COVER

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INSURING FOOD SUSTAINABILITY

MAY 2022

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INSURING FOOD SUSTAINABILITY

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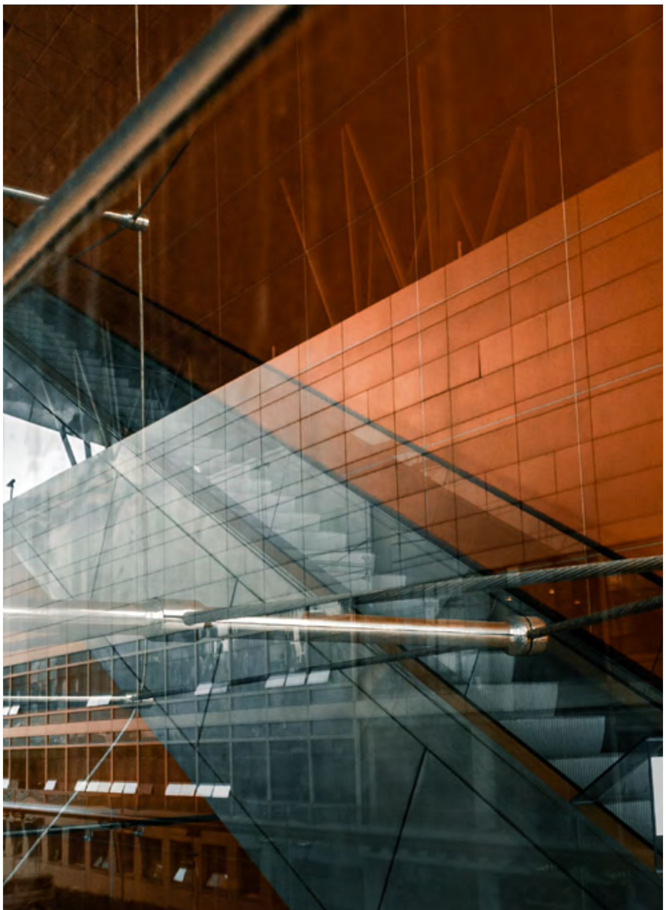

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AGRI-INSURANCE

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Editor's Note

TONY: EDITOR IN CHIEF

INSURING FOOD SUSTAINABILITY

Agri Insurance, locally and globally, has become a challenging sector for the industry, mainly due to the increase in frequency and severity of weather related losses.

Although we have seen some amazing innovations in this sector, especially when it comes to parametric insurance, the few local insurers that still operate in this sector, have mainly focused on insuring the assets of farmers, even though social unrest has brought serious threats here as well.

However, it does seem like innovative product development and new approaches to agri insurance are starting to change the accessibility to appropriate solutions for both brokers and their clients. Maybe in 2023 this feature will see several new players sharing comments on their innovative approaches.

Enjoy the read.
Tony

OFFSHORE INVESTMENTS

“Effective and holistic diversification is essential for South African investors and offshore markets can offer just that.”

- Eugene Botha, Deputy CIO at Momentum Investments

SWITCHING ON THE "GLOBE"

Some would argue that now, more than ever before, it is essential to have some, if not most of your money invested in global markets. Effective and holistic diversification is essential for South African investors and offshore markets can offer just that. With South Africa being a mere 1% of the total global economy, offshore markets offer a myriad of different possible investments to choose from and therefore represents the perfect way to diversify your portfolio of assets and grow your wealth.

EUGENE BOTHA

Deputy CIO at Momentum Investments

There are a couple of obvious benefits of investing offshore, of which diversification and protection from a weakening currency are probably the two most important benefits. Not only does offshore markets give your clients the opportunity to gain exposure to different geographies, industries, economies, companies, and exchange rates, but gives them the opportunity to invest into longer-term themes and growth opportunities that might not be available in the South Africa market. Elon Musk's company SpaceX, as an example of space exploration, the Metaverse, blockchain and other technological innovations, as well as evolutionary demographics are just some of the global themes that offer long-term growth opportunities and that are often only accessible through certain offshore investments.

Including offshore strategies in your clients' investment plans also protects them against local market and exchange rate volatility. Emerging market currencies like the rand is often vulnerable to local politics and geopolitical tensions, creating increased volatility in the returns of local companies. Hard currencies like the US dollar, British pound and the Euro are typically more stable. Having exposure to these currencies gives investors the opportunity to increase their return in rand, should the rand weaken due to extreme conditions but also through a scenario of longer-term structural rand weakening.

It is, however, important to note that investing offshore does not guarantee higher yields or returns relative to the local or other emerging markets. In fact, emerging markets often offer higher returns than developed markets, but at higher risk. Therefore, it is important to have a fair idea of the market you are entering with all its complexity to understand the risk dynamic aligned to your clients' wealth and assets.

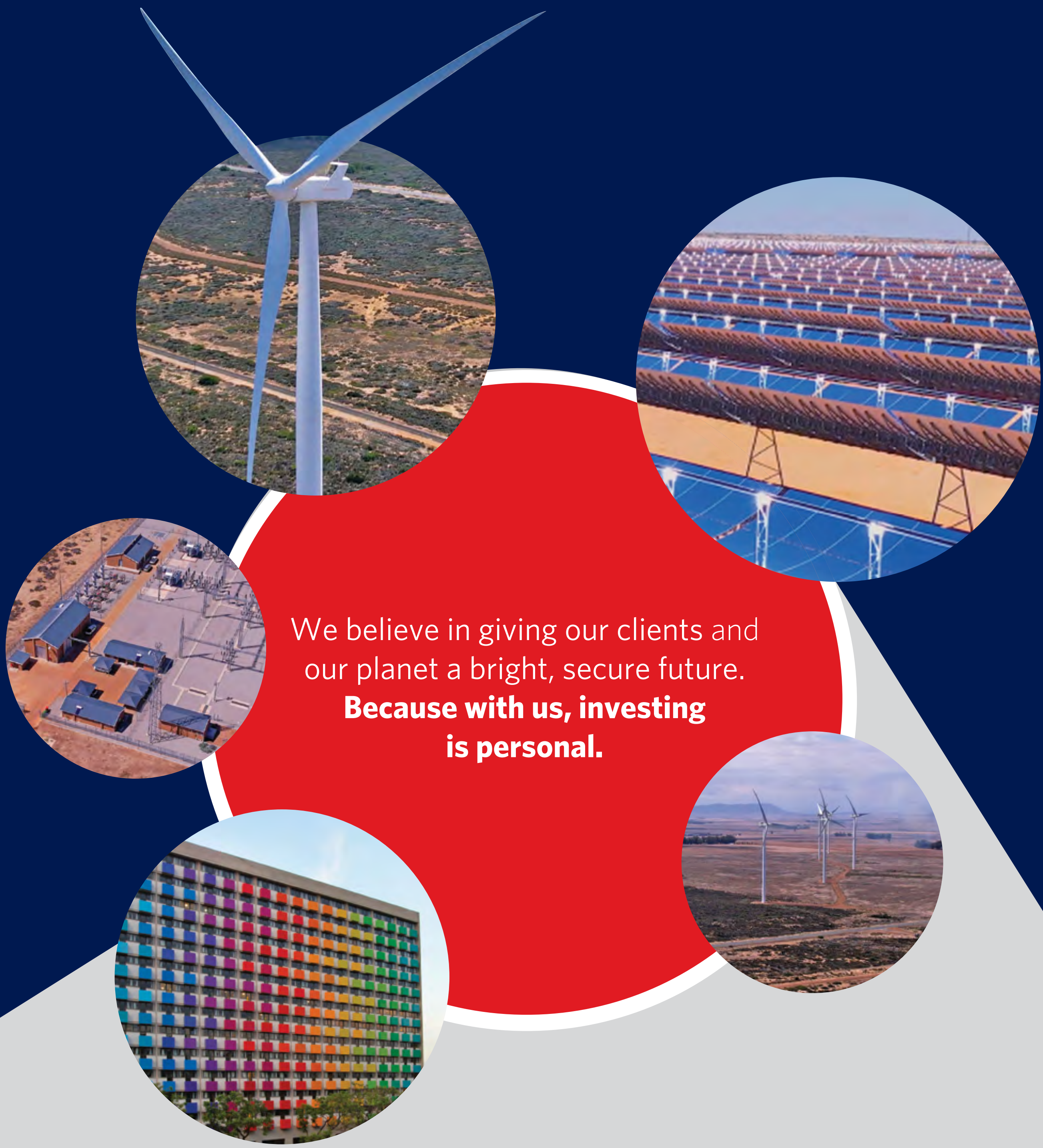
The world is your proverbial oyster when it comes to offshore investing and the investments are typically easily accessible. However, there are a couple of key considerations that should be considered when deciding to invest outside of South Africa. There are two investment options to consider when gaining offshore exposure. The first option is to invest directly offshore, which effectively means going through exchange control and physically transferring hard currency offshore.

This will allow you to move your client's cash and savings to an international bank account or directly into an investment in your currency of choice. This is subject to attaining a tax clearance certificate and there are certain limitations on the maximum allowable funds to take offshore. Once the money is offshore, you can buy into instruments directly or though other investment vehicles like unit trusts or exchange traded funds (ETFs).

The indirect option allows an investor to invest into foreign rand denominated funds. In this case your client's money never really leaves South Africa, but they gain exposure to diversified offshore markets in foreign currencies which then gets converted to rands. No tax clearance is required for going the indirect route. Deciding to invest outside of the country could be daunting due to the sheer volume of international investments available and navigating this landscape may be challenging – but the benefits truly warrant that investors take the leap.

Investing is personal and how and where to invest depends on a client's own personal circumstances and financial goals. With so many options of products, platforms, and channels, never mind the technical and legal challenges, the need for professional advice is essential.

For more information on investing offshore, visit our Global Matters portal at momentum.co.za or scan the QR code to join the Global Matters WhatsApp community easy and convenient access to regular offshore investing content such as articles, videos and other insights.


We believe in giving our clients and our planet a bright, secure future.
Because with us, investing is personal.

FINDING A SILVER LINING IN OFFSHORE INVESTMENTS DURING UNPRECEDENTED TIMES

Mart-Marie De Jongh, Certified Financial Planner Professional at Gray Swan

> "Foreign exchange, also known as FX or Forex, is the conversion, or exchange, of one currency into another through an authorised dealer."

There isn't a better time to equip offshore investors with the best product options available for their needs.

Following President Cyril Ramaphosa's announcement on the further opening of the South African economy, more people are looking for new investment opportunities. In 2020, South Africa's share in the global gross domestic product (GDP) adjusted for Purchasing Power Parity amounted to approximately 1%(1). This is highly influenced by the extreme concentration of the country's ownership and control. A relatively small number of firms are dominating the economic sector.

However, there are options available for investors who wish to diversify their wealth, beyond the South African borders. Foreign exchange, also known as FX or Forex, is the conversion, or exchange, of one currency into another through an authorised dealer. Offshore investors trade in foreign currency to diversify their portfolio against the Rand. Diversification of the South African rand is important for individuals who want to be exposed to wider investment opportunities, including those that are not listed on the Johannesburg Stock Exchange (JSE).

Diversification

Other ways to diversify an offshore investment portfolio, beyond currency, is through investing across various geographical investment funds, where clients have the freedom to invest in developed markets such as those in parts of Europe and the United States as well as investing in emerging markets outside of SA. Further diversification can also be obtained through the different investment asset classes like shares, bonds, property or even cash and investment themes, such as Megatrends and Disruption portfolios.

Under unprecedented times, such as the recent Russia and Ukraine wars, the importance of proper portfolio diversification has become even more significant to secure investors' wealth under unforeseen circumstances.

Offshore Investments Allowances

The aftermath of the pandemic left a negative effect on the global economic growth as a decrease from 5.5 per cent in 2021 to 4.1 per cent in 2022 and 3.2 per cent in 2023 is expected.(2) South Africa experienced a slight decrease in inflation in January from 5,9% to 5,7%. This means that there is a growing need for South Africans to pursue offshore trading.

To gain access to offshore investing, investors can utilise foreign allowances such as the Single discretionary allowance (SDA), where South African offshore investors over the age of 18 years are entitled to an SDA of up to R1 million per calendar year. The allowance can be used for any legitimate purpose, at the investor's discretion. Other allowances include the Foreign Investment Allowance (FIA), where investors can receive an additional R10 million per calendar year, provided they are a taxpayer in good standing and have applied for the required tax clearance certificate successfully.

The amount can be used to purchase property in foreign countries, invest amounts exceeding R1 million, and for transfers for other purposes where you may have already exceeded your R1 million SDA.The tax clearance application process takes approximately 21 business days to finalise, and all supporting documentation must be provided along with your application.

Structuring Your Investments

The importance of product choice is often overlooked by offshore investors. The purpose of an investment product is to define the accessibility to and tax implications on the investors' investment capital. Offshore investors can structure their offshore investments using various products such as direct investment into a Unit Trust, Stockbroking portfolio or Structured Product, or via an offshore Life Wrapper, like an offshore Endowment or offshore Sinking Fund, through which one can also access offshore Unit Trusts, Stockbroking portfolios and Structured Products.

A Life Wrapper provides investors with a fixed tax rate within the product on the growth and proceeds generated. Through GraySwan, offshore investors gain access to international investment opportunities, tailored to their specific needs.

Types of Offshore Investments

Examples of offshore investment products include:

Offshore unit trusts and ETFs: This product is similar to a local unit trust, where investors pool their funds together and purchase units in a portfolio consisting of a single or various underlying asset classes. They can either be actively or passively managed.

Offshore share portfolios: An offshore share portfolio works the same as a local share portfolio but instead of only having access to shares listed on the JSE, investors now have access to the full spectrum of globally listed companies.

Structured products: These are investment product innovations that have gained increased traction over the last few years as a supplement to traditional unit trusts, ETF and share portfolios. They are a pre-packaged, fixed-term investment that offers investors easy access to equity markets, but with the added benefit of a pre-defined and pre-packaged risk and return profile.

Offshore exchange-traded notes: Exchange-Traded Notes ("ETNs') are exchange-traded debt instruments. The investor lends money to the issuer of the ETN (usually a bank) and then receives a return based on the movements in a specific benchmark. ETNs are also bought and sold via a stock exchange like a share but unlike ETFs. They do not provide investors ownership of the securities in the index they track, ETN's merely provide the return that the index produces. That is why the price of the ETN must track the index closely to mitigate the possibility of tracking errors. ETNs are normally accessed via a stockbroker.

South Africans often shy away from exploring offshore investments due to the lack of knowledge available, however, offshore investing is a simple and convenient method of growing sustainable wealth. Any South African that is over the age of 18 years and South African companies (excluding Trusts and Close Corporations) may transfer money offshore via Foreign Exchange.

Through expert and industry experience offshore investors should be assisted with constructing an underlying investment that is suited to their personal investment goals and risk profile. It is the freedom to grow your wealth. Investors are also offered a tailor-made offshore investment portfolio suited to the client's investment needs, time horizon and individual risk profile.

For more expert advice on finding your financial freedom through offshore investments, we encourage you to engage with our team of experts in structuring your offshore investment.

Sources

(1) Statista

(2) The World Bank

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AFRICAN INSURANCE EXCHANGE 2022

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RESURGENCE
RESILIENCE
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HAVE YOU SECURED YOUR SPOT?

The world as we knew it has changed tremendously and the time is now to move forward and be even more resilient than ever before. With this in mind, the theme of **AIE 2022** is aptly '**Resurgence. Resilience. Revival**.'. As an industry we have the opportunity to rise to new heights and build a better future.

We are therefore excited to host you at the **AIE 2022 hybrid edition**. This unique edition will be hosted both live at Sun City (in-person event) as well as virtually for our attendees from across the globe.

We have also incorporated feedback from the AIE 2021 survey and can assure you that AIE 2022 will be an event not to be missed.

Please note space for the in-person event taking place at Sun City is limited, so **REGISTER TODAY** to avoid disappointment.

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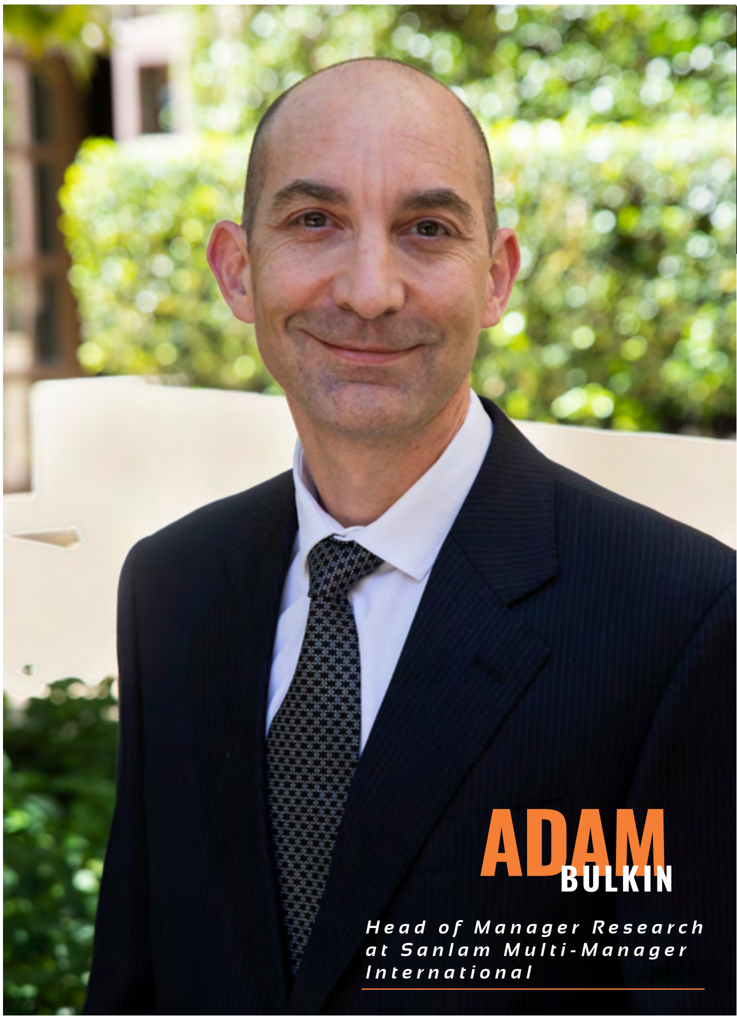


THE BALANCING ACT OF OFFSHORE INVESTING

For South African investors considering offshore investing, there are many choices to make, the implications of which are extremely far-reaching. These include what portion of assets to keep in domestic assets and what in offshore assets, which asset classes to invest in and how to gain exposure to these asset classes (for example using passive index-trackers or active managers).

Global markets are more developed, complex, specialised and varied than the South African market. So, to make optimal investment decisions, investors require a great breadth and depth of knowledge. Since each investment choice has the potential to create high variability in an investor's returns (for example as currencies fluctuate quite widely over time), these choices should be made intentionally, unemotionally and with a clear, well-articulated rationale.

