FANEWS

JUNE 2025 - EDITION 167

Breaking up:
what restraint of trade means for brokers

Reimagining insurance
through simplicity

Navigating uncertainty
in financial decisions

Beyond compliance:
keeping values alive in a regulated world

Brokers must exceed basics
to manage unique risks

Can AI evidence hold up in SA courts?

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

Journalist/Researcher
Myra Knoesen
Myra@fanews.co.za

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

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

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

Website and privacy statement
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Insurance Publications cc
PO Box 2342
Wilropark 1731
Tel 011 768 2299
Fax 011 768 3032
info@fanews.co.za

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FANEWS content JUNE 2025

FANEWS letter from the editor

"Our moral responsibility is not to stop the future, but to shape it." – *Alvin Toffler*

Rianet Whitehead | Editor

June marks the halfway point of what's been a busy and unpredictable year. I want to feel more positive about the economy, but ongoing turmoil and uncertainty continue to dampen that optimism. Markets are down, businesses are struggling, infrastructure - especially in Gauteng - is deteriorating, and unemployment remains painfully high. Driving in Gauteng has become a real challenge. An Uber driver recently said, "We're not driving on the left side of the road anymore, we're driving on what's left of the road." Humorous, but sadly true.

I recently attended the IFTRIP (International Forum of Terrorism Risk (Re) Insurance Pools) Conference, hosted by Sasria Soc Limited. It was an insightful event focused on global threats such as political violence, cyber terrorism, and election-linked instability. Key discussions explored how state insurers are adapting to climate change and using technology to predict social unrest - a strong reminder that our industry isn't just about claims; it's about safeguarding people and economies from serious, evolving risks.

Another standout event was the SAUMA (South African Underwriting Managers Association) Conference - its first in-person edition since COVID-19. The sessions delivered valuable updates on compliance, climate-related risks, and the evolving role of UMAs. Well done to SAUMA for keeping it relevant and impactful.

Next up is the annual African Insurance Exchange (AIE) Conference in July, hosted by the Insurance Institute of South Africa (IISA) and South African Insurance Association (SAIA) at Sun City. It's a must-attend for anyone in short-term insurance - filled with insightful topics, top-tier networking, and great energy. One session I'm especially looking forward to is the TIA Panel Discussion at AIE2025. Alicia Narainsamy will lead a conversation with the 2024 TIA finalists - Temwa Nyirenda, Rhein Schnetler, and Mandilakhe Madikane - as they share their journeys, leadership lessons, and how TIA is shaping the future of our industry.

We're (FAnews and The Insurance Apprentice) also proud to be partnering with the IISA on a meaningful CSI initiative in Rustenburg. On 30 July 2025, we'll return to Itumeleng and Tswaidi Secondary Schools for a mini–TIA (The Insurance Apprentice) Challenge - designed to spark curiosity and introduce learners to the dynamic world of insurance. It's more than a career day; it's a chance to inspire the next generation of industry professionals. We encourage leaders, mentors, and changemakers to join us in making a real impact.

With so much happening in our industry - from exciting conferences to purpose-driven initiatives - there's never been a better time to stay engaged and informed. Dive into this issue for more insights, stories, and updates that matter to you.

Enjoy this issue! It's another phenomenal one, packed with valuable content! ●

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THE 'BAOBAB ADVANTAGE':

leading with purpose, vision and momentum at AIE 2025

THOKOZILE MAHLANGU
CEO INSURANCE INSTITUTE OF SOUTH AFRICA

As the insurance industry navigates an era of profound change and opportunity, leadership and innovation have never been more critical. **FAnews** spoke to **Thokozile Mahlangu, CEO of the Insurance Institute of South Africa (IISA)**, about the guiding purpose, bold decisions and evolving dynamics behind this year's African Insurance Exchange (AIE) Conference - one of the most influential conferences for insurance professionals.

Rooted in resilience

This year's theme, "The Baobab Advantage: Multifaceted Growth and Continuous Evolution," is inspired by the iconic baobab tree, a symbol of resilience, adaptability and longevity."We asked ourselves, how can we truly serve the industry at a time when it is evolving at a breakneck speed?" Mahlangu said. "That's why we looked at the Baobab advantage."

The iconic Baobab tree serves as more than a metaphor. It anchors the very theme of AIE 2025. "We looked at the characteristics of the Baobab tree. We looked at its nature and how it survives. And that's how we then stretched the theme further to say the Baobab advantage is really aligned to the insurance industry," Mahlangu explained. "The Baobab tree continuously evolves itself. It grows in multifaceted approaches. That's exactly how the industry has been evolving - locally, on the continent, and globally."

