that the approach to wellness programmes starts at management level and we encourage corporate South Africa to develop initiatives that will not only be beneficial to its employees, but to include their families and is socially cohesive. One should not underestimate employee health because this will eventually impact overall employee productivity and organisational performance.

Masenyane Molefe
Group Executive: Human Resources
PPS

CPD ARTICLE

Harmonisation of retirement funds

Shaun Duddy
Senior Manager in Product Development
Allan Gray

On 1 March 2021, legislation to complete the harmonisation of the benefits and rules of provident, provident preservation, pension, pension preservation and retirement annuity funds came into effect.

A positive step for retirement outcomes

The harmonisation of retirement funds aims to encourage increased saving for retirement, and preservation in retirement income products at retirement, by making changes to and aligning the benefits and rules of these retirement funds. Achieving these aims is important where industry surveys consistently indicate that fewer than 10% of South Africans can support themselves financially in retirement.

The combination of increased savings in retirement funds and the increased use of annuities to provide an income in retirement should improve both the level and sustainability of income in retirement.

Changes to benefits from new contributions made to provident funds

As things stood previously, provident and provident preservation fund members could take up to 100% of their benefits in cash at retirement, if required. Benefits from new contributions made to provident funds from 1 March 2021 onwards will now be subject to the same requirements to purchase an annuity at retirement as pension, pension preservation and retirement annuity fund benefits.

In other words, at least two-thirds of any benefits from new contributions made to a provident fund from 1 March 2021 onwards will need to be used to purchase an annuity at retirement, unless these benefits in a fund are R247 500 or less.

It is very important to note that the benefits of provident and provident preservation fund members who were 55 or older on 1 March 2021 will not be impacted by these changes, unless these members start contributing to a completely new provident fund on or after 1 March 2021. For members that were younger than 55, the changes will only impact their benefits from new contributions made to provident funds from 1 March 2021 onwards.

All benefits in provident and provident preservation funds as of 28 February 2021, plus any future returns on these benefits, will not be impacted by the changes. Benefits that will not be impacted by the changes will be given vested rights and members will still be able to take up to 100% of these vested benefits in cash at retirement, if required. New provident fund members will be subject to the changes.

The changes will see provident and provident preservation funds become equivalent to pension, pension preservation and retirement annuity funds at the point of retirement. This equivalence will also mean that any tax consequences of transferring pension and pension preservation fund benefits to provident and provident preservation funds will be removed.

> "This equivalence will also mean that any tax consequences of transferring pension and pension preservation fund benefits to provident and provident preservation funds will be removed.

Striking the right balance

Consider, for example, a member who was younger than 55 on 1 March 2021 and retires from their retirement annuity fund after 2021 with R3 million. R2 million is vested benefits, from benefits that were in a provident fund on 28 February 2021 and later transferred, and R1 million is unvested benefits, made up of R250 000 from contributions to the provident fund from 1 March 2021 onwards and later transferred and R750 000 from contributions to the retirement annuity fund.

Of the R1 million unvested benefits, the member will have to use at least two-thirds to purchase an annuity, which will provide them with an income in retirement, while they will still be able to take up to 100% of the R2 million vested benefits in cash, if required.

If this member were 55 or older on 1 March 2021, their vested benefits would be R2.25 million – R2 million from benefits that were in the provident fund on 28 February 2021 and R250 000 from contributions to the provident fund from 1 March 2021 onwards before transferring.

In this case, the member would have to use at least two-thirds of their R750 000 unvested benefits to purchase an annuity, which would provide them with an income in retirement, while they would be able to take up to 100% of their R2.25 million vested benefits in cash, if required.

The harmonisation of retirement funds strikes the right balance between protecting members' rights and ensuring improved preservation and annuitisation at retirement. ●

Retirement: Is it time to **rethink the concept?**

When I came into the financial planning profession 33 years ago, I learnt that only 6% of South-Africans can retire with the same standard of living as they had before retiring. These statistics have not changed.

So, are our retirement solutions not working, or what is the problem?

A source of much envy

According to an article in Psychology Today, written by Utpal Dholakia, "When they retire, Dutch citizens really have it good. Not only does everyone receive a basic income of approximately €1 000 from the state when they turn 65, but most people (as many as 90% of the citizenry) also get employer-administered pensions that generously provide 85% to 95% of what their earnings were. It is no surprise that the Dutch pension system is among the best in the world, and the source of much envy.

In the US, and elsewhere, however, things are a lot bleaker. While most Americans receive social security, it is nowhere near enough to replace pre-retirement income. Any other money must come from what people have saved themselves for retirement over their working years."

The most difficult goals to pursue

The author of the article then makes the following points:

- Optimism can lead people to postpone saving money.
- Setting a clear target retirement savings goal is really, hard. Because of these enormous variations, and the inherent uncertainties about lifespan, health, and even the financial environment in which their investments will grow, it is very difficult to figure out exactly how much money one will need to save for retirement. In other words, there is no "magic number" or specific target to aim at. Decades of psychological research on setting and pursuing goals shows that abstract goals are the most difficult goals to pursue. People have difficulty developing a plan of action for abstract goals, and they are more likely to procrastinate and avoid pursuing them. Where retirement savings are concerned, without "the number" to aim at, goal pursuit is hampered for many people.
- Getting started with retirement saving, and then adding to the savings regularly, are two huge problems. In their 20s and 30s, individuals pay off their student loans, and save money for a down-payment on their first house. In their 40s, saving for children's college education, and paying down the mortgage becomes important. And in their 50s, people are saving for (or paying off) discretionary purchases like vacations, second homes, boats, or RVs. At every life-stage, other financial goals seem far more salient, and the resulting accomplishments far more significant, than saving money for retirement.
- Many of us do not understand how exponential growth works and why it is important to save now, without waiting for a single day longer.

In the 10X South African Retirement Reality Report 2020, it is stated that 69% (2019: 67%) of people surveyed said they had no retirement plan at all, or just a vague idea. This highlights the need for more education on this topic.

Advice to give clients

So, what should financial planners, financial product providers and asset managers do:

- Educate clients. People think a million Rand is a lot of money. Until we show them that it buys approximately R4 000 of income per month or even less.
- Do not assume that clients will want to retire by default. We should encourage people to work indefinitely, even if they are part of the 6% mentioned above.
- Advise clients to have income protection and/or impairment for whole of life, to provide if they are unable to work.
- Instead of talking about "retirement", change the conversation to "building wealth", so that clients can choose to work on their own terms at an older age.
- Encourage clients who are retiring to turn a hobby or skill into a business.
- Show clients the future loss of capital and income when they withdraw retirement funds when leaving an employer.

The stats must improve. The million dollar question is: will they? ●

Anton Schutte
General Manager
PWG Group

> Many of us do not understand how exponential growth works and why it is important to save now, without waiting for a single day longer.

A wave of serious mental health problems **predicted post-COVID**

Gontse Sekhitla
Lead Specialist for Risk Product Development
Liberty

> It is important to ensure that clients have adequate benefits that protect the financial security of employees, and their families, in the event of serious mental difficulties that cause illnesses and result in having to take time off work.

1. https://www.swissre.com/risk-knowledge/risk-perspectives-blog/preparing-for-covid-long-term-effects.html
2. https://bmcpublichealth.biomedcentral.com/articles/10.1186/s12889-020-09507-6
3. https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7520640/

Do you remember how normal everything seemed a year ago, when we first heard the news of a deadly virus in China?

The lockdown, in March 2020, came as a shock to everyone. Few businesses were left unscathed, many saw their earnings plummet, and some people lost their jobs. As the year progressed, few could say the COVID-19 pandemic had not directly affected their lives in some significant way.

