Leading experts warn the world about the dangers ahead

FEBRUARY 2021

FANEWS

FINANCIAL & ADVISORY NEWS

TAKING THE LESSONS OF 2020 INTO 2021

FNA VS Compliance: Advisers still tripping up on section 8(1) of the Code

Motor insurers take note: Replacement parts cannot compromise an insured's safety!

THE WORLD OF WORK 2021... SMARTER, FASTER, SIMPLER

Benefits from T-Day retirement fund reforms

TRENDS THAT WILL SHAPE THE LIFE INSURANCE INDUSTRY GOING FORWARD

Editor
Rianet Whitehead
Tel 011 768 2299
Cell 082 467 1924
editor@fanews.co.za

Journalist/Researcher
Myra Knoesen
Cell 082 291 8760
myra@fanews.co.za

Freelance Journalist
Gareth Stokes
Cell 073 373 3580
gareth@stokesmedia.co.za

Ads & Subs
Michelle Schreuder-Rankin
Tel 011 768 2299
Cell 083 787 4567
michelle@fanews.co.za

Design & Layout
Noël Schreuder
Tel 011 768 2299
noel@fanews.co.za

Website
Get all your insurance news at www.fanews.co.za.

Subscribe to our daily free e-newsletter to stay up to date.

FAnews is published by
Insurance Publications cc
PO Box 2342
Wilropark 1731
Tel 011 768 2299
Fax 011 768 3032
info@fanews.co.za

ABC AUDITED

The Insurance Institute of South Africa
Claim up to 3 CPD hours for this issue

FPI Financial Planning Institute of Southern Africa THE PROFESSIONAL STANDARD 2020 Recognised CPD Provider

CONTENT
... FEBRUARY 2021

Focus on what really matters...

LETTER FROM THE EDITOR

Rianet Whitehead
Editor

2020… was a year different to any other. Different, because unlike last year, we know what to expect, and we have adapted. Yes, it is still tough, and some things take longer to adapt to than others, but we know that in a big way it depends on us to make it work. Then there is, of course, the little hope of vaccines for some… which is a whole conversation on its own.

Allianz recently shared a link to the Allianz Risk Barometer on LinkedIn and stated that, 'As the COVID-19 crisis continues to impact our global and local economies, we can attest that the pandemic is the greatest challenge we have faced since World War II'. According to the #AllianzRiskBarometer, the main risks in 2021 are related to business restrictions and limitations, due to the sanitary crisis. The reality is that we have to make this work and we have to tackle the challenges head on… because we have no choice.

In the life insurance space, things are not looking any different. The impact is BIG… I asked Momentum what they are seeing in terms of life claims, and their comment was, "All indications are that the claims in January 2021 will surpass the first wave peak we had in August, by some margin. The death claims, because of other reasons besides COVID-19, are more or less in line with the previous years, so those numbers are back to normal. We no longer see the reduction in claims we experienced during the hard lockdown, for example, as a result of motor vehicle accidents. In a nutshell, the death claims teams are immensely busy, and we are definitely feeling the heat of the second wave of COVID-19 infections." Sanlam just told us that "In 2020 R456 million in Covid-19 related claims were paid out by Sanlam Individual life, with the majority allocated to death and funeral claims with over R426 million paid out. Over R26 million was paid to clients for sickness and income protection, with 85% of those coming from medical and health services sector."

So, shall we talk about the impact in the Employee Benefits space? Businesses had to scale down or close down… this directly affected the EB offering, and the reality is that you, as a company, can only do so much to assist. What does the future look like in terms of employment and how companies will employ people? It might mean no benefits, other than flexibility and work from home privileges.

I could not agree more with a comment I read on BizCommunity which stated, "Analysing 2020 ('20 plenty') through a behavioural science lens, shows that it was a year of cognitive overload. We were presented with too much information and too many new tasks simultaneously, often resulting in our inability to process information, or at the very least, leaving us feeling overwhelmed, anxious and confused by the choices around us. If 'plenty' was the theme for 2020, it is time to move to minimal in 2021."

Who agrees with me? Let us focus on what matters… and be positive about it. So, here is to a productive, healthy, and blessed 2021! Enjoy the read.

Advice landscape going into 2021

The year 2020 was one where industries had to accelerate the rate of digital transformation significantly, without warning. However, it certainly taught us some lessons which will shape the landscape of advice going into 2021.

Advisers should not see the pandemic not as a Black Swan event (totally unexpected massively disruptive event), but rather as a Grey Rhino event (a highly probable but neglected threat with enormous impact). The business of life insurance is about dealing with the Grey Rhinos of everyday life, at the same time as hedging against devastating Black Swan events. The lessons have been many and varied but let us focus on key ares:

- **Human touch** - Research shows how much humans need real-time and regular physical and emotional connections to maintain their overall wellbeing. Our advisers have learnt how to augment their relationships, combining personal empathy with connection technologies, when unable to meet clients. This has allowed them to tackle the next learning.

- **Constant reviews** - The massive economic turbulence has shattered financial stability for most people. At the same time, the protection and investment benefits of their life insurance portfolios have never been more important. Our advisers have learnt to balance life needs, with a client's financial circumstances, to secure the best options available.

- **New opportunities** - The rapid acceleration of digital disruption in the workplace, in consumer behaviour and in lifestyle choices has opened a door that was only slightly ajar to most of us beforehand. Our advisers have learnt that we are on the threshold of a brave, but uncertain new world of challenges and opportunities.

If further Grey Rhinos appear in the future, we should remain alert, informed, open-minded and humane, to overcome the obstacles and capitalise on the opportunities to the benefit of all.

Johan Minnie
Group Sales Director
Liberty

TAKING THE LESSONS OF 2020 INTO 2021

The year 2020 brought about many challenges. However, as Stephen Richards once said, "With every challenge you face, there is an opportunity hidden that will lead you towards the path of wealth and abundance." With this in mind, **FAnews** spoke to a few industry experts about the lessons they learned in 2020, which they are taking into 2021.

A fine balance of legal certainty

We have seen various court challenges, regarding business interruption cover, over the past few months.

Policyholders believed that they had cover for the losses they suffered, as a result of Covid-19 and the consequences thereof (which includes lockdown). Insurers stated that it was not the intention for business interruption cover to cover a pandemic such as the one we are currently experiencing.

This misalignment led to the courts having to interpret the contracts (policies) between the policyholders, and insurers, to determine the rights of the policyholders and the obligations of the insurers.

When reading through the judgements, very technical arguments were presented on behalf of both parties. Words such as 'causation', 'text-in-context', 'sound commercial sense', 'un-business-like result', *'contra proferentum principle'*, etc., are seen in most of the judgements. The words are technical legal terms that are often only understood by individuals that have had some legal training.

It is risky for insurers, and binder holders with a mandate to determine policy wordings, to be in a situation where contracts (policies) are drafted by individuals who are not trained in law, when the Courts, who ultimately decide on the interpretation of these contracts, rely on technical legal arguments when there is a dispute around these contracts.

Legal experts, however, have a way of writing so technically that it is difficult for a person who does not have a legal background to understand the document. With the legislative requirement that insurers should treat customers fairly, the drafting of policy documents require a fine balance of legal certainty and understandable language.

The learnings from the business interruption claims is that insurers and binder holders should implement controls that will ensure that balance is achieved. This will probably be best achieved through a process where policy documents are reviewed by legal experts, and by someone who can confirm that the language used will be clear to individuals who are neither experts in law, nor in insurance.

Juanita Moolma
Executive Head: Governance, Risk Management, Compliance and Legal
Hollard International

Everything into perspective

Twenty twenty was the year we not only learnt to appreciate what we have, but we also realised we cannot ever take things for granted again. This was not only true in our personal lives, but in business as well.

Whether it was the time we spent with the people that matter, the safety of our homes or the importance of communication and the need to be understood, this pandemic has put everything into perspective.

For employees and businesses alike, 2020 meant more focus, more alignment in terms of key objectives and the important lesson of not spreading ourselves too thin.

While both home and work environments have merged, and our mental wellbeing has been pushed into the spotlight, we have had to not only cope with, but persevere through this unprecedented period.

However, our mental health was not the only thing that was affected by this 1-in-100-year event… our retirement plans have also been led astray. While employers have cut costs and future savings have had to take a back seat as they prioritise the immediate over the long term, we need to consider what it will take to get back on track.

The real challenge going forward, will be implementing that savings mindset, making bigger contributions to our future and being more mindful of the things we need and the things we do not need.

Perhaps, this focus on what truly matters and really appreciating what we have will translate into our savings and we will make better decisions with our income, be more astute and start building a future we want to see for ourselves. It is my hope that in this way, the positives of 2020 shine through in 2021.

Walter van der Merwe
CEO
Fedgroup Life

Lessons, opportunities, and considerations

There are numerous lessons businesses across every sector learned in 2020, that relate to both our industry, as well as that of our partners and customers, and some of them are:

- **Business agility** - This pandemic has accentuated the multiple benefits of maintaining an agile and adaptable strategy. Equally, it has also brought into focus the detrimental impact a lack of dexterity can have on business resilience. Regardless of the sector in which a business operates, an expanded focus on risk awareness and mapping, together with more holistic approaches to mitigate against these, will remain vital to the sustainability of the business.

- **Simplicity is key** - The Covid-19 pandemic has accelerated what was an imminent shift in consumer expectations and market needs. It has brought to the fore the importance of keeping things simple. Customers are increasingly seeking seamless processes, expertise that effectively (and concisely) guides them based on their unique requirements, and solutions that are fit for purpose.

- **Technology, less daunting** - Almost overnight, our industry and many of our customer's businesses had to take to remote working. While this has taken some adjustment, in the most part, people have adapted with ease. Now, there is greater comfort around the use of technologies and a greater willingness to engage virtually. So, while the emphasis will continue to be on leveraging technologies and virtual engagements, balancing this with the experience of traditional, physical engagements will take some creative thought and application.

- **Cyber jeopardy** - With so many continuing to work remotely, this has put businesses at a higher risk in terms of cyber exposure. In 2020, the number and range of cybercrimes escalated considerably. According to an article on Fintech News, some estimates suggest that cloud-based attacks rose 630% between January and April 2020. This will continue in 2021 hence, it is essential for business to up their cyber security game by ensuring the right processes, technologies, detections systems, etc. remain in place and are diligently followed/used.

Nicholas Francis
Chief Marketing Officer
Bryte Insurance

COMPANY CULTURE IN THE NEW NORMAL

Covid-19 has opened up a new way of working. In this new normal, however, how do we keep employees engaged? **FAnews** spoke to a few industry experts about keeping employees engaged and committed in this new normal.

Companies have become more aware

Twenty twenty was indeed a challenging year for businesses, with smaller companies being more battered by the storm, than larger enterprises that were able to weather it better. Many organisations resorted to unprecedented cost cutting initiatives, to keep jobs from being shed and to stay afloat, which has resulted in the prospect for meaningful increases and bonuses seeming bleak.

With this in mind, organisations need to explore non-financial interventions to keep employees engaged and maintain a company culture that fosters a positive emotional commitment from employees. Employee engagement is not driven by remuneration, despite many managers tending to erroneously make this correlation, but instead it is driven by a meaningful work environment that nurtures good emotional connections between employees and their employers, as well as the policies that support this.

Despite all the challenges, the pandemic has managed to shift the thinking around employee engagement, with business leaders taking steps in the right direction. The pandemic has forced managers and employees to develop a common purpose with employees being increasingly recognised for their contributions in achieving business objectives.

Companies have also become more aware of the non-work-related challenges that affect employees' mindsets and have put in place strategies, policies and interventions to address these and support greater work-life balance. This has led to them developing greater levels of mutual trust with employees, and increased levels of transparency, where employees have visibility of the things that affect them.

Muhammed Goolab
Executive Committee Member
South African Reward Association

Ensuring that employees remain engaged

Enabling employees with the right hardware, software and tools to work from home is important, but ensuring that one's employees remain engaged is critical.

Employee engagement is defined as the emotional commitment that an employee has towards their employer, their colleagues, the company's vision and goals. Employee engagement, their well-being and effectiveness are driven by numerous experience factors such as organisational stability, trust in leadership, compensation and benefits, and recognition, to name but a few.

Implementing the following principles will go a long way towards ensuring that employees remain engaged:

- Communication and dialogue – with staff working from home, staying in touch via daily team meetings and/or one-on-one check-ins are important, to manage team performance, facilitate dialogue with employees and enable regular feedback.
- Sharing of information – frequent and transparent sharing of information from leadership to the coalface, ensures that employees are kept up-to-date because they are reliant on the leaders to make crucial decisions that could have an impact on the organisation and, most importantly, their jobs.
- Maintain a positive work environment – remote working has caused a blurring of lines between work and home life. It is important to encourage employees to maintain a healthy work/life balance. Furthermore, both the leadership and management team should show flexibility and be in-tune with the factors that impact employees outside of the workplace.
- Compassionate leadership and supportive management – it is important to demonstrate awareness and empathy to the psychological, health, and financial impact of the pandemic, all of which are far reaching, by remaining accessible to your teams.

Heidi Dias
Executive Distribution & Marketing
Constantia

An engaged workforce, is a productive one

Motivating employees and increasing their morale, so that they remain engaged, connected and optimistic has become a priority for all employers.

Whilst employees may not be in close proximity, the need to connect with others is strong, and employers can enable this through daily virtual chats and meetings, regular emails with updates and plans, online team activities and casual hangouts, as well as a buddy system where personal connections are fostered. Much of this comes down to effective communication, and as employers are often caught up in the day-to-day survival of their business, they may neglect this crucial aspect.

However, it is easy to get into the habit of communicating so that it becomes an integral part of the company's culture. Employees need to feel heard and valued, and one thing the lockdown has brought to the fore more than ever is the usefulness of technology. There is almost no excuse not to be in touch as there is a myriad of ways to connect.

Encouraging health and wellness and providing strong leadership, ongoing support and genuine care can make all the difference in the world. It may be the smallest thing that has the greatest impact… a kind word of appreciation, acknowledgement of a job well done, a personal email or phone call. Being mindful of employees and their challenges should be an employer's top priority because, after all, an engaged and committed workforce is ultimately a productive one.

Anne Grunow
Chief Human Resources
Fedgroup

Effective leadership of remote teams

Managers need to be trained in coaching, developing and engaging in effective leadership of remote teams. No matter where teams are located, managers are responsible for employee engagement, performance management and weekly tracking.

Engage in honest progress reviews, pay scale discussions, and re-evaluate past incentive structures. The incentives applicable before the pandemic, may no longer apply. If performance has not been in line with company productivity targets, then these deviations from performance should be expressed with employees early on, so that there is an opportunity to improve via course correction and/or performance management.

The induction processes at companies must include a remote onboarding process. This will prepare new recruits and address their needs. Talent acquisition strategies must also be updated to account for developing a remote workforce.

Team leaders are to actively converse with employees (omni-channel means) about their long-term growth and success. They should learn more about employees' intrinsic motivation and past performance and identify what talents can be leveraged from each person, based on past performance and success as a team, because those skills still exist within the organisation.

More importantly, practice and training for employees on how to work functionally, in a remote setting, is important.

Policies should be drafted to enable workers to Work-From-Home (WFH), with outlines of measures in place, to support teams from an IT, direct line management, and other inter-departmental areas. Processes and procedures will need to be amended or even redrafted to fit the new remote work dynamic.

Renay Sewpersad
Fire Protection Association
of Southern Africa

Compassionate leadership

Teams thrive under compassionate leadership. During the pandemic, people needed leaders to connect compassionately… leaders who are self-aware and leaders who lead with kindness and care.

The strength of leadership is often measured by looking at things from a commercial perspective. The strength of leadership lies in building a healthy team that is aligned with your purpose and can meet your deliverables. This style of leadership requires leaders to tap into their emotional intelligence and engage with their teams.

Most leaders ascend to leadership positions as a result of their demonstrated technical expertise. The need to develop the skills required to manage and motivate people is often overlooked in many organisations. This can create a vacuum between what employees expect and need from their leaders, and what leaders think good leadership looks like.

Those leaders who are strong technically but have struggled with leading with compassion and emotional intelligence, have had to step up. Teams led by leaders who have invested in these 'softer' skills have improved their productivity and have better employee retention rates.

Embracing a holistic leadership approach that balances technical excellence with the ability to manage people compassionately, is essential to helping your teams navigate uncertain periods and thrive over the long term.

Ayanda Nogantshi
Head of
People Operations
Allan Gray

Fight for your share of CUSTOMER ATTENTION

Does your customer expect a response to a query at 10 pm on a Sunday night?

He or she very well might, as today's consumers have higher expectations and shorter attention spans.

Less patience, short attention span

When fighting for your share of consumer attention, it might be tempting to simply deliver a better experience than your immediate competitors, but the reality is that consumer expectations are shifting, based on exposure to a variety of industries and experiences. The basis on which we judge service quality, product delivery or relationships with brands is not constrained to that specific context but is constantly shaped by multiple daily interactions.

Exceptional service delivered by a waiter at a top eatery may influence our expectation of service from a financial institution. The record delivery time and returns policy of an online retailer may equally influence our expectation for speed and flexibility in all industries. Instant access to information online, could frustrate consumers when the same instant gratification does not play out in the real world.

This, in conjunction with the ever-increasing onslaught of information and marketing messages, means that today's consumers have less patience and shorter attention spans.

Customer engagement journey

Customer engagement requires a thorough understanding of the customer journey in any given sales cycle. Understanding the actual and desired customer behaviours, experiences and expectations through this journey is the first step in developing a customer engagement strategy. This involves mapping out the entire process the customer goes through, from purchase consideration to post-purchase servicing, and the resultant ongoing relationship.

Understanding the pain points along this journey, as well as the opportunities for capitalising on these positive experiences, becomes the basis for identifying the possibilities for better customer engagement.

Customers may have different experiences or needs, and a segmented approach to engagement can assist in better serving these unique needs. They may have specific requirements for engagement along their customer journey, or preferences for how they are interacted and communicated with, how often, and on which platforms.

Another consideration is organisational resources to service customers efficiently, while still meeting or exceeding customer expectations. Based on your customers' values and communication preferences, you may choose to employ differing levels of personalisation and human interaction.

A 'high touch' approach may be reserved for key customer segments, with more automated engagements servicing other segments. The 'tech touch' may be suitable for many organisations where consumers can be effectively engaged with at a mass level, augmented with human interactions based on predefined triggers.

Strive to improve your service

To remain relevant in the eyes of your customers, the way in which you interact with them needs to fit seamlessly into their daily routine. This might mean implementing regular, up-to-date, and expected engagements to ensure that you are supporting them through the process. Or perhaps a more effective approach will be to create unexpected or ad-hoc engagements that look to leave a more lasting impression.

To determine what the best engagement strategy is for your business, you must first understand the customer journey, their desires and the opportunities available to you. In turn, this can help you adopt a proactive approach to engaging with your customers and managing negative customer experiences as you strive to improve your service.

This is not to say that there is no room for reactive engagement. Providing customers with a platform to voice their concerns, and then responding in a timely manner, ultimately serves the same objective: improving customer satisfaction, interaction and, ultimately, retention.

Customer engagement needs to add value, and be seen to add value, to the consumer in a world where you are competing for their attention on a global scale. Rather than being a transparent punt for a new sale or business objective, customer engagement should be relevant, impactful and focus on making life easier for consumers, whether they are seeking information, service or advice.

Tim Allemann
Chief Marketing Officer
Fedgroup

Partnerships in the FUNERAL INDUSTRY

The value of partnerships, in any industry, cannot be understated. Yet, it is often underappreciated. This, to my mind, is especially true in the funeral insurance space.

Whilst there is a growing demand developing for 'direct-to-market' funeral insurance, it is the relationships built between insurers, intermediary partners and policyholders that is still the popular method of choice for many customers.

The trust relationship

Intermediaries, especially in rural or less industrialised areas, often reside in close vicinity to their customers. These intermediaries are members of the larger community and have personal relationships with many customers outside of the professional relationship, relating to the financial service provided.

These intermediaries are established providers that have been serving underlying policyholders for many years, which fosters the trust relationship. This also relates to intermediaries being held accountable by their customers, the policyholders, on a very personal level, and intermediaries in turn, holding insurers responsible.

The relationship between intermediaries and policyholders also benefits the insurer in relation to the provision of information. Intermediaries can assist insurers in understanding the policyholders, their needs, habits and requirements. As a result of the intermediaries' knowledge of individuals, families and groups within their communities they are also, in many instances, able to assist insurers in combatting fraudulent activities and practices, which ultimately benefits all other policyholders.

These close and long-standing relationships with policyholders further result in customers being able to directly, and on a very personal level, express their specific needs, which may vary based on, amongst other factors, age, economic means, geographical area and understanding of financial services. This puts intermediaries in a position to directly relay this to insurers and, as a result, this leads to the somewhat unique scenario that product development is often driven on a micro level with products being made available on a much smaller scale, than may otherwise be possible.

Elevating inclusiveness

In South Africa, partnerships between insurers and intermediaries elevate inclusiveness and provide access to financial services for thousands of South Africans who would otherwise have limited or no access. This is particularly the case in rural areas, where the intermediaries provide face-to-face services to policyholders, and can travel to the policyholders, where others are not willing or able to do so.

Intermediaries also provide employment and advancement opportunities for members of the community and thus, like other businesses, financially empower those around them. This is also by no means limited to financial or employment opportunities but extends specifically to the possibility of acquiring resultant education and training in the financial services environment.

Empowerment is seen in light of access to the benefits of the so-called Fourth Industrial Revolution (4IR) and, specifically, the enhancements brought on by advances in technology. Specialist funeral insurers are now able to offer completely paperless products, available to any member of the public with a cellular phone. The partnership between insurers, intermediaries and customers makes it possible for policyholders from all backgrounds to share equally in the benefits brought on by the enhanced ease of access.

Three parties to this partnership

Intermediaries act as conduits for policyholders to obtain access to products, whilst the insurer completes the circle by providing the actual product that an intermediary would not be able to offer. Regulated, and now licensed, insurers are held accountable by various authorities to ensure the provision of appropriate products and, as a result, all customers, including vulnerable individuals, can be confident that insurance products obtained by way of an intermediary are both appropriate and reliable.

Insurers also provide administrative assistance and product related training to intermediaries, which in turn benefits the policyholders. Insurers maintain close contact with authorities, which means that they can update and upskill intermediaries on new products and policy benefits. This ensures that all policyholders have access to the best advice, where appropriate, and products that are suitable to their specific needs.

It is, therefore, incumbent upon all three parties to this industry-wide partnership to understand the value thereof and continue to maintain the underlying relationships.

Rudi Kotze
Head of
Legal and Compliance
KGA Life

Strike a balance between DIGITAL AND HUMAN

As we hurtle into the Fourth Industrial Revolution (4IR), digital client servicing and the consumer experience have become the key contributors for any successful business – regardless of what sector or industry you operate in.

This means that businesses of all shapes and sizes need to consider their personal interactions with consumers, as well as their online channels.

Embrace new digital landscapes

Achieving digital fluency is critical to remain viable and increase your competitive advantage in the market. If you have not already, you will more than likely need to consider incorporating digital transformation into your client engagement strategy, to adapt to, and embrace new digital landscapes.

Where consumers once merely expected the basics from their experience with businesses and brands – such as quality service and fair pricing – today's customer has a much higher expectation from companies to deliver immediate and proactive service, personalised and customised interactions, and consumer-oriented experiences across digital channels. Technology is responsible for raising these expectations at a fast pace.

A modern business mentality

Over and above raised expectations, there has also been a fundamental, even generational shift, in the way consumers think. Accordingly, businesses and brands need to understand consumers' current needs and expectations. Younger consumers now think with a "digital first" mind-set and have started showing a preference for more digital servicing and less human interaction.

A modern business mentality is essential in today's technological world. It is vital for businesses to understand the role that digital transformation plays in our fast-paced, rapidly changing and always connected society, and how this provides an opportunity to engage with modern-day consumers and deliver on consumer expectations – which are much greater than they have ever been.

Social media is standing side-by-side with traditional marketing and advertising models in the communications toolbox. In fact, older methods of communication look set to become redundant in the not-too-distant future. Modern-day consumers now dictate how they engage with brands via social media and rate businesses on their digital consumer experience first, simply because a business's digital presence is often the first touchpoint that a consumer will have with its brands.

While businesses adapt to the age of digital transformation and digital client servicing, it is important to remember that personalisation and tailor-made engagements and solutions for consumers are still an investment for a business when it comes to creating high levels of service. Consumers still want to be treated as people and not just numbers.

Personalisation in a business model should still be kept at the forefront of any service strategy during digital transformation, as well as during the digital client servicing process. Always keep your customer in mind and keep your offering flexible so that you can engage with your client base in the way that makes them the most comfortable.

No opting out of digital integration

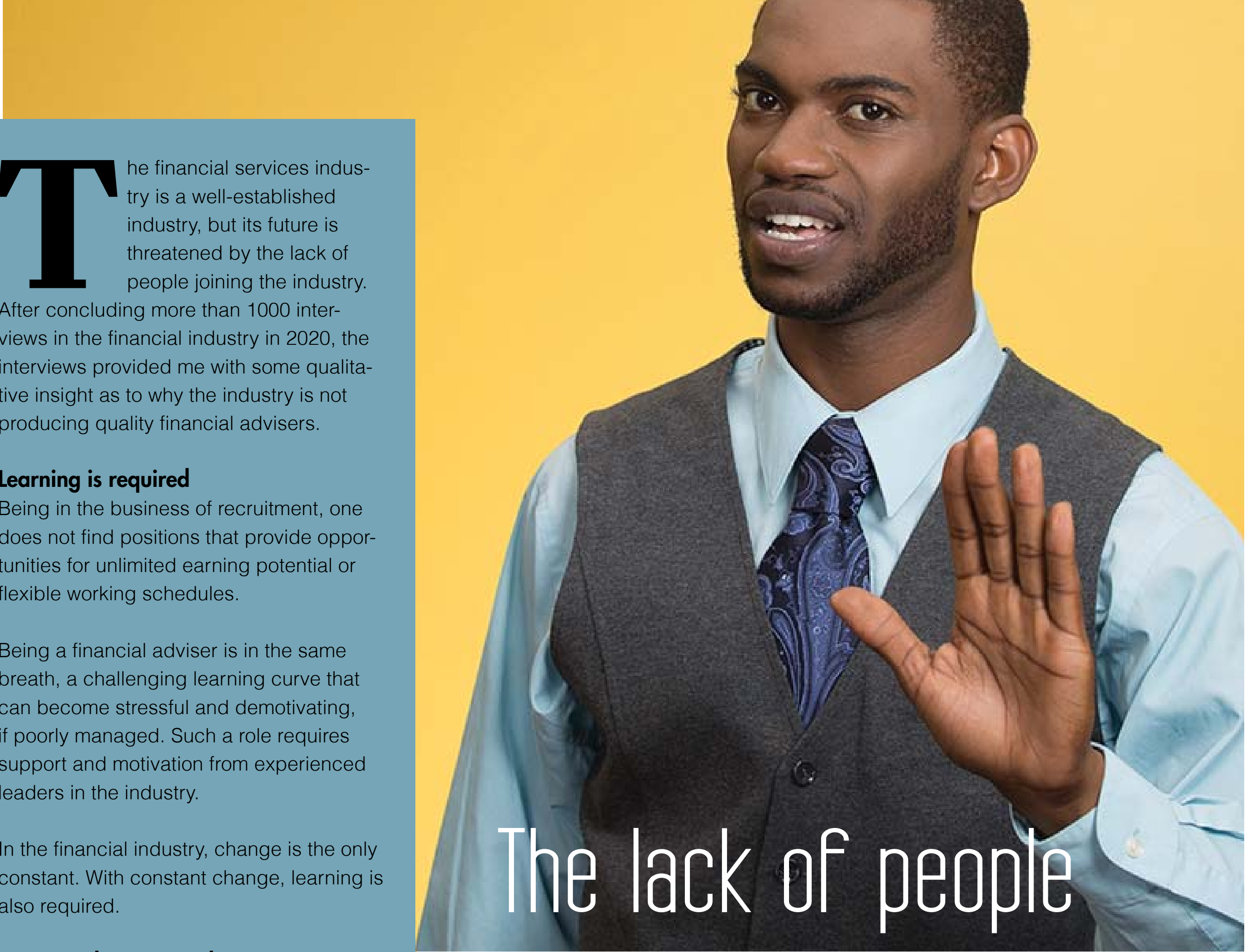
However, simply adding digital elements on to your existing customer engagement strategy is not recommended.

This practice can lead to unnecessary complexity in your business. You need to create a holistic customer experience that strikes a balance between digital client servicing and automation, versus human touch and personalisation, and never lose sight of the ultimate goal, which is to exceed consumer expectations and improve the overall consumer experience, while at the same time maintaining the highest levels of service through digital channels.

It is a complex exercise that requires a focus on, and understanding of, the customer's journey, intentions and behaviour, as well as the channels through which you communicate and provide your product.

Consumer standards for quality service are higher than ever before, but for better or worse, the way your consumer interacts with your brand will ultimately impact your bottom line. There is no opting out of digital integration. Your competitors are doing it – and raising the bar as they go. Do not get left behind.

Jessica Dos Santos Morelli
Corporate Account Manager
CIB



The lack of people JOINING THE INDUSTRY

The financial services industry is a well-established industry, but its future is threatened by the lack of people joining the industry. After concluding more than 1000 interviews in the financial industry in 2020, the interviews provided me with some qualitative insight as to why the industry is not producing quality financial advisers.

Learning is required

Being in the business of recruitment, one does not find positions that provide opportunities for unlimited earning potential or flexible working schedules.

Being a financial adviser is in the same breath, a challenging learning curve that can become stressful and demotivating, if poorly managed. Such a role requires support and motivation from experienced leaders in the industry.

In the financial industry, change is the only constant. With constant change, learning is also required.

Some qualitative insight

During my analysis of the interviews, some of the following conclusions were drawn:

- Advisers are sourced for the focal point of selling, and not with the skills to empower people. After advisers have sold to family and friends, support to building their careers as financial advisers lacks, creating an instant mind-set blockage. Managers do not put in time and effort into the incumbents', by providing training and assisting the advisers to develop skills to prospect. Most candidates interviewed cited having left a company because of a lack of leadership and after training support.

  A feeder into this disaster recipe is the problem of the lack of development plans for advisers coming into the business. The individual will indeed bring in new business, but ultimately will not have enough skills to sustain themselves in the long term.

- Working for a franchise is another wicked problem. Advisers are made promises that are not kept or do not receive the remuneration that was initially postulated. This results in individuals immediately becoming demotivated and has a misrepresentation of being a financial adviser.

