

Challenges in Africa

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South Africa has experienced slow growth over the last few years as a result of factors such as lower prices for raw material, labour unrest and power outages. However, some recovery on the back of the export markets is expected due to the rand's weakening against other major currencies.

Currently many South African blue-chip companies are increasingly investing in Sub-Saharan Africa as they see opportunity for growth in a number of these countries. Countries like Zambia and Mozambique are achieving sound growth and as such are attractive opportunities for local companies to provide goods and services to.

As a result of this, a variety of goods are destined for countries north of our borders. A wide range of goods are exported to this region, principally related to the mining, resource and retail sectors. This is positive for Marine Underwriters like ourselves, but some

underwriting difficulties exist which we need to take into account when considering risk.

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Goods are exported by means of road, rail, air and sea to major ports, cities and towns. Goods are mainly conveyed by road to destinations in the DRC, Zambia, Zimbabwe and the like. Underwriting concerns relate to the type of goods exported, political stability, road conditions, routes taken and distances travelled.

Additional underwriting concerns relate to the transporters used. Their expertise and knowledge of the region and terrain is essential. How they manage the process, especially the back-up they have in the event of an accident and arrangements for storage, recovery or repatriation of the goods are all elements which need to be understood and taken into account.

Cargo which is damaged but repairable also poses a real problem as the skill, infrastructure and available spare parts are scarce or non-existent in certain regions. From a damage assessment point of view, it is difficult to source competent marine surveyors to attend at remote locations. This compounds the problems faced when dealing with cargo destined for countries north of our border.

Paul Hancock, who heads up the Specialist Underwriters area of Infiniti Insurance indicates that one also needs to take into account the goods imported into South Africa from countries north of our borders. High value/risk cargo like copper cathodes, cobalt and other raw materials have proved to be problematic for underwriters. Generally these commodities emanate from the DRC and Zambia, and theft and hijacking is principally a main exposure for insurers.

Theft and hijacking of vehicles can take place within the countries of origin and also en-route to final destination. In addition, losses by way of fraud or deception are not uncommon. This, for example, can happen by way of the substitution of high-value minerals or metals with worthless materials, and often this is only discovered at the time of delivery to the overseas buyer.

Unfortunately it would appear that South Africa remains a high risk country. Syndicates, especially those operating in the Gauteng region, are responsible for a significant number of thefts and hijackings. Through incident reports and investigations, we have found that the employment and reliability of drivers, is sometimes questionable which may give rise to the potential of collusion with syndicates operating in the region.

Underwriters should therefore be aware and take cognisance of these various risk factors when writing business to and from countries north of our borders.