Disturbances during outbreaks

A report by Swiss Re is now predicting a wave of serious mental health problems across the world, as COVID-19 progresses through its late phases. The report states that those affected will include people who suffered a severe initial illness, those who mentally struggled to cope with lockdown or the economic consequences of the pandemic, and those who experienced nervous conditions as a result of infection.[1]

These sorts of things are not unprecedented. Studies have shown that pandemics, by their nature, leave a wave of serious mental health issues in their wake, long after the effects of the underlying disease have passed through the population. This was observed in Sierra Leone, after the Ebola pandemic left many suffering from post-traumatic stress disorder, because of the fear of dying from this ailment. In Hong Kong, during the swine flu pandemic of 2009, 19% of adults reported panic, low mood or mental disturbances at the height of the outbreak.[2]

Closer to home, a recent academic study in Soweto, published by the National Institutes of Health (NIH), showed that the COVID-19 pandemic has, or is, causing considerable mental stress in many adults. Up to 20% of the participants reported potent experiences of anxiety, fear and "thinking too much" as a result of the pandemic. The report made clear that the additional burden of problems in South Africa, such as crime and socio-economic inequality, also serve to heighten the effects of serious mental stress.[3]

Only a matter of time

Previous experience and emerging global predications indicate that it is only a matter of time before this becomes a significant issue. This is consistent with the widely accepted notion that a poor economy leads to a general increase in disability claims, and less current claimants returning to work. The deterioration of the economy, in this instance, has been caused largely by the impact of lockdowns at varying levels, which came at a time of stagnant economic growth.

The question is - how do we deal with this predicted wave of mental health problems from an adviser perspective?

This is unknown territory, however, being insured against serious psychological illnesses is an obvious first step. It is important to ensure that clients have adequate benefits that protect the financial security of employees, and their families, in the event of serious mental difficulties that cause illnesses and result in having to take time off work. These benefits include income protection, which replaces a certain proportion of their income, and capital disability benefits which pay out a cash lump sum to help them adjust to a new way of life.

Financial and emotional support

According to studies on the mental health effects of pandemics, one of the greatest fears affecting many people is how they would cope if a loved one, dependant or bread winner passed away from a disease.

A suite of emotional support solutions can play an important role in helping to assist employees in coping with the loss of a loved one.

These emotional support solutions could include emergency and assistance services such as access to medical information and advice, legal advice, a trauma helpline, emergency ambulance services and a hospital admission guarantee. In addition, if employees have a funeral policy, this could include access to funeral assistance services, such as body repatriation.

These types of financial and emotional support solutions are all the tools advisers have at their disposal, to offer clients protection against the predicted wave of serious mental health cases, as a result of the COVID-19 pandemic. ●


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Show your client's team unprecedented care.
Support their emotional well-being with Liberty's employee benefits.
Liberty Corporate partners with you to tailor-make Umbrella Funds for your business clients, ensuring the financial well-being of their employees. We also provide your client's employees with care in times of need, thanks to our assistance and emergency services*.
Email us on lc.contact@liberty.co.za for more details on how we can care for your client's employees.
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COVID-19 on workplace disability claims

Clyde Parsons
Actuarial Executive
BrightRock

It will take a few years for us to see any kind of trend in terms of what kind of impact COVID-19 and its cousin, remote working, will have on workplace disabilities.

Like many industries, life insurance has been affected by COVID-19. However, we will only begin to see the real impact of it in a few years, given that we are more focused on the long term. We cannot yet tell what the future will reveal about life insurance and COVID-19, five, 10 or 20 years down the line.

This has spurred our industry to rethink many aspects of our business, as we muse over how potential changes will affect our clients, and how we can ensure that they are best protected.

The new way of working

One of these unknowns is workplace disabilities, which are a key element of any well-structured life insurance policy.

The primary reason for this, of course, is that Working From Home (WFH) has now become more entrenched as a viable option for companies. COVID-19 accelerated South Africa's adoption of this remote workplace, as in many countries around the world.

Business owners have now realised that presenteeism does not equal productivity, and managers and employees alike have seen many benefits from this new way of working.

Remote working also comes with its downsides, however, and mental wellbeing is something that has been negatively impacted by the pandemic. Feelings of isolation resulting from not having enough face-to-face human interaction have led to increased episodes of depression, and this may be likely to increase workplace disability claims now, and in the future, if WFH becomes a staple for some companies. While some may thrive in a flexible working world, others may find it alienating and be unable to physically work, because of the extent of their depression.

A few elements to consider

On the other hand, those who are prone to mental health problems caused by being at the office (think workplace bullying), may well find that being away from a stressful office environment, and perhaps even from toxic individuals at their workplace, helps them to thrive in a working from home situation. So, this could mean that some people who may have usually claimed for workplace disability, based on mental health issues, would not be as likely to claim in a world where a remote workplace is a norm, or at least be rehabilitated far more quickly where the actual source of the stress may, in the past, have been what prevented them going back.

When it comes to physical disability, there are also a few elements we should consider, such as the duration of a disability claim. For example, in a pre-COVID-19 era, a musculoskeletal injury such as a serious back injury, might have meant that an employee was unable to work for six months, as, among other things, there were too many physical barriers to going to work and within the workplace itself.

However, in a scenario where an employee can work from home, he or she may only need four months to recover, as little physical exertion and workplace accommodation is needed. This is good news for companies, as they will be able to better retain human capital, as well as employees who can become productive members of society again far more quickly.

The effects will be interesting

As I intimated in my introduction, it will take a few years for us to see any kind of trend in terms of what kind of impact COVID-19 and its cousin, remote working, will have on workplace disabilities.

What I can say, though, is that it is a rare time in the industry when such a life-changing event is experienced across the globe. The effects will be interesting, whatever the results many show, and may likely even result in a redefinition of the category of workplace disability.

One thing will remain constant, though, and that is the commitment the industry has to navigate, to help clients through these changes. ●

Maybe it's time to review your **clients' stand-alone funds**

There is much debate about the pros and cons of umbrella funds, versus stand-alone retirement funds. If your clients currently participate in stand-alone funds, how do you know this is the right decision for them, going forward?

Many of your clients have most probably had stand-alone retirement funds for longer than they can remember.

A quick checklist

Therefore, it may be helpful to have a quick checklist that can confirm that there's no good reason to change.

1 Are your clients getting the best bang for their buck? Umbrella funds deliver all the benefits of stand-alone funds but spread the overhead cost of administering and governing a fund across many employers and many members. This can result in significant cost-saving. For example, most stand-alone funds could get the cost to under R50 a member, per month, in an umbrella fund, and some would be able to get it as low as R20 or even lower.

2 Do your clients have access to the latest digital, incentive and communication tools to drive better decision-making? People face major behavioural obstacles in making good, rational decisions about contribution levels, preservation, and investments. Some umbrella funds have invested in incentives and digital journeys that tap into the behavioural biases that make people likely to make poor choices, to nudge them towards better ones. If your client's fund has access to effective technologies to incentivise healthy financial behaviour through the administrator, the client has the biggest tick box checked.

3 Does the Board of Trustees have significant experience and expertise in managing retirement funds – and does it have a succession plan in place? The governance requirements of retirement funds seem to grow every year. Trustees with standalone funds spend many hours in meetings, and boards rarely provide for succession planning, even though succession changes can place the fund at risk. In an umbrella solution, all member representatives would need to do is work as a MANCO, making decisions about insurance structures and providers, bespoke communication strategies, and overall accountability for the service providers. Involvement in death claims, investments and communications could be limited, if the MANCO prefers. Involvement in annual financials, valuation reports, administration reports, adherence to regulation 28, 37, 38 and 39, and investment considerations like CRISA would be entirely removed.