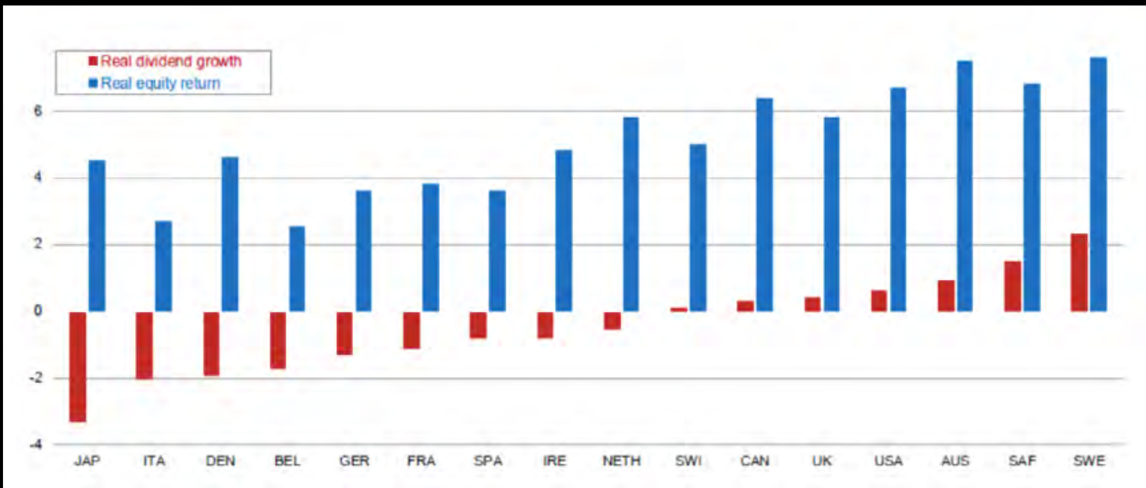
In addition to the variability of foreign exchange and asset class returns, there is also variability within asset classes, driven by factors such as styles, sector and regional allocations. While asset allocation skill, including the division between onshore and offshore assets is extremely important, so is security selection skill within pertinent offshore asset classes. Strategic versus tactical considerations are also a critical consideration.

In our view, given this background, the ideal investment framework for global investing requires strategic and tactical asset allocation and the ability to select asset managers that have expertise and skill in their areas of specialisation.

Along with the requirement to understand an investor's objectives and requirements, it is also essential for an adviser to consider such an investor's local and offshore investments in an integrated and holistic manner, because the correlations and anticipated behaviour of different local and offshore assets in various scenarios is a critical element of optimal portfolio construction. This may mean that a South African investor could, for example, have a high allocation to local cash while also maintaining a high allocation to offshore equities, because he or she wishes to have exposure to growth assets (such as global stocks) but also to enjoy some protection should such assets suffer a severe loss in a global risk-off environment.

In considering this scenario, it is worth noting that equity investment returns are determined by three major components:

1. Dividend yield;
2. Earnings growth and
3. Rating changes (changes in price multiples, such as price to earnings).



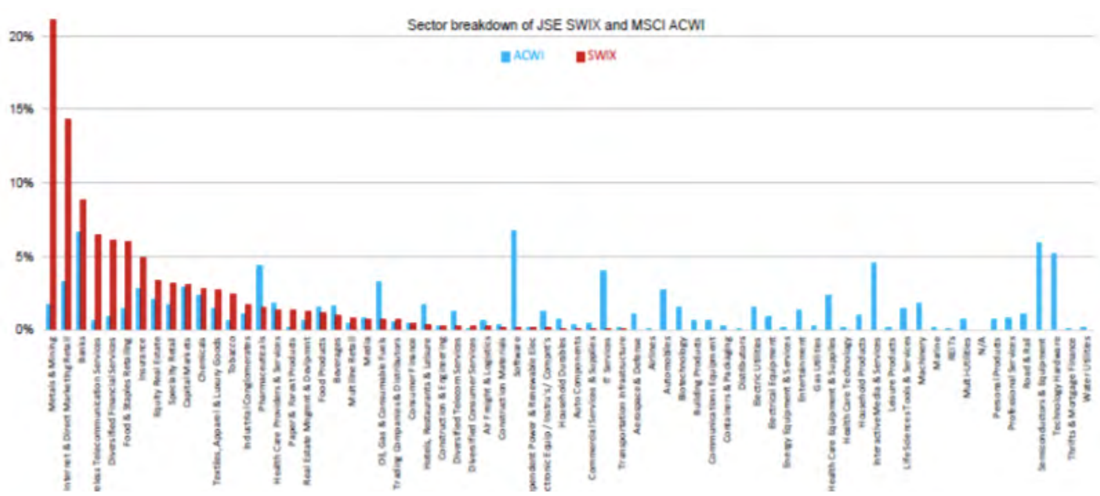
s shows that, generally, higher growth results in higher returns. Where there are deviations from this, such as Japan (and to a lesser extent Denmark), the deviations are explained by excessive pricing anomalies that still existed at the end of the time period used for compiling this summary (i.e. at the end of the previous century), for example the Japanese stock market bubble of the 1980s.

Earnings growth, at the aggregate level, is driven mainly by:

- Economic growth – i.e. does the economy provide an environment within which companies can deliver growth?
- The ability of companies to sell products beyond the borders of their domestic economy.
- Scalability of a market's product set.

It is worth considering whether South Africa's economic growth will be superior to that of other countries in the future, given the estimates of a long-term growth rate in South Africa of approximately 2% or below – inferior to that of the global average – limited by a combination of well-known structural issues. It's also interesting to compare South Africa's portion of global growth to that of the world – SA contributes just 0.4% to global GDP, while the JSE market cap is only about 2% that of the MSCI ACWI (all country world index).

The graph below, from SIM, illustrates the breadth of markets and compares the composition of the local equity market's SWIX index to that of the MSCI All Country World Index (ACWI). The breakdown used is the main sector classification of the MSCI ACWI. It clearly highlights the very concentrated nature of the local market, with much of this concentration in the "old economy sectors" of resources, financial services and retailers. It is also quite sobering to note that should one expand this to the sub-sector level, the ACWI has more sub-sectors than the number of individual counters in the SWIX!



South Africa's equity market is not only concentrated by sector, but is also high concentrated by individual counter, and lacks depth - in many sectors South African investors are predominantly limited to a single large company (e.g. Sasol, Naspers, Richemont, etc. in their respective sectors). Thus, company diversification within sectors is severely limited.

This does not mean that South African stocks will not present compelling opportunities from time to time, based on valuation and earnings growth prospects over the shorter term, driven particularly by commodity prices. Nevertheless, if we consider these various aspects – the low probability of SA companies achieving superior earnings growth to the rest of the globe, at least over the longer term; the breadth and depth of global equity markets compared to the local equity market, etc. We think that there is strong case to be made for a strategic exposure to global equities within a South African investor's allocation to growth assets.

THINK TWICE BEFORE INCREASING YOUR OFFSHORE ASSET ALLOCATIONS

Local investors may be tempted to have an "everything offshore" mindset following the relaxation of foreign exchange controls by National Treasury to allow regulation 28 compliant funds to invest up to 45% of their assets offshore. However, they should exercise caution when making this decision as achieving the optimum balance of offshore versus onshore exposures across cash, bonds, equity and property asset classes can be a complex consideration.

URVESH
DESAI
Portfolio Manager, Old Mutual Investment Group

Deciding to move more assets offshore is not only making a call on global assets versus South African assets, but also a call on the rand.

DIVERSIFICATION MATTERS

There are four main arguments for diversifying a portfolio offshore. First, investors can gain exposure to more companies and industries that are not available locally. The local equity market is concentrated in the financial and mining industries with virtually no exposure to technology industries, like semiconductors, hardware, software or even biotech.

The second argument centres on diversification and spreading your risk among many economies, countries, and currencies. In particular, investors enjoy the security that comes from holding assets in hard currencies such as the euro, pound or US dollar. Third, investors believe they can potentially earn higher returns globally than are on offer locally. And finally, there is the notion that taking on greater offshore exposure reduces risk.

THE RAND EFFECT

While we can agree that portfolio diversification makes sense, few appreciate how much of a diversified portfolio's outperformance derives from the relative performance of the rand versus offshore currencies rather than asset allocation. A South African investor's experience of global assets is therefore significantly impacted by the rand, which can be particularly volatile.

For example, when a South African investor has a large proportion of assets invested globally, and the rand depreciates, returns on these global assets in rands are boosted. But when the rand appreciates, returns on these global assets can be significantly depressed, pulling the portfolio down.

INFORMED OFFSHORE ALLOCATIONS

While it can be tempting to invest up to the maximum offshore limit, determining optimum offshore versus onshore exposures in the context of rand volatility can be challenging. This is especially important for conservative funds or investors who want to preserve capital over the short term. For these risk-averse investors, the optimum global asset allocation tends to be much lower than the regulated cap and one cannot afford to introduce too much capital volatility through foreign currency exposure.

Within the MacroSolutions investment team, we have assessed the impact of the new allowances on optimal asset allocations across our portfolios. We use an approach that is a blend of art and science, employing both fundamental and quantitative elements in our decision making. The team's asset allocation optimisation process uses data gathered over decades and begins with a systematic look at thousands of different allocations; assessing how often the required return of a portfolio is achieved; and considering the various risk metrics associated with the long-term asset allocations – including capital preservation where required.

The key take-out from this analysis is that the optimal global exposure for a standard regulation 28 compliant balanced fund is around 35%. This is the case even though the global exposure can now go up to 45%. Having higher global allocations can actually compromise the risk-return characteristics of the fund.

PROCEED WITH CAUTION

While the higher offshore limit allows for much greater flexibility in asset allocation, it does not justify immediately moving global asset allocations up to the maximum offshore limit. Pension fund trustees and other decision makers must proceed on the basis that even when making changes to a fund's static asset allocations, this is an active decision that will materially impact the returns achieved by the portfolios.

Being able to allocate a larger proportion of assets globally increases the flexibility that our portfolios have, but the volatility created by changing currency exposures can compound any bad asset allocation decisions. At MacroSolutions, we spend time analysing what the optimum static allocations are for our funds.

However, while these allocations are useful for framing what level of allocation is likely to be successful over 20- and 30-year time horizons, we understand that these allocations take no cognisance of the current investment environment or level of the rand and other investments. The actual asset allocations of our funds are based on the outlook for asset classes as well as the currency. This considers both the investment environment (what we call "themes") and financial market valuations (what we call "price").

Presently, this requires structuring portfolios to be cognisant of global liquidity tightening; interest rate hikes and higher yields in the US; the ongoing rotation out of growth stocks; high valuations of US equities; and the attractiveness of valuations of South African bonds and equity, among other factors.

SHOULD I INVEST 45%

OF MY PORTFOLIO OFFSHORE?

EARL VAN ZYL

Head of Product Development at Allan Gray

Retirement and local unit trust investors are now able to allocate up to 45% of their portfolios anywhere outside South Africa, from the previous offshore limits that allowed 30% outside Africa, plus 10% in Africa excluding South Africa ("ex-SA"), for a theoretical maximum of 40%. While the increase in the total allowed outside South Africa on paper is only five percentage points, in reality, most investors previously held less than 5% in Africa ex-SA. In practice, the recent change will mean that most investors can now invest an additional 50% of their portfolio offshore.

How Much Should one Invest Offshore?

As with most questions in investing, the answer depends on your personal circumstances, risk appetite and required real return. For simplicity, we will illustrate the factors to consider, and the trade-offs to be made, using a simplified but representative multi-asset portfolio blend of 60% in equities and 40% in bonds, which would have delivered 10-year annualised real returns of 6.9% on average over the last 30 years if invested entirely in South African assets.

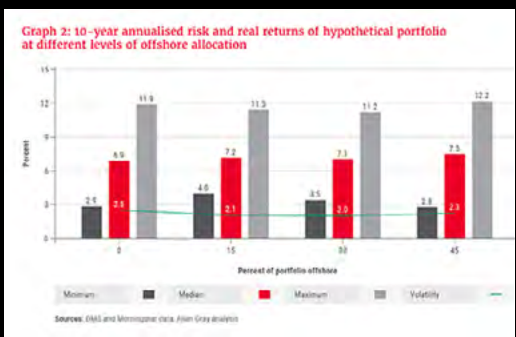
We will assume that as the portfolio allocates more offshore, there is an equal allocation between equities and bonds offshore – that is, 30% offshore means that 30% of the equity portfolio and 30% of the bond portfolio is invested offshore.

Graph 2 illustrates that allocating a higher proportion of one's portfolio offshore has a meaningful impact on the expected outcome of that portfolio in a number of ways. Firstly, the volatility of long-term returns of the portfolio reduces as one increases the offshore allocation from 0% to 30%, and increases again at an allocation of 45%.

Secondly, the average 10-year returns available from the hypothetical portfolio increase with increasing levels of offshore allocation, although perhaps less than one might have expected given the underperformance of South African equities in the recent past. Finally, the range of return outcomes narrows at offshore allocations between 15% to 30%, but is higher both at 0% offshore as well as at 45% offshore.

These results indicate that offshore investing is not a simple matter of maximising your allocation to offshore assets. Rather, there are trade-offs that investors need to weigh up to determine what allocation best meets their investment goals and appetite for risk.

Graph 2: 10-year annualised risk and real returns of hypothetical portfolio at different levels of offshore allocation.



Sources: DMS and Morningstar data, Allan Gray analysis

Some may argue that negative excess returns of South African equities versus global equities over the last five years suggest that our simplified model is flawed; that perhaps South African investors should be using most of their offshore allocation for equities, rather than a similar blend of equities and bonds to the local component, especially as expected real returns from South African bonds today are extremely attractive in absolute terms and relative to global bonds. However, this argument would be dangerously reliant on the next 10 years looking like the last 10.

Conclusion

In managing Allan Gray's Equity, Balanced and Stable unit trusts, our investment team continues to assess this question, as they always have. We have been saying for some time that South African assets currently offer better value than many of their offshore counterparts, so we are not allocating more offshore simply because the regulations allow us to do so.

Instead, our portfolio managers continue to make decisions about the level of offshore exposure according to our assessment of where the best value can be found over the long term. Investing in an asset allocation fund that is appropriate for your risk appetite can take the pressure off you having to make your own decisions in this regard.

FOREIGN ASSETS ROLE IN SOUTH AFRICAN INVESTORS' PORTFOLIOS

Foreign assets play an important role in South African investors' portfolios, both to enhance investment returns and to provide much needed protection.

At M&G Investments, foreign assets have always been core to our portfolios, serving as key contributors to improving our clients' investment outcomes. We were therefore pleased when the Minister of Finance announced the relaxation of the offshore limits within the pension fund regulations (Regulation 28), by allowing up to 45% of retirement portfolios to be invested offshore. This represents a significant increase from the previous 30% maximum.

Risk & Return: How We Determine Our Foreign Allocation

It's important to have an understanding of the role that you want foreign assets to play within your specific portfolio, in terms of their risk and return benefits. In terms of returns, foreign assets provide local investors with access to regions, sectors and industries underrepresented on the JSE. This allows access to a broader and more diverse opportunity set from which to deliver returns.

In terms of risk, foreign assets are critical in balancing the risks specifically embedded in South African assets, especially within growth assets like equities and, to a lesser extent, property and bonds. They essentially help lower risk by reducing portfolio concentration and the macro and geopolitical risks that emerging economies, like ourselves, are exposed to. An important role that we play is to determine the optimal mix of foreign and local assets within each of our portfolios by assessing the risk and return characteristics across local and foreign assets, and the interplay between them. For example, global bonds have historically provided good protection to balance out the risk of holding local equities.

The optimal mix of these asset classes enables us to deliver on each of our portfolios' investment objectives, while also balancing the risks inherent to that portfolio. It's important to note that depending on the investment objective of the portfolio, the optimal mix of local and foreign assets might differ substantially.

How has our Foreign Allocation Changed in Light of the New Limits?

We believe that the expected returns available from most local assets are meaningfully higher than those from their corresponding foreign equivalents, on a long-term "through-the-cycle" perspective.Our aim is to find the appropriate balance between lowering portfolio risk by including foreign assets, while also having an allocation to higher-returning SA assets that allow our portfolios to meet their return objectives.

For our balanced funds, our latest analysis suggests that the optimal neutral asset allocation is about 30% in foreign assets. Given that this does not exceed the previous foreign exposure limits, we do not foresee any immediate changes to the neutral asset allocations for these portfolios. For more conservative multi-asset portfolios, targeting returns of say CPI+4%, we found that the optimal neutral asset allocation is somewhat less, at about 25% in foreign assets.

New Limits Provide Greater Flexibility

While our starting point is to think about a neutral asset allocation, the next important part of our process is to implement our tactical asset allocation views around these neutral weights, as and when the opportunities arise.

Before the change, we wouldn't have been able to go meaningfully overweight foreign assets if we found valuations attractive and our neutral allocation was set to 30%. Our only option to generate alpha would have been to go underweight (i.e. below 30%).

However, we are now able to go both overweight and underweight foreign assets, which will greatly assist us in generating alpha for our clients. In addition, the increased limit also gives us more freedom to implement currency hedges, which is an important tool in managing a portfolio in South African rands.

We See No Immediate Change to Our Current Positioning

Given the absolute and relative cheapness of local assets compared to their foreign counterparts, we currently prefer local equity and bonds relative to their foreign equivalents.

Our current positioning in most of our portfolios is well below the previous 30% maximum, and it's unlikely that we'll make any immediate changes to our positioning given the expected returns on offer.

However, should valuations change, we are now able to respond timeously and take advantage of the greater flexibility to deliver improved investment outcomes for our clients.

GLENN SILVERMAN

Investment Strategist, Director, RisCura

Select a good advisor, be patient, and hopefully many happy returns will follow...

TAKING THE LONG-TERM VIEW

Whilst the world may be shrinking in many ways, when it comes to investments, it remains a large and complex place with many available options.

It is said that the one, and only, 'free lunch' in investments, is that of diversification — whether that be between asset classes (equities, bonds, property, etc.), regions, or between different asset managers. Provided each of these is sufficiently different, then the benefits are fairly obvious, i.e., when one asset class, region, or manager struggles, the others should provide a decent offset. If both are structured and sized correctly, the overall portfolio should then provide a dependable, consistent and stable outcome.

With South African (SA) equities making up less than 1% of the global equity universe; with many attractive sectors being under-represented on the Johannesburg Stock Exchange (JSE) – sectors such as bio-tech and social media immediately spring to mind; and with the obvious SA country-specific risks, the case for having a significant offshore exposure is a fairly obvious one. Interestingly, of the JSE listed companies, few are truly domestic-only, as some 60% of the JSE earnings base is non-Rand (ZAR) denominated. That adds some useful SA / ZAR diversification but does make the optimisation of a global strategy even more complex.

Once the rationale for requiring a (decent-sized) offshore exposure is accepted, the logical next questions are: How much of your assets/portfolio to actually invest offshore? Where best to invest those assets (region, asset class, sector or thematic, etc.)? And then, how best to practically do so?

These are not simple questions to answer, with each being dependent on several factors, especially regarding the investor specific circumstances, whether that be the relevant liability, in the case of a more institutionally-focussed fund, or the target/goal/aspirations, in the case of a private investor.

Answering these questions are areas where a knowledgeable, trusted, and experienced advisor can be worth their weight in gold (or USD, or other, as the case may be). The ability to not only structure an optimal portfolio but also to stick with such when markets fall (as they inevitably will), are also key considerations. Numerous studies show the damage down to long-term returns of chopping and changing ('churning') a portfolio aggressively.

Equally, other academic studies show that advisors can add significant benefit to their clients through not only the design of an optimal or suitable investment strategy, but also by ensuring that the investor sticks to the agreed strategy.

The agreed advice is that 'time in the market' is more important than 'timing the market' i.e., the benefits of taking a longer-term view and letting investments compound over time. In some cases, investors may have sufficient training or experience to do the above on their own, but for the rest, assistance is required in the form of some kind of expert advice.