The conference is, therefore, not just about responding to trends, but catalysing them. "Our goal doesn't only have to be reflecting on the trends but catalysing those trends and making sure that delegates walk away from the conference not just empowered to lead in a rapidly changing environment, but also to have tangible solutions they can go and apply immediately as they get back to their businesses."

Brave choices and bold moves

Organising a conference of this magnitude is no small feat. Mahlangu said, "Keeping it fresh, attractive and appealing to over a thousand delegates is one of the biggest challenges."

This year's organising team made intentional choices to break from tradition. "We deliberately shifted from the generic panels to curated conversations that go deeper, featuring leaders who are not afraid to be bold." The speaker line-up reflects a global perspective, bringing in visionaries, tech disruptors, and even commentators on current geopolitical matters and the impact of South Africa's Government of National Unity (GNU) on businesses.

"We also reimagined the lineup of speakers - local, continental and global. We looked at non-industry speakers to bring that different element," she added. "So, we had to consider what's currently happening in the environment, align it with the theme, and ensure a diverse mix of speakers from around the world. Among the biggest changes? The return of breakaway sessions running concurrently

AFRICAN INSURANCE EXCHANGE 2025

with plenary sessions, and the integration of young professionals into the programme," she continued.

"With the Top 3 of The Insurance Apprentice joining us in a panel discussion, we had to take it further. We invited four young bright minds - students in their final stages of their B.Com in insurance and risk management at Wits - and they're going to be part of the programme. That's a way we're repositioning the conference and trying to bring freshness to it," she added.

Evolution of the ecosystem

Over the years, Mahlangu has witnessed significant shifts within AIE. "The level of cross-sector collaboration has skyrocketed," she noted. "AIE has become a hub where underwriters come to talk to fintech founders, where actuaries engage with claims experts, compliance officers exchange ideas with tech entrepreneurs, and the regulators share insights and engage with delegates."

This interconnectivity has strengthened the conference's position as a vital knowledge-sharing ecosystem. "It has become that ecosystem where cross-sectoral collaboration and relations have become critical in learning and growing the AIE insights that we bring to the industry."

A human-centred experience

Post-pandemic, there's a stronger-than-ever desire for human connection. "Delegates crave for connection, especially after COVID," Mahlangu said. "So, what we're doing this year is building opportunities for business engagements."

AIE will now finish sessions slightly earlier each day to give delegates time to meet, collaborate and engage."It's not just the cocktail hours," she emphasised. "People also create meaningful, long-lasting relations during tea breaks, evening events, and even on the golf course."

She summarised the four core needs AIE continues to serve:

1. Rich content and insights;
2. Business engagement;
3. Youth empowerment; and
4. Social networking.

"It's an opportunity to have meetings that would ordinarily take six to eight months to secure, but within three days of the conference... it happens."

When asked to summarise this year's conference in one word, Mahlangu's response was immediate: "Momentum. The AIE experience is both about building personal and organisational momentum." The theme also ties back to resilience and rooted growth, much like the Baobab. "Our industry is standing still, but we move and evolve continuously to stay ahead."

The conversations we must have

When asked what the biggest issues facing the insurance industry are right now, Mahlangu said, "We cannot talk enough about digital transformation," she said. "There are many legs to it - from CRMs and customer-centric systems to generative AI."

But it's not just about the tech. "It's also about talent - reskilling, repositioning, and nurturing new talent. And then there's leadership for the future. The way we've been leading has had to change. The generation of teams we now have is younger, and their needs are different," she added.

Mahlangu highlighted how the delegate demographic itself is shifting: younger professionals in senior roles. "There's a pipeline coming up. And as leaders who've been in the industry for a while, we must learn new ways of leading."

On innovation and AI

"Talking about digital, I'm excited about what technology is bringing to the industry. I'm excited about how we can maximise the use of data that the industry has and bring it into decision-making, into the conversations we have with customers, and into understanding customers, almost working towards personalising the services or customising the products," Mahlangu explained.

"It's also about how we are going to lead with technology supporting us. Last year, we hosted a masterclass at the IISA on the generative use of AI - it was amazing! You could utilise my voice and create a model of myself that could represent me. It's just amazing."

"These are exciting times. Yes, there are challenges that come with it, but we must embrace what technology offers and take the industry to another level."

More than a conference

As AIE 2025 draws closer, Mahlangu is clear about the kind of experience she and her team hope to deliver. "My wish and desire is that everyone that will be attending the conference will feel that they're part of something bigger than themselves - that they're not just attending yet another conference, but they're stepping into a movement," she said. "An experience that transforms knowledge, that changes the thinking that one had."

She envisions AIE as a launchpad for new ideas, meaningful relationships, and unexpected opportunities. "The next new idea, the next partner, the next business opportunity… the next big idea that one can unlock could be sitting right next to you," Mahlangu shared. "That's what I hope for - that collaboration, that relationship."