4 Are you driving member outcomes? Most umbrella funds allow for bespoke structures for large employers to accommodate specialist roles within the umbrella structure. Many also allow for bespoke investment solutions on their platforms, and so it's unlikely that this is a real impediment. However, if you are convinced in the excellence of your service, this would be a reason for remaining with the status quo.

Achieve retirement outcomes

The ultimate consideration should be the extent that you're able to improve the client's retirement and financial planning outcomes. Often much energy is spent on managing complex structures, and yet the funds fall short of their objective of helping members achieve the best possible retirement outcomes.

What if I am not sure?

If you went through the list above, and your responses to any of the questions were not in favour of your client remaining in a stand-alone fund, it may be worth investigating an umbrella solution.

It is simple enough to request proposals from umbrella fund providers with reputations that speak to the four points above. If those initial proposals show good reason to consider an alternative to your client's current structure, then a more thorough process could be followed – potentially one that greatly benefits your clients. ●

Guy Chennells
Head of Employee Benefits Product
Discovery

> Umbrella funds deliver all the benefits of stand-alone funds but spread the overhead cost of administering and governing a fund across many employers and many members.

A critical illness wave is on the way

Rudi van Rooyen
Head of Group Insurance
Momentum Corporate

While businesses are still reeling from the impact of the COVID-19 pandemic on workplaces, an ominous lull in critical illness claims is the calm before a new storm on the way.

Changes in health behaviour during COVID-19 and the lockdowns are expected to translate into a sharp rise in critical illnesses, impacting on employees' health and productivity. Which is why it is time to put low-cost, high-value group insurance benefits on the table for your clients.

Claims for Momentum Corporate clients offering critical illness benefits increased by around 10% each year since 2016, however, in 2020 these claims declined by 15%. The number of members insured for this benefit increased last year, so this drop seems counter-intuitive. However, the decline reflects health behavioural changes since the start of the pandemic.

> Changes in health behaviour during COVID-19 and the lockdowns are expected to translate into a sharp rise in critical illnesses, impacting on employees' health and productivity

Healthcare avoidance

Fearful of contracting the virus, many people have avoided healthcare visits and preventative screening tests during lockdown. As a result, they have not received the care they need, and the diagnosis of chronic conditions like diabetes, heart disease and cancer has been delayed. Later detection and treatment of these illnesses may mean their impact is more severe.

Momentum Corporate's analysis also shows that critical illness claims in the age band of 41 to 50 years, which usually accounts for around a third of all claims, decreased by 21% in 2020, with a 14% drop in claims for the age band 51 to 60, usually responsible for 40% of claims. It is therefore in these older, more experienced employee groups that we could see a surge in future critical illness claims.

The analysis also shows that while managers or supervisors usually make up 12% of all critical illness claims, this figure increased to almost 17% in 2020. Rising disease prevalence amongst leaders is concerning, given their critical role in leading and sustaining their organisations in these times.

Illnesses and trends

Cancer accounts for over 60% of Momentum Corporate's critical illness claims, with cardiac-related claims at around 20% of total claims. Of interest is that between 2016 and 2019, kidney failure claims more than doubled, showing that even before COVID-19, conditions such as diabetes started to impact significantly on claims.

There is growing evidence that a fair percentage of COVID-19 patients experience prolonged symptoms, also known as long-term COVID-19. Where defined critical illness conditions are triggered as a result of COVID-19, like a heart attack or kidney failure, the claim is likely to be valid. This will also fuel rising claims.

Despite great health and fitness aspirations when lockdown started, the general trend has been towards a more sedentary lifestyle. This dip in activity and elevated stress levels over this period will over time contribute towards an increase in lifestyle-related chronic illnesses.

Multiply, a health engagement programme, reports that their key indicator of members' activity levels declined significantly in 2020. Gym visits were 50% lower year on year in December 2020, while completing 10 000 steps in a day also reduced by 15%.

Critical illness cover

A critical illness diagnosis like cancer is life-changing on many levels. A critical illness benefit pays out a lump sum that the employee can use in any way they choose. This could be to make home and lifestyle adaptions, settle debt or pay for treatment that medical schemes will not cover.

If your client is concerned about the cost of adding a comprehensive suite of critical illness benefits to their EB mix, a more affordable alternative is to provide cover just for cancer, the leading cause of claims.

Help your clients prepare for the critical illness wave on the way to our shores. ●

CPD ARTICLE

Rights of retirement fund members and nominees

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Fairheads Benefit Services

Every retirement fund member is asked to fill in a nomination form when they join the retirement fund.

In this document, the member lists the people they would like monies to be allocated to, in the event of their death. The beneficiaries usually mentioned are the spouse/s, children, and anyone else who depends financially on the deceased member.

It is important, incidentally, that members are asked or reminded to update their nomination form yearly, something which retirement funds often struggle to do.

> "It is important, incidentally, that members are asked or reminded to update their nomination form yearly, something which retirement funds often struggle to do.

Nominees on the nomination form

Retirement fund members also have a right to nominate a person, who is not a dependant, on their nomination form. It is important to note that this nominee needs to be a person, not an organisation or even a pet!

Conversely, nominees who are not dependants, yet they are mentioned as nominees on the member's nomination form, also have a right to receive the allocation, following the member's passing.

So far so good. However, lump sum allocations in terms of S37C of the Pension Funds Act are made at the discretion of the retirement fund trustees. It is incumbent on them to determine exactly who depended on the deceased member and, if necessary, to trace them.

Dependants will have priority

Depending on the number of dependants, their circumstances and life stages, the trustees have several options, including whether to pay out a lump sum directly to the spouse (if s/he is sufficiently financially literate), or to pay minors' lump sums into an account set up in their name in a beneficiary fund.

The age of the child and the number of years in which they still need to complete their education are all taken into account in determining the size of the allocation.

Section 37C (1) specifically states that dependants will have priority over other nominees, so – while nominees have a right to receive a benefit – it may be the case that they may not.

This is often not properly understood by nominees and has led, on occasion, to matters being taken to the Pension Funds Adjudicator (PFA), to interrogate the retirement fund board of trustees' decision and issue a determination accordingly. A brief example of one such case, from 2017, follows below.

Matter taken to the PFA

Mr Y was a friend of Mr X, who was a member of the retirement fund of the University of KwaZulu Natal. Mr X nominated Mr Y as the sole nominee on his retirement fund nomination form.

Following the death of Mr X, the board of trustees decided to allocate the entire lump sum death benefit (around R900 000) to the mother of Mr X. This was made largely on the basis that she was in ill health, and would, in time, require funds.

Mr Y took the matter to the PFA, submitting that he was dissatisfied with the trustees' decision, and that as the sole nominee, the benefit should have been allocated to him. He also averred that Mr X's mother was not financially dependent on Mr X. Mr Y explained that he had cared for Mr X when he had become ill and had been made next of kin when Mr X was in hospital.

The detail of this determination is beyond the scope of this short summary, but in essence, it was argued that Mr X's mother had not been a dependant of Mr X up until the time of his death, that she had other children who, despite their own families, had a familial responsibility to care for her in her older age. The decision to allocate the full death benefit to Mr X's mother was therefore overturned, in favour of Mr Y. ●

* *Determination in terms of Section 30M of the Pension Funds Act, 24 of 1956: TG Norris (complainant) v University of KwaZulu Natal Pension Fund (first respondent) and ABSA Consultants & Actuaries (second respondent).*

The future of workplace disabilities

The COVID-19 pandemic has had a far-reaching impact, and while we grapple with the consequences of this unprecedented era, we are beginning to see just how permanent these effects are.

