# FANEWS

AUGUST 2024 - EDITION 162

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WOMEN'S MONTH: SPOTLIGHT ON DIGICALL'S WOMEN

# FANEWS content AUGUST 2024

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# FANEWS letter from the editor

The Two-Pot Retirement System will officially be implemented on 1 September 2024. We have posted a substantial amount of content, including releases, interviews, and a webinar on this topic. Although there are still many questions, you will most certainly find answers to most of them on our website and on the websites of all the role players. There is content, documents, calculators and videos available, and having the necessary conversations with your clients is key.

It's Women's Month, and it's great to see the conversations around women in the workplace. One of my favourite actions during this month is Momentum's initiative to flip their "M" to "W" – for the month of August, their social pages and even Head Office feature the logo transformation from Momentum to Womentum. This small gesture from Momentum encourages women to boldly pursue their success. Women are celebrated at many companies in various ways, and it's wonderful to be reminded of what we are capable of and the difference we are making in this industry. We'll get there, slowly but surely.

It's conference season… we've just celebrated the 50th AIE conference, which was once again an event the industry can be proud. The conference struck a good balance between serious discussions, fun, learning, and relationship building, reminding us of the importance of collaboration. The FPI Convention is the next big event, focusing on deep conversations and celebrating the Financial Planner of the Year. Winning this title requires an incredible amount of work, and FAnews extends congratulations to the finalists and winner for reaching this level. The standard is incredibly high, and you should be extremely proud.

Enjoy the read, and happy Women's Month.

"Above all, be the heroine of your life, not the victim."
– Nora Ephron, author

**Rianet Whitehead | Editor**


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# WOMEN'S MONTH

Without leaps of imagination, or dreaming, we lose the excitement of possibilities. Dreaming, after all, is a form of planning. - Gloria Steinem

# *Championing inclusivity:* insights from Dr Mgoqi for Women's Month

In today's ever-evolving workplace, inclusivity and the effective transfer of skills and knowledge are crucial for fostering a harmonious and productive environment. As we observe Women's Month, it's crucial to highlight the role of gender inclusivity. **FAnews** spoke with **Dr Nolwandle Mgoqi, CEO of Aon South Africa**, about organisational development and the impact of inclusivity in creating a more equitable workplace.

## Inclusivity in the SA workplace

According to Dr Mgoqi, inclusivity in the South African workplace is vital, especially given our diverse "Rainbow Nation" identity. "Despite progress, however, economic inequalities persist, highlighting the need for fairness and belonging in our work environments. Inclusion is essential for fostering growth, unity, and broader social reconstruction."

"Our legislation supports diversity and inclusion, aiming to create workplaces where everyone feels respected, valued, and empowered to contribute fully. Inclusivity goes beyond demographics, ensuring diverse backgrounds and viewpoints are integrated into all aspects of work, providing equal opportunities for all," she said. "For women, this means enhanced economic opportunities and improved social outcomes, paving the way for future generations. Creating such an environment ensures that everyone feels seen, heard, and valued both as individuals and professionals."

## Challenges women in the workplace face

"August is Women's Month. While we've seen some progress and increased involvement of women in the workplace alongside other various initiatives aimed at meaningfully supporting transformation and inclusivity, this progress has been a mixed bag where regrettably the data points suggest that progress may have stalled. Women still face systematic challenges, including gender-based biases, unequal pay, and limited career advancement opportunities, with gaps and underrepresentation at senior levels, particularly in the financial services sector," stated Dr Mgoqi.

The challenges, she said, include unequal pay, harassment, discrimination, and stereotype-based issues. "Research shows women worldwide earn less than men for the same job, and globally, women hold less than a third of leadership positions. Many women also struggle with navigating their identity in the workplace, at home and social spaces and what is commonly referred to as imposter syndrome - doubting their worth despite their accomplishments." This is driven primarily by societal pressure, cultural expectations and prevailing gender stereotypes.

"Addressing these challenges requires promoting women into leadership roles, fostering transparent pay policies, and encouraging skills development. These steps will help close the current disparities and build a more inclusive workforce and culture," she said.

## Skills and intergenerational knowledge transfer

According to Dr Mgoqi, we're experiencing generational tension, making intergenerational cooperation essential in our industry. "Succession planning should address both retirements and departures, fostering mutual respect and leveraging diverse perspectives."

Embracing intergenerational diversity, she said, means recognising each generation's unique contributions. "Mature colleagues must transfer skills and mentor younger professionals to tackle succession issues. With many skilled professionals nearing retirement, and women often underrepresented, effective cooperation and understanding different learning preferences are crucial. Avoid passing down "generational traumas" and imposing our ways of doing things but rather focus on effective skill sharing by appreciating each generation's value system."

She also added that embedding intergenerational knowledge transfer involves both technical skills from experienced professionals and social knowledge sharing. "At Aon, we are committed to enabling the development of technical expertise, future fit people leadership, as well as client leadership capabilities, embracing fresh perspectives to create a succession pipeline for sustainability."

"Balancing explicit technical knowledge with tacit, social knowledge is key. Creating an inclusive environment for young professionals involves recognising their different views on career paths and what success looks like for them, this has been heightened in our environments. Our success to driving an intergenerational workforce will require a combination of IQ, EQ and the Adaptability (AQ)t and defining success with them, not for them," she emphasised.

Inclusivity, she said, must extend beyond race and gender to embrace diverse thinking. "Balancing generational perspectives is challenging but an essential tool to a more inclusive workplace, requiring re-imagination, empathy, resilience, and flexibility. This will build for successful transfer of skills and business continuity for the future. Mentors also play a key role in creating an inclusive environment by distributing knowledge and opportunities equitably, helping individuals navigate challenges, build confidence, and feel valued, which fosters organisational inclusivity."

In her concluding remarks on promoting inclusivity and knowledge transfer, Dr Mgoqi said, "As leaders we must recognise and understand our own biases, seek to understand others without prejudging and avoid stereotypes. Empowering and supporting colleagues in a fair and consistent manner is essential, and we must lead by example. Women leaders have an important role to continue to inspire others and learn from each other in a way that facilitates more opportunities for the younger generation. Continuous learning about diversity, equity, and inclusion is crucial. As we enter Women's Month, let's remember to lift each other as we climb."

*Watch the full interview with Dr.Mgoqi here*

# WOMEN'S MONTH

We need to reshape our own perception of how we view ourselves.
We have to step up as women and take the lead. - Beyoncé

# Women's Month spotlight: *emphasising people and growth in the workplace*

As we celebrate Women's Month this August, FAnews is focusing on the pivotal role of people and growth in the workplace.

We spoke with **Nomie Nxumalo, Head of People and Transformation at MiWay**, about fostering a thriving workplace culture. We delved into crucial topics such as recognition, skills development, and leadership opportunities for women.

## People, people, people

"For me, people are incredibly varied. Loving people doesn't just mean offering hugs and saying "kumbaya." It involves understanding them where they are and having honest, sometimes tough conversations," said Nxumalo.

"My passion for people development stems from witnessing those feel-good moments when someone benefits from honest feedback, coaching, or mentoring and comes back as a transformed individual. This is what motivates me to go to work every day," she said.

According to Nxumalo, creating opportunities for people who consistently show up and put in effort is crucial. "It's part of a meaningful Employee Value Proposition (EVP), which goes beyond just the salary and perks. The real work lies in developing people, recognising their efforts, and guiding them toward their goals. It's important to direct their efforts effectively and help them align with business objectives or personal goals. Empowering individuals to excel where they are, and according to their aspirations, is key."

## Recognition and skills development strategies

Recognition, she said, is vital as it validates hard work and boosts self-worth. However, recognition should be personalised, as different people value it differently. "For some, a simple "thank you" is more meaningful than a certificate or award.

Understanding individual preferences for recognition is crucial, and it should evolve with personal circumstances. For example, what mattered to me during my pregnancy differs greatly from now. Tailoring recognition of what genuinely matters to each person helps get the best out of them."

In terms of the strategies to identify and nurture skills, Nxumalo said, "Our organisational strategy emphasises knowing staff and their strengths. This involves connecting with them on a deeper level and understanding their roles and stressors. By focusing on individuals' strengths and using tools like skills gap analysis, managers can effectively nurture talent."

"I believe in leveraging strengths rather than focusing on weaknesses, as people perform best when they operate within their areas of comfort and competence," she added.

## Knowledge transfer and a vibrant workplace

When it comes to knowledge transfer, Nxumalo said that encouraging knowledge and skills transfer requires proactive planning, well before employees approach retirement. "It's essential to help experienced staff find meaningful ways to contribute and feel valued, regardless of their evolving roles. This preparation should be handled with respect, ensuring a smooth and dignified transition."

"At the same time, fostering a fun and engaging work environment is crucial. Happiness and energy boost performance, so creating a vibrant atmosphere in all settings - including formal ones like boardrooms - can significantly enhance workplace morale and effectiveness. Integrating elements of fun into the work culture not only makes the transfer of knowledge more enjoyable but also strengthens team cohesion and overall productivity.

## Leadership, support, and Women's Month

To inspire women to pursue and excel in leadership roles, Nxumalo said it's vital to provide both exposure and opportunities. "At our organisation, we encourage women to present their work to senior management to increase their visibility and gain valuable experience. However, we also honour their choice to opt for roles outside the C-suite, recognising that empowerment involves supporting diverse career paths while fostering growth."

"Building a supportive sisterhood in the workplace is equally important. Women should actively support each other and create opportunities for growth beyond personal gain. This involves learning from younger generations and cultivating an environment where every individual can contribute and thrive," she emphasised.

"As we celebrate Women's Month, I've transitioned from feeling disillusioned about gender equity to embracing this time as a vital opportunity to celebrate femininity in organisations and advocate for women's issues. Women's Month serves as a platform to champion equality and push for meaningful change. I am dedicated to using this period to speak out, support fellow women, and ensure our collective voices are heard," she concluded.

*Watch the full interview with Nomie Nxumalo here*


# DIGITAL TRANSFORMATION AND ADOPTION IN ADVICE AND FINANCIAL PLANNING

The insurance industry, and specifically financial advisers, have not been exempt from digital disruption.

Advice practices and advisers have endured continuous process changes due to regulatory shifts and the digitisation of advisory processes. Product suppliers have also introduced technology to reduce physical paperwork and enhance client and product onboarding efficiency. The current wave of technological advancement requires financial advisers and intermediaries to transform and adapt simultaneously.

## Digital transformation

Not all product suppliers are on the same digital roadmap or timeline, and financial advisers who deal with various product suppliers are forced to juggle different processes and technologies to support their clients.

This diversity necessitates a change in how advisers work with product suppliers, requiring them to balance their workload, while staying engaged with clients. The transition from a traditional paper world is a significant leap. Financial advisers who find it challenging to work in a paperless environment and struggle to embrace online technology such as digital signatures and Artificial Intelligence (AI) tend to view these advancements with scepticism.

However, the adoption of new technology by advisers is not enough. It requires a mind shift. When advisers say product suppliers 'shift' their work to the adviser's practice, it's an indication that either the adviser must transform their way of work, or the supplier did not consider the advice process. We need to collaborate with advisers to transform their way of work, by incorporating innovative digital solutions that will enable them to remain competitive.

## Technology adoption and AI

Customer Relationship Management (CRM) systems have become a prevalent trend, enabling advisers to manage and maintain client relationships more effectively. Clients expect personalised solutions that fit their unique needs. Advisers must leverage data analytics and CRM tools to offer these personalised experiences. These tools will help advisers keep track of client interactions, preferences, and needs, leading to effective and efficient client service.

Data analytics also play a crucial role. Data is the new fuel that energises the performance of businesses. This is particularly true for financial planning practices and advisers need to adopt this view to ensure their existence and growth. Data needs to be complete, correct, and clean, recorded on the right platform, and continuously updated within the business. Data serves as the foundation for better decision-making, and client service.

AI also is increasingly playing a role in the financial planning process. It helps advisers provide better service by automating and digitising routine tasks, analysing large datasets for insights, and personalising client interactions.

Advisers are not technologists and have no ambition to be technologists. The key lies in adopting AI tools that improve efficiency and client engagement without diminishing the adviser's value proposition.

Further, advisers should explore AI platforms like Google's Gemini, Microsoft's Copilot, and OpenAI's ChatGPT. The best way to explore these platforms is to start asking 'them' questions.

## Cyber security and challenges

With the increasing digitalisation of traditional processes, cyber security is paramount. Advisers must record and use their data responsibly to enhance the client experience while protecting it from abuse, corruption or breaches.

At Momentum, for example, we have always emphasised the importance of understanding and respecting data security to build and maintain client trust. We understand that adviser assistants also interact with software solutions. As a result, they should always be included in cyber security training.

Advisers must also ensure they start with accurate data and incorporate available technologies into their daily routines to avoid duplication and wasted time. Continuous learning and adaptation are crucial to overcoming these challenges.

Ultimately, the insurance distribution and advice landscape is evolving rapidly. Product suppliers are leading digital transformation, technology adoption, AI augmentation, and personalisation. Financial advisers and their office staff must navigate the evolving landscape, continuously transforming their way of work with the intent to stay competitive.

By embracing new technologies, focusing on data quality, and prioritising cyber security, advisers can enhance their practice's sustainability, its service offerings, and meet the growing demands of their clients and product suppliers.

**Pieter Bosman**
**COO and Head of Digital Transformation**
**Momentum Advice**

# THE IMPORTANCE OF SUCCESSION PLANNING

Succession planning is a crucial and challenging element of business ownership within the insurance and wealth industry. Although succession planning is a regulatory requirement, many intermediaries do not have a sound plan in place.

The Financial Advisory and Intermediary Services (FAIS) regulation in South Africa requires Financial Services Providers (FSPs) to have a succession plan in place. The regulation aims to ensure that FSPs have mechanisms in place to manage the departure or incapacitation of key individuals, thus minimising disruption to clients and the business should said events materialise.

## Penalties for not having a succession plan

The penalties for not having a succession plan in place for an FSP under the FAIS regulation can include:

- Administrative penalties - up to R1 million or the equivalent of 10% of the FSP's annual turnover.
- Enforcement action - withdrawal of authorisation or licensing, suspension or cancellation of permissions and the imposition of conditions or restrictions on the FSP's operations.
- Criminal penalties - criminal charges of fines up to R10 million or imprisonment for up to 10 years, or both.

Along with the regulatory penalties, there are additional knock-on effects of falling short of this requirement, including:

- Reputational damage - non-compliance can damage the FSP's reputation and lead to a loss of client trust.
- Business disruption - without a succession plan, the FSP may experience business disruption, including loss of key personnel and expertise, disruption to client services and potential financial losses.
- Legal action - legal action may be taken against the FSP for failure to have a succession plan in place.
- Client attrition - clients may lose confidence and leave if they perceive a lack of stability and continuity.

## Principles of best practice

FSP's need to prioritise succession planning to avoid these penalties and related negative impacts, ensuring the ongoing success of their businesses.

Given the importance of succession planning, the following are some principles of best practice when it comes to developing a successful plan:

- Having clearly defined objectives - define the purpose of the succession plan.
- Identify key positions - determine critical roles including key personnel, executive officers, and directors.
- Regulatory compliance - ensure the succession plan meets regulatory requirements.
- Review and update - regularly review and update the succession plan to reflect changes in the business, industry, or personnel.
- Client considerations - consider the impact of succession on client relationships.
- Financial planning - consider the financial implications of succession, including compensation, benefits, and ownership structures.
- Professional advice - seek professional advice from legal, financial, and HR experts to ensure the succession plan is comprehensive and effective.

## Have a proper, executable plan in place

It is not uncommon for practices to be one of the largest assets in the estates of business owners. As such, this should be fiercely protected, and a solid succession plan can help ensure that this valuable asset retains its worth. A regularly reviewed succession plan means that a practice's value is known and monitored, decreasing the risk of valuation misalignment when the time comes to exit.

Succession planning is not something that should be done at the point when it is needed. Successful succession planning should be an ongoing process, one that is put in place early on and revised annually to ensure its relevance within the evolving industry landscape.

Although an early adoption approach is best, there is no need for despair if succession planning has only come to mind closer to the point of exit. Many suitable solutions can be implemented when succession is required. Irrespective of timing, it may be useful to consult with industry experts who can assist with all aspects of succession planning, ensuring a complete and compliant plan is implemented.

Do not make the mistake of neglecting succession planning as a financial services provider. Make sure you have a proper, executable plan in place. Give yourself peace of mind that when the time comes to exit, it can be done in a dignified way that does not see years of hard work go to waste and allows for continued prosperity for your clients.

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# THE ART OF SPEAKING fluent ‘financial adviser’

In today’s fast-paced world of finance, clients’ needs and expectations are as unpredictable as the stock market. Financial advisers are constantly on their toes, sprinting to keep up. Meanwhile, financial services providers are also playing “catch-up,” always trying to tailor products and services to meet these ever-changing client needs.

## Past meets present

Remember the good old days when clients would rely on their financial advisers for all investment tips and performance updates? Those days are as outdated as dial-up internet. Today, clients know what they want and have strong opinions about their risk appetite, preferred investments, and timeframe. This shift keeps financial advisers on their toes, constantly upskilling to provide their opinions on products, and answer more detailed questions than ever before.

In the past, product design was not necessarily driven by financial advisers or client needs, but more by providers and their bottom lines, with questions such as: “How much money can we make out of this product? Or “How much can we charge for that product? As opposed to: “How can we cater for the unique needs of clients?” This means listening to financial advisers and clients and making the effort to design tailor-fit products, without charging ridiculous fees.

## Expectations become reality

Equally important, if providers don’t bother asking financial advisers about the saving and investment products their clients crave, they’ll keep missing the mark like a blindfolded archer.

Here’s a practical example: when we launched an endowment product, financial advisers loved it, but they asked for a fixed-rate version because clients wanted even more certainty.

So, we rolled out the fixed endowment, tethered directly to fixed-rate instruments, ensuring investors know precisely what to expect. And guess what? The response was golden! It turns out that listening to financial advisers is worth its weight in gold!

And, just as cash is king, service and support are the reigning queens. We’ve learnt that financial advisers want two main things. Firstly, they want a partner who makes doing business easy - no ifs, ands or buts. Secondly, they need a provider who makes quick decisions without getting tangled in red tape. This approach works wonders for both financial advisers and their clients. It’s all about creating instant, positive experiences and delivering fast, satisfying resolutions.

That’s why our business processes are all connected. We don’t do silos, and we certainly don’t do hoops. Instead, we offer the most effective solutions in the shortest time possible. Simplicity at its finest!

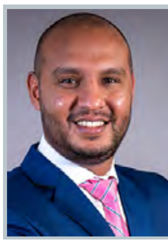
## A dedicated platform

We also found that most financial advisers want to access a single platform where they have a holistic view of all their client’s investments. One report, one fee structure - voilà! Many financial advisers juggle massive client books, so remembering every detail about each client is like memorising the phone book. But with a user-friendly portal, they can access client profiles in seconds and provide support on the spot.

This way, financial advisers can share real-time data, track investment performance and maturities, and spot trends, all while managing their business on the go. They can even conduct client reviews instantly, sharing information over the phone. Our broker portal lets financial advisers pull quotes and share them with clients faster than you can say “investment opportunity”!

## At the heart of it all

So, what does it mean to speak fluent financial adviser? It means understanding that a financial adviser is the Sherlock Holmes of the financial ecosystem, piecing together the intricate details of clients’ financial lives. Besides, who has a crystal-clear 360-degree view of a client’s financial needs? Only their trusted financial adviser, of course!



**Kapil Rathilal**
**Head of Distribution**
**Fedgroup**


# CONSUMERS VALUE PURPOSE - not just coverage for losses

In today's evolving insurance landscape, consumers are increasingly looking beyond traditional coverage for losses.

They seek purpose-driven engagement from their insurers, craving not only protection but also alignment with their values and a commitment to positive societal impact. This shift in consumer behaviour demands that insurers rethink their role and adapt to a more holistic approach, integrating purpose into their core business strategies.

## The shift in consumer behaviour

The traditional premise of insurance offering financial compensation for losses, while still crucial, is no longer sufficient to meet the expectations of modern consumers. Today's policyholders are prioritising companies that demonstrate a clear purpose and commitment to societal well-being. Consumers are more loyal to brands that resonate with their personal values and contribute to the greater good.

This change is partly driven by the Millennial and Gen-Z demographics, who are known for their strong preference for ethical consumption and corporate social responsibility. These generations are not only the largest demographic in the workforce but also the most influential in shaping market trends. As such, insurers must pay close attention to these groups' preferences to stay relevant and competitive.

## Purpose-driven insurance: more than a buzzword

Purpose-driven insurance goes beyond the marketing buzzword; it embodies a genuine commitment to societal and environmental stewardship. Integrating Environmental, Social, and Governance (ESG) principles into the insurance business model is becoming increasingly important. Insurers that adopt ESG strategies can better align with consumer expectations, showcasing their dedication to sustainability, social equity, and ethical governance.

For instance, companies that invest in sustainable practices, such as reducing their carbon footprint or supporting renewable energy projects, can attract environmentally conscious consumers. Additionally, insurers that actively participate in community development and social justice initiatives can build stronger relationships with policyholders who prioritise social impact. These initiatives not only benefit the community but also reinforce the insurer's brand identity as a responsible and ethical entity.

Transparency and active engagement are critical components of a purpose-driven insurance model. Consumers want to see tangible evidence of an insurer's commitment to their stated purpose. This requires clear communication about the company's initiatives, progress, and impact. Regular updates and reports on ESG goals, community projects, and customer support programs can help build trust and loyalty.

Moreover, engaging with consumers through meaningful interactions can enhance their sense of connection with the brand. Insurers can leverage digital platforms to create interactive experiences, such as webinars and social media campaigns, to foster a community around shared value. By giving consumers a voice and actively involving them in the company's purpose-driven initiatives, insurers can deepen their relationship with policyholders. Personalising these interactions can further strengthen this bond, making customers feel valued and heard.

Adopting a purpose-driven approach is not only beneficial for customer retention but also offers a competitive advantage in the market. Insurers that successfully integrate purpose into their business models can differentiate themselves from competitors and attract new customers who are seeking more than just financial protection.

Companies that fail to adapt risk losing market share to more agile and purpose-driven competitors. By embracing purpose, insurers can innovate their products and services to better meet the evolving needs of consumers. This innovation can include offering customised insurance packages that align with customers' values and lifestyles, further enhancing customer satisfaction and loyalty.

## The way forward

To navigate the shift towards purpose-driven insurance, insurers should include ESG principles in their operations, report progress, and invest in technology for meaningful consumer engagement. Developing employee training programs focused on purpose and values is essential. Staying agile and responsive to evolving consumer expectations through regular market research will help insurers adapt and innovate, ensuring long-term success and strong customer relationships.

Furthermore, insurers should actively seek feedback from their policyholders to continuously improve and tailor their offerings. Building partnerships with organisations that share similar values can also enhance the insurer's credibility and expand their positive impact. By committing to these strategies, insurers can move beyond traditional coverage models and lead with purpose, ultimately achieving long-term success and building lasting relationships with their customers.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**Research Specialist**
**Insurance Sector Education and Training Authority**

# EFFECTIVE STRATEGIES IN A HYBRID WORKPLACE

Employees who work from home are 47% more productive than those who work in an office, according to a recent Stanford study. However, the corporate world demands a hybrid work model, where some days are worked from home, and some are in the office.

How can we prioritise employee wellness, nurture engagement and ensure a positive customer experience?

## Change is everywhere

Change is a constant in our professional lives. From climate change, new work models, customer behaviour, and rapidly evolving technology, change is prevalent in almost every aspect of our lives. But too much of it can lead to change fatigue, underscoring the importance of building resilience in our work teams.

If staff understand the reasons for change, they're more connected and engaged with the organisation's strategy and goals. It's vital to inspire employees by sharing the company's vision for the future, but also the role they play in that future.

## Prioritise employee wellness

Because many employees suffer from stress, wellness is the cornerstone of productive and engaged staff. We need to create a culture that encourages work-life balance, where expectations and targets are realistic, and communication is open, transparent and empathetic. A healthy environment not only enhances productivity among staff but also leads to improved problem-solving skills and a more positive attitude, which directly contributes to an enhanced customer experience.

We need to implement physical wellness programmes, provide mental health support in which employees can engage without fear of discrimination and flexible working hours within contractual perimeters.

While working from home is beneficial, eliminating travel time and boosting employees' productivity, it's also important to improve in-person engagements on office days. Initially, when staff returned to the office post-COVID, we noticed that there was limited engagement and that they were mostly focused on the task at hand. That's when we realised how crucial it is to proactively arrange fun engagements to support a positive workplace culture.

Social events, huddles, team building activities, team meetings, wellness days and celebrations of milestones all contribute to a stronger team bond, as well as improved communication and collaboration.

Studies have found that employee engagement positively correlates with customer satisfaction and loyalty.

In a hybrid work environment, recognising and rewarding staff should be meaningful and impactful. Consider personalised rewards, taking into consideration employees' personal preferences, when structuring the rewards. Non-monetary incentives, like public recognition or time off, contribute greatly to staff feeling valued, resulting in improved staff morale.

Of course, offering monetary bonuses, or gift vouchers is also a good option. Increasingly, however, as the proportion of Millennials and Gen Z's in the workforce grows, offering training and education is of utmost importance.

A combination of these incentives ensures that employees remain engaged and motivated.

## Transparent communication

When following a hybrid model, authentic and transparent communication is critical. Employees should never feel disconnected on work-from-home days. Daily team huddles, weekly check-ins and monthly team meetings all contribute to an inclusive environment. During these engagements, it is very important to ensure staff feel comfortable to voice their ideas and concerns without fear or feeling threatened. Effective communication ensures that the team has a unified approach and delivers a consistent, high-quality customer experience.

In the hybrid world, the magic mix lies in an environment that prioritises employee wellness, fosters fun and connection, offers meaningful incentives and maintains regular communication. By focusing on these elements, we can enhance employee engagement and productivity, ultimately delivering the best possible experience to our customers. When employees feel valued, supported, and motivated, they are more likely to go above and beyond in their roles, leading to exceptional customer satisfaction and business success.

The link between employee wellness and service excellence is clear: a happy, healthy, and engaged workforce is the key to providing outstanding client service.

**Tarina Vlok**
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# THE PILLARS OF INTERMEDIARY SUCCESS IN 2024

The world of financial advice is at an inflexion point where shifting demographics, digital technologies, and evolving regulations are reshaping the industry.

**Jacques Coetzer, General Manager of Strategy and Transformation at Sanlam**, unpacks how intermediaries can navigate this changing landscape, the key trends impacting intermediaries and how they can position their practices for long-term success.

"Intermediaries who want to remain relevant and continue adding value for their clients in the years ahead must embrace digital tools, adopt a more coaching-oriented approach and future-proof their practices. These adjustments will help them navigate this shifting landscape and deliver meaningful and personalised client value for the coming years."

### Integrating financial coaching into the planning process

Coetzer says one of the most significant opportunities intermediaries can leverage is integrating elements of financial coaching. "There's a significant benefit for financial planners to use financial coaching skills and techniques in their process. This involves taking a more holistic, client-centric approach beyond the numbers to understand clients' underlying motivations, goals, and challenges."

According to Coetzer, financial coaching can be especially valuable when working with clients in complex family or business relationships. "A classic example would be succession planning in family-run businesses. The financial planner can bring in a professional financial coach to assist with managing personality and relationship issues by leveraging active listening, open-ended questions, and other coaching strategies."

### Engaging younger generations

Shifting demographics presents a challenge and an opportunity for intermediaries. Baby Boomers are retiring, and wealth is transferring to younger generations, so planners should find new ways to connect with Millennial and Gen Z clients. Coetzer recommends meeting these clients where they are, such as social media.

"If those are the clients you want to engage, establish your credibility on financial topics across these platforms. That could involve sharing educational content, commenting on relevant news stories, and finding other ways to demonstrate subject matter expertise."

Coetzer says intermediaries may also want to consider hiring younger advisers who can easily relate to Millennial and Gen Z clients. "Advisers typically work with clients about ten years on either side of their own age. As a result, some organisations appoint young advisers to engage these younger clients because they understand their mindset, how they work, and how to engage them digitally."

### The retirement challenge for Gen Zs

Coetzer notes that an ongoing challenge intermediaries grapple with is the fundamentally different perspective younger generations have regarding retirement compared to previous generations.

"Retirement does not exist for many in Gen Z. They envision having multiple careers and a more fluid transition between work and retirement over a longer lifespan rather than a hard stop at age 65. Today's traditional structures and vehicles are for people who retire at 60 or 65 and don't align with how Gen Zs think about retirement."

He says solving this disconnect between Gen Z's concept of retirement and the current system is a real challenge the industry will need to grapple with to meet the needs of this rising generation.

### Responding to regulatory changes

Our regulatory environment is ever evolving. For intermediaries who wish to remain future fit, it's essential to understand the implications and adapt accordingly. Aside from the business impact of some of the regulatory changes, there are also instances in which regulatory changes impact clients or act as opportunities to advise clients.

The Two-Pot retirement System is one such example. This is an opportunity for intermediaries to educate clients about the long-term impacts of early withdrawals.

### The power of compound interest and how it can work for or against them with the new system

If the client is close to retirement, making an early withdrawal can significantly multiply the shortfall they may face. Coetzer says intermediaries should be transparent about the numbers and help clients understand that withdrawing retirement funds should be a one-time event for true emergencies, not an annual source of funds.

### Leveraging AI and digital tools

Coetzer cautions that generative AI is still in its early stages and can be cost-prohibitive for individual advisers to implement. "My suggestion would be to piggyback on what the big providers are doing in the short-term. Intermediaries can tap into the AI-driven tools and capabilities deployed by their platform and product partners."

He adds that, in the age of AI, he sees the adviser's role becoming even more crucial in helping clients align their money with their values and navigate life's complexities. "The ability of the adviser to interpret clients' emotional decisions and incorporate them into the plan is where financial planners will make the biggest difference. It goes back to understanding the individual and what's important to them."

### Becoming future fit

Coetzer recommends intermediaries focus on these three key areas to future-proof their practices:

1 Relationships: Recognise that financial planning starts with deeply understanding your clients as individuals. Leverage coaching skills to strengthen relationships and help clients align their money and values.

2 Practice management: Embrace practice management and optimisation tools to boost efficiency. Consider outsourcing or partnering with specialists who can help you build a thriving practice.

3 Digital enablement: Leverage digital tools to improve the client experience and tap into the power of data and analytics. Stay on top of emerging technologies and be ready to adapt how you work.

He concludes, "The financial advice industry might find itself at a critical point of changing client expectations, digital disruption to new regulations. However, the path forward is clear – intermediaries who embrace change as an opportunity to deepen client relationships, unlock new possibilities, and cement their roles as indispensable guides will position themselves for future growth."

Myra Knoesen
Journalist/Researcher
FAnews

# EMPLOYEE ENGAGEMENT: THE COMPETITIVE EDGE IN CUSTOMER SERVICE

In the fast-paced world of customer service, employee engagement is not just a buzzword; it's the cornerstone of a company's competitive edge.

Unlike fleeting campaigns or sporadic initiatives, true engagement is a continuous journey that demands unwavering commitment and consistent nurturing. It's the pulsating heart of any customer-driven enterprise, distinguishing successful businesses from those that falter.

## Culture, performance and company image

The quest for employee engagement is multifaceted, requiring strategies that foster a healthy and supportive work environment. This pursuit goes beyond mere job satisfaction and productivity metrics. Engaged employees shine in their roles, finding joy in contributing to the company's mission and tackling challenges with resilience rather than resignation.

A culture that treasures each employee as a vital asset transcends quotas and targets. From the manager to the maintenance staff, every individual plays a role in delivering exceptional customer service. It's the cleaner whose warm smile brightens the corridors, the receptionist who handles queries with grace, and the salesperson who places the customer's needs above all.

The sensitivity of customer service roles means that employees' performance is a direct reflection of their managers' leadership and the company's ethos to the customer. Mastering this aspect of business is complex, yet it's the employees who form the crucial link between a company's triumphs and a customer's delight.