How then should an advisor be selected? There are many factors to consider, including, inter alia, the following:

- Honesty and integrity are absolutely critical. The return OF capital is at least as important as the return ON capital;
- The required skills, along with a competitive track record; well-defined, sensible and appropriate investment framework; and
- A good fit (philosophical, personal, etc.)

If the above are all in place, then the chances of investment success, considering both return and risk, are dramatically enhanced.


And all the while, the soft, maddening tick of the clock;
while households hold their breath,
waiting for the next wave to hit,
for a president to take to the airwaves.
It's 1941 when PPS starts protecting professionals' livelihoods.
Over 80 years later, nothing's changed.
Read about the R1.4 billion in COVID-19 claims and R4.4 billion in total claims paid out to our members, in the PPS 2021 Financial Results. Visit pps.co.za/2021.
pps
FOR PROFESSIONALS
SINCE 1941
PPS is a licensed life insurer, controlling company and FSP.

PSG STANDS OUT HEAD AND SHOULDERS

THANKS TO ITS PEOPLE

PSG held its annual conference in May - a hybrid event that saw delegates gather in-person at Sun City as well as join online from all over the country. This year's theme was "Step up and stand out". PSG certainly does stand out: not only is its refreshed brand featuring a vibrant, eye-catching cyan blue, but the firm's most recent annual financial results also set it apart from its peers. In an environment that has seen many financial services firms reducing head-count, PSG is expanding, investing in its people and bolstering its technology-forward position.

It All Comes Down to the People

"Navigating such punishing circumstances and producing the results we have, is truly remarkable," said Francois Gouws, CEO of PSG Konsult. It all comes down to people, he explained. "We have a competitive group of professionals at PSG who don't let difficult circumstances hold them back," he says.

As Dan Hugo, CE of PSG Distribution pointed out later during the conference, more than 40% of advisers have been with PSG for longer than 20 years. Their achievements are reflected in the numerous prestigious awards conferred on top-performing advisers and offices in various categories.

As is tradition at PSG, winners are announced at the conference's esteemed gala dinner, which formally took place in Sun City for the first time since 2019. However, thanks to the digital event platform, employees throughout the country were able to see the winners accept the honours on stage.

The annual awards encourage healthy competition among PSG's network and celebrate not only profitability, but the extent to which advisers embrace the trusted PSG processes and live the firm's values.

And the Winners Are...

Office of the year:

PSG Wealth R21 Employee Benefits and Wealth Management. Principals Nerine and Neels Brink accepted the award on behalf of the office.

Elke Brink, Jan Botha, Nerine Brink, Neels Brink, Nelis Brink, Chantel Swart, Gerrie Cilliers, Wayne Stevens.

Employee Benefits office of the year:

PSG Wealth R21 Employee Benefits also took the honours in this category, where its focus is on the employee benefits business specifically. They received the award on behalf of the office for the third consecutive year. This is the tenth time the office has won this award.

Wealth Adviser of the year:

Neels Brink, from PSG Wealth R21 Wealth Management walked away with the achievement – continuing his podium position where he achieved first place in 2020, was a finalist in 2021 and regained the top spot this year at the 2022 awards.

Wealth Manager of the year:

Brian van Rensburg from PSG Namibia (pictured) secured this year's title. This is a first time win for Van Rensburg in the category.

Insure Adviser of the year:

Markus Fourie (pictured) from the PSG Silver Lakes Outeniqua office once again walks away with this award, having won it last year for the first time.

While these individual advisers and offices have made significant contributions to the ongoing success of the business, there are countless others that are deserving of recognition. For this reason, PSG also took the opportunity on the evening to recognise those advisers that reached certain milestones within the business.

External Contributors: Hearing from SA's Thought Leaders

The conference celebrates PSG's past successes but also looks to the future, bringing together renowned thought leaders to debate and discuss pertinent issues. For example, media personality JJ Tabane facilitated a panel discussion titled "Picking up the pace: how to accelerate economic growth" between journalist and political analyst, Max du Preez, Chancellor of the University of the Free State, Bonang Mohale and legal journalist, documentary producer and bestselling author Karyn Maughan.

Much of the conversation centred on the private sector and the role it needs to play in addressing issues from land reform to education and job creation. According to Mohale, "What's really needed is incisive, bold leadership from business", while Du Preez pointed out that we have an "innovative, energetic private sector and a collapsing public sector". However, because the rule of law is so precarious, business has every reason to be apprehensive about investing in SA, from Maughan's perspective. "It's all very well to say businesses must invest but you need to give them faith that what they're investing in is sustainable and safe," she says. In his keynote address, Tito Mboweni, former Finance Minister and Governor of the South African Reserve Bank, added to the seriousness of the discussions. He warned that we are likely to see steadily rising interest rates, with the repo rate possibly ending the year at 5.5% to 6%. The former Minister also sounded a note of caution about pressure on government spending – especially from the social sector – and the "frightening" rate of increase in the debt to GDP ratio. Given a very uncertain global backdrop and the challenges facing SA policymakers in an environment of rising inflation but pedestrian economic growth, he highlighted the urgent need for structural reform.

Standing Out for All the Right Reasons

According to Dan Hugo, CE of PSG Distribution, one of the biggest focal areas for PSG is digital enhancement. This is set to continue over the coming years as various systems are implemented across the business to continue the company's trajectory as a stand-out, leading financial technology firm. Having set itself the goal of transforming advisers' and clients' digital experiences, PSG has invested heavily to ensure its technological systems are up to the task. "I strongly encourage advisers and other staff, as well as clients, to make use of these systems and processes because they're there to make your life easier," says Hugo. Placing the client at the centre of its business means using technology to communicate with them in a meaningful way and the data suggests PSG has been successful on this front.

For example, the **Think Big series** of webinars - also available via YouTube or as podcasts via Spotify - reached 20 000 live attendees over the last year. "There are plenty of other initiatives planned to improve client engagement, communicate more effectively and further cement client relationships," says Hugo. These include regular client feedback sessions and hospitality events, as well as a better mobile experience and a simplified client onboarding tool.

The newly rebranded PSG looks set to continue to stand out, head and shoulders above its peers.

FINANCIAL PLANNING

"Professional clients need products that are customised for them as they have very specific needs."

- Deon Theunis, head of Intermediary Support at Sanlam Individual Life

UNIQUE CHALLENGES FACED BY THE PROFESSIONAL MARKET

Deon Theunis, head of Intermediary Support at Sanlam Individual Life, discusses the challenges faced by the professional market and how this relates to their financial advice.

Tony: Today we are focusing on the professional market. Please give us your feel for the current professional market and the unique challenges that they face.

Deon: If we look at the current professional market, and some of the financial challenges that they face, I think we can put it into two broad categories. The first being your self-employed category and the other your employee category, or your salaried professional. If one looks at the self-employed professional, it stands to reason they're self-employed so there is no paid sick leave. In most instances, no work equals no pay. The other element that they definitely need to consider, is the overheads within the business. And I think, especially from a risk perspective, it's crucial for them to insure their greatest asset, the ability to generate an income.

If one looks at the salaried professional, there is a big reliance on employee benefits. And often these benefits are not understood because, if you ask them whether they are covered for this, or that, the answer is yes, I'm covered. But as we know, the devil is always in the detail. These benefits are often limited in terms of conditions that are covered and the amount of cover that is allowed. Nowadays salaried professionals are changing jobs all the time, often multiple times, and they don't necessarily convert the group benefits. This means that they start from scratch at an older age.

Furthermore, with benefits differing from company to company they don't always retain the same level of cover.
Lastly, if you've got a prolonged injury or illness, you want to make sure that your income is covered.

Tony: Then obviously, people in this category have bigger responsibilities in the event of an income replacement or other event. In that regard, how does the product offerings and the advice that they need differ? How do you view the product and advice specifically to them, compared to the rest of the market?

Deon: If you look at professional clients, you are wanting a product that's customised for them, because they've got very specific needs. If you look at a self-employed professional in his/her own business, if there are any challenges that result in them being unable to work, as we said, no work equals no pay, you need a solution specifically for that.

I think if one looks at the industry currently, there aren't any offerings that are exclusive for your professional client. As a result, they end up with hybrid solutions. And these hybrid solutions don't necessarily do what you wanted them to do for your professional client. So, I think from an advice perspective, a professional client is looking for proper cover with quality benefits and someone that will make sure that their portfolios are tax efficient. They also want to make sure that their portfolio is cost efficient, from an investment perspective.

Tony: With regards to the relationship between the advisor and the client in this market, what sort of qualities do you need as an advisor to be able to deal in this market?

Deon: Firstly, as an advisor, you need to be qualified and professional in your approach, because when you're dealing with a professional that is qualified, you need to have great communication skills. If you're dealing, for example, with engineers, they've got a lot of questions, and they want to understand all the intricacies. I've heard many stories over the last two years, where clients were unhappy when intermediaries were quiet when things were not going well. It is about understanding the professional clients, understanding what they're going through, and building that relationship, from a very young age to the time that they retire.

Tony: Now you are in close touch with a lot of these guys, and you see how they operate and what they are busy with. Where do you see the opportunities at this stage for them in the market?

Deon: The key thing for them from an opportunity perspective, is cradle to grave. But there is the longevity of the relationship that one has with a professional because you move with them as their needs change. You are gaining small wins, when you see the sickness benefit paying out because the professionals were off sick, for example, you gain their confidence. I often say a client that experiences a claim with you, will never leave you. Together with that, you also have opportunities for upsell.

When you start off with a student, maybe they need R100,000 cover. Once qualified, they may get married and then buy a house worth R2m or R3m, for example, providing an opportunity to upsell and cross sell from life to savings to retirement to health to short term insurance.

Earning the trust early on through solid advice builds a robust and firm financial planning foundation.

Tony: This creates a portfolio that will organically grow without the need to rush after more clients from month to month. You are actually building the client and being part of that client's growth journey, which grows your practice.

Deon: Absolutely agree with that. And as I said, it is not about the short term, this is a long-term game. Often as you get older, that is when health deteriorates and that is when you need the cover. You are growing older with that client, and you want to make sure that the necessary customised cover benefits are in place for that particular client.

For me, professionals are disciplined, they are organised and they can do their jobs with absolute precision and confidence. So, I think, let us apply the same principles to their financial planning needs. Let's get them financially organised so they can successfully navigate whatever life throws at them from a financial planning perspective and ultimately live with absolute confidence.

THE ECONOMIC COST OF

SOUTH AFRICA'S MENTAL HEALTH CRISIS

DR FRANK MAGWEGWE

Corporate Wellness Executive at Sanlam Health Solutions

Mental health conditions such as depression and anxiety cost the economy more than R200 billion through people missing work and presenteeism, a situation in which employees are at work but perform at lower levels, primarily as a result of mental ill health. To make matters worse, South Africans are the second most stressed employees in the world. Lump the impact of Covid-19 on top of this and it's easy to see why our country is facing a mental health crisis.

South Africa is a challenging place to work and live in. You have the persistent threat of crime, the constant negative news cycle, high levels of unemployment and ongoing social comparisons due to excessive use of social media. Then you also have the problem of retrenchments where employees are either afraid of being retrenched or harbour guilt about not having lost their jobs when others did. In addition to these stresses, some people work in environments where there is stigma attached to selfcare practices such as regularly to taking leave from work, which makes it difficult for people to unplug from the now common habit of constant connectivity.

Being constantly inured in these kinds of environments leads to excessive stress and high anxiety which can directly cause depression. He offers these insights to help employees navigate mental health, particularly within the workplace.

How Ask for Help

One of the hallmarks of depression, high anxiety and excessive stress is that, because of the stigma attached to talking about them openly, people often feel alone and increasingly self-isolated. This becomes a vicious circle as sufferers begin to feel as though they are alone, misunderstood, and don't matter to others which only heightens their feelings of depression.

As such one of the best methods of helping someone struggling with their mental health is to create open and safe spaces for people to discuss their emotional states without the fear of judgement.

A strong example of this in the workplace is the provision of employee assistance and wellness programmes which cover a range of psychosocial needs, grant employee access to professional mental health practitioners and equip employees with a range of tools to help them better understand their overall health, defined by the World Health Organisation as the presence of physical, mental, and social wellbeing and not just the absence of disease or infirmity.

How Your Financial Health and Mental Health are Interlinked

Poor financial health can feel like an unending weight on one's shoulders. Being in a constant state of high stress and anxiety about finances increases the circulation of chemicals such as cortisol and adrenaline in the body that, over time, weaken the body's immune system and make us more susceptible to both physical and mental illness.

With money playing a central role in our ability to function well in society, being in poor financial health, primarily due to over-indebtedness is one of the main stressors South Africans face today. For example, many credit-active South Africans are struggling to keep up with their debt repayments. According to the National Credit Regulator just over 10 million (38.4%) of the 26 million credit active consumers fall into this category. Multitudes of academic studies have established a direct link between mental ill health such as depression and consumer over indebtedness.

Having to choose between being able to pay your bills and access to adequate health care is a choice too many South Africans must make because the majority of South Africans have no medical aid. Only 8.9 million South Africans, a little over 15% of the population have medical aid.

"South Africa is a challenging place to work and live in. You have the persistent threat of crime, the constant negative news cycle, high levels of unemployment and ongoing social comparisons due to excessive use of social media."

In a bid to help people who find themselves facing this problem, financial services companies like Sanlam have launched primary health insurance products that act as a buffer for those who may not be able to afford medical aid. Primary health insurance products offer quality and affordable healthcare, especially to employees earning less than R20 000 per month who typically cannot afford a medical aid.

Finding a Way to Cope

One of the major difficulties in dealing with depression, high anxiety and stress is that the short-term coping mechanisms which many adopt are bad for us. These can come in the form of excessive drinking and smoking, inadequate sleep, poor eating habits, a lack of exercise, gambling, and excessive social media use.

On an individual level I suggest having firm boundaries, regular exercise, practicing mindfulness, getting adequate sleep, and adopting better eating habits as a good place to start in trying to alleviate mental ill health. More importantly it is crucial that people seek professional help through their employers or through free services provided by organisations such as the South African Depression and Anxiety Group. Also, seeking help from financial advisers and coaches to improve financial health goes a long way to reducing the burden of financial stress.

On a broader scale, we must make it safe for people to be vulnerable and speak about their emotions both at the workplace and at home. If we destigmatise mental ill health, we will begin to see much better mental health seeking behaviours. What will it take for a disclosure of mental ill health to be treated in the same way as a disclosure of high blood pressure or diabetes?

DAVID GLUCKMAN

Chairperson of the Sanlam Umbrella Fund

UMBRELLA FUNDS: TECHNOLOGY, MARKET FORCES & INNOVATION WILL IMPROVE OUTCOMES

Umbrella funds are the single most effective vehicle for reforming the South African retirement fund industry.

The opportunities that rest in their economies of scale their ability to reach thousands of employers and hundreds of thousands of employees will be the most efficient way to improve the retirement outcomes for South Africans. This is the view of David Gluckman, Chairperson of the Sanlam Umbrella Fund.

The context for Gluckman's comments was a discussion paper entitled Governance of Umbrella Funds issued by National Treasury last December. Gluckman congratulated the Treasury for the strong intent behind the paper. However, he echoed the view that "governance is the least pressing challenge in the retirement fund space". He said that he could not think of a single governance scandal among the major commercial umbrella funds in the past decade. He believes improving retirement outcomes will not come from more 'hoop jumping', it will come from allowing the market to be more competitive, vibrant and innovative.

#Reform

Speaking at a Batseta webinar entitled *Practical proposals for quick wins in the commercial umbrella fund market*, Gluckman said that, in his view, customers much prefer product offerings promoted

and backed by well governed financial institutions rather than relying on a few trustees in their personal capacities standing as final guarantors for billions of Rands of members' money. This has also been borne out in the Sanlam Benchmark research findings. The major umbrella fund sponsors of which he listed 12 currently dominating the market - have the resources and capital to invest in technology and other enhancements that will ultimately give members better outcomes. These include four new sponsors that have entered the list over the past decade. Gluckman believes that the continued focus of regulation should be on further enhancing the economies of scale, competition and efficiencies which would continue the improvement trends evidenced over the past decade.

"Ultimately it is customers not regulators or providers that determine the winners in a competitive industry. I differ from some who feel the private sector cannot be trusted. I trust market forces that naturally self-regulate in terms of prices, quality, service, etc." said Gluckman.

#Costs

Steven Nathan, founder and former CEO of 10X Investments who is currently on a sabbatical, highlighted the well quoted statistic that only 6% of South Africans retire comfortably, and explained that the reason this statistic is so difficult to significantly improve is that members need to save reasonable amounts for decades, preserve money on changing jobs, earn decent investment returns and keep costs under control.

Gluckman noted that the Sanlam Umbrella Fund had been the industry leader in published research into member level costs, and the improvements achieved over the past decade. He believes that "an industry-wide cost analysis using similar methodology would be very useful to even better appreciate the power of competition in our space".

Gluckman and Nathan agreed that rather than increasing the onerous regulation around retirement funds which must push in the direction of higher charges ultimately being borne by members, the focus should be on improving efficiencies with time-consuming and onerous Section 14 transfer requirements highlighted as a major problem.

#PassiveInvesting

As evidence of retirement reform in action, Gluckman highlighted the tremendous growth of passive offerings within the Sanlam Umbrella Fund. The passive investments are managed by Satrix, the Morningstar Large Fund Manager of the Year for both 2021 and 2022. Clearly the increasingly competitive environment had resulted in customers being attracted to such cost-effective offerings.

Gluckman mentioned that launching a new Satrix Umbrella Fund as a competitor to the Sanlam Umbrella Fund is one "crazy and ambitious" idea with which he is toying. Provided it can get to scale relatively quickly, he believes that such a new entrant could become a major player in the market, and that additional disruption must be to the benefit of South Africans.

INVESTOR BEHAVIOUR HIGHLIGHTS

A NEED FOR FINANCIAL ADVISERS

The COVID-19 pandemic shocked the world and left many scrounging for hand sanitiser and toilet paper as shopping aisles stood empty. Similar havoc was wreaked on financial markets as investors abandoned their long-term goals for the immediate emotional comfort on offer by moving either out of financial markets completely or into comparatively 'safer' assets.

It is this kind of kneejerk behaviour that is in dire need of curtailing and I believe that this can and should be done with the power of sound financial advice. It is well documented that financial advice can prove incredibly valuable. A good financial adviser seems to earn far more for their clients than their annual advice fees, so why isn't everyone queueing for great financial advice?

I believe there are likely two primary behavioural biases at play that may impact on the decision for investors to use financial advisers. The first is undoubtedly overconfidence. With all the information we have access to these days, we can easily create the illusion of a more stable and predictable world. It's all too easy to come across a so-called expert opinion and any view is easily supported by a number of sources online.

When coupled with selectively attributing positive outcomes to skilful decision-making and poor outcomes to simple bad luck, this creates the illusion that investing decisions are much easier than what they are in reality. People are terrified of losses and being more engaged with our investments gives us a greater sense of control.

My theory comes off the back of the latest Momentum Investments Sci-Fi report, which measured investor behavioural patterns on the Momentum Wealth platform for the 2021 period. It found that the behavioural patterns of South African investors became more palpable in 2021 as a record number of investment switches were processed.

By analysing the behaviour of investors during this period, it was found that active investors (defined as investors performing switch transactions) increased by 80% and the number of switches increased by 50% to a record-high level of 27 994.