- Advisers are not developed into building their own businesses as entrepreneurs, but rather as salespeople.

- Most financial advisers interviewed have missed credit payments, resulting in bad credit. My observation is that advisers stop prospecting while waiting for cases to be activated. This means there is no new business during that period, resulting in less income for a period, and defaulted payments. Management does not focus on consistency. The focus for that period is only getting the cases activated, but leaving out the lifeblood of the industry, which is prospecting. Because of how the commission is structured, it is important that the development plan also includes some guidance on personal financial management. Most advisers give advice on finances, yet their own finances are not in place.

- It has been bewildering to find out that some advisers are not fit and proper, yet they are still working in the industry. They continue to give advice at large organisations, and on doing appropriate checks, one finds that many advisers have not completed their Class of Business or Continuing Professional Development (CPD) hours, they have Date of First Appointment (DOFA) dates, but are not aware of the RE 5 exam deadline etc. There is a lack of development and compliance at some of the Financial Service Providers, hence the above is noticeable.

Sustainable development plans

I believe the industry should focus on developing new advisers, by implementing sustainable development plans and training managers to be part of these plans.

I have noticed that companies who do have such plans in place, lack the implementation drive. New advisers should also be willing to put in the hours, dedication and have the will power to succeed. After all, they say an investment in knowledge pays the best interest.

Bianca Nell
Director
InnoTrend Consulting


Let us help you weather the storm.
Approach risk with purpose.
Storms don’t last forever, and when they do end, we remember how we overcame them.
Need insurance for your business? Contact your Bryte representative for more information or visit our website.
brytesa.com
Bryte Insurance Company Limited is a licensed insurer and an authorised FSP (17703)
Bryte

The reality of TODAY'S CUSTOMER

An engaged customer is a happy customer, and that means getting the customer experience right, first time. The benefit of this, according to PWC research (https://pwc.to/35Q4QJ2), includes up to 16% premium on products and services, plus increased loyalty from consumers, proving that great experiences are tangible.

In recent years, the focus on customer interaction has moved away from being just about product and in certain circumstances price, to now incorporating a more holistic customer value proposition that relies heavily on the experience a customer has.

According to the research, price and quality remain top of mind for customers as they make purchasing choices. However, when customers think about their interactions, positive experiences influence purchasing decisions in almost every industry, but are particularly influential in healthcare (78%), banking (75%), restaurants (74%) and hotels (74%).

But what is customer engagement?
It talks to all the touchpoints and interactions between a customer and the broker, and between the customer and the insurer.

The research states that one in three consumers (32%) say they will walk away from a brand they love, after just one bad experience. More importantly, many brands see these touchpoints as individual experiences, but for the consumer each touch point is a step in a single journey.

In the intermediary environment this statement becomes even more complicated as the triangle of service between the broker, the insurer and the customer are influenced by not just one party, but multiple parties at different times. On top of this, it is impossible for either party to keep control over the client relationship end-to-end.

This means a focused partnership approach is required. A partnership that jointly places an emphasis on keeping customer interactions highly professional, efficient, and simple.

What the customer wants
Any frustration generated in any touchpoint should be cause for great concern. Above all, the assumption should not be that technology is the ultimate answer or solution. Technology is only an enabler, but the experience factor remains with the staff of the insurer, and with the broker. Good customer experiences should leave the customer feeling heard, feeling empowered and feeling satisfied that a matter is resolved, or a solution was found and implemented.

From an insurer perspective, customers want the development of simple and easy processes and products. They want insurers to keep premiums to a limit, and they want to interact with fully trained, professional staff who know the products and procedures of the insurer. Above all, they want user-friendly technology, with speed and accuracy, whether we are talking about day-to-day servicing or the processing of a claim.

From a broker service perspective, customers want to engage and communicate on a regular basis, in a professional and consistent manner. They want a pre-emptive approach to advice-giving and to receive the right information at the right time.

Service and experience
The importance of customer engagement has grown… because the global market continues to evolve. Where industries previously never competed against each other, this has now become the norm. Online shopping, same-day delivery and Silicon Valley have forever changed the consumer's perspective of service and experience.

The development of service charters, where insurers and brokers commit to certain customer expectations, have become an important part of the commitment to one's customers. These not only ensure that consumers receive a benchmarked experience, but they also establish a clear brand positioning within the customer experience space. At the same time service charters align all stakeholders around the issue of customer experience. It provides a way to stand out from the crowd.

Above all, excellent customer service has been proven to be a primary driver of growth in the insurance industry and can therefore not be neglected.

Ricardo Coetzee
Head
Auto & General Insurance

Are you ready TO EXIT YOUR BUSINESS?

The decision to step down, or step away from your business, is life changing. From the day your brokerage's ownership and executive management structure change, things become very different. If not handled correctly, such a move can have an adverse outcome for you and your business.

The addition of new players changes rules… more time on your hands and someone to answer to are aspects that you are not used to. It is vital to know what you are getting into when embarking on any sale, merger or group consolidation.

These are some of the aspects that you should consider:

1 Are you actually ready for a sale?

Selling your business is likely to be one of the hardest and most complicated decisions and processes you will embark on. Do not rush into it. Most unsuccessful exits are the outcome of impulsive decision-making. You need to carefully consider your readiness to sell. When thinking about a sale, it is advisable to properly explore your reasons for selling, with an independent third party (preferably with some sales experience) to ensure that you have considered the sale from all angles.

On the contrary, many sellers leave the process too late. This type of sale must be handled in a proactive and structured way. Failure to do so, could lead to a distressed sale or a sale in which you cannot commit to the buyer's post-sale requirements and tenure.

2 It is not all about price

Most sellers seem fixated on the price of the sale transaction but forget about many of the softer things that can often be more important, and financially significant. Obtaining guidance from specialists on sale warranties, restraints, drawdowns, reserved matters, terms of offer, deal structuring and post-deal employment are often aspects that sellers should be more informed about and focused on.

3 Find the right person or business to represent your brand

More so than ever, in a brokerage, your clients and brand have been built up over decades. These elements are key. When entering merger and acquisition (M&A) discussions, it is important that you resonate not only with the person with whom you are negotiating with, but also the business and people who stand behind them, and who will ultimately be representing you in the future.

4 The effective date is not the end of the road

Most broker transactions usually require between 12 and 36-month commitment periods to the business post sale, the semantics of which are usually never discussed or agreed upfront. In a brokerage world, where extended revenue warranties are commonplace, this post-sale term by the seller can often be the hardest and most important part of the process. Its rollout should be carefully considered, before the sale is finalised.

5 Do not put all your eggs in one basket

Traditionally, most sellers have engaged with only one party in the sale process, and therefore, have not been able to obtain differing terms on which to consider a transaction. It is highly advised that when embarking on a sale process, brokers extend the sale discussions to a closed circle of potential buyers, to ensure they can maximise or negotiate the best outcomes for themselves.

6 Seek professional assistance

Just like people use brokers for complicated insurance placements, using professionals in a sale process is highly recommended. Surrounding yourself with the right sell-side brokers, tax advisers and legal professionals is something that will increase the success of the transaction, and ensure your optimum financial outcome is achieved.

Unlock the value you deserve

Embarking on a sale should not be a spontaneous decision, but rather something carefully considered and expertly crafted over a period of time. Obtain professional assistance and make sure you put in the time required to ensure you unlock the value you deserve when exiting your business.

Devan Kerr
Managing Director
Premium Finance Partners

VIDEO CREATION - a must-have skill to stand out in this virtual world

When you cannot be there in person to celebrate milestones with clients, express sympathy, connect authentically or build trust and rapport, the next best thing is through video.

Videos are now the number one form of media used in content strategies, overtaking blogs and infographics.

Financial planners wanting to stand out and up skill themselves in this virtual world can benefit from using videos to market their business, enhance their personal profile, or strengthen engagement with prospective and existing clients.

Including a video on a website's landing page can increase conversion rates by 80%. A video captures people's attention five times more than static images.

Authenticity wins

In this virtual world, the ability to present and share your message on video is now a must-have skill. However, it is not one that comes naturally to most people in financial services, when it is time to research cameras, lighting, sound, editing and production.

So where do you begin? The good news is that you already have everything you need.

In today's instantaneous world with endless content, authenticity wins. So much so, that some major brands have shifted from staged, highly produced content, to increasing their profits through embracing authenticity.

Dove is a great example of this, with its Real Beauty Sketches video that went viral and evoked emotion, based on women's perception of themselves.

Low cost and impactful videos

Everything that we are doing now is through video, so it is imperative that we all learn how to create great content, build deeper relationships with clients, and attract more of our ideal clients in this virtual world.

So, let us look at how you can create low cost and impactful videos.

- Camera - The camera quality available in today's smartphones and laptops exceeds the high-end cameras of a few years ago and is all you need to get started.

- Lighting - Shooting videos outside with natural daylight can provide a nice change of scenery and beautiful light. Make sure to avoid harsh shadows and shoot on a slightly overcast day, or during a 'golden hour', which is the hour after dawn or the hour before dusk. Daylight can also work great indoors if you have a window in front of you, so that your face is evenly lit. If your window is on the side or you do not have a window, an inexpensive ring light can be purchased to provide that nice, even lighting.

- Sound - If you are using your laptop to record videos, a microphone is a must. Thankfully, your iPhone (or equivalent) headphones (with a microphone) work great. Just be sure that the microphone is not rubbing up against your shirt collar, or hair, which will create a distracting rustling sound. If you are outdoors using your smartphone, you will want to test whether you need those headphones. If you are in a quiet space, the built-in microphone can work great, but if your environment is noisy, a headset is ideal.

- Eye contact - This is one of the trickiest tasks, which takes practice. Eye contact with the camera is just as important as eye contact in person. You would not sit in a meeting watching yourself talk in a mirror, so try to avoid watching yourself when recording a video.

- Authenticity - The most important piece is you. Your expertise, opinions, and personality. Humans are wired for connection and the best way to connect - and therefore build your personal and professional brands, attract your ideal clients, and deepen your relationships, is through eye contact, a smile and being authentically you.

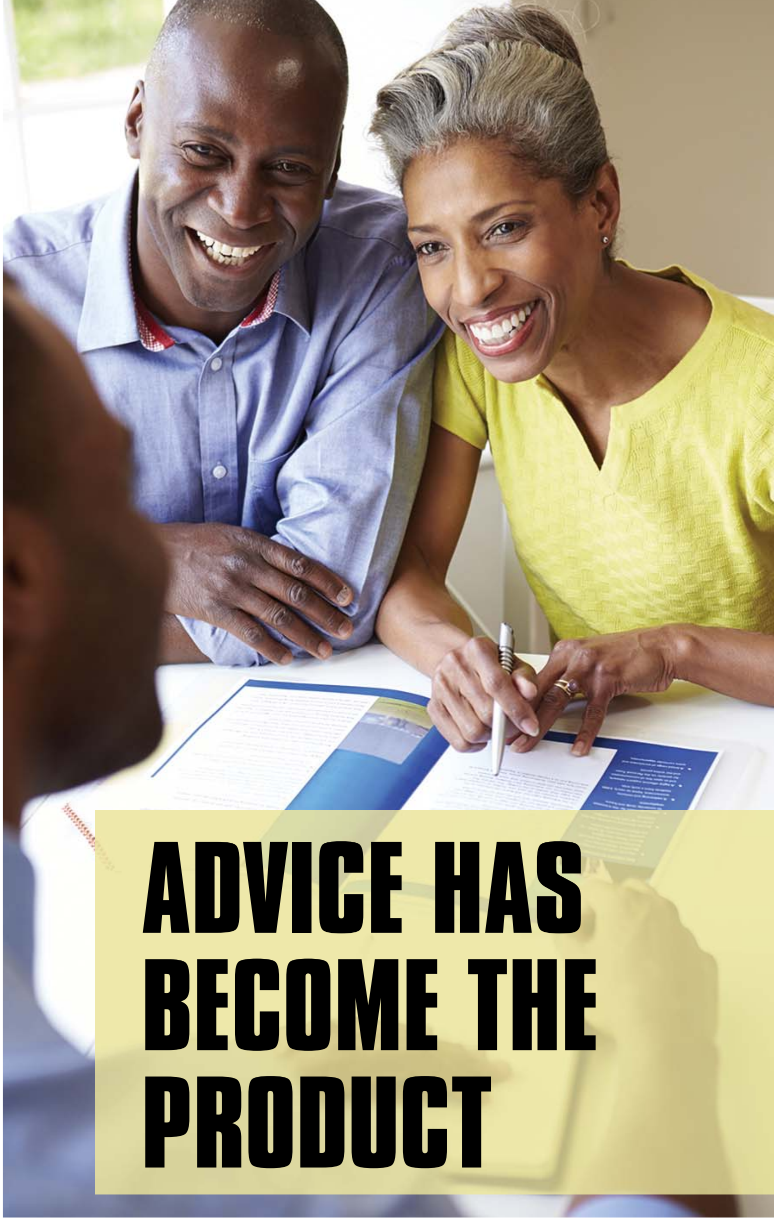
Start small and keep practicing

Start with a short, one-minute video outdoors, sharing your hobbies and interests. This helps to avoid overthinking, builds confidence, and it makes for a great video to share with clients so they can get to know you better.

The key is to start small and keep practicing. Build comfort and find your voice on camera, present confidently, and create short videos that authentically represent you and your business.

Kate Holmes, CFP®
CEO
Innovating Advice

Adam Owen, Director
Head of Content
NextGen Planners



ADVICE HAS BECOME THE PRODUCT

One of the new buzz words doing the rounds in the business world is the concept of PaaS, short for 'Product-as-a-Service'.

A needs-matched approach

It refers to a business model where companies allow their clients to purchase a desired result, rather than just the components needed to achieve the result. It is an approach made possible by emerging technology, and the growing demand from consumers, to be able to access what they need when they need it, as efficiently as possible.

The approach also relies on the ability of product providers to package a bundle of products and services together, to achieve the desired outcome for their clients. Think about Uber, for example, where clients can get from point A to point B using a single interface that combines booking, confirmation, navigation and tracking, cashless payment, and access to secure, reliable transport – all packaged together conveniently on their mobile devices and available on-demand.

This focus on a client's needs or desired outcomes is a central tenet of a needs-matched approach, and it is a concept that financial advisers understand intuitively.

An adviser's role is to work with clients to define a desired result and to bundle together a set of solutions that aim to achieve the results identified. Great advisers are those that go beyond selling a product, to selling a set of outcomes that correspond to clients' financial needs and aspirations.

Features that set great advice apart

If great advice is a product, however, what are the differentiating features that set it apart?

Great advice should be:

- Customised, accessible and flexible – both the advice and the product solutions offered must be tailored to each individual client's specific needs – and this extends not just to the performance of the product, but also to the services that go hand-in-hand with the product.
- Fit-for-purpose – the advice and product solutions should deliver the most comprehensive cover possible, to limit clients' financial risk and exposure. And where affordability constraints leave gaps, the adviser is critical to helping clients understand these.
- High-quality solutions at an affordable price – both for independent advisers and their tied counterparts, the choice of product is key. Financial advisers have the ability, through a rigorous advice process and in-depth industry knowledge and experience, to understand their clients' needs and, just as importantly, to help their clients understand how the products offered by the adviser can meet the clients' needs – and which, if any, of those needs cannot be met by the proposed solution. The choice of dynamic, innovative product technology that can support and enable financial advice ensures that both clients' and advisers' needs are met.

Embodiment of the PaaS model

Great advisers need to have access to good quality financial products and services to be able to deliver to their clients. An adviser that is caring, knowledgeable, diligent and committed to building a long-term, personal relationship with their clients, is the embodiment of the PaaS business model.

According to ReMark's Annual Global Consumer Study, clients expect their advisers to make the advice process both personal and seamless. Over 40% of consumers preferred contactless channels in 2020 – this almost doubled from 2019. This was for all aspects of life, not just insurance. However, when looking at insurance, consumers still trust their advisers and, in fact, their interest in face-to-face, human advice has increased with 42.2% of the respondents in 2020 saying they trust automated services less than human advice. This is up significantly from 33.5% in 2019. On the claims side, this was even higher with 50% of people preferring human contact.

The bottom line is that great advice boils down to human relationships – albeit facilitated, at certain points of the interaction, through convenient, contactless channels. But in the end, the successful adviser – whether tied or independent – is the one who focuses on their clients' needs first and foremost.

Sean Hanlon
Executive Director
BrightRock

[1] GCS2020–21, ReMark's Annual Global Consumer Study, A SCOR Group Company

Can employers demand mandatory COVID-19 VACCINATIONS?

South Africa is now within its second wave of COVID-19 infections, which appears to be significantly more widespread than that which prevailed during 2020.

Since then, and in response to the pandemic, global efforts have successfully developed both expedited means of testing for the virus and, more recently, vaccines.

Workplace policies

Employers may thus wish to explore the introduction of workplace policies which formalise mandatory testing and vaccination. This is particularly so, where employers are under an obligation, in terms of health and safety legislation, to protect the health of their own employees and third parties.

The subject of compulsory vaccinations has, however, become increasingly contentious, and there are significant legal and moral facets that must be considered. On several occasions, the Government has made it clear that whilst the uptake of vaccines was to be encouraged, it would not require South African citizens to become vaccinated.

Given the lack of any legislation requiring vaccinations, employers will need to assess whether it would be permissible to require their employees to be vaccinated.

Legal and moral facets

In our view, there would be considerable legal risks for employers adopting workplace policies that require their employees to be vaccinated:

- Any mandatory vaccination policy could, depending on the circumstances, violate section 12 of South Africa's Constitution, which guarantees everyone the right to bodily integrity.
- Furthermore, labour legislation protects employees from any form of unfair discrimination, including the freedom of religion, belief, and opinion. Employers would, therefore, be required to show that any infringement of these rights is fair or an inherent requirement of the job.
- For these reasons, we do not believe that mandatory vaccination policies could be successfully introduced into workplaces, with the possible exceptions of medical facilities and care homes, where there are increased prospects of harm due to virus transmission.

What employers can do

Employers would generally be limited to encouraging their employees to:

Become vaccinated, provided that such encouragement does not go any further than providing information and facilitating the logistics, through the provision of special leave or hiring a nurse for the purpose.

Employers should also consider other, less restrictive means of protecting their workplaces and other employees. These could include remote working policies and assistance for employees unwilling to undergo vaccinations, increased symptom monitoring or possibly mandatory testing.

The final choice must be that of the employee, and employers should take care to ensure that there is clear consent on the employee's part.

Testing for COVID-19

There are currently two forms of tests for COVID-19, namely the Polymerase Chain Reaction or PCR test and the rapid SARS-CoV-2 Antigen test, which has recently been approved for use.

Whilst the PCR test is considered to be more reliable, it is impractical for workplace purposes, given the lengthy time taken to obtain an outcome.

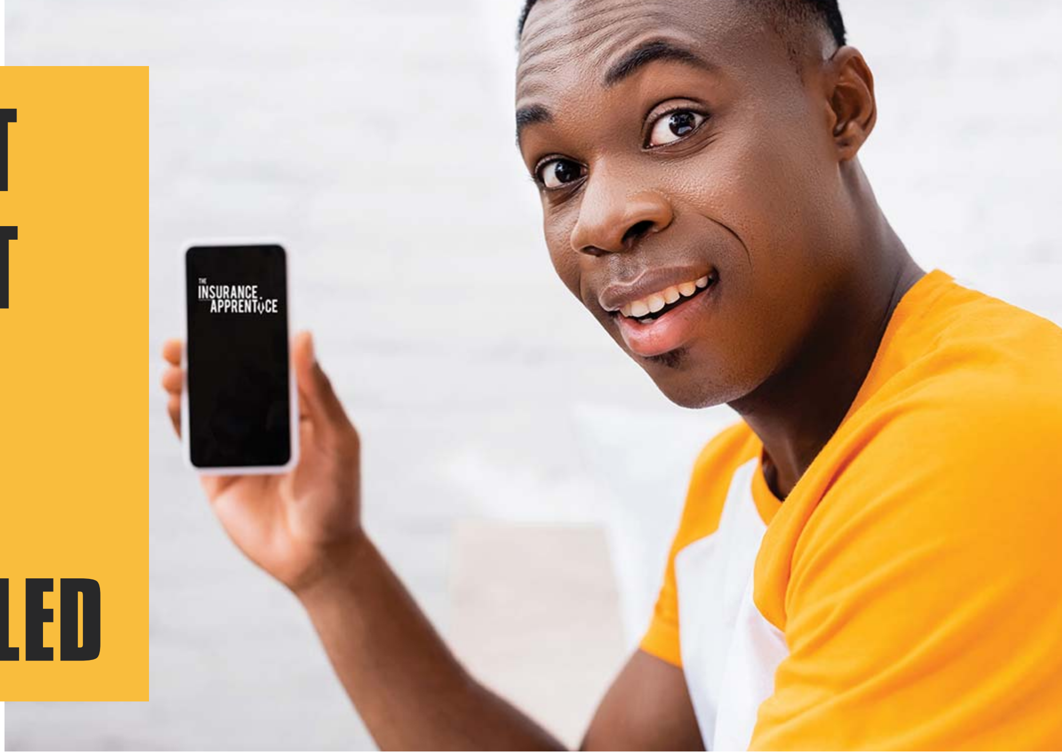
In contrast, Antigen tests reveal an outcome within 15 to 30 minutes and are substantially cheaper, but are less reliable, particularly in respect of false negatives. Mandatory Antigen testing would constitute 'medical testing' in terms of the Employment Equity Act (EEA), and thus subject to a general limitation. It is our view, however, that a court would be more likely to accept that mandatory Antigen testing is permissible, provided that at least some provision is made for objectors who have legitimate concerns with how such tests are conducted.

Employers might also wish to obtain disclosure from their employees as to whether they have received a COVID-19 vaccination. Before doing so, employers must be aware that seeking such information from employees would itself constitute 'medical testing' given the extremely broad definition set out in the EEA.

Employers must ensure that such collection, storage or transfer of data is done in accordance with the Protection of Personal Information Act 2013 (POPI). As vaccination and testing data constitutes 'special personal information' in terms of POPI, employers may not process this information without the employee's consent.

Jason Whyte
Director
Norton Rose Fulbright

TIA2021 SET TO REINVENT THE WHEEL WITH NEW SPIN REVEALED



It's not The Insurance Apprentice we know, but hey... life has to go on!

The Covid-19 pandemic has had a massive impact on how we do things, our processes and business in general.

As we try to pick up where we left off, we strongly believe 2021 will continue to be a year of restrictions, social distancing and limits on social gatherings… which impacts the very things that The Insurance Apprentice is centred on, in terms of getting aspiring insurance professionals together to help build their professional brands in the insurance industry, gain exposure, meet senior executives from a variety of different stakeholders in the industry and expose them to a variety of different areas of insurance and related work, while they engage and build relationships with industry peers.

Taking the competition online

This, however, cannot stop us from providing what our viewers and followers have come to love over the years… which is young contestants completing multiple tasks under pressure and in front of a camera, while some tension between contestants spices up every episode.

So, for this year, we are reinventing the wheel and taking the competition online. It will not be the same 'The Insurance Apprentice' like we know it, because small things prevent us from doing the exact same thing…

Going online

Yes, we are taking it online… but don't worry, it's not going to be you run of the mill pre-recorded Zoom session… we will be adding some proper flavour to this one. Judge Dread will still be in our midst, but he might just get another nickname for this round…

Some final touches

Before we reveal too much, we are just ironing out a few final touches, so be sure to keep an eye on our website and social media platforms.

Timelines

Expect this super exciting virtual version of TIA in May and be ready to be blown away… we cannot wait to share more detail with you!

THE INSURANCE APPRENTICE

Follow us to keep an eye out for updates.

www.TheInsuranceApprentice.co.za

@theinsuranceapprentice

@TheInsApp

The Insurance Apprentice (TIA)

theinsapp

The Insurance Apprentice

2022 is open… enter, enter, enter

For potential candidates, we are also pleased to inform you that applications for The Insurance Apprentice 2022 are open. So, if you are under 35, have been working in the short term insurance industry (any part of it) for four or more years at the time of application, then you should apply. Simply visit www.theinsuranceapprentice.co.za, read about the process and rules, then fill out your application form and submit it.

THE INSURANCE APPRENTICE

PROUD SPONSORS OF #TIA2021

Thanks to all of our #TIA2021 sponsors for making The Insurance Apprentice possible.

PLATINUM SPONSORSHIP

inseta
INSURANCE SECTOR EDUCATION AND TRAINING AUTHORITY

SILVER SPONSORSHIP

DEVELOP

Hollard. insure

Bryte

CONSTANTIA Insurance made personal

GOLD SPONSORSHIP

FSCA Financial Sector Conduct Authority

Discovery

LLOYD'S

AON Empower Results®

sasria SOC LTD

MARSH

BRONZE SPONSORSHIP

AIG

TRACKER

AFRICAN INSURANCE EXCHANGE 2021

ELITE WEALTH ASSETS INSURANCE

Santam

auto & general

CHUBB®

A GO TO MARKET STRATEGY TO CATER FOR ALL YOUR END TO END SOFTWARE NEEDS

Ellipsys Technologies, started in 2007, is a software development company that focuses on solution development, integration and implementation using Microsoft and Oracle technologies within the financial industry.

Ellipsys has been involved in developing, supporting, and consulting on insurance solutions since 1999, and has been providing process engineering and project management consulting services in the banking industry since 2000, including the management of international projects.

Ellipsys Group

Known for its innovative, efficient software development, Ellipsys Technologies has built a well-respected reputation for delivering complex technology solutions within time and budget constraints.

The company provides services as first-line support to business areas, as well as second line support to IT staff, and performs real-time, online monitoring of all systems outsourced to it.

Ellipsys provides database and network administration services, as well as consulting and auditing services. Developer mentoring is also a core value for Ellipsys, and constant training and mentorship is provided.

In 2013, Ellipsys Systems was created to provide SaaS solutions in the financial industry, disrupting the industry with the revolutionary Evolve Insure, which takes productivity and integration to a new level.

Evolve Insure uses the familiar, efficient experience that modern social media offers with the latest in Microsoft technology, coupled with 20 years of experience with insurance systems.

To focus on the project management and professional services consulting arena, Ellipsys Consulting was created in 2017. Ellipsys Consulting is the professional services division of the Ellipsys Group.

A complete insurance platform

Ellipsys has been dealing extensively with policy data integration, electronic fulfilment, document management and reporting solutions for insurance systems, since 2007, and it made sense for us to apply our experience and development toolsets to build a comprehensive insurance platform.

Of course, there was also pressure from existing clients asking our team to apply their experience to building an efficient insurance platform. A lot of users were frustrated with their experience on other insurance systems, and we saw an opportunity to extend our streamlined solutions to include a complete insurance platform.

Enter Ellipsys Evolve… a complete insurance platform that supports digital and ecosystem strategies.

Our vision for efficiency

The vision for Ellipsys Evolve was to develop an end-to-end insurance platform with data integration, reporting analytics, document management and productivity tools.

Robust policy administration, dynamic product configuration, accurate financial management and efficient claims management were part of the solution requirements.

The Ellipsys team focused on streamlining the user experience, for maximum efficiency, using the concepts of social media that most digital device users have become accustomed to. If an individual could "follow" a friend or celebrity to see what antics they were getting up to, why could he or she not "follow" a claim and be notified of each significant event in the lifecycle of the claim? Why not "pin" a policy to a dashboard to easily access it when actively working on it, and "unpin" it when frequent interaction is no longer required?

Building these productivity tools into the Evolve Core module that is used by each module in Ellipsys Evolve, allowed us to make these functions accessible from each component of the system, and efficiency is extended across the entire value chain of the insurance lifecycle. Collaboration and messaging are included in the productivity tools, along with case management and workflow.

Our vision for efficiency was that the user must never be more than three clicks away from the item they want to access.

Digital transformation strategy

For any form of meaningful analysis, it is critical that accurate data is collected, recorded, indexed, and presented. Analytics and reporting are designed into the Evolve system, with user and team performance management, allowing supervisors and team leaders to monitor productivity of staff, which has become crucial in a remote working environment.

The Evolve Data Integration Engine provides integration between systems and provides for policy and claims EDI, including documents and photos, as well as integration into third party data providers for data enrichment and verification. The Data Integration Engine is also used for data migration from legacy systems onto the Evolve Insure platform. The rules engine and data exception management tools are used to identify data anomalies and will inform the data providers (brokers, UMA's and dealers) of data issues to be resolved.

The Evolve Report Manager can be used to create, schedule, and distribute reports with data from various systems in the client technology landscape. Email Analytic tools allow for summary reports on key information metrics to be created and sent to executive staff, without requiring access to the Evolve System.

The Evolve Document Manager has a complete integration layer allowing for communication to be triggered in the form of letters, schedules, emails, SMS or print requests based on triggers sent by an external system, as well as being integrated into every component of Evolve Insure. A rich text editor allows for the creation of all documents to be generated by the system, and with the integrated productivity tools, users can collaborate on the creation of the documents.

The product development department can create a welcome letter and share it with the marketing department through the collaboration tools, to update and confirm the corporate identity requirements, after which the letter can be shared with compliance to ensure regulatory compliance is met, all from inside the system, including instant messaging, using the feedback tool. This ensures that proper version control is applied to the documents and all boxes are checked before documents are released for production use.

The Document Manager also serves as a secure document repository, where documents can be uploaded and attached to any item in the system, including agencies, policyholders, policies, claims and suppliers.

Integration and collaboration

The sales call centre and retentions call centre are objective-focused modules that feature screen wizards and scripting to manage the policyholder interaction. The sales call centre module provides for lead imports from various sources and formats and allows for multi-product and multi-insurer quoting.

Rating can be done internally and provides for integration into external rating engines and black box systems hosted by ecosystem partners.

The retentions call centre module provides a view of the full policyholder portfolio and allows for upselling, down selling or cross selling to the client, as well as making the existing policy product information available for the consultant to explain the product benefits to the policyholder.