Much is still unknown, especially when it comes to understanding what the physical and mental long-term health implications will be for those who have survived this health crisis. We will, however, inevitably see an increase in disability claims.

The lack of data available

In some cases, the virus has left recovered patients with permanent health implications, which have compromised their immunity against other illnesses, while individuals with less serious cases are still battling to regain their previous vitality.

Perhaps most concerning, is the lack of data available for insurers to truly understand what this health crisis will mean for future disability claims. The industry has a big task ahead of them, as they collect and analyse data to prepare for this future.

The lack of medical attention the global population has received over the last year, might also create further health implications. Since the beginning of the spread, we have known that people with certain pre-existing conditions are at higher risk of contracting COVID-19, and these individuals may have avoided seeking medical help due to the risks of contracting the virus, while many 'non-essential' surgeries have also been postponed.

This can have a greater impact on the health of claimants, as these delays may result in more serious cases that will require long-term treatment and management, the effects of which are already seen in the current number of disability claims.

Unaffordability of these benefits

Perhaps the only true certainty will be the price of premiums increasing. Insurance cover is priced on the expected claims for a certain period, based on the risks involved.

Therefore, an increase in disability claims during this unprecedented period will influence the price of these benefits. And so, yet another lasting effect of the pandemic may be the unaffordability of these types of benefits for certain employees. While risk mitigation through cover reductions and exclusions might decrease these prices, it is certainly not ideal.

It is fair to say that disability is not fixed, and the causes can be unpredictable. This pandemic has the potential to increase both physical and mental illness rates. When we look at mental illness coming out of this pandemic, we realise there is still a lot we do not understand. What are the implications, for example, not only of recovering from the virus but also adapting to new aspects such as working from home, increased uncertainty, and coping with isolation caused by physical distancing?

Long-COVID is a phrase that has been coined to describe patients who suffer from these long-term effects. Whether mentally or physically, they will continue to feel the effects of this period long after the pandemic has passed. And because there are currently no comprehensive prognoses for Long-COVID factors, the insurance industry is just as much in the dark, as there are no precedents at this stage for these types of disabilities.

However, we will be looking for answers and ways to support our clients as the case history increases.

Still some unanswered questions

There is still a lot of learning that needs to be done to understand the true impact of this past year. From the post-vaccine era, to the way in which this period has permanently changed our lives, there are many things we need to understand before any certainty truly comes to the fore.

However, I think it is important to remember that things will never return to the way they were before. And even though there are still some unanswered questions, the sooner we accept our current reality as the norm, the sooner we can embrace these difficulties, prepare for new challenges, and overcome the uncertainties. ●

Walter van der Merwe
CEO
Fedgroup Life

> "Perhaps most concerning, is the lack of data available for insurers to truly understand what this health crisis will mean for future disability claims.

COVID-19 has rewritten the rules

Karen Wentzel FIA, FASSA, CFP®
Head of Annuities
Sanlam Corporate

> A major drawback of the pandemic is the increased risk that South Africans will not be able to save enough for their retirement.

In the past, agile change was often described as "fixing the plane while it flies", however, the COVID-19 pandemic has rewritten the rules of chaos in modern times.

A major drawback of the pandemic is the increased risk that South Africans will not be able to save enough for their retirement. Member education and advice typically focuses on building wealth ahead of retirement. While it is mandatory that this takes priority, greater emphasis must be placed on choosing the right annuity at retirement - this is the single most important decision to make, that will influence your client's retirement.

Choosing the right annuity can bring your client sufficient and regular income, throughout his or her retirement.

A combination of needs

Financial decision-making at retirement is a complex and stressful event for most people, as individuals must decide how to convert their lifetime savings into an income for life.

For many, this is unchartered territory, as the threat of poor financial literacy and inadequate advice could negatively affect their retirement. In the financial services industry, it's been a challenge for actuaries to design annuity products that remain attractive, whilst factoring in challenges like volatile financial markets, returns well below the traditional norms, and of course, people living longer, stacked up against sharp increases in healthcare costs.

Given the combination of needs that individuals will have, and the risks that they will face throughout their retirement years, a single retirement product is unlikely to be appropriate. At retirement, members have the following needs:

- Access to good returns, with some investment choice;
- Protection of risks, and in particular, market and longevity risks; and
- Access to capital, before and after death.

Life and living annuities

In a recent PhD study, by Dr Jeannie de Villiers-Strijdom (US), 63% of respondents indicated an intent to annuitise into a guaranteed life annuity, while the remaining 37% opted for a living annuity. In reality, at retirement, only 4% of the sample actually purchased a guaranteed life annuity. Twenty percent of the respondents opted for a composite strategy, and the rest of the sample purchased a living annuity.

In South Africa, the average replacement ratios are around 25% to 30%, resulting retirees simply conclude they cannot survive on the starting pension offered by a guaranteed annuity. For many people, reaching retirement with insufficient capital has meant the most attractive option has been to place funds in a living annuity, to be able to drawdown sufficient income to maintain their lifestyle.

Advisers and benefit counsellors

As an industry, we are all acutely aware of this, and as a company, we have experienced the same behavioural patterns. However, what we have not grasped sufficiently well enough is the huge responsibility we have, as an industry, to steer members in the right direction and prevent them from making the wrong long-term decisions with their funds. The industry needs to place more emphasis on the conversations with annuitants a few years after their retirement, rather than simply concentrating on advice at the point of retirement.

In another case study, we found that with the appointment of an adviser, member behaviour changed drastically. In the past, more than 65% of members would have elected a living annuity, but with proper financial advice, the majority of members are now selecting a life annuity.

Financial advisers and benefit counsellors have a joint responsibility, and important role to play, in helping clients objectively consider their annuity decisions and to think rationally about their alternative options. Perceiving a guaranteed annuity contract as fair and equitable, depends largely on the annuitant's understanding of longevity risk and pooling of risk.

Financially literate retirees who are aware of the pitfalls in annuity decision-making, will be able to make optimal decisions that are in their best interest over the long run, with the desirable outcome of a fulfilling and secure retirement. ●

Trends in mental health claims

Walter van der Merwe
CEO
Fedgroup Life

> Social distancing, for all its positives, has led to many people being isolated which, ultimately, caused a rise in the number of people suffering from depression.

It is no secret that the COVID-19 pandemic has had a marked effect on both the physical and mental health of the population. In 2018, nearly a third of adults in the United States reported feeling worried, anxious, or nervous on a daily, weekly, or monthly basis.

These statistics were released before the COVID-19 pandemic hit the world and are significant, as they provide the baseline upon which our predictions of the impact of this pandemic on people's mental health are based.

Predictions of the impact

Fast-forward to our current reality. In this unprecedented time of uncertainty and fear, it is not only likely, but logical, that we would see an increase in mental health issues, particularly amongst those who already had an underlying condition to a certain extent.

Although we have not yet seen a significant increase in mental health related claims, it is important to note that these illnesses are prolonged, and there is likely to be a delay in the increase in claims that will undoubtedly follow.

While we prepare for the exacerbation of existing conditions, past epidemics have taught us that stress experienced by the population, in general, may lead to new mental health issues as well.

Impending mental health crisis

There are several factors that contribute to the impending mental health crisis. Social distancing, for all its positives, has led to many people being isolated which, ultimately, caused a rise in the number of people suffering from depression. Add to that, the uncertainty around job retention following a record number of retrenchments in South Africa and you can understand how anxiety and stress levels are easily elevated, inevitably leading to more issues, or worsening existing conditions.