This essentially explains why following our gut instincts when investing often does not always serve us well. Clearly, we all struggle to bridge our intentions and our actions. It would be more prudent to acknowledge that we are all simply human and should turn to objective advice when planning for our financial futures.

SA'S LIFE INSURANCE SECTOR: WHERE DO THE OPPORTUNITIES LIE FOR 2022 AND BEYOND?

When it comes to the life insurance sector, South Africa has one of the most competitive insurance markets in the world, with a mature, established industry that serves middle- and upper-income clients, and an emerging sector delivering innovative solutions to previously unserved clients in the lower-income markets.

The insurance industry is a major contributor to the soundness and stability of the South African economy and, as the recent KPMG South African Insurance Industry Survey has revealed, the sector is well capitalised, resilient, adaptable, and innovative.

The Evolution of the Life Insurance Industry Over the Past Decade

Agility has been a common theme of the SA life insurance industry since BrightRock entered the market 11 years ago. There have been changes, for example, in financial regulations, technology, distribution channels, and consumer behaviour. **Financial regulations in South Africa change constantly**, as our industry is informed by the frequent changes in international insurance markets. These regulatory changes seek to improve the sustainability, transparency, and conduct of large financial services institutions to protect consumers.

In addition to responding to the impact of the pandemic, several regulatory and technology-led changes are changing the insurance landscape. These include the new IFRS 17 standard and the Twin Peaks model for financial regulation. The SA life insurance sector has also had to keep up with the **global shift to digital channels**, which has affected how both individuals and business behave.

With this shift, there are now greater expectations from customers in terms of service delivery. While we are seeing several insurers starting to digitise customer journeys, significant opportunities still exist to accelerate this in many markets. To meet the rising demand for digital solutions, Insurtechs, which are technology-led companies in the insurance sector

that aim to provide coverage to a more digitally savvy customer base, have been quick to step in. Because consumers have become more digitally savvy, and because there has been a transition from a sales to advice mindset, as well as improved market conduct regulations, **insurance distribution channels have also evolved.** Brokers and agents remain the most prominent channels, although direct sales and bancassurance arrangements between a bank and an insurance company allowing the insurance company to sell its products to the bank's client base have increased their share. Since our market entry, we have seen a vast increase in the number of tied-adviser and direct-to-consumer channels in the market, alongside the continued growth of the Independent Financial Advisor (IFA) market, with a notable increase in the professionalism, advice focus, and value-add of intermediated channels.

There have also been **significant changes to consumer behaviour** over the past decade as consumers have become more familiar with the digital journey in purchasing services and products online. Technology is also an enabler of personalisation and customisation. Consumers are much more aware and demanding, preferring personalised insurance covers instead of the one-size-fits-all products currently available.

Predictions for the Life Insurance Industry Over the Next Decade

Bearing in mind the recent evolution we have seen in the life insurance industry, here are five future trends we at BrightRock believe will inform the direction of the sector in the next few years:

1. Putting strategies in place to tackle the next challenge that comes along: Our industry has definitely risen to the unprecedented situation that the pandemic has created. We have all stepped up to ensure our clients remained well protected during a time when they needed us the most. We are proud of how our industry has been agile enough to adapt to the changes brought on by COVID-19 and are looking forward to seeing what the next 10 years hold for us.

2. Accessibility to long-term insurance for more people: As an industry, the next 10 years presents us with an opportunity to ensure that we make long-term insurance more accessible to more people. This means restructuring life policies to help people better understand what their cover is for. It also means cutting out unnecessary waste, to ensure people pay only for what they need

3. Demystified products: The next five to 10 years is an opportunity for us to work harder at demystifying our products for more South Africans, and clearly communicate the benefits that long-term insurance can bring to families and individuals. One of the lessons from this pandemic should be the importance of long-term policies, as these make provision for times of financial hardship, such as a debilitating illness or the death of a breadwinner.

4. A huge focus on financial literacy and education: Financial education is one of the areas that will be a key emphasis for the industry for the next few years. Financial education increases consumers' financial capability and so contributes to the demand for financial products, transparency, and fair market conduct. Financial literacy is also a key factor in ensuring sustainable and effective financial inclusion.

5. Treating customers fairly: A big focus for the industry in the coming years will be how financial institutions treat their customers. The past decade has seen the introduction of various pieces of legislation to regulate financial institutions' conduct and strengthen oversight of how the financial services industry treats its customers.

The life insurance industry has always been an exciting, ever-evolving sector and has brought many changes over the past few years that have served both the industry and consumers well. We at BrightRock are looking forward to playing an important role in the future of our sector, and are confident that our dynamic, needs-matched approach, which matches the cover to the shape and trajectory of the underlying financial needs, will continue to lead the way in revolutionising the industry.

AGRI-INSURANCE

"In the midst of the risks and challenges that farmers face in the industry, insurers remain critical partners to assist in the resilience and recovery of the sector."

- Hennie Van Staden, CEO of iMPAC

RISKS FOR SMALL AND MEDIUM FARMERS

Iain Massey | Head:
Inland Broking Operations
Indwe Risk Services

The main risks facing small-scale farmers in South Africa are climate variability, water availability, lack of appropriate agricultural infrastructure and logistics, shortage of farming skills, high levels of soil degradation and tough economic conditions.

In South Africa most small-scale crop farming is rain-fed and therefore susceptible to weather fluctuations. Recent flooding in Kwa-zulu Natal and heavy rains in Gauteng this summer, has highlighted the variability of this and the impact of climate change in South Africa. Effective risk management and disaster recovery plans are therefore key to surviving major losses in the sector. As agriculture becomes progressively more complex, so do the intricacies of protecting against the risks involved. Farmers need to rely on the analysis and insight of an experienced, professional broker with access to reputable insurers for protecting their assets and crops.

Crop insurance is underwritten by the major Agri insurers and whilst it is a very technical and sector specific area, that is not say that more brokers cannot learn about the sector with the help of the experienced insurers. Most farmers settle for named-peril insurance, which is cover taken against specific risks such as hail and frost, whereas multi-peril insurance combines cover for various risks, including drought, which is much more expensive. The agriculture insurance sector can be split into two main categories: the various crop insurance products and asset insurance products , with livestock and sometimes breeding game forming a specialist sub set of assets .

In South Africa, crop insurance only accounts for premium of approximately R1,5 billion, equating to about 30% of the value of all crops in South Africa. Many small to medium sized farmers have chosen not to insure their crops, because of the cost of the insurance, or farmers choose to self-insure and hope to have enough capital to carry the risk of damage themselves. But after two years of an economy damaged by the Covid pandemic, recent rising interest rates, input and production costs and a decrease in the farmer's securities, crop insurance is becoming a necessity for emerging farmers. Access to credit facilities will become dependent on these insurance products. Globally many different options to successfully insure micro and small farmers have been tested or are currently being tested, these include index based and parametric solutions.

The size of the insurance market for assets, is roughly R4 billion in premium. Farmers consider equipment, farm vehicles and farm structures as integral to the business and prefer to insure those assets that would cause the operation to come to a standstill in the event of a catastrophic loss.

The farmers in the small and medium farming sector are often not educated about insurance and are unaware of the range of insurance products available. They require insurance products packaged in simple and useful ways that make it easy to take decisions on what to insure.

Brokers prepared to put in the time and effort to assist them as professionals in crop insurance can make a meaningful contribution to South Africa's economy by protecting its food sources.

Sources: Farmers Weekly and ARC

SAVE OUR GROUNDWATER

PLANT AN INDIGENOUS GARDEN

Why is groundwater important?

Although we cannot see it, groundwater is essential to natural ecosystems and agriculture all around the world. In arid countries, like South Africa, where water is a scarce and very valuable resource, groundwater supplies are even more important. Groundwater is found in aquifers deep below the soil surface. Farmers use these water sources for irrigation, contributing about 15% of the total water consumption of the country. We may think 15% sounds like a relatively small contribution but think again. There are over 300 towns in arid parts of South Africa that are completely reliant on groundwater for all of their water needs.

A threat to our groundwater resources

Groundwater in South Africa is under threat from invasive alien plants. These are plants that come from areas outside of our borders and do not naturally occur here. Once they are introduced into our environment, they become overabundant and displace the indigenous plants that would normally grow in our ecosystems. These invasive alien species are infamous for their excessive use of resources, including groundwater.

For example: Prosopis, a tree from the Americas, has invaded large areas of the arid parts of South Africa. It grows in dense stands at the expense of all the indigenous vegetation that would usually grow there. It uses 5 times more water than our indigenous vegetation. The roots of Prosopis grow as deep as 50m into the ground and reach into aquifers where they deplete valuable groundwater supplies. Most indigenous plants that grow in the same areas have roots that only reach up to 10m deep, and do not reach the aquifers. Prosopis is a direct threat to groundwater resources in South Africa.

What is the solution?

Once invasive alien plants become abundant, they are very difficult to control. However, when groups of people get together to remove these plants by pulling up saplings and cutting down larger plants, we can make a big difference. It is also important that we invest in sustainable control options, such as biological control. One easy way that everybody in South Africa can make a difference is by planting indigenous plants rather than alien ones. This would reduce the spread of alien invasive plants in the country and support the preservation of our groundwater reserves.

Professor Iain Paterson,
Center for Biological Control, Rhodes University

Iain Paterson is an entomologist and botanist working at the Centre for Biological Control at Rhodes University. He is passionate about the protection of indigenous biodiversity and natural resources. He specializes in the biological control of invasive alien plants and has published over 50 academic papers on the subject. Iain works to understand the negative impacts of invasive alien plants on natural ecosystems, including their impact on water resources, and to develop sustainable and environmentally friendly ways of reducing these negative impacts.

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MECHANISATION IN AGRICULTURE AND DURING PLANTING SEASON

Commercial farmers in South Africa are depending increasingly on highly complex machines to farm more effectively in an ever-changing environment. This means that added to the agricultural insurance risks we are familiar with, such as bad weather, theft and labour disputes, farmers now have to contend with the risks inherent in operating a fleet of complicated machines, from tractors to irrigation systems. Many of these machines, in turn, are dependent on digital technology.

ANDRIES WIESE

Business Development Manager: Hollard

Here's an example: South Africa has always been a water-scarce country, but with climate change affecting weather and rainfall systems the need to conserve water has never been as critical.

A lot of produce grown in South Africa is irrigated and water is many farmers' single biggest overhead. Technology is helping them cope. Modern irrigation systems can be so sophisticated that probes placed in a field can "tell" which quadrant is too wet or too dry and the irrigation system can, by itself, adapt irrigation periods accordingly.

Digitisation and mechanisation are also helping farmers implement "conservation agriculture" – for example, using drones to survey orchards or fields to determine which sections, or even which individual trees or plants, should be dosed with pesticide instead of spraying the whole lot. This saves the farmer money spent on pesticides, and consumers get their food with fewer chemicals.

These days even a seemingly standard piece of equipment like an entry-level tractor has on-board diagnostics or electronic elements such as cruise control, and sets you back something between R2-million and R3-million. Top-of-the-range tractors cost in the region of R10-million and use digital technology – some have been self-driving for years now.

We're in the middle of South Africa's longer May-June planting season – there is a shorter one in November. Crop farmers have only these small windows of opportunity to get seeds into the ground so that they can harvest later. Every day expensive farm equipment is being used, increasing the risk of mechanical or digital breakdowns, accidents, and digital crimes such as cyberhacking and the use of ransomware (a type of software that criminals use to block access to your technology, or to publish your data, unless a ransom is paid).

Also, most agricultural equipment machines are imported, so farmers are dependent on companies abroad for parts. This year the six-day blocking of the Suez Canal in March contributed to a worldwide shortage of microchips, including those that are used in vehicles. It also meant that parts needed for agricultural equipment had to be flown into South Africa, with a concomitant rise in price.

While mechanisation on farms is creating more job opportunities in agriculture, and is leading to low-skilled farm workers being trained in marketable technical skills, sometimes the perception that mechanisation takes away jobs leads to labour unrest.

Commercial farming more than proved its worth to the South African economy in 2020, when, partly due to the dampening effects of the Covid-19 pandemic on other sectors, it was one of South Africa's few growth industries.

Last year our economy experienced its worst slump since 1946, just after World War Two, with overall economic growth slipping by 7%. In splendid contrast, South Africa's agricultural sector grew by 13.1% in 2020, according to Statistics South Africa.

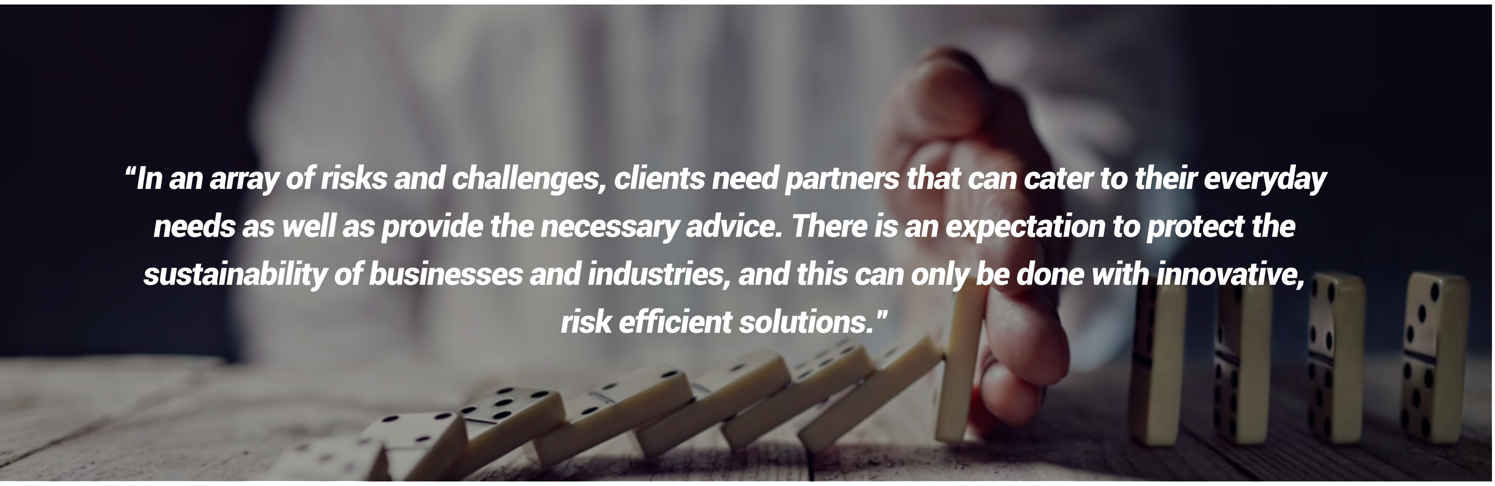
Mechanisation and digitisation are helping farmers weather many storms, but these processes have made commercial farming even more complex and have increased and broadened farmers' exposure to risks. That's where a broker comes in – you need an objective, informed intermediary who can properly and fully advise you so that all aspects of your operation are covered for as many eventualities as possible.

ADDING PRECISION FOR EFFECTIVE COVER

> In an array of risks and challenges, clients need partners that can cater to their everyday needs as well as provide the necessary advice.

The agriculture sector is a central and pivotal industry that plays an important role in nurturing livelihoods and more significantly, ensuring food security to help boost economic growth.

It is also a pillar of growth across the whole economic value chain, providing much-needed raw materials to many other critical industries. Retrospectively, the sector faces significant challenges such as the COVID-19 pandemic and supply chain disruption, which harm the potential for its growth.



As a significant contributor to local employment, the sector provides jobs to more than 868 000 citizens and contributes over 36% to the growth of the country's GDP in Q4 2021, including a multiplier effect that is several times higher – major initiatives need to be considered to ensure its sustainability and continuous growth.

The industry is characterised by severe risks that affect how it operates. Volatility remains a significant factor due to a range of factors that include global conflicts, which affect the supply chain (particularly since Russia is a big exporter of ammonia, which is the central ingredient in fertiliser manufacturing) and the delivery of essential goods. Storage and transportation challenges are also among the leading challenges that negatively impact yield potential and result in financial losses for farmers. While large businesses may have the capability to navigate these risks, small to medium operators lack the necessary support to remain resilient throughout these disruptive periods.

While many crop farmers use their expertise to build agility and the necessary resilience by diversifying products they grow, utilising less water-intensive techniques and planting crops that are much more resistant to droughts – the risks will remain present. A tremendous amount of effort and innovation is required to support traditional risk management for even the unforeseeable risks.

Business conditions and activities continuously change as farmers continue to navigate across different risks. Unforeseen events remain a significant threat for farmers, as evidenced by the recent riots, which led to a substantial loss of infrastructure, livestock and crops. While the sector was beginning to recover from the COVID-19 pandemic and lockdowns, the unrest resulted in the country's GDP slumping by 1.5%, with agriculture contracting by 13.6%, representing its most significant loss since 2016.

Insurers Adding Value

In the midst of the risks and challenges that farmers face in the industry, insurers remain critical partners to assist in the resilience and recovery of the sector. Understanding the depth and diversity of risks - which are continually evolving- requires advisors and insurers with deep insight and foresight. Risk managers can play an instrumental role in terms of educating, encouraging and creating a better appreciation for what farmers need to consider as risk mitigation steps against various events.

Financial Cover

Farmers continue to face the massive challenge of having the financial security to assist in covering against increases in input cost. Input financing is vital for purchasing goods that include seeds and fertilisers that can guarantee consistent production of crops. Players in the industry are providing revenue products that allow farmers to apply for input finance, making them the safety net for farmers to ensure they can continue to earn revenue at the end of a season.

The past seasons have placed tremendous pressure on the industry, with traditional products such as Multi-Peril crop insurance requiring improvement to protect farmers' crops effectively. Farmers and brokers need to form a relationship that can sufficiently acknowledge commonly faced risks and ensure comprehensive cover for crops at all perils.

Innovative Solutions

As technology and other disruptions impact how business is conducted, insurers are implementing systems that make it easier to provide quality customer service and quick responses to claims. Clients are continuously looking for partners that understand their needs and can provide immediate assistance when needed.

THE FUTURE OF INSURANCE IN SOUTH AFRICA'S AGRICULTURE INDUSTRY

With increasingly severe weather, growing political volatility, cyber concerns and other threats, farmers need to continue to invest in their risk preparedness. As the farming industry is disrupted by digital, insurers and intermediaries must anticipate emerging risks to remain relevant and be the partner that farmers need. Now's the time for insurance-specific technologies, intensified focus on AI and strategic partnerships.

For intermediaries and insurers, the focus has shifted to proactive risk mitigation to assist clients to predict and prevent losses. The emphasis is on partnering with clients to facilitate collaborative risk management. This means using data to provide granular, customised support to guide clients' decision-making, risk management best practices and disaster recovery plans.

What Clients Want

Today's insurance client seeks greater risk prevention, ease of doing business, and value-added services. The incorporation of digital platforms in agricultural insurance has the potential to accelerate client records, reduce transaction costs and improve insurance process efficiency. The absorption of technology will enhance the response to external shocks, leading to enhanced stability, growth, and sustainability of agricultural value chains. However, clients need to be convinced that new ways of working are beneficial. For example, worldwide, the issue of mobile insurance policies has increased by 68%. However, only 7% of these policies originated from the agricultural industry, indicating a favourable opportunity for growth within the sector.