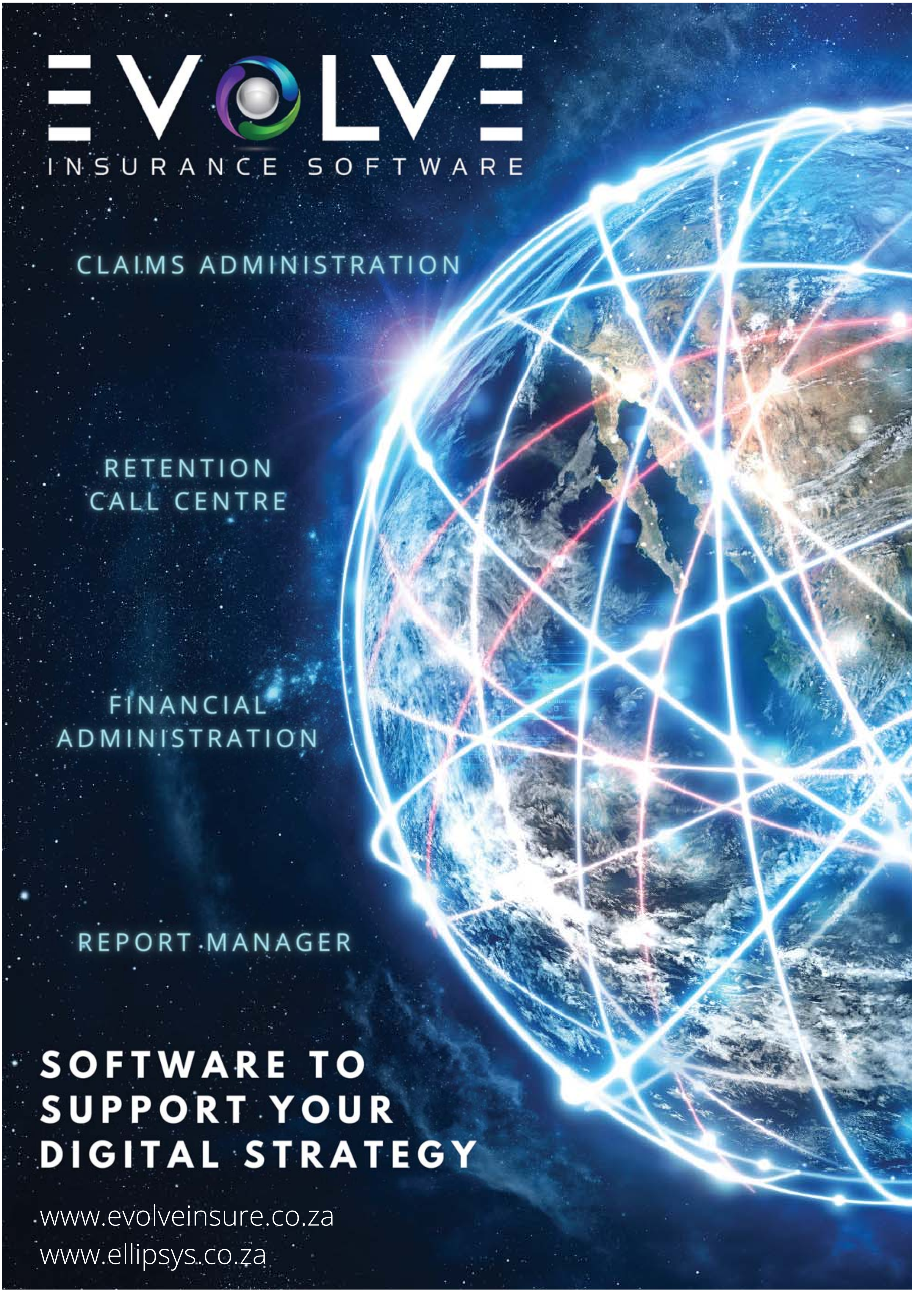
The management of unmet premium payments have become a significant function of the Retentions consultant, and the system creates once off collections to recover the premiums, to ensure that the policyholder enjoys uninterrupted cover.

Enhancing existing insurance landscape

Although Ellipsys Evolve offers a complete insurance platform, each system module can be implemented independently to enhance the capabilities of an existing insurance landscape. The Evolve Insure module makes up the heart and brains of the Ellipsys Evolve insurance platform, offering policy administration, claims administration and financial administration.

Clients who have a stable insurance system that provides insurance record keeping and administration functions can extend their current system and process capabilities using Ellipsys Evolve components, to support their digital transformation strategy and to integrate into an insurance ecosystem.

Ellipsys Directors (from left): Deon Pieterse (Managing Director – Technologies & Systems); Martin Pieterse (Managing Director – Consulting) & (Operational Director – Technologies); Andrew Batty (Technical Director – Technologies & Systems); Gustav Klingenberg (Operational Director – Systems)


EVOLVE
INSURANCE SOFTWARE
CLAIMS ADMINISTRATION
RETENTION
CALL CENTRE
FINANCIAL
ADMINISTRATION
REPORT MANAGER
SOFTWARE TO
SUPPORT YOUR
DIGITAL STRATEGY
www.evolveinsure.co.za
www.ellipsys.co.za


POLICY ADMINISTRATION
DOCUMENT
MANAGER
SALES
CALL CENTRE
DATA INTEGRATION
ELLIPSYS
Systems (Pty) Ltd

INSETA APPOINTS NEW CEO

Having assumed the role Chief Executive Officer of INSETA, on 1 December 2020, **FAnews** spoke to **Gugu Mkhize** about her new position and what the future holds.

Experience and knowledge

Mkhize is a seasoned business leader with expertise amassed through working in various fields. Out of more than two decades of experience, she has held several executive and leadership roles for 12 consecutive years. This afforded her the opportunity to deal with multiple stakeholders across different levels of the organisations.

It is out of these top executive positions that she brings a wealth of experience and knowledge in strategic leadership, corporate governance, human capital, strategies and policies development, stakeholder relations, facilities and property management, strategic business planning and organisational performance.

She also holds various qualifications in different streams, that will enable her to successfully execute her responsibility to this institution.

Q As the new CEO of Inseta, what are your goals/vision for the future?

The insurance industry contributes approximately 9% to South Africa's GDP, it is a sector which is rapidly growing and evolving. Skills development has equally evolved in the sector, and as the incoming CEO, my role will be to provide effective leadership to champion the skills agenda and promote transformation, whilst embracing online learning platforms for the youth and workers.

Q What do you hope to achieve in driving Inseta forward, and what is your primary objective?

INSETA's mandate is anchored on the National Development Plan, or Vision 2030, which clearly articulates education as one of the key chapters that must contribute towards creating a sustainable economy. Transformation must be at the core of skills development and the "employee of the future" must be adaptable and agile. Therefore, my focus will be to ensure that the skills interventions implemented in the sector responds to both the current and future needs.

Q In this role, what challenges do you believe you will face and how will you overcome them?

Transformation that changes the complexion of the sector will be one of my priorities. I believe leveraging the strength of diversity will make the sector attractive to the youth of our country. Added to that, is the global health crisis of COVID-19, which has already resulted in retrenchments in the sector, and INSETA must respond to this challenge through the reskilling and repurposing of the employee's competencies.

The uncertainty brought on by COVID-19 requires organisations to recognise leadership and employee sentiments and explore new ways of working for business continuity. Change management is optimal for strategic organisational growth, post COVID-19 employees/employers must decide to inform and ready themselves for the evolution of the Fourth Industrial Revolution (4IR) that is being catapulted by the Corona Virus.

Q How has the COVID-19 pandemic affected Inseta, and how will it affect processes going forward? Are there any significant changes that will take place or have already taken place?

The pandemic pushed business operations and the ability to immediately adapt its human capital into the 4IR much earlier than anticipated. We adopted the virtual ways of working and communicated with all stakeholders and the public tertiary institutions. Inseta proactively developed and implemented effective multi-modal remote learning systems for its programme offerings.

Online learning is the future for INSETA and the industry, and we will have to focus most resources in ensuring that our partners (training providers and employers) are geared towards this mechanism of learning. The shift will cause a disruption for those who are not eager to learn online, however, INSETA should be looking into this further, as others in the world have already begun to do so, successfully.

One of the challenges encountered was the decline in funding for skills development, due to the four-month skills development holiday introduced in 2020. This will see a significant decrease in funds available for the implementation of training programmes for the current financial year.

Q How do you consider this crisis (COVID-19) will change the insurance sector?

Inseta can expect a reduced income in the short to medium term, since there is a decline in business activities in the insurance sector, and this will remain until a vaccine is rolled out nationally in South Africa.

Since there are over 58 million people in South Africa, with the vaccine said to only be available for 40 million people over this year, we believe that the continuance of the pandemic will affect INSETA business over the current and next financial year. It simply means that Inseta must do more with less funds and ensure that we reduce our performance targets.

A reduced revenue also puts the roll-out of learnerships, bursaries and skills programmes under considerable pressure, especially since insurers are in a tough trading environment. The entity needs to reprioritise and ensure that there is a better return on skills spending for the sector. All discretionary grant projects and processes will be reviewed to cut slack from the budget to ensure monies are directed to skills training for the immediate need.

Q How do you see Inseta evolve in the future, with the rapid changes that are taking place?

Inseta must advance its research agenda to capture the skills demands for the future. The organisation should be at the cutting edge of skills innovation, delivery, and implementation. Another aspect that will determine the relevance of Inseta in the future is technology (4IR) and it should also be integrated in the business strategy. Impact assessment through monitoring and evaluation is critical, learning will remain, but how it is delivered and how it changes the sector will position Inseta.

Finally, strengthening the collaboration with key role players in the sector is critical to continuously assess the diverse needs of the sector. Leveraging on the multiple communication platforms that are accessible to Inseta, our stakeholders can expect robust engagement throughout the organisation.

Q Anything else you would like to add? Any future exciting developments etc.?

Inseta is a strategic partner and facilitator of skills development in the sector with the privilege access to large, medium, and small organisations that contribute economic growth of South Africa. The sector contributes to employment and will continue to create employment opportunities in the future, we therefore anticipate a great partnership with all our key stakeholders to ensure that in executing our strategy, there is high value proposition.

I look forward to the planned stakeholder engagements which will soon commence. •

SmartLegal is an innovative model that was created to connect highly qualified lawyers to clients from the first point of contact.

SMARTLEGAL BRIDGES the legal assistance gap

Life has many uncertainties and people often find themselves dealing with unexpected legal issues, which need services they cannot afford. SmartLegal seeks to bridge that gap, by providing effective legal assistance optimally.

Operating under the ethos of *'Facilitating the Highest Quality Access to Justice for South Africans'*, SmartLegal is an innovative model that was created to connect highly qualified lawyers to clients from the first point of contact.

This is done to eliminate the constant frustration of clients trudging through multiple levels of call centre agents to get legal assistance.

Getting optimal service

SmartLegal offers a Dedicated Private Lawyer (DPL), an in-house, fully qualified experienced attorney, assigned to every client and available to them immediately for assistance. Clients also have the option to choose their best form of communication for help in non-litigious legal services. SmartLegal's services are the most innovative in the industry, ensuring clients have proper footing in any legal crisis they may face.

In matters that require more concentrated legal services, including litigation, a SmartLegal client may choose to appoint a personal attorney, whose fees will be covered according to their schedule of benefits of their chosen plan. Clients have a range of legal plans to choose from, which range from the Executive plan at R275/per month to the Executive VP plan at R475/per month.

Clients also have a measured offering to choose their preferred counsel that they believe can assist them the best. This provides peace of mind, with attorney fees not being prescribed by SmartLegal, ensuring that the client can rest easy knowing that their chosen benefit structure covers their legal costs.

Smart Assistance

The SmartAssist benefit is an 'after-hours emergency' assistance service, that provides cover for crucial legal services during an emergency. The benefit, which is also available through an App, also includes domestic violence, bail assistance (payment) and specialised protection services.

The crowning jewel of the SmartLegal offering is the specialised cover on Complex Matters, which is an additional benefit for specialised advice, advocate opinions and additional cover for counsel.

Well-rounded innovative service

SmartLegal places a lot of emphasis on providing services from experienced and well-established lawyers, who can provide customers with the expected result. The service aims to create 'legal expense insurance', tailor-made for the broker segment, which no client can live without.

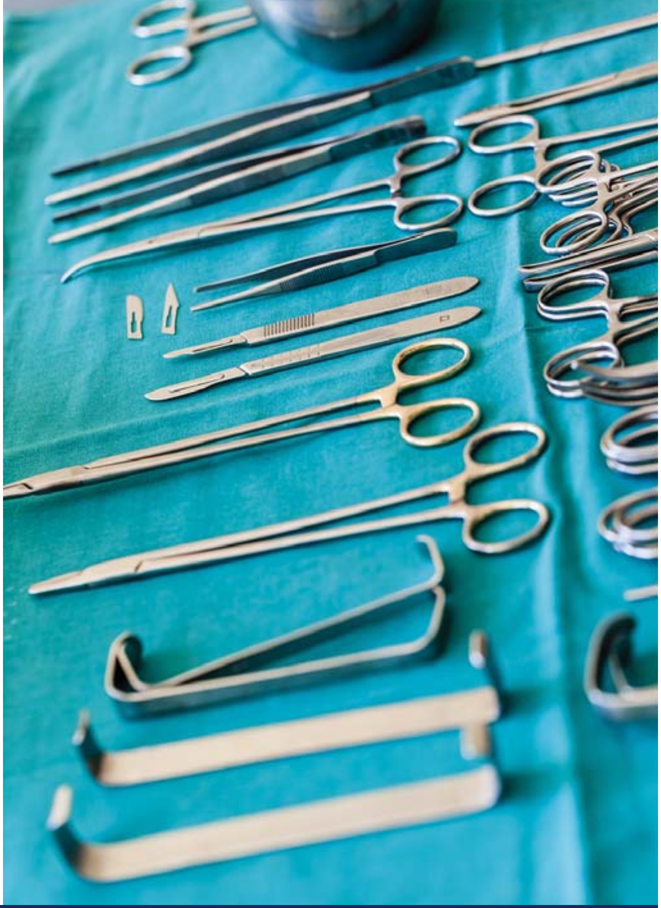
Brokers can easily engage clients through the web-based portal, that is a direct interface into the Policy Management System, where leads, quotes and new policies can be signed up. Brokers also have the choice to view their portfolios and have access to clients that have joined.

The full offering

Customers are provided with a whole menu of offers, which can assist and cover them for any legal issue which may arise, at any time of the day.

** Covers: Criminal, Civil & Labor Matters, In -House Professional Lawyers, Dedicated Private Lawyer, Estate Assistance, Wills Benefit and Retrenchment Benefit after 12 months.*

Executive (R275/ per month)	Executive + (R375/per month)	Executive VIP (R475/per month)
• Litigation Benefit up to R220000* • Bail up to R10000 • Divorces covered up to R10000 • Maintenance Benefit up to R2000 • Accidental Death covered up to R10000 • Additional cover for Council up to R25000	• Litigation Benefit up to R300000* • Bail up to R10000 • Divorces covered up to R10000 • Maintenance Benefit up to R4000 • Accidental Death covered up to R10000 • Additional cover for Council up to R50000	• Litigation Benefit up to R400000* • Bail up to R10000 • Divorces covered up to R10000 • Maintenance Benefit up to R6000 • Accidental Death covered up to R15000 • Additional cover for Council up to R75000



PPS OPTIMISES CRITICAL ILLNESS COVER

Professional Provident Society (PPS) has optimised its critical illness cover with enhanced benefits, including the coverage of diseases detected at an early stage such as pre-stage one cancer.

These enhancements aim to protect the well-being of members, by providing benefits that members can use to pay for shortfalls in medical treatments. These funds could even be channelled towards adjusting members' home or work environments, to accommodate the effects of illness on their lifestyles.

PPS's current Critical Illness Cover CI 100 benefit option bumps up payouts to 100%, irrespective of the severity for a large number of diseases, giving it a competitive edge.

Enhancements to the product

"Medical technology has played a meaningful role in the early detection and treatment of dread diseases. At PPS, we believe in following the mutuality principle by maximising our offering to our members with the Critical Illness Cover and taking into account that when we introduce enhanced benefits, these meet our members' needs," said Motshabi Nomvethe, Head of Technical Marketing at PPS.

For many, the diagnosis of a critical illness is devastating, both emotionally and financially, bringing with it, disruptive lifestyle changes. The enhancements to the product will be applied to existing critical illness policyholders, without increasing member premiums.

Amongst these amendments, are the reinstatement of a cover feature that increases potential payouts, under the Cancer and Cardiovascular benefit categories, to 200% each; the enhancement of Child Critical Illness that removes the 14-day survival period, and providing cover for children from birth and allowing up to a maximum claim of R250 000 per child, per claim.

Prevalent diseases modified

According to PPS statistics, claims related to cancer and cardiovascular diseases were the most prevalent in 2019. Critical illness relating to cancer claims accounted for 49%. This was followed by cardiovascular diseases at 18%. To ensure that members gain maximum value, they are covered at 5% for early cancers, such as group one cancer of the prostate, a benefit that was excluded previously.

The cover now provides access to claims for minor heart attacks and other cardiovascular diseases. Members can qualify for up to 25% in claims for balloon stretching or stenting of one coronary vessel (previously this applied to two or more diseased vessels).

Diseases expanded on

Members can claim for moderate-severe, severe-obstructive, and restrictive lung disease. This includes emphysema, severe non-responsive asthma and chronic bronchitis.

Kidney disease is a common debility amongst the South African population. Critical Illness Cover now covers members with acute transient kidney failure requiring dialysis, where before, only chronic failure was covered.

Over and above, the Critical Illness Cover provides further benefits best suited for professionals, including for frontline workers. These benefits cover other physiological failures within the neurological, endocrine, gastro-intestinal, connective tissue, musculoskeletal and sensory systems. As part of the sensory system cover, members can claim for cochlear implants, an exclusive PPS offering. For trauma, burn claim events has also been improved.

"It is important that we adjust to the challenges that our members experience, especially in critical illness cover, to ensure that we offer them financial solutions that meet their unique needs. Through the enhancements and introduction of additional benefits to our Critical Illness Cover, we are able to offer our members greater flexibility without necessitating significant lifestyle adjustments during an unexpected medical event. Contracting COVID-19, for example, is not of itself a defined critical illness event, but should it result in a critical illness event, it will be assessed under the normal critical illness claim definitions," emphasised Nomvethe.

"The pandemic has reminded us of the emotional and financial impact of financial unpreparedness. We encourage members to prioritise their financial planning to ensure that they have the necessary covers in place for unplanned events. Regularly reviewing policies plays a significant role in making intelligent financial decisions and to assure members that their health and investments are well taken care of," concluded Nomvethe. •

METROPOLITAN ON UNDERSTANDING CONSUMER NEEDS

With the arrival of Covid-19, the awareness around illness and death has increased, and reports from insurers highlight a growing demand for funeral and life cover solutions. While historically viewed as a grudge purchase, consumers are waking up to the importance of being covered for every eventuality.

However, together with this consumer awakening comes a growing demand on insurers to come to the party, in terms of how their life cover products have traditionally been structured, said Abulela Gazi, Head of Client & Business Solutions at Metropolitan.

"The circumstances of consumers have undergone a radical and rapid shift, and for many South Africans, their income security has taken a knock. This, coupled with consumers' desire to provide a solid legacy for their families has led us to demonstrate that we understand the value in the power of the collective, even in the manner in which we design solutions," added Gazi.

Gazi believes that the design of insurance solutions needed to undergo an evolution, to accommodate this new context. Agility, affordability and personalisation are the order of the day; benefits need to deliver maximum value to a pressurised consumer; while the service experience should be transparent, smooth and seamless.

New life cover solution

In response to this changing landscape, Metropolitan has launched its new Metropolitan Life Cover Plan. Gazi explained that although a dignified funeral is important in the South African market, it is equally important to people to create a legacy for the future. "The level of flexibility and customisation that Metropolitan's Life Cover Plan offers bridges the gap between funeral and life cover, with the plan complementing existing funeral cover, depending on the benefits selected."

The benefits of Metropolitan's Life Cover Plan are certainly comprehensive - free accident cover, terminal illness and immediate needs cover are standard for this product, while disability cover, value protection, survival, retirement waiver and cashback benefits are optional, and clients can add these according to their needs.

The Metropolitan Life Cover Plan is also customisable, allowing clients to select between whole or term cover, and they receive this cover in as little as five minutes - no medical checks required. "An increased focus on affordability and flexibility means that clients are able to select a payment pattern that suits them and can enjoy comprehensive financial protection from as little as R4 per day."

For many years, Metropolitan has offered level premium patterns with no future increases, while the products of other insurers generally include annual premium increases, which become very unaffordable over a client's lifetime. To allow for more affordable premiums at the start, Metropolitan has now introduced an increasing payment pattern, should the client select this option.

However, these increases never go beyond the age of 60, so that clients are treated fairly and can maintain their cover when they need it most. Clients and intermediaries can also be assured by Metropolitan's stellar track record in paying out client claims - with an average 24-hour payout period on approved claims.

Responsibility as insurers

Gazi highlighted that in the past, the misspending of lump sum payouts has been identified as an issue, which the financial services provider found prudent to address. "We offer our clients access to financial planning as part of their cover; not only to help them make provision for when they are gone, but also to assist beneficiaries in making informed and sound decisions when their lump sums are paid out. We, as insurers and intermediaries, have a responsibility to alleviate our clients' stress, not add to it."

The pandemic has catalysed a reinvigoration of the insurance industry and brought with it a much-needed re-imagination in how solutions have traditionally been designed. "The silver lining is that this has allowed us the opportunity to partner together with our clients, to better understand their needs, and deliver more value through personalising our solutions according to these needs," concluded Gazi. ●

METROPOLITAN

Introducing Metropolitan's NEW market-leading Life Cover.

Service

- Hassle-free business: clients can be covered in less than 5 minutes with no medical testing needed.
- Excellent track record: we pay out claims fast.
- It's easy for clients to reach us: we are a call away – and we have offices across South Africa.

Affordability & Flexibility

- We offer financial protection from R4 per day.
- Clients can choose the payment pattern that suits their needs.
- Our CashBack benefit pays out quicker and provides better value than any competing Life Cover product.
- We offer both Term Cover and Whole Life Cover to meet client needs.

Excellent Benefits

- Free Accident Cover
- Terminal Illness benefit
- Immediate Needs benefit
- Disability benefit (optional)
- Value Protection benefit (optional)
- CashBack benefit (optional)
- Survival benefit (Term Cover only – optional)
- Retirement Waiver benefit (Whole-of-life Cover only – optional)
- Premium Skip benefit

Together we can

For more information visit **www.metropolitan.co.za**

0860 724 724 | info@metropolitan.co.za | T's & C's

BI AND COVID-19: a new rule of interpreting contracts

As a consequence of business interruption losses caused by government ordered lockdowns, courts in various parts of the world have been interpreting Business Interruption (BI) insurance policies.

IN PERSPECTIVE WITH PROF VIVIAN

In the UK, a novel approach was adopted. The Financial Services Authority (FSA) faced with a variety of wordings and insurers approached the courts for assistance. In record time, the matter progressed to the UK Supreme Court.

This is novel, because as a rule, courts only make decisions on live cases. This approach is more akin to obtaining a legal opinion, which as a rule, courts do not give. Something similar was suggested in the USA, but the US courts declined to go down that route.

At best, the US courts indicated they would consider several cases jointly, against the same insurer, where the same policy was involved.

South African approach

The traditional South African approach is to take a test case to court, and other litigants are guided by the outcome of that case. This happened, for example, in South Africa in the 1980s, when AA Mutual was liquidated.

Insureds pay premiums to brokers, and brokers pay these premiums to insurers. When AA Mutual was liquated, the question arose to who owned the premiums?

If the premium belonged to the insured, the broker could refund the premium to the insured. If it belonged to the insurer, the premium would be paid to the insurer.

Brokers did not want to make the payment, until it was clear as to whom they should pay. So, a test case was taken to the High Court. The case was presided over by Mr Justice Richard Goldstone, who ruled in favour of the insurer.

Unfortunately, that judgement was never published. Brokers were still not satisfied that it was safe to make payment and appealed to the Appellate Division (AD). The AD confirmed the lower courts decision but relied on the repealed s20 bis of the then Insurance Act.

SA Covid-19 cases

Things have changed since the 1980s. Initially, the South African market conduct regulator, the Financial Sector Conduct Authority (FSCA), seemed to be considering the same course of action as the UK regulator, going to court on behalf insureds, but correctly, in our view, this did not happen. To do so would simply repeat the UK exercise.

Instead, several cases were heard. The first case, in June 2020 in the Western Cape was that of *Café Chameleon CC versus Guardrisk Insurance Co*, the second in November 2020, was *Ma African Hotels and another, versus Santam Ltd* in the Western Cape, and the third, in the Western Cape was *Interfax (Pty) Ltd versus Old Mutual Insure Ltd*. The Café Chameleon CC case progressed to the Supreme Court of Appeal (SCA), with judgement delivered in December 2020.

New rule of interpretation

Some time ago, in the case of *Natal Joint Municipal Pension Fund versus Endumeni Municipality SCA 2012*, the SCA introduced a new rule of interpretation of documents. The court argued, without setting out the detailed trail of cases, that over the previous century the rules of interpretation had evolved essentially to what can be referred to as the reasonable, sensible, or business-like interpretation of documents, including contracts rule. This is a broader method of interpretation, than focusing on the words of the contract. The court then added a cautionary note: "Judges must be alert to, and guard against, the temptation to substitute what they regard as reasonable, sensible or businesslike for the words actually used."

Two years later, in 2014, in the *City of Tshwane Metropolitan versus Blair Atholl Homeowners Association SCA* case, the rule had evolved further.

The purpose of the provision rule

It is fair to say that this Court has navigated away from a narrow peering at words in an agreement and has repeatedly stated words in a document must not be considered in isolation. This Court stated that the purpose of the provision being interpreted is also encompassed in the enquiry. The words have to be interpreted sensibly and not have an un-business-like result.

The implications of this new rule of interpretation are unclear, other than to note it has been referred to in a number of recent insurance cases, including in the High Court Covid-19 cases.

Let us rather discuss the approach in a recent USA Covid-19 judgement, that of *Human & Resources versus Firstline National Insurance Pennsylvania.*

CPD ARTICLE

US and Covid-19 cases

In the US the number of cases initiated against insurers has slowed. Ideas of passing legislation to force insures to provide cover retroactively also have receded. Whereas in South Africa and the UK, much of the litigation has been around the notifiable disease extension to the BI policy, in the US much of the litigation has tried to persuade courts that the Covid-19 interruption was caused by 'direct physical damage'.

Now how does one arrive at this conclusion when the policy wording is clear, and no physical damage has occurred?

Human & Resources versus Firstline

Human & Resource's owner of the restaurant is the insured (Plaintiff), and Firstline, the insurer (Defendant). The policy is an all-risks policy, a standard BI policy requiring 'direct physical loss or damage'. Firstline moved to have the case dismissed with prejudice, as other insurers had successfully done.

The insured pointed out that it suffered a business income loss, when the Governor issued compulsory stay at home orders. The insured argued it was unable to use the restaurant in the way it used it before the orders were issued. It had suffered a loss from the loss of usage.

The insurer argued that since no direct physical loss or damage occurred to the property, there is no legal basis for the claim, and the action had to be dismissed.

The insured contended that since the policy was an all-risk policy, it was intended "to help weather any potential financial storm caused by a forced closure". The policy said the insurer "would pay for the actual loss of Business Income sustained … caused by direct physical loss of or damage to property …"

The court conceded there was no direct physical damage as required by the wording, as had other courts. and so insofar as the wording is concerned "we cannot find that the Defendant's policy affords coverage for losses claimed here." The words were clear, thus there was no need to peer over or wrestle with this wording.

The expectation to receive coverage

So, why was that not the end of the matter? The insured also argued that by offering insurance, the insurer had instilled a reasonable expectation in insureds that by paying the premium for business income loss, that if the business was forced to shut down, the policy would provide cover. The insured argued the Doctrine of Reasonable Expectations overrides the denial of coverage.

The court found this argument persuasive. If the scope of cover is not determined by the wording, but by a reasonable expectation, then the court pointed out that "even the most clearly written exclusion will not bind the insured…" This would be the case "… even when the expectations are in direct conflict with the unambiguous terms of the policy". So, the clear wording in the contract may not be decisive. The contract itself may not be the determining factor.

The motion to dismiss was rejected. To clarify the position; the court did not rule in favour of the insured on the merits but rejected the application to dismiss the case. The case can now proceed to allow additional evidence to be presented.

Professor Robert W Vivian
Finance & Insurance
University of the
Witwatersrand

Dawn Taylor
Retired from
University of the
Witwatersrand

CLAIMS MADE AGAINST COMPANY DIRECTORS AND OFFICERS

▶▶ SHA CLAIMS CORNER ▶▶

An article, published in the April 2020 edition of FAnews, stated that the number of claims made against company directors and officers (D&O) materially increased over the past three years, and that as a direct result, the insurance market experienced similar increases in the number of claims notifications over the same period. Let us take a closer look at whether there have been any changes since then, and what to expect in 2021.

The contributing factors

The major contributing factors to the rise in claims were highlighted as follows:

- Increased stakeholder activism;
- Litigation funding consortiums;
- Involvement of institutional investors;
- Increased awareness of directors' duties; and
- Access to advisers from international jurisdictions with experience in researching and initiating claims against directors.

Added to that list of major contributors is the commencement of the Protection of Personal Information (POPI) Act (1 July 2020), which becomes enforceable after a one-year grace period.

While the fall-out of the global pandemic has many consequences, two worth mentioning here are the fact that (1) many employees are now working from home, with increased digital security risks and (2) the tough economic climate due to lockdowns, leaves many businesses subject to redundancies and potential liquidation. Liquidations have historically showed an increased risk for claims against directors.

Risks presented, in relation to POPI

POPI places a duty on the responsible parties (usually directors) to secure the integrity and confidentiality of personal information (as defined), and to take reasonable measures to prevent unlawful access to personal information. This includes the responsibility to identify risks of unlawful access, putting in place safeguards against such risks, verifying the effective implementation of such safeguards and updating the safeguards in relation to new risks. The Act also places a duty on the responsible party to notify the relevant parties if a breach occurs.

As with all lapses in directors' duties, directors are exposed to litigation against them personally. If POPI is breached, the responsible party may face civil litigation. POPI provides for strict liability where the claimant does not have to prove that the responsible party acted negligently or intentionally, a breach is sufficient for the action to proceed. In addition to the normal compensatory damages available to claimants, POPI also provides for aggravated damages. It is also regarded as an offence if certain provisions are breached, and the responsible party may face imprisonment and fines.

The cost implications

Cost contributors were identified as the rising number of claims, and the increase in average cost of claims. It was also mentioned that the "long tail" of D&O (where claims are paid a few years after the policy period ends) made it necessary for underwriters to set the correct pricing proactively.

These cost pressures remain, and for 2021, include the continued contraction in capacity and tighter underwriting practices, especially with the increased cyber, POPI and Covid-19 related exposures.

Alleviate premium increases

As explained in SHA's 2020 Annual Specialist Risk Review, it would serve directors well to partner with insurers and intermediaries, to be transparent, and proactive in risk management.