## Engagement strategies for success

So, how do we keep employees engaged and customers satisfied? There's no one-size-fits-all answer, but here are some suggested strategies:

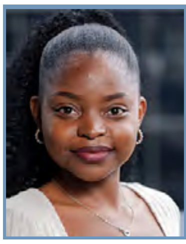
- **Open communication**: Engagement flourishes when management is willing to engage in candid discussions about employee concerns and the root causes of dissatisfaction. Recognising and addressing feelings of being underappreciated, unheard, or undervalued is crucial for fostering a positive self-image and, by extension, positive customer interactions.
- **Clear vision and goals**: A transparent company vision and well-articulated goals help team members understand how their roles contribute to the larger picture. This clarity aligns everyone with the same objectives, ensuring a cohesive and inclusive work environment.
- **Employee development**: Investing in employee growth maximises productivity and satisfaction. Encouraging employees to lead meetings enhances their leadership skills, while training programs and mentorships bolster their expertise. Knowledgeable employees instil confidence in clients, and familiarity with advanced tools and machinery sets the company apart from its competitors.

## Engagement and leadership

Employee engagement is ultimately a reflection of the company's culture. The daily practices and values upheld within the organisation dictate the success of both the company and its customer relations. As we ponder the future of our businesses, we must consider the driving force behind our achievements. Employees are not just assets; they are the lifeblood of the company, and customers are not just revenue sources; they are the pillars of growth. It's imperative to nurture both with equal enthusiasm.

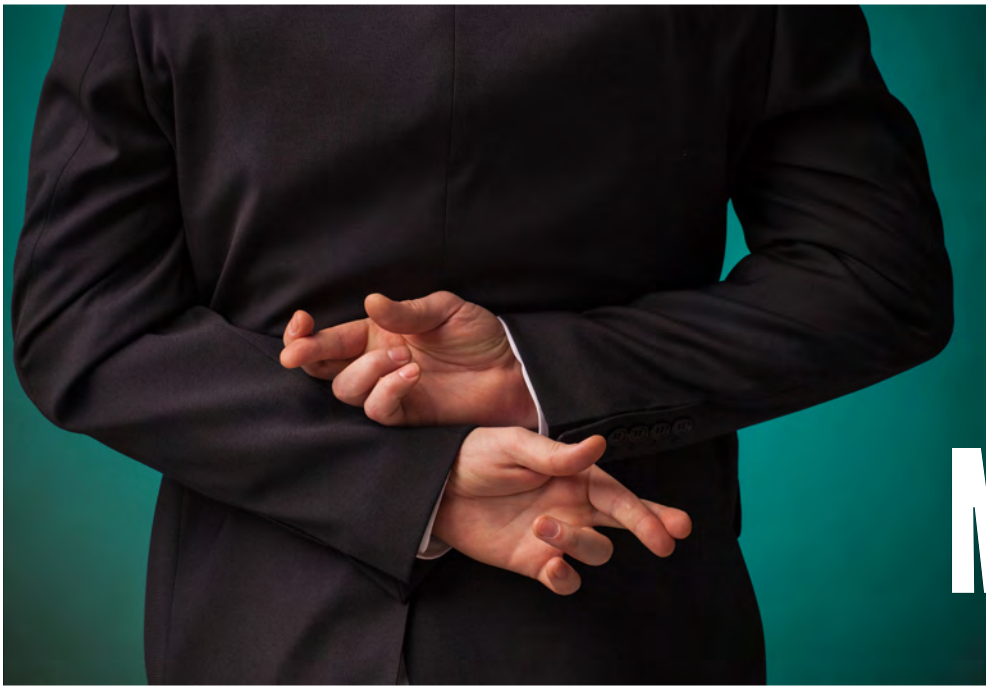
Leadership plays a pivotal role in cultivating an environment where employee engagement can flourish. Leaders must embody the values they wish to see in their teams, demonstrating empathy, integrity, and a genuine interest in the well-being of their employees. By setting an example, leaders can inspire their teams to strive for excellence in customer service.

In conclusion, employee engagement is critical to remaining competitive in a customer service-driven industry. It involves creating a culture where employees feel valued, heard, and empowered to excel in their roles. By investing in open communication, clear vision, and employee development, companies can ensure that their employees are the driving force behind their success and customer satisfaction. The point is that companies should become employee-centric just as much as they are customer-centric.



Koketso Pootona
Broker Assistant
Mukfin

# WHY ETHICS MATTER



Let's chat about the concept of ethics! This is where principles meet practice and where our choices impact both our personal and professional lives. For influential leaders, these choices can even affect the broader sector in which they are employed.

## The compass guiding our choices

Ethics isn't just a lofty concept reserved for philosophers, classrooms, or boardrooms. It should be a deeply personal belief. Imagine standing at a crossroads, faced with a decision that could impact your life, relationships, career, or organisation. That's where ethics comes into play - serving as the compass guiding our choices.

My father always used to tell me that "all we have are our reputations," and this advice has been ingrained in my behaviour. Integrity and self-respect mean acting in accordance with your core values. When you make choices aligned with your beliefs, you reinforce your self-respect. It's about looking in the mirror and knowing you've stayed true to who you are.

The saying "Trust is the currency of relationships" is true. Whether with family, friends, or colleagues, ethical behaviour builds trust. By keeping promises, treating others fairly, and acting transparently, you strengthen your bonds with key stakeholders.

I find that always doing the right thing, despite pressures to bend, brings me peace of mind. Few things are more unsettling than the guilt and regret felt when you compromise your ethics. Choose integrity, and you'll discover it's the ultimate sleep aid.

## The role of ethics in financial services

Now, let's discuss the financial services sector. Why does ethics matter here? It's not just about products, premiums, and profit margins. It's about the intricate web of relationships and actions that shape the sector.

Imagine a sector where insurers, banks, and investment houses operated without ethical policies. It would be absolute chaos! Trust in the financial services sector is essential. People need to believe they are protected, that their money is safe, and that their investments are solid. I remember the 2008 financial crisis well, where the lack of ethics and basic controls played a significant role.

Your ethics and the financial sector aren't isolated islands; they influence each other. Organisations with strong ethical cultures attract talent. Let's be honest - would you rather work for a firm that values ethics and integrity or one where shady deals are the norm? Your career path will be directly influenced by the ethical choices of your employer.

Your choices matter. Your decisions and actions create the world you want to see. Ethical people drive change. If you demand transparency, ethical practices, and social responsibility, companies will listen.

## Ethics as an instinct, not just a decision

I was once asked how I developed my ethical standards, and my answer was simply my parents. They ingrained the concepts of right and wrong in me. To this day, I know when I am stepping into a grey area because I can hear my mother's voice guiding me. Ethics are not just a considered decision; they are an instinct. Always remember, that you are part of a collective voice that impacts society.

So, once again, in conclusion, ethics aren't a dusty textbook topic; they should be the central core of our existence. Whether you are deciding how to treat a family member, friend, or colleague, or navigating a complex financial challenge, remember that being ethical matters - it's the compass that guides our future.

Garth de Klerk
Chief Executive Officer
The Insurance Crime Bureau (SAICB)

# ITOO'S NICOLENE CLAASSEN, BREAKING BARRIERS IN THE INDUSTRY

Insurance is a family affair for 31-year-old Nicolene Claassen, Key Partner Principal at iTOO Special Risks.

Both her parents dedicated many years to the industry, and she credits her mother for the strong role she has played as a mentor throughout her career.

## Academic and career journey

After matriculating in 2011, the Pretoria native obtained numerous qualifications including a BCom Business Management degree from the University of Pretoria, and another BCom degree majoring in short-term insurance from Milpark Education: Business School.

"My true passion and academic focus centred around short-term insurance. My professional journey began with a part-time role as a Key Account Manager at Oojah Travel Protection during my academic years, enabling me to gain invaluable insights into the travel industry and customer service," said Claassen.

"After that, I decided to broaden my horizons with a two-year tenure as a flight attendant with Etihad Airways, in the United Arab Emirates. This allowed me to immerse myself in diverse cultures across the globe," she added.

## Transitioning to the realm of speciality risks

After returning to South Africa, Claassen delved into the African markets as a Relationship Manager for Africa at Hollard Travel Insurance from 2016 to 2018. However, she subsequently decided to challenge herself by exploring a new domain – that of liability and niche insurance.

"After transitioning to the realm of speciality risks, I assumed the role of Business Development Consultant and Underwriter, focusing on environmental liability, particularly in the transportation of dangerous goods," she said.

"Furthering my career, I took up the role of Portfolio Manager at ITOO Namibia, based in Windhoek, where I spearheaded local business growth through fostering broker relationships, diversifying underwriting activities, and conducting comprehensive product training across all major ITOO lines of business," she added.

### Various roles within multiple regions

Positioning Claassen in various roles within multiple regions over the last six years, iTOO Special Risks allowed her to continuously learn and expand her expertise in this dynamic field.

"Currently, I serve as the Key Partner Principal within the Partnership Team, which is an engaging role that not only involves actively supporting our existing industry partnerships across multiple areas of our business including business development, finance, reinsurance, valuations and project management but also entails exploring new partnership prospects in the market," emphasised Claassen.

She explained that this includes identifying suitable distribution partners, such as Underwriting Management Agencies (UMAs) seeking a home to further grow and diversify their businesses, as well as partners within the niche insurance value chain to enhance their current product offerings and risk management. iTOO can provide tremendous value, whether to an existing business or a start-up.

"I have a deep-rooted enthusiasm for the insurance and reinsurance sectors. My commitment to continuous growth is evident in my relentless pursuit of acquiring new skills and surpassing professional expectations," said Claassen.

She pointed out that while insurance is historically a male-dominated sector, the industry has seen more women rising in leadership roles over the past few years, which is also a reflection of society continuing to challenge traditional gender roles.

"Women are seeing an increasing gender representation in the professional environment, but that is not to say that enough has been done in this area. Achieving complete gender parity would require active participation by the industry, as a whole, and this should be seen as both a sectoral and national imperative," continued Claassen.

"I encourage all young female professionals to explore careers in the insurance sector, as the insurance industry has so much to offer," she added, emphasising the sector's need for young and dynamic talent to learn and grow from seasoned professionals nearing retirement.

Claassen's career is a reflection of her deep-rooted passion for insurance and her commitment to continuous professional growth. Her journey, marked by diverse experiences and a steadfast dedication to the industry, serves as an inspiration for the next generation of female professionals. As she continues to advocate for gender parity, Claassen remains a driving force in shaping the future of insurance. ●

# CHARTING THE COURSE:
## a conversation with Bryte's Group CEO, JP Blignaut

**JP Blignaut** assumed the role of CEO at Bryte Insurance in 2022 and Group CEO in 2024. Amid a challenging socio-economic climate, he has been instrumental in steering the company's growth trajectory.

**FAnews** had the opportunity to speak with JP about the significant milestones, obstacles, and transformations at Bryte. He shares his vision for the company's future direction under his leadership, particularly in adapting to ongoing changes and dynamic market trends, as well as Bryte's strategies for maintaining competitiveness and innovation in the years ahead.

**Q Briefly, can you elaborate on your journey leading up to your role as Group CEO of Bryte?**

**BLIGNAUT**: My insurance journey began in 1992, when I was awarded a bursary to study Actuarial Science. It changed my life!

I joined Bryte in 2012 as the Chief Underwriting Officer after working abroad for ten years in various insurance roles. As Chief Underwriting Officer, I led the actuarial pricing, data and analytics, reinsurance and technical underwriting teams.

In 2017, I assumed responsibility for Bryte's Specialist business (Marine, Engineering, Hospitality, and Corporate Property).
In 2022, I was appointed CEO of the South African short-term insurance business. In January 2024, following Edwyn O'Neill's retirement, I assumed the role of Group CEO of the Bryte Africa Group, which includes Bryte Life and Bryte Botswana.

**Q Briefly, how did your background in the industry contribute to your current role and success in leading the team at Bryte?**

**BLIGNAUT**: I have worked in several insurance segments, such as life, health, pensions and short-term, and in most business functions across many segments and markets. For example, my work experience in Asia's fast-paced, diverse and growing economies and Europe's more stable and predictable economies have given me a unique and diverse perspective of the insurance ecosystem. This perspective has enabled me to serve our clients and distribution partners better.

Irrespective of industry or country, the one aspect that I have always valued is people. People come first—and more importantly, healthy, productive relationships—in building sustainable businesses.

**Q How do you envision leading Bryte towards future growth and innovation during your tenure?**

**BLIGNAUT**: We have a solid foundation for growth and innovation: a healthy balance sheet and organisational culture.

Bryte's future growth is underpinned by:

a) Our commitment to the brokers and, therefore, our ongoing investment to optimise this distribution and enhance our core commercial insurance capabilities.

b) Leveraging our deep specialist insurance and sector knowledge to find proactive solutions for our clients and distribution partners. In addition to our unique partnership model for UMAs, this is the "engine" behind the growth of our Specialist and Insurance Partnership business.
c) Further investment in enhancing our digital capabilities. Bryte's digitisation journey commenced several years back and included implementing a new administration system, employing new technologies across different areas, and using robotics to create operational efficiencies. Internally, we have also provided our employees with a similar digital experience with new communications technologies implemented and an enhanced online HR system.

**Q As CEO, what strategies have you implemented to enhance Bryte's resilience and value proposition for insurance industry partners and customers?**

**BLIGNAUT**: Bryte's heritage dates back close to 175 years. We have a sustainable and resilient business. To ensure that this continues, we are a purpose-led organisation. We are in business to protect our customers' businesses and ensure livelihoods.

Our unique culture enables us to prioritise our clients (policyholders) and business partners by providing the best service. We are always looking to engage with our distribution partners to enhance our service offering and make It easier to do business with us. We further build resilience by consistently developing and supporting our employees.

**Q How do you envision Bryte's future trajectory under your leadership, particularly in navigating ongoing changes and evolving market dynamics?**

**BLIGNAUT**: The global and local events that defined the past four years have changed the insurance market and, therefore, have sparked change in our business. The changes were no doubt challenging for our clients, distribution partners and our business; however, through navigating this change, we recognised the opportunities to conduct our business differently, particularly the acceleration of implementing our digital capabilities and further diversifying our product and distribution capabilities.

Resilience and sustainability underpin our approach to how we conduct business. We have a well-defined purpose and clear strategy that is responsive to the operating environment and helps us navigate unexpected events or "outliers."

**Q Can you elaborate on the key achievements, challenges, and changes Bryte has successfully navigated since 2022 under your leadership and how these reflect the company's culture and relationships with partners?**

**BLIGNAUT**: We are proud of the organisational culture we have created because it allows for the optimal balance between performance and care. Everyone at Bryte is empowered to make decisions supporting our partnership approach.

Every claim is an opportunity to deliver on our promise to our customers and distribution partners. Specifically, I am proud of how we managed the challenging market events in 2021 (KZN unrest) and 2022 (KZN floods) by prioritising the necessary support to affected customers, distribution partners and employees. Through our consistent investment in operational efficiencies, such as using robotics, we processed significant claims volumes, allowing the teams to focus on the more complex claims without affecting our great service levels.

**Q Looking to the future, what risks do you think should receive greater attention, and what can/should insurers do?**

**BLIGNAUT**: Two risks are top of mind:
The first is the change in climate. Weather patterns are increasingly unpredictable and extreme, and as such, weather-related claims cost more. To mitigate the increased cost of claims, we have implemented several initiatives, including negotiating favourable terms with service providers and reducing fraud.

Unfortunately, specific properties in high-risk areas will likely become uneconomical to insure against weather-related perils. We will continue to partner with clients and distribution partners to find feasible alternative solutions. In other countries, the government and the insurance industry have developed policy arrangements to provide some insurance cover for these risks. We, as an industry, should continue to explore this opportunity.

The second risk relates to cyber. The increasing number and threat level of cyber-attacks will only be exacerbated by disruptive technologies such as Artificial Intelligence. Insurers must ensure we have the most effective controls to be resilient to cyber-attacks; this includes rigorous training of employees to be aware of phishing attempts to protect our clients and business partners' information.

**Q How does Bryte plan to adapt to future changes and challenges in the insurance landscape while maintaining its commitment to protecting customers' businesses and livelihoods?**

**BLIGNAUT**: Investing in our people, followed by investing in new technologies, will be a significant differentiator in the market, enabling us to effectively service our clients and our business partners.

**Q How important are brokers to Bryte?**

**BLIGNAUT**: Partnering is at the core of our value proposition. This philosophy is also reflected in our brand identity – therefore, partnering with our brokers is part of who we are. We rely on brokers to provide our policyholders with the best advice and service. We, as Bryte, in turn, provide the brokers with the training, support, and technology they require to enable them to service our policyholders well.

**Q Lastly, your message for our FAnews readers.**

**BLIGNAUT**: I want to thank all brokers and business partners for their continued support. As we navigate this new operating environment, our brokers and partners can rest assured that Bryte will continue to support them and enable them to provide valued advice and service to our mutual clients. ●

Rianet Whitehead, FAnews Editor chats to Riaan van Reenen, CEO of Discovery Life, about his career journey, key shifts at Discovery Life, innovations in insurance, and their commitment to advisers. Discover how Discovery Life stays ahead in product development and their Shared Value philosophy. Don't miss insights from a leader shaping the future of insurance.

Through their dedication to innovation, customer-centric solutions, and strong adviser partnerships, Discovery Life continues to lead the way in the insurance industry, ensuring that their mission of making people healthier and safeguarding their lives remains at the forefront of all they do.

# REDEFINING INSURANCE: in conversation with Discovery Life's CEO

In the fast-paced world of insurance, where innovation and client-centric solutions reign supreme, Discovery Life stands out as a beacon of innovation.

Through a recent conversation with **Riaan van Reenen, CEO of Discovery Life**, **FAnews** gleaned insights into how the company is reshaping the insurance landscape through strategic pivots, groundbreaking innovations, and a strong commitment to advisers and shared value principles.

## Witnessing organic growth

Van Reenen's journey with Discovery began nearly 25 years ago as a young actuarial student at Discovery Health. His career has seen him rise through the ranks, starting in actuarial and valuation roles before moving to Discovery Life.

"It's been a privilege to witness our organic growth, policy by policy, without acquisitions," said van Reenen. He highlighted the significant milestones achieved along the way, such as the launch of Discovery Invest in 2007, and the continuous innovation driven by their advisers.

As CEO for almost five years, Van Reenen's role has evolved from technical actuarial work to leading strategic initiatives with a skilled team. This includes enhancing adviser partnerships, managing distribution, operations, and shaping overall business strategies. He reflects, "It's been an incredible journey."

## The impact of Discovery's initiatives

At the heart of Discovery Life's mission is a clear purpose: making people healthier and enhancing and protecting their lives. This mission fuels Van Reenen's passion and energy. He finds fulfilment in seeing how their innovative products and shared value insurance model incentivises healthier living, leading to tangible health improvements. "Whether directly supporting policyholders or ensuring financial security for their loved ones, this is the heart of our mission and what drives me," he shared.

Over the past 25 years, Van Reenen has observed a significant cultural shift towards healthier lifestyles, evidenced by trends like earning Vitality points and embracing active living. "We've seen significant reductions in smoking, increased gym attendance, and improved dietary habits," he noted. Their data, particularly from Vitality engagement, shows marked improvements in health behaviours, underscoring the impact of their initiatives.

Addressing obesity remains a significant concern, especially in affluent risk segments. However, Van Reenen is optimistic about the considerable progress made as more people adopt healthier lifestyles. "There's a noticeable trend towards healthier habits and weight reduction, supported by technological advancements. It's encouraging to witness these positive developments," he remarked.

## Product development and innovation

While BMI is not a perfect measure, it remains a strong indicator of risk based on extensive data. Discovery Life has refined its approach over time by considering factors like waist circumference to better assess varied body compositions and risk profiles.

"As data and technology evolve, so does our understanding and measurement of risk," said van Reenen.


## RIAAN VAN REENEN - CEO: DISCOVERY LIFE

As people live longer, Discovery Life also creatively addresses this trend by focusing on sustainable products that cater to customers from young families to retirement. Benefits are structured to provide comprehensive risk cover and rewards throughout life stages, including retirement. "We adjust engagement and incentives to promote healthier behaviours as customers age, ensuring ongoing value across their lifecycle," said van Reenen.

He also highlighted recent changes and innovations at Discovery Life, emphasising the centrality of advisers and customers in their product development strategy. Leveraging decades of experience and technological advancements, Discovery Life has streamlined its offerings into user-friendly products.

The new mobile-accessible life plan, integrated with the shared value model, showcases the benefits of Vitality engagement and converts health efforts into tangible benefits. Additionally, the Advisor 360 online platform simplifies quoting, data capture, and underwriting processes for advisers, significantly reducing underwriting turnaround times to just 30 minutes in many cases.

### Central to Discovery Life's success

Van Reenen draws inspiration from a leadership quote used by their Chairman: "Courage, clarity, and humility." This mantra serves as a guide in his leadership, helping him measure decisions and actions. His leadership style revolves around surrounding himself with excellent people and fostering strong teamwork. "Our partnership with advisers is integral to Discovery's leadership style. We tackle challenges and celebrate milestones together, fostering a cohesive approach to success," he explained.

Among the standout achievements of the Discovery Life team is the pioneering of shared value insurance. By incentivising healthier living, they reduce overall risk, leading to savings for insurers and benefits like lower premiums and enhanced rewards for policyholders. Expanding this concept internationally with partners has been another standout moment, showcasing the impact of their vision across borders.

Continuous innovation and creativity are central to Discovery Life's success. A dedicated research and development team focuses on new ideas and customer solutions, aiming to launch impactful products annually. "Customer and adviser feedback is pivotal. We listen closely to understand their needs, shaping our development decisions," van Reenen emphasised.

### Customer solutions and adviser partnerships

Through their dedication to innovation, customer-centric solutions, and strong adviser partnerships, Discovery Life continues to lead the way in the insurance industry, ensuring that their mission of making people healthier and safeguarding their lives remains at the forefront of all they do.

In his concluding remarks, van Reenen extended his heartfelt thanks to all advisers for their continuous support. "Our longstanding partnership with advisers has been crucial to Discovery Life's success. We strongly advocate for financial advice, particularly for important decisions such as life insurance, long-term disability, or severe illness cover, which should always be part of a comprehensive financial review." ●


## Conrad Erasmus, Group CEO of Digicall

Digicall stands at the forefront of business outsourcing and incident management, a role we've embraced since our inception in 2003. Operating across South Africa, Australia, and the UK, our team of 6 000+ employees ensures seamless customer service and efficient incident management, allowing our clients to concentrate on their core business activities.

Our services span from early-stage collection support to handling critical incidents like burst pipes and vehicle damage, reinforcing our commitment to excellence in every interaction. At Digicall, it's our people who define us - dedicated professionals who embody our brand and deliver world-class service with unwavering reliability.

Our female employees are integral to Digicall's success, embodying our commitment to diversity, equity, and inclusion. They play pivotal roles across all facets of our operations, bringing unique perspectives and talents that drive innovation and excellence. We celebrate their achievements not just during Women's Month but every day, recognising their invaluable contributions to our growth and success.

Digicall provides equal opportunities and fosters an inclusive environment where every employee, regardless of gender, can thrive and advance in their career. Our commitment to empowering women through mentorship, leadership development, and career growth initiatives underscores our belief in their potential as key drivers of our continued success.

## Adri Van Tonder, Operation Manager, Digicall Assessing Services

**Q Being Operations Manager with a company that has so many facets must be challenging – how do you keep juggling the balls?**
I'm passionate about my work and rely heavily on my trusted team to keep things running smoothly. For me, teamwork is key.

**Q Your career journey... please share the amazing parts, specifically at Digicall.**
My eight-year journey at Digicall has been rewarding, starting in the Western Cape DAS under Lynette Barnard and advancing to Operations Manager in Johannesburg by 2020.

**Q Did you receive any mentorship that was particularly influential in your career growth?**
Within Digicall, Danie Rossouw and Irene Nel were particularly inspiring. However, my team has played the most crucial role in shaping my leadership style.

**Our female employees are integral to Digicall's success, embodying our commitment to diversity, equity and inclusion. They play pivotal roles across all facets of our operations, bringing unique perspectives and talents that drive innovation and excellence.**

ADRI

**Q In what ways have you been able to contribute to the growth and success of the company?**
My main contribution has been uniting my team to work cohesively. It's their hard work and dedication that drive our success, alongside streamlined processes.

## Bertha Phalane, Glass Services Team Leader, Digicall Glass Solutions

BERTHA

**Q As a team leader, how do you motivate your staff?**
I motivate my team through teamwork, approachability for support, accountability, proactive problem-solving, open communication, mutual respect, and morale-boosting activities.

**Q Your career journey… please share the amazing parts, specifically at Digicall.**
I've been with Digicall since 2011, starting in Bryanston and growing with its move to Craighall Park. Leading the building glass team in the Digicall Glass department, I find reward in recognition for hard work, engaging in team-building events, and the company's commitment to supporting the community and inclusivity for disabled employees like me.

**Q Who or what has inspired you the most in your career journey?**
I'm inspired by management's trust in me to handle major accounts independently, daily challenges that drive excellent customer service, and the strong teamwork within my department and Digicall overall.

**Q How has the company supported your career aspirations and development goals?**
Digicall has supported my growth by providing tools, funding my studies, and enabling me to attend courses.

## Danél Odendaal, Talent Management Specialist, Digicall Group

DANÉL

**Q Attracting the right talent is important… how do you 'sell' Digicall to a potential employee?**
We emphasise adaptability, innovation, diversity, and belonging, attracting top talent who align their aspirations with our collective success. This defines Digicall, helping prospective talent envision their future with our dynamic organisation.

**Q Did you receive any mentorship or guidance that was particularly influential in your career growth?**
Debbie Victor, our current CPO, has guided and trained me in HR Consulting. Her mentorship has motivated me to excel.

**Q What were some of the challenges you faced along the way, and how did you overcome them?**
Navigating Digicall's complexity challenges you to innovate with human-centric solutions. Overcoming these challenges fosters resilience, drives personal growth, and turns obstacles into positive opportunities.

**Q What specific opportunities for professional development have you pursued at the company and how have they contributed to your growth?**
At Digicall, I've advanced as a Talent Manager and Industrial Organisational Psychologist (IOP), benefiting from leadership development, coaching, and mindset transformation. This investment fosters a collaborative, empathetic, and accountable culture, enriching our environment, boosting teamwork, and driving collective success.

## Felicia Mofekeng, HOC Supervisor, Digicall Assist SA

**Q Life is challenging. How do you maintain a work-life balance?**
Navigating departmental transitions has taught me valuable lessons in setting clear priorities and maintaining an organised schedule. This approach minimises procrastination, allowing me to balance work, family, and other commitments effectively.

FELICIA

**Did you receive influential mentorship or guidance in your career growth?**
Yes, particularly from Margaret Mkhungo, my Line Manager. Her success stories and guidance at Digicall shifted my perspective and inspired me to pursue growth opportunities like learnerships and bursaries, fostering my development as a leader.

**Your career journey… highlight the amazing parts, specifically at Digicall.**
Joining Digicall in September 2021 as a Call Centre Agent, I moved to the VAS department as a Case Manager in April 2022, and then to a supervisor role in the HOC department by May 2024. The highlights include representing Digicall at the Johannesburg Dream Centre Seminar, engaging with students, and participating in events like the JP Morgan Corporate Run and Mandela Day initiatives, all significantly boosting my personal and professional growth.

**How has Digicall supported your career aspirations and development goals?**
Digicall has supported my aspirations with opportunities like completing a learnership in HR Management and Practices in October 2023 and receiving a bursary to pursue an HR degree at Regent Business School. Ongoing training in areas like Excel and workshops continue to enhance my skills and development.

## Margaret Mkhungo, Call Centre Manager, Digicall Assist SA

MARGARET

**You must have some interesting stories to tell as a call centre manager – which one are you most proud of?**
One memorable story involves a single mother who was on the verge of burnout but remained dedicated to her work despite personal challenges. I provided the necessary support and resources, and she eventually became one of our top performers.

**Can you describe the key milestones you've achieved during your time here?**
My journey at Digicall started in 2012, after our acquisition from Izinga. Beginning as a supervisor in HOC, I oversaw multiple campaigns and cultivated crucial relationships. Through dedication, I earned a promotion to Call Centre Manager, expanding my responsibilities, enhancing relationships, and effectively managing staff. Mentoring new managers has been particularly rewarding, as I share my skills and contribute to their success.

**What are your aspirations for the future in terms of your career at the company?**
I aim to advance within Digicall, aspiring to roles like Chief Operating Officer. Committed to returning the company's investment in my development, I will uphold its values, contribute to our success, and nurture a positive work environment.

**Did you receive any mentorship or guidance that was influential in your career growth?**
Debbie Victor, our current CPO, guided me through learnership programs, and Irene supported me during my degree pursuit. At Digicall, our exceptional women leaders like Elaine, Sharon, Linda, Danel, Tamara, and Charmaine have provided invaluable guidance and support that has been pivotal to my success.

## Mosebudi Sedula, Senior Supervisor, Digicall Assist SA

MOSEBUDI

**What strategies and principles do you believe are essential for effective management and fostering a productive team environment?**
Empowering my team with resources, training, and autonomy fosters accountability. Regular check-ins, feedback, and recognition proactively address issues. By setting a positive example, being approachable, and adapting to change, I cultivate teamwork and productivity, enabling us to achieve goals and deliver exceptional results.

**Did you receive any mentorship or guidance that was influential in your career growth?**
My manager, Sizwe Ngengebule, and COO, Irene Nel, have been significant mentors. Sizwe guided my career progression and identified an opportunity for me as a Real-Time Analyst, supporting my enrolment in a data analysis course at the University of Cape Town.

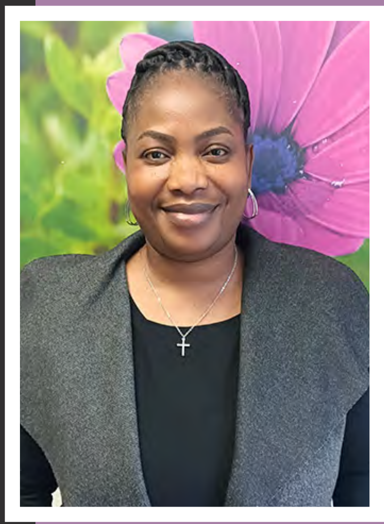
**What were some of the challenges you faced along the way, and how did you overcome them?**
Workwise, I've been fortunate with a supportive team, and personally, my family home in

Limpopo was destroyed by a fire in 2023. Digicall provided immense support through counselling and donations, aiding us in rebuilding.

**Q In what ways have you been able to contribute to the growth and success of the company?**
I've contributed by adopting a strategic mindset focused on organisational objectives and making informed decisions that drive business growth. By balancing financial benefits, and potential risks, and aligning with the company's vision, client needs, and employee interests, I've achieved high-quality outputs and made a tangible impact on the organisation.

## Patricia Mvalo, Operations processing, Digicall Pluming Solutions (Fogi)

**PATRICIA**



**Q What motivates and inspires you daily to love getting up to go to work?**
Each day brings new challenges, and I am grateful for the chance to help solve clients' plumbing issues. The team at Digicall Pluming Solutions (Fogi) feels like family, providing constant motivation, especially during challenging times.

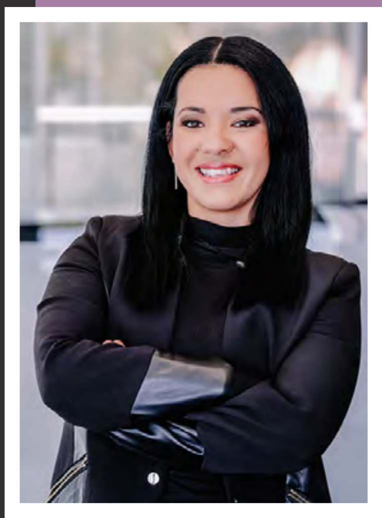
**Q Can you describe the key milestones you've achieved during your time here?**
Despite beginning with just a college diploma and no prior plumbing or customer relations experience, Fogi supported me with computer skills, software training, and speech therapy. I advanced to handle allocation functions, mastering all operational roles over time. I earned several certificates, including one for long service, and am now fully skilled across all operational areas at Fogi.

**Q Did you receive any mentorship or guidance that was influential in your career growth?**
The Fogi team and management consistently support me with problem-solving and active listening skills, encouraging me to strive for better results and work smarter to achieve my career goals.