The Evolution of Agriculture and Agricultural Insurance

According to Omri van Zyl, Agri Enterprises, the farming industry is expected to consolidate in the medium term. In the next 10 to 12 years, there should be greater integration of farming technologies, daily monitoring of conditions via a more developed digital ecosystem, the integration of smart farm equipment like drones, and more regulation driving digital adoption. From an insurance perspective, agents will need to use digital solutions to drive value creation and forge lasting farm relationships. Emerging risks will transform the insurance landscape and digital transformation will shape customer experience and consumer behaviours with focus on simplicity, speed and convenience. Data will change how we interact, and poor data management will become an enterprise-level existential threat.

Partnerships are Pivotal

Going forward, insurers need to pioneer innovative risk-mitigation products that meet changing client expectations, such as Santam's customised solutions for the modern farmer. Service-based models will be key. Additionally, they'll need to partner with dynamic start-ups and Insuretech companies to retain relevance and assist farmers with the solutions required to smoothly transition from traditional to digital farming practices. Technology will also empower intermediaries to aggregate multiple value-added services to best serve a clients' risk needs. As insurers, Insuretech and Agtech companies merge, there's the opportunity for data to be collected and losses assessed at a rapid rate. However, the move to digital comes with risks. Global cyber insurance is expected to reach up to 25% growth by 2025. This presents another opportunity for insurers and intermediaries to tailor-make insurance solutions to help clients navigate a new world. Now is the time to move beyond insurance. Becoming an 'everyday adviser' means proactively providing guidance on risk mitigation. It means unlocking the power of real-time, personalised data to anticipate what farmers need. It means listening to clients and thinking of innovative, immersive ways to improve customer experience.

INSURER REAPS THE REWARDS OF INNOVATION IN AGRI INSURANCE

It's estimated that only 30% of South Africa's R2.5 billion annual crop industry is typically insured. Most farmers prefer to self-insure either to reduce costs, or because that's how risk has always been managed in this space. But we are offering farmers an innovative hybrid solution which finds the middle ground between full self-insurance and conventional risk mitigation, and it's starting to attract interest in the market.

In fact, less than three years after entering the South African agri-insurance sector, King Price is on track to grow its book past the R350 million mark by mid-2022, with more than half of that coming from crop insurance.

Many insurers don't cover crops because it's a volatile business. We're highly dependent on the weather, and due to climate change, we can't really predict too accurately, so the loss ratios can vary hugely from year to year. What makes our crop product different is that we tailor other alternative risk solutions based on a client's risk appetite and needs.

As fuel and fertiliser costs continue to soar, I believe that the need for farmers to find ways to mitigate their risks, and to find insurers who are flexible enough to meet their specific needs, is greater than ever before. We are also seeing a steady uptake of our industry-first 'pay as you farm' agri insurance product, which offers farmers comprehensive cover for their agri vehicles all year round, linked to an annual rebate based on the time that the vehicles are actually used.

Our 'pay as you farm' product, which is offered in partnership with FarmSpace and Africa Farmers Network, is specifically designed to help farmers save on their insurance, lower their capital risk and maximise their profits. By tracking when agricultural vehicles are actually used, we estimate that farmers can save up to 30% on their insurance premiums. The farmers also benefit from knowing where all their vehicles are in real-time.

We take our partnership with SA's farmers seriously, and we are becoming increasingly involved in farm security, with one of our products offering comprehensive cover on the camera systems that are used widely in farming communities. We are also currently working with an industry-wide partnership to uplift development farmers, who typically fall outside the insurance net, and to aid them on their journey to becoming commercial farmers by helping them with risk mitigation.

Our rapid rise in the agri space is due to a combination of building strong relationships with underwriting management agencies (UMAs) and the broader industry, and its growing use of technology and data analytics to offer innovative products.

We still feel there's a significant opportunity to tailor agriculture insurance products better to fit the individual needs of modern farmers. By being partners to our farmers, and helping them manage their own risks better, they are able to farm more effectively and save money on insurance, which is often seen as a grudge purchase.

SHORT TERM INSURANCE

"A thriving insurance sector is a critical cog in any healthy economy. Insurance makes people and businesses more resilient."

- Lizé Lambrechts, Group CEO of Santam

MORE WORK TO BE DONE BEFORE

VEHICLE SALVAGE DATABASE IS MADE PUBLIC

South Africa Insurance Association

South Africa Insurance Association

The board of the South African Insurance Association (SAIA) formally affirmed the decision to open the association's Vehicle Salvage Database (VSD) to the public, but cautions considerable work is still required to understand and mitigate risks before public access can go live.

At its recent quarterly meeting, the Board acknowledged the significant contributions of non-life insurance industry stakeholders through the VSD Task Force.

The Board noted that the VSD Task Force still needed to investigate several issues to ensure all risks have been considered and evaluated before the database is made public.

Viviene Pearson, SAIA Chief Executive, said the association will continue to engage constructively with affected stakeholders and will provide updates on progress.

"The Board's decision that further investigation of the inherent risks is required was made after considerable deliberations.

"Recent events have highlighted the need to consider risks associated with data security and potential misuse of information on the VSD. SAIA also wants users of the database to have a clear understanding of both its benefits and its limitations.

"Potential users of the VSD should be aware that access to information is not guaranteed to be a complete solution to fraudulent behaviour. In particular, the VSD contains information only about insured vehicles. The vast majority of vehicles on the road are not insured, so the usefulness of SAIA's database will be limited," said Pearson.

UNIQUE RISKS INSURING MOBILE ELECTRONIC EQUIPMENT

John October, Operations Director at Admin Plus, a Constantia UMA, shares how they develop unique products for brokers.

Tony: What I found interesting when researching your business is that your model almost creates products for brokers on demand. Please explain to us how that works?

John: What we did, when we started off back in 2012, was to really look at what the customers' needs are and a big part of that was a focus on mobile device insurance. So, what we have developed is really a unique ecosystem around how we partner with brokers and insurers in providing either the insurer customer base or mobile operator with administration services. We partner with the insurer and the mobile operator to provide a unique focus on mobile device insurance to their customer base. We have also positioned ourselves in terms of providing an easy claims process, select your cover, and using technology to underwrite the offering that we have. The focus is really our deep capability and experience around mobile device insurance.

We have also positioned ourselves in terms of providing an easy claims process, select your cover, and using technology to underwrite the offering that we have.

Tony: Mobile electronic devices face various risk, from damage to loss. They are extremely popular with criminals because they can sell easily. What are the specific challenges when it comes to underwriting mobile electronic devices?

John: It presents unique challenges when it comes to underwriting of mobile devices. In our view, what we believe has been underestimated by many insurers where it is part of a comprehensive insurance short term insurance policy, is the value. You can now get a cell phone valued up to R35,000.

Secondly, for mobile devices, the speed and agility of the claim. If anything happens, you want the turnaround to be within 24 hours. What we have also learned from that, is that there is a need for smarter underwriting in terms of whether your device is office bound or whether they are mobile, specifically when it comes to laptops and iPads.

What we have seen is that you have new kinds of risks in terms of what you get now during COVID. These devices are important communication and job seeking tools for some of our partners. You must make sure that, in terms of those underwriting approaches, that you understand the customer and what the customer is using it for. Then, looking at the customer from a business or SME perspective versus you and me as private individuals, we have quite different uses.

In terms of dealing with those challenges, firstly, we have a unique underwriting approach and model that we use and secondly, it is our ability to look at it, not just as a device, but to look at it beyond the actual value of the asset. In our experience you must look at it in a much broader way than it just being a cell phone or iPad. You must look at what it is used for, is it for business use, which is quite different than private.

We have also looked at the whole question around the replacement, as you could imagine, if you have a cell phone that was bought three years ago, the value is quite different from the value now. The value of the iPhone 11 to that of the iPhone 13 is quite different. So, what we have done, is that we have built a simple ecosystem where we offer support using technology for underwriting, and then we also have a world class call centre, based in Cape Town, to help the customers.

Tony: How do you check or verify claims because there is obviously a risk of fraud?

John: You are right. On the one hand, if it is stolen, then there is a certain procedure that we follow, get the EMI numbers, get the police reports, there is a standard process. What we have realised increasingly, looking at replacement vs repairs, it is quite different. With the increase in value of these phones, what we have seen is that in some cases it is more cost effective to look at repairing rather than replacing. We also now have the technology to assess the phone remotely in terms of what the damage is, and then based on that, help the client decide on whether we replace the phone or send it for repair. We have partnerships with various repairers on a national basis that will repair the phone.

In terms of fraud, what we have seen is that there are certain trends, when you have a new model introduced, whether it is a Samsung or an apple, you will have an increased spike in claims. Therefore, you must look at what the trends are in terms of various new models that are being introduced.

In terms of the claim process and the cost for the insurer, you must look at how you can reduce the processing costs. So, what we have put in place is the capability to, on the one hand, have a straightforward and clear process around claims processing.

When you have replacements, the clients want that delivery within 24 hours, whether it is for personal use or for business use. When it comes to assessment of whether the phone is damaged, we use software technology to do that. Then regarding replacement, we have a particular process where you must get the

police report online, giving the assessor the opportunity to make an informed assessment about the claim. There is however a high incident rate of people trying to submit claims where you must really put effort in terms of the validation and the assessment of the claim. By using data analysis and analytics, we have gotten to a point where we can identify variances in the claims submitted.

Tony: Lastly, it is interesting that your products are underwritten by various insurers, which is quite unique on the UMA side. How do you manage that and how does that work?

John: We believe our business model is the Intel Inside concept. So, what we would do is to deliver a bespoke insurance offering based on the partners needs and their customer base. What we found important here is that, when we partner with an external partner, we must

define that partners growth objective is. Whether it is growth of their current portfolio, or if they are starting a new portfolio on device insurance. What we have seen is that it is very much dependent on the partners objective. If they want to mine the current base, it is a quite different approach to them going online, doing social media, advertising, generating leads, etc.

In terms of the different partners, we would, depending on their model, look at insurance providers, because it depends on their risk appetite. In this space we have seen significant growth because there is significant growth on smart devices. Most of our partnerships are around standalone mobile insurance, which we have seen is part of a growing micro-insurance offering.

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PETER TODD

Chief Executive Officer at Constantia Insurance Group

CONSTANTIA INSURANCE'S REMARKABLE TURNAROUND

I spoke to Peter Todd, Chief Executive Officer at Constantia Insurance Group about the remarkable turnaround they achieved in a short time.

Tony: It is great to see Constantia making waves, making lots of noise and getting things done. Constantia's presence and visibility in the industry has increased quite considerably and I think that has contributed to the momentum you have managed to create over the past two years and bringing about the significant turnaround for the Group. Please tell us a bit about that.

Peter: I am happy to say it has been a big turnaround and a challenging exercise for us. It was very much a people led turnaround. We had to start off, as I shared last time, with a very tough exercise of restructuring the business and going through a retrenchment exercise. The reorganised team really responded positively and have taken us along this journey where we now see sustained turnaround in our business. At the half year we reported results that showed good growth. We spent a lot of time, optimising underperforming business and it is nice to see that we are now in a growth trajectory, as we become more externally focused. If I look at the key parts of our business, which make up more than 80% of our revenues, those all operate at a combined ratio of just over 95%. That is our long-term objective, which is incredibly positive. Then, with our remaining bits, we are doing a lot of work in terms of our strategic focus, and we have plans in place to turn those businesses around and to achieve the same kind of results. So yes, it has been a lot of hard work and as I say, it has very much been a collective effort. Everybody had to put their shoulders to the grindstone, and I am immensely proud of the team and everything they have achieved.

Tony: What are your thoughts in general on the performance of the industry, currently and for the rest of the year. Do you think that we will be able to sustain the momentum?

Peter: It has been a tough two years for the industry. Firstly COVID, then the riots - even though it is more of a SASRIA impact, the reinsurance markets will pick up a lot of that impact as well. Then of course the KZN floods. So, we have really had three big events and the reinsurance markets are going to harden because of that. We are also seeing that in terms of our reinsurance renewals. We have another looming challenge. This whole question around Eskom and blackout scenarios, we see reinsurers tightening their conditions, which will filter down to insurers as well.

"the focus is not only on the sales front. It is more on the back end support and administration and making that as effective and efficient as possible."

So as an industry, we are in for another tough year, and it is going to affect the insurers' performance. However, this is the time for the industry to shine as these events again demonstrate the importance and noble purpose of our industry. It is hard to estimate what the final insured losses will be in KZN, and I hear numbers are anywhere from R5 billion to more than R10 billion, but whatever it is, it is a sizeable number, and that is money that the insurance industry is pumping back into that economy.

What makes it more interesting is that most of it goes through to the re-insurance market and most of that market is obviously an international re-insurance market. So, it is a form of foreign direct investment that flows through the industry back into our economy. As devastating as it is and particularly the loss of life, which is terrible, the industry is standing up and playing its role, for which we seldom get credit. This is one time that we deserve credit. It will be interesting to see at the end, how much the industry has put back into KZN versus the government, for example.

Tony: I remember specifically how the Knysna fires revived a lot of the local economy again. Through various businesses jumping in, small businesses coming in and the construction industry etc. I suppose in Kwa-Zulu Natal, renewal of the infrastructure will also contribute overall.

Peter: Yes, absolutely. But there is a massive backlog because you still have all that work from the riots. There is still a lot of clean-ups happening from that and now the floods. The contractors there are terribly busy while people from other parts of the country, are heading that way to try and help and get things repaired. There is the saying that every cloud has a silver lining and I think in this case, it is the economic boom that comes post a tragic event.

Tony: Working through partners is an essential part of Constantia's business model. It is a partnership business. That is a big part of your model. We recently heard that Ami Sure, a new business that is going to be launched with Christelle Colman and some partners including Constantia. Can you tell us a little bit more about your focus on innovation and partnership and bringing that together?

Peter: Ami Sure is very exciting for us and a really a positive endorsement for our strategic focus around partnerships and enablement of partners. The success of Constantia has always been through partnerships and the fact that the likes of Christelle and Carel chose to partner with Constantia, is a strong endorsement for the value proposition that we are looking to roll out and focus on. It gives us the confidence that we can build out our partnership model in other areas and other lines of business.

Tony: A lot of the focus there is on digital transformation in the broker distribution environment, where you are a focused player. What are your thoughts on digital transformation in the broker environment?

Peter: It is key to the Ami value proposition, which is what attracted us to the partnership. An advantage for us at Constantia is that we do not have much legacy when it comes to systems and technology, which means we are well-positioned to adopt innovative technologies and do things a little differently. We have done a lot of work around data and aggregation of data from multiple systems.

We consider ourselves as a tech light business and therefore more agile, more flexible. That was also a key consideration in their decision. For me, there has been so much focus from insurers on the front-end sales and disintermediation through technology. Using bots, et cetera, to replace people when it comes to selling of products and advice is not a segment that we operate in.

We promote the value and importance of advice. Just look at recent incidents that we were talking about earlier, that advice is critical. How many people find themselves underinsured, for example, just do not have the right insurance or did not have SASRIA cover? That is the consequence of not having the right advice.

For me, where technology is more interesting, is how you enable the advice process to be more efficient, more effective, and how you use technology to make claims a far less laborious process than what it currently is. So, for us, the focus is not only on the sales front. It is more on the back end support and administration and making that as effective and efficient as possible.

INSURANCE CAN LEAD US TO A MORE RESILIENT FUTURE

The COVID 19 pandemic has shaken our society to its core. Many family members, colleagues, friends or acquaintances have either lost their lives or been infected. As devastating as the virus has been to livelihoods and communities, there have also been several silver linings. Over the past 18 months we have witnessed a phenomenal capacity for creativity in adversity as well as a collective desire by people, civil society, the business sector and Government, to make a difference. More importantly, as insurers, we are in a unique position to help lead South Africa to a more resilient future, by providing cover when people need it most.

However, if anything, the pandemic exposed the existence of systemic risks in our society. Systemic risk refers to risks that typically play out as a chain reaction in a system resulting in widespread losses to individuals, businesses, industries, and even countries. Examples of systemic risks are pandemics, climate change, cyber-risks, political instability, etc. Such risks are a threat to both resilience and access to capital because they are increasingly difficult or expensive to insure against.

For example, the COVID-19 pandemic has triggered a raft of exclusions and higher premiums both locally and globally in insurance and reinsurance contracts. This has resulted in reduced capacity in certain lines of insurance for insurers and reinsurers alike. Similarly, reinsurers are raising their catastrophe reinsurance premiums off the back of higher risks associated with climate change.

The insurance industry, along with its public sector counterparts, must adapt to meet these challenges to strengthen resilience and access to capital. The ability of insurers to provide cover for systemic risk largely depends on whether reinsurers are willing to underwrite the risk. As the economic impact of COVID-19 became clear, reinsurers moved quickly to exclude pandemic risk from their coverages.

Without the ability to diversify such risk, even in the context of a global premium pool, the potential liability of a pandemic was simply too large for them to cover, deeming it effectively 'uninsurable'.

Uninsurable risks, characterised by large numbers of people and businesses suffering a loss at the same time, are usually addressed through government relief programmes. In such instances, there are simply too many simultaneous claims, making it impossible for insurers and reinsurers to shoulder the financial fallout. Similar exclusions are commonly imposed in the event of a nuclear disaster, terrorism, and war.

It stands to reason that if something can't be diversified, it cannot be insured, but if you can diversify at a global level, then it can often be insured. Another way of insuring against an event like a pandemic could be to build up a fund over time in partnership with government, something that everybody can draw from when a pandemic hits. In the meantime, individuals and businesses must share the responsibility to protect themselves against uninsurable risks. For the most part, protection must come in the form of better risk management that culminates in risk reduction or even prevention. We believe it falls to insurance industry stakeholders to drive awareness around such practices.

Where risk is unavoidable, governments should use their sizable balance sheets and ability to legislate to form public private partnerships (PPPs) with insurance industry stakeholders, in order to provide some protection.What might a scheme like this look like? Government would create the legislation for the structure and operation of the PPP. An aggregator could then collect a small premium from a large number of, for instance, farmers that would be paid into a fund managed by a private sector insurer.

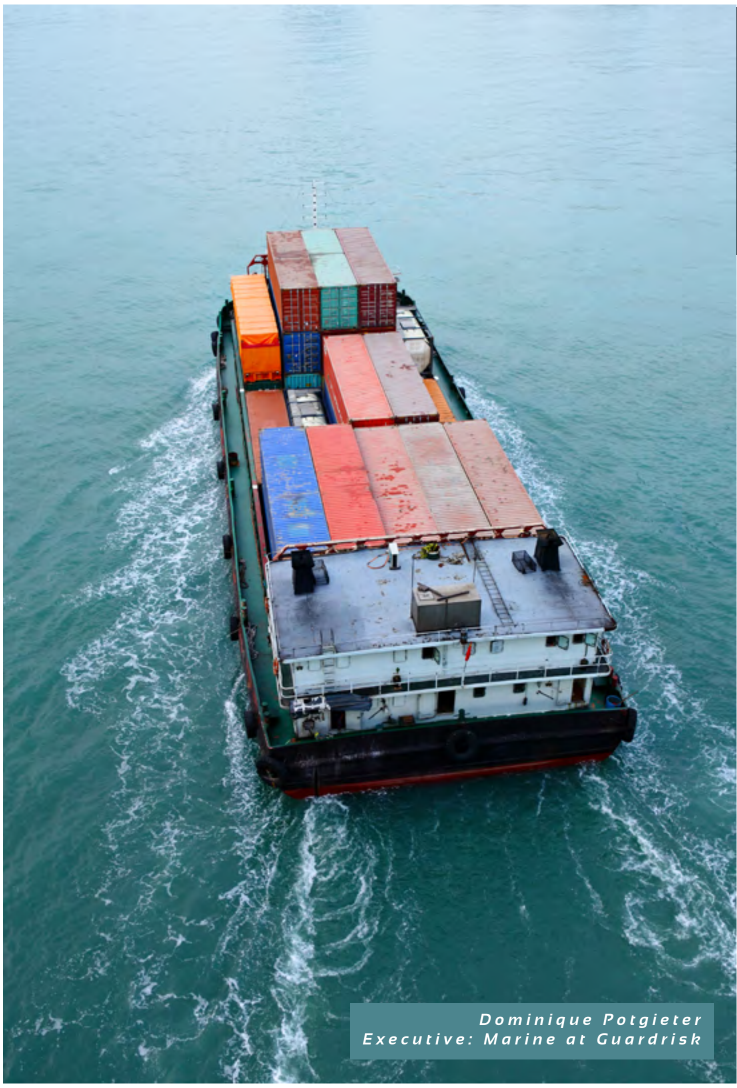
Distributions would then be paid out to affected members in the case of a severe weather event, such as drought, flood, hail or frost. If the assets inside the PPP were insufficient to provide adequate relief, the second port of call could be a reinsurer, whereafter the government could act as the reinsurer of last resort.