While risk transfer is part of the toolbox to manage risk, it is not the only risk mitigation factor. It falls upon businesses to explore risk management in their own environments, to improve their risk profile and the subsequent insurance terms and conditions – it is after all the D&O's personal assets on the line.

Pierre Lombard
Senior Claims Specialist (Financial Lines)
SHA Risk Specialists, a division of Santam

**while care is taken to convey the legal position and coverage implications of the topics discussed herein accurately, it is not a substitute for proper legal or financial advice and should accordingly not be relied on in that context.*

2021 AND BEYOND... A REGULATORY OVERVIEW

Until the end of 2019, 'principles-based regulation' was unexplored and untested. However, when COVID-19 was declared a pandemic, our insurance regulation was tested and tested, particularly 'Treating Customers Fairly' (TCF) principles.

If anything, the recent Supreme Court of Appeal decision on TCF has enforced a change in attitude and could result in 2020 becoming known (in insurance) as the year that TCF and COVID-19 went hand in hand and one where we saw policyholders unexpectedly taking on insurance giants to enforce their rights.

Additional regulatory reforms

There is no doubt that 2021 will continue with additional regulatory reforms relating to protecting policyholders. Here are some reforms that may still come:

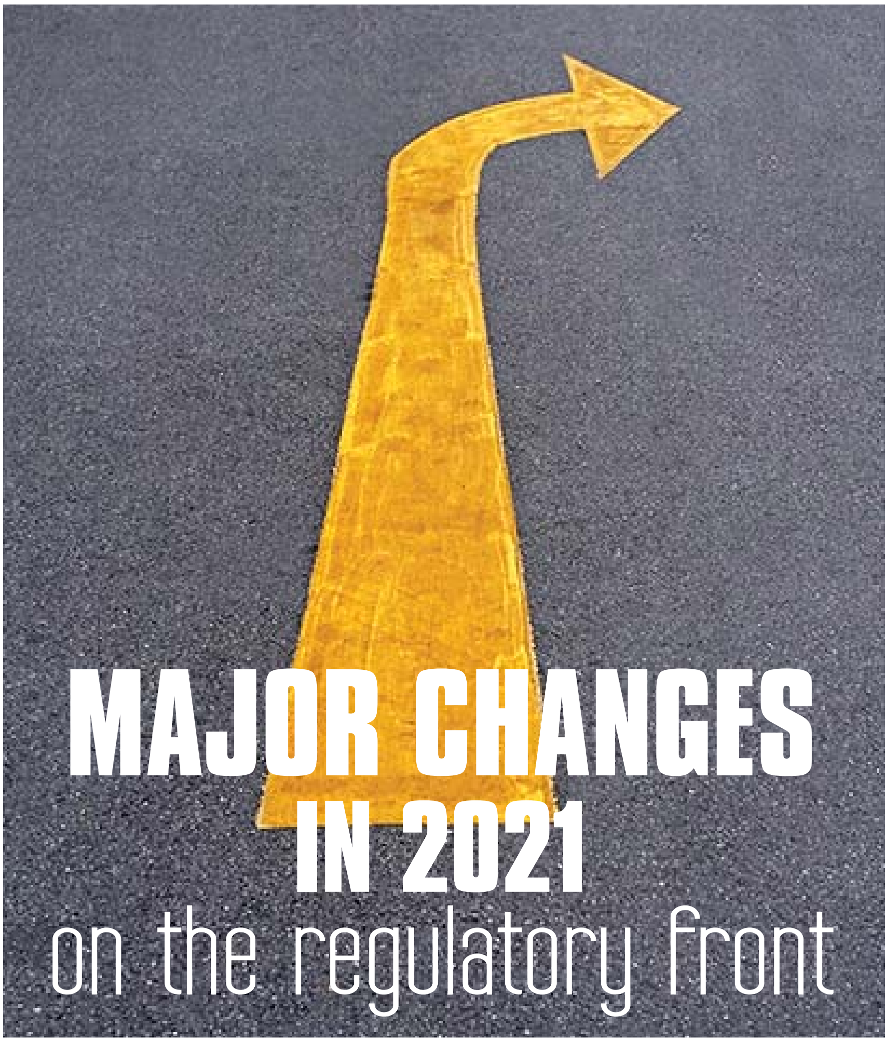
General reforms applicable to the financial sector	
Governance	This year, the Financial Sector Conduct Authority (FSCA) and the Prudential Authority (PA) will start drafting a joint standard that will regulate the corporate governance and culture of financial institutions.
Consumer Education	The FSCA, on 29 June 2020, published the discussion document "Ensuring Appropriate Financial Consumer Education Initiatives" for comment. Comments were received and are being considered and will facilitate the drafting of a proposed conduct standard aimed at ensuring consumer education initiatives.
Insurance	
Third party cell captive insurance business	The FSCA published a draft revised conduct standard, on 28 July 2020, for public comment. The FSCA is considering all public comments received. If there are no significant changes required, the current draft conduct standard will be tabled for parliamentary scrutiny.
Premium collection	On 30 October 2020, the FSCA published exemptions to facilitate the payment of remuneration in the context of direct premium collection models. Subsequent to the publication of the exemptions, several concerns were raised and the FSCA will reconsider the exemptions published.
Policyholder Protection Rules (PPRs)	There will be further amendments to the PPRs to accommodate various Retail Distribution Review (RDR) developments. For example: carving out advice from intermediary services, to facilitate the charging of advice fees, as well as a prohibition on paying commission on investment policies. Premium collection requirements will also be included.
Motor dealers	On 19 October 2020, the FSCA published an information request, relating to add-on insurance policies sold at points of sale through motor dealerships, or as part of vehicle financing arrangements. This information request is likely to inform future regulatory reform.

The COFI Bill

Perhaps the most substantial change we can expect in 2021, and that is likely to come into effect, is with the Conduct of Financial Institutions Bill (**COFI Bill**), which National Treasury published for comments on 29 September 2020.

The COFI Bill is a key pillar in the government's Twin Peaks financial sector regulatory reform process that aims to entrench better financial customer outcomes in the South African financial sector. Soon we will know if a further draft COFI Bill will be released, or whether the current draft will be put forward for the parliamentary process. The COFI Bill will see a complete overhaul of market conduct regulation in the financial sector.

Christine Rodrigues
Partner
Bowmans



MAJOR CHANGES IN 2021 on the regulatory front

In previous years, January usually followed dramatic legislation, promulgated by insurance regulators. So, the new year often heralded dramatic change for insurers, from the beginning of January.

The year 2021 does not appear to have begun in a dramatic way, from a regulatory point of view, although with the handing down of the Guardrisk versus Café Chameleon judgment, the courts have given many insurers plenty to think about.

In this article, I will examine the most important regulatory changes that I see potentially coming in 2021.

The POPI Act

The first major regulatory development, which seems certain to become law in 2021, is the major provisions of the Protection of Personal Information (POPI) Act.

This Act has been brought into law in stages, but the provisions dealing with data privacy disclosures, data security and penalty provisions that result from breaches of the legislation will only come into law on 1 July 2021 - once the grace period from the date of implementation has expired.

This, of course, does not only affect financial services related companies, but all participants in the economy, and is expected to dramatically impact the administrative burden many companies will carry, once the provisions become law. There is still further work to be done with regards to the Act, such as the drafting and passing of specific industry codes of conduct, which may assist to clarify the functions that affect financial service providers specifically.

At this stage, though such codes of conduct will not provide any exemptions or leniencies with regards to the Act, it appears that it will seek to set up industry guardians that will oversee, deal with complaints from the public and audit the performance of its industry participants.

Companies will need to make sure they have specific processes in place, to ensure that they are able to procure the relevant consent from clients, as well as securely hold their information.

The COFI Bill

The Conduct of Financial Institutions (COFI) Bill is also expected to be passed into law during the course of 2021. This is the enabling legislation that will allow the Financial Sector Conduct Authority (FSCA) to govern and exercise its powers, much like the Insurance Act operates for the Prudential Authority. This is keenly awaited, given that it will allow for the repeal of the conduct sections and regulations of the Short Term and Long Term Insurance Acts, resulting in one consistent Act that is set to govern the conduct of financial institutions in South Africa.

Governance standards still need to be published and commented on. However, the second draft of the Act was released for comment during the latter part of 2020, and it is believed the industry will receive the certainty it is looking for, with respect to the various conduct related issues which will combine the old Financial Advisory and Intermediary Services (FAIS) and Insurance Acts into one overarching conduct related piece of legislation.

This will deal with the re-licensing of all financial service providers, much like we saw with insurers and the Insurance Act, and it will also bring issues such as transformation and conflict of interest to the forefront of the discussion, with regards to the conduct of financial service providers.

Financial sector transformation

Finally, the full impact of the financial sector transformation codes will be felt, with the introduction of commission payments to intermediaries to be counted as procurement spend for insurance product providers.

It is hoped that this, in addition to the COFI Bill, will encourage the transformation of the sector, as well as allow for more inclusive participation of participants who have not previously had the opportunity. The implementation of these codes by all participants will be interesting to monitor during 2021.

Given the damages caused by the pandemic, let us hope that the regulatory side of Covid-19 will begin to ease, and the pandemic and the difficulties it brings for all will also lessen in 2021.

Danny Joffe
Head: Legal
Holland Insure

FNA VS COMPLIANCE

Advisers still tripping up on Section 8(1) of the Code

A full Financial Needs Analysis (FNA) versus compliance with the General Code of Conduct for Authorised Financial Services Providers and Representatives (the Code), especially section 8(1) of the Code, remains a major issue.

Myth- and misconception-busting

During my career spanning 33 years in this profession, I have come across and dealt with numerous persistent myths and misconceptions. Notwithstanding comments and insights provided by leaders of our profession, such as the excellent article by Anton Swanepoel, *'A full needs analysis versus a holistic one'* in the FSB Bulletin (Q4 2205), confusion still reigns as to what a FNA is. Further confusion exists insofar a 'full' needs analysis compared to a 'holistic' needs analysis.

One of the questions that frequently crops up is whether advisers, in terms of the Financial Advisory and Intermediary Services (FAIS) Act, are required to force a full or holistic FNA on clients who may have a simple or single need or request. I have attempted to cover and clarify the common misunderstandings and misconceptions in this article, while carefully considering the requirements of the Code and the FAIS Act.

An incorrect definition

The average adviser or planner's understanding of what constitutes a FNA appears to be the process of gathering personal and financial information to determine a shortfall or surplus in the event of death, disability, critical illness and retirement. This has become the standard definition of a needs analysis in the long-term financial planning discipline, despite it being incorrect.

Where advisers have not done the above, they usually indicate that they have not completed a needs analysis. Remember, the FNA process is role-dependant and the above is relevant to long-term financial planning. What does the FAIS Act say about the FNA?

Firstly, the Act does not define a full or holistic analysis but merely refers to an 'analysis' in section 8(1) of the Code as follows (note, we have not included the entire section):

> 8(1) A provider must, prior to providing a client with advice-
> (a) *Obtain from the client such information regarding the client's needs and objectives, financial situation, risk profile and financial product knowledge and experience as is necessary for the provider to provide the client with appropriate advice, which advice takes account of…;*
>
> (b) *Conduct an analysis, for purposes of the advice, based on the information obtained; and*
>
> (c) *Identify the financial product or products that will be appropriate to the client's risk profile and financial needs, subject to the limitations imposed on the provider under the Act or any contractual arrangement.* (Note: I have not included the rest of section 8(1).
>
> Further details are given in section 8(4) of the Code as follows:
>
> (4)(a) In performing the analysis referred to in subsection (1) (b) a provider may, in determining the extent of the client information necessary to provide appropriate advice, take into account-
> (i) *Any specific objectives or needs of the client that the client has explicitly requested the provider to focus on, or not to focus on, in performing the analysis;*
>
> (ii) *Any specific objectives or needs of the client that the client and the provider have explicitly agreed to focus on or not to focus on in performing the analysis;*
>
> (iii) *Applicable surrounding circumstances that make it clear that the analysis can reasonably be expected by the client to focus only on specific objectives or specific needs of the client; and*
>
> (iv) *The fact that the client has explicitly declined to provide any information requested by the provider.*

A client cannot waive an analysis!

A close reading of these clauses reveals that an analysis is required, which may not be waived by the client! It is also clearly stated that the contractual arrangement between the client and adviser may impose some limitations on the scope of the analysis and advice rendered. The Code clearly allows for "any specific objectives or needs of the client that the client has explicitly requested the provider to focus on, or not to focus on" as well as "any specific objectives or needs of the client that the client and the provider have explicitly agreed to focus on, or not to focus on in performing the analysis".

Based on the above, we can answer two questions.

Question 1: What is a needs analysis or Financial Needs Analysis?
The Act does not define needs analysis or full or holistic analysis, and thus, the normal meaning of the words apply. Analysis means examination, study, investigation, inquiry, evaluation or consideration. It should be clear that it is the information gathered, relevant to being able to advise the client on any needs as agreed between the adviser and client, per the advice mandate or contractual agreement.

Example of a specific financial need

This could even constitute a specific needs analysis that may not require any calculations. Example: The client has bought a property, has a bond, and wants advice on life cover. In this case the adviser would ask appropriate questions, including:

- In whose name or names is the bond registered?
- Which bank is the bondholder?
- What is the outstanding loan amount?
- What terms and conditions has the bondholder specified?
- Does the bondholder require disability and retrenchment cover?
- Does the client wish to include critical illness cover?
- Does the client have an existing policy or policies that can be ceded to the bank?

The above example constitutes a specific needs analysis or FNA notwithstanding the fact that it followed from a specific mandate or contractual arrangement for a single need for bond risk cover only. The conducting of analysis depends on the contractual relationship and the circumstances of each case.

Turning to the FAIS Ombud

There are circumstances where it is not practically possible to conduct a comprehensive FNA. In such cases we must consider the principles that apply when addressing specific or single needs. The Financial Services Tribunal agrees, as stated in the matter between *Pieter Cronje Makelaars and Carel Jacobus van Zyl and Hester Dorethea van Zyl.* The tribunal ruled: "In respect of not conducting an analysis before investments, it appears that clause 1.1 of the mandate demonstrates that the parties, including the respondents, agreed not to do a financial analysis. This conduct is, in our view, in line with the provisions of sections 8 (4) of the Code".

You must remember that the FAIS Ombud has also ruled that one cannot blindly accept a client's instruction. The adviser is expected to do an analysis and apply his or her mind before recommending a solution.

Understanding the holistic FNA

Question 2: What is a holistic needs analysis?
The FAIS Act does not define holistic needs analysis, and therefore, the normal meaning of the word applies. Holistic means "all-inclusive, complete, general, universal or whole". A holistic needs analysis would, therefore, entail gathering sufficient information in order to advise the client on financial planning, including drawing up or adjusting a budget; debt elimination; pre-and post-retirement planning; estate planning; investment planning; healthcare needs; short-term cover; business financial planning; tax planning etc.

Nowhere in legislation have I seen a requirement to do holistic planning for a client. It would, however, demonstrate "due skill, care and diligence" as required by the FAIS Act on the part of the adviser to recommend to a client that a holistic analysis be completed as soon as possible, especially if there is going to be an ongoing business relationship. The client can obviously accept or decline this offer.

Anton Schutte
Momentum Franchise Principal
and Financial Planner

HOW NON-TRADITIONAL DATA is shaping financial services

Non-traditional data (data sourced from external sources used to supplement core internal organisational data), according to the Financial Sector Conduct Authority (FSCA), has grown in prominence in South Africa and is increasingly being used by Fintechs and traditional financial institutions in serving customers.

Data points like social site postings, digital footprint, online transactions, photo albums, sentiment and behavioural data, and group chats, the FSCA mentioned, are increasingly being used to gauge consumer preferences and provide them with personalised offerings.

Research on non-traditional data

The FSCA published research on the impact of non-traditional (alternative) data on the provision of financial services in South Africa. The aim of the report was to understand emerging practices around the use of non-traditional data in order to make recommendations on key benefits and risks that financial institutions should take into account as they scale their offerings.

The overall findings identified key benefits to consumers such as financial inclusion, personalisation, affordability, and enhanced customer experience. On the flipside the report identified risks such as data privacy, data protection, fairness and transparency as major challenges that would need to be addressed to ensure customers are sufficiently protected.

Understanding emerging trends

According to the report, Big Data is growing rapidly. Within the context of Big Data, there is both traditional (data gathered from organisation internal sources/core systems) and non-traditional data sets.

Organisations are increasingly leveraging non-traditional data sets to capture value. Fintechs' are making use of external data like social site postings, search engine keywords, online transactions, photo albums, and group chats to gather insights about consumers' preferences and provide cross-sell/targeted adverts. Non-traditional data use cases are most common in payments, lending and Insurtech, according to the report.

With greater adoption of electronic payments, more data is accumulated from payment transactions, allowing financial institutions, services providers and merchants to gain a greater understanding of customers and businesses.

Furthermore, as more payments are processed through electronic rails, financial institutions visibility into individuals and businesses cashflow and spending patterns is also increasing, improving their ability to extend loans to customers previously less understood.

In payments, Fintechs are using non-traditional data with their extensive transaction data to enhance mobile payments user experience.

In lending, Fintechs are using non-traditional data to build more accurate scorecards, improve customer profiles, make better credit decisions, and to manage overall credit risk.

Under Insurtech, Insurtechs are using non-traditional data to offer policyholders better premiums and to better manage risk.

Insurers have become critical custodians of customer data as they gain access to behavioural data on their customers (e.g. vehicle movement), above and beyond historical and static data available today (e.g. type of vehicle owned). Increased measurability and availability of personal data is allowing insurers to refine their understanding of customers' risks from cluster-based approach to individualised pricing.

Provision of financial services

A large proportion of Fintechs surveyed indicated that they are making use of a variety of data sources such as smartphones, vehicles fitted telematics, watches, GPS, social media, the internet and other electronic devices/mediums to source non-traditional data to deliver value to customers.

Most Fintechs are using novel techniques to gather non-traditional data, including screen scraping practice, Hadoop technology stack integration tools, APIs, etc. A small proportion of Fintechs surveyed are leveraging cutting-edge technology such as RPA and AI to process non-traditional data.

A large portion of Fintechs surveyed are still figuring out ways to leverage non-traditional data to deliver personalisation/segmentation of value propositions. The survey results also indicate that a large proportion of Fintechs across lending, insurance and payments sectors are using the non-traditional data they have collected to drive the uptake, usage and quality of their products and services among previously excluded customers.

A large proportion of Fintechs are leveraging non-traditional data in novel ways to offer customers more affordable deals. When it comes to data protection, the survey findings indicated a split between Fintechs that are following basic global guidelines, for example, the General Data Protection Regulation (GDPR), and those who admitted to not following any laws to protect data in their possession. With POPIA still coming into effect, many Fintechs do not yet have guidelines directing them on data protection. Fintechs are also employing basic practices to safeguard against biases resulting from data algorithms.

The findings indicated low levels of transparency among Fintechs in disclosing to customers which of their data points are being used, and how they are being used.

Key benefits...

Overall, the findings indicate that the use of non-traditional data in the provision of financial services is still in the nascent stage with more room for growth. There are key benefits such as:

1. Personalisation - FSPs are converting non-traditional data into insight to design products and services that meet individual specific requirements/needs.
2. Financial inclusion - FSPs are able to use non-traditional data to drive the uptake, usage and quality of their products and services, resulting in access to financial services to the previously underserved groups.
3. Customer experience - FSPs are able to use non-traditional data to drive the interaction between themselves and customers.
4. Affordability - the use of non-traditional data by FSPs is enabling them to design cheaper and better services to consumers.

And risks...

However, there are also risks such as:

1. Discrimination - Granular data and algorithms may result in consumers being excluded from accessing certain products and services due to real or perceived risks.
2. Data privacy - Consumers data being accessed and used without consent.
3. Data protection concerns - Lack of safeguards in place to prevent data leaks and misuse by third parties.
4. Data misuse - Inappropriate use of consumer data beyond the scope of their consent.
5. Transparency - Customers may not know how FSPs are collecting, using and sharing their data, and what benefits they are getting.
6. Fairness - Consumers have no safeguards against unfair discrimination and exclusion resulting from their data. In some cases, customers may have no right to correct or update their data.

Proposed recommendations

Data privacy, data protection, fairness and transparency are major challenges emanating from the use of non-traditional data on the provision of financial services. The following general recommendations, the FSCA stated, are being proposed:

- FSPs should be clear about their use of customer data, attain customer agreement to their customer data policies and, where appropriate, seek consent for specific uses.
- FSPs should be held responsible and accountable for data security.
- FSPs should disclose to customers which of their data points they are using and enable customers to intervene and limit use where applicable.
- FSPs should, where appropriate, allow customers to access, download, transfer and/or permit third parties to manage data about them.
- FSPs should be held responsible and accountable for violation of customers' data privacy.
- FSPs should be able to comprehensively test, validate and explain their use of data analytics or algorithms and models to customers.

The implication for regulators, according to the report, entails strengthening aspects such as consumer education, regulatory frameworks, licensing, supervision and enforcement to combat new risks resulting from the use of non-traditional data.

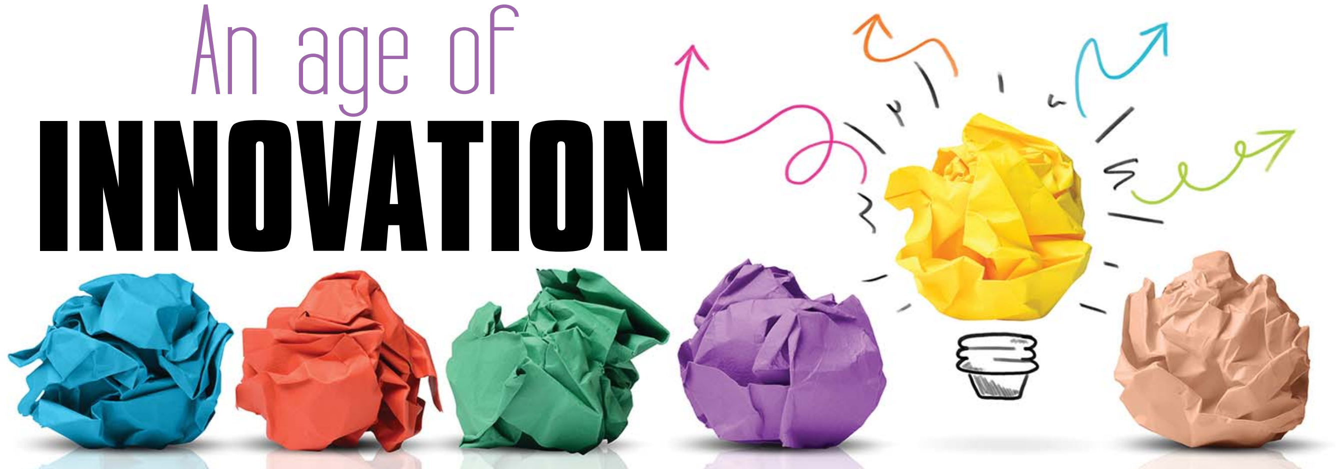
Ability of FSPs to capture and use data

Technological innovations, the report stated, have improved the ability of FSPs to capture and use non-traditional data. However, innovations have also led to greater uncertainty on what it means to use non-traditional data appropriately.

In concluding, the report highlighted that finding consensus among financial regulators on the appropriate use of non-traditional data is critical to balancing financial stability, consumer protection, innovation and economic growth. ●

Source: The Non-traditional Data Research Report - published by the Financial Secto

An age of INNOVATION



The insurance and financial services industries are continuously transforming, and business models are being challenged by new thinking, new competitors, and new ways of working.

Innovation may be among the most desired, but least understood aspect of corporate goals. Most businesses recognise the value of innovation, but few clearly understand the process of implementing innovation in a business model, and even fewer, of successfully integrating continuous cycles of innovation.

A business that builds a culture of innovation can become more efficient, save time and resources, and it can increase its competitiveness in the marketplace.

The role of innovation

Innovation covers a wide array of insurance business efforts, from upgrading and digitising legacy operations, to enhancing the experience of policyholders, distributors, employees, and ultimately to more disruptive changes in products, platforms, and services. These elements are valuable to assure the industry's long-term competitiveness in an increasingly customer-centric economy.

Nonetheless, many insurers and financial services businesses are devoting most of their attention and resources to maintaining or enhancing the status quo, rather than differentiating their value proposition for the long haul.

Let the innovation begin

Innovation must allow us to go beyond the realm of what is possible and to do what no one could do before. This is important because such innovation requires going beyond the toolkit normally used for operational improvement.

Strategic differentiation enables a business to occupy its preferred position on the current business frontier, but innovation—expanding the frontier or creating a new one—requires insight beyond, sometimes far beyond, the practices on that frontier.

Research into the behavioural economics, marketing, and psychology of insurance products is critical for insurers. Successful innovations solve fundamental customer problems in new, better, or more cost-effective ways.

Researching customer needs and expectations in the context of your competitive landscape is an integral part of the process, and can help you clearly define your target market, avoid costly mistakes, and speed up product development time.

Questions that need an answer

To mitigate risk, all these questions should be researched and answered, before launching any offering into the market:

- What products, services, processes, and ideas are already available in the marketplace?
- What are consumers looking for in this offering, and how does it meet their needs?
- What similar products/services do my competitors offer and what are they doing to stay competitive in this market?
- Is this a new offering or different approach to an existing offering?
- What is the potential market size in terms of revenue and profits for this product/service?
- How will we market this offering to consumers?
- Will this offering work as we have designed it?
- Will this product, service, or process disrupt the market, and if so, what impact and value would it have on consumers and the industry?

Insurers know that digital innovation is important, particularly at a time when competition is intensifying, customers are looking for better digital experiences and new technologies and economic uncertainty are changing traditional business models. Digital innovation is an opportunity to drive down costs, extend the distribution reach and boost customer satisfaction and engagement.

The innovation game

Improved technology alone cannot foster sustainable innovation, unless accompanied by fundamental changes in an insurer's strategy and operating models. To sustain profitable growth, insurers must create innovative products and services, while improving customer connectivity.

Most insurers remain focused on enhancing legacy systems, products, and business models, while neglecting to devote enough resources to more disruptive innovations that might differentiate them in an increasingly customer-centric economy.

Businesses should reimagine their operating models, talent needs, and market approach to become more customer-centric and keep up with increasingly agile Insurtech start-ups and proactive legacy competitors, as well as fend off potential threats from outside the industry entirely.

Insurers still have time to raise their game through innovation and disrupt themselves before others disrupt, or even displace them. In today's world of big data and rapid economic and technology changes, can businesses risk not being innovative?

Thomas Kieck
Director:
Business Development
Tial Technologies

CAPTURING VALUE across the insurance echosystem

Design thinking avoids silos by connecting all the dots. The core discipline of design thinking is to put client needs at the centre of any problem or opportunity.

Design thinking, as a tool for future proofing solutions, cannot be a siloed effort. Companies need to differentiate themselves, by becoming more digitally sophisticated, and focus on strategic risk advice and risk prevention across all traditional silos, based on the data collected through their claims and all other processes.

Transforming your claims model and data

The claims process is where insurers have access to valuable client data. Leveraging claims data from across the process is key to building and expanding a sustainable business.

1 Optimising profitability
Delivering services to clients profitably, is becoming a greater challenge for insurers because:

- Clients always expect more, and their expectations also change quickly, often shifting profit - without warning!
- Insurers face an increasingly complex and pressurised landscape of costly technologies, methodologies, and regulatory compliance pressures- to ensure new procedures are standardised and traceable.

These challenges are fundamentally transforming what 'service' demands and means. In respect of profitability examples - 45% of employee activities in a claims department can be automated by using existing digital technologies to save time. This reality requires re-visiting and optimising the human/technology balance. To create business value, while delivering great client experiences, businesses must fully embrace next generation technologies and operational models. The benefits include cost cutting, skills enhancement, improved transparency, and ultimately a higher quality client service experience.

2 Optimising agility
Insurers strive to be more agile and quicker to react, often falling short, because of the implementation of once-off initiatives in siloed units, while ignoring the bigger picture. Gains from siloed efforts are generally disappointing and unsustainable.

Agility optimisation requires:

- Organisational agility - focusing on empowering frontline staff with multi -disciplinary skills, for robust performance.
- Product agility - focusing on delivering new customised products, efficiently and in a flexible manner.
- Process agility - focusing on responding rapidly with the conceptualisation, design and deployment of new products and services.
- Technology agility - focusing on responding quickly to business needs, by using modern and modular digital and technical architecture.
- Data agility - focusing on being able to access the data when and where needed.

Next generation operational models require design thinking across the business, to improve client experiences delivered cost effectively.

3 Optimising First Notice of Loss (FNOL)

At present, the First Notice of Loss (FNOL) phase of the claims process is very fragmented, and not holistically coordinated. The emergency incoming call is the beginning of the claim. When a client lodges a claim, the insurer can improve and balance multiple objectives simultaneously, with simple adjustments and integrated technology.

For example:

- Accurately capturing vital and visual information by using live video streaming technology at the risk event site. This digital convenience facilitates faster resolution, from emergency to claim.
- Providing clients with a user-friendly experience through web or mobile interfaces, with pre-populated and relevant claim forms, to enable digital self-service.
- Real visual information facilitates case management - client expectations can be satisfied in real time through efficient responses and empathetic updates, quickly build an emotional connection with the individual.
- Unlocking more value by collaborating with third party service providers to collect data with their mobile devices and capture relevant information.
- With these new technology tools, the insurer can now track a claimant's risk event status, claim status and geo-locations with time and date stamps.
- Clients can upload video streaming and pictures of damages and submit and track their claims online.
- More importantly, by digitising the FNOL journey with the client's claim journey, the insurer has more and better data faster, which in turn allows its analytics initiative to be richer and more effective. By applying the latest modelling capabilities to better data, the insurer can use advanced analytics to improve its underwriting, risk management and new product and service development.

A future of uncertainty

The past year has reminded us that the only certainty is uncertainty.

Richard Perez wrote in the Business Day of 14 January 2021, "As we hurtle towards a complex future of uncertainty, we've never needed design thinking more."

Wimpie van der Merwe
CEO
Global Choices &
Director of Claim Central Africa

WITH CHANGE COMES OPPORTUNITY

There is no doubt that brokers provide a valuable service to their customers in providing advice, helping them understand the risks they face and what they can do to mitigate these risks.

However, the pandemic has challenged how they interact with their customers, with the lockdown forcing a shift away from the face-to-face contact that has been the bedrock to building relationships, towards digital engagement.

The right technology to solve the problem

As difficult as it is for any of us to manage change, at the same time, with change comes opportunity. I believe this enforced shift towards greater digital engagement affords brokers the chance to review the options out there, to enhance the way in which they provide their services, and how both existing and future customers may want to interact – for example, a greater ability to self-serve.

