

Challenges, opportunities and the future: a short-term view

As 2014 steams ahead, FAnews canvassed the opinions of several insurance experts regarding challenges facing the industry. The consensus seems to be that although difficult conditions prevail, insurers are keen to embrace new ideas as they partner with brokers to forge a new path, grow business and address challenges together.



John Melville on climate change and being positive in 2014

There is great uncertainty around the pace of the onset of climate change impacts. What compounds the issue is the rapid urbanisation that is and has taken place over the last few decades, and the extent to which this has magnified the vulnerability of urban areas to the perils associated with climate change, namely floods, hail, hurricanes, fires and more. This uncertainty makes it impossible to know whether the industry is adequately geared. Technology, climate science, and geo-mapping are improving preparedness, but the uncertainty will almost certainly bring shocks and surprises to the insurance industry in future.

Although we may be challenged by difficult economic conditions, technological developments have generated opportunities for effective individual risk profiling like never before. As an industry we must promote risk savvy behaviour and communicate to our clients that insurance is a risk management partnership between policyholder, broker, and insurer. To the extent that this partnership is successful, the cost of insurance can be contained to affordable levels.

► John Melville, Executive Head, Risk Services, Santam





▶ Paolo Cavalieri,
MD Hollard
Broker Markets

Paolo Cavalieri on brokers' negotiating skills when talking increases

Brokers cannot be blamed for a soft market. Their main role is after all to get the best deal for their clients. The soft market is more likely a consequence of the current scramble for market share among certain insurers, and the relatively cheap capacity currently on offer from many reinsurers. This is not a distribution issue. It is rather an issue relating to a lack of professionalism and consistency in the underwriting space. Insurers need to revert to more sober underwriting and stronger risk management in order to drag the underwriting cycle out of the red.

Llewellyn Titus on managing hailstorm and floods as an industry

Insurers could possibly apply an individual strategy that suits their business model in line with their risk appetite in dealing with the hail and flood challenges they currently face. The impact of these changing patterns creates both upstream and downstream opportunities, depending on where a company positions itself in the value chain. In the past, the industry has attained success through collaborative risk management between insurance competitors, regulators, service providers, governmental institutions and the like. It is possible!

▶ Llewellyn Titus, Head of Claims, Lion of Africa



Sharon Paterson on the year ahead

It is time for us to work together - brokers, insurers and clients - so that we can minimise claims to benefit us all. A fraudulent or exaggerated claim means everyone pays more. If all clients, with the help of you as brokers, could act as though they were uninsured, this would go a long way towards keeping our industry healthy and premiums affordable.

▶ Sharon Paterson, MD, Infiniti Insurance

ARNOLD

Married with children.

Main breadwinner.

Loves his job.





Coenraad De Jager on risk management skills and providing value for clients

Risk management is an evolving subject with more and more people now choosing to study this at university level. South Africa's insurance sector has a relatively young skill set and is not totally in step with the modern risk management philosophies. There is still a lot to learn. However, the country and sector are taking the lead from the more experienced European risk management industry and we are moving in the right direction. When talking about clients, brokers play an important role in the insurance industry. The reality is that some clients need advice, while others are just happy to go direct. We believe that we must work together with brokers to provide the client with the best service, best cover and best value for money.

► Coenraad De Jager, Executive, Personal Lines, Mutual & Federal

Kalim Rajab on the upside of 2014

The French call it '*degringolade*', which means signifying a continued deceleration just when you thought everything was beginning to look up again. That is pretty much what 2013 turned out to be. As 2014 begins, there are many things to be concerned about, but on the positive side insurance rates finally seem to be pushing up to levels where they should be. This is encouraging. On the demand side, there are some positive signals in infrastructural investment in the national economy, which should have a trickle-down effect to the insurance sector. Africa needs to spend an estimated \$50 bn over the next decade to develop 4 000 km of additional rail infrastructure alone, and its rolling stock requirements are expected to create sizable windows of opportunity for South African companies. Brokers and insurers playing in these areas should benefit, so the positive signs are there. Gear yourself!

► Kalim Rajab, Strategic Director, New National Assurance Company



Wayne Abraham on skills development

Risk management is critical in our industry. And as an industry we should be doing more to attract, train and develop the right skills in this area. Insurance companies can facilitate skills development through the creation of long-term strategies and in-house training programmes, which can be tailored to ensure that employees and graduates entering the workplace environment, are able to meet and exceed the requirements necessary to function in today's insurance arena.

► Wayne Abraham, MD, AIG



Sedick Isaacs on Green Geysers and broker partnerships

There is no doubt that the Green Geyser Replacement Programme is a necessity and one that should have wide ranging support from insurers. As a significant environmental issue, from an insurer's point of view, it is necessary to support initiatives that contribute to the reduction of our carbon footprint, providing a safer and cost efficient environment to live in. If the demand for solar geysers increases, the overall price will decrease, which will make it more affordable. We should therefore be encouraging our clients to think about and implement green initiatives. We also believe in the importance of the partnership between brokers and insurers. For us it is imperative that we add value and help one another to succeed. The value we add ultimately has a significant benefit for our mutual clients who look to brokers for professional support and advice, and to the insurer to deliver on its promise.

► Sedick Isaacs, National Head MU, Zurich Insurance Company South Africa



Brad Hogan on 'big data' and opportunities for 2014

Some insurers are really starting to use 'big data' to their advantage, while others are not grabbing the opportunity. The reality is that those insurers that are not using it, will find doing business increasingly challenging. When talking about opportunities, we know that half the cars on the road are not insured, which creates massive opportunities for energetic and motivated brokers. In as much as regulation has created challenges for the status quo, it has equally served to level the playing fields and created a degree of fairness, which switched-on brokers should be able to use to their advantage. We live in a vibrant, energetic country overflowing with opportunities, and those who choose to recognise this, will prosper.

► Brad Hogan, Group CEO, Oakhurst Insurance

...THE TERMINATED

No one expected the wave of retrenchments.