People have had to adapt to new routines, forgoing their usual commute which served to separate work and home. These concepts have become one and the same, and people no longer have the outlet that allows them to switch one off and focus on the other. Working from home has meant that employees felt increased pressure to show employers how much they contribute, while trying to maintain a work-life balance.

Another big factor that we sometimes forget about is human interaction. Aside from experiencing 'Zoom fatigue', people have had to offer up this basic human need. Video conferencing platforms have not only led to an increase in physical ailments such as neck and back pain, but the audio delays and lack of non-verbal cues that would traditionally be present in a discussion, to indicate understanding and facilitate reciprocation, have dented social interaction and trust. This void that people are left with, after interacting with others virtually, contributes to the stress and anxiety people experience, even if they do not realise it.

A light on the stigma

Things are, however, not all doom and gloom. Despite the anticipated increase in mental illness claims, the pandemic and the way people have reacted to it has shone a light on the stigma that existed around this topic.

This event has also put mental illnesses, and the risks associated with mental illnesses, into perspective and highlighted the fact that people, employers, and insurers have probably not always been equipped to handle this facet of wellbeing correctly. What we do know, however, is that we have the tools, the cover, and the resilience to do so.

Hopefully, the experience shared by the entire population has created an environment where people feel more comfortable acknowledging and addressing the role that mental health plays in people's overall wellbeing. The onus is now on employers to ensure they have the correct structures and cover in place, to assist their employees when they need it, and for insurers to ensure that their clients have comprehensive cover that will safeguard them when they need it most. ●

Effective asset-liability matching

One of the most important elements of helping your clients enjoy a happy and successful retirement is guiding them to ensure that they do not run out of retirement savings before they pass away.

Many people are so focused on trying to earn the highest possible income in retirement that longevity risk is overlooked, resulting in retirees outliving their retirement savings and having to rely on their children or the state to make ends meet.

Mitigate longevity risk

The easiest way to mitigate longevity risk is to save sufficiently leading up to retirement. However, only around 10% of South Africans are achieving this goal.

There are numerous reasons for this, ranging from simply not putting away enough money for retirement every month, to withdrawing retirement fund benefits when changing jobs, taking the one third lump sum at retirement to service debt or spend on other, non-retirement items, and failing to increase retirement contributions on an annual basis.

Of course, while the easiest and most effective way of mitigating longevity risk is to save sufficiently for retirement, there are also other financial planning strategies that will enable your clients to reduce its impact on their post-retirement security.

Clients' primary liabilities

One of these is effective asset-liability matching. Actuaries and investment professionals apply these strategies on a regular basis, when managing investments for corporates and individuals.

In retirement, your clients' primary liabilities will, of course, be the regular expenses that they will have to cover. These expenses can be divided into non-negotiable basic expenses and discretionary or 'nice-to-have' expenses.

Non-negotiable expenses include food, medical care, accommodation, transport costs, etc., while discretionary expenses could be things like an annual vacation, eating out, and even leaving a legacy for dependants.

Your clients' key asset will be the retirement savings that they invest, to generate their regular pension income. Essentially, retirees have two main financial products that they can use to purchase the income they need for their retirement years, namely life (or guaranteed) annuities and living annuities.

Life and living annuities

A life annuity is an investment made on behalf of the purchaser, that provides a pre-determined income that is guaranteed for life. With a living annuity, the retiree can choose an annual income level, known as a drawdown rate, of between 2.5% and 17.5% of the total retirement capital. Unlike the life annuity, income from a living annuity is not guaranteed, so if the drawdown rate chosen by the retiree is higher than the investment growth achieved by the capital, the person's money could run out in time, leaving them with no income.

With a clear understanding of the nature of retiree assets and liabilities, we can do an asset-liability matching exercise using two relatively simple steps. Firstly, since the retiree's non-negotiable expenses are largely pre-determined, these can be matched to a set income earned by investing a portion of the capital in a life annuity - preferably with an inflation-linked increase structure to cover annual rising expenses.

Then, once you have ensured that your retiring client has covered their none-negotiable expenses with a set income from a life annuity, the reminder of their capital can be used to purchase a living annuity. Depending on how much capital is left over to purchase this living annuity, and what the person's desired discretionary expenses are, a suitable drawdown rate can be chosen that will not deplete the invested capital before they pass away.

This type of asset-liability matching exercise is a highly effective retirement planning approach, that will give your clients the peace of mind that their essential living costs in retirement are covered for the rest of their life, and they still have the means to enjoy some of the things they want to do during their retirement. The living annuity portion of the plan even provides an opportunity to leave a financial legacy for loved ones when they pass away. ●

Samukelo Zwane
Head of Product
FNB Wealth and Investments

> Many people are so focused on trying to earn the highest possible income in retirement that longevity risk is overlooked, resulting in retirees outliving their retirement savings and having to rely on their children or the state to make ends meet.

Foster a culture of saving in your employees

Guy Chennells
Head of Product
Discovery Employee Benefits

A significant part of being a good employer is helping your employees save for their future, but what does it take to cultivate savings behaviour among employees?

There is a reason dieticians suggest not stocking up on junk food at home – without the temptation of instant gratification, we are less likely to binge. "Make the healthy choice the easy choice," they say – and the same principle applies across all fields of human activity. This is behavioural economics in action.

Behavioural economics has already proved effective in improving people's financial choices. Back in 2003, economists Thaler and Benartzi stunned the retirement industry with their seminal paper 'Save More Tomorrow: Using Behavioral Economics to Increase Employee Saving'. Their research proved that allowing people to sign up for automatic savings increases in the future, dramatically improved savings rates.

> "The fact is, it takes more than just financial education to save more for retirement, and traditional communication structures alone, without well-designed digital journeys, are not enough.

Behavioural interventions work

The experiment involved educating members about the likely outcome of their low savings rates, and then presenting different groups with different options on how to respond.

The member engagement was face-to-face, which then tested the impact of small group or one-on-one member counselling on the willingness to take action. The research found that, when appropriately informed and given an action that can be taken immediately, people are more willing to make a change than one might think.

- The contribution rates for those who were offered the Save More Tomorrow plan increased from 3.5% to 13.6% on average over four years.
- For those who were offered only an immediate increase, rates went up to 6.1% on average, but decreased from 6.1% to 5.9% over the same period.

Both groups recorded high increases in savings. The first group, however, could get to savings levels that would result in a funded retirement. The second group would still end up underfunded, with less than half the savings of the first group.

Engaging employees

It is clear that changing behaviour means engaging personally and persuasively with individuals. However, anyone trying to run a corporate communications strategy knows, workplace emails or posters are often ineffective.

This is especially true if you are attempting to foster a savings culture through generic communications that require members to take initiative, and if their actions demand an immediate trade-off between current take-home pay and retirement contributions.

However, it is possible to get very different results, even when communicating on a large scale. How? By being as specific as one can be, to give each employee a realistic idea of their personal savings trajectory. By sharing relevant, user-friendly information that offers immediate one-click actions. And by presenting plans that only come into effect in the future.

The easy choice is the healthy one

The fact is, it takes more than just financial education to save more for retirement, and traditional communication structures alone, without well-designed digital journeys, are not enough. Persuasive high-touch interaction, the personalisation and simplification of digital journeys, and rapid prototyping is essential to help people beat their own worst enemies when it comes to saving: themselves.

When systems are in place to nudge people positively and continually, and these systems are engaging and easy to use, you can help employees counteract their own unhelpful biases.