**Q How has the company supported your career aspirations and development goals?**
As a single mother, I am now a homeowner and vehicle owner, providing my daughters with top-notch education. Fogi's unwavering support has empowered me to become a strong, successful woman.

## Samantha Ramjee, Customer Relationship Manager, Digicall SA

**SAMANTHA**



**Q What motto do you instil in your staff?**
Under our Head of customer relationship management, Elaine Pretorius, our motto is: "We see our customers as partners, not just customers. We collaborate to find solutions that benefit both parties, building strong, lasting relationships and welcoming clients into our Digicall family".

**Q Who or what has inspired you the most in your career journey?**
My greatest inspiration is God, who granted me this opportunity. My late father instilled in me the values of hard work and loyalty, while my husband continues to support me with the same sentiments.

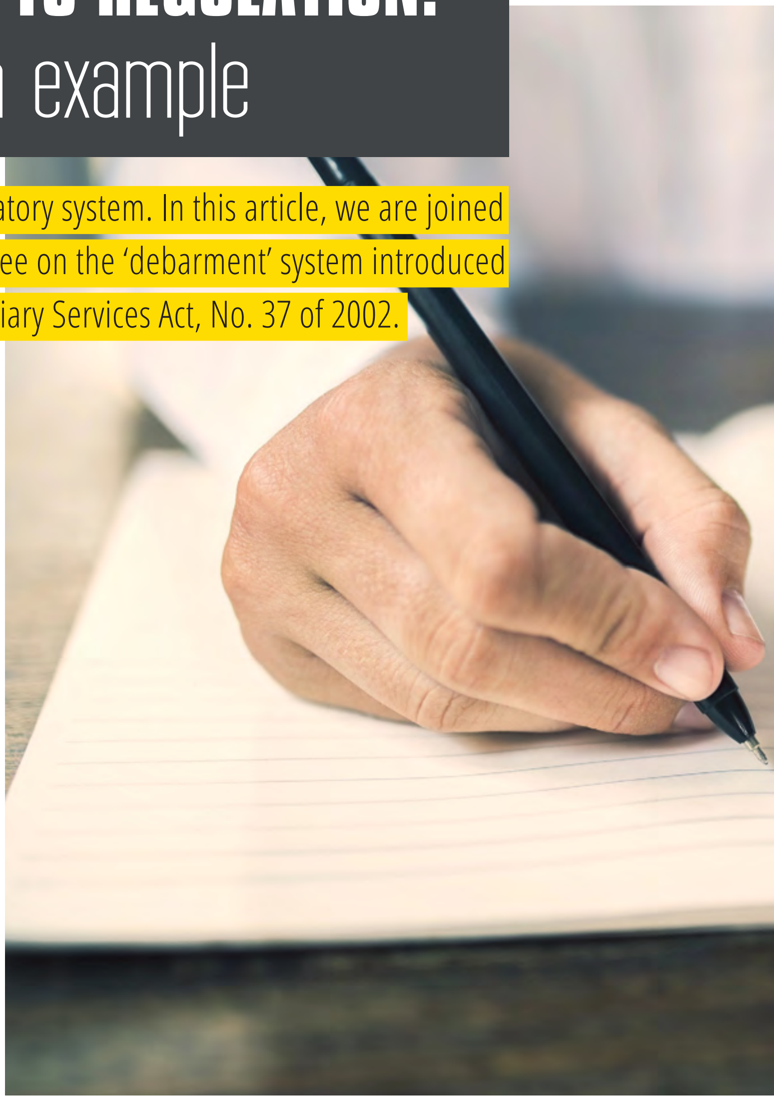
**Q What makes the company an amazing company to work for?**
Digicall provides a platform for significant growth and learning in the BPO and BPM industry. The company's core values have guided my journey and supported my professional development.

**Q What specific opportunities for professional development have you pursued at the company and how have they contributed to your growth?**
Digicall has enabled my growth from FNOL agent to Quality Assurance Specialist, Team Supervisor, and now Customer Relationship Manager. They also supported my education through their bursary program, helping me earn a bachelor's in business administration.

Rianet Whitehead, FAnews Editor chats to Conrad Erasmus, Group CEO of Digicall about the culture at Digicall, the initiatives Digicall has in place to support the growth and development of women, and people in general, within the company, and more.

# BLANK PAGE APPROACH TO REGULATION: FAIS "debarment", as an example

We continue our discussions on the South African regulatory system. In this article, we are joined by our colleague Gift, who is finalising his Master's degree on the 'debarment' system introduced under section 14 of the Financial Advisory and Intermediary Services Act, No. 37 of 2002.



This system has been in place for approximately two decades. During the 2023/24 period, Financial Services Providers (FSPs) debarred approximately 1 300 individuals.

## The 'blank page approach' to regulation

A central theme of this series is that recent statutory interventions, such as the Financial Advisory and Intermediary Services (FAIS) Act, do not always harmonise with established principles of other socio-political systems, such as Common Law and the Constitution. We refer to this as the 'blank page approach,' which is then put into practice. Individual statutory systems often operate as if they exist in isolation, ignoring the historical context that precedes them. In reality, the page is not blank; many socio-political systems have roots stretching back centuries. For example, the Constitution is based on values and principles that have evolved over thousands of years.

To illustrate the 'blank page approach,' we discuss a recent randomly selected debarment determination involving section 14 of the FAIS Act. In *Oupa T. Nenweli versus King Price Insurance Company (ZAFST 165/2023)*, the 'debarred' employee (the applicant) unsuccessfully appealed to the Financial Services Tribunal (FST) to lift the debarment imposed by his employer [par 5]. He admitted guilt to the allegation that in December 2022, he falsely claimed to have 'sold' a 'ghost' policy, which would inflate his earnings [par 9 and 10]. He had been employed for 11 years, and his employer had placed significant trust in him due to his long service [par 13].

There is no indication that a transcript exists of the debarment hearing but merely that it was agreed that the matter may be decided on the submitted documents [par 4]. Following his debarment, the applicant applied for reconsideration, emphasising that his livelihood as a sales consultant supported his family, including dependent children and parents [par 12.2 & 3]. The Tribunal rejected his application, asserting that personal circumstances do not mitigate the fit and proper requirements outlined in the FAIS Act [par 14]. Therefore, the Tribunal concluded that the applicant did not provide sufficient grounds to overturn the debarment and dismissed the application.

This approach assumes the FAIS Act operates in isolation, unaffected by other laws. It emphasises the few words in the FAIS Act concerning fit and proper requirements, ignoring broader legal contexts. This is a narrow interpretation, the 'blank page approach'. It is suggested a different outcome might emerge when considering a broader legal framework.

## FAIS debarment and common law interpretation

Firstly, it must be understood that the 'debarment' system is a creature of statute. Therefore, the starting point is to establish whether the matter indeed falls under the purview of section 14 of the FAIS Act.

In doing so, there is the presumption that any statute intends to change the common law as little as possible. The FAIS Act must be interpreted in light of the existing common law. The right to work is a fundamental right, so the debarment provisions must be narrowly construed. Being a creature of statute, the Tribunal has to be satisfied that the matter before it falls squarely within the four corners of the statute.

## The purview of FAIS

The relevant portion of the current version of section 14 reads: *"An authorised financial services provider must debar a person from rendering financial services who is: (i) a representative of the financial services provider; (ii) if the financial services provider is satisfied that the person; (iii) no longer complies with the requirements of section 13(3)."*

In this case, King Price purported to debar its employee. Therefore, it is first necessary to demonstrate that King Price is an FSP. The definition of an FSP is provided in the FAIS Act, which distinguishes between an FSP and a Product Provider (PP). FAIS also refers to Product Suppliers (PS) which presumably is the same as a PP. So there are PP[S]. An FSP is not a PP[S]. The obligation to debar its representative lies solely with the FSP under prescribed circum-

stances. A PP[S], legally speaking, not only has no obligation to debar anyone but is also incapable of doing so.

Therefore, the question arises: is King Price, as an insurer, an FSP? It is not. It functions as a product provider or supplier (a PP[S]). In the context of non-life insurance, the FSP acts as an intermediary, which is what FAIS governs. The insurer, as a product provider, lacks the authority to debar its employees. The question of whether or not King Price is a FSP is not canvassed in the determination.

Secondly, is the applicant a representative in terms of FAIS? He is described as a sales consultant [par 12.2]. Another aspect is that the representative is to be barred [ie prevented] from providing financial services to clients. The FAIS Act aims to protect clients and the public from representatives who provide substandard advice or intermediary services on behalf of the FSP to clients. In the case of King Price, the employee is accused of falsifying an internal record to indicate a 'sale' which did not occur. This does not involve any representations to a client. It is purely an internal matter. Therefore, it appears that the applicant was not acting as a representative, and this matter could and should be handled under normal labour law procedures. The allegation has no connection to the FAIS Act activities.

Thus, it is not clear whether the matter falls within the purview, of the four corners of FAIS.

**Employer "debarring" employees?**

There are two key aspects to consider: the labour law perspective, where employers conduct disciplinary hearings and the issue of debarment.

## Employer and disciplinary hearings

In this case, the applicant is also an employee. The PP[S] is the employer. The employer-employee relationship is governed by labour law, which has evolved significantly in recent years. It is also regulated by acts such as the Basic Conditions of Employment Act and the Labour Relations Act, providing dispute resolution mechanisms including the CCMA. With ample legislation in place, employers can take action against employees without requiring additional laws.

## Employer and "debarment" hearings

In terms of the common and labour law employers have a legal basis to conduct disciplinary inquiries and dismiss employees. Apart from FAIS and restraint of trade agreements, no legal basis exists preventing dismissed employees from securing employment elsewhere. The power of employers to debar employees in terms of FAIS is extensive and unprecedented. While terminating employment is justified, preventing employees from working elsewhere is not. The determination refers to the holding of a disciplinary hearing but not a debarment hearing [par 8].

Historically, employers have sought to restrict employees' job options through restraint of trade agreements. However, courts have consistently rejected broad employer ability to curtail employees' job-seeking abilities, citing fairness concerns. The FAIS section 14 debarment provision conflicts with these principles that limit the restraint of trade contracts.

## Debarment or cancellation?

The terms "debar", and "debarment" lack definitions in the FAIS Act. However, debarment under the Act differs significantly from its conventional understanding. For instance, a professional chartered accountant, if debarred, loses the right to practice as such but can still work in other capacities, like an ordinary accountant or financial manager. In contrast, someone debarred under the FAIS Act faces severe restrictions on being employed within the financial industry - being "cancelled" is a more fitting descriptor.

Debarment in the FAIS Act necessitates taking a broader perspective beyond the Act itself, moving away from the notion that FAIS operates independently. Such an approach could yield different outcomes.

*In a forthcoming article, we will delve into how FAIS debarment should intersect with constitutional principles.*



Prof Robert W Vivian
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# WHAT HAPPENED TO COFI?

Some years ago, the buzzword on everyone's lips was the Conduct of Financial Institutions (COFI) Bill, but more recently, this topic seems to have taken a backseat. For those who need a reminder or are unfamiliar with it, what is COFI?

## A comprehensive market conduct framework

The Financial Sector Conduct Authority (FSCA) states that the COFI Bill is being implemented to "reshape the future conduct regulatory framework by consolidating the conduct financial sector laws into a single overarching piece of conduct legislation."

First published for public comment in 2018, and then again in 2020, COFI's key objective is to improve customer outcomes and ultimately formalise the application of the principles of Treating Customers Fairly (TCF). In order to give effect to this objective, the Bill includes a number of consequential amendments to incorporate and consolidate many of the existing pieces of legislation which currently govern the financial services sector. These include, amongst others, the Long-term Insurance Act, the Short-term Insurance Act, the Pension Funds Act and the Financial Advisory and Intermediary Services Act (FAIS).

Once enacted, the Bill will repeal these current sectoral financial laws and will provide a comprehensive market conduct framework for financial institutions and service providers. This will ensure a consistent and complete approach to regulating market conduct across the financial sector.

## High-level and principles-based

So, does this mean that all these rules and regulations will cease to exist? No. The FSCA will be empowered through the conduct standard-making provisions in the Financial Sector Regulation (FSR) Act to set conduct standards under the COFI Act, meaning that while COFI is high-level and principles-based for the most part, the detail will be contained in conduct standards, all of which will need to follow a public consultation process before implementation.

Post implementation of COFI, the FSCA will issue each financial services provider with a conduct license that authorises it to perform one or more specified activities, with respect to one or more specified classes of financial products, to one or more specified types of customers. Prudentially regulated institutions will then be required to have a conduct license and a license under the Prudential Authority.

COFI aims to establish a regulatory framework that is more principles-based and proportionate, tailored to the size and complexity of financial providers. This framework seeks to reduce unnecessary regulatory burdens while enhancing consumer protection through robust enforcement against institutions that neglect customer interests. Additionally, the bill promotes the modernisation of the financial sector and encourages the adoption of new technologies, thereby fostering a more inclusive economy and financial sector.

While we have been expecting the Bill to be tabled in Parliament for quite some time, and have not had any formal public consultation on the Bill since 2020, there has continued to be much debate behind the scenes regarding some of the provisions of the Bill, and at the time of writing, we understand that the Bill is currently being reviewed by the State Law Advisers, and consideration is being given to moving a number of the consequential amendments from the Schedules of the Bill into a separate Omnibus Bill, so that the consequential amendments will not have an impact on the overall implementation of the Bill.

The FSCA has also indicated that they are in the process of finalising and implementing a plan to develop a regulatory framework under the COFI Bill, but are also considering some alternative interim measures given the delay in finalising the Bill.

This is where we, the FIA, play such a valuable role in that we can engage with a broad set of stakeholders and present the advisory industry views as a consolidated voice. The new framework for implementation of COFI, and the conduct standards will all need to be consulted upon and it is, therefore, imperative that members provide us with their feedback so that we can understand the impacts and challenges in the industry.

It is also important that we continue to foster strong relationships with the various regulators to ensure that our engagement with them is as a trusted partner who constructively participates in the interests of the industry and the consumer.

**Samantha Williams**
**Head of Legal & Regulatory Affairs**
**Financial Intermediaries Association of Southern Africa**

# THE COFI BILL...
## still front of mind for many

The Conduct of Financial Institutions (COFI) Bill is still front of mind for our financial sector regulators, the National Treasury and everyone in the financial services sector, including banks, insurers, financial advisers, pension funds, collective investment schemes, and brokers.

All stakeholders should start thinking about the implementation of compliance policies and systems in anticipation of the COFI Bill coming into effect. The COFI Bill is intended to provide a new regulatory framework for the conduct of financial institutions. It addresses the market conduct pillar under the Twin Peaks regulatory policy framework that South Africa follows and intends to introduce a customer-focused regulatory framework.

The COFI Bill will bring massive changes to the financial services sector that will impact all entities that provide financial services. The COFI Bill will provide a framework that will allow for new financial products and services to be regulated and for industry-specific codes of conduct and rules to be introduced.

### Anticipating the challenges of the Bill

We note that until the COFI Bill is in a more final form, it is difficult for market players to assess what their compliance obligations will entail and how they will implement the new anticipated legal and compliance obligations.

In light of the magnitude of the change that the COFI Bill will bring to the financial sector, we hope that appropriate transitional periods will be built into the legislation to allow market players the appropriate time to implement the necessary change management protocols, system changes, policies and procedures to effect the new obligations.

The first draft of the COFI Bill was published for public comment in 2018. This was followed by a further draft, which was circulated for public consultation in September 2020. No further formal drafts of the Bill have been published for public comment since 2020. Although a significant period has passed since the last draft, this time delay is expected in light of the magnitude of the expected changes.

The COFI Bill will amend or repeal certain financial sector laws. According to the last draft of the COFI Bill, the following pieces of legislation, amongst others, were identified as being amended or repealed:

- Pension Funds Act;
- Long-term Insurance Act;
- Short-term Insurance Act;
- Financial Institutions (Protection of Funds) Act;
- Financial Advisory and Intermediary Services Act; and
- Collective Investment Schemes Control Act.

### Themed frameworks

The COFI Bill will also pull in activities involving financial products and services that were not traditionally within the scope of the Financial Sector Conduct Authority (FSCA) and create industry-specific rules. Examples of this would be activities within the payment system and crypto assets.

The FSCA published its latest update to its three-year regulation plan in July 2024. The regulation plan covers the period from 1 April 2024 to 31 March 2027. It notes that the FSCA is focused on continuing the work of harmonisation and consolidation of financial sector laws that have cross-cutting themes. The intention is to conduct this through the COFI Bill Transition Project. The FSCA has indicated that the COFI Bill Transition Project is progressing in parallel with the COFI Bill legislative process.

The FSCA COFI Bill Transition Project will be broken into themed frameworks, with certain themed frameworks being prioritised over others. The FSCA indicated that the fit and proper themed framework is enjoying top priority because other developments, such as the development of a single cross-sector licensing framework, are critically dependent on the aforementioned themed framework.

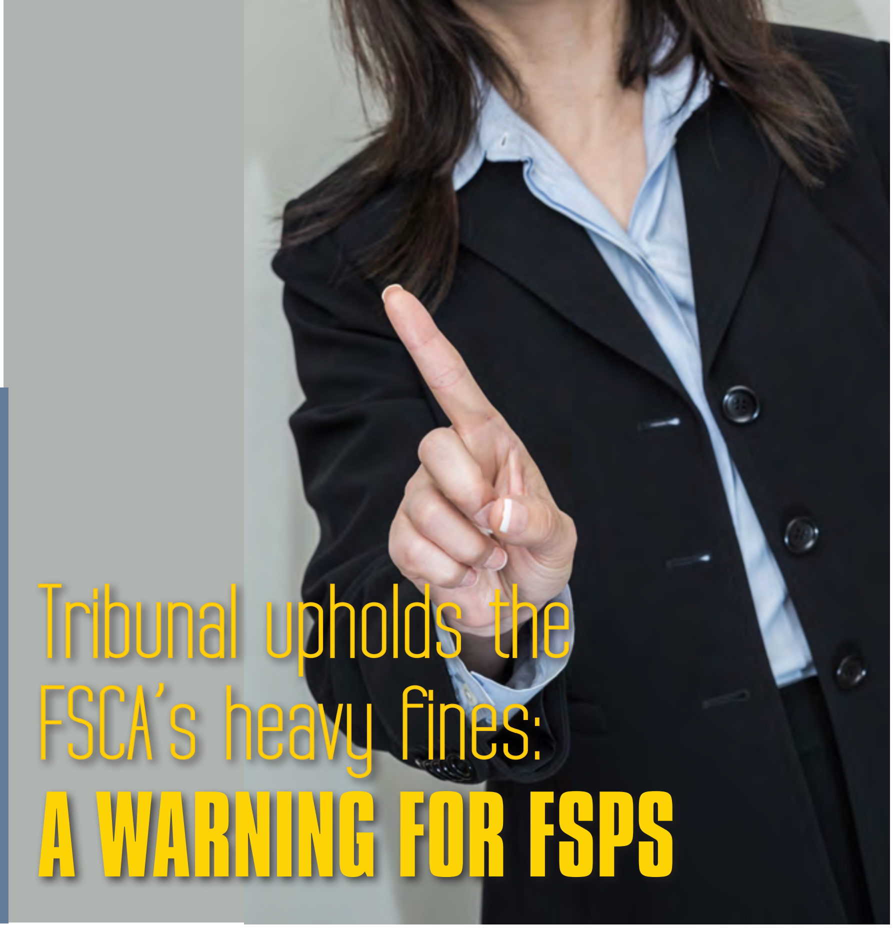
### A top priority

The COFI Bill remains a top priority for the FSCA and National Treasury. The timelines for the implementation of the COFI regulatory framework are dependent on the finalisation of the COFI Bill legislation process. Both the FSCA and National Treasury have indicated that work is actively underway; however, no hard timelines have been committed. We anticipate that the COFI Bill will enter the formal legislative process and be introduced in Parliament before the end of 2024.

**Lerato Lamola**
**Partner**
**Webber Wentzel**

**Sandra Sithole**
**Partner**
**Webber Wentzel**

[1] *At the time of drafting this article (16 July 2024) no further drafts of the COFI Bill had been published for public comment.*



# Tribunal upholds the FSCA's heavy fines: A WARNING FOR FSPS

The Financial Services Tribunal (Tribunal) and the Financial Sector Conduct Authority (FSCA) have warned the public of the risks of fraudulent and unauthorised activities in the forex, crypto and other forms of online trading markets.

The FSCA has increasingly imposed hefty fines and debarments on entities and individuals who have breached the financial sector laws and regulations in respect of such activities, which findings have consistently been upheld by the Tribunal on reconsideration.

## Copy trading

In the matter of Pioneer FX Proprietary Limited (Pioneer FX) and Mr Quintin Moorcroft (Moorcroft), the FSCA imposed an administrative sanction of R2 million for offering copy trading without the required Category II authorisation in terms of the Financial Advisory and Intermediary Act, 2002 (FAIS). Copy trading involves clients linking their accounts to a "master account" with trades automatically being replicated in their accounts.

In a reconsideration of the decision, the Tribunal upheld the FSCA's decision and confirmed that this activity constitutes intermediary services of a discretionary nature, and required a Category II FAIS authorisation, which Moorcroft did not have.

Moorcroft claimed ignorance of the licencing requirements, but the Tribunal found that he materially contravened the provisions of FAIS and further debarred him and Pioneer FX for 10 years. Debarment results in the prohibition of such person or entity from providing or being involved in the provision of financial products or services, prevents them from obtaining the appropriate authorisation and leads to severe professional reputational damage.

The FSCA indicated that the quantum of the fine was based on the losses suffered by Moorcroft's clients and that these heavy administrative sanctions are aimed at deterring future conduct of a similar nature.

## Individual liability for investment advice

In the matter of Mr Craig Massyn (Massyn) and the FSCA, the Tribunal dismissed a review application by Massyn, a former director of a group of companies that operated a forex trading scheme that resulted in substantial losses to clients.

The FSCA previously imposed administrative penalties on Massyn and his co-directors after an investigation, prompted by public complaints, uncovered that the group's entities had advised clients to invest in forex instruments, without the necessary authorisation. The FSCA found that the group of entities, including Massyn, contravened various financial sector laws and imposed an administrative penalty of R20 million and debarred Massyn for 20 years.

Massyn challenged the quantum of the penalty and the length of the debarment, arguing that they were excessive and disproportionate to his role and benefit in the scheme. The Tribunal found that Massyn's application lacked merit and that the FSCA's decision was sound in law and could not be faulted.

The Tribunal held that the penalty was not only based on the benefit derived from the scheme, but on various other factors, such as the nature, duration, seriousness, and extent of the contraventions, the substantial losses incurred by clients, the deliberate misrepresentation by Massyn and the importance of deterrence. Importantly, the Tribunal held that Massyn was in a distinguishable position from the other directors and key individuals, as he was the head trader responsible for the performance of the investments.

## Comply with financial sector laws

These cases highlight the critical importance for Financial Service Providers (FSPs) and key individuals to comply with financial sector laws and act with integrity toward their clients. The Tribunal's decisions reflect a comprehensive consideration of various factors in assessing the FSCA's penalties.

FSPs engaged in online derivative trading or investment advice must ensure they are properly licensed and evaluate whether their platform is providing advice or recommendations to clients and determine whether a regulated activity is being performed.

Shawn Barnett
Director
Norton Rose Fulbright

Kristen de Wet
Associate
Norton Rose Fulbright

Lesego Moloisana
CA2
Norton Rose Fulbright

# THE POWER OF SKILLS TRANSFER AND EFFECTIVE MENTORSHIP

Whenever I used to open my retirement fund statement, I would not look at my balance but rather reflect on how quickly I am approaching the dreaded year of retirement.

In general, society is harsh on the older generation. Besides the fading looks and the wobbly six-pack, there is also the sentiment that 'old' people are past their prime with very little to offer. I decided that I would not allow societal ideas to influence how I proceed with the next half of my career.

### Seeking guidance and coaching

I recognised that I needed to be challenged. Although others have said I was doing well, I still needed some guidance on how to navigate my way to retirement. So, I put my hand up and asked to be coached. I was very fortunate that my firm gave me the opportunity to be coached and encouraged me to pursue this journey.

Coaching was great; it made me realise a lot about myself. It also helped me understand what I had done well, what I could do better, and how I could change the way I do things. I then looked around my firm and came across a gentleman who was on the cusp of retirement. What struck me was juniors to him all praised the same qualities: 'Graham is respectable,' 'Graham cares,' and, more importantly, 'Graham teaches.' I was in awe of this 'old person.' In the back of my mind, I decided I wanted to be like him when I reach retirement.

### The power of mentorship

One day, my coach suddenly said to me, 'I think you should ask Graham to be your mentor.' The idea was both exhilarating and scary. Taking the step to ask Graham to be my mentor reminded me of my matric year when I had to ask a boy to my matric dance. My coach did what he does best: he coached me, and after a month of procrastination, I asked Graham to mentor me. And he said yes!
In my mentoring sessions, what I most appreciated was Graham's candidness. There was no sugar coating. He discussed the good, the bad, and the ugly. He also showed me the value of dedicating time to transferring knowledge. I now realise that one day, when I finally walk out the revolving doors of Bowmans, this will be the positive legacy I leave behind.

Being mentored has made me recognise the benefit of transferring skills. I have had the advantage of accessing a brilliant, more experienced mind, and I would like to think that I have also helped Graham understand the 'generation divide.' As I continue my professional journey, I have come to appreciate the upliftment that comes from transferring skills and knowledge to my younger colleagues. I am valuable because, despite societal views on 'old people,' my experience is priceless. This journey also helps me remain relevant, as I interact with different generations. Additionally, my work life is much more productive because I get the best out of younger team members, which would not be the case if I adhered to management principles from 1989.

### Reaping the rewards

Don't get me wrong; I do not want to get old. At this point in my life, ageing is about my vanity. I will always continue pursuing the proverbial fountain of youth, but I also know that even if I never find it, I will enjoy the journey. I will enjoy the journey of giving, and in doing so, I will also reap the rewards of the many gifts I will receive in return.


Christine Rodrigues
Partner
Bowmans South Africa

# RETHINKING HIGHER EDUCATION: beyond the undergraduate bubble


"Undergraduate degrees are wasted on undergrads".

The premise of this somewhat controversial statement is that a lot is going on at the tender age of 18, when those lucky enough, can pursue tertiary education after school. Whilst there is motivation to do something with our lives, most aren't quite sure what that is just yet.

Therefore, we choose a study path based on available resources, on others' opinions, and often based on what our role models might do. As a result, paired with the newfound freedom of drinking legally, getting around more freely and operating beyond the watchful eye of parents, studying ends up competing with numerous other priorities.

## Some work and life experience

I truly believe that we get the most out of studying after we have some work and life experience.

Now here comes the qualification. Tertiary education does encourage self-discipline, the ability to deduct insights out of volumes of information and to gain some basic concepts that will prepare an individual for the world of work. So, it is not completely wasted, I just think more benefit will come from the investment (time and money), once the individual has more life experiences under his/her belt and he/she understands the practical application of what they are learning.

## Learning by doing

Moving into the workplace. In my team, we encourage candid feedback, and I was told recently that I shouldn't have completed the analysis on a recent budget presentation. It transpired, that reading my output, was not as beneficial to the finance team as doing it themselves. The best way to transfer skills is to let someone try for themselves first. Managers often inadvertently get in the way of opportunities to learn, and I was grateful for this feedback as it was so glaringly obvious.

So, a challenge to individuals, what is on your ' to-do' list that you can allocate to someone else and present a learning opportunity for them?

## See possibilities, seek opportunities

Whilst some managers and environments may be deliberate about creating learning environments, the people who grow the quickest, take responsibility for this themselves. "See possibilities, seek opportunities" is one of our six values at Lombard, and why our flat structure works so well. If people feel that they are trusted and have the latitude to colour outside of their job description, and their comfort zone, it's amazing to see their potential unfold and how much more effective the organisation can be.

A critical ingredient to enabling this is what a colleague calls, "the democratisation of information". With the obvious exception of sensitive, regulated or legally prohibited information disclosure, everything should be at an employee's disposal to let ideas and initiative flow.

## Hire for attitude, train for skill

You can provide all the opportunities and information in the world, but nothing will ever transpire without the right attitude. So, hire people for attitude, and give them exposure, training and the latitude to train themselves.

The moral of the story is:

- For teenagers to do something before studying – work, travel, do a gap year;
- For employees to take ownership of their learning journey, don't wait for opportunities;
- For leaders to do less, give others the gift of exposure and learning by doing;
- For organisations to democratise information as much as possible, any benefit will outweigh the cost; and
- For everyone to start with the right attitude.

**Antoinette Shand**
**Executive Head of Partnerships**
**Lombard Partnerships**


# DIGITAL TOOLS ARE MAKING INSURANCE DISTRIBUTION MORE EFFECTIVE

Digital tools can deepen customer engagement and enhance customers' access to a broader set of personalised products and services.

Digitally enabled insurance distribution, which combines traditional and digital tools and approaches, has been shown to increase insurers' revenue, boost agent productivity, and lower customer acquisition costs.

Digital tools can deepen customer engagement and enhance customers' access to a broader set of personalised products and services. Straight-through processing and digitally enabled distribution also make the submission and quote process more efficient, while making it easier for the company to do business across product lines.

### Customer centricity's competitive advantage

This is about more than just upgrading IT capabilities. It requires insurers to re-examine established processes and ways of working from a customer-centric, rather than product-centric, perspective.

There are four sources of competitive advantage for insurers who apply customer-centricity. It enables an omnichannel approach. In one journey, the customer can shop for cover online, compare competitors' rates and use automated processes for simplicity, although later they may seek human support. Agents can align solutions flexibly to meet customer needs. As customers share more data about their needs, insurers can offer them more personalised recommendations for related services beyond coverage. As insurers gain more insight into customer needs, their greater digital flexibility enables them to launch new products faster.

To establish and benefit from these competitive advantages faster, insurers need to develop a deep understanding of their target customers and integrate this knowledge into their strategic roadmap. They are effectively working "from the customer back", to access, sell to, and serve them effectively, efficiently, and profitably.

### Digital interactions to serve customer needs

BCG, for example, has developed a step-by-step framework that will help insurers use digital interactions to serve changing customer needs, meet customers where they are, and grow existing and emerging segments. It will also help insurers weave digital enablement into all aspects of their business, rather than treat it as a side business managed separately.

It starts with personalisation: developing a seamless experience so that customers can find information on product features, apply online and enjoy demand-based digital services. This requires micro-segmented risk profiling and customised pricing, as well as more tailored protection specific to unique customer circumstances. Insurers have deployed traditional data analytics and predictive AI models for years, but GenAI provides real-time insights from both structured data, such as telematics, and unstructured data, such as notes and phone calls.

The next step is customer conversion. To maximise return on marketing spend, insurers must define where they want to play, and then use a continual test-and-learn approach to quickly identify the channels and propositions that will attract digital-first buyers. GenAI can rapidly generate personalised marketing content as well as automated nurture campaigns, but traffic must be converted into leads. By using analytics to qualify leads, insurers can enable agents or systems to work on the best lead at any given time.

A modern data and technology environment is critical. Investing in data analytics and GenAI helps an organisation accelerate both content development and customer insights. These work most effectively alongside agile teams and product owners, which also reinforces a mindset of customer obsession. All these systems must communicate with each other.

### People, processes, and governance

Success in digital distribution hinges on having the right people, processes, and governance. The organisation and operating model could take many forms. Whatever form it takes, the business, product, design, sales, and marketing functions must be tightly linked to ensure customer-centric learnings are translated rapidly into coordinated actions across all aspects of the business.

Integrating digital distribution is a lucrative, long-term opportunity for insurers. Success depends on being able to think and act differently. Customer obsession is the central pillar, and this governs all aspects of digital distribution. More than ever before, tighter collaboration across functions is necessary.

Nihmal Marrie
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# DIGITAL USAGE IS GROWING, but customers are still dissatisfied. Why?

Consumers increasingly prioritise insurance for its broader societal impact, seeking proactive risk prevention and mitigation from insurers amidst global uncertainties like extreme weather and health crises.

This shift urges insurers to redefine their role beyond mere financial reimbursement, emphasising risk management and proactive solutions that align with consumer values towards societal and environmental benefits.