Technology is there to support brokers, but what technology offers the most value, and what are the bear traps to avoid?

Even for the tech savvy broker, there is a dizzying array of software platforms, apps and systems, as well as all the buzzwords and media hype, which can make it hard to identify what is right for their business and what can add value. My view is that any decision should be based on ensuring that you adopt the right technology to solve the business problem – not using technology for the sake of it or because some Insurtech 'guru' says it is the latest thing.

The bear traps to avoid

Unfortunately, many companies have fallen foul by spending large budgets on implementing what they view is a priority to solve a perceived problem, but sadly fail as the project does not actually address the current business requirements. Creating apps for customers to engage with is a good example – the take-up and interaction is often minimal due to low perceived value by the customer.

Another aspect that brokers need to bear in mind is that many of these new technologies require the ability to integrate platforms together, to share data and interact in a digital real-time manner. The problem is that many of the current legacy platforms are not built on new technology stacks, making integration incredibly difficult, limiting what can realistically be achieved and hindering the possibilities.

Big areas of focus for brokers

Those platforms with ecosystems enabling connectivity across the insurance value chain are the ones that they should be considering. And, in that value chain, there are three big areas of focus for brokers. Firstly, the focus should be on accurate and up-to-date data as this provides brokers with the ability to better understand their customers' risk profile, and better align cover and pricing.

Secondly, brokers should focus on social platform interaction allowing customers to engage whenever, and however they require, to gain advice and assistance. And thirdly, brokers should focus on the digital facilitation of the advice and recommendations they deliver to their customers.

The real strength of ecosystems is that they enable both the integration of core platforms, with innovative product offerings, as well as integrations to value added services – and so enable brokers to find innovative new ways to interact, distribute and relate.

However, I do not see this as a race to the top for the tech providers out there. Those looking to win the race are going to come last, as creating an ecosystem of best of breed technologies, and businesses working together to create a better customer proposition, is where the insurance industry is going to generate value.

When considering specific tech that can aid in client acquisition and retention, I would say the key is to look at those solutions that can provide services to customers that mitigate risk, rather than simply insuring them. Smart home devices, for example, provide early warning notifications for risks, such as fire and escape of water, to prevent the need for a claim to occur. When it boils down to it, customers only really buy insurance to receive a payout – and this is why parametric insurance is gaining traction. It often leverages smart devices or system integration to notify a claim and pay automatically if the claim meets preset criteria. These propositions could go a long way to restoring trust in our industry again, given the battering it has taken during the pandemic.

A business transformation project

Of course, the decision to make change to all or any part of an existing tech platform is significant, but I think it is important to view it as a business transformation project, rather than purely an undertaking for the IT team.

Brokers should consider where they want to be and look at all aspects of their business to define a journey that is achievable and measurable. Changing things at a manageable pace is much easier to control, and more likely to succeed.

Consider potentially moving a line of business or launching a new product on a new system, running alongside the existing platform, which could be more beneficial in the short-term. This enables a business to try something and if it does not work, pivot and try again without impacting the core operation.

If they have not done so already, brokers need to view their technology platform, or they will not be able to adapt to the new norm that is emerging out of the pandemic. This of course requires time, effort and spend – but it is an investment that every broker should be undertaking if they are going to be able to fulfill their client obligations and interactions going forward.

Craig Olivier
Chief Technology Officer
Genasys

Leveraging opportunities OF THE DIGITAL ERA

The business sector is continuously evolving, with new innovations impacting and empowering it.

Digitisation may not be new, but it is consistently and rapidly advancing, swiftly extending its reach, and effectively integrating (sometimes obtrusively) into every aspect of life.

Such technology and artificial intelligence come with some major risks but the innumerable opportunities, especially when properly utilised, far outweigh these.

Investment outlook

Like any business decision, the cost-benefit analysis is a critical determinant of the level of technology adoption. However, a longer-term outlook is essential, especially in current times.

Technology is deeply engrained in all our lives and continues to impact consumer behaviour and expectations. As consumers, we all want support, products and services rendered almost instantly.

Technology is empowering us to be savvier. We have the means to look at the finer details – comparing prices, benefits, checking reviews, etc. all much more effectively and quicker than ever before.

Keeping pace

So, businesses that do not accelerate their digitisation efforts, but equally their change management and training efforts, risk becoming irrelevant and stagnating. Systems will have to not only be scalable but will also need to be agile for future enhancements.

Increasingly, companies are allocating more money towards digitisation – some implementing end to end digitisation.

According to a recent KPMG report, 75% of CEOs have accelerated the creation of a seamless digital customer experience.

Thanks to the progress being made, digitisation is bringing about a new ecosystem that is interacting with multiple customer needs, via an omni channel approach. It is also enabling connections with various types of business transactions operating across various organisational groups.

Invisible threats

In leveraging the opportunities of the digital era, it is vital to also safeguard against rapidly escalating levels of cybercrime. Businesses must invest adequately to secure consumer and business data.

Diligently managing the transfer of data - not just within the business but also across its value chain and investing in the most updated antivirus software, early detection technologies, the right expertise to monitor and fix any exposures as they arise, etc. are imperative.

As risk managers, we need to work closely with clients to expand awareness of evolving cyber exposures and the various ways in which to mitigate against these.

Customer retention

Customer retention is multi-faceted. It often involves the right balance between cost, quality, customer experience and general responsiveness. It also demands due consideration of the needs/wants of the customer today, and in the future.

In many ways, the digital era is making it easier for businesses who can access information relating to target audience wants, needs, interests, concerns, biases, etc., instantaneously. Understanding and extracting the insights appropriately can help bolster product/service relevance and enhance the brand's overall experience.

With customer engagement channels expanding, simpler and seamless interactions are becoming more commonplace. Traditional mediums are less favoured but that does not change the importance of excelling in customer service and addressing needs promptly.

Through machine learning and artificial intelligence and platforms such as WhatsApp, website chat boxes, social media, etc. businesses are effectively as well as instantaneously engaging customers and enhancing user experiences. Digital has become an intrinsic contributor in enhancing business outreach capabilities and optimising the receptiveness of audiences.

However, as humans, we also seek physical interactions/connections, so as much as some things will continue to change, some will remain the same. So, it is all about balance, which can only be effectively achieved by understanding the preferences of audience segments – and at times, that of the individual stakeholder.

For service driven industries, like insurance, it entails using a range of channels and conveying the same message through multiple platforms but in formats that suit the platform, e.g. an SMS update of a new service, a social media post with top-line information and links to details on a website, or a launch event.

Sedick Isaacs
Head of
Business Support Services
Bryte Insurance

We can no longer choose to IGNORE DIGITISATION

Digitalisation is everywhere and we can no longer choose to ignore it. Today, we are seeing more customers embracing digitisation faster than ever, which requires less personal contact but still demands immediate feedback, enhanced product offerings and value.

Turn change into opportunity!

The year 2020 was an interesting period for the insurance industry, when it came to technology adoption. The year 2021 must be the year insurers turn change into opportunity – especially regarding digital platforms.

In 2021, the 'one-size-fits-all' mentality will not work. Insurers must offer personalised, relevant products and services with convenient underwriting processes, remote acceptance security and quick claims processing – in a way that makes sense to the customers life stage and budget.

Critical points of reference

So, what should insurers who want to succeed in a digitised environment examine as critical points of reference, for existing and potential customers?

1 Simplified digitised sales processes.
Put together simplified and convenient sales processes that speak to the Financial Needs Analysis (FNA) and outcome in real-time. Financial advisers will need to tap into digital solutions, providing simpler, convenient parameter-driven underwriting processes, which are all paperless and on a digital platform. Customers expect efficient service, with enhanced expertise and personalised value, that digital platforms and Artificial Intelligence (AI) can deliver.

2 Intelligent underwriting.
AI has transformed the traditional way of underwriting. Intelligent underwriting, built within the policy engine, ensures that the insurance application process is convenient, and uniquely aligned to the needs of the client. This generates a premium suited to the client's affordability and life stage, while providing real, personalised policies and financial protection. Automated underwriting systems must be invested in, to enable the more dynamic and efficient processes digitisation now demands.

3 Remote acceptance and self-servicing platforms.
The world has changed, and people often expect remote, time saving processes. So, offering real safety and security for clients signing-up a new policy, for example, in the comfort of their own home through a One-Time-Pin (OTP) verification, is the norm. Financial institutions have been doing this for years, and insurers must do the same. The personalised aspect can be kept, with financial advisers urged to make use of remote interaction processes to bring both technology and the human touch into collaboration for the best, most efficient outcome.

Self-servicing platforms are also key for policyholders, not only to update their own details and existing products quickly and safely, but also for insurers to provide a communication and education platform, especially for clients without an adviser, for example.

4 Relevant products and solutions.
Now more than ever, products and benefits offered to customers need to be relevant, easy to understand and tailored to their life stage needs, as well as affordability. Simplified terms and conditions and disclosure policies must be in place. Customers want a proactive approach from insurers as to what they need to do (throughout the policy lifecycle), to ensure 100% compliance and no surprises down the line. This simplification should include exact pay-out processes and restrictions – if any.

5 Claims Processing.
Real-time claims processing is fundamental. The industry is looking to build digital ecosystems to increase cost effectiveness, settle claims fast, as well as provide the simplest, and most customer-centric process. Allowing for faster, more convenient claims handling, and possibly even self-service settlement analytics from data collected through the entire claims process, will improve post-claims file reviews.

Our industry needs to evolve

In conclusion, the more we see insurers direct their business objectives towards the enablement of human-tech collaboration, being agile and evolving business models to incorporate digital functionality, the more dynamic our industry will evolve to be, in the shortest timeframe.

Here is to the year 2021… where we turn change into opportunity for all stakeholders, especially the policyholders!

Kobus Wentzel
Executive Head of Sales and Distribution
1Life

Materiality and prejudice – RELEVANT IN DISPUTES

In adjudicating disputes, the Ombudsman for Short Term Insurance (OSTI) is required by its terms of reference and various other instruments to consider the law, and in appropriate circumstances, the order of fairness and equity.

Breach of contract

In a recent matter dealt with by the Office, the insurer declined a motor vehicle accident claim on the grounds that the insured had failed to comply with the policy requirements relating to an inspection and the installation of a telematics device.

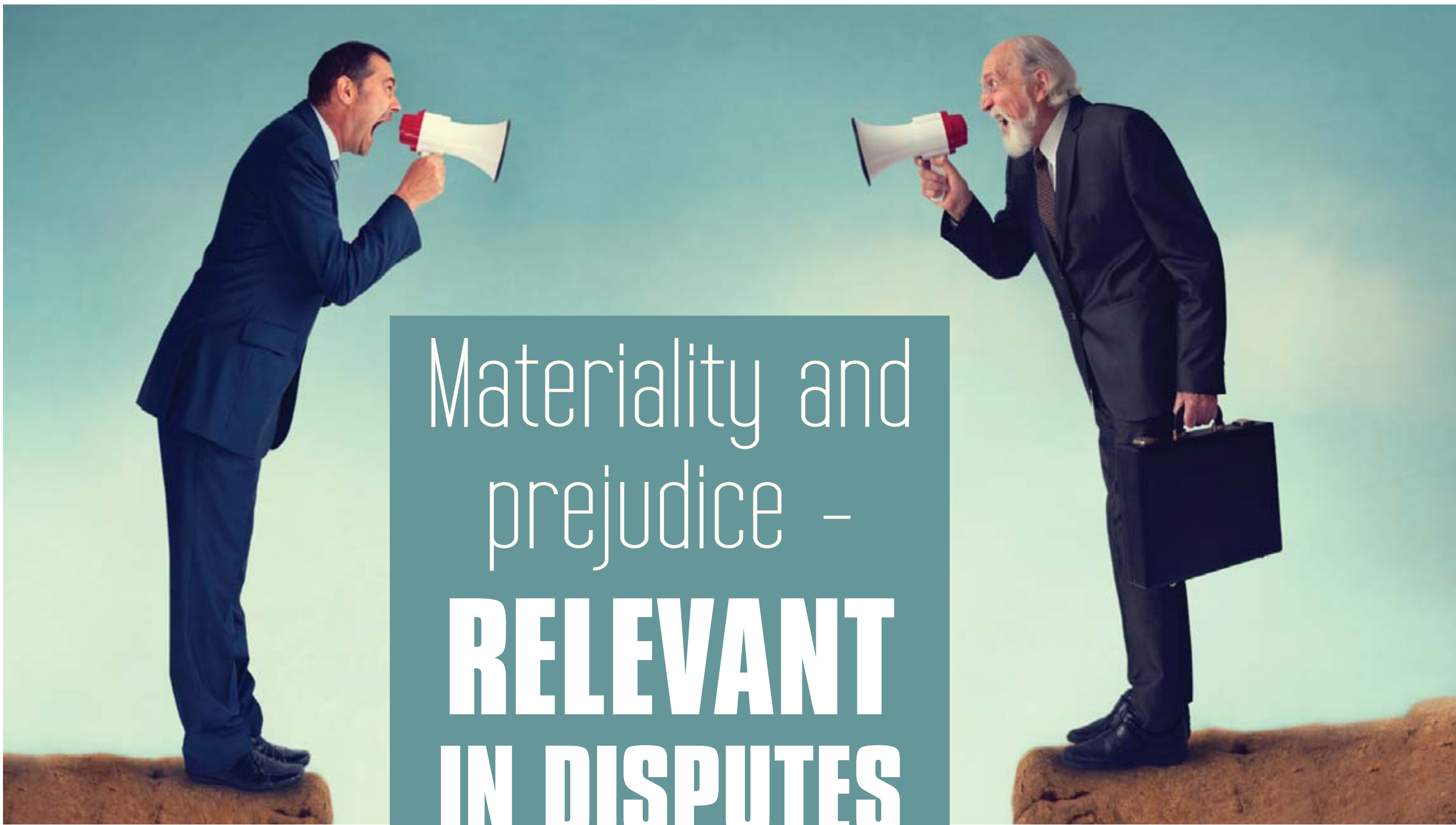
The policy required the insured to take the insured vehicle for an inspection within a specified period; and to also have a telematics device installed. It was common cause that the insured had breached the above policy requirements.

establish its condition. Neither of these aspects seemed to be an issue, as the insured vehicle was involved in an accident. Both the existence and the condition of the vehicle could be established, despite the insured's failure to submit the vehicle for the required inspection.

As the insurer had also not addressed the issues of materiality and prejudice, with regards to the requirement to have a telematics device installed, it was required to address this as well.

Proactive and cooperative approach

In response, the insurer simply advised that it would settle the claim. The insurer is commended for having realised and conceded that it had not considered the claim properly; and for taking action and mending its ways.



Evaluating the merits of the dispute

In evaluating the merits of the dispute, the Ombudsman noted that the insurer was contractually entitled to decline liability for the claim, due to the breaches.

However, the Ombudsman also pointed out to the insurer that it had failed, in its response to the complaint, to address issues of materiality and prejudice. In addition, the Ombudsman indicated that the insurer's approach and stance on the claim would not stand.

Where an insurer relies on a breach of policy terms and conditions, it is required to prove that such a breach operated to the detriment of the insurer (prejudice), and that it was material. In the latter regard, the prejudice must be relevant and substantial, in that it affected either the risk assessment or the loss itself. Insignificant or immaterial breaches are generally overlooked.

The Ombudsman pointed out to the insurer that the purpose of the inspection is to verify the existence of the insured vehicle, and to

It is the Ombudsman's view that this is the attitude that should be demonstrated by insurers in their interactions with the Office, during the dispute resolution process and in assessing their own approach to claims.

Where errors may have occurred, or unjustified decisions were taken, it is never too late to correct them and to take the appropriate or correct approach.

This proactive and cooperative approach is also likely to engender consumer confidence in the industry, and to foster goodwill.

Peter Nkhuna
Senior Assistant Ombudsman
OSTI

CPD ARTICLE

SPECIALIST INSURANCE - Helping corporates weather the storm

COVID-19 has impacted every part of our lives, including the business landscape. Many companies have had to deal with disruption and business continuity constraints, while many executives have had to focus on survival and very tight liquidity management.

It remains unclear how much longer the uncertainty will persist, amplifying the role of insurance as a critical strategic service to corporations.

The first insurance contract was formalised in a London coffee shop, in the 17th century, to address the needs of the marine industry. Since then, insurance has proven to be an effective tool in assisting companies and governments to ride out crisis periods. Within the context of the current Covid-19 crisis, it is worthwhile to put the spotlight on some of the tools in the insurance toolkit that are both relevant and useful.

Protected by trade credit

The spread of Covid-19 led many governments to institute nationwide lockdowns. Very few businesses were able to operate under such restrictive conditions, and many CEOs found themselves in unfamiliar territory. Even stable companies started to feel the squeeze on cash flow, and the burden of meeting obligations towards creditors was compounded.

Under these circumstances, pleadings for leniency from debtors requesting payment extensions and meeting their own creditor obligations required a tough balancing act.

Businesses protected by trade credit insurance provided relief to clients through temporary insurer-mandated authority to approve extensions of invoice due dates, without compromising further sales. This made it possible for businesses to continue trading through the pandemic, and enabled them to use the pandemic to strengthen, rather than weaken, existing client relationships; with the security of an insurance payout in the event of a debtor default or closure.

Surety to release collateral

Surety can be used to release other forms of collateral, thereby allowing corporate clients to generate liquidity to fund recovery and growth. Assets, which are not tied down as collateral, including property, can free up valuable working capital to fund activities. As a result, a better cash flow position can be achieved effectively and flexibly.

Clients have the option to set up separate lines of credit with insurers, which can protect their lines of credit with banks. Such creation of financial capacity enables companies to take on additional projects, without being restricted by security requirements.

Non-payment insurance for financial institutions

As we begin to emerge from the crisis, corporate priorities will shift towards sales expansion and securing funding for strategic growth initiatives. This is important for the economic engine to start running again, and the support of providers of capital is key.

However, lenders and investors must consider their own risk concentration. In a highly elevated credit risk environment, lenders face pressures from their internal counterparty limits, which restrict their ability to support individual corporate relationships beyond a certain point and increased regulatory capital costs.

Credit insurance and surety can provide a useful solution to these problems, both directly as a large and ready pool of syndication capacity, and indirectly, by introducing non-bank financial institutions alongside established corporate funding relationships. The role of credit insurance for short, medium, and long-term trade and investment has been validated by the numerous state guarantee and reinsurance programs worldwide, extended to these insurers in response to COVID-19, acknowledging their critical support for corporates in terms of trade and access to finance.

Insurance is a necessity

Crises, like Covid-19, affect businesses negatively and threaten business continuity. The insurance industry has an important role to play in helping companies deal with uncertainty. This can be the difference between bankruptcy, default and survival.

Beyond survival, access to additional funding strengthens the business to defend its market position and/or exploit emerging opportunities to its advantage. The era of viewing insurance as an expense is continually fading away. With disruptive unforeseeable emerging risks, insurance is a necessity and a key enabler of a company's competitiveness.


Maxwell Chiyangwa
Senior Client Executive
Surety & Political Risk,
Marsh JLT Specialty


Tracy De Kock
National Practice Leader
Trade Credit,
Marsh JLT Specialty


Jerome Fanning
Regional Leader
Lenders Solutions Group,
Marsh JLT Specialty


Lynn Harrod
Regional Practice Leader
Surety & Political Risk,
Marsh JLT Specialty


Pieter Dingemans
Credit Specialties Leader
- MEA
Marsh JLT Specialty

MOTOR INSURERS TAKE NOTE:

Replacement parts cannot compromise an insured's safety!

The debate over the use of non-OEM (Original Equipment Manufacturer) parts to repair accident-damaged vehicles is as old as the motor insurance industry itself. Insureds are concerned about the potential prejudice they might suffer if their vehicles are repaired using parts that are not up to scratch, while insurers counter that sensible claims cost management is an additional imperative for a sustainable industry.

The many guises for non-OEM parts

Consumers think of replacement parts as being either OEM parts or not; but non-life insurers have a wide range of definitions. "An OEM part is a component that is manufactured for or on behalf of the vehicle manufacturer and is assembled to the motor vehicle on the production line," says Malcolm Rajah, General Manager: Motor Procurement at Hollard. Aftermarket parts are often produced in the same factory that the motor manufacturer orders its parts from. This explains the general consensus among industry stakeholders that Certified Aftermarket Parts (CAP) are equal to OEM parts as far as fit, performance and wear and tear.

South Africa's largest non-life insurer, Santam, has a similar definition for OEM-parts; but uses various descriptors for aftermarket or non-OEM parts, including Quality Certified Aftermarket; OEM-endorsed Aftermarket; Factory Aftermarket Certified; Non-certified Aftermarket; second-hand or green OEM; and refurbished or reconditioned second-hand OEM. Given the wide selection of replacement parts we wondered what informs an insurer's decision to choose one type over the other?

It turns out that cost is a major factor in the OEM versus non-OEM part discussion. The *2020 AA-Kinsey Report,* now in its 30th year, confirms that OEM parts are becoming more expensive. "Motoring has become more expensive, certainly from a parts perspective, and the results for 2020 show that," says Malcolm Kinsey, author of the report.

The report, which is compiled to reflect the prices that a vehicle owner would be charged when walking into a dealership, serves as a proxy for the vehicle repair costs that South Africa's non-life insurers incur when settling motor vehicle accident claims. It also confirms a long-term trend of above-inflation price hikes in OEM parts.

A basket of negative outcomes

"Part price inflation introduces negative effects such as increasing the contributions owners have to pay towards insurance excesses; influencing insurers' write-off decisions on crashed vehicles; and raising the insurance premium insureds have to pay," writes Kinsey. Insurers, who face ongoing pressure to manage claims costs down, have responded by considering alternatives to OEM parts. "Santam, in co-operation with the South African Insurance Association (SAIA) and other insurance companies, [had no choice but to] explore alternatives to combat the increasing cost of motor parts in the industry," says Gerhard Genis, Head Quality Management at Santam.

CAP, which cost up to half the price of OEM parts, was an obvious place to start. "We use CAP to better manage repair costs on vehicles that are no longer under warranty; this practice allows for such vehicles to remain within their maximum repair limits, creating the opportunity to save the vehicles instead of deeming them uneconomical to repair," says Bruce Ceprnich, National Manager: Motor Vehicle Assessing at Hollard.

Both Hollard and Santam say that the decision on which type of replacement part to use depends on whether the vehicle is under warranty or not. "Motor vehicles that are outside of warranty can be fitted with CAP whereas vehicles under warranty will be fitted with OEM parts; this is a requirement under the motor manufacturer's warranty agreement," says Genis.

The use of non-OEM parts is a freque source of frustration among insureds. Nkhuna, a senior assistant ombudsma the Ombudsman for Short Tterm Insur ance (OSTI), says that the office recei dozens of complaints relating to the u of non-OEM parts in vehicle repairs ea year. These complaints range from se safety concerns to cosmetic aspects that stem from the non-OEM part bein ill-suited for the repair. Nkhuna recalls time when there was an influx of comp about non-OEM windscreens. Windsc are a safety-critical component that mu meet minimum standards; but insureds were unhappy despite their insurers using SABS-approved non-OEM replacements.

No negotiation re safety-critical repairs

The discussion soon turns towards the insurers' responsibility to its clients. "A non-life insurer has a legal obligation to indemnify the insured and to be reasonable in doing so," says Nkhuna. "Where the insured will not be prejudiced by the use of non-OEM parts, they may be used, otherwise OEM parts must be used". He adds that alternative parts should only be considered where they do not compromise safety, invalidate manufacturer warranties or trip up over other material considerations.

"We make use of OEM parts for safety critical components such as airbags, brake disks and pads, drive- and side-shafts, shock absorbers, steering racks, suspension components and wheel bearings," says Rajah. The insurer does, however, consider CAP to replace items related to

cooling systems, head- and tail-lights and suspension for vehicles that are out of warranty. Santam also uses OEM parts for all safety-critical replacements on vehicles that are under warranty; but will consider Quality Certified Aftermarket or Factory Aftermarket Certified parts for repairs to older vehicles.

The best way to avoid complaints is to manage customer expectations at the underwriting stage. One would therefore expect to find details about replacement parts in non-life insurance policy wordings. “Most domestic non-life insurance motor policies are silent regarding what type of spare parts should be used and this is not usually set out in the policy contract between insurers and policyholders,” says Genis.

He adds that contracts are underwritten on a like for like basis, which introduces the opportunity to use alternative parts as long as the insurer does not compromise on quality and safety. Santam says that it approaches its clients for consent before instructing repairers to use parts other than OEM parts.

“Our policy wording does make provision at claims stage that a decision to repair, replace or source alternate parts will be made according to subrogation considerations; our assessing team has also drafted protocol measures where it is a requirement for the appointed assessor to discuss the use of CAP with the insured,” says Ceprnich.

Insurers have to pay close attention to their parts procurement and management arrangements to ensure that quality parts are purchased. “It is important to ensure that our part suppliers conform to legislative requirements and the minimum Santam governance rules regarding the management of stock to make sure we have traceability of part items,” concludes Genis.

Challenging unreasonable decisions

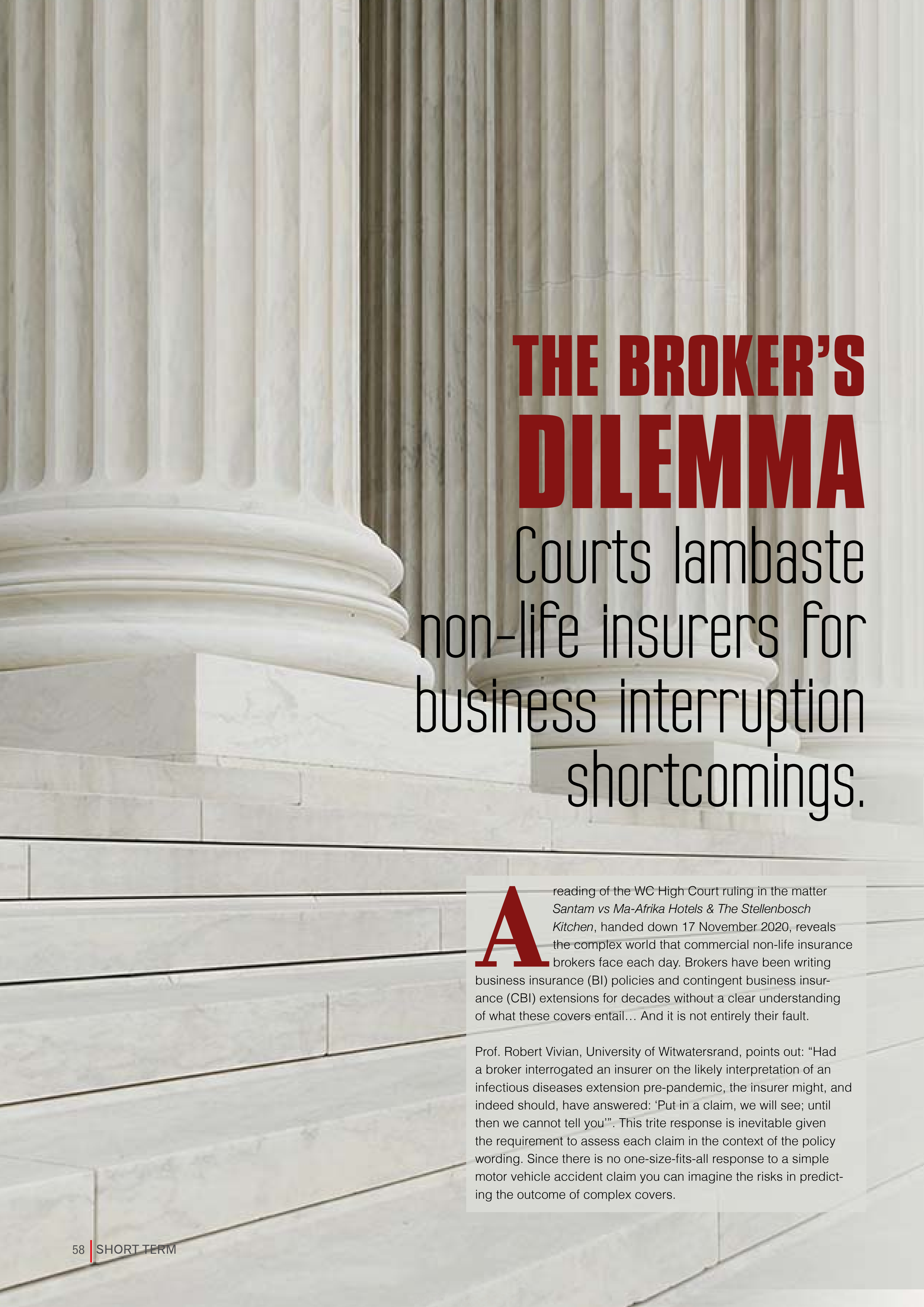
Nkhuna says there is usually a clause or provision in the policy wording that reserves the right for the insurer to decide whether to repair, replace or reinstate the motor vehicle or to settle for cash in lieu. The insurer has sole discretion to choose how, in what circumstances and with which repairer to repair, and determine which supplier to use for replacement. “It must be noted that whatever the case, any unreasonable decision in this regard will be liable for a challenge,” he says.

Insurers have a legal obligation to be reasonable in their approach to motor vehicle repairs and the law remains the ultimate determinant of what constitutes equity, fairness and reasonableness in this regard. The OSTI notes that whichever party can substantiate its case, either way, would be the one that ultimately prevails. Insureds cannot insist on an unreasonable repair where an equally effective but less costly repair is possible, nor can they insist on a replacement where a repair would be absolutely adequate.

“The approach of keeping costs down is generally a good one for the collective of insurance consumers but may work out not-so-well for the individual in specific circumstances,” concludes Nkhuna.

Gareth Stokes
Stokes Media

Ed: Malcolm Kinsey passed away on 20 January 2021, a day before his 77th birthday. Malcolm will be remembered for his great contribution to the motoring industry. We offer our sincerest condolences to his family and friends.



THE BROKER'S DILEMMA

Courts lambaste non-life insurers for business interruption shortcomings.

A reading of the WC High Court ruling in the matter *Santam vs Ma-Afrika Hotels & The Stellenbosch Kitchen*, handed down 17 November 2020, reveals the complex world that commercial non-life insurance brokers face each day. Brokers have been writing business insurance (BI) policies and contingent business insurance (CBI) extensions for decades without a clear understanding of what these covers entail… And it is not entirely their fault.

Prof. Robert Vivian, University of Witwatersrand, points out: "Had a broker interrogated an insurer on the likely interpretation of an infectious diseases extension pre-pandemic, the insurer might, and indeed should, have answered: 'Put in a claim, we will see; until then we cannot tell you'". This trite response is inevitable given the requirement to assess each claim in the context of the policy wording. Since there is no one-size-fits-all response to a simple motor vehicle accident claim you can imagine the risks in predicting the outcome of complex covers.