In South Africa, we already have a successful blueprint of such a model in SASRIA. Instead of reinventing the wheel, we believe its mandate could be expanded to provide more protection against the rising risks we face. Leveraging expertise in the private sector would add further impetus to such a model.

The reality in South Africa is that many individuals do not have the resources to buy insurance. Yet they are the ones who need it most to keep extreme poverty from their door when systemic risk events occur. Again, the private and public sectors have the combined resources to find a solution; it is already being done elsewhere on the continent.

More importantly, a thriving insurance sector is a critical cog in any healthy economy. Insurance makes people and businesses more resilient. Adequate cover helps them to bounce back when things go wrong. It is the safety net that allows people and companies to focus on what makes them thrive.

Systemic risk will continue to evolve into an ever more complex animal. As insurers, we need to prioritise our understanding of these risks and drive the innovation and collaboration needed to help individuals and businesses remain resilient and ensure continued access to capital.



MARINE INSURERS STILL FACING STORMY SEAS

Marine insurers have found themselves in rough waters for the past two years. First, it was Covid that decimated global supply chains and then, just as the marine sector was starting to show tentative signs of recovery, the Ukraine invasion happened. This while Covid remains a moving target and far from being a challenge of the past.

China, the world's most prolific exporter, has a zero-tolerance approach to Covid, which has seen that country shut down entire cities, and in some instances ports, often without notice. Most recently, Shangai – home to the world's largest container port – was impacted as the city went into full lockdown. Though the port is now operating around the clock (with workers kept inside a 'closed loop' bubble and not allowed to leave the premises), cargo movement is still disrupted as trucks battle to move in, out and around the city.

Port congestion has also provided its fair share of headaches. According to Vessels Value, a global shipping data provider, the number of ships waiting outside Shanghai Port had risen almost five-fold to over 300 in recent weeks.

While lockdowns can be implemented with little or no notice, once lifted, it takes time for the supply chain to get moving again. Port delays due to Covid, and more recently the Ukraine invasion have also had a substantial impact on the movement of perishable cargo. Exporters have had to find alternative markets for such cargo and shipping lines have had to secure different ports to berth in. This has exacerbated delays as misdirection and increased handling of cargo, along with insufficient plug points to keep the reefers going, led to demand outstripping supply.

In some instances, exporters have donated shipments to alleviate hunger and avoid wastage; one such was a South African fruit exporter that recently rerouted a shipment of pears destined for Russia to the Ukranian refugees, rather than let the fruit that was still in good condition, go to waste. The current invasion of Ukraine is having a considerable impact on the local marine insurance sector, and the local economy, because South Africa is a significant trading partner of both Russia and Ukraine. For example, the Russian orange market is solely reliable on imports since oranges are not grown there, and South African citrus exporters play an important role in the export of citrus (notably, oranges) to Russia.

Exporters and shipping lines have also had to contend with the challenge of sanctioned cargo, such as parts for aircraft and motor vehicles, which can no longer be shipped to Russia ports. As for insurers, most marine (import/export) policies contain the sanctions limitation exclusion clause that would preclude insurers providing cover or paying claims, which would expose the insurer to any sanction, prohibition or restriction under United Nations resolutions or the trade or economic sanctions, laws or regulation of the European Union, United Kingdom or United States of America.

Yet, despite the prevailing challenges facing marine insurers, I am optimistic about the sector's future, even though the current challenges are anticipated to continue for the best part of 2022.

KEY CHALLENGES FACING

THE FINANCIAL SERVICES INDUSTRY

PAUL SCHIAVONE

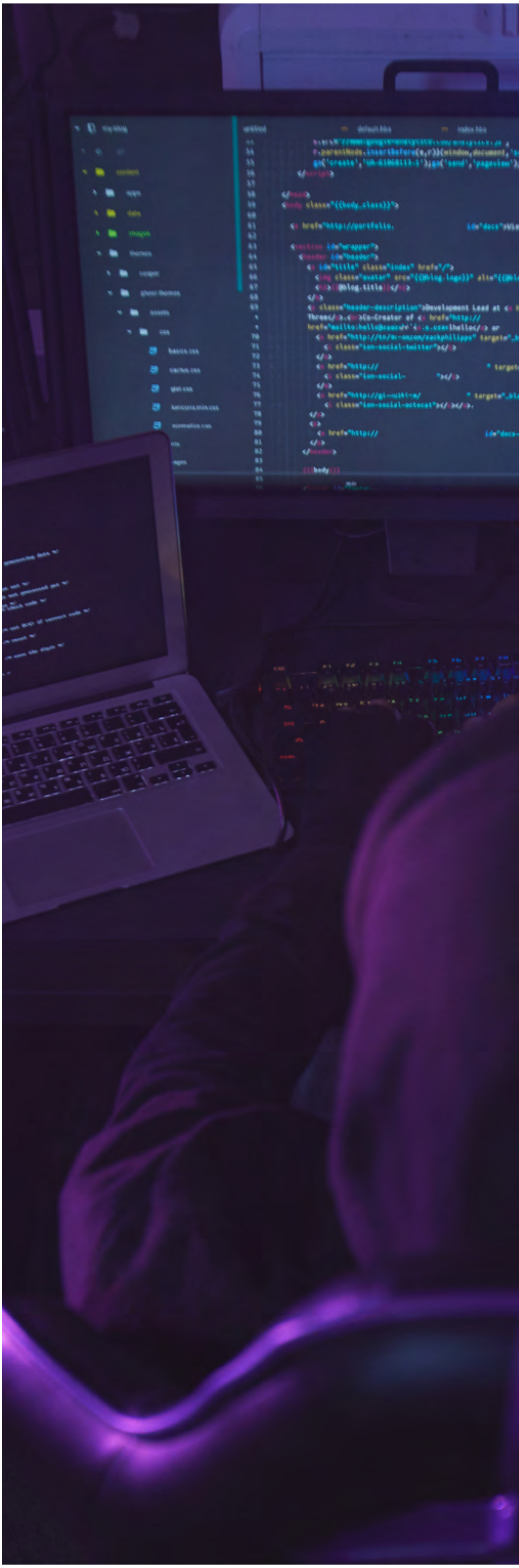
Global Industry Solutions Director for Financial Services at AGCS

COVER

Financial services companies are facing multiple risk management challenges in the current climate. Economic and political uncertainty prevails, while the risk of asset bubbles and inflation is rising in different parts of the world.

However, it is a number of "non-financial" risks that are most concerning firms in the sector, according to the Allianz Risk Barometer 2022. The annual survey highlights some of the most significant risk trends for the year ahead, as identified by banks, asset managers, private equity funds, insurers and other players in the financial services sector.

Cyber incidents (51% of respondents), the closely interlinked peril of business interruption (BI) and supply chain disruption (30%), and the impact of changes in legislation and regulation (26%) rank as the top three sector risks for 2022, based on the opinions of almost 900 respondents (872) who participated in AGCS' latest research, which was conducted at the end of 2021.



FINANCIAL SERVICES COMPANIES MOST TARGETED BY CYBER CRIMINALS

Cyber incidents maintains its position as the top risk for financial services companies, with over half of respondents the highest ever total naming it as the greatest concern for their business. Despite investing in significant levels of cyber security spend every year, sector respondents view the financial services industry as still being highly exposed to cyber threats, given information and communications technology (ICT) plays an indispensable role in the operation of the daily functions of financial institutions.

Digitalization covers not only payments, but also lending, securities clearing and settlement, trading, insurance underwriting, claims management and back office operations and the Covid-19 pandemic has heightened opportunities for attackers, with new vulnerabilities being exploited by new tools.

The financial services industry was the sector most targeted by cyber criminals during the third quarter of 2021, with the number of publicly-reported incidents jumping by over 20%, according to a report by Trellix, a cyber company formed out of what was McAfee Enterprise and FireEye. Financial services companies were the target of around 40% of advanced persistent threat (APT) observations and also led all industries in terms of detected ransomware samples.

This is mirrored by an AGCS analysis of more than 7,500 insurance claims for the financial services segment over the past five years with a total value in excess of $1bn. The analysis shows that cyber incidents, including crime, is the top cause of loss for companies, producing the most expensive insurance claims.

In addition, a heightened cyber risk environment is anticipated for many industry sectors in future, in the wake of Western nations slapping a raft of sanctions against Russia for invading Ukraine. In recent years, the NotPetya cyber-attack began as an attack on the Ukrainian government and the country's businesses and quickly spread to the rest of the world, impacting companies including shipping company Maersk, US pharma group Merck and food group Mondelez. The attack was later blamed on the Russian military by the UK and the US.

BUSINESS INTERRUPTION AND THIRD-PARTY DISRUPTION

Finance has not only become largely digital, but digitalization has also deepened interconnections and dependencies within the sector and with third-party infrastructure and service providers. Recent high-profile cyber-attacks have shown a worrying trend for incidents where hackers target technology or software supply chains or digital single points of failure. In December 2021, it was reported that hackers had launched well over a million attacks on companies globally around the world in just four days, through a previously unnoticed vulnerability in a widely-used piece of open-source software called Log4J.

This followed cyber criminals inserting ransomware into a software update issued by Kaseya, in itself an attack that had echoes of the SolarWinds incident which targeted bank and regulatory agencies, demonstrating the potential vulnerabilities of the sector to outages via their reliance on third-party service providers. It is unsurprising then that disruption to digital supply chains and cloud platforms ranks fourth in the cyber risks of concern in this year's Allianz Risk Barometer (33% of respondents). IT outages, service disruptions or cyber-attacks can result in significant BI costs and greater operating expenses from a variety of causes, such as customer redress, consultancy costs, loss of income and regulatory fines. Last, but not least, brand reputation and, ultimately, a company's stock price can also be negatively impacted, while management can also be held responsible for the level of preparedness. Insurers already see a rising number of losses from outages or privacy breaches.

For companies, and their senior management, this ultimately requires them to maintain an active role in steering the ICT risk management framework, encompassing the assignment of clear roles and responsibilities for all ICT-related functions, a continuous engagement in the control of the monitoring of the ICT risk management, as well as an appropriate allocating of ICT investments and trainings.

LEGISLATIVE AND COMPLIANCE CHALLENGES MOUNT

Compliance and the impact of increasing regulatory activity is one of the biggest drivers of insurance claims for financial institutions, and this is reflected in the fact that changes in legislation and regulation ranks as the third top risk for the sector. The compliance burden for financial institutions has increased significantly over the past decade. Regulatory enforcement has intensified as banks and senior management are more readily held to account by lawmakers and prosecutors, as well as shareholders. At the same time, they are subject to a growing body of rules and regulations in a diverse range of areas, including sanctions, whistle-blowing and, of course, data protection and cyber security laws.

The consequences of data breaches are far-reaching with more aggressive enforcement, higher fines and regulatory costs and growing third party liability, followed by the prospect of litigation. Regulators are increasingly focusing on business continuity, operational resilience and the management of third party risk following the number of major outages at banks and payment processing companies. Companies need to operationalize their response to regulation and privacy rights and not just look at cyber security.

"Finance has not only become largely digital, but digitalization has also deepened interconnections and dependencies within the sector and with third-party infrastructure and service providers. Recent high-profile cyber-attacks have shown a worrying trend for incidents where hackers target technology or software supply chains or digital single points of failure."

Then there are a number of other environmental, social, and governance (ESG) issues and requirements to handle in addition. Companies are challenged by the growing raft of regulation and guidance in many territories, leading to tougher disclosure and reporting rules, particularly around sustainability, the most recent of which is the EU taxonomy for sustainable activities regulation, which provides a common dictionary for sustainability criteria and thus aims to enable comparability of sustainability performance.

Ultimately, these changes will influence how, and in which sectors, companies and funds invest, as they consider whether a particular asset fits within the taxonomy or ESG strategy, how they will report about it and what stakeholders and shareholders will think.

The financial services sector may be ahead of other sectors when it comes to addressing ESG topics but regulations and guidance will still be a driver of risk going forwards. At the same time, activist shareholders or stakeholders are increasingly focusing on ESG issues. Recent years have seen a surge in climate change-related litigation cases in particular. The cumulative number has more than doubled since 2015, according to a recent Oxford University/ Climate Neutrality Forum report presented at the COP26 summit. Just over 800 cases were filed between 1986 and 2014, while over 1,000 cases have been brought in the last six years and there are a growing number of cases involving financial institutions. Such cases ultimately seek to influence emissions trends by increasing the cost of capital for high emissions activities. Early examples of this type of litigation focused primarily on the disclosure of climate change-related risks and their relevance to investment decisions, often drawing on guidance produced by the Task Force for Climate-related Financial Disclosures (TCFD).

However, recent cases appear to mark a move beyond being focused just on disclosure to focusing on due diligence. In November 2020, a case was settled involving a $57bn superannuation fund in Australia, Rest. The claimant alleged Rest's failure to disclose and address climate risk breached legislation. The fund committed to a raft of new disclosure and climate change-related initiatives in response.

Besides climate change, broader social responsibilities are coming under scrutiny, with board remuneration and diversity being hot topics and regulatory issues.

AGCS regularly engages in open dialogues with the banking, insurance and asset management segments to discuss risk trends and challenges. We are investing heavily in our network and expertise, both on the underwriting, claims and operations side, so we can best respond to customers' needs and contribute to a better management of risks in a complex environment that constantly evolves. ***Further information on the results of the Allianz Risk Barometer 2022 can be found*** here.

IT MIGHT BE GOOD BUSINESS FOR INSURERS TO GO GREEN

As climate change continues to dominate the discourse about sustainability and the need for economies to pivot to renewable energy as an alternative to fossil fuel, an increasing number of global insurance companies are turning their backs on fossil fuel companies and projects. These decisions are largely attributed to the result of mounting pressure from environmental campaigners who are pushing for a market-wide ban of insurance coverage for oil, coal and gas projects and companies.

THOKOZILE MAHLANGU

Chief Executive Officer of the Insurance Institute of South Africa (IISA)

According to the research into the state of renewable energy development in South Africa, coal energy accounted for over 85% of the electricity generation in 2016. Then followed nuclear and natural gas-derived energy. While coal has successfully helped generate electricity, it has also placed South Africa among the top 10 greenhouse gas emitters in the world. Unfortunately, the country's reliance on fossil fuels is unlikely to change significantly in the next two decades. This is due to the relative lack of suitable alternatives to coal as an energy source. However, efforts are being made to develop renewable energy sources and carbon emission mitigation in South Africa.

Reports show that at the end of last year, government had awarded 25 new contracts for renewable energy projects. These are worth a total of R50 billion ($2.8 billion). The contracts are geared towards the reduction of the country's heavy dependence on coal. The wheels of South Africa's renewable energy train are turning albeit slowly. This factor should prompt the local insurers and reinsurers to work on their preparedness for shifting to fossil fuel alternatives, in the coming years.

Towards the end of 2021, Lloyd's of London the world's oldest and largest continuously active insurance marketplace announced that it would stop new insurance cover for coal, oil sands and Arctic energy projects by January 2022, it also undertook to completely pull out of such businesses by 2030. Lloyd's had previously come under fire for being slow to exit fossil fuel underwriting and investment. Now it wants to align itself with the United Nations (UN) Sustainability Development Goals and the principles in the Paris Climate Accords.

Similarly, Swiss Re, the world's second biggest reinsurer, said in March this year that it would not insure most new oil and gas projects, due to the growing pressure on big business to do more to help the world deal with global warming. These announcements follow the trends of the Environmental, Social and Governance (ESG) movement gaining traction within the insurance industry, that has been emerging over the past few years.

The pressure on South Africa's insurance companies to move away from fossil fuels is not yet as intense because the country's renewable energy sector is still underdeveloped. However, the pressure is bound to ramp up as coal remains the country's largest energy fuel source.

Not only should the local insurance industry do an introspection of its long-term commitment to supporting fossil fuel companies and projects but should also define and concretise its support for renewable energy initiatives, taking into consideration the impact that it could have on the country's environmental, social and governance goals. A recent report by Development Asia states that against the backdrop of climate change and increasing carbon emissions, various insurance firms in major cities around the world are starting to take a more active role in green investments and product development.

In essence, insurers must start expanding their role in clean energy, specifically looking at new and renewable energy projects that are less sensitive to financial market conditions and that have high potential to generate stable profits in the long-term. It cannot be overlooked that while renewable energy promises to provide a cleaner future, the uncertainty of new technologies, financing and ownership challenges, as well as other obstacles, mean that renewables can be risky for insurers and investors alike.

For many insurers, the biggest concern is that there isn't enough of a track record yet and without a significant footprint, insurers are unable to fully discover all the risks that could surface in future. Migrating from fossil fuel to renewable energy might prove to be good business for insurers in the long-term. Renewable energy should be seen as an intuitive alternative to fossil fuel revenue for insurers. The growth projections for the sector look promising, insurers must strive to understand the new business landscape presented by the shift. They must adopt new business models and price policies to remain effective, as alternative energy continues to evolve.

WOMEN MEAN BUSINESS

Why a More Gender-Inclusive World is Good for Societal Resilience and the Insurance Industry

Women are important contributors to the world economy and key insurance purchase decision makers in their households and their businesses. A Swiss Re Institute publication reveals, however, that women are often overlooked as a target segment, although their purchase behaviour differs significantly from that of their male counterparts'. By transforming the way insurance products are designed, communicated and distributed, insurers have an opportunity to tap into a new consumer pool that could add up to USD 2.1 trillion of insurance spend by 2029. The rewards for society: more economic and societal resilience.

The pandemic has been tough in multiple ways for all of us but women in the workforce were arguably among the hardest hit. In the early stages of the pandemic, the Harvard Business Review revealed that 54% of job losses during COVID-19, belonged to women, even though women only comprise 39% of the world's workforce. So, it looks as though women's jobs have been 1.8 times more vulnerable than men's during the pandemic.

Many groups in society have long been working together to address gender inequality by helping to make the global economy more gender inclusive. A McKinsey study indicated achievements in the US workforce where female attrition rates had not only declined in the previous five years but were actually lower than those for men at that point in time.

"Women's role in society has rapidly evolved over the last ten years. Now, more than ever, they are breadwinners, entrepreneurs and leaders in the private and public sector"

The COVID-19 crisis, which we still haven't shaken off, has sadly set back some of these accomplishments by several years and in some countries, by generations. Women are more vulnerable to COVID-19 related economic effects because of existing gender inequalities. Mc Kinsey estimates that female job loss rates due to COVID-19 are about 1.8 times higher than male job loss rates globally, at 5.7 percent versus 3.1 percent respectively. All of us need to get on top of this challenge because all of us have skin in the game. Cultivating economic growth and building societal resilience is, after all, in everyone's fundamental interest, including the insurance industry's.