## Remaining competitive in the market

Insurers must enhance their traditional value propositions and adapt to the changing landscape. The purpose of insurance goes beyond protection – it is also about ensuring that those protected can continue contributing to society. Insurers are facing challenges such as technological advancements, shifting risk landscapes, demographic changes, digital disruption, and emerging competitors.

Insurers must consider expanding their offerings to include 24-hour availability, responsiveness, assistance service solutions, first notice of loss, policy administration, and claims efficiency with a single customer view on all their different customer touchpoints.

The projected shift in the risk landscape due to technological advancements may lead to a decline in traditional insurance premiums but also presents opportunities for new assistance and service offerings to offset this decrease. Customer expectations are changing, and insurers must focus on creating personalised experiences through online and mobile platforms.

## Demographic changes

Demographic changes, such as the ageing population, require insurers to develop new lifestyle solutions and services tailored to specific needs not covered by traditional insurance propositions. Balancing the needs of different generations and adapting to the preferences of digital natives is crucial for insurers to remain relevant. Insurers must embrace digital technologies and IoT to stay competitive and attract new customers, as well as differentiate themselves from emerging challengers from outside the insurance industry.

By focusing on assistance and service-oriented offerings, insurers can add value, maintain relevance, and build stronger connections with customers in the face of growing competition. Adapting to the changing landscape and embracing innovation will be key for insurers to thrive in the evolving insurance market.

## The idea of "assistance services"

The idea of "assistance services" revolves around providing support and aid during emergencies or risky events, including emergency response, problem-solving, and coverage of costs in various emergencies. Typically associated with insurance policies for life, property, or motor vehicles, assistance services aim to offer direct help to customers in times of loss or crisis, surpassing the conventional financial support provided by standard insurance packages.

Value-added services linked to assistance go beyond the limits of insurance coverage, particularly in emergency scenarios. These services extend beyond immediate customer care and monetary assistance at the time of loss, aiming to provide long-term advantages under the insurer's brand.

Examples of these services include but are not limited to:

- Providing risk mitigation strategies, advice, and support.
- Coordinating regular car maintenance, safety checks, license renewals, and fine payments through partner networks, as well as offering motor vehicle valuations and driver monitoring.
- Managing home maintenance, safety checks, monitoring solutions, property valuations, and compliance certificates through partner networks.
- Offering medical emergency response, private hospital guarantees, trauma counselling, and medication reminders.
- Providing crime victim assistance, risky weather condition monitoring, security features like armed response, and preventative services such as chauffeur services.
- Offering FNOL (First Notice of Loss), fast-track claims, self-service portals, funeral assistance, concierge services, and asset registers and valuations.

"Assistance services" have evolved into a comprehensive risk management and support ecosystem, focusing on helping customers prevent losses and safeguard their most valued possessions. This includes educating them about their health, security, property, vehicles, assets, and the associated risks and maintenance needs they may encounter.

Effective assistance and value-added services are crucial to reducing the burden on customers posed by their insurance policies:

- To simplify their lives;
- To promote smarter risk management;
- To prevent claims; and
- To streamline the claims process when they need to claim.

The insurance industry will need to safeguard and bolster its core business while concurrently pursuing new strategies that contribute value and assistance. A total experience ecosystem can serve as a valuable tool in achieving both objectives effectively.

**Wimpie van der Merwe**
**CEO & Founder**
**Global Choices, Digital Path & Claim Central Africa**

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# TRADITIONAL ANALYTICS VS. INSIGHTS: key differences for modern insurance

The insurance industry is progressing fast, and staying ahead means understanding the difference between traditional analytics and insights. These tools, while both essential, offer different benefits and play unique roles in shaping strategies and decisions.

Let's dive into what sets them apart and why both are crucial for advisers, planners, intermediaries, brokers and tied agents aiming to provide top-notch service to their clients.

## Traditional analytics: the backbone of insurance data

Traditional analytics have been the backbone of insurance decision-making for decades. This approach focuses on collecting, processing, and analysing historical data to identify patterns and trends. In simpler terms, it's about understanding what happened and why it happened.

Imagine actuaries poring over years of claims data to calculate risk and set premiums. They use statistical methods to dig into data sets, providing a solid, retrospective view that helps predict future outcomes based on past events. It's like looking in the rear-view mirror to navigate the road ahead. Traditional analytics also encompass descriptive and diagnostic analytics.

Descriptive analytics summarise historical data to understand what has happened, while diagnostic analytics delve into the data to determine why certain outcomes occurred. These methods are invaluable for creating a baseline understanding and identifying the root causes of past events.

## Insights: the catalyst for innovation

Now, let's talk about insights. These are the game-changers powered by advanced technologies like Artificial Intelligence (AI) and Machine Learning (ML). Insights don't just analyse data - they interpret it, offering a deeper understanding that drives proactive decision-making and innovation.

Insights answer questions like, "What's likely to happen next?" and "What should we do about it?" This forward-looking approach helps insurers anticipate future trends, customer behaviours, and emerging risks with remarkable accuracy. For instance, real-time insights can spot fraudulent claims patterns as they happen, enabling insurers to act swiftly and save significant costs.

Predictive and prescriptive analytics are at the heart of deriving insights. Predictive analytics use historical data to forecast future events, while prescriptive analytics suggest actions to achieve desired outcomes. This dynamic duo transforms raw data into actionable strategies, providing insurers with a competitive edge.

## The synergy of traditional analytics and insights

In the insurance world, blending traditional analytics with insights creates a powerful synergy. While traditional analytics lay the groundwork, insights push us to innovate and stay ahead of the curve. Here's why this combination is a game-changer:

1 Enhanced risk assessment: Traditional analytics give us a solid grasp of historical risk patterns, while insights refine these predictions for more accurate underwriting and pricing models.

2 Improved customer experience: Insights help tailor products and services to individual needs. By analysing customer behaviour, insurers can develop personalised policies that boost satisfaction and loyalty.

3 Operational efficiency: Traditional analytics streamline processes by spotting inefficiencies. Insights take it further by offering solutions to optimise these processes. Think of predictive maintenance for digital infrastructure, reducing downtime and costs.

4 Proactive fraud detection: Combining historical data analysis with real-time insights makes fraud detection more effective. Machine learning algorithms can spot anomalies and flag potential fraud before it happens, saving insurers a lot of money.

## The future of insurance

As the insurance industry in South Africa and beyond continues to face new challenges, embracing both traditional analytics and insights is more important than ever.

To remain competitive, insurers must cultivate a data-driven culture, where data is not just collected but actively used to inform every aspect of the business. This involves continuous investment in technology and skills to harness the full potential of both traditional analytics and insights.

By combining these methodologies, we can deliver greater value to clients and stakeholders, ensuring the insurance industry remains resilient and forward-thinking.

Kali Bagary
CEO
The Data Company


# Digital usage vs customer satisfaction - A PARADOX

In an era where digital transformation is no longer just a buzzword, the insurance industry is making significant strides in adopting digital platforms to enhance customer experiences.

From mobile apps to online claims processing, digital tools are now an integral part of the insurance landscape. However, a paradox emerges: despite increasing digital usage, customer satisfaction levels are not keeping pace.

## A primary driver of discontent

Today's customers come armed with high expectations, influenced by their interactions with tech giants like Amazon and Apple. These companies set a high bar for seamless, fast, and intuitive digital experiences. When insurance digital platforms fall short of these lofty standards, dissatisfaction sets in. This gap between what customers expect and what they experience is a primary driver of discontent.

User experience is pivotal. Complex navigation structures, unintuitive interfaces, and technical glitches such as slow load times or crashes can frustrate users. In the insurance sector, where policy details and claims processes are often intricate, a poorly designed digital interface can exacerbate user frustration. Ensuring a smooth, user-friendly experience is essential.

## Concerns about privacy and security

Despite the push towards digital self-service, the human touch remains irreplaceable. Automated systems and chatbots, while efficient, often fall short in resolving complex issues exacerbating frustration in an already challenging situation. Customers miss the personalised support that human agents provide. Delayed responses or inadequate support through digital channels can further erode satisfaction.

As digital interactions increase, so do concerns about privacy and security. Customers are more aware than ever of data privacy issues. Any perceived lapses in protecting personal information can lead to distrust and dissatisfaction. High-profile data breaches only amplify these concerns.

Personalisation is a double-edged sword. On one hand, customers appreciate personalised recommendations and content. On the other, excessive personalisation, especially when it involves extensive data tracking, can feel intrusive. Insurance providers need to find the right balance, using data to enhance the customer experience without crossing the line into discomfort.

## Addressing user experience issues

Customers, today, interact with insurers across multiple channels – from websites and mobile apps to physical branches. Any inconsistency between these touchpoints can be jarring. A customer might find a policy easily online but face difficulties when trying to get the same information via in a mobile app. Ensuring a seamless, consistent experience across all channels is crucial for maintaining satisfaction.

Digital inclusivity is vital. Platforms that are not accessible to users with disabilities can alienate a portion of the customer base. Similarly, issues with device compatibility can frustrate users. Insurance providers must prioritise inclusive design and ensure that their digital platforms work seamlessly across all devices.

While self-service options can empower customers, over-reliance on them can lead to fatigue. Complex insurance issues often require human intervention. Pushing customers to navigate these alone can increase frustration, especially if alternative support options are not readily available. Offering a choice between self-service and direct support is key.

Frequent updates to digital platforms, while necessary for improvement, can be disorienting. Customers need time to adapt to new interfaces and functionalities. Insurance providers should communicate changes clearly and provide necessary training or support to help customers navigate updates smoothly.

Finally, understanding and aligning with customer needs is paramount. Feature overload can overwhelm users, while irrelevant features can lead to dissatisfaction. Insurance providers should focus on developing features that add genuine value to the customer experience, guided by continuous feedback.

The insurance industry is at a critical juncture in its digital transformation journey. Increasing digital usage is a positive trend, but it must be accompanied by efforts to enhance customer satisfaction. By addressing user experience issues, maintaining robust support, ensuring privacy and security, and aligning digital solutions with customer needs, insurance providers can turn digital platforms into powerful tools for customer engagement and satisfaction.

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**Manager: Legal, Compliance, Marketing & Communications**
**MUA**

# STREAMLINING CLAIMS PROCESSES THROUGH AI

The insurance industry is going through some big changes, thanks to advancements in Artificial Intelligence (AI).

Integrating AI into claims processes offers major perks: increased efficiency, reduced costs, and happier customers.

Let's dive into how AI is reshaping claims processes and what it means for industry pros.

## Understanding AI in claims processing

AI in claims processing uses Machine Learning algorithms, natural language processing (NLP), and data analytics to automate and optimise various parts of the claim's lifecycle.

From the initial claim submission to the final settlement, AI handles repetitive tasks, analyses large amounts of data, and makes informed decisions with minimal human intervention.

## Key benefits of AI-driven claims processing

■ Improved efficiency and speed: Traditional claims processes often involve manual data entry, document verification, and lots of back-and-forth communication. AI streamlines these tasks by automatically extracting information, verifying data, and interacting with claimants through chatbots. This cuts down processing time from days to hours.

■ Enhanced accuracy and fraud detection: AI algorithms excel at spotting patterns and anomalies that might indicate fraud. By analysing historical claims data and comparing it with current submissions, AI flags suspicious claims for further investigation, helping reduce fraud and ensuring accurate claim processing.

■ Cost reduction: Automating routine tasks and reducing manual work translates into cost savings for insurers. These savings can be passed on to policyholders through lower premiums or better coverage options, allowing brokers and advisers to offer more competitive products.

■ Enhanced customer experience: Today's customers expect quick and seamless interactions. AI-driven claims processes provide real-time updates, answer questions through smart chatbots, and ensure a smoother experience. Happy customers are more likely to stay loyal and recommend their providers.

## Practical applications and case studies

Several leading insurers are already using AI in their claims processes with impressive results. For example, Lemonade in America uses AI to handle claims in as little as three seconds. Their AI bot, Jim, reviews claims, checks them against policies, and makes instant decisions on straightforward cases.

Zurich Insurance uses AI for damage assessment through image recognition, significantly reducing the time needed to evaluate claims and make payments.

Additionally, an American-Polish company offers a solution that is being leveraged globally to enhance claims processing. By integrating their robust analytics platform, insurers can analyse vast amounts of data in real time, identify fraudulent patterns, and streamline the claims management process.

## Quick steps to integrate AI for insurance claims

Integrating AI into insurance claims processes can feel like a big leap, but breaking it down into clear steps makes it manageable:

1. Assess your current system;
2. Identify key challenges;
3. Select the right technologies;
4. Develop an interface;
5. Prepare your data;
6. Optimise for performance and scalability;
7. Build robust APIs;
8. Implement strong security measures;
9. Conduct extensive testing; and
10. Deploy into production.

## The future of AI in claims processing

As AI technology evolves, its applications in claims processing will become even more advanced. Future developments might include more accurate predictive analytics to anticipate claim trends and help insurers prepare for potential surges. Combining AI with blockchain technology could further enhance transparency and security.

Staying updated on these advancements is crucial. By understanding and leveraging AI-driven claims processes, industry professionals can offer better services, stay competitive, and contribute to the overall efficiency and reliability of the insurance sector.

AI is transforming the insurance industry by streamlining claims processes. It boosts efficiency, accuracy, cost-effectiveness, and customer satisfaction, providing a powerful tool to the industry. Embracing AI improves service delivery and ensures a competitive edge in a rapidly evolving market. As we look to the future, AI's role in claims processing will continue to grow, shaping the next generation of insurance services.

**Kali Bagary**
**CEO**
**The Data Company**

# COMPLICATED CLAIMS - important principles to be aware of

When dealing with commercial claims, it is crucial to understand that the insured is a juristic entity, not a person.

Typically, this refers to a company that does not act directly in policy compliance, leading to various complications.

This is particularly evident in motor policies, where stringent duties and responsibilities are imposed on the insured. Underwriters have attempted to adapt certain commercial covers to resemble personal lines coverage for motor vehicles, which imposes stricter conditions on issues such as drunk driving, reckless driving, and theft by deception. This adaptation is increasingly relevant today, as many personal vehicles are insured under commercial policies due to being owned by companies.

## Commercial versus personal lines policies

When dealing with a personal lines policy and there is a claim involving a driver accused of exceeding the legal blood alcohol limit, the inquiry typically focuses on evidence alone. The key question is whether the insured or the person driving with the insured's consent (as stipulated in most policies) was indeed driving over the legal alcohol limit.

In contrast, with commercial policies, defining the driver is more complex than previously explained. How does the insurer enforce terms regarding driving under the influence? The policy would either clearly define how the insured is understood in such scenarios - possibly identifying the directors or senior management as the controlling mind of the insured - or resort to common law precedents to define the controlling mind in other disputes.

## Implications of non-employee driver DUI incident

I recently handled a claim where the spouse of the insured's financial director exceeded the legal alcohol limit as verified by valid blood tests. This raises the question of whether the insurer can invoke the driving under the influence clause to deny the claim.

The insured would argue that the director did not know his spouse was under the influence when driving the vehicle, and the spouse is not employed by the company, let alone a senior manager. In such a scenario, it becomes challenging for the insurer to reject the claim because legally, the company cannot be prejudiced if one of their senior employees or directors did not drive the vehicle.

That said, the material damage claim would still need to be paid. Subsequently, attention would turn to the third-party claim (in my case, where the driver caused an accident involving two other vehicles, resulting in a substantial liability claim). The company can only be held legally liable if one of their employees was driving within the scope of their employment.

This presents another legal puzzle that needs to be addressed. It certainly would not apply if the driver was not employed by the company or was driving under the influence against the implied consent of the company. The third-party cannot file a lawsuit against the company and would need to pursue action against the driver directly.

## Navigating complexities in commercial claims

The driver may not be covered under the company's liability policy. If the driver, who isn't employed by the company, negligently damages its property by driving under the influence against company policy, the insurer could recover damages. The company can't argue both that the driver had permission to drive under the influence and that the insurer should pay for damages caused.

If there was no consent for reckless or negligent driving, the insurer may recover damages from the driver. This applies similarly to cases of reckless speeding. Insurers can't simply reject claims under the due care clause for junior employees without proving the company authorised or knew of the speeding.

Insurers must verify the driver's identity and the company's awareness in speeding-related claims. The same scrutiny applies to driver's licenses. Companies must validate licenses properly; if a license is fraudulent and procedures were followed without knowledge, the claim must still be honoured.

Commercial claims, even in seemingly straightforward accidents, involve complex legal principles that insurers must investigate thoroughly.

**Danny Joffe**
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**Hollard Insure**

CPD ARTICLE

# Upholding responsibility: MEDICAL ETHICS IN PRACTICE

With South Africa firmly in the grip of influenza season, few of us have escaped a visit to our local general practitioner.

## The morals and ethics of professionals

While patients often trust that healthcare professionals - whether nurses, paramedics, general practitioners, specialists, or pharmacists - are appropriately qualified, they generally do not actively contemplate the morals or ethics of the professionals they consult for medical care.

It is taken at face value that the practitioner is not only appropriately qualified but also understands the profoundly significant responsibility they carry to uphold medical ethical and moral codes when rendering treatment. These principles should guide not only their practice and professional conduct but also ensure the well-being of patients and communities.

However, we have all read or heard accounts of medical negligence - we all know someone, or someone who knows someone, who has been a victim of medical malpractice. A quick scroll through Netflix, Apple TV, or even DSTV (for those who still subscribe) presents a vast array of shows and documentaries based on true accounts of medical professionals acting outside of these principles, sometimes even intentionally.

Paolo Macchiarini's audacity was so shocking that two shows, 'Dr. Death' and 'Bad Surgeon: Love Under the Knife', focus solely on his quest for greatness. He is a disgraced thoracic surgeon and regenerative medicine researcher who became known for research fraud and manipulative behaviour.

## Adhering to standards and conduct

This article aims to briefly highlight what potential patients should consider when receiving medical care, providing an additional lens through which to view medical risks and coverage in this field. South Africa regulates its practice of medicine through various statutory bodies.

The Health Professions Council of South Africa (HPCSA) regulates health professionals whilst also overseeing medical practices, ensuring that medical professionals adhere to ethical standards and professional conduct. Its primary responsibilities include but are not limited to the registration of health professionals; setting standards for education and training; developing and enforcing codes of conduct and ethical guidelines for health professionals.

Broadly speaking, we can narrow down six core ethical and moral values that our medical professionals should adhere to:

1 **Autonomy**: Patient choice is paramount and the rights of individuals to make informed decisions around their own healthcare must be respected – even if they differ from the professional's recommendations.

2 **Beneficence**: Practitioners should use the highest standard of care when treating patients and act in their best interests to maximise benefit and minimise harm.

3 **Non-maleficence**: "Do no harm." This means that practitioners should not cause deliberate harm to patients but also avoid unnecessary pain and suffering or any additional risks to the patient's life.

4 **Justice**: Healthcare resources should be distributed fairly and equally to all patients and no care should be withheld because of race, socioeconomic, ethnic, or other considerations.

5 **Integrity and honesty**: Professional and respectful interactions with patients must be maintained at all times, including disclosing limitations to treatment options and informed consent discussions.

6 **Compassion and empathy**: Care should be patient-centered with additional emphasis taken into consideration in respect of the emotional and psychological needs of the patient at the time of treatment.

In addition, professionals should also be acutely aware of the vast cultural differences that exist in the communities they serve, specifically in our local context, when offering treatment.

## Embracing these values and duties

As medical professionals, upholding and promoting these principles ensures the delivery of compassionate, competent, and equitable care. From a patient and insurance coverage perspective, awareness of these principles is essential for navigating ethical considerations effectively.

When embracing these values and duties, medical professionals not only impact patients and their care more positively, but also advance patient health and wellbeing. Ethics is not just a set of expected behaviors, but a fundamental framework that guides practitioners on their mission to treat, heal and alleviate human suffering with dignity.

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# IS COVER PROVIDED FOR EROSION OF MARGIN OR GROSS PROFIT PERCENTAGE?

Generally, Business Interruption (BI) cover is provided for financial loss following an interruption or interference with the business in consequence of damage, occurring at the premises of the insured. A further condition is that liability must have been admitted in other sections of the policy such as fire, buildings, office contents etc., unless a specific extension is triggered.

Depending on the insured's business model, BI cover provides several ways to protect the business in case of unintended interference by perils. Below are some popular BI bases of cover:

1. Gross profit;
2. Revenue;
3. Gross rentals;
4. Additional increase in costs of working;
5. Wages basis;
6. Fines and penalties; and
7. Accounts receivables.

In this article, I will discuss gross profit (GP) cover, focusing on erosion of GP percentage and endeavour to answer the following:

a) How does erosion of margin / GP percentage arise and how it affects the insured?
b) Is cover provided for erosion of margin / GP percentage?

### What is Loss of GP?

Loss of GP is the amount indemnifiable in respect of the reduction in turnover, it is the sum produced by applying the rate of GP to the amount by which the turnover during the indemnity period shall in consequence of the damage, fall short of the standard/anticipated turnover.

A simplified example to illustrate the definition is:

A fire occurs at a hotel and destroys several guestrooms, rendering a few rooms untenantable until repairs are completed. The reinstatement takes 12 months. Assuming the hotel's anticipated turnover (the turnover that would have been anticipated but for the loss) for the entire 12-month interruption period is R100 and that due to the limited rooms available during the interruption period, the hotel ends up earning R40 in Turnover.

If the GP percentage before the loss was 75%, the loss of GP is calculated as follows: Loss of GP = (R100 - R40) x 75% = R45. Note: calculating anticipated turnover involves more detailed considerations, which cannot be covered in an article.

### What is Erosion of GP Percentage

Erosion of GP is the reduction in the GP Percentage (percentage of profit to revenue) during the indemnity period in consequence of damage.

To illustrate, consider the hotel example: To retain and attract more customers following the hotel fire, management decides to lower room rates to increase occupancy or start offering complimentary additional services such as spa treatments and game drives.

Due to lower economies of scale, certain expenses would increase as opposed to a reduction in variable expenses that normally fluctuate in direct proportion to turnover, termed 'uninsured costs' (expanded on below).

If all these management efforts result in the hotel achieving higher than the anticipated turnover (R120 instead of R100), based on the historical occupancy and standard room rates, no loss of turnover would be suffered and consequently, per the GP definition, there will be no loss of gross profit.

Although, in this scenario, there is no evidence of loss of turnover, as the actual turnover of R120 exceeds the anticipated turnover, the insured's GP percentage will decrease during the interruption period due to a reduction in room rates and increased uninsured costs.

*(Continued on p.52)*

# IS COVER PROVIDED FOR EROSION OF MARGIN OR GROSS PROFIT PERCENTAGE?

*(Continued from p.51)*

Suppose the hotel's GP percentage reduces from 75% to 50% during the 12-month interruption period. The business' actual GP would reduce from a potential R90.00 to R 60.00 as follows:

- Anticipated GP (75% x R120) R90
- Actual GP earned (50% x R120) (R60)
- Loss - Erosion of GP R30

In both cases, the insured's business has been affected by the interruption of its normal operations and both scenarios can be quantified. However, is erosion of GP percentage indemnifiable?

## Cover for loss of GP percentage isn't in BI policy

As loss adjusters, we often encounter insureds and public adjusters intimating BI losses based on the erosion of GP percentage, as illustrated in the second scenario.

I explain, with reasons, why cover for loss of GP percentage, although quantifiable, is not provided for in the standard BI policy wordings.

The calculation of the insurance GP percentage considers uninsured costs, which are variable in proportion to turnover. These normally include expenses such as purchases, bad debts, commissions, and discounts, but depending on the insured's business model these may be optionally extended to include carriage, railage, commissions etc.

Changes in these costs are influenced by the quantity purchased, production efficiencies, and unit prices/rates. While quantity and inefficiencies are controlled by the insured, unit prices/rates are influenced by external factors such as suppliers, inflation and the Consumer Price Index (CPI) which, despite the trigger event (hotel fire in our example), would still affect the business under normal circumstances.

As the insured's loss of GP is calculated by applying the rate of GP, based on the business' results before the damage, i.e. at 75% (not the reduced margin of 50% during the interruption period) of the reduction in turnover, the insured is, therefore, put in the same position as they would have been had the event not occurred, negating any motivation for compensation for the increases in uninsured costs (generally noted as cost of sales in the insured's financial statements). This, however, does not make provision for a reduction in the actual GP percentage achieved during the indemnity period as per scenario two, where the insured reduced occupancy rates and introduced complimentary services that resulted in a higher anticipated turnover.

Should the reduction in GP, calculated per the policy definitions, fail to fully indemnify the insured, the reasons for this need to be investigated, and where additional costs were incurred to reduce or eliminate the anticipated reduction in turnover, such costs could be considered as Increased Costs of Working (ICOW). Such reasons could, for example be a change in product mix, seasonality fluctuations, alternative accommodation costs and reduction in prices/ rates.

Reduction in selling prices to minimise the reduction in turnover may be accepted as ICOW, only if it can be demonstrated that such reductions minimised the reduction in turnover subject to the economic limit i.e., a Rand for Rand basis. However, should the reduction in selling prices and any complimentary services be accepted as ICOW, the actual turnover achieved would need to be adjusted upwards by the same amount as allowed as ICOW, to prevent double indemnification.

In the widely acknowledged authority on BI Insurance, the eleventh edition of Riley on Business Interruption Insurance, by Damian Glynn and Toby Rogers, the authors anticipated this issue where an insured suffers a loss due to a reduction in margin or GP percentage. They argued that for such a claim to be indemnified, the specific expenses incurred, or discounts offered must be quantifiable and thoroughly investigated. Only if these costs are identified and the positive clawback of turnover as a result thereof quantified, may they be considered as a form of expenditure, thereby qualifying as (ICOW).

## Reasonable and within the economic limit

Erosion of GP percentage is not covered by standard BI policy wordings. However, the actual costs incurred that lead to the erosion of GP percentage, if identified and proven to have benefited the actual turnover achieved during the interruption period, may be considered as ICOW and indemnifiable under that heading, provided the costs are reasonable and within the economic limit. Essentially, you cannot build a safe of gold to store silver.

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# TRENDS DISRUPTING INSURANCE DISTRIBUTION CHANNELS

Change is rife in the insurance industry, as it struggles to get to grips with geopolitical and economic challenges and reflect the evolving risk environment in its pricing strategies.

The sheer size of the challenge is difficult to overstate. Flooding in South Africa, in 2022, was responsible for ZAR 30 billion in damages, and more losses are likely, as the Notre Dame Global Adaptation Initiative index rated South Africa as highly vulnerable to climate change.

## Growing competition

Although rising premiums can do some of the heavy lifting as the industry accounts for greater losses, this comes at the cost of customer loyalty. Businesses across the country, also facing challenging circumstances, will look to reduce coverage or switch providers if they feel they are getting a raw deal.

It is in this context that Managing General Agents (MGAs) face growing competition from challengers and insurtechs. Many distributors are looking to some of the most disruptive trends in insurance to secure a competitive advantage, revolutionise their service offering and build stronger customer relationships. They are harnessing the power of Artificial Intelligence (AI) to better understand both their customers and the risks they face.

## Leveraging AI

However, MGAs are well placed within the insurance industry to ride this wave of disruption, by leveraging the advantages of AI and combining them with the deep, granular understanding of their customers that a network of local underwriters can provide.

There are some obvious benefits from AI that MGAs should be looking to implement quickly. It can immediately help streamline distribution processes by automating tasks, giving underwriters and experts more space to make value-added decisions. Moreover, inquiries from potential customers can be handled automatically by AI, while its data analysis functions can be used to target the most profitable inquiries and create quotes quickly.

AI can also deliver efficiencies for customers, making it easier to access flexible products, as customisation does not necessarily rely on assessment by human underwriters. Because firms can use their resources more effectively to provide oversight of these processes, using AI in this way allows insurers and MGAs to expedite customers' claims, as assessments can be completed automatically.

The technology can also be used to predict the probability and likely severity of a loss event, ensuring that customers can receive highly individualised, specialist cover.

MGAs' ability to offer highly targeted coverage will depend on their ability to leverage AI's data collection and analysis capabilities, which can enable them to better understand their customer base and the level of risk that it's facing. Used properly, the technology would be a powerful combination with local underwriters' expertise and contacts.

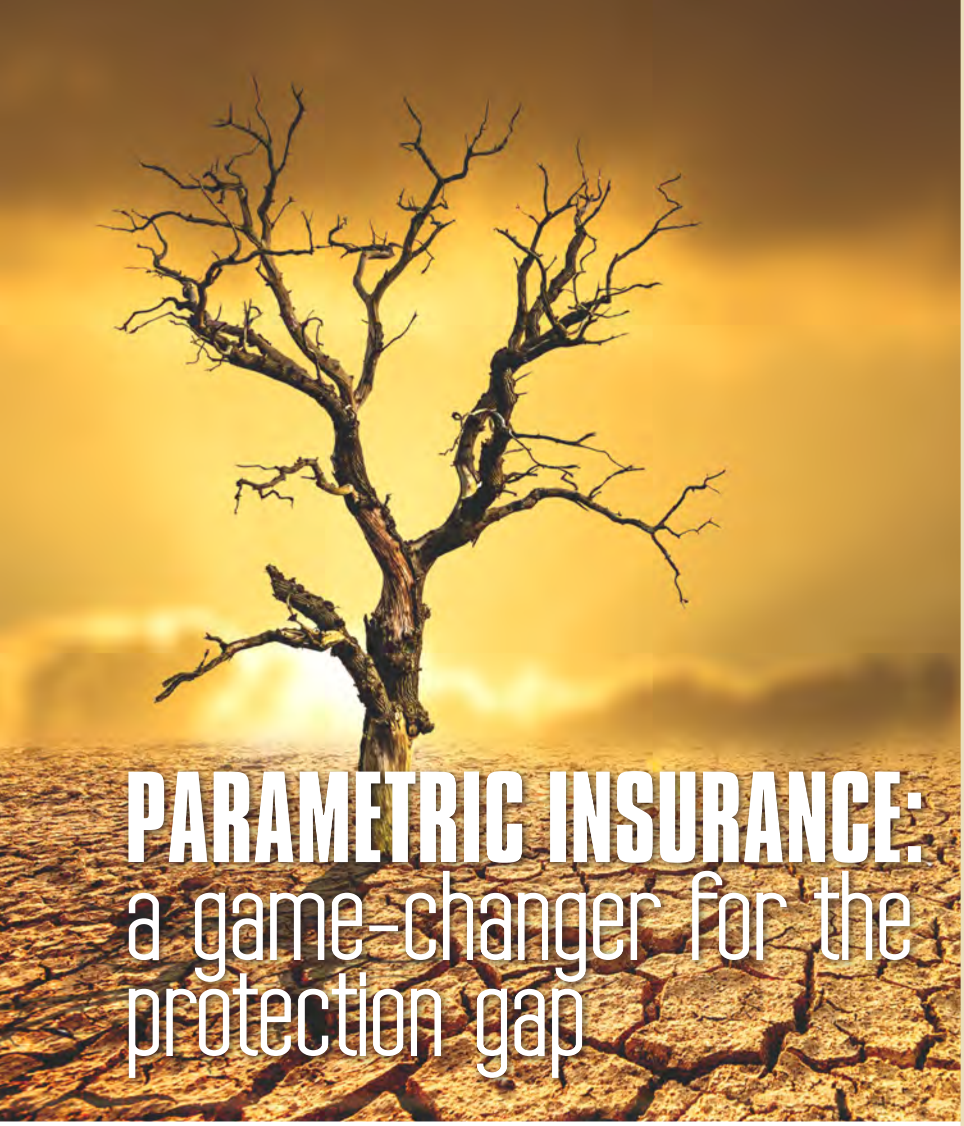
## The MGA space is constantly evolving

As systems read real-time data on customer behaviour and the risk environment, they can either raise rates to ensure better protection or drop them in response to falling risk. This will be a critical advantage for firms offering cover in sectors like cyber, where behaviour has a significant influence on how likely a significant loss is.

In sectors like agriculture and forestry, understanding past weather patterns, as well as mapping high-risk areas, will be critical to improving climate resilience, reducing insured losses, and keeping premiums competitive. Firms that can quickly and efficiently implement AI systems to collect, analyse and then use this data will be at a distinct advantage.