As employers, financial advisers and retirement fund providers charged with helping people retire well, we need to ask ourselves, what can we do differently to help make saving logistically simpler, and psychologically rewarding? Because when that is the case, the easy choice is also the healthy one. ●

Discovery

CONTRIBUTION **OPTIMISER**

A digital solution that can help employees save enough for a comfortable retirement.

DISCOVERY EMPLOYEE BENEFITS - **RETIREMENT FUNDS**

In just three easy steps, the Contribution Optimiser allows employees to tailor their retirement savings contributions to meet their investment goals.

Step 1

The employee enters the amount of income they would like to have in retirement

Step 2

We show the employee their current projected retirement income, and how it compares with their goal

Step 3

The employee chooses from two tailored contribution plans, which will immediately put them on track to meeting their goal

We reward healthy behaviours

To further help employees reach their retirement goals, we reward healthy lifestyle and financial behaviours with boosts to their investments. We add boosts of up to 15% to the assets they transfer to Discovery Retirement Funds and to their ongoing contributions, and boosts of up to 30% to the Discovery Group Risk Paybacks they reinvest in the Discovery Retirement Funds.

The Discovery Life Pension Umbrella Fund and the Discovery Life Provident Umbrella Fund are collectively known as the Discovery Retirement Funds. Discovery Life Limited underwrites the Discovery Retirement Funds. The boost is held outside the fund and grows at the same rate as the returns in the Fund and will be added to the employees' investment value at retirement. All boosts are offered through the insurer, Discovery Life Limited and only applies to investments in qualifying Discovery Funds if held until the retirement date. Early retirement, withdrawals or switches out of qualifying funds will impact the boosts. The insurer reserves the right to review and change the qualifying requirements for boosts at any time, provided that accrued benefits are not reduced. Discovery Life Limited is a registered long-term insurer and an authorised financial services provider. Registration number 1966/003901/06. Product rules, terms and conditions apply.

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Retirement planning in a pandemic

Jaco van der Merwe
Executive General Manager
for Personal Finance
Old Mutual

"

Look into all the options for investing capital for an income at retirement, such as living annuities and the various types of guaranteed annuities.

Almost half of the South Africans surveyed (49%) in the recent 10X Retirement Reality Report 2020 (RRR20) admitted they did not have a retirement plan. Only 6% said they had a plan that they were sticking to.

These numbers explain why 10X talked of a 'retirement crisis' when they started their research in 2018.

Inadequate retirement plans

South Africans are, however, not blind to the consequences of having inadequate retirement plans and savings in place. In fact, 76% of those with a household income (HHI) between R20 000 and R50 000 expressed concern about it, as did nearly three quarters (72%) of those whose HHI was more than R50 000 per month. This indicates that a broad range of people are feeling angst about their retirement, and it highlights the important role advisers can play in building more positive futures.

Apart from helping customers to understand their options and draw up a solid financial plan, qualified advisers can recommend solutions that support the plan and are appropriate for their life stage.

Reassess and plan for the future

Nobody could have predicted the COVID-19 pandemic and its economic fallout, which has worsened the problem, preventing many people from earning an income and pushing them into debt, unless they had access to an emergency fund.

The lessons learnt were painful. However, this may ensure that many more South Africans will now take steps to strengthen their long-term finances, reassess what is important, scale back and plan properly for the future.

What should you, as an adviser or financial planner, be saying to your customers?

1 Take advantage of tax breaks - South African taxpayers are allowed an annual tax deduction of up to 27.5% of their taxable income or remuneration, but limited to a maximum amount of R350 000, in respect of contributions to retirement funds. Make use of this concession to reduce your customer's tax bill, by advising them to increase the contributions to their employer sponsored retirement fund or a retirement annuity fund.

Your customers can also take advantage of a Tax-Free Savings Account, which allows them to save up to R36 000 a year (or R500 000 in total over their lifetime), without paying tax on the income or growth of the investment.

2 Consider all the available retirement options - Look into all the options for investing capital for an income at retirement, such as living annuities and the various types of guaranteed annuities. Remind customers of the wisdom of a sufficiently diversified portfolio, which spreads risks while seeking optimal returns.

3 Uphold the practice of regular annual reviews - The pandemic has brought about a myriad of changes into the homes of customers, many of which have an impact on their financial goals. It is important to use the appropriate communication technologies, to help your customers navigate these changes effectively, and help them to review what the last year has meant for their financial goals.

A solid financial plan

In building more positive futures, qualified advisers can help customers draw up a solid financial plan.

With retirement plans and savings in place, long-term success can be achieved, with the end result being that your clients will enjoy a happy retirement. ●

Call centres and the **maze of auto-prompts**

Section 30A(1) of the Pension Funds Act requires that members or beneficiaries of retirement funds first attempt to address their complaints with the retirement fund concerned, before approaching the office of the Pension Funds Adjudicator (PFA). Such complaints must be responded to in writing, by the fund. However, most retirement funds rely on call centres to deal with enquiries/complaints from their members.

The call centre

One only has to consider the type of complaints lodged with the PFA, from the ongoing lack of information regarding unclaimed benefits to the significant number of administration-related complaints (requests for information on whether employers are contributing to the fund, whether contributions are up to date, incomprehensible benefit statements, termination charges, progress with death benefit claims), to conclude that call centres are not providing retirement fund members with adequate information.

The call centre solution is not made to fit the requirements of the member/beneficiary. As a start, the less-than-friendly initial contact with the call centre – the one made to confuse the caller with multiple options and designed to automate the process with voice-linked prompts aimed at denying the caller the opportunity to speak to a person – is enough to put even the most patient person off. Added to the burden of a member who has already received less than satisfactory service is the fact that these call centres are often not free.

The call centre is almost the only contact that members/beneficiaries have with the fund. This is often so, because, with the advent of umbrella funds and retail retirement solutions, human resources departments have been rendered worthless to a member of an occupational fund.

Most disappointing aspects

One of the most disappointing aspects is that call centres remain fixed on traditional office hours. Only a few will go two hours, or more, after the traditional office hours – and during these times, they are often besieged with high call volumes.

Once a member has managed to get through the maze of auto-prompts, it then becomes key to talk to a knowledgeable call centre agent. This is often not the case, as the default option seems to be the one-size-fits-all solution, with word-for-word scripts. A call centre agent also needs to have empathy as members/beneficiaries might be anxious about a problem or going through a bereavement.

It is important that there are a few individuals within the call centre, where members/beneficiaries requiring this service are escalated to, instead of exiting the call with no solution.

It should also be possible for a call centre interaction to be confirmed in writing, considering the legislative requirement to respond to a complaint in writing.

If call centres can contact a member/beneficiary after a few days to enquire about their service, it should be possible for them to also confirm the gist of the interaction in writing e.g. confirm the status of a member, email an updated benefit statement as at a particular date, confirm whether contributions are up to date, confirm progress with a death benefit claim or confirm if any other information is still outstanding to process a claim. This will also assist the PFA to quickly identify the issues in a complaint lodged.

Properly resourced call centres

The PFA has had to revise its processes to ensure that funds, administrators and/or employers make an effort to comply with section 30A(1) of the Pension Funds Act. If anything, COVID-19 and the attendant lockdowns have brought to the fore the importance of properly resourced call centres. Many members, especially those nearing retirement or having to reconsider their retirement benefit provisions owing to loss of employment, needed up-to-date, proper information to allay their anxieties or, at least, put these in proper perspective.