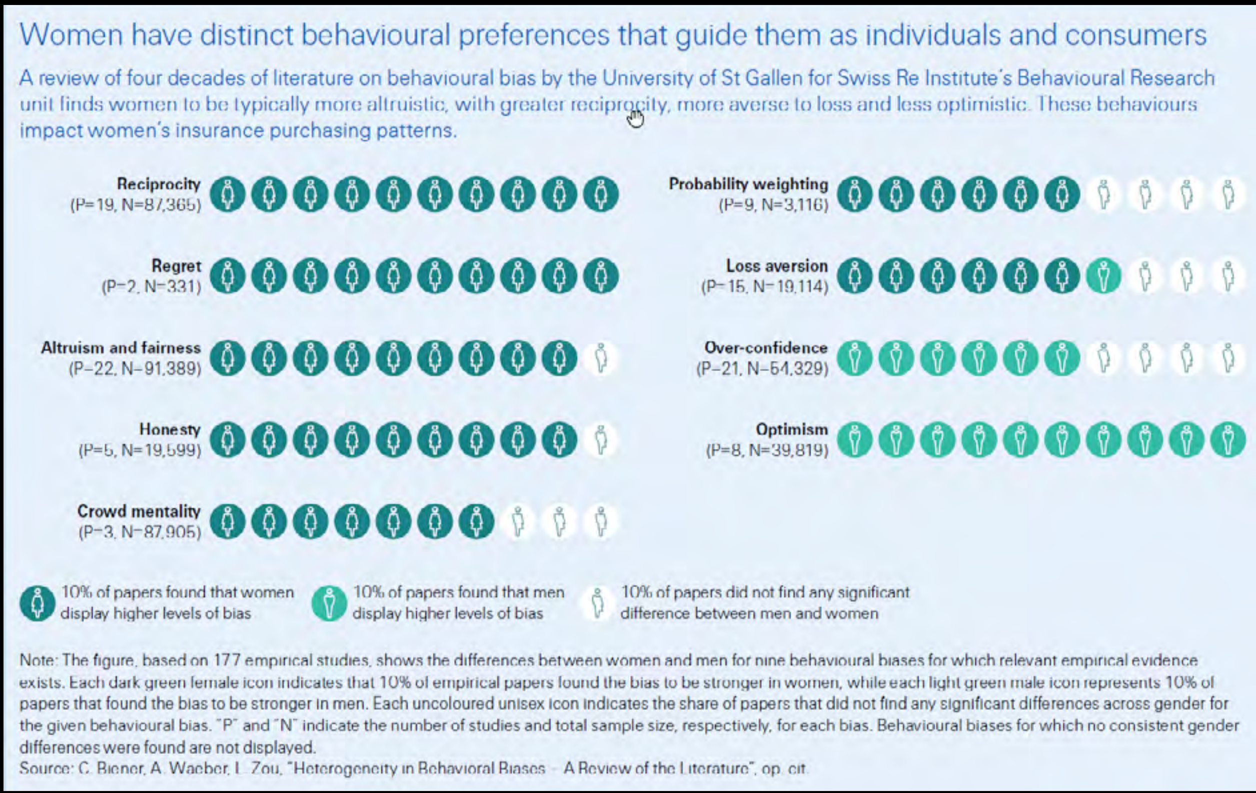
Women's role in society has rapidly evolved over the last ten years. Now, more than ever, they are breadwinners, entrepreneurs and leaders in the private and public sector as per the figure below.

So, for insurers, there's a compelling reason to invest in understanding and incorporating women's roles as key decision markers with regard to purchasing insurance.

How is This Significant?

Generally speaking, basing decisions on alleged gender-specific behaviour is an intellectually flawed process and can open the door to bias. All that said, research has shown that women's buying preferences tend to contrast with those of their male counterparts'. For instance, women attach more importance to recommendations from trusted sources in order to discover, evaluate and ultimately purchase new insurance coverage. For insurers, this could imply adopting a sales approach focused more on referrals and community consultation. As for products, the Swiss Re Institute study suggests that women pay more attention to health insurance, especially for their children. But at the same time, they are less inclined to opt for life insurance, which makes them less prepared for their own mortality risk. They tend to be more loss averse than men, preferring safer investments rather than more attractive returns. Conversely, this means less focus on retirement savings, making women less prepared for their longevity risk.

Distinct Behavioural Differences Observed Between Men and Women



Bearing in mind such marked differences in buying behaviour, insurers potentially have an opportunity to proactively address the needs of women.

Access to Capital Still Difficult for Female Entrepreneurs

Women entrepreneurs have become increasingly important guarantors of economic stability. Africa counted 2 million women-owned enterprises in 2019 representing 29% of business owners, up from 26% in 2010. The record is held by Rwanda with 52%, the highest ratio of women business owners globally. The US counts more than one million female-owned businesses, which generated USD 1.8 trillion in revenues and employed more than 10 million people in 2018. In Europe, women make up 30% of start-up entrepreneurs, while women Asia make up 40% of the world's female-owned businesses.

Yet, despite producing higher revenue per dollar invested, access to capital remains a challenge for women. Insurance can help de-risk their businesses to expand their funding capabilities, while also providing them risk coverage for their business operations and the people they employ. So, it stands to reason that getting to grips with the challenges women entrepreneurs may face is going to help us better serve this customer segment.

What Insurers Can Do

By better understanding women's needs, we can help strengthen them as important economic contributors. The Swiss Re Institute's publication highlights three steps in this direction:

1. Transform the way insurance topics are communicated, demystify insurance technicalities and bring to the fore aspects that women value in industry literature.
2. Consider specialised distribution channels that will facilitate women's access to insurance as a complement to other forms of capital.
3. Integrate attributes women value into insurance products with a particular focus on the risk management needs and preferences of women.

We will need to be aware of common misconceptions such as the distinction between cognitive bias, which influences buying behaviour, and gender bias, which has constrained women's progress. Insurance needs to be conscious of the opportunity we have, to build a competitive advantage for the future consumer market by also bringing to the industry female talent, able to better understand and cater to the needs of female customers. Gender inclusion is both about social impact and business sense; and when there's impact, the business will follow.

Big Benefits

These topics need investment in research, data analytics and management time. But if we can get just some of these themes right and put together a product suite that more proactively addresses the insurance and risk needs of women, the benefits will be tremendous. By 2029, a more gender-inclusive world could generate an additional USD 2.1 trillion dollars of insurance spend for our industry. It could also create a global workforce that is more vibrant, resilient and inclusive.

TECHNOLOGY

" If you are looking to adopt new tech, you must give your users a period of time to adopt it."

- Tavio Roxo, CEO and Co-founder OWLS Software.

DIGITAL BANKING IS KEY TO ACHING REACHING PREVIOUSLY

Traditional bricks and mortar banks have been heavily disrupted by the emergence of digital banking in South Africa. These new entrants into the market have the advantage of being 'born digital', without the years of legacy that the big four banks have.

The agility and easy access of digital solutions is changing the game, making banking accessible to markets that have previously been underserved. Traditional banks need to embrace digital transformation (DX) if they are to remain both relevant and competitive today and in the future.

Reaching New Markets

One of the biggest limitations of the traditional banking system is the reliance on branch offices, face-to-face communication and paper-based processes. This has meant that typically, people who live in remote and rural areas have not made use of the banking system branches were too far away, and it was too inconvenient. Digital banking has changed this, because all you need is a smartphone and internet connectivity to access savings and credit facilities as well as the innovative new banking products that are now on offer. Adoption of digital banking is high in South Africa and in many other developing countries because of this ease of access, and it will form the basis of economic growth across the African continent. Traditional banks now need to solve this challenge so that they too are able to access these markets and participate more fully in economic growth and development.

Work in Progress

Traditional banking organisations are well aware of the need to adopt DX in an effort to bridge this technology gap, however, it is often easier said than done. One area that has received a lot of focus is communication, as banks take steps to introduce an omnichannel experience that enables customers to receive support 24/7. However, the real gap lies not in the technology, but in the difficulty with change. The intent is there and the demand is there, but the processes that are in place carry the hallmarks of the years of legacy.

The Wrap Trap

The biggest issue with the current approach to DX is that most of the traditional banks take the approach of wrapping technology around the old ways of working. For example, online account applications still end up requiring paperwork and a visit to a branch for verification, which makes the process difficult for those in remote areas.

If core business processes are not addressed, traditional banks will always remain traditional at heart. Digital banking is more than a chatbot, an app and not having physical branches. It is about how data is handled, the way banks interact with customers, and the agility of internal processes which will affect time to market for new products and services. These core processes need to be modernised, data platforms need to be transformed and existing mindsets need to shift toward innovation and integration, if legacy banking organisations are to remain relevant and competitive in the future.

Partnering with Customers

The disruptors are setting the agenda and consumer behaviours have already changed. Customers are more technologically savvy than ever, and their demands are driving banking to adapt to meet new expectations. Banking is moving from simply an account to store money and transact toward a partnership for financial wellbeing, and innovators are introducing new products and services to meet these needs.

Traditional banks need to identify what they need to change to meet new customer expectations and become more agile in deploying products and services. Digital banks are becoming increasingly mainstream and mature and will play a far bigger role in the sector as time goes on. Change must come from the inside out, because the new world of banking is not just about fancy products, it is about integrating those who were previously excluded from economic participation by the old systems, to drive growth and sustainability.

THE MOST FOOLISH TECHNOLOGY PREDICTIONS AND CAN WE AVOID THEM?

If the quintessential experts get their predictions wrong, how can anyone else hope to get them right?

Covid-19 has taught us to shy away from predictions – the future is an uncertain landscape. Yet some areas allow for more accurate predictions. Examples of this are data-rich fields such as baseball and the career development of its players.

Technology, especially emerging technology which lacks past data, does not fit into the realm of easy predictions. Hence the examples below. However, for those with an eye and an understanding of the probability for an emerging technology to succeed, lies great opportunity.

Here are just six examples where the experts failed:

1. "I think there is a world market for maybe five computers." - Thomas J Watson, IBM Chairman (1943)
2. "Television won't be able to hold on to any market it captures after the first six months. People will soon get tired of staring at a plywood box every night." - Darryl Zanuck, Executive 20th Century Fox (1946)
3. "The idea of a personal communicator in every pocket is nothing more than a pipe-dream fuelled by greed." - Andy Grove, Intel CEO (1992)
4. "The internet will fade away because most people have nothing to say to each other. By 2005 it will be clear that the internet's impact on the global economy has been no greater than the fax machine." - Paul Krugman, renowned Economist, (1998)
5. "The subscription model of buying music is bankrupt. I think you could make available the Second Coming in a subscription model, and it might not be successful." – Steve Jobs, Apple CEO (2003)
6. "Two years from now, spam will be solved." - *Bill Gates, Microsoft Founder (2004)*

I often wonder at the context of which many of these quotes were taken given how wrong they are. Nevertheless, looking at these quotes some interesting insights can be found.

Underestimating

The owners of these words drastically underestimated the technology. "I think what is peculiar about technology predictions is that we usually underestimate. While other predictions usually exaggerate, technology usually over performs and surprises. Because technology is fundamentally a novel thing, it creates new things that are hard, probably impossible to predict," explains Tjaard du Plessis, Synthesis Head of Digital & Emerging Technology.

Lack of Insight into Human Behaviour

Krugman felt the internet would fade away "because most people have nothing to say to each other." The problem here is not merely lack of understanding about the product but about people. Social media has proved that humankind has plenty to say, sing, dance, meme and everything in between. Understanding behavioural science why people do what they do is essential. Connection and bonding are key drivers of human behaviour. As Aristotle put it "Man is by nature a social animal." Predications that don't take into account the drivers of human behaviour and the desires of the market are more likely to fail.

Overconfidence

Another lesson comes from Steve Jobs who doubted the demand for his own innovation. According to Nate Silver who wrote the book "The Signal and the Noise: Why So Many Predictions Fail but Some Don't", overconfidence is a poor sign of successful predictions.

"Most predictions fail, often at great cost to society, because most of us have a poor understanding of probability and uncertainty. Both experts and laypeople mistake more confident predictions for more accurate ones. But overconfidence is often the reason for failure. If our appreciation of uncertainty improves, our predictions can get better too. This is the "prediction paradox": The more humility we have about our ability to make predictions, the more successful we can be in planning for the future."

Should we Never Predict, Endeavour or Invest for The Fear of Looking Foolish?

Tom Wells, Synthesis Chief Disruption Officer shares this advice: "It's okay to be a fool nine out of ten times if it means that one time you will be correct. Explore as many stupid ideas as are possible - one of them is bound to be good - even if everyone else thinks they are pointless."

There is no absolute formula for not looking foolish when predicting the future of technology. The future is uncertain but the more times you endeavour (the extent of which depends on risk appetite), the greater your likelihood for success.

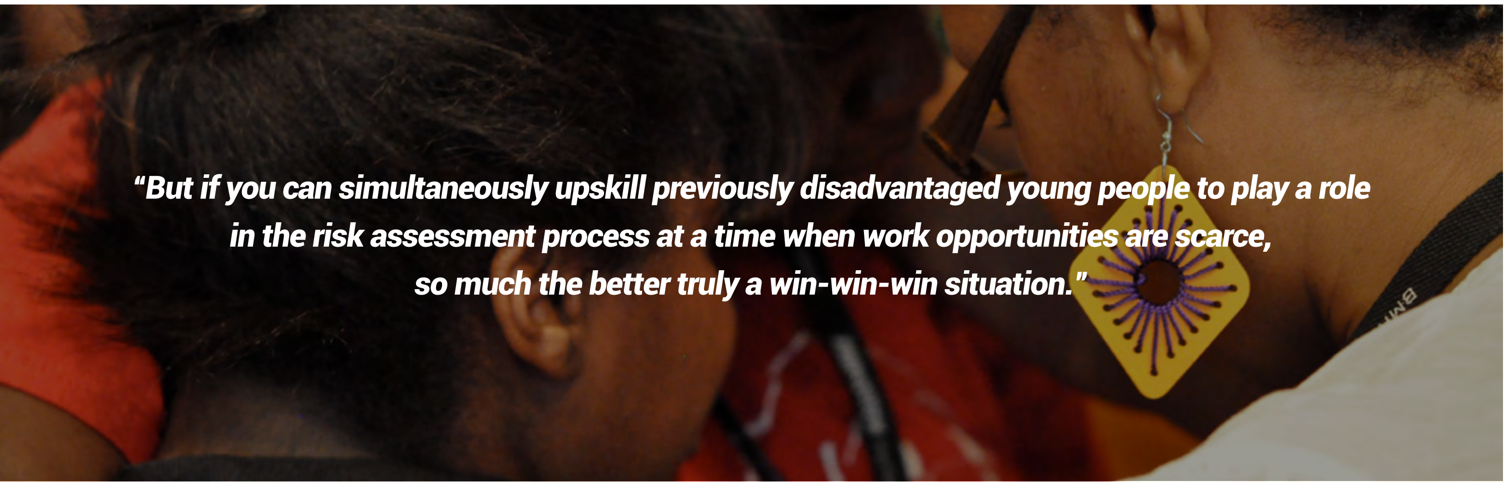
MARRYING TECHNOLOGY WITH YOUTH EMPOWERMENT TO BRING ABOUT INCLUSIVE RISK COVER

MARCEL WOOD

Head of Risk Management at Hollard Insure

How Can Risk Management Professionals Evolve their Offering to Adapt to an Ever-changing Risk Landscape?

One way is to embrace a new, technology-driven era in which they can work with customers to mitigate their risks in a more cost-effective manner particularly when it comes to the small business sector.It's imperative for insurers to find new ways to make risk assessment more affordable to all businesses not just the larger ones. Many businesses, especially those with less than R20-million in insured assets, do not have a proper understanding of the risks their specific operation faces. This is why it's so important to know where they are most vulnerable and how they can mitigate or manage these risks. Complacency around risk is a major challenge having a fresh set of eyes assessing your risk is critical to effective risk management. The problem comes in when small enterprises are not properly covered yet they arguably need proper risk protection the most. The reality is that many smaller businesses have not had a proper on-site risk survey conducted by a professional risk consultant at their premises.



This is a time-consuming, specialised and expensive task, and one that many insurers don't consider cost-effective to offer to enterprises with a low sum insured. But when a risk isn't properly assessed and priced for a whole bracket of insurance customers, it disadvantages everyone. And so, if you're a risk consultant, you may just have to fundamentally shift how you approach assessments including harnessing the power of technology to help you render the best service. Hollard Insure has introduced RiskMen to address this very problem, helping clients who fall within the R3-million to R20-million insured threshold to better understand and manage their risk. This project turns the traditional approach to risk assessment on its head, while still retaining the expertise of the broker as the intermediary.

Instead of employing specialist consultants, RiskMen equips young, semi-skilled men and women with Hollard-branded scooters to zip through traffic to the customer, saving time, petrol and other car-related overheads. Each of these young people has an intelligent risk assessment app, which they can access through their smartphone. This intuitive app enables them to survey the policyholder's property and provide a comprehensive report that is immediately available to the underwriting staff back at the office. It dispenses with the need for all the equipment that a skilled risk consultant usually comes with, such as a laptop, camera, voice recorder, GPS device and so on making the process quicker, smoother, smarter, cheaper, thereby making the survey cost effective. It really is so empowering to both the young people and their customers. Firstly, these young people now have the benefit of both employment and the opportunity to develop over time into fully fledged professional risk consultants, supported by training. And on the other side, the customer gets a proper assessment of their risk, so they can both manage and mitigate risk according to their specific needs. It's a great example of how technology can be harnessed to build better futures and make insurance more accessible than before while making the customer's business more resilient. It also makes it easier for Hollard to assess and then insure the business accurately and cost-effectively, improving its ability to price risk better. Another example of how technology is assisting with risk mitigation is the growing field of off-site monitoring of properties through artificial intelligence (AI). A smart system "learns" everything it needs to about your environment, and then raises an alert in your security company's control room if it picks up abnormal activity, such as people entering your property who are not wearing recognisable security uniforms, as an example.

Brokers remain an integral link in the complex risk management chain and it is still essential for business owners to maintain strong relationships with their brokers. They can unpack the technology behind initiatives such as RiskMen, AI-driven off-site monitoring and infrared technology, and advise customers on how best they can mitigate their risk and avoid incidents that could potentially cripple their business. Brokers are the customer's representatives and advisers. They play a crucial role in making sure that a customer's interests are both represented and understood. If, for example, you have a fire or theft at your premises, it will be hard to fully protect your market share and reinstate your business. So it's crucial to not get to that point, and to harness technology to prevent perilous events and protect your business.

Customers are under tremendous financial pressure and brokers can find and recommend solutions that meet their needs while not exposing them to further risk. This is truly where the broker's knowledge of the customer's business, and expertise about the industry and risk, really become critical to the business. When the risks facing a business are well understood, you can have a better conversation around what the best solutions are to mitigate these risks in the most cost-effective manner. So, while technology can now be harnessed to bring more small business customers into the fold of proper risk cover, the broker-customer relationship remains paramount in facilitating a risk assessment, which protects everyone – from the customer and their business to the insurer.