Within an insurance sector that is rapidly changing, the MGA space is constantly evolving, driven by growing customer expectations and technological innovation. Those who can adapt to these trends can succeed in an increasingly competitive landscape. Those who do not are at risk of being overtaken by the disruptors who embrace all the advantages that AI can bring to bear.

Manoj Kumar
Group CEO
Specialty MGA UK



CPD ARTICLE

# PARAMETRIC INSURANCE: a game-changer for the protection gap

In the face of escalating severe weather events, parametric insurance is emerging as a potentially game-changing solution for managing climate-related risks.

Unlike traditional insurance, which requires post-event loss assessments, parametric insurance delivers rapid payouts based on predefined triggers such as weather indices. This model promises faster, more transparent financial relief, addressing the limitations of standard insurance in an era of intensifying extreme weather conditions.

## Key to boosting climate resilience

A recent World Economic Forum article highlighted that combining early warning systems with parametric insurance is key to boosting climate resilience in Africa, where up to 60% of the population is unprepared for disasters. The piece points to an $11.7 million partnership between the US Government and African Risk Capacity (ARC) to improve early warning systems and offer financial support through parametric insurance, addressing Africa's urgent need for better risk management solutions.

Parametric insurance can significantly improve people's quality of life by automatically triggering payouts based on this predefined weather condition, providing a system-driven and cost-effective solution. This will help drive the resilience of low-income households to weather-related catastrophes, especially those in informal settlements, which are often hardest hit by climate disasters. With parametric policies, insurers can use geolocation and satellite data to identify flooded areas and promptly provide financial relief. In countries where many people work outdoors in extreme heat, such as India, parametric insurance can mitigate risks by offering coverage during deadly heatwaves.

## Regulatory and supervisory challenges

While weather index-based products, like parametric insurance, have gained prominence globally, they have presented regulatory and supervisory challenges in South Africa. These products do not strictly indemnify policyholders against loss, complicating their classification under the Insurance Act. This ambiguity has prompted significant regulatory debate. However, South Africa's Prudential Authority (PA) has recently communicated an interim approach, allowing insurers to offer weather index-based products after approval by the PA.

We welcome this move and commend the PA for strengthening our nation's resilience against climate catastrophes. By doing so, the PA is helping to address the significant issue of the insurance protection gap, helping South Africa manage the challenge of underinsurance. This is because flood insurance could be offered across the country at reasonable rates, opening the insurance market to benefit a wider proportion of our population. This coverage could be an add-on to other products, helping communities recover more quickly and effectively from disasters.

Parametric insurance also poses several interesting technical challenges for insurers. Among these, the appropriate selection of a source of historical climatic data is a key challenge. Once data has been acquired, statistical analyses of the spatial and temporal patterns represented by these can be undertaken, allowing risk distributions to be built up and the appropriate price attached to the parametric product. Another interesting challenge is the selection of a data provider that can provide a continuously updated view of potential claims events around the country. This can be done using advanced quantitative models built by climate scientists or visual information captured by satellites.

## A practical and necessary innovation

Parametric insurance is not just a novel concept but a practical and necessary innovation for bridging the insurance protection gap. It offers a promising path forward for enhancing climate resilience, particularly for vulnerable populations.

As we navigate an era of unprecedented climate challenges, embracing such innovative solutions is crucial for a sustainable and resilient future.

Ronald Richman
Chief Actuary
Old Mutual Insure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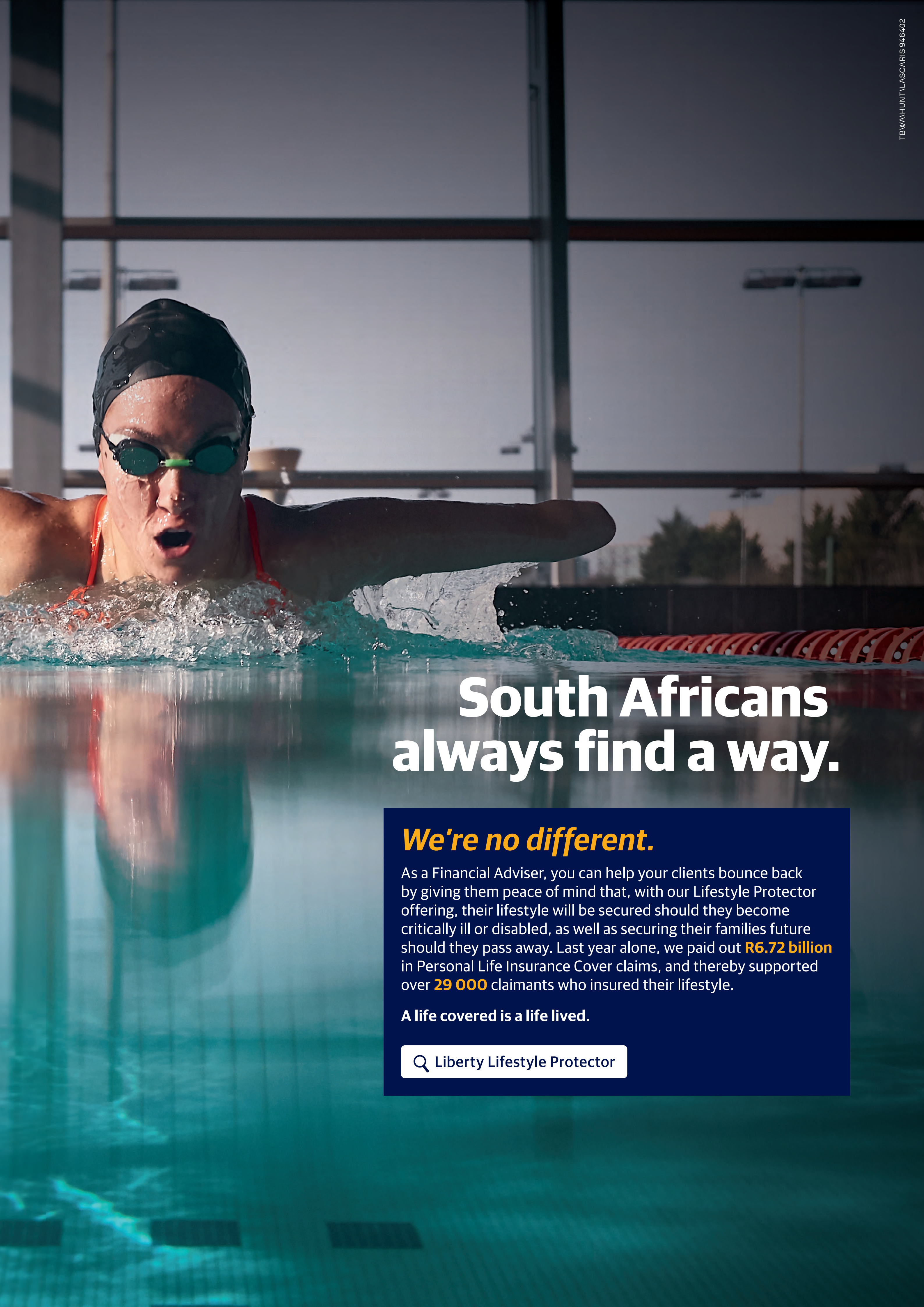
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# THE FUTURE OF INSURANCE DISTRIBUTION IN SOUTH AFRICA

The South African insurance market – much like its global counterparts – is highly responsive to major economic, social and technological shifts.

One of the areas in which transformation is becoming increasingly evident is insurance distribution channels.

Current-day clients are up against a barrage of emerging risks and challenges, and major players in the local insurance distribution network must stay ahead of the curve to meet their changing needs and demands. Insurance distribution channels are designed to create and connect insurance solutions to clients efficiently, and to make those solutions easily accessible via different portals. In the fast-paced and ever-evolving digital age, there is simply no 'one-size-fits-all' solution to reaching clients in a way that caters to their expectations, preferences and profiles.

For local insurers, this has necessitated the adoption of multi-channel distribution models, through which they can expand their reach and provide the high level of expertise and flexibility required to remain top of mind in an increasingly competitive landscape.

According to GlobalData, the South African insurance market was valued at over R150 billion in 2023. Since then, the rapidly expanding influence of insurtech players and other industry disruptors has significantly widened the scope of the industry and propelled the drive to deploy more modern, innovative tools of distribution.

## The transformative power of technology

Technology is one of the major drivers of change, in terms of how insurance products are distributed, developed, and sold. Innovations such as comparison websites, chatbots, web portals, advanced algorithms and mobile apps have had a profound impact on how insurers reach their target audiences and how they are perceived in the marketplace.

Most recently, 'traditional' distribution channels are leveraging new data analytics models and Artificial Intelligence (AI) to assess risk more accurately, analyse client behaviour and classify industries.

In addition, the introduction of automated underwriting, claim processes and workflows has greatly reduced administrative strain and enabled more personalised interactions and quicker response times. In the years to come, developments in AI and data architecture will undoubtedly pave the way towards a better understanding of the customer and help build a more customer-centric industry.

## Complex risks require specialised insight

Recent years have also seen a noticeable rise in intermediaries and the growing importance of their role in helping clients mitigate risk and understand insurance products. This change has been triggered by emerging realities such as the rise in cybercrime. The dramatic upsurge in cyber threats and attacks, for example, has highlighted the crucial need for specialised knowledge on how to protect digital assets through greater awareness and vigilance, cybersecurity measures and cyber insurance.

These more specialised, niche markets require a deep understanding of complex risk as well as the development of novel solutions. This, in turn, is where human intervention has become a critical differentiator.

Furthermore, shifts in the regulatory landscape and compliance issues have added to these complexities and shed light on the growing need for more effective and efficient risk evaluation and assessment, as well as the need for well-rounded and holistic solutions. Here, the ability to offer value-added services in the form of tailored products and advice will continue to prove invaluable.

## A different kind of client

The clients of today are a far cry from the clients the industry has serviced in previous decades. Influenced and equipped with the latest technology and faced with new, impending types and levels of risk, clients' demands have shifted significantly.

There is a growing need for flexibility on demand, as well as greater levels of accessibility through multiple touchpoints. To optimise the opportunities, insurers need to employ distribution channels that can speak to different market segments – to meet them where they are and on their terms. This shift towards a more diversified and technologically advanced distribution network reflects the changing preferences of consumers who seek convenience, transparency, and efficiency in their insurance purchasing experience.

In general, therefore, the insurance distribution channels of the future will need to become more agile, more adaptive and increasingly more robust.

**Roeann Lazarus**
**Underwriting Head: Financial Lines**
**SHA Risk Specialists**


OLDMUTUAL

# MANAGING THIRD-PARTY RISKS

Working with third-party vendors can help insurers and brokers unlock operational efficiency and stay agile and responsive to the growing and changing consumer demands as insurance becomes sophisticated.

While there are advantages to working with third-party vendors, there are also some challenges that can arise.

### A breach or data leak

The complex nature of insurance business requires efficient management of personal data. If this is not effectively managed, it can result in breaches and compromise the clients' personal information.

When working with a third-party vendor, insurers and brokers must develop an integrated risk management framework and put in place the proper infrastructure and processes to manage and secure clients' data. Any breach or data leak can be potentially devastating to the insured and seriously dent both the insurer's and broker's reputations.

The clients entrust us to protect their assets, but one incident of a data breach or service disruption can erode that trust and ruin our reputation, even if the vendor was the one at fault. We must adopt a proactive measure in managing third-party vendors' risks.

### Challenges that arise

The Deloitte Insurance Fraud Report 2023 indicates that the challenge for insurers lies in developing a comprehensive fraud and risk mitigation framework, which includes proactively identifying, assessing, and categorising risks faced by the insurer, and developing appropriate mechanisms to mitigate such risks.

Fraudulent activities committed within or against the insurer can adversely affect its financial resilience, as well as damage customer experience. Insurers must invest considerable resources to mitigate vulnerabilities across data security.

In the Deloitte Insurance Fraud Survey 2023, respondents indicated that fraud was on the rise, and they were witnessing the emergence of new fraud trends while traditional frauds continued to prevail. More than 60% of the respondents surveyed, highlighted that they wanted to increase investments in fraud prevention and response slightly.

This condition can be managed by overcoming a siloed approach when managing the risks, by developing an integrated fraud management framework, built on a robust foundation of a well-articulated strategy, and aligned with the operating model. Integrating all divisions of the business and operations such as compliance, legal, underwriting and claims management departments is critical.

In addition, insurers should actively monitor the performance and trends of the business provided by brokers to detect any indication of intermediary fraud, including conducting regular fraud-focused audits. The insurer needs to analyse different types of risks that it could face from all its third-party vendors based on the business structure and the complexity of its operations.

### Using technology to offset scarce skills

As technology, particularly Artificial Intelligence (AI), robotics, Big Data, digitisation, blockchain, predictive analytics and machine learning continue to disrupt the industry, insurers face significant challenges in acquiring the necessary skills and capabilities to maintain operational resilience. The demand for specialised skills is constantly evolving, while experienced professionals are approaching retirement age, creating an exodus of immense expertise in the industry.

Automated underwriting is common in the developed world, and insurers in emerging markets have also started adopting it. In the survey that looked into the status of skills in the insurance industry focusing on short-term insurance, conducted by Inseta in 2019, it was reported that the insurers that can attract or retain highly skilled underwriters and build sophisticated predictive modelling would have a competitive advantage in the industry.

Technology has been central to building solid relationships and assisting different parties to collaborate efficiently. As an industry, we need to invest more in digital technology to enhance our relationship with all the stakeholders we work with. It is a leg of the partnership value chain that we as insurers need to develop and expand on to benefit not only ourselves, but also our brokers and our mutual clients. They are, after all, part of the Treating Customers Fairly (TCF) partnership value chain.

**Dustin Dumaresq**
**CFO**
**Infiniti Insurance Limited**


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# HOW COMPLIANCE SUPPORTS GOOD BUSINESS PRACTICES

In the short-term insurance industry, the debate between good business practice and regulatory compliance is ongoing. It has been argued that compliance can be an overbearing necessity that stifles innovation, limits healthy competition, and imposes unnecessary costs on businesses.

However, it is also recognised that many compliance actions align with sound business practices, making compliance a natural outcome rather than a separate, burdensome requirement.

Nonetheless, it is crucial to continuously evaluate and challenge any additional regulatory requirements to ensure they truly support and enhance good business practices, rather than hinder them. This proactive stance encourages the industry to adapt and thrive within the regulatory framework while maintaining its commitment to innovation and client satisfaction.

## Good business practice

Good business practice is about maintaining transparency, prioritising client needs, fostering accountability, ensuring financial prudence, and promoting innovation.

In our industry, this means providing relevant and reliable cover, handling claims fairly, and safeguarding client data. These practices build trust and ensure long-term sustainability.

## The role of compliance

Compliance, encompassing regulations such as the Financial Advisory and Intermediary Services (FAIS) Act, Financial Intelligence Centre Act (FICA), Consumer Protection Act (CPA), and Protection of Personal Information Act (POPI Act), is designed to protect clients by aligning behaviour with public interests. It is often seen as a mere box-ticking exercise, disconnected from the practical realities of running a business.

There is a symbiotic relationship between good business practice and compliance. The truth is, that many regulatory requirements mirror good business practices. Robust data protection measures, as required by POPIA, not only comply with the law but also build client trust. Financial and operational audits mandated by regulations ensure accuracy in reporting, which is a cornerstone of a well-managed business and can provide invaluable insights into financial health and operational effectiveness.

## Compliance as risk management

In our industry, effective risk management is crucial. Compliance is not merely about following rules; it's about identifying, assessing, and managing risks. Here's how compliance integrates seamlessly with good business practices to strengthen risk management:

1 Risk identification and assessment: Regulatory frameworks require audits and assessments, helping to identify risks early. For instance, FICA helps prevent money laundering, thereby protecting businesses from significant financial risks. Early detection of potential issues through these checks can save companies from severe legal and financial consequences down the line.

2 Operational risk mitigation: Adhering to industry standards ensures financial transparency and accuracy, reducing the risk of misstatements and fraud. This aligns perfectly with the principles of financial integrity. Implementing strong internal controls and checks not only meets regulatory requirements but also enhances overall business reliability and integrity, contributing to fostering long-term trust with all stakeholders.

3 Enhancing cybersecurity: While neither the Cybercrimes Act of South Africa nor the POPI Act specify exact cybersecurity measures, implementing robust protocols is crucial for effective risk management. This protects sensitive client information and reinforces the company's reputation and trustworthiness. In an era where data breaches can severely damage a company's reputation, prioritising strong cybersecurity practices is both a business imperative and a proactive approach to aligning the principles of these acts.

The perceived conflict between good business practice and compliance is sometimes a myth. There is a symbiotic relationship between the two, where each supports and enhances the other. By recognising that many compliance actions are simply good business practices, we can seamlessly integrate these actions into our operations. This holistic approach ensures not only compliance but also reinforces the ethical foundation and operational efficiency of the business, ultimately creating a more resilient and trustworthy industry for the benefit of all stakeholders.

Aligning compliance with good business practices can drive the industry forward, fostering a culture of excellence and accountability.

Sandro Geyser
CEO
IntegriSure Group

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# A BEHIND-THE-'SCREAMS' LOOK AT LIABILITY CLAIMS

There are also those who know that the trouble with trouble is that it can start with fun.
- Anonymous

John Stebbing
Divisional Director
General Liability and
Professional Indemnity Insurance
Camargue Underwriting Managers

## It all started innocently enough

If only money was like trouble. Trouble can create itself spontaneously. Despite our best efforts to rid our lives and our businesses of trouble, trouble is in endless supply. Where does it breed? Is there a nest, a lair… a warren? Would bug spray or fire put a stop to it? For millennia, there have been whispers and rumours of what everyone has known but no one dares to say - that lawyers and insurers are the secret guardians of the dark force of trouble.

## Unseen consequences

Now and then, that which is hidden in plain sight is revealed - like that time Little Jonny* had an afternoon of adult education. Jonny worked as a security guard in a control room keeping an eye on various CCTV cameras. Ordinarily, this would be a boring job requiring herculean self-discipline to simply remain awake. But on this afternoon, things were different. Very different.

As he watched a monitor overlooking a deserted stairwell, two people entered. That was quite normal. Until it wasn't, their rousing performance set a whole new benchmark in CCTV recordings. But that was only the beginning. For some reason, in his wisdom, Jonny figured it would be an excellent idea to share the video of the couple's intimacy on the internet. Besides, how would they ever find out?

Well, the summons to Jonny's employer suggested that the couple did find out. The lady's lawyer argued that her good name was tarnished forever by Jonny's insensitivity and that only a large amount of money could ever compensate for such harm. Being a skilful lawyer, he was able to calculate (within a few cents) the exact quantum of indemnification.

## The plight of the claims handler

Do you think that's good? Now give a few moments' pause to consider the plight of the poor insurance claims handler. Tannie Maritjie** really (really) did not need this in her life. Not only did she have to verify that the video did what the plaintiff's lawyer argued it did, but she also had to figure out which part of the commercial general liability (CGL) policy would respond to the claim.

Normally a CGL policy would cover physical injury to people or harm to their property. The policy also provides cover for defamation claims. If the unwitting (ahem) actress was claiming defamation, she would need to prove that the guard said or did something untrue that harmed her character. In this case, that might not stick, because nothing was factually untrue. Her lawyer is more likely to argue that she suffered some form of emotional injury. Not all CGL policies provide cover for mental injury. However, the more modern forms of a general liability policy usually do provide for mental injury.

## The moral of the story

So, what is the moral of the story? You would be forgiven for thinking that this time, there are no morals. But no, the moral of the story is: don't assume all liability policies are equal. There is a very real difference in the cover that they offer.

---

** Not his real name.*
*** Also, not her real name.*

*PS: BTW, Camargue did actually pay this claim. We really didn't want to reward bad behaviour, but we decided that it would be prudent to make a settlement offer – albeit a low one.*


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# DISTINGUISHING INSIGHTS FROM ANALYTICS IN INSURANCE RISK ASSESSMENT

The terms, 'insights'; also referred to as 'business intelligence', and 'analytics' are often used interchangeably when referring to how risk is assessed in the insurance industry.

In fact, these two factors are distinct in that insights are typically derived from or based on analytics.

Both insights and analytics play a crucial role in how insurance risks are rated and assessed, both during the underwriting process and when constructing product pricing models.

## Analytics, the basis for data-based decisions

Traditionally, analytics in the insurance sector refers to the collecting, processing and presenting of data and the creation of reports or dynamic dashboards. This typically involves examining large sets of data to uncover patterns, correlations, and other valuable information. In insurance, this might include analysing historical claims data, customer demographics and other relevant factors to predict future risks and set prices accordingly.

The insurance industry has used analytics primarily for risk assessment and underwriting, using techniques such as data aggregation, descriptive statistics and testing. The process of collating this analytical data is aimed at providing underwriters and insurers with a clear picture of historical performance.

The insurance industry also uses advanced analytical methods such as predictive modelling and data mining to formulate forward-looking models and views to better understand present and future risks. The real value of analytics, therefore, lies in being able to create a summarised, data-based snapshot of past performance, which can be used to understand present performance and make important predictions.

With the advent of Artificial Intelligence (AI) and other parallel developments, the ability to analyse data and produce high-quality analytics has changed dramatically. With these tools and technological innovations at their disposal, insurers now can bring more metrics and variables into the analytics mix. This, in turn, can allow insurers and their stakeholders to develop more accurate predictive models and risk assessment tools.

## Insights as action points

Simply put, insights are the actionable conclusions that are drawn from analytics by identifying patterns, trends, causes and anomalies within the data. Insights, therefore, go beyond the raw data and statistical analysis to provide meaningful interpretations and recommendations.

Ultimately, the 'extraction' of these insights aids in moving towards more optimised performance in the following areas: risk assessment, underwriting, pricing optimisation, customer experience and engagement, product development, market efficiency and sustainability.

## A practical example

The relationship between analytics and insights is best explained by way of an example in which an insurer uses analytics to assess customer data, including demographics, past claims history, and behaviour patterns. They could then apply machine learning algorithms to predict the likelihood of future claims based on these factors.

Through these analytics, the insurer could identify specific types of risk (manufacturers of specific products or certain types of buildings) that consistently show higher-than-average claim frequencies or certain root causes of said claims. They could also discover that certain types of products or industries tend to have more frequent and costly claims or that these claims typically fluctuate seasonally.

Armed with these insights, the insurer can make informed decisions around how to adjust premium rates for high-risk industries, areas or products to better reflect the actual risk. They could also, for example, improve underwriting guidelines to assess risk factors and adjust coverage terms accordingly more accurately.

In the long run, by making these data-informed decisions, the insurer could potentially reduce overall claim costs, improve profitability, create new products and enhance customer satisfaction by offering fairer pricing and tailored coverage options.

The intricate relationship between analytics and the insights that are derived from them, is, therefore, an imperative part of how insurers can maintain viable and sustainable operations. The key to harnessing this value lies in understanding this relationship and leaning on data to improve accuracy and relevancy.

**Kishan Vanmali**
**Business Head**
**SHA Risk Specialists**

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# IS THERE SUCH A THING AS AN EXCELLENT CLAIMS PROCESS?

The answer isn't straightforward, as claims processing involves human emotions and expectations.

Although trends reveal significant digital innovations, aimed at expediting and ensuring the payout of valid claims, the client experience is the key differentiator here and a clear source of competitive advantage.

## The imperative of fulfilling claims promises

According to an Accenture study, among clients dissatisfied with the claims process, 26% said they changed providers and 48% are considering changing providers. This means that for the client it comes down to the fulfilment of promises made at the policy sale stage.

So, why are we struggling to turn claims into an opportunity, the moment where we come to the rescue and help clients in their worst moments?

Thinking about it, clients typically interact with their adviser and insurer only once or twice a year. This low frequency of client touchpoints means that the fulfilment of the claim promise becomes that much more important. If expectations aren't met, the client changes providers.

It's also why advisers must prioritise an insurer's ability to pay valid claims and timeously over simply securing a low premium.

## Delivering robust claims experiences

Insurers and advisers must manage claims efficiently, often within an ever-improving process, and together with multiple external providers. This is crucial for boosting loyalty, retaining clients, winning new clients, and ensuring profitable growth. Most insurers follow a four-phase claims process: notification of loss, submission of claim documentation, adjudication, and settlement. Differences arise due to digitalisation affecting the speed and ease of claims processing.

With such a level playing field, the following differentiators are vital:

1 The personal touch - It is reported that 20 percent of clients would likely switch insurance carriers if their adviser left, highlighting the importance of the adviser-client relationship within these types of interactions. However, when it comes to speeding up processing, technology is the answer.

2 Speed of claims processing - Technology allows clients to upload photos and documents via apps, receive updates, and use chat functionalities for status inquiries. For vehicle accidents, insurers can detect crashes and initiate claims immediately. Tow truck drivers equipped with technology can initiate claims at the accident scene reducing the need for physical assessments. In severe instances, tech-equipped tow truck drivers can scan a vehicle's license disk at the accident scene. This initiates the digital first-notification-of-loss process, activates emergency services, and eliminates the need for clients to obtain repair quotes. These technologies help insurers manage more claims efficiently, allowing claims professionals to focus on complex cases while maintaining personal engagement.

3 Claim payouts - The role that the adviser plays in ensuring that the client is adequately insured and understands their policy documents cannot be underestimated. It also speaks to the commitment from the insurer to pay out 100% of valid claims. Tools like asset registers and detailing proof of purchases can ensure better claims readiness.

4 Communication - Consistent information communicated via a client's preferred platforms, smartphone, WhatsApp, insurer's App, or adviser is essential and refers to omnichannel enablers that enhance communication efforts.

5 Ease of claim submission - Advisers must educate clients about claims readiness and the timely submission of claims to avoid payout risk. A trend to watch is proactive measures where insurers collaborate to protect clients against risks, using advanced analytics, and digital technologies to predict and prepare for extreme weather conditions. This allows for operational readiness for major weather incidents, to provide clients with valuable information to safeguard assets.

## A game-changer

In short, in today's competitive market, an excellent claims process is a game-changer. By leveraging technology, maintaining a personal touch, and ensuring swift, seamless payouts, insurers, and financial advisers can turn claims into moments of triumph. The goal is clear: exceed expectations, build loyalty, and secure a robust, profitable future.

**Johanni Jennings**
**Head: Marketing**
**Auto & General**

# THE RISE OF CUSTOMER CENTRICITY

For businesses across South Africa, customer centricity revolves around achieving client trust, loyalty, and satisfaction. However, in an age where customer expectations are continuing to escalate, meeting their ever-growing demands requires ever more innovation.

With the rapid rise of digital services in other sectors, consumers expect tailored, fast and enjoyable experiences. There is, therefore, growing pressure for South African insurance and reinsurance businesses to provide high-quality services that keep pace with not only their competitors but also learn and adopt practices outside of the industry too.

### The digital drive in the insurance sector

Claims management is one of the key areas where insurance customers are demanding more. Following the shift towards a digital economy driven by the pandemic, clients are now expecting more from their providers when they have an insurance claim. This includes faster and more personalised responses, timelier payouts, and greater expertise.

One of the ways insurance firms are responding to this trend is through automated loss adjustment. A combination of advanced technologies including AI are being used by insurance businesses to provide services that are far quicker than ever before. With the impact of floods, earthquakes and droughts increasing in South Africa, climate risk is one of the areas where loss adjustment automation has been used to a greater extent, minimising disruption for the customer.

### Faster payouts

For example, some insurers are using drones to gather data on the damage caused by natural disasters as quickly as possible. AI is then used to provide real-time analysis, helping insurers rapidly confirm the scale of the damage, resulting in faster payouts to clients who have been impacted. In particular, parametric insurance is one of the insurance products that uses AI to automatically trigger payouts based on predefined climate-related parameters. As a result, if a parameter is met during a natural disaster, which may include a set amount of rainfall or several days with drought, the payout can be with the customer almost instantly.

The use of parametric insurance has proven highly effective in maximising the protection of customers affected by these events. For example, the April 2022 KwaZulu-Natal floods, were one of the costliest natural disasters on record in South Africa, with 34 billion ZAR ($1.8 billion) in insured losses and 67 billion ZAR ($3.6 billion) in economic losses. In many cases, parametric solutions were used to ensure that funds were moved into the hands of those who had suffered losses from the floods in a matter of days, used by customers to accelerate recovery.

### Improved accuracy

Loss adjustment automation also provides customers with enhanced accuracy and fairness, reducing any human error or bias customers may have faced without it. AI can be used to analyse an extensive range of data points for claim evaluations, including historical data, the market value and specific details about the damage. The system's ability to evaluate Big Data provides consistency in evaluations, ensuring that all customers are treated equally regardless of who handles their claims.

This has been used effectively in South Africa not only when it comes to climate risk but in a variety of different areas. One of the most notable examples has been the use of automated systems during the pandemic to deal with the surge in claims related to hospitalisations and medical treatments. AI was used in many instances to analyse data including historical records, treatment plans and billing information to verify the claims, maximising accuracy for the customer and reducing the risk of mistakes.

Loss adjustment automation is, therefore, playing a vital role in helping the South African insurance sector maximise customer centricity, ensuring that the consumer is provided with faster and more accurate payouts to their claims. As customer expectations continue to increase further, insurance businesses will need to keep up with other sectors and effectively use technology to meet these demands.

**Paul Willmott**
**Claims Director**
**MNK Re**

# WHAT ARE THE PRIMARY CONCERNS OF INSURERS AND BROKERS?

The type of financial sector business that insurers and brokers operate in is becoming increasingly integrated and, therefore, requires a clear understanding of the requirements and processes involved with outsourcing functions to third-party vendors.

Insurers need to ensure that there are clear contractual agreements in place to manage the flow of information and the efficient management of client information and insurer products. At the same time, it is important for any vendor, particularly those dealing with customer data related to policy schedules and information, to be subject to the same strict regulations as insurers and brokers.

## Customer-centric outsourcing in insurance

Outsourcing functions can be highly beneficial to insurers and brokers alike, provided that all processes are efficient and always have the customer in mind.

Customer demand is critical for any vendor to realise that the insurer and broker expect what the customer would expect and demand, which is consistent service. This implies that the same type of services expected of insurers and brokers are obligatory for the vendor. The vendor must understand that the service they provide to a broker is ultimately to an end customer. Further, the outsourcing function offers a business opportunity to a vendor at the cost of the insurer and broker. It also requires the vendor to provide a consistent, high-quality service to the insurers and brokers.

Regulation requirements and changes are integral to the insurance industry, and insurers and brokers are subject to regulations. Regulations govern the relationship between customer, broker, and insurer. These regulations are in place to protect the customer. It, therefore, is understood that vendors should be subject to all the same rules and, should be aware and trained on all industry requirements. They must be obliged to carry the cost of any regulatory changes similar to all industry participants. The regulator must impose the exact requirements on vendors as they do on insurers and brokers.

## Essential risk management practices

Why vendors? This is an important question when insurers can provide similar services. However, outsourcing can sometimes be an excellent value add for brokers and insurers to provide customers with a speedy and efficient service.

Outsourcing can also assist insurers greatly in complying with regulatory requirements. Insurers, therefore, would need to consider essential risk management practices to mitigate risk and compliance. In the current circumstances, cyber security becomes the most critical part of risk assessment when outsourcing, as the single most significant factor is that customer data now resides outside the insurer's control, notwithstanding the current data transfer requirements and obligations.

Therefore, the vendor's role is critical, as is the realisation of the importance of providing consistent, high-quality service. What must be clear to a vendor is that their ability to deliver to the insurer impacts both broker and customer. Ultimately, the insurer carries the responsibility when it comes to service delivery. Therefore, this partnership carries great significance, and the vendor must clearly understand their role and the obligations they need to deliver.

Risk management is an important aspect of the insurance industry, and vendors need to ensure they take necessary security measures that can withstand assessment and scrutiny. They act as custodians of vast amounts of data, and updating security protocols in a rapidly changing environment is critical to protecting confidential and sensitive customer data. A vendor's operations should undergo audits by insurers to swiftly address any operational disruptions, ensuring continuity in service and delivery. This is crucial for maintaining key processes like processing policy information and settling claims, essential for brokers to serve customers effectively.

## Vendor responsibility in outsourcing

In an outsourced circumstance, the vendor is effectively taking over the insurer's administration and, therefore, needs to realise that they play a key critical part in an important industry, and their operations, efficiency, and responsibility impact the customer's insurance price. The insurer and broker's reputation is always at risk in this relationship. A partnership based on mutually beneficial recognition is critical to the customer's financial well-being. Customer service is the key to the success of the broker and insurer.