It is, therefore, hoped that given the kind of burden placed by the Pension Funds Act in section 7C, retirement funds will put the necessary human resource investment in their call centres to achieve the desired customer service experience. ●

Muvhango Lukhaimane
Pension Funds Adjudicator

> One of the most disappointing aspects is that call centres remain fixed on traditional office hours.

Longevity risk...
are we addressing this?

Leza Wells
Chief Product Actuary
FMI
(a Division of Bidvest Life)
*Leza Wells is Vice-Chair of the mortality working group of International Association of Actuaries

> A risk plan should be designed to protect your clients' ability to earn an income for as long as they work.

The world is changing at a rapid rate. What was true yesterday is simply not true today. One of these outdated truths is that individuals are going to retire at 65 and die by 90.

Our industry's approach to financial planning is often based on this outdated notion, by offering risk cover to individuals aged 65, and calculating the required retirement savings to last to age 90. And yet, the reality is that many people are working well past the traditional retirement age and will live to celebrate their 90th birthday and beyond.

Trends shaping the 21st century

Sitting on international mortality research groups such as the International Association of Actuaries gives us insights and opportunities to observe trends around the globe*. One of the mega trends shaping the 21st century is a shift in the global population ageing. However, mortality researchers around the world must now consider the impact that a pandemic like COVID-19 might have on these expected trends.

Is this a once-off blip in the trend, or will we see future pandemics that negate improving mortality trends? Or does this mean that those who survive pandemics are in better health and hence average life expectancy will be even longer, resulting in individuals working beyond the current retirement age? This remains to be seen.

Many individuals are not ready to retire at age 65. The reality is that most cannot afford to. According to a National Treasury statement, only 6% of South Africans have enough savings to retire comfortably at age 65.

So, what does this mean for financial planning for retirement? Quite simply, individuals need to work longer and save more.

Your approach to risk planning

As a financial adviser, one of the ways you can help your clients to save more is in your approach to risk planning. Risk and investment planning are inextricably linked and how you structure one can have a significant impact on the other. Yet, they are seldom part of the same conversation.

A risk plan should be designed to protect your clients' ability to earn an income for as long as they work. Any interruption to their income can have a permanent negative effect on their savings and investments.

The philosophy is simple – protect 100% of a client's income through appropriate income benefits and use lump sum benefits to provide for any additional once-off expenses.

The combination of income and lump sum benefits across all risk events simplifies the advice process and ensures your clients are covered for both short- and long-term risks.

This approach will also save your clients a significant sum of money over time, compared to a lump sum only approach. Income benefits are more cost effective, when compared to equivalent lump sum amounts, and avoids clients paying for unnecessary level or increasing cover as they approach retirement.

Make a difference to your clients' future

Considering the latest population trends, as an industry, we need to ensure that we are not still using yesterday's assumptions to inform today's approach to financial planning.

By approaching risk planning in a more cost-efficient way, and investing these savings, you can make a significant difference to your clients' retirement future. ●

SEEKING 50 UNCOMMON PEOPLE

We're looking for 50 people. Singularly uncommon financial advisers. Men and women who want to do things differently. Who want to change the world and do some good while they better themselves. We want leaders, learners and truth seekers who are experienced but never jaded. We want people who are looking for a lifetime of value and opportunity from a partner.

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THE INSURANCE APPRENTICE

When the world turns upside down and you wonder how it will affect the way you do things, you sit back, re-think and adapt to the new normal. The Insurance Apprentice 2021 was supposed to be another phenomenal series and we were supposed to take it up one more step… just like we can and just like we always do!

Risk management 101

We work and operate in an industry that is all about risk management and taking chances with people's lives is just not an option… couple that with the uncertainty around everything Covid-19, and you cannot plan much when speaking human interaction.

Nothing will stop us

When cancelling is not an option, you rethink, reshape and remodel and you get excited all over again…

■ Four episodes, 80 contestants

In the first four episodes you will see all the contestants who applied and qualified according to the most important criteria we have set and that is that you have to be 35 or younger and that you are working and have been working in the short term insurance industry for four or more years. This will be the first four episodes and there will be 20 contestants per episode. All the contestants will join us virtually, with only Simon Colman in a studio in Johannesburg. Questions will be pretty much in a quiz format, with answers right or wrong. We will obviously throw in a curveball or two to make sure we get the contestants who can deal with some stress being thrown their way. From the 20 contestants in each episode, the two people with the highest scores in each round will then move on to take part in episode five, totalling eight apprentices.

Episode 1 - AON
Episode 2 - Sasria
Episode 3 - Inseta
Episode 4 - Chubb

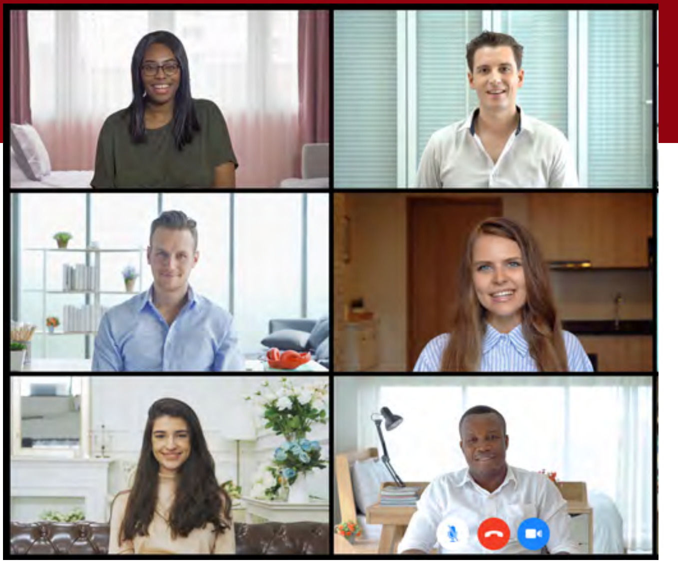
■ Episodes five, six and seven

In episodes five, six and seven we are moving a bit closer to the real deal with the eight contestants receiving tasks from the sponsors. Contestants will still be joining us virtually, but Simon will be joined by the judge or judges from the episode's sponsor. We will see group work, presentations, interrogations, and of course some firing… we have to be consistent with some things.

Episode 5 - FSCA
Episode 6 - Hollard Insure
Episode 7 - Discovery Insure

■ Episode eight

In episode eight we will see the final three contestants getting their task from Simon and the judges from Marsh. In this episode the winner of The Insurance Apprentice 2021 will also be announced.



Sharing is caring

Episodes will be shared LIVE on Facebook every Friday from the 11th of June. Once we have shared it live, it will we available for anyone to watch, so no one will miss out!

CPD

With the assistance from Charmaine Koch (AC Develop) we will ensure that you will have the opportunity to earn Continuous Professional Development (CPD) hours with all eight epsiodes.

Prizes

This is a competition, which means there must be prizes, and although the winner cannot go to Lloyd's of London this year, we have surely made it up in other ways. Here are some of the prizes contestants can look forward to.

- Winner
  Inseta Bursary worth R75 000 at any public University
  R10 000 from Tracker; R30 000 from Auto & General;
  Garmin watch from Genasys.
- Top 3
  A hospitality package for each of the Top three contestants sponsored by Bryte Insurance.
- Top 4
  Conference fee for the AIE Conference.
- Top 8
  Corporate photos of each contestant sponsored by AIG;
  Gift bag from Santam.
- Top 80
  A gift from the FAnews team
- The 20 contestants partaking in the Aon episode can also except a little surprise.
- More prizes coming from Simply and Lloyds.

We are super excited because we are working with a fantastic tech team, so make sure you follow us on Facebook, Twitter and Linked and that you are subscribed to the FAnews newsletter to get all the latest and greatest news and developments.