Lockdown versus infectious disease

The arguments offered in the WC High Court challenge, and repeated in courts around the world, are case in point. Santam, the respondent, observed that the cover under its infectious diseases BI extension was "limited to causative events that are local to the insured premises". In other words, their extension did not provide cover "for the consequences of a global pandemic or a nationwide disease such as Covid-19; including government responses by way of lockdown".

The insurer argued that their policy wordings were clear insofar the perils on cover, namely "infectious diseases that were specifically local to the insured's premises". Most insurers establish locality by the occurrence of a notifiable disease within a certain radius of the insured's premises. How would the insurer, based on its interpretation of the agreement between itself and the insured, assess a claim? Santam starts by identifying the insured peril with reference to the policy wording, and thereafter establishes whether that insured peril is the proximate cause of the interruption to the applicants' business and any ensuing loss.

The proximate cause, as stated by the insurer, is the *dominant effective operative cause* of the loss, being the contagious outbreak within the stated distance. They say that lockdown is a different peril, and to therefore hold that lockdown was the peril was a misidentification of the peril. The WC High Court summarised Santam's position as follows: "The applicants failed to establish that the local occurrences [of the disease] were the proximate cause of the interruption of their business and loss of revenue, and accordingly, the applicants had not established that they had suffered any loss of revenue as contemplated by the policy, in consequence of an insured peril". But the argument that the misidentification of the insured peril is adequate to reject pandemic-related infectious disease BI claims has been rejected in multiple jurisdictions.

Factual and legal causation

The WC High Court's task was to determine the proximate cause of the loss by applying tests for both factual and legal causation to the relevant facts of the case. They referenced *Centriq Insurance Company Ltd v Oosthuizen and Another* where it was noted: "The consequence of adopting a business-like or commercially sensible construction of an insurance policy is that the literal meaning of words, read in their context, may have to yield to a fair and sensible application where they are likely to produce an unrealistic and generally unanticipated result, which is at odds with the purpose of the policy".

This quote allows judges to side with fairness and intention over ambiguity and complexity. The WC High Court in the Santam matter observed that "a purposive approach to the interpretation of the policy wording was required, in a manner that provides an interpretive outcome that is fair, sensible and business-like". It is apparent that the courts have introduced a new basis of interpretation for contracts, being that of business-like or commercially sensible construction.

South Africa's case law is also specific insofar the treatment of ambiguity in an insurance contract. The judges noted that the application of the contra proferentem principle meant ambiguous clauses would be interpreted in favour of the policyholder. The reason for this is that insurers enter into contracts of indemnity with insureds, in which the insurer benefits from the limitation of the scope and purpose of the contract.

The concept of compound perils

A precursor to the WC High Court ruling appeared as early as paragraph 40 of the judgement, when the judge opined: "The infectious diseases clause covers notifiable diseases which are, by their nature, diseases that entail a government response, or at least the risk of a government response; it appears to be a logical conclusion that the only textual and purposeful interpretation of the clause is that the insured peril covers Covid-19 and the government's response to it".

This conclusion is similar to that made by the UK High Court in a test case brought against eight insurers by the UK Financial Conduct Authority (FCA). It also echoes the decision in the matter of *Café Chameleon vs Guardrisk* and the guidance given by the South African market conduct regulator. The WC High Court ruling drew on the UK High Court's interpretation of various policy clauses to firm up their view on causation. "The UK High Court concluded that most of the causation issues raised [by the respondents] fell away upon concluding that the nationwide outbreak of Covid-19 and the resulting government and public response formed a composite peril," they wrote.

The UK High Court thus determined that the outbreak of COVID-19 and government's consequent response were indivisible. Their decision has since been upheld on appeal.

The WC High Court judges then crossed into a subjective debate over the role of insurance in the broader social context. They noted that "insurance is intended to serve as a social safety net to cover financially devastating losses and compensate injured parties" before concurring with the FCA's view that "insurers must have contemplated that the authorities might take action in relation to the outbreak of a notifiable disease as a whole, and not to particular parts of an outbreak". The FCA contended that the notifiable authorities would be most unlikely to act based on whether cases fell within or outside a notional line drawn 25 miles away from an insureds' premises.

A damning ruling…

The WC High Court ruled that Covid-19 and government's response to the disease were an inseparable part of the same insured peril and that the breakout of a notifiable disease, whether reported to a local or national authority, always came with the risk of a government response. This made the government's response part of the insured peril of notifiable diseases. They ordered Santam to indemnify the applicants.

Although still awaiting the outcome of its Supreme Court challenge, Santam has since said that they will settle valid claims for all commercial policies with contingent CBI extensions, in addition to those covered by its Hospitality & Leisure division. This announcement impacts 4000 commercial clients with policy extensions that cover contagious and infectious diseases. "We are pleased to have reached a point where we have a level of legal certainty that enables us to proceed with the assessment and settlement of all valid CBI claims as quickly as possible," said Lizé Lambrechts, Santam CEO. The Supreme Court will re-test the WC High Court decision insofar composite perils and the social role of insurers alongside the damaging declaration of an 18-month indemnity period.

Gareth Stokes
Stokes Media

The noble purpose of MEDMAL INSURANCE

The year 2020 saw the medical community at the frontline, facing tremendous pressure and uncertainty.

For quite some time, the healthcare environment has been plagued with an increase in medical malpractice claims, and the much-publicised increase in professional indemnity insurance premiums.

Charges of culpable homicide

Much publicity, for example, has been given to the criminal case involving Dr Peter Beale, and the late Dr Abdulhay Munshi, who were both arrested on charges of culpable homicide, following the tragic death of a 10-year-old child in their operating theatre. The arrest took place, despite no formal criminal investigation having been concluded. Equally devasting, was that Dr Munshi was gunned down in Johannesburg in September last year, seemingly in retaliation. This paved the way for a series of public debates and protests, in relation to the aggressive approach of the policing and prosecutorial authorities.

Understandably, the wider medical community is concerned with the negative precedent this may have. Not only because they are more vulnerable to charges of culpable homicide for mistakes or lapses in judgement, but, more significantly, the hostile way in which these arrests were carried out, and their wide coverage in the press. This is especially concerning since the South African Constitution guarantees the protection of fundamental human rights in respect of the arrested, detained and accused persons, including the right to be presumed innocent, until proven guilty, and the right to a fair trial.

Negligence is tested

Culpable homicide is the common-law crime of unlawfully and negligently causing the death of another human being. The test for negligence in criminal law is the same in civil law, whereby negligence is tested against the criteria of the "reasonable person" fiction. When applying this to the medical profession, in deciding whether a medical practitioner is guilty of culpable homicide, a Court will assess the relevant facts in relation to a case and apply those facts to the applicable legal principles.

In doing so, a Court will consider: (1) whether the reasonable doctor in those same factual circumstances would have foreseen the possibility that the patient would die; and (2) if they foresaw that possibility, would the reasonable doctor in the same factual circumstances have taken steps to guard against the death ensuing.

South African criminal law does not distinguish between degrees of negligence in establishing a criminal conviction. In other words, even the slightest degree of negligence would be enough for a conviction, provided that the negligent conduct was causative of the patient's death. The degree of negligent conduct would, however, feature in the Court's assessment in mitigation of the sentence.

Adequate protection of practitioners

Fortunately, most medical malpractice insurance policies include an extension for assistance in dealing with inquest investigations and associated criminal proceedings relating to charges of culpable homicide. Such cover is important for the adequate protection of healthcare practitioners.

The purpose of insurance in this context is a profoundly important and noble[1] one. It protects the liberty of the medical practitioner. The noble purpose of medical malpractice insurance goes beyond the conventional compensation claim, as it safeguards medical practitioners in dealing with life-threatening incidents.

Additionally, the important role of the broker in providing advice cannot be overstated. Most medical professionals do not understand the insurance cover they enjoy[2]. The value of that advice goes a long way in ensuring that the client has the most appropriate cover, based on their speciality and risk profile.

Regardless of the cover a medical practitioner chooses, it is important to ensure that their indemnity provider has the right experience in managing claims in South Africa to provide long-term security and peace of mind.

JP Ellis
Legal & Claims Manager
EthiQal, a Division of
Constantia Insurance
Company

[1] *As more fully described by Peter Todd in his presentation at the 2012 Insurance Conference, that the insurance profession "…is a noble industry with a noble purpose".*

[2] *For example, the difference between occurrence based cover versus claims-made cover; or that the indemnity cover which they enjoy comes from an offshore Medical Defence Organisation, on a discretionary basis.*

CHANGING DRIVING TRENDS bring about more personalised cover

Due to the movement restrictions imposed by the South African government to try to curb the spread of COVID-19, never have we seen such quiet roads as was witnessed during the country's initial hard lockdown.

Reduction in vehicle activity

Aggregated data from vehicles fitted with a device from vehicle tracking company Tracker, and analysis from Lightstone, indicated an initial 75% reduction in vehicle activity for the first three days of lockdown. Furthermore, reduced use of passenger vehicles saved 1150km of driving, 30 hours on the road and R1 350 in fuel during the first month of lockdown, as compared with the month prior to lockdown.

While vehicle activity increased as restrictions were lifted, we still have not reached the levels experienced before the pandemic. Gauteng's major roads were still one-third less busy in the second half of 2020, during levels three and two, than in February, the last month before the lockdown started.

In addition, commuters travelling from Pretoria to Johannesburg and back again spent an estimated 10 hours a month less on the road in the second half of 2020, when compared to February. Overall, vehicles based around the Pretoria area and commuting to the Johannesburg area travelled roughly 12.5km/h faster during morning traffic and 16km/h faster during afternoon traffic, when compared to February, and saved 27 minutes in travel time.

Remote working, a key contributor to the continued lower levels of vehicle activity, is likely to become a more permanent feature as employers maintain this new working model post the COVID-19 pandemic. With less traffic and the resulting savings, plus fewer trips due to work flexibility, there will be implications for the insurance industry as consumers start to question the need to maintain full levels of insurance cover when they use their car less or, at times, not at all.

Usage-based insurance

Usage-based insurance has become a feature of personal motor insurance policies in recent years. There are a number of policies on offer focused on either a pay-as-you-drive model (i.e., distance-based) or pay-how-you-drive model. These policies are gaining traction in the market as awareness increases and many early adopters realise actual reductions in their premiums.

However, usage-based insurance is likely to become more lucrative in an economy where people are taking strain and affordability is an important decision driver. The shift will also be steered by more inconsistent driving habits, which is likely to increase the demand for the pay-as-you-drive model.

We can also expect to see more demand for insurance which enables policyholders to select and pay for only the cover they require, and pause and restart the cover when they need to, without penalties. For example, the ability to choose a policy that covers a specific pay-out for vehicle damage, plus third-party cover in the event of an accident, and then being able to pause that cover when on holiday for a lengthy period and the vehicle will be securely locked away. This will put money back into the pocket of policyholders whenever they choose.

A win-win situation

Yet, the best result for usage-based insurance comes about from a combination of these features – the ability to choose specific cover, pay-as-you-drive and pay-how-you-drive. It is a win-win situation, for policyholders and insurers. The policyholder is able to secure a reduced premium for safer driving behaviour and lower distance travelled. Insurers should, in turn, experience fewer claims, and will have greater insight into the risk profile of the policyholder.

Plus, a greater flexibility in policies and more personalised cover might even open up the market to previously uninsured drivers.

Colin Hundermark
Executive: Corporate Development
Tracker South Africa

WHAT HAS COVID-19 TAUGHT US ABOUT RISK MANAGEMENT?

As we entered the new year of 2020, the outbreak of the Severe Acute Respiratory Syndrome Coronavirus 2 (SARS-CoV-2), the virus that causes Coronavirus disease (COVID-19) that started in Wuhan, Hubei Province – China, started to affect the entire globe.

In South Africa, in March 2020, we encountered our first case of COVID-19 and a hard lockdown was implemented on 27 March 2020.

We are now just over 12 months within the pandemic, that is having its second wave globally and threatening to be the deadliest since (although not surpassing) the 1918 Spanish Flu, with ±500 million infections and ±50 million deaths. To date, COVID-19 has caused ±95 million infections, and over 2 million deaths, globally.

It stands to reason that the pandemic has had a catastrophic impact on businesses and economies across the globe, owing to the hard lockdowns in a race to save human lives. Like the saying goes, "Never waste a good crisis", the pandemic has not gone without several important lessons for the risk management profession which we highlight below.

Risk management is common sense

The pandemic abruptly sent us "back to the basics", in comparison to the complex world we have created for ourselves. We are now experts on basic hygiene standards such as washing our hands, sanitising, social distancing and usage of masks to manage risks to our lives. There is a sense of consequence to our actions at every point of contact within our daily lives.

Professionally, it has highlighted the basic principle that for us to run companies efficiently and effectively, we must be in the right frame/state of mind, free from any fear or any life-threatening event.

The concept has changed from "wealth" to "wellness" because mental wellness is the mainstay to resilience, amidst this global pandemic. It has also taught us to balance our need to earn a living, and that of closing businesses (e.g., entertainment) to save our lives. The poverty levels in our country forced us to reflect. Many of us did not think that balance existed, but we became creative and "found a way". The pandemic has also taught us that risk management is at the core of business, as opposed to a "corner office", and that the art of optimising risk for reward is innately built in our trading process.

I am certain that most small business start-ups have a renewed view of this concept. The risk-adjusted strategy, as implemented by the state, is also an attestation to this fact that risk management is essential, and that business continuity finally got to be applied.

Risk appetite must be appropriate

Risk appetite can loosely be defined as the parameters which the business can operate within. COVID-19 has elevated the survival part of this concept, because as risk managers we calibrate it regularly, but we never stress-test it robustly, basically remaining a theoretical exercise. So, COVID-19 mainly presented us with a live stress-testing scenario. It has been a common notion that risk management stress testing and the associated rigour required to ensure effective risk management has been lacklustre in many businesses.

COVID-19 has exposed this weakness and highlighted the opportunity to invest in the future, to ensure risk management becomes the strategic defence mechanism against the effects of uncertainty. It must be an "integrated and enterprise-wide" process and needs to speak to the very core of the business, whilst defining appetite for at least financial, strategic and operational performance and/or risk categories.

Unfortunately, many of the businesses did not pass this test, amidst the unprecedented pandemic coupled with a technical recession, which resulted in many businesses closing their doors. However, we are the generation of risk managers that has to carry the lessons into the future.

Our capabilities

So often we draft our policies and processes to create a conducive environment for business activities, but so often these become a "stick" approach versus the "carrot" approach which causes more harm than good. Granted, this paradigm prompts some key questions:

- People - do we have the skills to deliver on our mandate regardless of location?
- Processes – do we all have a similar frame of reference on how we deliver against all the components of our value chain to clients?
- Systems – do we have the most appropriate technology to deliver against all the components of our value chain from anywhere in the world, whilst managing all the cyber risks that have crystallised?
- External risk events (such as COVID-19) – do we understand our context in which we operate to deliver against all the components of our value chain?

The pandemic has shown us how to become creative and innovative, and literally how to function outside the four walls of the traditional office and still achieve business objectives. Our sense of trust in one another as colleagues, and our commitment to the organisational goals, came to the fore. We now understand that our risks are not just around physical barriers, but are also about delivering the value our clients seek.

Post COVID-19, it is clear that the risk management discussions ought to gain traction throughout the business, because a practical stress scenario exposes the realities, and risk treatment strategies must be in place.

Lindiwe Magobholi
CRA – Certified Risk Analyst
Business Risk Manager – Rand Mutual Assurance
IRMSA Associate Member – Risk Chat Contributor

References

- *Source – Deloitte Dialogue Insurance Webinar-6 May 2020*
- *ESI-Africa- www.esi-africa.com – StatsSA reports GPD contraction of 1.4% for Q4-2019 plunging the economy into a technical recession.*
- *News Channel ENCA and Newzroom Africa – 10 June 2020*
- *The money show – www.702 .co.za 18 December 2020*
- *www.sanews.gov.za – 23 March 2020*
- *www.news-medical.net – 7 October 2020*
- *Wikipedia – 1918 H1N1 Influenza (also known as the Spanish flu)*

LEADING EXPERTS WARN THE WORLD ABOUT THE DANGERS AHEAD

During a press conference for the launch of the World Economic Forum's (WEF) flagship Global Risks Report 2021, in partnership with Marsh McLennan, SK Group and Zurich Insurance Group, leading experts shared the major risks the world will be facing in the coming years.

The effects of ignoring risks

For the last 15 years the WEF's Global Risks Report has been warning the world about the dangers of pandemics.

According to the Global Risks Report, in 2020, the world saw the effects of ignoring preparation and ignoring long-term risks. The COVID-19 pandemic has not only claimed millions of lives, but it also widened long-standing health, economic and digital disparities. Billions of caregivers, workers and students – especially minorities who were disadvantaged before the pandemic – are now at risk of missing pathways to the new and fairer societies that the recovery could unlock.

The report states that the COVID-19 pandemic is increasing disparities and social fragmentation, in the next three to five years will threaten the economy, and in the next five to ten years will weaken geopolitical stability. Meanwhile, environmental concerns still top the list in terms of likelihood and impact for the next decade.

Short to long-term risks

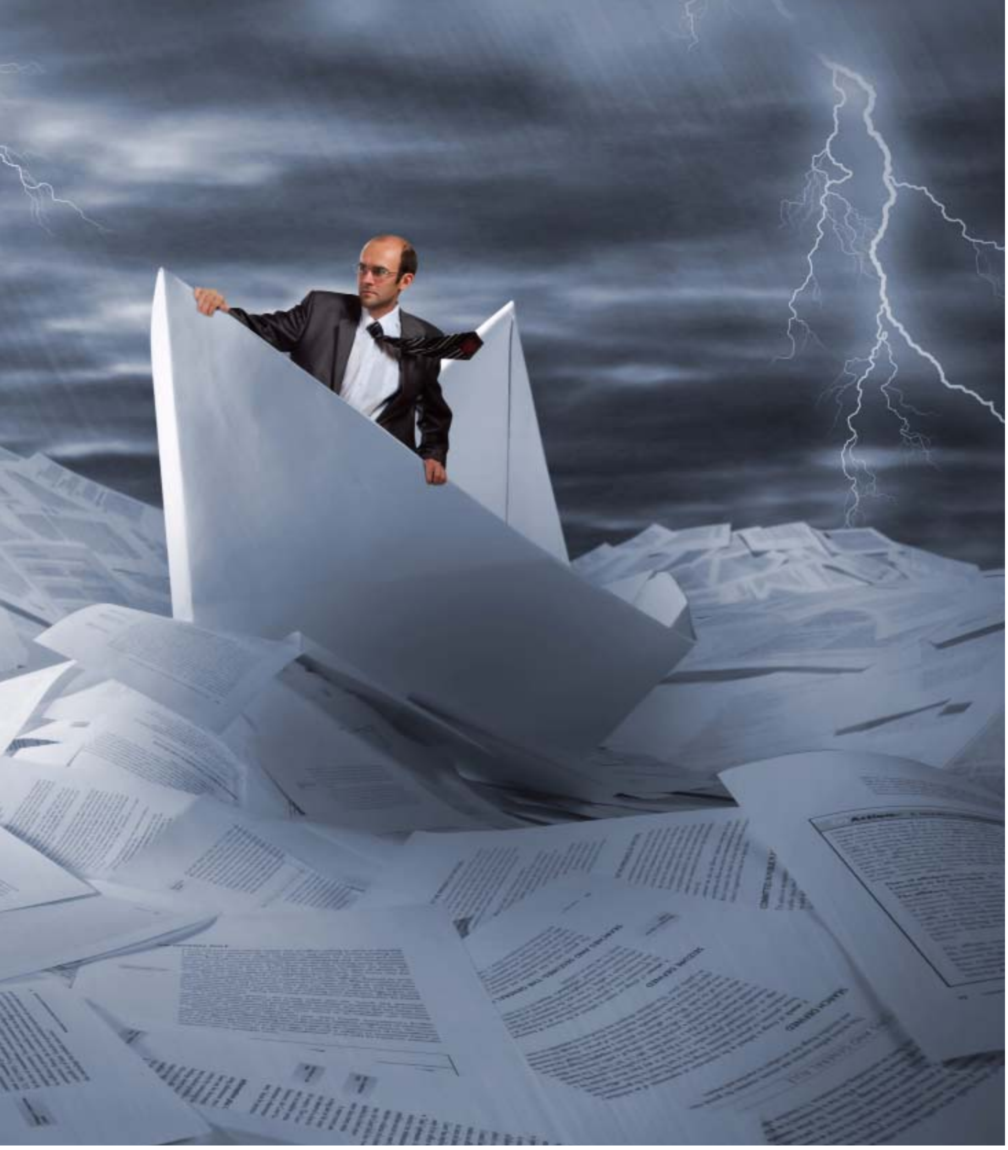
According to the report, when it comes to technology access and digital skills, the gap between the 'haves' and the 'have nots' risks widening and challenging social cohesion. This will particularly affect young people worldwide, as this group faces its second global crisis in a generation and could miss out altogether on opportunities in the next decade.

Financial, digital and reputational pressures resulting from COVID-19, the report states, also threaten to leave behind many companies and their workforces in the markets of the future. While these potential disparities could cause societal fragmentation for states, an increasingly tense and fragile geopolitical outlook will also hinder global recovery if mid-sized powers lack a seat at the global table.

Once again, environmental risks, according to the report, dominate by impact and likelihood, looking ahead towards the next decade. Societal fractures, uncertainty and anxiety will make it more difficult to achieve the coordination needed to address the planet's continued degradation.

Among the highest likelihood risks, in the report, of the next ten years are extreme weather, climate action failure and human-led environmental damage; as well as digital power concentration, digital inequality and cybersecurity failure. Among the highest impact risks of the next decade, infectious diseases are in the top spot, followed by climate action failure and other environmental risks; as well as weapons of mass destruction, livelihood crises, debt crises and IT infrastructure breakdown.

For the first time, the report rates risks according to when respondents perceive



As businesses transform their workplaces, new vulnerabilities are emerging. Rapid digitalisation is exponentially increasing cyber exposures, supply chain disruption is radically altering business models, and a rise in serious health issues has accompanied employees' shift to remote working. Every business will need to strengthen and constantly review their risk mitigation strategies if they are to improve their resilience to future shocks," said Carolina Klint, Risk Management Leader, for Continental Europe, at Marsh.

"The pandemic in 2020 was a stress-test that shook the foundations of economies and societies worldwide. Rebuilding resilience to systemic shocks will require significant funding, international cooperation and greater social cohesion. Resilience will also hinge on the continued growth in connectivity worldwide, as we know that economies that digitised early, performed relatively better in 2020. If the continued deployment of 5G and artificial intelligence is to emerge as an engine of growth, however, we must urgently bridge digital divides and address ethical risks," said Lee Hyung-hee, President, Social Value Committee, SK Group.

they will pose a critical threat to the world. Clear and present dangers (zero - two years) reveal concern about lives and livelihoods – among them infectious diseases, employment crises, digital inequality and youth disillusionment.

In the medium-term (three to five years), respondents believe the world will be threatened by knock-on economic and technological risks, which may take several years to materialise – such as asset bubble bursts, IT infrastructure breakdown, price instability and debt crises. In the five-to-ten-year horizon, environmental risks such as biodiversity loss, natural resource crises and climate action failure dominate, alongside weapons of mass destruction, adverse effects of technology and collapse of states or multilateral institutions.

Key considerations

"In 2020, the risk of a global pandemic became a reality, something this report has been highlighting since 2006. We know how difficult it is for governments, business and other stakeholders to address such long-term risks, but the lesson here is for all of us to recognise that ignoring them doesn't make them less likely to happen.

As governments, businesses and societies begin to emerge from the pandemic, they must now urgently shape new economic and social systems that improve our collective resilience and capacity to respond to shocks while reducing inequality, improving health and protecting the planet," said Saadia Zahidi, Managing Director at the WEF.

"The acceleration of digital transformation promises large benefits such as, for example, the creation of almost 100 million new jobs by 2025. At the same time, however, digitalisation may displace some 85 million jobs, and since 60% of adults still lack basic digital skills the risk is the deepening of existing inequalities. The biggest long-term risk remains a failure to act on climate change. There is no vaccine against climate risks, so post-pandemic recovery plans must focus on growth aligning with sustainability agendas to build back better," said Peter Giger, Group Chief Risk Officer at Zurich Insurance Group.

"The economic and societal fallout from COVID-19 will profoundly impact the way organisations interact with clients and colleagues long after any vaccine rollout.

Rebuilding resilience

"If lessons from this crisis only inform decision-makers how to better prepare for the next pandemic—rather than enhancing risk processes, capabilities and culture—the world will be again planning for the last crisis rather than anticipating the next. With the world more attuned to risk, there is an opportunity to leverage attention and find more effective ways to identify and communicate risk to decision-makers," said Zahidi.

The report reflects on the responses to COVID-19, drawing lessons designed to bolster global resilience. These lessons include formulating analytical frameworks that take a holistic and systems-based view of risk impacts, investing in high-profile risk champions to encourage national leadership and international co-operation, improving risk communications and combating misinformation, and exploring new forms of public-private partnership on risk preparedness. The key risks outlined in the report are complemented with recommendations to help countries, businesses, and the international community to act, rather than react, in the face of cross-cutting risks. ●

Sources:

- *WEF press release - wef.ch/grr21press*
- *WEF report - wef.ch/grr21report*

HAPPY NEW YEAR - Five trends for financial advisers through 2021

The first weeks of 2021 have had a different feel to any recent start of a new year. Although we knew the battle against Covid-19 was far from over, many of us entered the New Year hoping for better times.

2020 reminded us of the crucial role that a good, independent financial adviser plays. Advisers assisted clients in weathering considerable market volatility and made sure that clients stayed focused on their long-term financial plans. Those with good processes in place were also able to seamlessly transition to a remote working environment and effectively communicate to their clients over a tumultuous period.

Resilient, sustainable advice

For the year ahead, advisers and other industry participants who work with clients to build long-term wealth, will need to display resilience. 2021 is unlikely to be smooth sailing, further underscoring the importance of running a sustainable, resilient advice practice. Below are five key trends that we think will continue to shape the domestic advice landscape this year.

1 Ongoing structural shift towards offshore investing

There has been a sustained increase in demand to invest offshore. While offshore investing should be encouraged to gain exposure to additional opportunities and to hedge against currency risk, advisers play an important role in ensuring that their clients gain access to the right opportunities and that they make these investment decisions within the context of their longer-term financial plans.

South Africans frequently race offshore at the wrong time and for the wrong reasons, panicking in response to negative local news and investing on the wrong side of a volatile currency. As an industry, our goal should be to remove the cyclicality in how clients invest offshore and view it as the important structural asset class that it is.

2 Technology as an enabler

Financial advisers are increasingly acknowledging the role that technology plays in enabling the advice process. More and more advisers prefer to spend time on coaching and direct engagement with clients, letting technology drive the administrative and low value-adding tasks.

An increasing number of local providers are using technology to solve specific problems in advice businesses. This is a big departure from old, monolithic software providers that offered one-size-fits-all solutions. It seems easier today than in previous years for advisers to take a building-block approach to choosing the right service providers for the right problems.

3 Regulatory developments

Over the past few years there have been a spate of regulatory changes, including the ongoing rollout of the Retail Distribution Review; a continued raising of the fit and proper requirements for advisers; and regulation to harmonise the treatment and rules across retirement products.

The Financial Sector Conduct Authority continues to emphasise the valuable role that financial advisers play. It notes that regulations are aimed at supporting advice and making sure it is available, sustainable, fair and properly priced. The devil will, of course, be in the detail of how regulation is implemented, and advisers should continue to remain abreast of regulatory developments as they arise.

4 Changes in investment decision-making

Selecting the right partner to help deliver on your clients' financial goals is crucial. We have seen growth in the number of advisers who are outsourcing their investment decision-making to parties such as Discretionary Fund Managers; but many continue to select their own funds. Such advisers, for example, stillaccount for the majority of assets on the Allan Gray Investment Platform.

5 Evolving value propositions

The advice industry continues to evolve from being product led, towards making the client's life the centre of the conversation. Clients are looking for life coaching in addition to advice on important money decisions. That said, while the advice proposition continues to develop and improve, some key business issues persist for independent advisers. One of these is succession planning, an important area for the industry to solve.

If you are currently grappling with this, consider signing up to receive our four part succession planning series by visiting https://www.allangray.co.za/succeeding-with-succession-planning.

Tamryn Lamb
Head of Retail Distribution
Allan Gray

BUILDING RESILIENT PORTFOLIOS - It is not about avoiding risk, but managing it...

COVID-19 and the worldwide lockdown of economies has had a huge impact on GDP growth, resulting in severe volatility in markets. Not only did 2020 surprise investors with the quickest 30% fall in markets, but the shortest bear market in history too. Has our experience over the last year changed how we think about portfolio construction? The short answer is "no".

The value in diversification

The economic impact of the pandemic has reinforced how important it is to have well-diversified portfolios that can weather storms and stay aligned with your clients' investment goals. It is crucial to build client portfolios that can withstand all kinds of environments, because you never know when the weather will turn. Your portfolios should participate in rising markets, as well as mitigate volatility in the bad times.

Building portfolio resilience does not just happen by blending a few funds. It is built intentionally by selecting suitable, complementary funds to maximise risk-adjusted returns across market cycles. The following are some of the key considerations when blending funds in a portfolio.

- Risk cognisance: The investment manager needs to skilfully manage risk and volatility. A key question is, "does the manager protect the portfolio on the downside while providing meaningful upside participation?" Assessing a fund in terms of risk means you should look at the beta of the fund, its sensitivity to markets, how volatile the fund is, its standard deviation; and maximum drawdowns.

- Diversification: You need to look at combining funds that can outperform over all cycles. Consider how well funds will work together, the number of funds required to achieve proper diversification, the style of funds, how correlated the funds are and what their alpha signatures or active returns are. If you only choose a passive fund and blend it with funds that do well when markets go up, you will not achieve diversification, even though you may be combining many funds in one portfolio.

If you want a blend of funds that will do well at different times, then having multiple sources of return is key. But diversification benefits are limited beyond a small number of funds. Our research shows that three to five funds are sufficient to achieve diversification, if chosen correctly.

- Flexibility: Does your portfolio have the ability to take advantage of changing market environments and opportunities? It is important to understand which funds perform well in each market cycle and environment. Even after you have picked your fund blends, you should consider having one or two funds on your reserve list.