**Sedick Isaacs**
**Head:**
**Bryte Africa Takaful**
**Bryte Insurance**

As extreme weather events become more frequent and severe due to climate change, the insurance industry must educate consumers about how these events can impact their policies and the advantages of risk improvement initiatives.

Understanding these impacts helps consumers navigate potential changes in premiums and coverage terms, reduces the insurance protection gap, and empowers them to make informed decisions. By promoting risk management strategies and staying abreast of evolving regulations and market trends, the insurance industry can enhance consumer protection and financial security in an increasingly unpredictable climate.

### Acts of nature

The Ombudsman for Long-Term Insurance and the Ombudsman for Short-Term Insurance, now the National Financial Ombud Scheme South Africa, recently published their joint annual report for 2023, which indicates that the second-highest number of complaints, related to homeowners' claims. The majority of these claims - 44.7% - are related to damage caused by acts of nature.

# TRANSFORMING INSURANCE FOR CLIMATE RESILIENCE

South Africa has seen the impact of climate change over the past few years, and no province of the country has been spared. Floods and wildfires have become a routine occurrence.

### Adaptation and risk prevention

As the frequency and severity of these events increase, homeowners need to consider whether they are adequately protected to cover themselves against these exposures. Insurers, too, must adjust insurance premiums as they are risk-based to capture the impact of increased weather-related frequency and severity.

According to the International Association of Insurance Supervisors, adaptation and risk prevention measures can help reduce policyholders' physical risk exposure to natural catastrophe events and prevent damages and losses arising from these events. Risk improvement initiatives, therefore, include property and flood resilience upgrades pre- and post-these events which help to lower the severity of losses.

Insurers can integrate incentives for risk prevention in their product design, as well as underwriting and pricing practices to achieve a positive impact on the amount and number of losses, the association suggests.

### A societal issue that needs stakeholders

The Prudential Authority's recent decision to authorise the creation of weather index-based insurance products, marks a significant shift in South Africa's strategy for managing climate-related risks and bridging the insurance protection gap.

As climate change-related weather events have intensified, they have posed a significant threat to lives, livelihoods and economic infrastructure. Recent events in South Africa have demonstrated this. The impact on consumers is significant with only 18% of the economic losses incurred in the 2022 KwaZulu-Natal floods being insured. Storm Issa brought heavy rain to KwaZulu-Natal, causing flooding and mudslides, over 40 000 people were affected, and the storm caused a trail of destruction that led to the loss of life of more than 400 individuals. More recently, the swathe of devastation caused by a tornado that cut through Tongaat on the KwaZulu-Natal north coast in June 2024 caused damage to multiple structures, and left thousands of people displaced.

The insurance industry is just one of the players that provides financial aid to speed up recovery after weather-related events, but this is not a burden that can be shouldered by a single industry or role player. It is a societal issue that needs all stakeholders – insurers, government, municipalities, and communities to work together to help alleviate the pressure.

This collective effort is crucial to enhancing resilience, reducing risk exposure, and ensuring that the burden of recovery is shared, thereby fortifying society against the increasing threats posed by climate change.

Johan van Greuning
CEO
Standard Insurance

CPD ARTICLE

# From ozone woes to rugby blues: CLIMATE RISK'S BROAD IMPACT

When contemplating 'climate risk', one of the first thoughts is the great big hole in the ozone layer and how the penetrating rays of the sun are causing damage.

The impact of adverse weather events is much broader than this – there are harmful consequences for human and ecological systems, in addition to any financial risk.

## The impact of weather on life insurance claims

Adverse weather events not only impact property-related insurance claims, but life insurers will equally face an increase in claims due to extreme weather events. For example, human mortality and morbidity will increase because prolonged droughts will decrease food security, which could result in death or affect people's health. Another example is that of water scarcity, which results in a lack of sanitation, which then results in the spread of disease.

Rising temperatures also cause heat-related illnesses because the air quality is diminished, causing an increase in respiratory ailments. The solution is not merely to switch on air-conditioning, because doing so can itself be a contributor to greenhouse gases causing climate change.

## Applying risk management

Climate risk is not concentrated only in one area of the world; it is a universal risk that affects all. Of course, the risk and the consequences are greater in some geographic regions. Therefore, to reduce the impact of climate risk, every person on this earth needs to exercise risk management. This extends beyond the mantra 'reduce, reuse and recycle' and requires a shift in the way that economies, governments and their citizens live and operate.

So, what does this mean from a practical perspective? An example includes making awareness of climate risks and their reduction a core value within any organisation. Governments should look at entering into more private-public partnerships to provide insurance solutions, for example, parametric insurance (crop and livestock) to ensure food security. When government infrastructure is repaired or replaced due to climate damage, the 'build back better' principle should be adopted. In other words, climate-resilient materials should be used to minimise the loss and damage should other adverse weather events occur.

Insurers can adopt 'impact underwriting' principles. This would mean reducing premiums in a property policy if the property has been constructed with certain environmentally friendly options. The impact of this is intensified if, for example, building codes and requirements are legislated to make it a requirement to use specific materials. Institutional investors can adopt an 'impact investing' strategy steering progress towards sustainable economic activities and reducing climate-related risks. Financial institutions advancing loans or finance can adopt 'impact financing' policies.

## Climate risk threatens rugby

So, what does all this have to do with one of South Africa's beloved sports - rugby? World Rugby recently published a report on the direct and indirect impact of climate risk on the sport, its athletes, spectators, infrastructure and pitches.

Despite there being two regional climates in South Africa – in West Southern Africa (where, for example, the stadiums in Cape Town and George are situated) and in East Southern Africa (where, for example, the Johannesburg and the Durban stadiums are located), all the below could affect the sport:

- Heat and humidity: for players to play the game safely (and spectators to attend matches), optimal weather is required which is determined in terms of the Heat Stress Index. In addition, increased humidity affects certain varieties of grass, which is used for pitches. The result? Less training and less game time.
- Droughts result in water restrictions so turf pitches cannot be irrigated, no grass means no pitch. The result: less training and less game time.
- Flooding, heavy rainfall and marine submersions can damage stadiums (both the pitches themselves and access to them). Yes, you guessed it, the result is less training and less game time.

Climate risk is real and threatens the world's greatest rugby nation. One could argue that climate risk is more significant for South Africans on this basis.


Christine Rodrigues
Partner
Bowmans South Africa

CPD ARTICLE

# IS ASSET MANAGEMENT ON AUTOPILOT?

When it comes to savings and investment products, the fees clients pay can spell the difference between a comfortable retirement and just scraping by.

Fees could have a considerable impact and erode clients' capital substantially, due to the compounding effect of year-on-year savings, possibly as much as 30%. Talk about perspective, and possibly a reason why many clients are asking: what am I paying for?

### Demystifying fees

With South Africa's sluggish economy and low asset performance, fees have indeed become a hot topic. When asset performance drops, providers often try to shore up profits by cutting costs, but excessive cost-cutting can harm business sustainability and future growth.

Fees vary between providers and mostly cover fund administration. But here's the kicker: many fees are unregulated, allowing providers to set their rates. Asset management fees, typically a percentage of assets under management, pay for the asset manager's expertise, investment decisions, and risk management, aiming for a return that matches the risk taken with a well-curated mix of listed and unlisted assets.

### Only reward tangible performance

But, when all is said and done, it's about getting the investor's money's worth and knowing the asset manager is genuinely earning their keep by actively managing the fund. We don't believe in charging performance fees when asset classes outperform benchmarks. Not to mention all the middlemen taking a fee cut along the chain of traditional, off-the-shelf assets.

Let's face it: the only guest that should benefit from this party is your client. Besides, being able to interlink product benefits as a result of having various licences, helps to create unmatched synergies, which means, no unnecessary fees and more moolah in your clients' pockets. Cha-ching! And let's not forget the fair expectation from asset managers that the fund which holds your clients' money is structured to perform optimally. After all, the success of any investment product hinges on its underlying asset structure, which differs between providers and leads to varying returns.

### Choosing the right mix

Current volatile market conditions call for assets that offer stability and inflation-beating returns. This is why we specifically include high-performing debt instruments as the foundation of many funds and portfolios, generating more stable returns.

Also, specialist expertise and the uncanny ability to identify the right, high-value investment opportunities support an approach of investing in the real economy to weather the storm of market mayhem. Plus, our direct pipeline to these niche assets and our seamless integration from top to bottom creates a unique space where we can custom-make investment products that fit like-a-glove for all sorts of investor dreams. In a well-diversified environment, there is no place for one-size-fits-all!

### Adding a twist or two

Diversification is like a well-balanced diet for your client's investment portfolio - essential for long-term health. In South Africa, we've been conservatively munching on traditional asset classes, which have kept retirement savers in good shape. But as returns face the squeeze and the JSE's menu shrinks, it's time to spice things up with some new asset classes.

And Regulation 28 is like your client's financial dietitian, ensuring they don't overindulge in any one asset. It's not about making their portfolios taste better, but about keeping them well-balanced to prevent nasty financial surprises. Sure, it might limit those sugar highs of stellar performance, but it also buffers your client's investment portfolio against revenue losses.

Now, let's talk simplicity. Financial products should be as easy to understand as your grandma's cookie recipe. No one needs a PhD in finance to figure out what they're investing in. The world is already complicated enough, think quantum physics or trying to fold a fitted sheet. That's why we're all about clear, independent advice from trusted financial advisers.

So, here's to making cost-effective, well-balanced investment choices.


Paul Counihan
Chief Wealth Officer
Fedgroup

# PRIORITISING CAPITAL STABILITY IN AN UNCERTAIN WORLD

In a welcome change from the recent past, returns from local risk assets took centre stage during quarter two in 2024. This came as the uncertainty around the outcome of the national elections began to clear and a more centrist coalition government than some had initially feared emerged.

The FTSE/JSE All Bond Index returned 7.5% for the quarter as yield differentials to both the US and emerging market peers (i.e. risk premiums) narrowed. The beleaguered Rand strengthened more than 3% to the US Dollar, and the FTSE/JSE Financials Index, which is made up mostly of banks and insurers predominantly exposed to the domestic economy, added 17.8% compared to a still healthy 8.2% for the FTSE/JSE Capped Shareholder Weighted All Share Index as a whole.

## Navigating political and structural realities

While the political developments were well-received by markets, there remains cause to temper some of the enthusiasm shown to date. If the formation of a government proved difficult, setting policy priorities and ongoing decision-making may prove harder still. Opposing ideologies between (and, in some cases, within) the various political parties add complexity – not to mention the destabilising impact parties who are not part of the coalition could have, should they exert their influence. Indeed, this has been the undoing of numerous coalition agreements at a municipal level in the past.

Politics aside, the structural factors that contribute to our low-growth environment, including failing state-owned enterprises, weak law enforcement, skills shortages and expanding fiscal deficits, remain. It was these factors which ultimately undid the initial bout of Ramaphoria in 2018.

A critical takeaway from the Ramaphoria period is that political goodwill alone cannot change the path of our country. Fast-forward to 2024, and these aspects are now partly baked into the valuations at which our local assets trade. Therefore, any improvements in this regard, off a lower base, may contribute to improved investment outcomes.

## Global elections and market dynamics

For this time to be different, we need highly capable leaders to execute their mandates effectively after many years of decline in key government departments. Only the right mix of ingenuity and skill can improve South Africa's growth prospects and ultimately reduce unemployment.

Globally, this is a bumper year for elections. Examples beyond South Africa include India, Mexico, France, the European Parliament and the UK. The results of elections and polls are having divergent impacts on financial markets. French bond spreads have reached their weakest levels versus German bonds since 2012, presumably reflecting unease around the future path of government spending.

US voters are set to head to the polls in November. The US equity market has continued to post new all-time highs during the quarter driven by the mega-cap technology shares, even as the number of counters powering the rally has thinned out further. Market breadth in the US, which now accounts for approximately 62% of global equity market capitalisation, has rarely been narrower.

We, and our colleagues at our offshore partner, Orbis, remain concerned over the valuation levels in certain parts of the global market and what this may mean for near-term absolute returns if large valuation discrepancies begin to unwind. An allocation to offshore hedged equities seeks to exploit such an occurrence.

## Risk and return

It is worth reiterating that against this climate, we aim to provide long-term returns ahead of cash, offering a high degree of capital stability. Current high cash rates do present a steep performance hurdle to overcome. The appropriate balance must be struck between the risk and return required to meet and surpass this hurdle, especially in an environment of uncertainty both locally and offshore.

**Sean Munsie**
**Fund Manager**
**Allan Gray Stable Fund**

# THE IMPACT OF PERSONALITY TRAITS on investment decisions

Making an investment decision - such as switching between different investment funds - at the wrong time can cost your client money. This is known as the 'behaviour tax'.

## Major predictors of switching behaviour

Often, when markets become turbulent (whether rising or falling), investors struggle to make the right decision and instead opt for what feels like a safer choice. This 'comfortable' decision cost investors in retirement nearly R500 million in 'tax' during the COVID-19 pandemic, as they sold out after the market crash and then tried to re-enter the markets after they recovered.

During the pandemic, 75% of the value destroyed was from retirees, and in 2023, 65% of the value erosion continued to affect investors in retirement. Using machine learning algorithms, we confirmed that both age and the size of the investment portfolio are major predictors of switching behaviour.

An investor's reaction to market movements is influenced by his/her personality or 'factory settings', which is shaped by how market behaviour makes the investor feel. His/her personality encompasses the thoughts and beliefs he/she holds about investing.

Research shows that approximately half of these traits can be traced to our inherited genetic code.

## Two important personality traits

The two important personality traits or thought patterns that determine these factory settings for investing - and may be linked to the behaviour tax - are:

1 **The preference for immediate versus delayed gratification.**
In the Stanford marshmallow experiment, children were offered the choice to eat one marshmallow now or wait 10 minutes to receive a second marshmallow. Although 10 minutes may not seem long to adults, it feels like a lifetime to a five-year-old waiting for a sugary treat. Some children performed better in this task because they had different factory settings. Subsequent replications of the marshmallow experiment revealed that successful children were able to distract themselves by shifting their attention away from the treats, such as by staring at the corner of the room or thinking about other things.

This concept indirectly relates to the idea of 'flow' - our perception of time when we are engaged in activities we enjoy. The personality trait of conscientiousness is associated with those who are naturally good at focusing on long-term goals and future outcomes.

2 **Investors' general level of anxiety or neuroticism.**
Some of us are naturally more inclined to worry than others. Higher anxiety levels can lead to investment decisions aimed at providing immediate comfort, such as moving money to 'safer' asset classes during market turbulence.

This tendency is known as action-oriented bias, or the impulse to 'do something'. Such behaviour often results in the behaviour tax because, inevitably, investors miss the market recovery and find themselves stuck in the wrong place at the right time when markets rebound - and they always do. Conversely, having low levels of neuroticism helps investors remain more composed in the face of uncertainty.

## Self-awareness can make a difference

It is important to note that no set of personality traits is inherently better or worse. However, certain traits can be more suitable for specific situations. For example, having a spontaneous and impulsive partner may lead to fascinating life experiences, but if left unchecked (without proper plans and strategies), these same traits can result in poor investment outcomes.

This is where self-awareness can make a difference. An investor must understand his/her factory settings and implement appropriate strategies that can significantly impact retirement outcomes, potentially turning a behaviour tax into a behaviour dividend.

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**Source: Momentum Investments Sc-Fi report, November 2023*

**Paul Nixon**
**Head of Behavioural Finance**
**Momentum Investments Group**

# UNLOCKING OPPORTUNITIES
## for stokvels and savings clubs

Stokvels and savings clubs are already being integrated into South Africa's formal savings and investment system through the actions of their members. The question, now, is how to serve these groups better.

### Trends in stokvels and savings groups

African Response estimates that more than R50 billion is saved or invested through these groups. This is a solid slice of South Africa's collective investment management industry, which recorded nearly R3.5 trillion in assets under management by the end of 2023.

In July African Response surveyed 1 481 members of its MzansiVoice online panel – 1 057 (71%) reported saving through a stokvel or savings group. Also, 47% of the 626 panel members under the age of 35 said they are using the advisory services offered by banks and investment and insurers to guide their groups' financial decisions – a figure that can only grow if these institutions commit to better understanding their needs and pain points.

What's more, this is a trend that has emerged in the past four years and high satisfaction with this service offers good news for the financial services market.

Although the four largest banks already offer accounts aimed at stokvels and savings groups, we suggest that they must continuously revise offerings in line with the evolving needs of this vibrant, vital and growing savings and investment segment.

Of the respondents saving or investing through a stokvel or savings group, 41% say they use a group account, and a solid 59% say they do not. Instead, they choose to place the group's funds in a member or treasurer's account, with a retailer or undertaker, in an investment, trading or cryptocurrency account, or even keep it as cash "under the mattress".


### A gap in the market

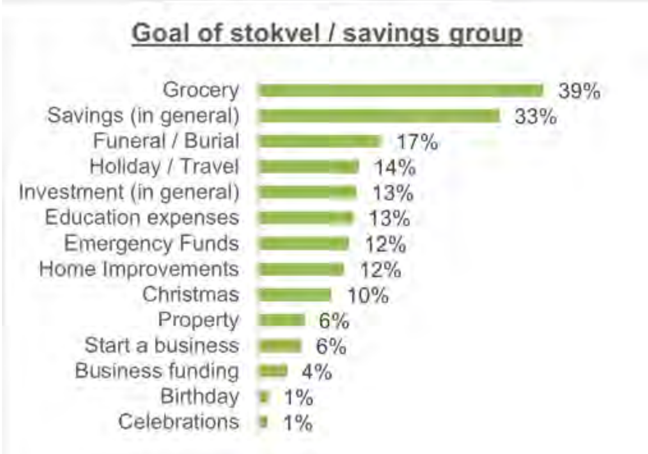
It appears that the bureaucratic hurdles associated with group accounts often lead groups to choose a riskier, yet more convenient, alternative: saving the money in an individual's account. This choice presents tax implications and significant challenges if that individual unexpectedly dies or, even worse, absconds with the group's money.

This leaves a gap in the market for financial institutions that can develop innovative solutions that welcome South Africa's formidable stokvel and savings group segment into the savings and investment market in ways that integrate their current realities and preferences.

It's important to remember that stokvels were the black community's innovative answer to being excluded from access to credit in the past. Now they are among South Africa's largest and safest microlenders. Most often a stokvel or savings group's members are well known to each other – there is a strong element of community cohesion and solidarity that is found through these groups – and this gives these groups a social gravitas that no financial institution alone will ever gain.

Taking stokvels and savings groups and their members seriously by tailoring products and services to their needs will bring financial institutions' business beyond the group. The social connections that tie these groups together are strong, and each group member is an individual with their aspirations.

Even if a stokvel or savings group is, collectively, worth "just" R100 000, that figure represents a remarkable ability in each member to plan ahead and save for a variety of goals, including education, holidays and travel, starting or growing a business and upgrading or buying property. For that, these groups deserve financial institutions' enormous respect and a king's welcome.




### Onboarding stokvels and savings groups

After all, these institutions must find ways to encourage savings and investment among South Africans – it is their bread and butter – by onboarding these stokvels and savings groups we might more accurately report on the national savings rate (0.5% in 2023), which is likely underestimated due to the exclusion of those currently saving through a stokvel or savings club.

**Mamapudi Nkgadima**
**CEO**
**African Response**

# ADVISERS AND INVESTORS hold thumbs the GNU will restore bond and equity valuations

Asset managers and financial advisers are holding thumbs that South Africa's recently formed Government of National Unity (GNU) can navigate differing political ideologies and deliver the reforms needed to place the country firmly on an economic growth path.

They do so in recognition of the market fallout that often follows from political infighting and policy uncertainty.

## The Minister of Finance debacle

An excellent example of the financial market fallout following absurd political decision-making occurred during the country's so-called State Capture years when then-President Jacob Zuma removed Finance Minister, Nhlanhla Nene, and replaced him with Des van Rooyen in December 2015. The Rand went into free-fall, as did equities on the Johannesburg Stock Exchange (JSE). And Van Rooyen was 'fired' after just four days.

"Developing markets do not always have the sophisticated governance structures enjoyed by their developed market counterparts; consequently, political stability takes on greater significance in these countries," said Mokgatla Madisha, Head of Fixed Income at Sanlam Investments. He singled out political stability as a precursor to policy continuity and social stability, crucial constructs for businesses and communities to flourish, and vital for investor confidence.

The 2024 National Election has affected the South African investment landscape, but it is difficult to quantify pre-election uncertainty or post-election jubilation. Polls conducted in the run-up to the election hinted at declining support for the ruling African National Congress (ANC). Analysts monitoring these polls would have been unsurprised by the coalition government that subsequently emerged. They would, however, have been concerned about the direction the resulting coalitions might steer the country towards.

## Avoiding an unwanted coalition

"Coalitions at the municipal level have proven unstable and, in some cases, dysfunctional; investors were thus concerned about the potential for post-election political instability in light of increased support for left-leaning parties," Madisha said. This writer can confirm a large amount of speculation and concern over a possible post-election tie-up between the ANC, EFF and MK.

The GNU, which over time lured in virtually all the parties who won a seat in the election was well-received by the markets, and Sanlam Investments confirms that the JSE All Share Index rallied 4.08%; the JSE All Bond Index moved up 5.18%; the domestically-oriented FINI15 returned 14.51%; and the Rand gained 3.19% against the US Dollar.

Asset managers keep a close watch on the government's economic policy and regulatory frameworks. "Investors look for reforms that reduce red tape and increase potential returns on investments which generally boost investor confidence levels; coherent, logical, and practical regulations can enhance the business environment," Madisha explained, before offering some thoughts on the financial market impact of the GNU.

"Before the formation of the GNU, South African assets were trading at a deep discount due to heightened political risk and a low-growth environment," he said. "We have since seen some re-rating take place, and foreign capital has flowed into South Africa… recent election results in Brazil and Mexico led to less favourable outcomes for investors, making South Africa more attractive on a relative basis."

## Getting the basics right

The fixed-income specialist said that South Africa had to find ways to bolster economic growth; reduce unemployment; and make current debt levels sustainable. "Faster growth will ultimately reduce the risk premium demanded by investors in South African assets; in the short term investors will want to see that the GNU is stable and that even contentious policies, such as NHI, are implemented only after due consideration of costs and constitutionality," he concluded.

The asset manager is overweight local bonds and equities on valuations and believes the reduced political risk should give the South African Reserve Bank scope to cut the repo rate in line with decelerating inflation. This step will be a net positive for businesses and households.

Gareth Stokes
Stokes Media

# The role of professional financial advisers in SUCCESSFUL INTERGENERATIONAL WEALTH TRANSFERS

One key difference between high-net-worth families and the so-called middle class is that the seriously wealthy often involve their children and grandchildren in financial planning meetings early on, with the aim of facilitating an intergenerational transfer of wealth. FAnews spoke to two respected CFP® professionals to learn more about this important topic.

## Desired outcomes and values

"The transfer of wealth across generations is personal and unique to each family; understanding what is important to each family - including their desired financial outcomes and values - is key to the financial planning process," said Ricardo Teixeira, CFP® and COO at BDO Wealth Advisors. He warned against blanket definitions of success in the intergenerational wealth transfer paradigm.

In his experience, key features of intergenerational wealth transfer plans include healthy and open communication between family members, clearly defined values that are meaningful to the family and good governance structures for family trusts and companies. Teixeira's insights are supported by another financial advising stalwart and CFP®, Kobus Kleyn.

"Intergenerational wealth transfer is an important aspect of financial planning," Kleyn said. He described a successful intergenerational transfer of wealth as a process that "ensures financial assets are passed smoothly and efficiently from one generation to the next while preserving the family's values and vision." Several core components should be considered in this process.

## Matters of the estate

Firstly, comprehensive estate planning. "Estate planning involves establishing trusts, wills, and other legal mechanisms to ensure assets are distributed according to the family's wishes," Kleyn said. He reflected on working with a family to set up a series of discretionary trusts that provided for their children's education and future business needs while also protecting their assets from potential creditors.

The second component involves tax planning. According to Kleyn, it is crucial to minimise your client's tax liabilities during the wealth transfer process. One useful technique employed by professional financial advisers and planners is advising clients on using the annual donation tax exemptions available in various jurisdictions, effectively reducing their taxable estate over time.

CPD ARTICLE

And third, education. "Continuously educating the next generation about financial responsibility and maintaining open lines of communication between the adviser and client, and within families, ensures that your clients are prepared to manage and sustain their wealth," Kleyn explained. FAnews asked about the need to involve children and grandchildren in family financial planning meetings and from what age this practice should begin.

"The family financial planning meetings are wonderful opportunities to impart experience to the next generations; having children, and even grandchildren, in attendance allows them to gain confidence in their understanding of what it means to manage wealth and to plan for the future by observing the financial discussions as and when they unfold," Teixeira said. He noted that children tend to listen attentively at first but, over time, become more comfortable asking questions that help them define their relationship with money.

### Involving children and grandchildren

Kleyn agreed, stating that involving children and grandchildren in financial planning meetings is crucial for continuity and understanding. "This practice fosters financial literacy and responsibility and prepares the younger generations to manage and sustain wealth," he said. He suggested involving children as early as their teenage years and progressively increasing their participation as they mature.

BDO Wealth Advisors recommends that children in their 20s and older will benefit from being part of the family financial planning discussions. "At this age, children are embarking on developing their careers and have a more meaningful connection to what it means to make and manage money," Teixeira said.

There is an age-old saying that with great wealth comes great responsibility; it should be modified to note that being wealthy and successfully transferring money from one generation to the next is not without its challenges. Financial goals and values often vary across generations, leading to conflicts. "Younger generations may lack the necessary financial literacy to manage wealth effectively, and emotional and interpersonal conflicts can complicate decision-making," Kleyn said.

### An authentic family meeting

His advice to financial planners is to proactively mitigate these challenges by holding regular family meetings to create and ensure alignment with the family's financial goals. Additionally, providing tailored financial education programs for different age groups is beneficial. From the outset, you should establish clear conflict resolution mechanisms to help resolve disputes amicably. Offering a real-life example, Kleyn mentioned facilitating the creation of a family council for one of his clients, which meets to collectively discuss and resolve issues as they arise.

FAnews can only imagine the differences of opinion that arise between the money hungry "Where's my Lambo?" youngsters in Generation Z and their conservative parents and grandparents from the Baby Boomer generation and earlier. How do advisers handle these wide disparities in financial attitudes, experience, and knowledge? Clear and transparent communication stands out as non-negotiable, with best practice being to identify and address knowledge gaps as soon as they arise.

Addressing differences in financial knowledge across generations is also important. One way to achieve this is by offering customised education plans tailored to each family member's needs. Another approach is to consider inter-family mentorship programs, where less experienced family members are paired with more knowledgeable ones. Engaging professional advisers to provide ongoing education and support ensures that all family members are equipped with the necessary knowledge to manage the family's wealth.

### Encouraging honest, transparent dialogue

Getting family members to engage openly with one another is the goal, but this is often easier said than done. One easy win is to offer a financial planning environment that allows for honest and transparent dialogue, thereby facilitating constructive communication between family members. "As advisers, we can take the role of independent facilitator to encourage healthy and constructive communication," Teixeira said. "Having the right people present at family meetings, setting the correct tone for these meetings and having an appropriate agenda all help."

Kleyn reiterates that communication and education are pivotal in preparing the next generation for wealth stewardship. "We can facilitate this by hosting regular family financial workshops and developing comprehensive financial literacy programmes; one-on-one coaching sessions for individual family members can provide personalised guidance and support," he said.

There has been much discussion about the significant wealth transfer set to play out in the United States (US) between now and 2045. One study suggests a staggering USD84 trillion will change hands over the next decade or so, including a transfer of USD53 trillion from Baby Boomers to their heirs. Is the same trend evident in South Africa? "While the scale may differ, South Africa is experiencing a similar wealth transfer," Kleyn said. "Many high-net-worth families are increasingly focusing on structured wealth transfer plans to ensure their legacies endure."

### The Bitcoin versus Krugerrand crowd

His CFP® peer at BDO Wealth Advisors was somewhat less enthusiastic. "In my opinion, the economic experience for South Africa's Baby Boomers is not as buoyant as that of their US counterparts; in addition, the impact of Apartheid on wealth creation across a large portion of the South African population has been a significant limiting factor," concluded Teixeira. But as South Africa's economic landscape matures, the importance of well-planned intergenerational wealth transfer cannot be overstated.

The good news, according to Kleyn, is the growing awareness among South Africa's well-to-do families about the need for comprehensive estate planning and the role of professional advisers in facilitating this process. For him, the strategy that best ensures smooth intergenerational wealth transfer hinges on creating trusts to protect assets and always providing clear instructions for their use.

**Gareth Stokes**
**Stokes Media**

# INCREASING EMPLOYER-SPONSORED HEALTHCARE BENEFITS: BALANCING COST AND COMPETITIVENESS

The South African economy faces numerous challenges, including low economic growth rates, high unemployment rates, and inflation pressures. These factors impact both businesses and employees, making quality and affordable healthcare benefits increasingly impor-tant. The introduction of the National Health Insurance (NHI) aims to provide universal healthcare coverage to all South Africans. However, the transition phase could take many years, and potential gaps in the system mean that offering some form of comprehensive healthcare benefits is crucial.

## COST-EFFECTIVE HEALTHCARE ALTERNATIVES

Old Mutual's Regional General Manager, Thenjiwe Ramorotho, says that by doing so, businesses can ensure their employees have continu-ous and reliable access to necessary health services. "Healthcare benefits are crucial for reducing absenteeism, a healthy and productive workforce. Offering healthcare benefits enhances employee satisfac-tion, reduces turnover, and positions businesses as attractive employ-ers in a competitive job market," she explains. Healthcare Consultants can play a pivotal role in guiding businesses towards these alternatives.

## EXAMINING BUDGET-FRIENDLY OPTIONS

- **Health Subsidy:** Health stipends allocate a fixed amount of money to employees for health-related expenses, offering some flexibility in choosing services that meet their individual needs. While this approach can help employees cover basic health costs without impos-ing a significant financial burden on employers, it may not provide sufficient coverage for more extensive medical needs or unexpected health crises.
- **Affordable Medical Aid Options:** Budget-friendly, entry-level medical aid options exist and are generally useful for lower-earning and blue-collar workers. However, even these options can be unafford-able for many, and still not providing comprehensive coverage for all medical needs.
- **Reliance on State-Run Public Clinics:** Another alternative is for employees to rely on state-run public clinics rather than seeking private healthcare. While public clinics offer basic health services at minimal or no cost, the quality and accessibility of care can be incon-sistent due to overcrowding, long wait times, and limited resources.

## REDUCING ABSENTEEISM, TALENT ATTRACTION, AND RETENTION WITH MEDICAL INSURANCE

Flexible health insurance products help bridge the gap by increasing access to quality private healthcare for workers at an affordable cost," notes Ramorotho. Notably, these options include plans starting at just R260 to R440 per person per month, which includes a day-to-day cover and hospitalisation benefits.

## KEY CONSIDERATIONS FOR HEALTH INSURANCE PRODUCTS

**Access to Essential Care:** Health insurance provides access to essential day-to-day care and some hospitalisation in a private sector healthcare setting. Benefits typically include unlimited GP or nurse visits, in-hospital illness and accident benefits, and medication for acute and chronic conditions.

**Additional Services:** Additional services may include basic dentistry, optometry, radiology, pathology, and limited specialist treatments and consultations. However, it is crucial to understand the limitations of health insurance, such as potential exclusions for high-cost treatments like cancer or dialysis.

## LIMITATIONS: DIFFERENTIATING MEDICAL INSURANCE FROM MEDICAL AID

- **Medical Insurance:** Medical insurance is managed by insurance companies and offers predefined benefits for specific health events or conditions. Unlike medical aid, it is not required to cover Prescribed Minimum Benefits (PMBs). PMBs are a set of defined benefits to ensure that all medical scheme members have access to certain minimum health services, regardless of the benefit option they have selected. Medical insurance premiums can vary based on age and other risk factors, and the payouts are fixed for specific events as outlined in the policy.
- **Medical Aid:** Medical aid schemes are non-profit organisations regulated by the Medical Schemes Act and are required to cover PMBs. These benefits include emergency medical conditions, 271 listed medical conditions, and 26 chronic conditions. Medical aid schemes charge members the same premium for the same benefit option, promoting a community rating approach where risks are shared among members.