THE INSURANCE APPRENTICE

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GWII hosts first LEADERWALK of 2021

In collaboration with Business Engage and the 30% Club, Gauteng Women in Insurance (GWII) hosted its first Leaderwalk of 2021 on 11 March, with main sponsor, Old Mutual Insure, and co-sponsors Camargue and Innovation Group.

The Leaderwalk concept nurtures the advancement of senior management and aspiring leaders by providing a platform to share expertise, master skillsets and cement networks.

Themed "Adaptive Intelligence and The Future of Work" - guest speaker Buhle Dlamini, a global speaker, an award-winning entrepreneur and author of six books, opened the platform for meaningful engagement and dialogue.

As a member of Tomorrow Today Global, Dlamini shows leaders and teams how to create the most productive and effective organisational cultures.

On the topic of enabling leaders in creating an effective, inclusive culture in the new world of work, adaptive intelligence is now an important skill that leaders need to cultivate in order to succeed.

We thank our table hosts (below) for accepting our challenge to facilitate discussions:

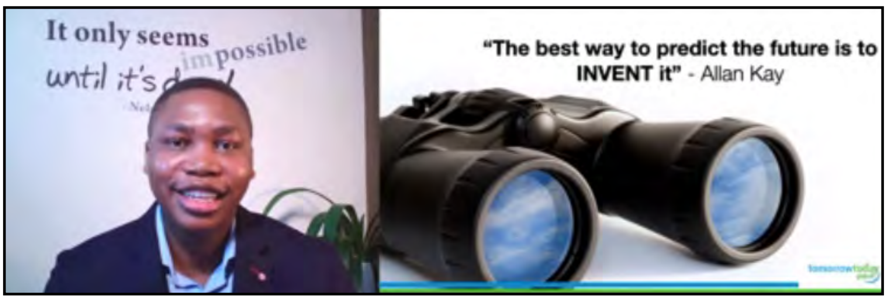
1. Gerhard de Bruin (Camargue)
2. Karen Naidoo (Old Mutual Insure)
3. Lizelle van der Merwe (FIA - Financial Intermediaries Association of Southern Africa)
4. Magesh Naidoo (Innovation Group)
5. Sedick Isaacs (Bryte)
6. Sizwe Ndlovu (Pineapple)
7. Soul Abraham (Old Mutual Insure)
8. Thokozile Mahlangu (IISA - Insurance Institute of South Africa)
9. Tshepiso Chocho (Sasria SOC LTD)
10. Zuriel Naicker (Marsh)

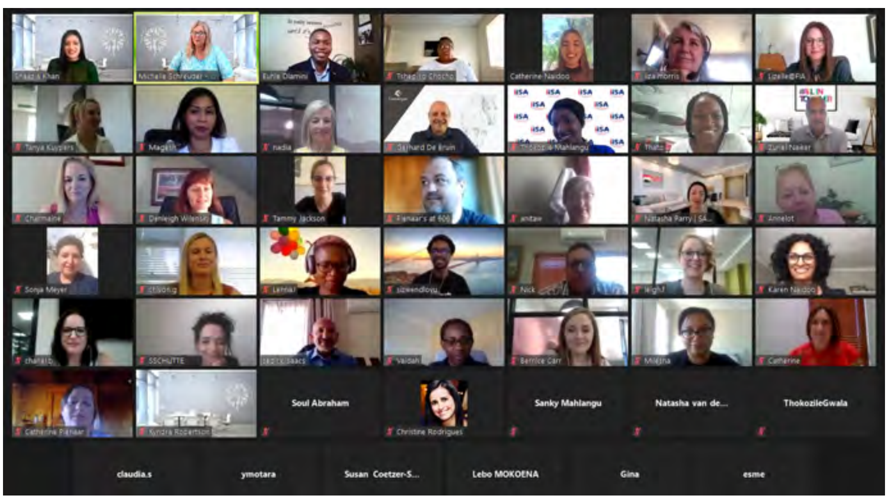
Some key thoughts were shared after the breakaway sessions. Mahlangu aired her thoughts by discussing practical diversity and inclusion. "Do small things every day and that will make a difference - once you start making an impact - BE READY!"

Leaving some inspirational sentiment, Naicker summed up their discussion with the following words, "gratitude, faith, hope, celebration and kindness."

Dlamini then concluded by saying that we all seem to be getting stuck in the same routine, with the same old online meeting over and over… we should all have online fatigue by now. "Spice things up… do five minutes of something WOW, in every meeting. Adaptability, not efficiency must become our core competency, and if you think about it, that is exactly what the pandemic has taught is all."

Thank you to our main sponsor, Old Mutual Insure, and co-sponsors Camargue and Innovation Group for making this event possible!





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Reach your dreams THROUGH VISION BOARDING

Gauteng Women in Insurance (GWII) hosted its first online networking event of the year, on 8 March, with main sponsor Chubb, and co-sponsor Camargue.

With the theme of 'reaching your dreams through vision boarding', guest speaker Leeann Naidoo, of Concordia said, "What better way to celebrate women this International Women's Day, than with vision boarding which is a useful tool to reflect on where we are, to where we want to be."

The wheel of life

In clarifying priorities for goal setting, Leeann gave an interpretation of the wheel of life exercise. "It clarifies priorities for goal setting with eight categories including career, finance, personal growth, health, family, relationships, social life and spirituality. Once you identify the priorities decide on three action plans to close the gap, to where you would like to be in one years' time," she said.

"Reflect on all aspects of your life and see which areas need work. Find the gaps... work on your present, to determine your future," she added.

Having scored themselves out of 10 on each aspect, the exercise presented the ladies with graphic illustrations of where they are now in their lives, and where they would like to be. The next exercise for the ladies was bringing their vision boards to life.

Bringing a vision board to life

With goal setting, mindfulness and other elements in mind, the ladies placed their photos that represent or symbolise the experiences, feelings, and possessions they want to attract into their lives, quotes, sayings, images of places they want to go, and just about anything that inspired them.

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"You need to keep your vision board positive, and make it a board of achievements, by keeping track of your goals and staying motivated. Breathe energy and life into your vision board… use images, quotes, backgrounds, textures, timelines, birthstones, months and different colours," said Leeann.

Neuroscience of vision boarding

It turns out putting your goals on paper in a visual format can actually help you achieve them.

"By representing your goals with pictures and images you will actually strengthen and stimulate your emotions because your mind responds strongly to visual stimulation. If you have already defined your dreams, it's time to illustrate them visually. Look at your dream board often and feel the inspiration it provides. Read your daily affirmations and inspirational words aloud. Feel yourself in the future you have designed. Look at it just before going to bed, after a stressful day at work, and first thing in the morning, to motivate you," said Leeann.

Lucky draws

Congratulations to all our lucky draw prize winners who walked away with amazing prizes:

- Sumaya Roskin and Michelle Govender won Typo prizes.
- Leigh Cook, Kaylene Wellcome and Thea Brits won books by Leeann Naidoo titled, "The Mind Age: mastering your infinite mind for success for 2040 and beyond".
- Michelle Govender, Kirsty Robinson and Nontuthuzelo Ntwana won coaching sessions with Leeann Naidoo.

Thank you

GWII would like to thank main sponsor Chubb, and co-sponsor Camargue for their sponsorship and support for this event. Without our sponsors this would not be possible.

Thank you, Leeann, for inspiring the ladies to reach for their goals, and to all GWII members, thank you for attending this event. We hope that you feel inspired and motivated… and that you will continue to grow, evolve and reach your goals.

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