Should the market environment change to one where a particular fund in your portfolio should outperform, you could consider making some tweaks and upweighting your allocation to that fund. Alternatively, there might be a fund on your reserve bench which you could include to improve the risk-adjusted returns of your portfolio. So, be flexible in how you manage your portfolio through the cycle.

- Proven style and consistency: Avoid those flash-in-the-pan funds that have done well over the last year and concentrate on a performance track record over a full market cycle. It is interesting that almost two thirds of SA unit trust funds have not been through a market crisis until now. Currently, there are 1507 SA unit trust funds, versus 562 funds which were around before the 2008 Global Financial Crisis. Ask yourself, "Has the manager delivered value over a full market cycle?" Measure and monitor your managers to ensure they are sticking to their style and fulfilling their role in the portfolio.

Let the data do the heavy lifting!

There are many factors to consider when constructing a resilient portfolio that can perform through the cycle. You need to consider fund correlations, style, volatility and risk management and track record and return signature. Tapping into the relevant data can make all the difference between only having a 'street view' versus having a full satellite image.

Siobhan Simpson
Sales Manager
Ninety One SA

A BREXIT NEW YEAR

UK ratifies final EU trade deal; warts and all…

Citizens of the United Kingdom (UK) welcomed 2021 with more than champagne and fireworks as a months-long process to negotiate a trade deal with the European Union (EU) came to fruition. The UK entered 2021 with greater clarity on the outcome of a separation process that started with a June 2016 Brexit referendum and culminated in the country's 31 January 2020 exit from the EU trading block.

Side-stepping the catastrophic 'no deal'

UK Prime Minister Boris Johnson praised the 1500-page agreement. "We have completed the biggest trade deal yet, worth GBP660 billion pounds a year, a comprehensive Canada-style free trade deal between the UK and the EU," he said, before informing his audience that the deal allowed the country to take back control of its laws, borders and fishing waters. But the pressure to finalise a trade deal by the end of 2020 or leave the EU under a catastrophic 'no deal' scenario probably gave the EU negotiators the upper hand, especially on hotly-contested issues.

The agreement allows for goods trade between the 27-nation EU trading block and the UK without the introduction of punitive quotas or tariffs, provided that both sides commit to standards on workers' rights and other environmental and social regulations. Johnson's claim of taking back control of fishing waters was a bit of a stretch given that the deal must be renegotiated in five years. The elephant in the room is that the trade deal did not include services which make up 80% of the UK's economy. As a result, the future participation of UK-based asset managers, banks and insurers in the EU single market remains unclear.

The Northern Ireland dilemma

A number of compromises were made to sidestep pitfalls at the border between Northern Ireland and the Republic of Ireland, which remains a member of the EU. Northern Ireland will have to comply with certain EU rules to avoid a hardening of its border with the Republic of Ireland and there will also be new checks on goods entering Northern Ireland from the rest of the UK.

One of the concerns post-Brexit is that new checks at border crossings could create significant congestion. William Bain, from the British Retail Consortium, lamented that post-deal checks and paperwork represented "the biggest imposition of red tape that UK businesses have had to deal with in 50 years". Another consequence of Brexit is that UK nationals no longer have unrestricted freedom to live and work in the 27 EU nations. They will have to apply for visas if they intend staying in one of these countries for more than 90 days in a half-year period. Likewise, they will have to satisfy work visa regulations to take up jobs in the EU.

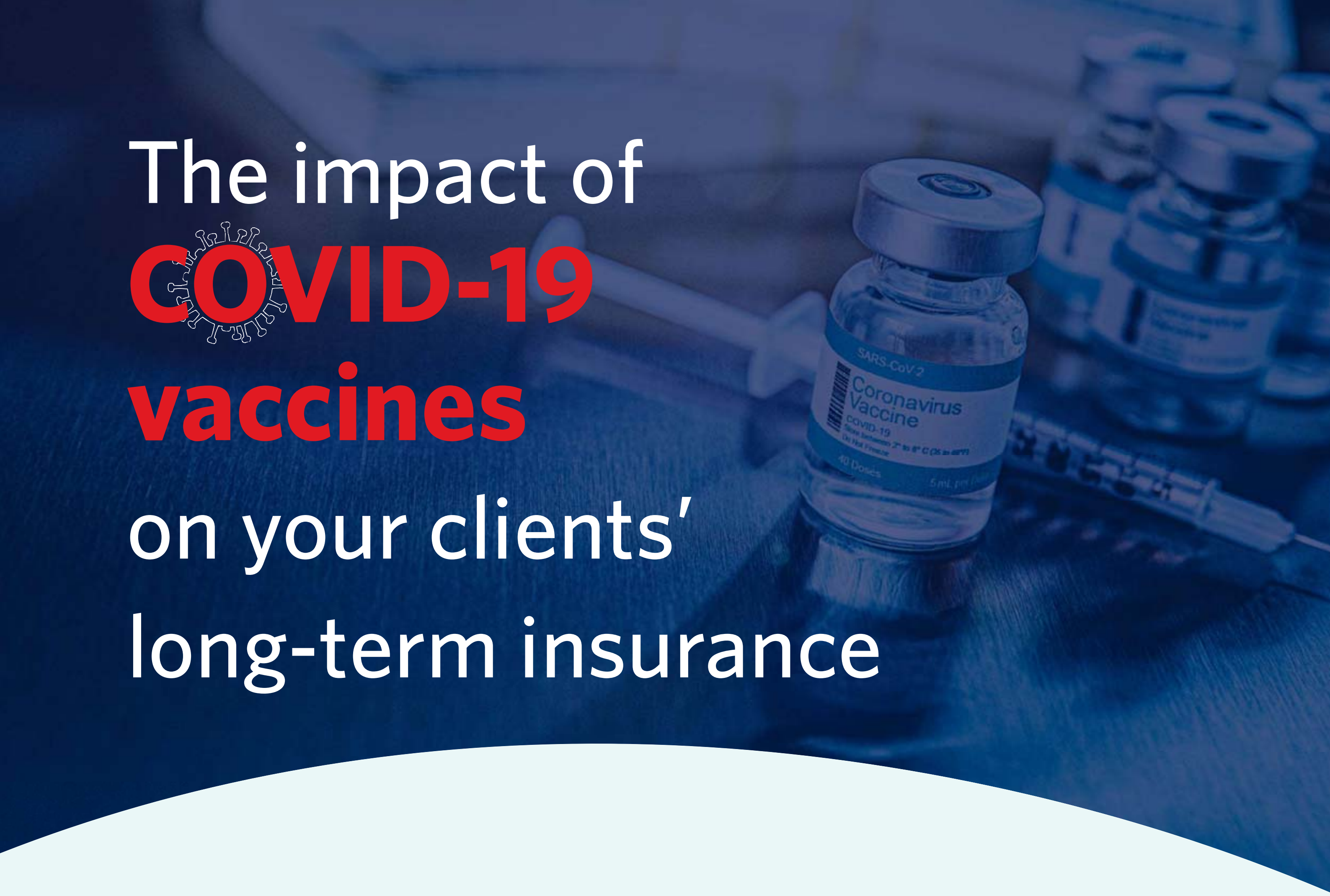
What does the future hold? The EU Parliament had not, at the time of writing, formally ratified the deal; but we do not expect any hiccups in the process given the length of the negotiations and the approvals given by the various EU ambassadors. There are, however, concerns over the binding enforcement and dispute settlement mechanisms that were included in the trade deal to 'level the playing field' between businesses in its trading block and the UK, with many suggesting that the threat of dispute could be used as leverage in ongoing negotiations.

The winner's perspective

Time will tell whether Brexit achieves its goals. Most economists believe that the world's sixth largest economy will suffer separation pains in the coming years; but the final outlook is skewed based on which side of the Brexit divide you stand. Guy Faulconbridge and John Chalmers, writing for Reuters.com, summarised the situation perfectly: "Fundamentally, there are two rival interpretations of Brexit … For the EU's supporters, Brexit is an act of economic lunacy that divides the West, while for Brexit supporters it is an opportunity to break free and compete".

Gareth Stokes
Stokes Media

The impact of COVID-19 vaccines on your clients' long-term insurance



One of the primary objectives of scientists around the world over the past year has been the development of a vaccine for the COVID-19 virus. This has resulted in the development of several vaccines that appear to be effective against the virus. In fact, according to Dr. Reinhardt Erasmus, Medical Officer at Momentum, "Several vaccines had become available at the end of 2020 with more than 40 candidate vaccines already being tested in human trials, and over 150 of these vaccines in pre-clinical trials."

The overall purpose of vaccines

Vaccination is the best way to save millions of lives and end a pandemic's devastation. Dr. Erasmus confirms the effectiveness of vaccines by stating that, "Vaccines are estimated to save more than five lives every minute. They protect communities against preventable diseases, which directly impacts social- and economical welfare across the globe." Over a number of decades, there have been countless examples of the positive impact that vaccines have. The most noteworthy of these is smallpox that was eradicated and polio that is on the verge of being defeated.

According to The World Health Organisation (WHO), 86% of the world's children currently receive essential, lifesaving vaccines, which is a dramatic increase from an estimated 20% in 1980. This protects them and their communities against a range of infectious diseases, but this level of protection can only be achieved through a strong global effort to increase access to vaccinations and the affordability thereof.

COVID-19 vaccines in a nutshell

"Without getting too technical, COVID-19 vaccines aim to 'train' the recipient's immune system to fight off the infection when the virus is encountered," Dr. Erasmus comments. He adds, "Vaccines achieve this in multiple different ways depending on the mechanism used. It should be noted that even though vaccines for COVID-19 have been developed at an unprecedented speed, safety criteria had to be stringently followed in pre-clinical and clinical developmental stages."

The COVID-19 virus is a serious disease that has infected more than 78 million people across the globe in only 10 months and killed 1.7 million of those infected. This raises a serious concern of this virus having the potential to overwhelm health systems worldwide, leading to deaths for people with other ailments that would otherwise have been treated. Although behavioural measures such as mask-wearing, physical distancing and isolating while symptomatic did contribute a great deal towards slowing the spread of the virus, vaccines offer a better and more effective path to eliminate the COVID-19 virus.

Hesitancy and typical misconceptions about COVID-19 vaccines

Dr. Tedros A. Ghebreyesus, Director-General of the WHO, highlights the fact that many people are skeptical about receiving the COVID-19 vaccines and the number of misconceptions that exist about these vaccines by stating that "We're not just fighting an epidemic; we're fighting an infodemic. Fake news spreads faster and more easily than this virus and is just as dangerous."

Dr. Erasmus further clarifies by stating: "The uncertainty that arises during a disease outbreak can create vulnerability for the spread of false information. Disinformation is created to monetise, polarise and politicise. These three motivators are generally behind false statements and should be recognised. People should not be afraid to speak to their medical practitioners about their concerns. Many myths about efficacy and safety are one conversation away from being discredited. There is no such thing as a trivial question."

The likelihood of complications or side effects from COVID-19 vaccines

"It is unrealistic to expect any medical treatment to be 100% free from side-effects", according to Dr Erasmus. He adds, "Pain at the injection site, fever, fatigue, and headache are some of the common side-effects associated with most vaccines. Even though these can be discomforting, they are usually transient in nature and do not last more than a few days. Serious side-effects, such as anaphylaxis which is a life threatening allergic reaction, are extremely rare."

In line with our client centric approach, it is very important to inform clients about the possible impact of COVID-19 vaccines on their insurance. Janet Brodie, Chief Underwriting Officer at Momentum states, "In the unlikely event that a claim is submitted where the COVID-19 vaccine is mentioned as a possible cause for the claim, we will continue to assess the claim according to our standard definitions and criteria, even in the unlikely case of clients having severe side effects from the vaccine."

She continuous by saying that "Our claim definitions do not specifically exclude events that are accelerated or brought about by the vaccination, and we will assess claims according to the specific benefits that the clients have. For example, we will still look at the listed claim events linked to critical illness benefits. When the vaccine is received, the immune system is stimulated to provide protection. If, in the very unlikely and severe event of someone passing away, following a vaccination, the claim will not be repudiated."

Brodie adds, "With regard to proof of vaccination, even though Momentum supports the official scientific view of the protective power of vaccines, we do not require clients to be vaccinated and therefore would not require explicit proof of them being vaccinated.

A futuristic outlook

Going forward, one cannot help but wonder how similar scenarios will affect underwriting practices. Janet answers this by saying, "This is obviously something we are continuously monitoring but we do not believe that the vaccination will change our current underwriting practices. We are not going to ask clients to specifically disclose if they have been vaccinated. We will however, expect them to complete our application form accurately and comprehensively which will include disclosure of any special investigations as well as other symptoms they may have experienced in the case of side effects."

Brodie also provides an opinion regarding the way that future product design might be shaped by the COVID-19 virus by stating that, "During the product design process, we will typically stick to elements for which we have enough evidence from data. It is unlikely that COVID-19 vaccinations will lead to different product designs until such time that there is much more data available about the long-term effects. A more pressing question that remains is to establish if the COVID-19 virus will become an annual occurrence, such as flu, or remain prevalent as a new disease on a more permanent basis."

The world of work 2021... SMARTER, FASTER, SIMPLER

Gareth Quin,
Chief Technology Officer
FMI

Resistance to change is natural human behaviour, largely driven by hardened habits and fixed routines. Add to that an aversion to unfamiliarity and the perceived difficulties around learning something new, and it is understandable why some might be slow to adopt digital innovation, even with the promise of improved business processes. Financial advisers are no different.

Keeping up with advancing tech

Those individuals more averse to using digital platforms may believe that their businesses are working just fine the way they are, and that technology will remove the personal touch. And yet, advances in business-support technology are designed to facilitate service delivery by helping to streamline and improve internal operations, which ultimately allow for more time to build meaningful client relationships, instead of wasting time and energy on administrative tasks.

Renowned Computer Scientist, Alan Kay, famously once said, "Technology is anything that wasn't around when you were born." What one person views as something new, may be seen as the way things have always been done for someone else.

A tech savvy generation

Millennials, now aged 24 – 39, form the largest segment of today's working population, and are therefore a critical component of today's workforce. Tech-savvy, digital platforms are simply a way of life for this client profile. For you, as a financial adviser, 'sticking with what works' is no longer safe. Keeping up with advancing technologies is key to remaining, not just ahead of the game, but in the game.

Why? Because today's biggest market segment was born using digital technology. Technology is inextricable from the qualities that define them and how they live their lives.

Information has always been readily available, a fact that's given rise to an insufferable intolerance for inefficiency. They expect service delivery to be customised, seamless and instantaneous; and are unforgiving of any business or service provider unable to deliver on this expectation.

Deliver frictionless experiences

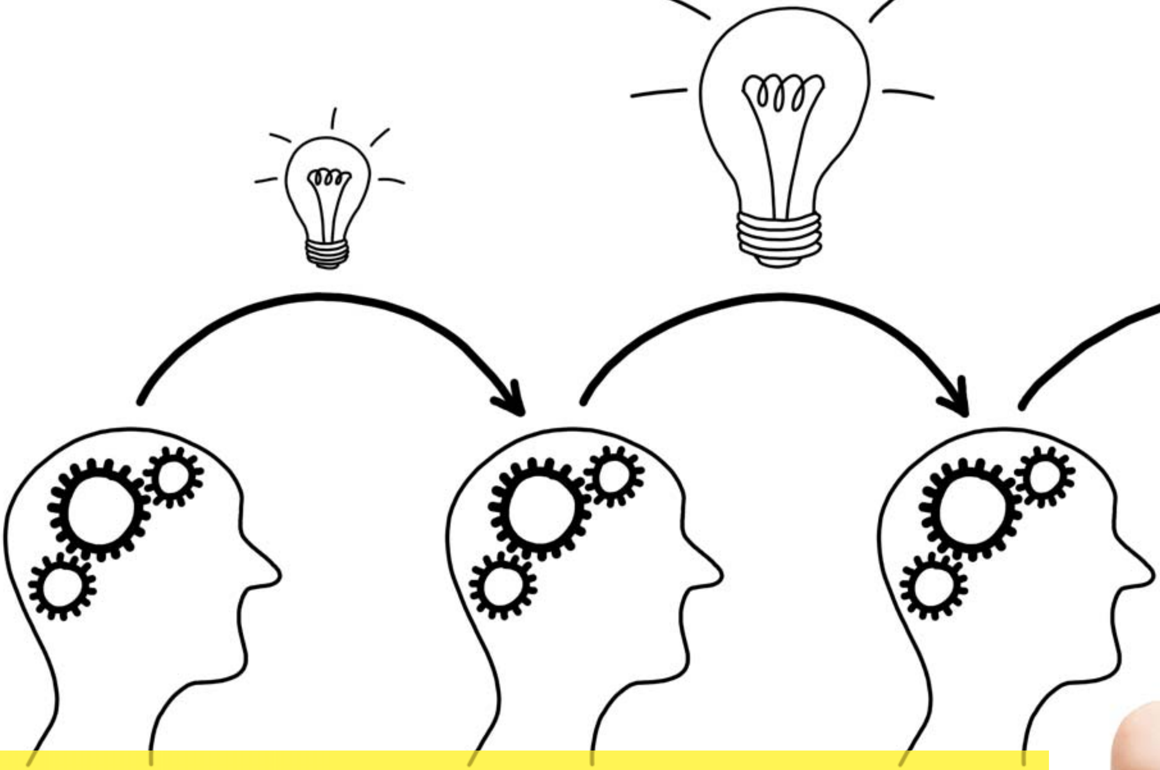
Given life insurance is often a difficult sell, we need to work harder than most other industries to deliver frictionless experiences. We need to deliver technology that is effortless to adopt, and with benefits that are clear to see. That is according to FMI Chief Technology Officer, Gareth Quin.

Quin said that digitisation of new policy applications and servicing processes does not just improve the customer experience by making underwriting and servicing faster and easier, but it also creates a more robust operating base able to function under any circumstances.

Covid-19 has clearly demonstrated how resilient we are; 2020 will certainly go down in the history books as a year of extraordinary change. If we can adapt our business processes to work from home protocols, then we can embrace new technologies that will only make our businesses more efficient.

Quin said he is confident that 2021 will see more providers looking for ways to reduce friction and remove admin from the customer experience – and the entire industry will be better for it. ●

My income impacts my family, my parents, and my employees and their families.
– Siphiwe Nyanda
We're for what you do
Insure your clients' income against injury, illness and death.
For 25 years, hardworking South Africans have trusted FMI to replace their monthly income when they've been unable to earn due to injury, illness and death. Today, we cover more occupations than any other insurer.
MAKE YOUR IMPACT.
PROTECT THEIR INCOME FIRST.
Client Care : 086 010 1119
FMI is a Division of Bidvest Life Ltd, a licensed Life Insurance Company and authorised Financial Services Provider FSP 47801
The testimonial for Siphiwe Nyanda does not constitute as financial advice.
FMI
A division of Bidvest Life



TRENDS that will shape the life insurance industry going forward

The COVID-19 pandemic has severely affected many industries in various ways, including the life insurance industry.

In addition to other drivers, such as demographic changes, evolving consumer preferences and a drive to be operationally efficient, the COVID-19 pandemic has acted as a catalyst to push life insurers to accelerate their digitalisation efforts, and prioritise improving customer centricity, to gain a better understanding of their clients' needs.

These developing trends were echoed in a recently published report from Capgemini, a global consulting corporation, which identified a number of trends that will shape the life insurance industry going forward.

1 Client engagement will lead the way

The report states that more regular engagement with clients creates positive experiences and, insurers are solving the problem of client disconnect through initiatives such as health and wellness programmes.

These platforms offer clients 'experienced-led' engagements, with attractive rewards for making healthy lifestyle choices, enabled by wearable devices and mobile applications. The benefit of these initiatives is enabled through clients' willingness to share real-time data with insurers, in exchange for health and financial benefits, such as premium discounts and cashbacks. The symbiotic relationship, in turn, leads to a positive shift in mortality rates and creates cross- and upselling opportunities.

2 Leveraging alternative data sources

Invasive medical procedures, as part of the underwriting requirements, often deter potential clients from purchasing life insurance products. Once again, the COVID-19 pandemic forced insurers to find different ways to gather information for underwriting purposes, without having to engage directly with potential clients.

They started to utilise alternative data sources such as electronic medical records, data from credible wearable sources and mobile applications, along with data that clients provided willingly. In addition, incorporating artificial intelligence (AI) and machine learning (ML) into this process allows insurers to gather and interpret reliable and accurate data, which helps them to assess risk, and therefore, enhance underwriting decisions enormously through predictive data analytics, without always having to engage with clients face-to-face.

3 A multitude of communication points

An 'omnichannel' approach, also referred to as a multichannel approach, gives clients the flexibility they want to alternate between methods of interaction with insurers. This creates a push for innovative communication channels, which streamlines effective client communication.

While face-to-face interaction with clients remains a powerful communication tool to establish emotional connections and trust, there seems to be a preference and shift towards communicating via

digital channels, to explore, compare and purchase insurance products. In fact, according to the World Insurance report of 2020, a hybrid blend, which involves digital and emotional connections, provides clients with a balanced approach to personalised engagement. Hence, in offering clients multiple engagement channels, insurers can monitor the effectiveness of their distribution channel more closely.

4 Self-service provides instant access

As the next logical step in a digitised environment, life insurers allow their clients access to their policy information anytime and from anywhere.

Many insurers created functionality for clients to exercise self-service, which includes reviewing various aspects of their policies or even updating personal information.

With COVID-19, great emphasis remains on maintaining effective touchless or contactless processes, which also results in speeding up end-to-end processes, including onboarding, underwriting and even claims experiences.

5 Streamlined product innovation

Simplistic insurance products with clear eligibility criteria can speed up the underwriting process and the purchasing of life insurance products, via digital channels, and can provide economies of scale, which mitigates purchasing costs for clients.

Furthermore, with rapid changes in client demographics, clients are increasingly seeking experience-centric products that will cater for their unique needs. Millennials and Generation Z clients have a greater demand for simplistic, innovative, and completely digital products, while the Baby Boomer generation is looking for more supportive, concierge products that will give them access to long-term, quality care. This is an important consideration, especially since life expectancy is increasing on a global scale. Therefore, life insurers should focus on developing cost effective, hybrid long-term care products.

6 Closing the loop on fraud

The Association for Savings & Investment South Africa (ASISA) stated that although there was a reduction in both the number of irregular risk claims, as well as the value of these claims during 2019, the cost of fraud in the industry still amounted to R537 million.

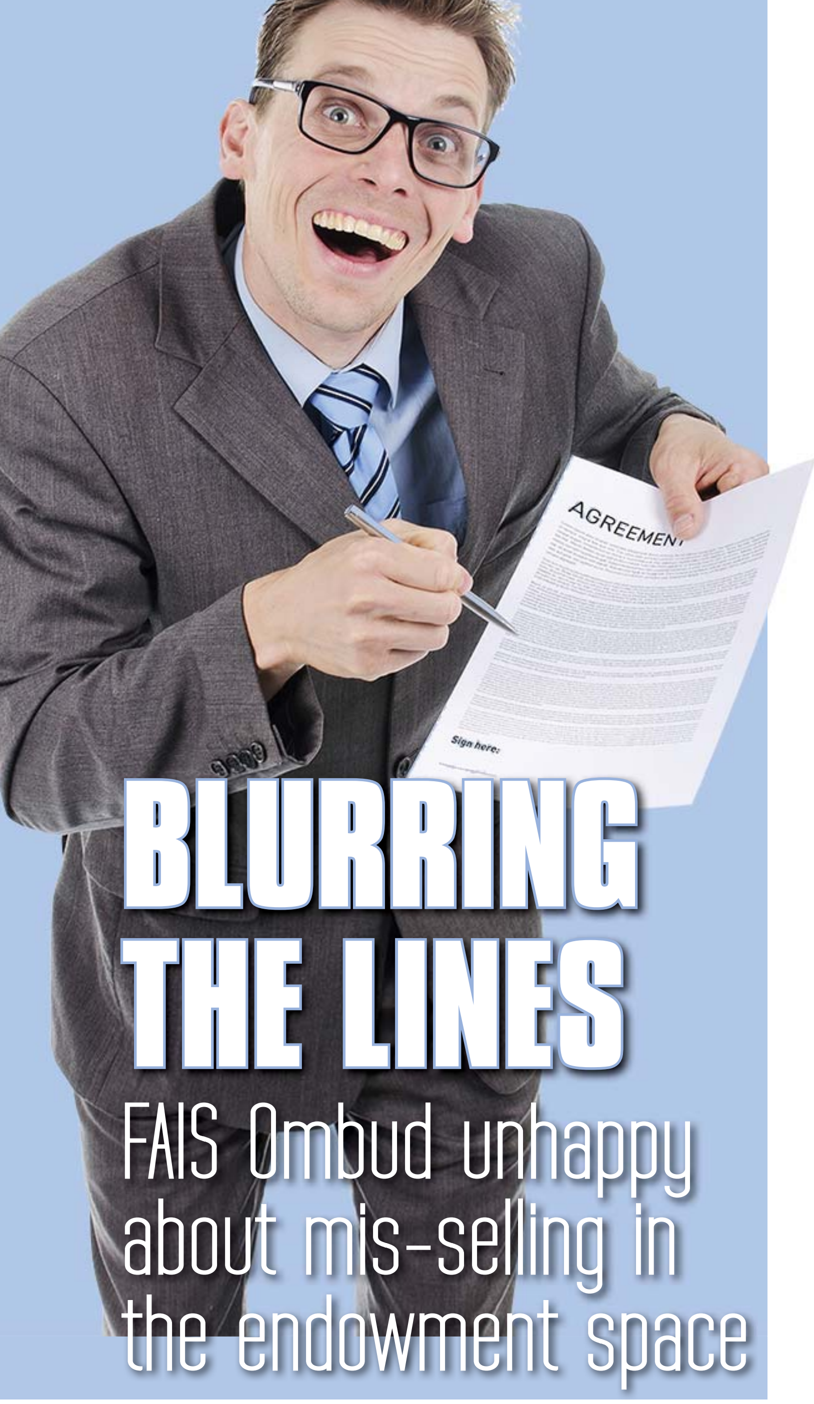
In line with this, Capgemini's report suggests that life insurers are relying more and more on AI and data analytics to detect and prevent fraud. This is because AI has the ability to detect anomalies in client behaviour during the application process. In addition, proactive modeling on claims data, in combination with data received from other business units, can assist insurers to identify and track fraud. The detection and prevention of fraud could be accelerated even more by adopting industry-standard platforms, with embedded AI and ML, where life insurers can share fraud related details across the industry.

7 Enabling and empowering

Although the COVID-19 virus is partly responsible for the transitioning of the life insurance industry, it is also clear that clients have the power to shape industries. This is why the insurance industry constantly has to adjust the manner in which they interact with their clients. This is where client centricity can have a major impact because this approach requires a different way of thinking, where you put yourself in the shoes of your clients to understand their real needs. In addition, social media has given clients tremendous power in the sense that they have instant access to information about companies, which includes the types of experiences that they could expect to have when engaging with these companies.

However, the power of the human connection should never be underestimated. It is for this reason that client centricity and innovation should always form part of unique client experiences. To achieve this, insurers rely heavily on constructive input when it comes to exactly what clients' value most. As a trusted financial adviser, you will always play a central role when it comes to helping clients on their journeys to achieve success.

George Kolbe
Head of Marketing
for Life Insurance
Momentum



BLURRING THE LINES

FAIS Ombud unhappy about mis-selling in the endowment space

CPD ARTICLE

The FAIS Ombud has warned financial advisers and product suppliers about the manner in which endowment policies are sold. In its 2019/20 Annual Report, the Ombud questioned the practice of selling endowments policies as investment solutions when they were actually life insurance policies. They argued that by describing an endowment policy as an investment, financial advisers were glossing over the various layers of costs involved and focusing instead on investment horizons and illustrative returns.

Popular with high income clients

An endowment policy is issued by a licensed product provider, usually an asset manager or life insurer, subject to the regulations under the Insurance Act; Long Term Insurance Act and Policyholder Protection Rules: Long Term. The key legal requirement of an endowment is its minimum duration of five years, called the restriction period.

Endowment policies are popular among high income earners because investments in the endowment wrapper are taxed in the hands of the product provider and not the investor. Income within an endowment is taxed at 30% and capital gains at 12%, making it a viable option for clients with a marginal tax rate exceeding 30%.

“Endowments also offer an estate planning benefit of paying out directly to the policyholders’ beneficiaries,” says Greg Knowlden CFP®, a Wealth Manager at Sterling Private Wealth. This allows for savings on executors’ fees, while providing much-needed liquidity at a crucial time.

He adds that endowments are simple products that are complicated by the additional contractual terms placed on them by product providers: “These contractual terms allow the product provider to pay the salesman an upfront, lump-sum commission calculated on the monthly contributions over the expected lifetime of the endowment. This carries the potential of penalties if the policyholder breaks the agreed features of the contract”.

A surrender penalty nightmare

The majority of complaints about endowment policies stem from ‘causal effects’ such as surrender penalties and the application of restriction periods. There is, however, a growing concern that endowment policies were inappropriate to clients’ needs and circumstances and should not have been recommended in the first place.

Advisers have a duty, per the General Code of Conduct for Authorised Financial Services Providers and Representatives, to show that concise details of the material terms of the endowment policy have been disclosed to their clients to allow for informed decision making. This includes sharing the consequences of early termination or withdrawal from an endowment policy.

How can this mis-selling challenge be addressed? Knowlden says that long term insurance and investment solutions should be sold separately and that steps should be taken to address incentives. “IFAs should sell a product version of an endowment which does not have any contractual terms aside from the five-year restriction period and other legislated requirements,” he says. Under this scenario the IFA would receive a similar fee for advising on an endowment policy as for an RA, LISP or direct unit trust investment. And the client would be able to reduce contributions or withdraw from the endowment policy without penalties, even for an early withdrawal.

The ‘record of advice’ refrain

“Whilst endowment policies have a place within the financial planning environment, they are not always suitable recommendations to the average client who is looking to invest funds for wealth creation or to save for a specific objective,” concludes the FAIS Ombud. They will continue to clamp down on financial services providers who fail to keep a suitable record of advice. It is the writers opinion that there are enough mechanisms built into the existing regulatory environment to stamp out the issues referred to in this article; but greater enforcement actions may be necessary to ensure compliance.

“We support the regulator’s move to do away with upfront commission based on the life of the contractual term or life of the policy; a savings product should not penalise the client for wanting to reduce their contributions or make an early withdrawal,” concludes Knowlden.

Gareth Stokes
Stokes Media

NOTHING CERTAIN but the uncertain

"There is nothing certain but the uncertain." This statement is undoubtedly true if you attempt to consider the impact of COVID-19 on the claims experience.