## MAXIMISING EMPLOYER AND EMPLOYEE BENEFITS

HealthcareConsultants play a critical role in navigating the complexi-ties of healthcare benefits. They must guide businesses in balancing the cost and value of healthcare benefits by strategically planning and evaluating options. This ensures that both employer and employee needs are met, creating a win-win situation. Consultants also need to assess whether lower premiums will offset expenses or co-payments that would have been covered by medical aid schemes. Typically, health insurance pays a defined amount for specific health events or condi-tions, detailed upfront in the policy document.

## CONCLUSION

In today's economic climate, businesses must innovate to provide competitive healthcare benefits without breaking the bank. Leverag-ing flexible health-insurance products and cost-effective alternatives can help companies reduce absenteeism and retain good workers. Employee benefit consultants are essential in guiding businesses towards sustainable and effective benefit strategies.

For more detailed information on health insurance products and how they can benefit your business, download the brochure from Old Mutual at **https://www.oldmutual.co.za/healthsolutions**.

# MEMBER RETENTION AND SATISFACTION IN MEDICAL SCHEMES

The healthcare sector, like most industries, is constantly evolving due to technological and scientific advances, and given increasing member demands, the environment is highly competitive for these businesses.

Considering the country's current economic climate, it can be argued that many individuals may not have the financial means to keep their current medical scheme coverage in place. As a result, medical schemes will need to look at adopting new strategies that will position them as a 'must have' to ensure they can survive the competitive industry, while still delivering value.

The role of advisers is critical to ensure that value is conveyed and that it aligns with member requirements.

## Understanding member needs and expectations

The foundation of any successful medical scheme lies in a deep understanding of its members. This process begins with extensive research to determine the healthcare needs of existing and potential members. Most medical schemes provide a range of benefit options, including additional preventative care, maternity care and managed healthcare programmes, and cover to suit various budgets and healthcare needs.

However, as we move forward, will this be enough? Many argue that, given the changing landscape and member requirements, medical scheme coverage should not just be varied, but personalised. With developments in Artificial Intelligence (AI), the data collected from medical scheme's members can potentially be utilised to offer members more personalised patient-centred service and care.

Furthermore, schemes continuously evaluate how technology may not only deliver better healthcare support, but better access as well. Examples like virtual consultations and telemedicine services are consistently debated to determine whether this can support the extended reach for medical schemes and members – no matter their location or mobility levels.

## Improving communication and engagement

As medical schemes evolve, focusing on clear, transparent and consistent communication will become even more crucial for member satisfaction and retention.

Members want and expect convenient access to support for any queries related to their medical scheme plans. However, beyond this, if medical schemes want to remain competitive, they will also have to acknowledge the need to offer clearer and more transparent pricing options, as well as simple-to-understand coverage details. Members want to know what is covered, how much they will need to pay out-of-pocket, changes related to their plan or healthcare coverage, and how they can avoid unexpected bills.

## Providing exceptional customer service

Excellent customer service directly contributes to the retention of members. However, the rapid evolution of technology has had a huge influence on what members expect via customer care channels. The notable influence is, of course, how businesses are able to serve members through instant (digital) communication channels such as chatbots, social media, email and mobile apps.

While the demand for instant gratification from members makes this kind of service essential, in today's fast-paced world, we also need to be cognisant that, while members are looking for a swift resolution to their queries, they want empathy too.

This extends to their advisers. Due to the complexity of medical schemes' products, there is still a large contingency of members who prefer the direct human touch point – someone to unpack the various plans, explain the benefits and cover, and support with queries where relevant. Advisers play an important role in not only assisting members but medical schemes as well.

## Wellness and preventative care programmes

Comprehensive wellness and preventive care programmes are critical for medical schemes today. These programmes focus on fitness, nutrition, mental health support, and early detection of chronic illnesses and cancers.

To stay competitive, medical schemes must integrate wellness and preventive care, using mobile health apps and wearable devices for personalised care and real-time data. They need to offer convenient healthcare access and consider member feedback from advisers.

Mental health is now a top priority. Expanding services like counselling, therapy and support groups, meets member demand and enhances relevance. Members seek support, personalised services and value, such as mental health helplines.

The future of medical schemes lies in improving member retention and satisfaction through comprehensive care, better communication, exceptional service and value-adding benefits. Collaborating with advisers will help build strong member relationships, improve retention and attract new members in a competitive healthcare market.

**Madelein O'Connell**
**Executive: Marketing, Sales and Corporate Relations**
**Bestmed Medical Scheme**

# A MULTIFACETED APPROACH TO UNDER-STANDING CUSTOMERS

Demographics and value graphics are essential building blocks for providing personalised advice and gaining a solid understanding of clients' core healthcare needs. Demographics reveal the 'who', while value graphics delve into the 'what'.

But what truly sets exceptional advisers apart? It is the ability to uncover the 'why' behind a client's preferences. And this is where psychographics come in.

## Psychographics: the pivotal puzzle piece

Psychographics are qualitative measures to study clients based on psychological characteristics and traits derived from their activities, interests, and opinions. By understanding the intricate tapestry of human behaviour, we can move beyond superficial needs and connect with the core of what motivates a client's healthcare choices.

- Psychographic segmentation - psychographics allows you to segment your client base into distinct groups based on shared characteristics, enabling you to predict future behaviour and tailor your recommendations appropriately. This segmentation, combined with demographic and value graphic insights, ensures a comprehensive understanding of your clients.

- Psychographic information - let's make it practical: you have two prospective clients, Kgomotso and Chris, who are interested in joining a medical scheme. You have to recommend a plan for each of them. While formal psychographic assessments exist, simpler methods can also yield valuable insights during client interactions. Here are three methods:

| | | |
|---|---|---|
|  | Active listening | Pay close attention to the language your clients use and the questions they ask. Does Kgomotso frequently mention yoga classes (indicating a health-conscious mindset)? Does Chris express concerns about long waiting times (highlighting a need for convenience)? |
|  | Open-ended questions | Move beyond basic demographics. Ask Kgomotso about her biggest challenges in managing her healthcare or Chris about his priorities when choosing a medical scheme plan. |
|  | Hypothetical scenarios | Use hypothetical situations to understand client reactions and preferences. Ask Kgomotso what she does when she gets the flu or Chris how he would react to an unexpected serious medical diagnosis and what he would want his medical scheme plan to cover. Their answers can reveal their risk tolerance and decision-making style. |

## Psychographic indicators

Psychographic indicators include personality traits; lifestyle, habits, and behaviour; interests; as well as opinions, attitudes, and beliefs.

- Personality traits: Is your client detail-oriented or easy-going? Risk-averse or adventurous? These traits influence a client's preferred plan and risk tolerance. A basic knowledge of established psychological frameworks like the Myers-Briggs Type Indicator and the OCEAN Big Five personality traits can help identify personality traits. If Kgomotso's decision-making style leans more towards thinking than feeling, she might prefer a savings plan that allows flexibility in healthcare spending. If Chris leans towards neuroticism, he may prefer a comprehensive plan.

- Lifestyle, habits, and behaviour: Lifestyle choices impact health directly. Pay attention to what your clients reveal about their routines, exercise habits, sleep, and diets. Kgomotso follows a set daily routine that includes exercise and a healthy diet. In her case, you can deduce that she is proactive about her health and would go for regular check-ups and screenings.

- Interests: Might be identified through social media engagement or direct enquiry. Ask about your client's hobbies and passions. Are they interested in preventive care or holistic therapies?

- Opinions, attitudes, and beliefs: These play a significant role in shaping one's approach to healthcare. Is Kgomotso open to embracing new technologies? Is Chris reluctant to incur healthcare costs? Understanding these attitudes can help in providing personalised recommendations and addressing specific concerns.

## Psychographics in action

For medical scheme advisers, applying psychographic segmentation can revolutionise the way they interact with their clients. By understanding each client's psychographic profile, advisers can match plans to the client's unique psychological and lifestyle preferences, ensuring a fit that is both personal and practical.

**Lien Potgieter**
**Head of Marketing**
**Medihelp**

# CLOSING THE GENDER PAY GAP

In South Africa, the disparity in retirement security between men and women is alarming. Despite advances in women's rights, economic challenges and systemic gender pay gaps leave women significantly disadvantaged in retirement. Women earn less, face career interruptions, and live longer, exacerbating their financial strain in later years.

Addressing these issues is crucial for achieving gender equality and economic stability. **FAnews** spoke to **Linda Sherlock, Executive Head: PPS Wealth and Business Development** about the need to confront these disparities to ensure a fairer retirement future for women.

### The gender pay gap and retirement wealth

Retirement in South Africa is stark, with only 6% able to retire comfortably, and gender disparities worsen the situation. Sherlock notes, "Women face significant economic inequalities due to the gender pay gap, cultural expectations, and socioeconomic challenges, leading to lower lifetime earnings and reduced retirement savings."

The World Economic Forum reports that South African women earn 23% to 35% less than men for the same jobs, with StatsSA estimating a 30% overall gender pay gap. A WTW study shows South African women are expected to retire with just 71% of the wealth accumulated by men, despite living five years longer on average.

The key challenges include:

- Gender pay gap: women earn less than men.
- Career interruptions: caregiving roles lead to interrupted careers.
- Part-time work: lower pay with part-time jobs.
- Occupational segregation: Overrepresentation in lower-paying industries.
- Retirement savings gap: less savings due to lower earnings and career interruptions.
- Longevity risk: women outlive men by about five years, with professional women living even longer.
- Financial literacy: lower scores compared to men.
- Investment strategies: more conservative approaches leading to lower returns.

"Addressing these gaps is crucial for economic fairness, growth, and social progress," Sherlock asserts. "Closing the pay gap and achieving pay equity ensures women can achieve financial security in retirement."

### Unique challenges for older women in retirement

Older women face unique retirement challenges, including longer life expectancy, lower lifetime earnings due to pay gaps, caregiving duties, and fewer years to save. Factors such as divorce, being the sole breadwinner, and supporting adult dependents also impact their financial stability. Traditionally viewed as household managers, women are now gaining financial independence and are expected to control much of a $30 trillion wealth transfer by 2030, significantly impacting society. "Despite this progress, many women remain underprepared for retirement due to issues like outliving spouses, lack of financial knowledge, divorce, and elderly care costs", says Sherlock.

### The impact of career interruptions

Women often take career breaks to raise children or care for family, impacting their career progression, earnings, and retirement contributions. These interruptions, especially during key earning years, reduce their retirement savings.

"The principle of 'time in the market' highlights this challenge," Sherlock notes. Women are also underrepresented in senior management, with South African women in senior roles having only 62% of the retirement wealth of men. Additionally, women live about five years longer than men, requiring more retirement funds. Financial advisers are crucial in empowering women, yet the 10x Retirement Reality Report shows women lag in financial wellbeing and retirement preparedness, with nearly half lacking a retirement plan and fewer having well-structured plans compared to men.

### Long-term financial implications of lower earnings

According to the World Economic Forum, South African women earn 23%-35% less than men in the same roles, starting from a lower salary base and receiving smaller bonuses. This pay gap translates to less money for retirement savings.

"Lower earnings limit women's economic mobility and career advancement, perpetuating reduced financial growth," says Sherlock. Parenthood, especially motherhood, often interrupts careers, further affecting financial stability.

The earnings disparity impacts generational wealth transfer and women's financial freedom. "Closing the gender pay gap, improving financial literacy, and supporting equal economic opportunities for women are crucial," Sherlock emphasises.

### Empowering women in financial decision-making

With women poised to control nearly $30 trillion from the Baby Boomer wealth transfer, brokers and advisers play a crucial role. Historically, women have felt less confident in managing finances due to gender biases and limited financial literacy. However, this is changing, requiring a departure from one-size-fits-all advice. "Advisers must understand the unique needs of women in money management," says Sherlock. McKinsey's research shows many women will lead in managing wealth, with younger, affluent women becoming more financially savvy. Nearly 38% of South African households are financially led by women, a number likely to rise given women's longer life expectancy.

Younger affluent women seek tailored financial advice. McKinsey notes that about 70% of widows switch advisers within a year of their spouse's death. Female advisers play a vital role, offering shared experiences and understanding nuances like career aspirations and family commitments.

"Women's life stages require specific advice and solutions," Sherlock adds. "Our industry must find flexible models to review and adjust plans at each phase." PPS Investments' data shows a growing female cohort in middle age brackets and a decline in older male investors. Advisers must offer hyper-personalised advice to build lasting relationships with women, reflecting these demographic changes.

### Tailored financial products and investment strategies

Studies have shown that when it comes to investing, women are far less confident than men. On average, women are more risk-averse than men with a focus on preservation as opposed to accumulation. It's also important to note that women are more closely aligned with their investment and personal values as well as concepts such as "responsible investing," which play an important role in shaping their decision-making.

It is well documented that women tend to:

- Be less open to risk.
- Conduct more research.
- Consider the broader impact of their decisions on society.
- Take measured decisions.

"Once again, the need for sound financial advice and financial empowerment is crucial to support women in achieving financial freedom," Sherlock asserts. "A comprehensive financial plan covering investment, estate planning, and sufficient risk cover plays an integral role."

"Investing in a well-diversified high-equity portfolio remains a sound mechanism to grow capital over the long term for retirement," Sherlock advises. "This point should extend to their employer retirement fund portfolio selections, ensuring that both personal investment portfolios and contributions are aligned to desired outcomes."

### Ensuring gender-sensitive financial advice

"The advice given is not driven by the gender gap, but rather the outcomes or goals-based investing needed to meet the women's needs," Sherlock notes.

"Financial advice should always be tailored," Sherlock continues. "A woman having just divorced has a vastly different financial position to solve for, as does a woman-led household, or a woman supporting adult dependents, as examples." Each of these requires unique advice and solutions. The women themselves will have to address the earning issues; however, an adviser's role is to ensure they are empowered to do so through financial planning.

"In my experience, women are actually better equipped than men in managing money," Sherlock observes. "Women seek counsel and guidance and take their time to make decisions, a trait that works in their favour when dealing with their finances. For our industry, seeing this financial freedom for our clients should encourage us to empower all our clients to achieve their retirement goals."

**Myra Knoesen**
**Journalist/Researcher**
**FAnews**

CPD ARTICLE

# THE TWO-POT SYSTEM: regulatory challenges ahead

South Africa's retirement industry is preparing for the introduction of the Two-Pot Retirement System this September, presenting financial advisers with a more intricate regulatory landscape due to extensive reforms. Additional adjustments to the regulatory framework are anticipated to follow.

These developments bring about complexities and opportunities. Understanding the intricacies of navigating a shifting regulatory environment is crucial. Financial advisers need to leverage available expertise and resources to ensure they're well-equipped to guide their customers through this transition.

## Significant regulatory developments ahead

The Conduct of Financial Institutions (COFI) Bill is the most critical upcoming regulatory development. This Bill aims to streamline and centralise the current conduct standards and legislation, regulating financial institutions, into a single piece of legislation. The COFI Bill is expected to be tabled before Parliament, later this year, or early next year.

The market conduct regulation is essential. It ensures better outcomes for customers by mandating that all financial institutions, including financial advisers, adhere to good practices that are customer centric. The COFI Bill's objectives include promoting fair treatment and protection of customers, fostering trust in the financial sector, and supporting financial inclusion and transformation.

Another significant shift is the new Marriages Bill, which aims to unify existing marriage legislation into one comprehensive law, including the Marriages Act, the Recognition of Customary Marriages Act, and the Civil Union Act. The proposed legislation ensures equality and protection for all people in recognised unions and prohibits child marriages.

The Financial Sector Conduct Authority (FSCA) is reconsidering the introduction of the B-BBEE requirement. However, the promotion of financial sector transformation will be a function of the FSCA, requiring all licensed financial institutions to have a transformation plan in place. Clarification will need to be provided regarding these transformation requirements for both existing and new institutions.

Two other regulations need consideration: the 2024 Draft Revenue Laws Amendment Bill, guiding the directive system to support the implementation of the Two-Pot system, and amendments to the Government Employees Pension Law to address the impact on government employee pensions.

## Resources and support systems for advisers

There is a strong emphasis on the need for financial advisers to acquire extensive knowledge and continue professional development. This knowledge can be gained through publications, presentations, and partnerships with resource-rich organisations.

Compliance is a cornerstone of the COFI Bill. Advisers must meet licensing requirements and adhere to the Treating Customers Fairly (TCF) principles, which will become legally binding. Partnering with reputable compliance companies or having a dedicated compliance officer is essential.

Advisers must revisit their practice's culture and values to align with COFI's fair treatment principles. Implementing effective practice management processes will lead to good governance.

## Understanding customer needs

Understanding the impact of these laws on customer financial advice and outcomes is crucial. Advisers must understand customers' needs and goals to provide appropriate financial products and services. There is a strong emphasis on having access to systems, tools, and calculators that demonstrate the impact of these changes on customers' financial plans.

This involves using customer relationship management tools and financial planning software to offer relevant advice and recommend suitable products. To navigate these changes successfully, partner with organisations that can better prepare you to understand these changes and incorporate them in your practice with minimal disruption and maximum customer benefits.

**Keith Peter**
**Advice Manager**
**Old Mutual Personal Finance**

# GET PREPARED

## FOR THE TWO-POT RETIREMENT SYSTEM

**The Two-Pot system will help you preserve your retirement savings, while also giving you access to a portion of those savings for emergency purposes before you retire.**

The new system aims to make both your future and your present financial situation more comfortable. But you have to keep in mind that **any withdrawals from your Savings Pot before you retire will reduce your lump sum benefit available at retirement. It is crucial to protect your savings in this pot until retirement.**

### VESTED POT

**Your existing retirement savings accumulated up to 1 September 2024 will be allocated to the Vested Pot and will be subject to the existing rules. No further premiums will be invested into this pot.**

If you are part of an occupational fund, then the current access rules on withdrawal will still apply to this amount.

### RETIREMENT POT

**Two-thirds of future contributions will go into the Retirement Pot.**

The funds in your Retirement Pot are not accessible until your retirement.

The Retirement Pot will be used to provide your income at retirement.

### SAVINGS POT

**One-third of future contributions will go into the Savings Pot.**

As at 1 September 2024, 10% of your Vested Pot (capped at R30,000) will be transferred into your Savings Pot as an opening balance.

You can withdraw cash from your Savings Pot once per tax year.

If you withdraw from your Savings Pot you will pay a transaction fee as well as tax based on your marginal tax rate.

Minimum withdrawal is R2 000.

Don't be tempted to withdraw from your Savings Pot as this will reduce your money available at retirement.

What you don't spend from your Savings Pot will be available as a lump sum when you retire.

**Scan here**
**to learn more**
**and get prepared**

For more information on the new Two-Pot Retirement system, scan the QR code or speak to your financial adviser.

TWO-POT RETIREMENT SYSTEM

OLD MUTUAL

# TRANSITIONING TO RETIREMENT, AS A WOMAN

Transitioning from working into retirement can be exciting, challenging, and even overwhelming – especially for women. There is the thought of some more free time and new interests that can be pursued, but there are also important decisions to be made such as how to invest a lifetime of savings to provide a sustainable income in retirement.

## Important decisions to be made

As women transition into retirement, they start to become aware of the complex landscape of financial options, which can be overwhelming. Retirement legislation requires that at least two-thirds of retirement savings be invested into an annuity – either a life annuity, a living annuity, or a blend of both. This applies - whether the retirement savings are in a pension fund, a provident fund, or a retirement annuity (RA).

If a living annuity is chosen, then there is a further layer of decisions to make, including investment decisions. This means the individual takes on the risk of making decisions that might jeopardise their retirement income. With a life annuity, which provides a guaranteed income for life, the risks are borne by a life insurer.

A blended annuity is a product that combines a life and a living annuity. As such, an individual will have control over how part, but not all, of the funds are invested but with the added security that their money can never run out.

When it comes to annuities, each provider has unique nuances to their offerings. This can make it challenging to compare different options and identify the most suitable one for each person's circumstances.

## Factors to consider

Before finalising annuity and investment decisions, the following factors should be considered:

- **Longevity:** while nobody knows how long they will live, statistics can help to estimate life expectancy depending on age and gender. For example, a 65-year-old woman has a 10% chance of living to 100. In the case of a living or blended annuity, life expectancy helps one to calculate how much monthly income a retiree should be able to earn on a sustainable basis.

- **Your risk appetite:** assessing a client's tolerance for risk helps determine how much of an investment portfolio should be allocated to growth assets such as equities and listed property versus more conservative investments like bonds and cash. Risk tolerance can also impact their preference for certainty over flexibility, namely the choice between a guaranteed income from a life annuity or an income that fluctuates with market movements from a living annuity.

- **Income needs:** what level of income will be needed to meet day-to-day expenses and maintain a desired lifestyle throughout retirement? A good way to assess this is to ask clients to start by listing their essential expenses, such as rent, food, and medical expenses, and then list their nice-to-haves. This will help them to ascertain where they can cut down if they must.

- **Inflation protection:** consider investment options that offer inflation-linked returns to ensure that retirement income keeps pace with the rising cost of living over the long term. Or opt for an inflation-linked life annuity that offers protection against annual inflation.

- **Tax efficiency:** understand the tax implications of various investment options and annuity products and choose wisely to minimise your client's tax liability to maximise their monthly income.

## Laying a solid foundation

Transitioning to retirement requires careful consideration and decision-making, but with the right guidance, retirees – whether male or female - can optimise their life savings and lay a solid foundation for a financially secure and fulfilling retirement.


**Bonolo Mosoane**
**Business Development Manager**
**Just SA**

# The shift towards sustainable life insurance

**SEAN HANLON**
Executive Director:
Sales and Distribution
BrightRock

One way of ensuring that clients understand what they are buying is by providing cover that can match their needs at the start and change with them as those needs change.

Traditionally, clients and advisers have based life insurance decisions on price. These policies start at a low premium and increase immensely as the years go by, leading to clients lapsing or cancelling their policies because they're unaffordable.

While this trend is shifting, there's still a long way to go to help clients get cover that can truly match their needs and is sustainable over the long term. It's understandable why clients care about the price they are paying today for their cover.

Consumers are facing tough economic times, making it even more important that they get value for the money they're spending.

## A few factors to consider

Here are a few factors that are essential for you and your clients to consider when getting them cover:

1 **The sustainability of the policy.** With the rising costs of living, insurance becomes even more of a grudge purchase for clients as it isn't a tangible good. Over the last five years, we've seen average salary increases of just 4.2%, while inflation was closer to 5%. Necessities, like petrol, for example, increased by 8.2%. While the temptation is there to get the cheapest policy, the sustainability of the policy is key in ensuring that clients keep their cover in the long-term.

This is where funding patterns come in – having transparent and certain premium patterns ensures that the client knows what they'll pay today, and what they'll pay in the future. According to the NMG new business survey (NMG SA Risk Distribution Monitor –2023 Q4), three of the top four providers in the intermediated space have an average premium increase of 11.08%. Of these providers, BrightRock is the exception, with an average annual increase of 8.63%, 22% less than the other providers' average.

Not only are BrightRock's average premium increases lower, but we also disclose these premium increases to clients and their advisers upfront. They know exactly what they'll pay in future, providing them with added certainty.

2 **Quality advice.** As an exceptional financial adviser, you already know just how important it is for clients to get quality advice. It enables them to get cover that can match their needs and that supports the advice that you give them. Now more than ever, clients appreciate the value of advice. Studies show that younger clients want to speak to professionals who can help them make better financial decisions.

3 **The right product.** Clients are more likely to keep their cover if they know the value it provides. This starts from the moment they get that policy and throughout the lifetime of the cover.

## Cover that matches needs

One way of ensuring that clients understand what they are buying is by providing cover that can match their needs at the start and change with them as those needs change. Not only is this essential for clients and advisers alike, but it also forms part of the Treating Customers Fairly (TCF) framework. According to TCF, products must function as clients expect them to, and clients should be able to change products when their needs change. Policy documentation also plays a big role – it must be transparent, easy to understand and clear of jargon wherever possible. ●

MYRA KNOESEN
Journalist/Researcher
FAnews

# Beyond the norm:
## breaking barriers in life insurance

As the landscape of life insurance continues to evolve, insurers are faced with new challenges and opportunities driven by changing consumer preferences and technological advancements.

**FAnews** spoke to **Clyde Parsons, Chief Innovation Officer at BrightRock** and **Riaan van Reenen, CEO of Discovery Life**, about the themes and trends reshaping the industry, and insights into the future direction of the life insurance sector and its impact on insurers and policyholders alike.

### Technological advancements and consumer engagement

Van Reenen emphasised the role of technology in transforming customer interactions with life insurance products. He stated, "Technological advancements and, specifically, consumers' increasing use of digital channels has unlocked new opportunities to connect and engage with customers. This shift has turned life insurance from a forgotten document into an interactive experience."

Van Reenen also highlighted adviser platforms, which simplify the advice process for financial advisers through pre-populated client information and streamlined compliance processes. He noted, "We expect technology to play an increasingly important role in the advice and sales process specifically to simplify administrative tasks leaving advisers more time to focus on providing value-adding financial advice."

### Personalisation in life insurance

The shift towards personalised life insurance products is seen as a significant positive development by both industry leaders. Van Reenen sees hyper-personalisation as a means to align with some insurers' goals of unlocking wellness through tailored health advice, powered by AI. He explained, "The advancement of AI allows health advice to be targeted specifically to the actions that could have the biggest positive impact on an individual's health."

Parsons echoed this sentiment and stated, "Personalisation is at the heart of needs-matched product technology." Insurers' personalised approaches have shown that they improve clients' understanding of their benefits and the relevance of their cover, leading to greater persistency and improved efficiency and affordability."

Designing and offering personalised insurance products, however, comes with its challenges. Van Reenen emphasised the need for high-quality data and a deep understanding of customer behaviour. He stated, "Insurers need lots of excellent quality data at an individual customer level to offer personalised life insurance products."

Parsons discussed the challenge of shifting from traditional product structures to a personalised, needs-focused approach. He noted that while there was initial resistance, advisers find the process far easier and more intuitive once they have adopted this approach.

Van Reenen highlighted the importance of financial advice in this context, stating, "Financial advice becomes even more important and valuable as products become more personalised, to ensure the best possible product is offered for the customer's needs."

Parsons also underscored the role of financial advisers, noting that personalised life insurance products can serve as a tool to support the advice delivered by financial advisers. He explained, "When both adviser and client can understand the client's needs and co-create a personalised life insurance offering, a lot of friction is removed at the point of sale."

"When both adviser and client can understand the client's needs and co-create a personalised life insurance offering, a lot of friction is removed at the point of sale."

### Societal and demographic trends

Both leaders recognise the impact of societal and demographic trends on the demand for personalised life insurance. Van Reenen noted the growing awareness of lifestyle and behavioural risk factors among customers, which increases the demand for products that reward healthy lifestyles. He pointed out, "Younger customers are increasingly comfortable embracing the use of technology and data to ensure they receive the best life insurance product offering and the best advice."

Parsons attributed the demand for personalised life insurance to consumer expectations for better quality and more sustainable products, coupled with the current cost of living crisis.

He emphasised, “Technological advancements mean more and more clients are expecting providers to harness technologies to deliver more convenient, intuitive services.”

### Innovative underwriting approaches

Both leaders highlight the role of innovative underwriting approaches in improving the life insurance industry. Van Reenen pointed to the benefits of remote and tele-underwriting, as well as the use of medical data and AI to streamline the underwriting process. He stated, “The use of AI in underwriting requires a significant volume of good quality data and is expected to develop rapidly in the near future.”

Parsons added that the use of big data and technology can refine risk management processes and make the application process more client-friendly. He mentioned insurers’ tele-underwriting services, which have seen significant uptake and reduced hassle and paperwork for clients and advisers.

Innovative underwriting approaches can also improve access to life insurance coverage, particularly for underserved or traditionally hard-to-insure populations. Van Reenen gave the example of a funeral product, which provides discounts for policyholders belonging to private medical schemes.

Parsons believes that access to predictive analytics and alternative data sources can refine underwriting offerings and take into account the complexities surrounding the underwriting of sick or financially underserved populations. He emphasised that the use of technology can simplify the application process, making it easier for clients to access a fair underwriting outcome.

The use of predictive analytics and alternative data sources in life insurance underwriting, however, raises ethical and privacy concerns. Both leaders emphasise the importance of transparency and informed consent. Van Reenen stated, “It is important that the customer consents to the use of the information for underwriting.”

Parsons warned of the biases inherent in alternative data sources and algorithms. He called for the development of clear principles and practices to guide the use of alternative data sources in a way that is ethical, fair, and fully transparent.

### Meeting preferences and addressing challenges

Both agree that as the life insurance industry continues to evolve, embracing technological advancements and personalisation will be key to meeting changing consumer preferences and addressing new challenges. By leveraging technology to enhance customer interactions, adopting personalised approaches, and addressing ethical considerations, insurers can innovate and provide better value to clients, ultimately improving the overall performance and trust in the life insurance industry.

“ It is important that the customer consents to the use of the information for underwriting. ”

momentum
life insurance

# Safeguard the financial hopes and dreams of women

*Life can be unpredictable, making financial protection essential. Life insurance stands as a cornerstone of financial security, offering certainty amidst life's uncertainties. As a financial adviser, you play a pivotal role in helping women protect their long-term goals and aspirations. In today's ever-changing world, sound financial advice is vital for safeguarding their and their families' futures and dreams, ensuring success by design.*

Designing a successful financial future requires intentional planning and strategic decision-making. Your clients' success depends on making informed choices about life insurance benefits like life cover, critical illness cover, lump sum disability and income protection benefits. By taking charge of their financial planning, they can establish a secure foundation for their families' futures. Your expertise as a financial adviser is indispensable in guiding them towards achieving success by design.

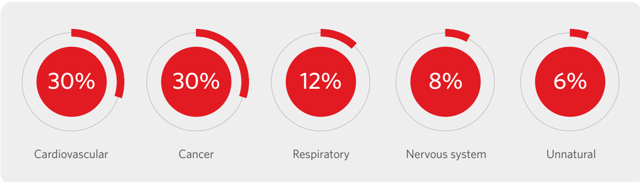
## Life cover serves as a lifeline for families

Life cover serves as a safety net, providing financial security for families in the event of a loved one's passing. It can cover essential expenses like children's education, mortgage payments, and daily living costs, alleviating the financial burden of losing a primary income earner.

The latest Momentum Claim Statistics report revealed that R4.02 billion in mortality benefits was paid out to clients in 2023, with nearly a third (32%) of these claims being for women. Leading causes of death claims include cardiovascular issues and cancer, with women having a higher proportion of cancer deaths than men.

During times of vulnerability, life cover offers families a crucial safety net. While contemplating mortality may be uncomfortable, having life cover in place is indispensable in securing a family's future.

### Main causes of death claims for women in 2023

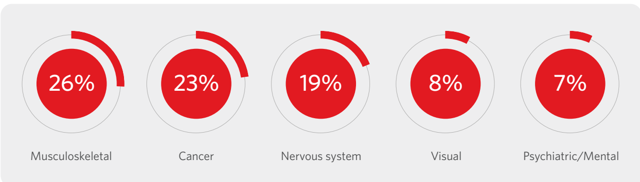



## The importance of protecting your clients' ability to earn an income

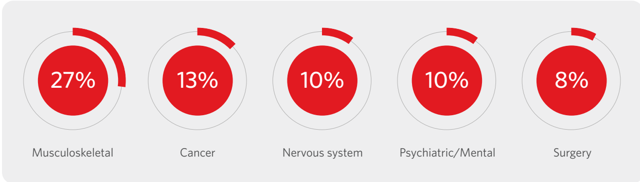
Ensuring your clients are protected against the loss of their ability to earn an income due to serious illness, impairment, or disability is crucial. This protection ensures that they and their families are financially supported during challenging times.

In 2023, Momentum paid a total of R486 million in lump sum disability claims and R258 million in income protection claims. Notably, 40% of these claims were for women, with over 80% of them made during their most productive working years, between the ages of 30 and 59. The primary causes for these claims were musculoskeletal issues, cancer, and nervous system-related conditions.