FACE VALUE: THE ETHICS OF FACIAL RECOGNITION BIOMETRICS

The average person has a whopping 100 passwords that they use to access their various online accounts, a study by NordPass reveals. With the key to keeping all these accounts secure, being passwords that are long, complicated and hard to guess, the result is that they are also impossible to remember, making us more inclined to write them down or reuse the same password across several accounts, neither of which are very secure options.

GUR GEVA

Co-Founder and CEO of iiDENTIFii

The need for quick and easy experiences in the digital world means consumers have little time or patience for forgotten passwords, or creating long and complicated combinations of letters, symbols and numbers. In addition, organisations like banks are scaling back on brick-and-mortar premises and are increasingly using digital onboarding, making fast and secure online identity verification solutions essential.

Hence the rise of biometrics and liveness detection, where your unique body is your ultimate password. Liveness is the guarantee that the individual attempting to authenticate is a real person, not a mask, a bot, or a deepfake. This is critical especially for financial institutions where security and compliance are paramount. Despite widespread adoption, there has been some negative press about facial biometrics and whether it encroaches on the individual's right to privacy.

In fact, facial biometrics were recently banned for use by police and local agencies in several cities in the US. This has stemmed from a failed plan by the IRS in the USA to force Americans to scan their faces to file their tax returns. There was some concern around the fact that a third party was collecting the data, raising questions around the ethics of this practice.

Racial concerns have also been expressed about the ability of facial recognition technology to correctly identify those of ethnic descent. While privacy and accuracy concerns are major considerations, I have to warn against painting all facial recognition technology with the same brush.

Consent is key. iiDENTIFii's technology is opt-in only, and the data it collects is not used to track people in the streets. In addition, iiDENTIFii's solution is specifically designed and calibrated for the country where it is used, meaning that the algorithms do not suffer the same challenges for which the overseas technology has been criticised.

Deploying European technology in Africa is destined to be discriminatory, but by using the right technology and having the right intentions in place, it is possible to create the most secure authentication ever used to date.

The reality is that machines are better at identifying people than humans will ever be. The Department of Homeland Security in the US recently proved that facial recognition algorithms can now correctly identify individuals up to 96 percent of the time. If that can reduce the likelihood of a wrongful arrest, or someone gaining access to someone else's accounts, the technology needs to be given some credit for the good that it achieves. Ultimately, customers need to feel comfortable using the technology and be confident that it is trustworthy while enhancing their safety and security.

Fortunately, people's favourable disposition towards taking selfies is helping to drive rapid adoption of this technology, and iiDENTIFii's proven credibility, as well as its opt-in feature eases possible misgivings about using it. These factors, combined with South Africa's sophisticated digital onboarding processes and forward-thinking POPI act, means local businesses are fast becoming leaders in a growing global digital market.

THE FRICTION IN ADOPTING NEW TECHNOLOGY

Part three of our series, Tavio & Tony Talking Tech. Tavio Roxo, CEO and Co-founder OWLS Software.

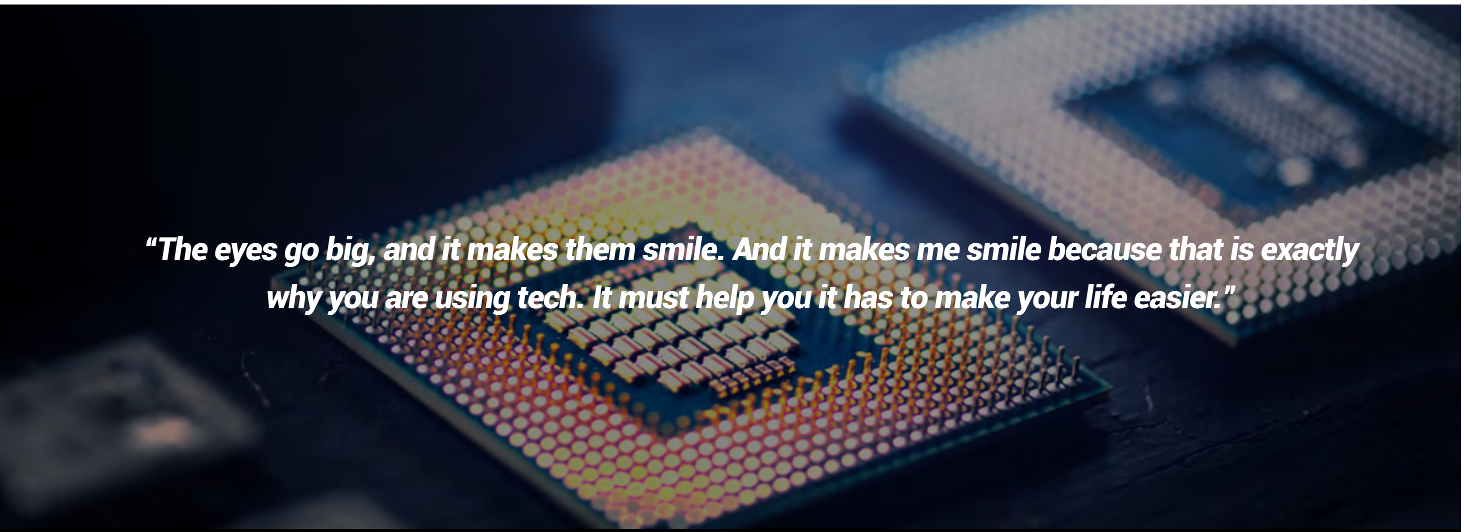
Tony: We are constantly being bombarded with new technology or updates on existing platforms and applications. Are we, as business, doing enough to make sure that we are not running too fast ahead of the people that are supposed to benefit by using these systems?

Tavio: The starting point is that people do not like to change. This is not an indictment on a specific user, it is a biological truth. A study conducted in 2009, by the European Journal of Social Psychology, concluded that it takes between 18 and 254 days to form a new habit. That is quite an indicative thing, because if you are looking to adopt new tech, you must give your users a period of time to adopt it.

We all think that period of time should be one training session or a couple of weeks and it is just not. The science backs us up, saying that you must do continuous training, continuous improvement, which is a continuous journey in order to change. So, if you are evolving your technology at a rate faster than a new enhancement every month, it's going to be difficult for the users to keep up, for sure.

Tony: As a tech provider, you have so many ideas and potential solutions, how do you limit that and decide where you are going to lose the user? What is that barrier, because not all users are the same?

Tavio: It is the other way around, in that you provide a full stack of functionality, and the users typically then choose the functionality which serves them. In the Owls case, for instance, there are over 9000 features, I am certain there is not one single user that uses even 1% of those features in their daily use. However, what ultimately drives the user to adopt a new piece of technology, a new system or a new way of doing things, is when they are exceptionally frustrated with the way in which they are doing it right now. If you have a frustration where every time you open a mail, it does not go to a certain page that you need it to or it does not go to the inbox but opens into a subfolder or something, you can Google that and just do that one little intervention in your life and it will make your life much easier. It does not have to be this full blown, change everything that you do. But it is those minor tweaks that give one joy, and make it easier for you to navigate the tech. And by doing that you are changing your habits, you are changing your way, adopting a new process and a new way of doing things.



Tony: I suppose you mean something like that password example that I used in one of our previous discussions, my frustration with passwords.

Tavio: Yes, that is a good example, if you went and googled it, there are a few technologies out there that aggregate all your passwords, puts them into one place and uses one password, and ultimately it is used for every single one of the logins that you have. Also, there is a few pieces of literature on how to build your own password so that you can remember it easily across all 30 different types of services that you use. Then have you ever received that message from Apple saying that your password is compromised, it is too simple, you need to change it. And it is effective in the following 20 places. You must change it in 20 Different places?

Tony: I have had that. I made the mistake of going onto one of those sites to check if you have been hacked. And I had been hacked everywhere.

Tavio: That is scary, and security is one of the reasons that will force a user to adopt a new technology. Because we are all very fearful of security or a lack of security or a potential breach that might occur either on us personally, or in our bank or anything like that. So that would be a very good example of someone then looking to adopt a new technology to make life more secure for them.

Tony: OWLS software has 9000 features. How can companies make sure that their staff get optimal benefit from the sytem?

Tavio Roxo: Two words; education and training continuously, there is no way around it. There must be a constant engagement between us, or other system provider, with the users, trying to bring them on board as to the new functions and the new enhancements, establishing the connection of how that enhancement or that function will in fact improve the user's life. It all comes down to the improvement of the user's life, if the user is experiencing a fair amount of friction in anything that they do, and you provide a solution that will make their life easier, it will be adopted.

Tony: How much do you get involved in that process, in terms of your clients and training?

Tavio: We do multiple training sessions throughout the course of the year. But more importantly, we do a fair amount of training at the inception. Because that is the time when the users can resonate with what they have been working on for the last six months during the deployment, to try and understand exactly which features will make their lives easier.

Tony: And you yourself, do you learn from those interactions?

Tavio: I am learning every day. Even speaking with you earlier, I learned a few things. And it makes me very excited around tech because there is no way you can know everything about everything at any point in time.

Tony: Are you excited about the developments in insurance technology and the speed with which companies are changing and adopting?

Tavio: At a macro level, there is a willingness to want to upgrade, change and evolve. When it comes down to the actual implementation of that, where the rubber hits the road, that is where things become a bit murkier, because it is right there that the frustrations are found by the users. It is right there that you must train and educate the users as to how the system can help them. But I have seen it repeatedly, that 'aha' moment that makes my life really enjoyable, when you are sitting across from a user, and they click, they understand and they see how this technology is going to take a work packet, which took them three hours to do previously, to a three-minute item.

EMBRACING AUTOMATION IN MARKETING AND SALES IN INSURANCE

Nelson Camara, Go-to-market Executive at SilverBridge Holdings

Analysts expect insurers to focus on automating the marketing and sales functions. By doing so, insurers can embrace a data-driven marketing approach which enables personalised campaigns that are more relevant to customers.

In turn, this will create an opportunity for insurers to access previously untapped revenue opportunities. As part of this, the injection of advanced data analytics can assist insurers to gain a better understanding of customer behaviour. This lets them become more relevant and increase the success rate of their end user engagements. Even before the developments of the past two years, lead generation has been a notoriously challenging undertaking for insurers. Thanks to increased competition and customers doing their own research on the best insurance solutions for their needs, marketing and sales teams have had their work cut out for them to create differentiation. Thanks to the rapid evolution of technology, insurers are better able to respond to the need of providing end-to-end digital experiences as well as combining the human element where it is required. This sees them embracing an omni-channel approach that delivers to an enhanced customer experience on the channel they prefer using.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Playing Off Strengths

As part of this, there are five best practices to consider when it comes to marketing automation in insurance.

It begins with the creation of an efficient customer acquisition strategy. Buyers will make a purchase only if their journey is smooth in terms of understanding the product, benefits of having it, and assurance of assistance. Insurance marketing automation allows for an understanding of where the customers are and how to accelerate them as fast as possible.

Next is the building and execution of an end-to-end nurturing and retention strategy. This is where the actual marketing efforts start after identifying a potential customer. It is always essential to answer customer queries, keep them updated with all the information, and give them a platform to voice their opinion.

AI Distribution Enhancement

Insurers are data-rich businesses. And thanks to the availability of more advanced technologies, they can extract even more value from the available data to capitalise on new opportunities. This is especially the case when it comes to driving sales, supporting the sales channels, and providing fresh insights to intermediaries.

More mature markets have shown how it is possible to integrate this advanced technology and resultant data analysis techniques to bring value to distribution and sales. Artificial intelligence (AI) is used to recruit agents by identifying the key attributes needed to deliver value to customer engagement. It is also integrated into the back-end systems that analyse customer personality types. By identifying which customers are likely to buy what solutions as well as their potential spend, an insurer can deliver targeted value propositions to those segments. Beyond that, AI can also assist the insurer to best match agents to clients and ensure the greatest possibility of success. This profile-matching extracts invaluable insights from the client and links that to agents with relevant expertise in dealing with those requirements.

At a fundamental level, the AI-powered customer journey entails mapping and understanding their behaviour to create a positive experience across all touchpoints. It involves generating insights using existing data that assist with driving sales in a dynamic new environment.

All about the data

Throughout the automation process and injecting AI capabilities into the value chain, insurers must be able to access all relevant customer data. Even though insurers are striving to be more data-driven, they need to rethink their traditional approaches and become more reliant on this information to optimally manage the marketing and sales functions.

AI as a technology creates opportunities for this. However, there must be an organisational need to change. This need is driven by the business leaders at the insurer who require the organisation to respond to evolving customer needs. The only way to do so effectively is to take the information at hand and embrace the opportunities presented by technology advancements.

This enables the insurer with the capabilities to enhance both the marketing and distribution processes. And by identifying the ways to achieve the best possible growth, combining data analytics with automation inject scalability into the insurer's marketing and sales functions that can significantly improve the performance of agents.

COVER

FOCUS ON ADDING VALUE

According to Graham Bingham, Director, JumpCO, when you invest in something like an important application, there are costs, but you build an asset and a capability. “Yes, software requires significant investment, but it wouldn’t be happening if it wasn’t adding value out there.”

GRAHAM BINGHAM

Director, JumpCO

Tony: Our Insurtech2022 conference highlighted the fact that the insurance industry has expanded its ecosystem significantly, bringing with it new complexities. Most companies are now starting to use external consultants as part of their IT project implementation. I recently had the opportunity to speak to Sanlam about their E-nnuity, and JumpCO's involvement. Can you give me a bit of your perspective on that project and as a director of JumpCO, how you looked at it from your helicopter view?

Graham: I have played a couple of distinct roles at JumpCO. It has been a privilege to have been there right at the beginning of E-nnuity, to have seen it grow and increasingly add value. One way to describe E-nnuity is to talk about its stakeholders, of which there is quite a variety. The availability of funds at retirement is essential. Sanlam, through their intermediaries and funds that are acting for those people that are retiring, get to do some powerful 'what if' analysis for people like us. E-nnuity helps them answer questions like; "if I need this amount of income, how much of my savings do I need to put into an annuity? Alternatively, "I have this amount of savings and I need such and such an increase, so how many years are my savings going to last?" And that really helps us in planning for that stage of life. E-nnuity adds a lot of value for Sanlam in that way, its intermediaries and at the end of the day for you and me. It was a privilege for JumpCO to be involved.

Tony: As a consultant, one of the important things is obviously evaluating when you bring in a consulting firm and the expense of hiring IT consultants. How has that changed, and how do companies see that in terms of part of the budget of implementing new digital strategies?

Graham: Most companies use consultants and external suppliers as part of their portfolio because they recognise that they do not want to, cannot do everything, or do not have enough resources now to do it. A question that often gets raised is whether it not expensive. We always just tried to say looking at the expense is only half of the equation. When you build something, you build an asset, you build a capability, it takes an investment. And so, you need to look at what you are getting for your investment.

Part of that investment delivers an application, but there are many intangibles that come along with it. Peace of mind, via a service agreement, where Sanlam can call us at any time with a new requirement or with a problem, for innovative ideas. Reliability and quality, these are big returns on investments in the IT world. The use of modern development techniques, such as continuous integration and test-driven development, and so on; we are specialists and we can bring those to the table, which are intangibles for the asset. Our teams also have experience in a wide variety of industries, which is not always easy for companies to build themselves.

Tony: Possibly a similar argument with other software purchases. You guys work with IBM quite closely, how does that work?

Graham: Yes, a similar argument. We are IBM partners and many of our own customers have chosen IBM solutions. Especially because of these kinds of tangible and intangible value adds that they bring over the years. We have gotten to know their products and helped our customers implement them, with best practice advice on using them.

COVER

IBM solutions are known to be very robust, innovative, and very scalable. In the E-nnuity case, for example, we use a couple of IBM products. There is the IBM cloud product, where all the source code for the application sits, making it incredibly secure, but it also makes it super easy to collaborate with the Sanlam teams and implement new versions of the application. So, whenever there is an update, it is done in an effective way.

The underlying data is also kept in an IBM database. The application itself is stored in an IBM application server. These are hard to beat for reliability, security, and scalability. And whenever you are dealing with personal data insurance and tech type solutions, those are important criteria. So, I think with IBM there is a lot of bang for your buck as it were.

Tony: A lot of what you do is to try and add extra value, obviously by looking at what other platforms to integrate and what tools to use best, as you did in the case of the E-nnuity. How do you measure value add, and as you say, bang for buck?

Graham: Value add is super important, in a way, it is what makes the world go around. As suppliers we do something, and we hope that we are not just a grudge purchase but that we are a means of adding value for our customers. Our customers are themselves in the business of adding value. IBM is in the business of adding value and they know it. Yes, software requires a big investment, but it would not happen if it were not adding some value out there. Even, every single entrepreneur that has built their brokerage know that they are adding value. Sanlam knows it. In one way you could look at it like this; these individuals, companies and suppliers are meeting the needs of the world by each adding value in their own unique way.

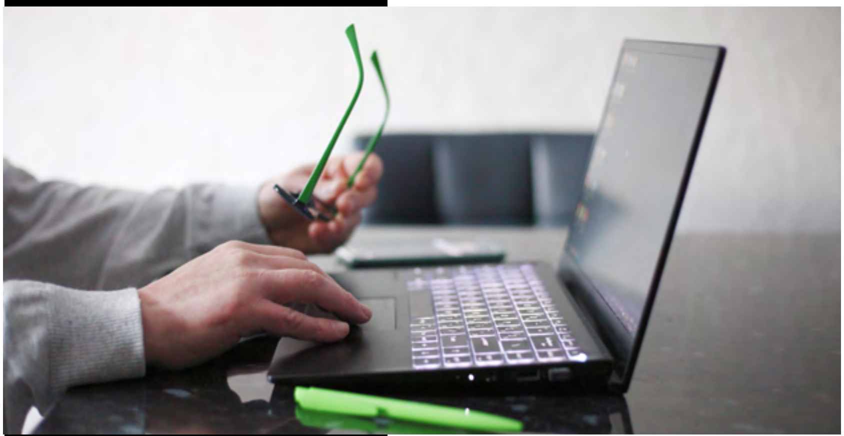
Tony: As a consultant you must get to know a variety of different systems. How do you keep up with the speed at which new things are coming out, and how new tools are becoming available that you could share with potential clients?

Graham: Excellent point. Technology in general continues to change at a remarkably high rate. One way of answering: we love tech, and our team members are constantly playing with things as well as pursuing formal research and development objectives. Sometimes in the case of our partnerships with companies like IBM, they will be leading. Sometimes that lead comes from open-source community, or from general trends in the industry. So, it can happen for a variety of reasons.

Tony: In a follow up session I would love to expand a bit on managing relationships when you are working on a project between the consultancy and the internal people.

Graham: Relationship is essential as there can be tension. You want trust, but you also want delivery. So, we need both of those for a successful relationship and yes, that would be a fun discussion to have.

EVENTS TO LOOK FORWARD TO..



FPI PROFESSIONAL CONVENTION 2022

Join us at the 33rd Financial Planning Institute of Southern Africa (FPI) Professional's Convention which will be held on the 19th and 20th of October 2022 and hosted as a hybrid event this year. The event is regarded as the largest and most significant event in the calendar for financial professionals.
Save the date!

AFRICAN INSURANCE EXCHANGE 2022

This years African Insurance Exchange hybrid edition will be hosted live as well as virtually. The dates have been set for 25 and 26 July 2022 at Sun City (in-person event) as well as virtually for attendees from across the globe. Register Here!

IIWC EDU WEBINAR

Join the IIWC for their educational webinar *focused* on group personal accident & cyber in the SME sector. It will be taking place 8 June, 10am - 12pm.
Save the date!