From a disability and critical illness point of view, I believe one should consider the following key areas:

Mental health repercussions

In the wake of the COVID-19 pandemic, many of us are feeling overwhelmed and emotionally on edge. Many articles warn that 2021 is the year of mental health repercussions from what we experienced in 2020.

We expect an increase in claims from depression, anxiety, and post-traumatic stress disorders as individuals may feel a higher degree of social isolation together with the devastating losses of lives and livelihoods caused by the pandemic.

Healthcare professionals are at significant risk of burnout due to working long hours for extended periods of time, witnessing human suffering and death, and working with limited medical supplies and equipment under constantly changing protocols, all while putting their own and their families' lives at risk.

Parents and caregivers also had increased demands from juggling work obligations and housework while safeguarding their children's emotional health, as well as their own.

Medical care attention

During level five of the lockdown, people were advised not to go to hospitals or GP clinics unnecessarily. Today, COVID-19 protocols are still preventing people from attending elective and minor care appointments.

People living with life-threatening conditions, such as cancer or heart conditions, are not being diagnosed, and this could lead to potential early-stage cancers progressing to a late stage, and patients not receiving appropriate care or treatment. People are living in significant pain, for example, if they are waiting for a knee replacement.

This could lead to a deterioration in conditions and subsequent qualifying claims – even mental health claims.

Working from home

Many individuals adapted to working from home, and it was great to be productive during a global pandemic.

However, our home offices do not have the same ergonomic setups as our offices, and some of us are working from beds or dining room tables. We can expect increased musculoskeletal claims as a result.

We are also not moving as much as before, during our daily workday, leading to potentially worse morbidity outcomes.

The way we interact professionally also changed, and while Zoom is great, working from home increased the feeling of social isolation. Research shows that having strong social networks is good for mental health.

Disability income

During 2020, we noticed an increase in termination rates from mortality and a reduction in incidences, due to slow diagnoses.

As the second wave subsides, we may see a reversal, as incidences increase and termination rates decrease.

In South Africa, the lockdowns severely impacted the economy with increased unemployment and financial stress. Previous recessions indicate that termination rates decrease as employers are less able or willing to accommodate claimants return-to-work. The reduced access to medical treatment and rehabilitation will likely also lead to lower terminations.

Life after COVID-19

Research shows that someone who has been on a ventilator may suffer short-term, and possibly permanent, lung damage. The inflammation and lack of oxygen can also damage organs such as the kidneys, liver, and the brain. Many COVID-19 patients are also developing heart problems that could have negative effects in the longer term.

It is still very unclear what the long-term health impacts of contracting COVID-19 will be at this stage.

While the future is uncertain, we will most certainly see more claims in the coming months, due to COVID-19. But it is my hope that we are looking after our mental health by making time for exercise, eating and sleeping well, taking breaks, and most importantly, looking out for each other and getting help early.

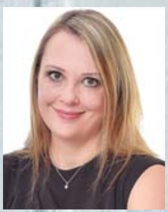
I am also hopeful that employers will continue to be supportive and provide flexibility where needed, and that together, we can overcome some of the challenges mentioned above.

Anja Kuys
Research and Development Actuary
RGA Reinsurance Company of SA

THE EFFECT OF COVID-19
on the mental wellbeing of employees

It is clear that emotional, mental and financial stressors are significant at this point and an increase in mental health-related disability claims from employees at all levels seems inevitable...

The COVID-19 pandemic is having a significant impact on mental wellbeing on a number of levels. Financial stress is at an all-time high as many employees struggle with the economic impact of lockdown, says **Elna van Wyk, Head of Group Disability and Underwriting at Momentum Corporate.**



The latest results from the Momentum Consumer Financial Vulnerability Index (CFVI) for the second quarter of 2020 show that South Africans are in a very vulnerable state across all four sub-components of the CFVI, and are simply unable to cope financially. The highly vulnerable state of South Africans' financial psyche is further reflected in the CFVI finding that a larger number of consumers appeared more worried about their finances than staying safe from the virus.

Benefits and mental wellbeing

"In addition to the impact of financial stressors on mental wellbeing, lack of human connection is also having a serious impact on mental wellbeing. Even individuals who usually cope well and have no predisposition to mental health matters are experiencing different degrees of difficulty in coping," added van Wyk.

"Working from home also impacts on mental wellbeing and productivity. Working from home for many employees has meant a new level of multitasking: working, looking after children and managing a household. Employees respond differently to the challenges of working from home. Some people become over productive while others struggle with motivation. Employees who are returning to work are also experiencing a lot of anxiety in navigating a sea of health and safety measures and a different work environment," said van Wyk.

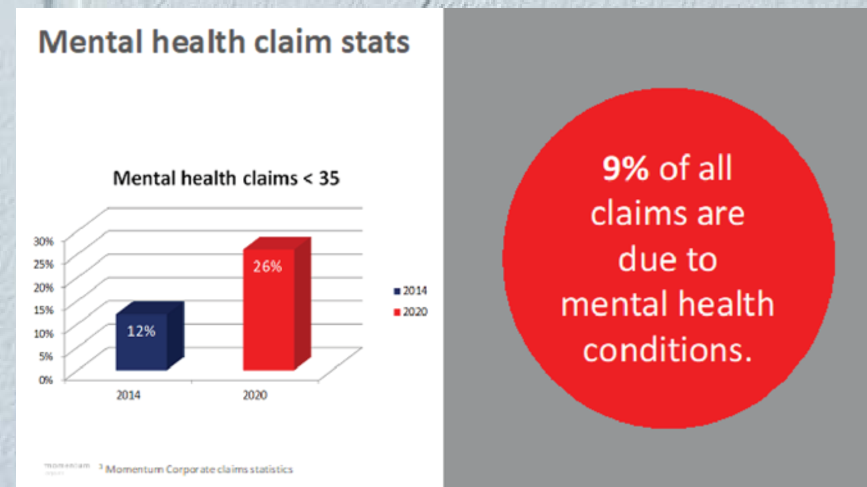
"It is clear that emotional, mental and financial stressors are significant at this point and an increase in mental health-related disability claims from employees at all levels seems inevitable," continued van Wyk.

The economic impact of the lockdown, according to van Wyk, has also impacted on the ability of businesses to continue contributing to retirement funds, with many employer groups putting contributions on hold. Many businesses have now resumed contributions but there are a number that still need to do so.

It's all in the stats

"Mental health issues are nothing new. COVID-19 and the current situation is just shining the spotlight more strongly on them. A recent research study into the impact of depression on the South African workforce shows that at least 1 in 4 employees have been diagnosed with depression. And it's the younger age group of 25–44-year-olds that are most affected," emphasised van Wyk.

"Our Momentum Corporate data also shows how disabilities related to mental health are increasing. We expect this increase to continue to rise even more significantly with COVID-19," added van Wyk.



Nine percent of all disability claims are related to mental health. This percentage increases for younger employees, with 26% of all disability claims in 2020 for those under 35 years related to mental health.

Providing support

"There is an increasing focus on Employees Assistance Programmes (EAPs) to support employees' mental wellbeing. However, many companies cannot afford an EAP, particularly at this time. There is also a need for financial counselling and literacy, to help employees deal with the financial challenges they may be facing. Again, it may not be realistic to expect some companies, still reeling from lockdown and the current economic climate, to focus on financial literacy drives," said van Wyk.

"Fortunately, some large insurers offer telephonic counselling as a value-added benefit. Certain leading umbrella retirement funds also offer financial literacy and benefit counselling services to members. Businesses should remind employees about these sources of support and encourage utilisation," added van Wyk.

Companies, according to van Wyk, also need to be mindful of providing support not only to the employees in general, but also managers, whose role it is to support employees. Managers have to provide this support while dealing with the same issues in their own lives.

Changes to benefit packages

"Drawing on our experience, there hasn't been any drastic changes to benefit packages. For disability, we insure a person's ability to perform their own or suitable occupation. This remains the same, whether the claim cause is COVID-19 related or not," emphasised van Wyk.

"However, with many employers and employees under financial pressure, we have seen an increase in requests to look at alternative, more affordable benefits. For example, employers are considering moving from a flat income disability benefit structure to a scaled income disability structure that is more in line with disability income received before the 2015 tax changes on disability benefits. This structure is more affordable and sustainable for many employers," added van Wyk.

What you should be telling clients

"Given that many employers may struggle to implement an EAP or financial literacy drives at this time, financial advisers should encourage their clients and employees to make use of the services. Their retirement fund partner and/or group insurer may offer to help address this need," said van Wyk.

"While prevention is always first prize and interventions that minimise the risk of disabilities related to mental health are key, where a disability does occur, it's more essential than ever to make sure claimants have access to professional rehabilitation and wellness services through their insurer. These services minimise business disruption and facilitate a speedy, efficient return to productivity. Financial advisers should work with their employee benefits provider to promote earlier detection and interventions that can prevent long-term disability related to mental health," emphasised van Wyk.

Where affordability is an issue, van Wyk said financial advisers should sit down with their clients and relook benefit structures to find the right balance between appropriate benefit levels and affordable premiums.

"Certain leading employee benefits service providers reward employers that take good care of their employees, have a safe workplace and encourage behaviours that drive employee engagement and productivity. These rewards can be spent on employee wellness initiatives to further boost engagement and productivity. Some employers have even managed to fund their EAP using these rewards. Encourage your clients that qualify for corporate rewards programmes like these to join and unlock value from these rewards," conclude van Wyk. ●

Assessing the potential impact OF COVID-19 ON CLAIMS

During the early stages of the COVID-19 pandemic, the disease was seen largely as a short-term illness with survivors recovering quickly.

However, according to the World Health Organisation (WHO), COVID-19 can also result in prolonged illness for some survivors, which could have implications for your clients' disability and critical illness claims, as well as productivity in their workplaces.

The long haulers trend

While much is still unknown about the clinical course of COVID-19, there is growing evidence that a fair percentage of COVID-19 sufferers do not regain their previous health following the disease, with prolonged symptoms lasting up to six months. These so-called "long haulers" include young adults without underlying chronic medical conditions.

This trend has important implications for workplace productivity. Survey results published on the MedRxiv online platform show that over 45% of the survey respondents with prolonged COVID-19 symptoms required a reduced schedule when returning to work. The survey commentary pointed out that long haulers reported prolonged multisystem involvement and significant disability, with most of them unable to return to their previous levels of work, six months after the event.

To qualify for disability benefits, a claimant typically requires a medical diagnosis that impacts on his or her ability to perform his or her duties. This remains the core measurement criteria for assessing disability claims, irrespective of whether the illness is due to COVID-19 or any other factor.

However, some prolonged COVID-19 symptoms may be confused with mental illness disorders, which could complicate an accurate diagnosis and the claims assessment process.

When it comes to critical illness claims, conditions are specified and clearly defined in critical illness policies. Currently, COVID-19 is not covered in these policies. However, if 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 under current critical illness policies.

Although Momentum Corporate has not seen a rise in claims due to the prolonged impact of COVID-19 on employees' health, a number of COVID-19 related factors are likely to drive a future rise in claims.

Claims in the future

Many people are avoiding healthcare visits, due to the fear of contracting the virus, and have not been receiving the care they need during lockdown. As a result, their health may deteriorate, in the case of chronic conditions such as diabetes and heart disease. Furthermore, conditions like depression and cancer are being diagnosed at a later stage, which will impact on the prognosis and treatment.

The financial pressures of potential retrenchment and static or reduced salaries are also taking their toll on the physical and mental health of your clients' employees, as is remote working. Already high musculoskeletal-related claims may well rise in the future due to the poor ergonomics of home-based offices, while feelings of isolation and lack of connection are expected to fuel mental health claims.

Review benefits down the line

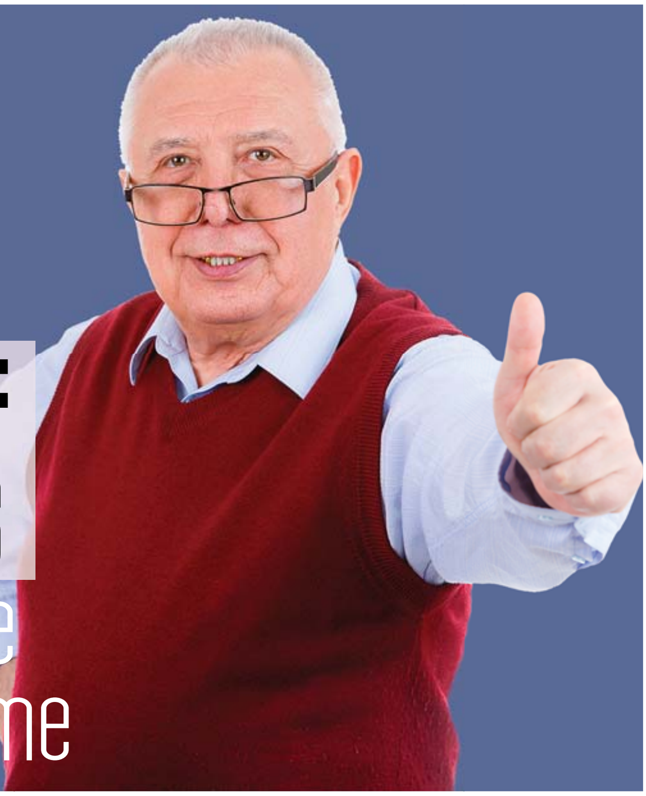
If claims rise in the future, it will mean that disability benefits will become more expensive and, in some cases, unaffordable for employees based on their current benefit structure. It may then be appropriate to review disability benefit structures with your clients, to make sure that there is value for money. A better option for some clients could be a lower benefit structure that is fairer to all employees, like a scaled benefit structure. Although benefits may be slightly lower, the cost saving would increase employees' contribution towards retirement savings or take-home pay.

COVID-19 is still a very dynamic disease, which is developing on an ongoing basis. As we learn more about it, we will develop greater insights into its potential impact on disability and critical illness claims and benefits. At this point, we assess each claim on its own merits and against the policy definition, whether COVID-19 related or not.

Mashadi Makobe
Disability Claims Manager
Momentum Corporate

ANNUITISATION OF PROVIDENT FUNDS

help members secure post-retirement income



There is a strong link between the lump-sum pay-outs that provident funds make to their members when they retire and retired provident fund members struggling to survive financially when they are no longer earning an income.

As part of its retirement reform initiatives, and in a push to help provident fund members secure an income during retirement, Government will now be treating provident funds more like pension and retirement annuity funds, by applying similar mandatory annuitisation rules.

Some questions answered

Nashalin Portrag, Head of Momentum Corporate's FundsAtWork, answers some questions about the coming changes.

Q How did the rules differ between pension and provident funds in the past?

Members of pension and retirement annuity funds must use two-thirds of their retirement savings to buy a retirement income (an annuity). This is called the annuitisation rule. Provident fund members were previously allowed to receive their total retirement savings as a once-off, lump-sum cash benefit; the annuitisation rule did not apply.

Q What is the problem with provident fund members being allowed to withdraw all their savings as a lump sum?

Unfortunately, it has been seen over the years that many of these members use up this lump sum too quickly and end up outliving their retirement savings.

Q When does the changed rule take effect and what exactly does it mean for provident fund members when they retire?

From 1 March 2021, provident fund members also have to use part of their retirement savings to buy a retirement annuity. They will only be able to take one-third of their total savings as a cash lump sum. With the remaining two-thirds, they must buy an annuity.

Q Will the new rule apply to retirement contributions made, and savings accumulated, before 1 March 2021 and are there any exceptions?

There are certain other exceptions that will apply, and vested rights are protected. Protection of vested rights means that all retirement savings accumulated before the date of implementation of the new annuitisation rule will remain subject to the previous provident fund rules. This ensures that the two-thirds restriction 1) only applies to contributions made to provident funds from 1 March 2021 onwards, and 2) does not apply to savings that are less than a certain amount in total, 3) nor to members who are close to retirement.

1. There are different provisions for retirement savings that were accumulated up to 1 March 2021, and retirement savings accumulated after this date. The new annuitisation requirement will only apply to amounts contributed to the provident fund (and growth on these contributions) after 1 March 2021.
2. Members whose total retirement savings are less than R247 500, may take the full amount as a cash lump sum.
3. Members who are 55 years or older on 1 March 2021 will be able to take their total retirement benefit with the provident or provident preservation fund on this date, plus any contributions they make to the fund after this date (and the growth on these contributions) as a cash lump sum. This will apply if they remain with the same provident fund until retirement.

Encouraging saving into retirement

It is well known that South Africans have a low savings culture, often spending more than we earn. "While the changes to the provident fund rules may seem like the Government is restricting members' access to their savings, mandatory annuitisation is intended to encourage them to keep saving into retirement, ultimately allowing them to secure a higher income when they are no longer in full-time employment", says Portrag. •

BENEFITS FROM T-DAY RETIREMENT FUND REFORMS

Wide ranging new reforms on retirement savings, which come into effect on 1 March, also known as T-Day, will have a considerable impact on the decision's retirement fund members' make with their money.

The intent by Government is to standardise the manner in which benefits can be accessed by members at retirement, across the different types of retirement funds, in a broad effort to encourage more people to save money for old age.

Many experts agree that the new rules are going to have a positive impact on those with retirement savings.

There are three important changes coming into effect on T-Day. These are the annuitisation of provident funds and provident preservation funds, the ability of retirement fund members to transfer benefits tax-free to a much wider choice of retirement funds, and changes to the pre-retirement withdrawal requirements on emigration.

Annuitisation of funds

The annuitisation of provident funds and provident preservation funds, with effect from 1 March, means that members of these funds will only be able to take a cash lump sum with one-third of their retirement benefits. They will be required to purchase an annuity with the other two-thirds. Only if the total value of their benefits is below R247,500 at retirement will they be able to take the full value of those benefits as a cash lump sum.

It is important to note that existing members of provident funds and provident preservation funds who have accumulated benefits prior to T-Day, will be given what is called “vested rights” to the benefits they have already accumulated under previous legislation.

Existing members of provident funds, who are younger than 55 on T-Day, will have the right to take the benefits they have accumulated up to T-Day, plus fund growth on those benefits after T-Day as a cash lump sum at retirement. These benefits will comprise “vested benefits” and can be accessed as a cash lump sum at retirement. The contributions they make after T-Day, plus growth on those contributions, will comprise “non-vested” benefits and will be subject to annuitisation at retirement, just like pension fund and retirement annuity fund benefits. In other words, members will only be able to take a cash lump sum with one-third of their “non-vested benefits” and will required to purchase an annuity with the other two-thirds. Only if the of the total value of their “non-vested benefits” is below R247,500 will they be able to take the full value those “non-vested” benefits as a cash lump sum in full at retirement.

Existing members of provident funds, who are 55 or older at T-Day, will have additional “vested rights”. The benefits they have accumulated up to T-Day, plus growth on those benefits after T-Day, as well as the contributions they make after T-Day plus growth on those contributions will all comprise “vested benefits”. Provided all their contributions are made to the same provident fund, they will not be required to annuitise any portion of their benefits and will be able to take a cash lump sum with the full value of their benefits in that provident fund.

As members of preservation funds don’t make ‘contributions’ to such funds, existing members of provident preservation funds (irrespective of their age at T-Day) will have accumulated “vested benefits” in their preservation fund at T-Day. The growth in the preservation fund after T-Day will also be “vested” in nature. This means that all their benefits will be regarded as “vested benefits” at retirement and means that they will still be able to take a cash lump sum with the full value of their benefits in that provident preservation fund after T-Day.

Members of provident funds and provident preservation funds who accumulate “vested benefits” will be able to transfer those “vested benefits” (and “non-vested benefits”) to other retirement funds. The benefits transferred will retain their “vested” and “non-vested” nature in the new retirement fund.

Growth on those benefits will retain their nature and they will be treated accordingly at retirement. For example, if a member of a provident fund who is 55 or older on T-Day accumulates vested benefits in that provident fund and transfers his full vested benefits to a provident preservation fund, those vested benefits will be recognised as such in that provident preservation fund.

As he will not make any further ‘contributions’ to that provident preservation fund, when he eventually retires from that provident preservation fund, the full value of the benefits in that provident preservation fund (including any growth on those vested benefits) will be regarded as “vested benefits” and can be taken as a cash lump sum.

The reality is that the annuitisation of provident funds and provident preservation funds will mean they will effectively have been harmonised with pension funds, pension preservation funds and retirement annuity funds.

Tax-free benefit transfer

Due to this harmonisation, from T-Day, members of retirement funds will be able to transfer their benefits tax-free to a much wider array of retirement funds than before, giving them more options to preserve or consolidate their retirement benefits. Members of pension funds, for example, will then be able to transfer their benefits to provident funds tax-free.

In short, retirement fund members, employers and fund administrators will have the opportunity to consolidate benefits and retirement funds, which may lead to a simplification of administration and a reduction in running costs.

Pre-retirement withdrawal on emigration

The third change relates to pre-retirement withdrawals from retirement annuities, pensions funds and provident preservation funds due to emigration.

For those who have already formally emigrated or whose applications have been sent to the Reserve Bank by 28 February 2021 and approved within a year of that date, the rules will not change, and they will still be able to take such pre-retirement withdrawals.

However, for those who have not formally emigrated by T-Day, the new rules will not be based on emigration itself, but rather on them ceasing to be South African tax residents. They will have to prove that they ceased to be a South African tax resident for an uninterrupted period of three years, before they can take a pre-retirement withdrawal.

Clients should be made aware however, that the other bases for taking pre-retirement withdrawals will be unaffected by the T-Day changes e.g. members of pension preservation funds and provident preservation funds will still be able to take their one allowable full or partial pre-retirement withdrawal and RA members will still be able to take a pre-retirement withdrawal if the total value of their RA benefit is less than R7 000.

Although T-Day will provide new opportunities for clients to transfer and consolidate benefits. However, the new options available may not always be appropriate for their needs and they should always consider the differences in pre-retirement accessibility of their existing retirement funds, and the new retirement fund they intend to transfer to. This is the time for clients to understand the impact of these changes so that they can make informed decisions about their retirement savings. Financial advisers play a critical role in helping their clients with these important decisions.

James Coutinho
Senior Manager Group Corporate and Client Tax
Liberty

Added benefits RULE

Seldom in our history has a year started with greater uncertainty. Against the backdrop of a second wave of COVID-19, medical scheme members are increasingly looking beyond the cost of medical scheme cover, to value and benefits that will withstand the turmoil of an altered world.

Increasing appeal for consumers

Given the considerable impact of COVID-19, this change of emphasis is not surprising. While the pandemic has placed economic strain on many South African families, no one wants to be caught short when it comes to their medical cover, particularly not at a time like this.

So, while South Africans are looking for value and flexibility in terms of cover, safeguarding the health and overall wellbeing of the family unit is paramount.

As the focus on health and wellness continues to grow, medical schemes that offer intelligent, high value benefits are holding increasing appeal for healthcare consumers.

Affordability, value and service

Today's medical scheme needs to provide a highly flexible range of healthcare options that can meet the consumer's every requirement, through each phase and economic stage of their lives. In other words, the scheme needs to consider how it can become a lifelong partner, instead of merely delivering a basic insurance product. Affordability, value and service are non-negotiables, but so is a pro-active suite of benefits that demonstrates an intimate understanding of that which is truly important to the more discerning consumer, who is focused on health and wellbeing.

A medical scheme that is fully attuned to the needs of its target market will always remain a few steps ahead of members on their journey through the many different phases of life. Such an approach will enable a scheme to design novel and highly flexible benefits to anticipate member needs and requirements.

A shift in focus

Research into the changing needs of the South African healthcare consumer has revealed a shift in focus when it comes to healthcare needs. One particular change, which has been noted in recent years, is the move towards enhanced psychosocial support. Emotional wellness benefits that offer, for example, a 24-hour helpline with trained clinical professionals and referrals for face-to-face counselling when required, have become increasingly vital. Such benefits are highly beneficial not only to individual medical scheme members, but also for businesses who rely on a mentally fit and healthy workforce to keep the wheels of business turning.

While free gym and exercise benefits are all important to members, so is the need for medical schemes to support a highly active and healthy lifestyle with benefits that extend beyond the local gym.

Additional benefits that are becoming highly sought after, include the opportunity to consult accredited biokineticists and dietitians. These can assist members in improving their wellbeing, by following structured programmes under the guidance of nutrition and exercise specialists. Schemes should, in addition, be attuned to the healthcare cover needs of extreme and adventure sports enthusiasts, professional athletes and weekend thrill seekers.

It goes without saying that an unlimited treatment programme is a much-needed lifeline for anyone who may find themselves in the unenviable position of being faced with a cancer diagnosis.

Children's benefits are equally deserving of a special focus and should cover everything from baby wellness visits, to childhood immunisations, school readiness assessments, pre-school eye, hearing and a dental screening. An extra visit to an emergency room, unlimited GP visits and basic dentistry benefits provided for children can go a long way in making life easier for stressed out parents and children in need of healthcare attention. Medical schemes worth their salt will know the importance of starting good habits at an early age, which is why a nutritional assessment and healthy eating plan should be offered, especially for children.

Most parents of young adolescents have experienced the agony of high orthodontic bills and will, therefore, embrace the need for specialised dentistry benefits that are above the usual threshold. Of equal importance is the need for students over the age of 21, who are financially dependent on their parents, to remain on their parents' medical scheme until such time as they complete their studies.

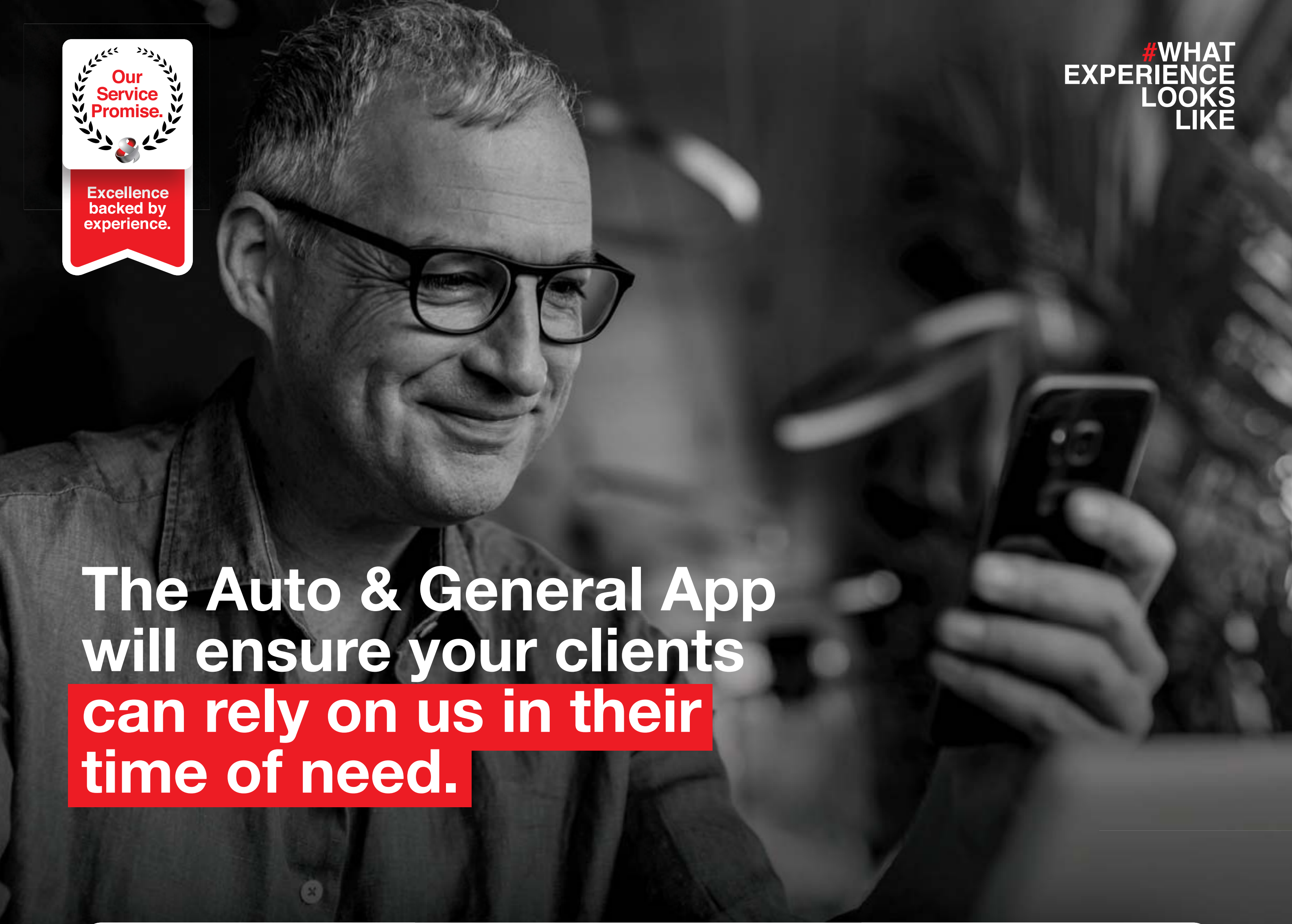
Broad product range

Typically, a scheme that is in touch with the needs of members will understand the importance of delivering on a broad product range which extends from primary healthcare and hospital options, to traditional and new generation options, with at least some of these catering for the member's own medical savings account.

An important caveat to this, however, is that the cost of superior benefits should not have to come out of member savings or get charged for separately. With one or two exceptions they should be entirely covered by medical schemes.

In closing, as I have so often said, although goods and services may be bought and sold, healthcare is, above all, an activity of caring that grows out of relationships of mutual responsibility, concern and trust, and this cannot be reduced to a mere commodity. Healthcare, as the word itself implies, is about people, and caring for people is so much more than philosophy, it is the very foundation of an uncompromising people-first mindset.

Josua Joubert
Chief Executive
and Principal Officer
CompCare Medical Scheme



In times of uncertainty, your clients can rely on the Auto & General App.

Nobody likes to think about being in an accident while they travel, but unfortunately, the possibility is ever-present. However, if your clients have the Auto & General App downloaded on their phones, they can rely on us in their time of need.

Your clients get to enjoy having the following benefits in the palm of their hands:

- **Auto & General crash detect** that senses severe car accidents and dispatches emergency services within minutes.
- **24/7 emergency medical and roadside assistance** directly to their location.
- **The ability to access and view policy details at any time**, including details of members of their household.
- **The ability to download policy documents**, such as their policy schedule and summary of cover.

So, make sure that your clients know that they can rely on the Auto & General App – they'll appreciate knowing that with our help, you are there for them.

Visit **autogen.co.za** to find out more.

humankind/35369/E

auto & general

Auto & General is an authorised insurer and financial services provider. Ts&C's Online.