### Main causes of disability claims for women in 2023




### Main causes of income protection claims for women in 2023

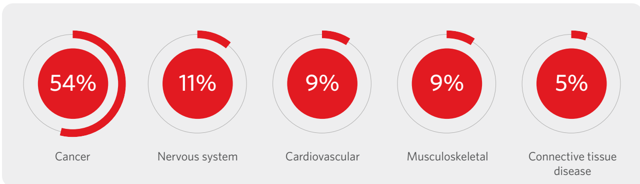



## Critical illness cover can bridge the gap

Health is one of our most valuable possessions. While we can look after it by eating healthily and exercising, life sometimes has other plans. Medical aid can help cover day-to-day medical expenses and emergencies, but suffering a critical illness can put your life on pause for longer than expected.

In 2023, critical illness benefits were the second-highest claims category at R830 million, with the largest claim totaling over R8 million. About 41% of these claims were made by women, most of them in their 50s. Despite this, many people are underserved when it comes to critical illness cover. Momentum found that the majority (80%) of its policyholders who passed away from cancer or cardiovascular-related issues in 2023 had no critical illness cover, only life cover. Critical illness cover provides access to financial means that can significantly ease the financial burdens of a prolonged illness.

### Main causes of critical illness claims for women in 2023




## Empowering financial futures

As a financial adviser, it's essential to ensure that all the women you have as clients have the correct life insurance in place to protect their families' futures. By doing so, you'll be empowering them to achieve success by design, safeguarding their long-term goals and aspirations. Remember, sound financial advice and planning can make all the difference in securing a stable tomorrow.

# The hyper-personalisation of insurance

LISA GIBBON
Divisional Executive
Onboarding
Liberty

> Emerging technology can also detect behaviours like smoking through facial or voice recognition software, potentially signalling an increase in their risk profile.

Long-term insurance, at the end of the day, is about meeting clients as individuals and recognising the unique lives they live, because this is what we cover on their behalf should abrupt changes occur in their world.

The broader the coverage we can offer, the better it is for both the adviser and the client. By doing this well, we get to the very essence of the advice process, which is creating protection that seamlessly aligns with each client's lifestyle and future aspirations.

To do this effectively, insurers themselves need to know as much about the client as possible. In this age of interconnectedness via social media and the internet, we can learn about clients' lives in intensely personal ways from an insurance perspective. This allows us to offer more effective coverage that truly suits their lives to the fullest.

## Getting closer to a client's health

To get more personal, we are already able to track a client's current health in real time, with their express permission, through social media apps like Strava or Garmin Connect. Through these platforms, we can access data such as blood pressure, heart rates, and heart rate variability, as well as insights into their activity levels and overall health.

This information can be compiled using health trackers to establish a reliable, ongoing picture of a client's wellbeing. This could potentially lead to positive outcomes on their premiums if they maintain good health. For instance, they might qualify for a wellness bonus, allowing them to receive cash back on their life cover and other qualifying premiums as a reward.

With this technology in place, it helps in promoting clients' health and fitness, which is a natural goal for any adviser. It also enables advisers to offer more competitive premiums when both they and the insurer know the client is in good health.

Emerging technology can also detect behaviours like smoking through facial or voice recognition software, potentially signalling an increase in their risk profile.

## The use of Artificial Intelligence (AI)

In the journey towards getting closer to clients' lives, evolving trends in information technology are making a significant impact. Insurers maintain vast amounts of data on their clients, and moving this data to the cloud facilitates easier access in an intelligent manner that can assist advisers in managing client relationships. Artificial Intelligence (AI) plays a crucial role in analysing this vast data, generating actionable insights.

When advisers input client data into the system, it is matched against a vast pool of cloud-based information. Utilising AI, the system can provide various insights that advisers can use to enhance client engagement.

For instance, this data might indicate a higher risk of heart disease for a client, based on comparisons with a comprehensive database of similar client profiles. Armed with this information, advisers can suggest targeted interventions against heart disease and potentially offer the client a wellness program to improve their overall health.

## Getting more personal

With all this data out there, and the ability to use it to better understand clients' lives, an adviser would then be able to offer more choice in terms of cover and long-term financial offerings. Any adviser who is aware of these advantages would no doubt want to become more active in offering products that use this data. And certainly, this kind of hyper-personalisation is not just here to stay, it is likely to become a normal part of the insurance landscape. ●

# The vital importance of income protection for young clients

**CLYDE PARSONS**
Chief Innovation Officer
BrightRock

A common misconception that consumers have is that they only need life insurance when they are older or when they buy a big asset, like a home. This couldn't be further from the truth – the reality is that clients need cover, particularly Income Protection cover when they are young.

This is because the most important asset that clients have is their ability to earn an income. The younger they are, the more pay cheques they must earn, and therefore, the more income they must protect. Your clients must get their policies as young as possible. They have the most to gain later by buying insurance when they're the healthiest they'll ever be.

## Clients are claiming at younger ages

While the likelihood of claiming increases the older a client gets, particularly under certain benefits, like death cover, we've seen an increasing trend of clients claiming at younger ages for living benefits such as temporary and permanent disability, as well as dread disease cover.

It's not necessarily that clients are getting sicker at a younger age but that as technology improves, so does screening for certain conditions, like cancer, so people are getting diagnosed much earlier than before.

At BrightRock, our average claimant is just 50 years old. We also have a high number of clients claiming between the ages of 31 and 40 (26% of male claimants and 19 % of female claimants).

> "South Africans are considerably underinsured when it comes to Income Protection cover, especially the younger they are, which you already know as a financial adviser."

## The leading causes of claims

In 2023, most of BrightRock's claims were for temporary disability (26%) and critical illness cover (48%). This highlights just how important it is for clients to have comprehensive cover under these benefits. The average age of claimants under these benefits was also younger, with an average age of 45 for temporary disability and an average age of 48 when it comes to critical illness claims. These statistics present you, as an adviser, with an opportunity to explain to your clients why they need to ensure they have adequate cover under these benefits.

A claim under Temporary Disability or Critical Illness cover can leave the client under considerable financial strain if they don't have enough cover. If a client doesn't have cover, a temporary disability claim can result in them not having an income for several months. This will most likely result in them depleting their savings (if they have any). A critical illness will also incur significant additional expenses that might not be covered by the client's medical scheme.

## Provide your clients with advice

Talk to your clients, today, about their Income Protection and Critical Illness cover needs. South Africans are considerably underinsured when it comes to Income Protection cover, especially the younger they are, which you already know as a financial adviser. According to the 2022 ASISA Life and Disability Insurance Gap Study, the average South African income earner had a combined Life and Disability cover shortfall of at least R2.4 million at the end of 2021. According to the study, South Africa's 14.3 million income earners had only enough Life and Disability insurance to cover 45% of the total insurance needs of their households. With this in mind, you can provide your clients with advice and products they desperately need. ●

CPD ARTICLE

# Navigating group life insurance policies and beneficiary nominations

ADÉL GRÄBE
Legal and Technical Specialist
Simeka Consultants and Actuaries

"The current constraints in the insurance act may cause delays in paying a child's benefit due to the caregiver of a child having to obtain a high court letter of appointment as a legal guardian."

Employers often split insured lump sum death benefits for their employees between a retirement fund and a separate group life scheme. If the cover is provided in terms of a tax-approved retirement fund, this is referred to as an "approved" scheme, and if provided under a separate group life insurance policy, outside the retirement fund, an "unapproved" scheme.

## The Insurance Act

Schedule 2 of the Insurance Act sets out the different classes and sub-classes of insurance business that an insurer may conduct and describes how group life policies and funeral policies should be dealt with. It requires that payment of unapproved group life policies be made directly to beneficiaries in terms of the deceased employee's beneficiary nomination form. If an employee did not nominate beneficiaries to whom their unapproved group benefits should be paid, the benefits must be paid to the employee's estate.

Since the amendment of the Insurance Act in 2018, the employer as the policyholder or a committee does not have the discretion to determine the beneficiaries under group life insurance policies anymore.

One of the sub-classes of life insurance business in Schedule 2 of the Insurance Act is "group death", which is defined as "a lump sum or specified or determinable equal or unequal sums of money payable at specified intervals payable to a beneficiary on the happening of a death event".

In respect of a group insurance policy, "beneficiary" is defined as a member of an association, a fund, an employee, or a person nominated by the member, which person is not the association, fund, or employer.

## Payment to a minor child

Therefore, an employer-held policy that provides death benefits to or in respect of its employees would fall within the definition of "group" and such benefit would need to be paid to a nominated beneficiary.

Considering the above, employees must nominate to whom their group risk-benefit should be paid. When it comes to nominating a minor child, employees must indicate how the minor child's benefit should be dealt with.

When a benefit is payable to a minor (a child under the age of 18 years) insurers will typically pay the proceeds of the policy to the child's natural guardian (mother/father) or to a legal guardian, in which case a high court letter of appointment will be required. If there is no guardian, the benefit will be paid to the guardian's fund.

The natural or court-appointed guardian may indicate whether the benefit must be paid into their bank account or a trust or beneficiary fund. The current constraints in the insurance act may cause delays in paying a child's benefit due to the caregiver of a child having to obtain a high court letter of appointment as a legal guardian. The funds would also form part of the guardian's estate once the minor's benefit is paid to the guardian.

Although the guardian may be well qualified to handle their finances and may have the best intentions, if the benefit payout is not kept separate for the benefit of the minor, it might be integrated with the estate of the guardian. This factor becomes especially important in the event of the death or divorce of the guardian.

## Educate employees

While the regulator's intention to address potential abuse of power by removing the provision previously afforded to an employer to use its discretion in determining the beneficiaries to receive a payment for unapproved lump sum benefits is understood, the current situation calls for reconsideration and a solution for minor children's benefits to be utilised and protected for their benefit.

Until such time, employers have the responsibility to educate and inform their employees of the potential impact should they not nominate beneficiaries for their unapproved risk benefits, and to highlight the importance of specifying who should manage minor children's benefits until the children are mature enough to manage their finances. ●

GARETH STOKES
Stokes Media

# A double-edged sword:

## combating insurance fraud using AI, machine learning

The accelerated adoption of Artificial Intelligence (AI), machine learning and other emerging technologies has proven to be a double-edged sword for financial services firms.

One edge allows firms to leverage AI and automation to achieve accessibility and scale at lower costs; the other edge enables criminal syndicates to elevate their crime and fraud activities to unprecedented levels.

### AI-backed surge in insurance fraud

In an article penned for BrightRock, Glenn Hickling, the insurer's Head of Legal, said the surge in insurance fraud supported by generative AI, "poses a significant threat to South Africa's non-life insurance sector". He observed that the proliferation of AI tools like ChatGPT enables fraudsters to employ deepfake video, voice spoofing, document forgery, advanced social engineering, email phishing and synthetic identity fraud, all amplifying the complexity of fraudulent activities.

Fortunately, insurers can use similar tools to combat fraud, subject to affordability. "The extent to which AI and machine learning play a role in life insurers' fraud prevention depends on the size of the insurer and the budget they can allocate to technology," said Garth de Klerk, CEO of the Insurance Crime Bureau (ICB). He added that some insurers are already using advanced AI and large learning models to identify and monitor policyholders' behaviours.

The ICB is already working with insurers to improve data gathering and data sharing to identify anomalies in policy administration and policyholder behaviours. And it will not be long before the existing data sets and smart systems are enhanced through AI and generative AI integrations. "There has been an uptick in detecting fraud over the last couple of years," De Klerk said.

### Collaboration constrained by competition law

Hickling said insurers will play an increasing role in combating fraud. "With advanced forensics teams, AI and cutting-edge technology, we need to further step up our efforts in fraud prevention and detection," he said. Collaboration is key, though insurers will have to tread lightly so as not to trip up over South Africa's tough competition regulation. This fear of collaboration among financial services stakeholders will have to be addressed.

At the 2024 African Insurance Exchange, experts on a panel discussion on cyber risk lamented their inability to share cyber hacking and ransomware methodologies among clients and across sectors. Their inability to do so meant that a criminal syndicate was able to successfully deploy a similar data breach attack against two competing firms.

Returning to the insurance fraud realm, criminals have a staggering array of options when it comes to leveraging tech for illicit gains. One technique is to use AI or automation to fill out and submit multiple fraudulent insurance applications quickly and efficiently, often using stolen or falsified identities. Claims can then be lodged using a similar technique, supported by false death certificates.

Another emerging trend is for criminals to create deepfake identities and financial profiles to apply for policies and subsequently claim against them. Syndicates enhance these methods by using AI's pattern recognition capabilities to identify the types of claims most submitted and paid and to study and bypass insurers' existing fraud detection systems.

### Physical crime dominates locally

For now, South Africa's life insurers seem insulated from this level of sophistication in the insurance crime and fraud realm. According to De Klerk, the fraud perpetrated in the domestic funeral insurance segment is still physical, involving real-world interactions between fraudster and victim, and often murder. The ICB has not yet seen examples of AI being used to perpetrate funeral insurance fraud.

The ICB's focus remains on old-school data analytics and consumer education to flag problem areas. "We are already using what you might call AI-backed or smart software to detect trends and identify transactions that may link back to criminal syndicates or individuals with bad intentions; unfortunately, our detection is not yet as proactive as we would like it to be." Big data and advanced data analysis will, thus, play a role in combating insurance crime and fraud. ●

"The proliferation of AI tools like ChatGPT enables fraudsters to employ deepfake video, voice spoofing, document forgery, advanced social engineering, email phishing and synthetic identity fraud, all amplifying the complexity of fraudulent activities."

# The definition of mental health is evolving

JUDITH NDABA
Senior Operations Manager and Co-Founder
Elevate Life

Another clear correlation between mental and physical health is that around 85% of cases of chronic pain are associated with severe depression, memory difficulties, and poor concentration – and where these co-occur, the prognosis is poorer.

Mental health has a profound effect on a person's overall well-being. Besides the increased risk of suicide, poor mental health can complicate their management of physical conditions and lead to premature death.

Mental and physical health are interrelated in conditions such as poor BMI, hypertension, diabetes, coronary heart disease, and chronic pain, which can both impact mental health and in turn, be aggravated by it.

A person's social and workplace functioning, likewise, has significant interplay with their mental health, including risk of isolation, poor performance, and strained relationships.

## An individual's holistic well-being

Within life insurance, our desire to align cover with an individual's unique risk profile calls for nuance and a deeper understanding of an individual's holistic well-being. Mental health can no longer be regarded as a minority concern, or neatly contained as an exclusion. Where it was previously held that "one in six people" would suffer from depression, one of the arguably positive repercussions of the recent global pandemic has been the realisation that poor mental health can affect us all – given a concoction of isolation, financial and social strain, and inadequate physical exercise.

A nuanced approach to well-being considers physical, functional, and mental health – in both treatment and underwriting. Insomnia, for example, can be both a lead or lag indicator of poor physical or mental health.

## The interplay between conditions

We have seen this illustrated within our anonymised life-insured data, in the disturbed sleeping patterns of individuals under financial strain (as measured through a composite of wearable, clinical, and financial data). As we further develop our understanding of the interplay between mental, functional, and physical conditions, we can learn how better to support individuals to improve their well-being and better manage the shared risk.

Another clear correlation between mental and physical health is that around 85% of cases of chronic pain are associated with severe depression, memory difficulties, and poor concentration – and where these co-occur, the prognosis is poorer. Treatment must incorporate both mental and physical aspects to be effective.

In underwriting, we can attune our risk factor determination through supplementary questions, such as regarding personal relationships. Relationships strongly influence the outcomes for depression, with those without close interpersonal relationships having notably poorer outcomes, and the presence of dependent children providing a protective factor against suicide.

Understanding stressors and removing or controlling the particular stressors in an individual's life are key to their holistic support. Financial security also plays a role, with unemployment understandably presenting increased risk. Other relevant factors include substance use, the degree (or absence) of physical activity, and treatment protocols.

Early intervention, comprehensive treatment, and preventive measures are all crucial to an individual's health outcomes. Pathways to care are also relevant and should inform any individual risk profile: there is significant variance in treating mental health through a GP versus a psychotherapist, or a psychiatrist. There is no one-size-fits-all and appropriate, early, personalised treatment is critical for a good outcome.

Urgency is needed too. Permanent neurological changes occur if depression is untreated for six months or more, but entirely healable (reversible) if treated effectively within this period. Developments into new mental health treatment protocols are very promising, including professionally facilitated psychedelics (notably ketamine and LSD), which are particularly effective in treating addiction. South Africa has leading doctors in this field of research.

## Growing awareness and understanding

Our growing awareness and understanding of mental health are opening a more nuanced approach to life insurance. Given that most people will experience mental health challenges at some point in their life, we should encourage their disclosing these, without the fear of a blanket exclusion. The task is for us to refine our risk models to be more inclusive and intelligent enough to assess the risks with appropriate, informed nuance. ●

# Advisers, communities take the fight to insurance crime

GARETH STOKES
Stokes Media

> Falsifying death certificates for funeral policy claims or withholding crucial health information during application processes are just some examples of the deceit that accompanies insurance fraud.

Financial and insurance crime is big business in South Africa. To illustrate, investment and life insurance members of the Association for Savings and Investment South Africa (ASISA) detected 8 931 cases of fraud and dishonesty during 2022, preventing around R1.1 billion in potential losses. Almost a third (2 618) of these cases arose in the life insurance space where fraudulent claims totalling R770.5 million were avoided.

Funeral insurance stands out as a hotbed for criminal activity, accounting for just over 73% (1 922) of the life insurance cases. In an article exploring what makes people susceptible to insurance fraud, Glenn Hickling, Head of Legal at BrightRock, noted that economic hardship often pushed individuals to take desperate measures. "Falsifying death certificates for funeral policy claims or withholding crucial health information during application processes are just some examples of the deceit [that accompanies insurance fraud]," he said.

## Millions spent to prevent fraud

In an exclusive interview with FAnews, Garth de Klerk, CEO of the Insurance Crime Bureau (ICB) said, insurers were spending millions of Rands on smart systems to detect and prevent fraud, with the key focus being on spotting warning signs in policy administration and policyholder behaviours. "These systems are designed to detect and monitor for individuals who are beneficiaries on multiple policies, or policyholders taking out cover in a variety of geographical areas, as just two examples," he said.

Insurers and intermediaries must be on the lookout for a diverse set of insurance fraud perpetrators. At one extreme, individual policyholders are pushing the envelope, as evidenced by a recent high-profile murder case. In 2021, Rosemary Ndlovu was sentenced to six concurrent life terms for the insurance fraud-related murders of six people, including her live-in partner and five of her family members. "Ndlovu was getting ready to murder more of her family members, the ICB and law enforcement agencies stopped that process," De Klerk said.

At the other extreme, criminal syndicates prey on distressed individuals as money or policy mules to open policies and submit false claims, or worse. The ICB shared an example involving an addiction rehab centre that was helping addicts re-establish their financial profiles. De Klerk explained that the fraudsters helped vulnerable individuals to open bank accounts during which process they also 'tricked' them into taking out funeral policies. A sum was deposited into the bank account to ensure premiums were met. No need to guess who was named as the beneficiary on these policies, dear reader.

## Murder for financial benefit

In this case, the community picked up on a high number of suspicious deaths in an area, alerting law enforcement who in turn approached the ICB for investigative support. "Upon investigation, we uncovered a syndicate that was involved at the rehab home; they were rehabbing their victims, cleaning them up, starting a financial profile and then conveniently murdering them for the financial benefits under the policies they had taken out," said De Klerk. The case illustrates how crime and fraud are committed on the back of a legal policy sale.

Vigilance is key for combating insurance fraud. "Safeguarding personal and financial information, refraining from clicking on suspicious links and promptly reporting any signs of identity theft are crucial steps," noted Hickling. "Moreover, maintaining honesty in dealings with insurance providers is paramount; an insurance contract relies on mutual trust and disclosure, and any deviation from this undermines the very foundation of the agreement."

Another leading life insurer told FAnews that individuals should be wary of sharing personal information or documentation with third parties, and not assisting third parties in taking out insurance policies or submitting claims. Other common-sense advice is for your clients never to allow anyone to use their personal bank accounts, and never to open bank accounts for someone else to use. Why the concern with protecting personal data?

## Impersonation to perfect crime, fraud

Well, it turns out that impersonation is a significant and growing trend in life insurance fraud domestically. Criminal syndicates are increasingly using falsified or stolen identities to take

CPD ARTICLE

out life insurance policies, and then producing false death certificates to claim against the same. For local financial services providers, the best defence appears to be strict compliance with so-called KYC (Know Your Customer) protocols.

Another trend in play in the domestic insurance fraud realm is that of manipulating the circumstances of a claim event. This can range from exaggerating the severity of an illness to staging accidents or even committing murder to claim life insurance benefits. Local fraudsters have also been known to collude with medical professionals to falsify death certificates or medical reports.

To combat this, South African insurers are leveraging forensic investigation techniques and collaborating with law enforcement agencies to scrutinise suspicious claims. The use of Artificial Intelligence (AI) and machine learning to detect anomalies in claim patterns and the deployment of dedicated fraud detection units are essential in identifying and preventing such frauds, as are public awareness campaigns and consumer education. And there have been some successes to date.

### Signing false death certificates

Aside from the Rosemary case, already mentioned, the local news recently reported on a retired Durban-based doctor receiving an eight-year sentence, wholly suspended for five years, for signing false death certificates without sight of the bodies. These certificates were subsequently used to facilitate multimillion-Rand life insurance claims. P.S., FAnews.co.za covered this case in a piece titled *'Crime rampant across insurance disciplines'*, published online on 29 January 2024.

Combating insurance fraud requires close and constant scrutiny across the life insurance value chain. Some contend that fraud could be stopped in its tracks at the underwriting stage if insurers had real-time access to 'red flags' on beneficiaries, life insureds and/or suspicious personal data such as bank accounts, mobile numbers, or physical addresses. De Klerk said the ICB, and its insurance members, are hard at work building up this kind of data but concedes that much of today's insurance fraud is only picked up reactively, at the claims stage. Commenting specifically on underwriting, the ICB noted that it is not illegal for an individual to take out life policies or funeral policies on another person's life, provided they can prove an insurable interest. "The act of taking insurance is not illegal if it can stand up to the test of insurable interest; however, if you murder that person to claim the benefit you are crossing the line," De Klerk said. Sadly, a criminal syndicate need not actually murder a policyholder to make a grab for an insurance payout.

### Manipulating beneficiary banking details

Imagine, for example, if a bad actor manipulates the beneficiary details on policies. There are countless opportunities for so-called beneficiary alterations to be made, especially when policies are being sold to vulnerable members of the community. Insurers are countering this type of fraud by implementing multi-factor authentication for policy changes, alongside regular communication with policyholders to confirm beneficiary details.

The ICB singled out consumer education as the best foil against insurance crime and fraud. Advisers and communities can also serve as important first lines of defence by reporting suspicious activities. There is certainly anecdotal evidence that the bureau's mantra of "see something, say something" is bearing fruit. As for the insurance industry, suggestions include closer collaboration with governmental agencies to verify policyholder identities, and a narrower focus on industrywide data.

### Huge spend justified

"Banks and insurers are also spending huge amounts of money in developing human resource skills, upskilling individuals to be better at detecting and preventing fraud," concluded De Klerk. "We are spending a lot of money on community discussions, on training and on ICB and other crime databases to get in front of these criminal syndicates."

It seems these investments are paying off. In its 2023 Annual Report, the ICB contended that over the past 15 years, it has achieved an aggregated insurance crime and fraud 'clawback' on behalf of its members totalling approximately R3.75 billion. ●

"Outside of SA, Some contend that fraud could be stopped in its tracks at the underwriting stage if insurers had real-time access to 'red flags' on beneficiaries, life insureds and/or suspicious personal data such as bank accounts, mobile numbers, or physical addresses."

# How comprehensive is your clients' critical illness cover?

JORETHA BOTHMA
Head of Product Development, Underwriting and Claims
Momentum Life Insurance

> When addressing clients' risk needs in a holistic financial plan, advisers need to first determine the type and amount of cover needed, and then find ways to make the required cover affordable.

In today's uncertain world, ensuring comprehensive protection for one's future is crucial, especially when it comes to financial security. Yet Momentum Life Insurance statistics show an increase in the practice of prioritising single-need cover, such as death cover, while neglecting essential living benefits such as critical illness cover.

It is tragic that, according to our 2023 claim statistics, a staggering 80% of our clients who died as a result of a cancer or cardiac-related critical illness event did not have critical illness cover in place. This insight highlights that there are potentially many more clients who do not have holistic financial security and underscores a glaring gap in financial planning. It also highlights the urgent need for comprehensive protection that extends beyond just death cover.

## The reality of critical illness

We are living longer, and with increased longevity comes a higher likelihood of experiencing critical illnesses such as cancers, heart attacks, and strokes. Momentum's claims experience clearly shows an increase in critical illness claims as people age. Many people mistakenly believe that medical schemes alone are sufficient to cover the costs associated with a critical illness. However, medical schemes and gap cover primarily address in-hospital expenses and often fall short when it comes to out-of-hospital costs. For instance, treatments related to cancer are likely to have a cap, leaving patients to cover the costs beyond these limits. Additionally, experimental treatments are typically not covered, nor are the substantial out-of-hospital expenses associated with palliative care, rehabilitation, and home modifications required for critically ill patients.

Compounding the problem is the reality that medical scheme costs consistently outpace the Consumer Price Index (CPI), making it increasingly difficult to afford as one ages. This creates a conundrum: the older one gets, the higher the need for cover, yet the more challenging it becomes to afford it.

To best manage the potential costs associated with critical illnesses, a holistic approach is essential. Momentum Life Insurance advocates for a combination of benefits that include medical scheme and gap cover, and critical illness cover of at least R1 million. Additionally, whole-life critical illness cover is recommended, rather than terminating it at age 65, to ensure individuals do not need to tap into retirement savings to fund the cost of a critical illness during their retirement years.

## Balancing comprehensive cover with affordability

When addressing clients' risk needs in a holistic financial plan, advisers need to first determine the type and amount of cover needed, and then find ways to make the required cover affordable. Several mechanisms can achieve this balance. For example, digitally enabled health screenings linked to premium discounts can offer significant discounts, making insurance more accessible while maintaining comprehensive cover. Tailored premium patterns that align with cover needs and affordability can provide a balance of immediate affordability and long-term sustainability. Furthermore, accelerated benefits, which are less expensive than standalone benefits of the same cover amount, offer additional cost-effective options.

Clients can also choose between different payout structures. There are more affordable tiered payout benefits that pay more as a disease progresses, while other benefit options, which pay out higher amounts earlier, may be more expensive.

## Explore benefits offered

To ensure the best possible breadth of cover for your clients, and the highest likelihood of a critical illness payout in the market, it is worthwhile to explore benefits offered by some insurers that will pay claims, up to certain maximums, even if they don't have the condition defined in their policy wording, but somebody else does.

Risk events like a critical illness can happen to anyone at any time, and the high likelihood of critical illness events happening underscores the importance of comprehensive insurance cover. Based on the high number of critical illness related claims that are paid in the industry, having sufficient critical illness cover should not just be a recommendation but a necessity. Regular health screenings are crucial as a preventative measure, but so is ensuring individuals have sufficient cover in place to protect against the financial burdens of suffering such illnesses. ●

THE YEAR OF "YES" GWII

GAUTENG WOMEN IN INSURANCE

# LEADERWALK: Moving Forward

In collaboration with Business Engage and the 30% Club, Gauteng Women in Insurance (GWII) hosted a Leader-Walk on 18 July, with main sponsors Discovery and Envirosure and co-sponsors Garrun Group, Norton Rose Fulbright and Old Mutual Insure.

In this LeaderWalk, guest speaker Faith Mangope spoke about the urgent need for transformative leadership in South Africa. Addressing a captivated audience, Mangope highlighted the deep-rooted inequalities that continue to plague the nation, despite efforts since 1994 to bridge the socio-economic divides created by colonialism and apartheid.

Mangope's talk explored the complexities of leadership, with questions focused on how we show up as leaders when the path seems uncertain, and if indeed the Savior is not out there, then who do we pin our hope on for a better future for ourselves, our families, and generations to come? She called for introspection and personal accountability, urging each individual to embrace leadership roles in their own spheres.

## A discussion

We thank our table hosts (below) for accepting our challenge to facilitate discussions:

1. Ina Iyer, Director, Norton Rose Fulbright
2. Molebatsi Langa, Head: Retail Strategic Accounts, Old Mutual Insure
3. Tono Pinillos, Chief Financial Officer, Garrun Group
4. Siboniso Ngema, Director, Envirosure
5. Sjanine Tanner, Managing Director, Envirosure
6. Thuso Mafumo, Head of Customer Experience (CX) Portfolio, Discovery Insure

## Thank you

Thank you to all the delegates who attended this event, we hope that the session inspired you, as leaders, on the importance of collective responsibility and proactive leadership in overcoming the nation's challenges and forging a brighter future for all.

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# GWII & IIG host an unforgettable Women's Day event themed; 'Our Game, Our Rules'

The Gauteng Women in Insurance (GWII) and the Insurance Institute Gauteng (IIG) were thrilled to host a Women's Day event on 7 August, with our diamond, platinum, silver, complimentary, ring, game and supporting sponsors - FAnews and Syfinity. Welcoming 600 incredible ladies from the industry to The Forum in Bryanston, the theme this year was "Our Game, Our Rules".

## Goddesses with no heels

On arrival, the ladies, with no heels, were treated to welcome drinks, sponsored by Leppard and goody bags sponsored by GWII, IIG and company sponsors Chubb, Guardrisk, King Price Insurance, Michelle Ori and My Glass. While indulging in some canapes, they networked a little, before heading off to their tables for the formalities to begin.

## The formalities of the evening

The formalities of the day began with a welcome from the GWII President, Catherine Albertyn, and IIG Deputy President, Wilmine Prinsloo, this was followed by the GWII Deputy President, Kyndra Robertson and Wilmine welcoming guests and thanking all the sponsors, for their sponsorship and support.

To start, a Discovery Joker card was placed randomly in a card pack and one lucky lady who found it, won a travel voucher worth R20 000, sponsored by Discovery. Tying into the event's theme, Master of Ceremonies, Dawn Dunn, CEO and Sports Personality then shared the format for the day, followed by various videos from the Olympic Village being aired.

After the prize giving the ladies took part in mini-Olympic-themed games, sponsored by our game sponsors. This to the sounds of lively funky music by the DJ (sponsored by GoBid) and Sasha Martinengo (sponsored by SA Glass).

To taper off their sweet cravings, the ladies then topped off with sweet treats at the dessert station, by Qsure, and coffee, sponsored by Lloyd's.

## Lucky draws

Congratulations to all our lucky draw prize winners who walked away with amazing prizes thanks to our prize sponsors: Aon, Auto & General, Beyonda, Bidtrack, Bryte insurance, Camargue, CIB, Digicall Group, Discovery, Fulcrum, Garrun Group, Guy Carpenter, HIC Underwriting Managers, Hollard, iTOO Special Risks, Innovation Group, Lulu Local, Mirabilis, Mirror2self, MUA Insurance Acceptances, Mulberry Marketing, National Salvage Brokers, PG Glass, Premium Finance Partners, SHA Risk Specialists, Santam, The Thinking Company and Western National Insurance.

As customary, members were asked to bring along R150 for the nominated charity - The Sports Clinic With Dawn. We would like to thank each one of you for your donations.

## Thank you

GWII and IIG would like to thank our sponsors, your contributions helped make this event truly special and impactful.

Thank you to everyone who attended and contributed to making this Women's Day celebration a memorable one. Let's continue to empower and support each other in our industry!

THE YEAR OF "YES" GWII

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See all the photos here

# THE AFRICAN INSURANCE EXCHANGE CONFERENCE

From July 21st to 24th, 2024, the industry came together to celebrate half a century of excellence, innovation, and collaboration in the insurance industry.

Presented by the Insurance Institute of South Africa (IISA) and the South African Insurance Association (SAIA), the African Insurance Exchange conference brought together industry leaders, professionals, and enthusiasts.

The conference featured a dynamic golf tournament and a lively welcome cocktail, followed by a conference and expo showcasing cutting-edge advancements and engaging discussions. The festivities continued with a spectacular gala and awards dinner, and further insightful sessions and networking opportunities, culminating with a farewell cocktail.



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