"If I could ask everyone - sit next to somebody you've never met and crack that next big thing that you have within yourself."

When asked what single message she would share with every attendee on that first day, Mahlangu responded without hesitation: "This is your moment. Be present, be bold and build something that matters."

And for those still sitting on the fence about attending, Mahlangu ended the conversation with warm encouragement: "I do hope that those who have not registered do so."

FAnews spoke to Thokozile Mahlangu, CEO of the Insurance Institute of South Africa (IISA), about the guiding purpose, bold decisions and evolving dynamics behind this year's African Insurance Exchange (AIE) Conference - one of the most influential conferences for insurance professionals.

We cross roads every day...
THAT'S RISK MANAGEMENT

Have you ever paused to think about 'risk' and 'risk management' in their simplest forms? Not the technical depth we deal with daily - financial risk, market volatility, operational failures, regulatory compliance – but rather the everyday decisions we make from the time we wake up to the time we go to bed.

Before we consider financial tools like spreadsheets, risk matrices or actuarial models, risk starts with something more fundamental: how we navigate uncertainty in our ordinary lives.

And that is where some of the most powerful insights into our industry begin.

A simpler perspective

From a simpler perspective, we face risks every second of every day, based on every decision we make (or do not make) and every action we take (or do not take).

Take something as ordinary as crossing the road. The moment we decide to step off the pavement, we face the potential risk of an accident in the oncoming traffic. Does that mean we never cross the road because of this risk? Of course not. We do what most of us were taught as children: look left, look right, and look left again before crossing the road. We assess the situation, use our judgment, and cross cautiously. We do not freeze in our tracks on the pavement; we manage the risk and keep moving.

This response is so instinctive that we barely register it as risk management, yet that is exactly what it is. If we applied the mindset of eliminating every risk in every aspect of our lives, we would be immobilised and unable to move forward, make progress, achieve anything, or function in the real world.

Moving forward, with foresight and agility

We operate in environments where the expectation is for certainty, whether from clients, regulators, or executive boards. People want assurance that outcomes will be stable, controlled, or guaranteed. But as professionals, we know that complete certainty is an illusion. Markets shift. Regulations evolve. Unexpected disruptions – from global pandemics to cyber-attacks – emerge.

Risk is not something we can design out of our businesses or decisions. Instead, what we do is look left, look right, and look left again. This is where the real value of risk management lies – in enabling forward movement. Managing risk is what allows innovation, decision-making, and strategic growth to take place without being paralysed by the fear of failure.

Across the value chain, we make micro-decisions every day that reflect this balance. Some of these are so embedded in our processes that they feel instinctive. Others require deep deliberation. But in all cases, the aim is the same: to not avoid risk at all costs, but to move forward responsibly, with foresight and agility. If the industry were to pursue the elimination of all risk rather than its management, we would quickly become paralysed: innovation would stall, client needs would go unmet, and the industry's ability to respond to change would erode.

Returning to the basics

To truly reflect on the statement, "All of life is the management of risk, not the elimination of it", we must return to the basics. In our industry, it is easy to focus solely on complex models, frameworks, and high-impact risks. But the essence of risk management is rooted in the countless small decisions we make daily, those often made instinctively or as a matter of habit without conscious planning. These everyday actions remind us that managing risk is a natural part of our everyday lives.

Whether we are advising individuals or managing risk within the four walls of our businesses, we must recognise that risk is not the enemy - unmanaged risk is. The essence of risk management lies in enabling informed action, not paralysis. It is not about eliminating every possible failure, but rather about exploiting opportunities and making progress possible in a world that will never be risk-free. Ultimately, it is about crossing the road, not freezing in our tracks on the pavement.

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GREEN INSURANCE
market share – globally & locally

From the cars we drive to the fish we eat, almost everything has a rating to let us know whether it supports environmental sustainability. Generally, "green" is used to indicate whether a product or service is responding positively to the complex set of environmental, economic, and social challenges that we face.

Green insurance in various forms

This is no different in the insurance context. However, "green insurance" can take various forms:

- Providing insurance cover for environmentally friendly technologies like electric cars and renewable energy sources like solar;
- Support for making environmentally sustainable choices for insurance claims (e.g. choosing electric cars or using sustainable materials to rebuild a home);
- Using "green" behaviour as part of the underwriting or premium rating process (e.g. a discount on insurance premiums for sustainable practices, e.g. good driving behaviour or for energy efficiency at home, or encouraging this through loyalty/rewards incentives); and
- As a significant investor, insurers need to consider ESG (Environmental, Social, and Governance) factors in their investment portfolios.

Therefore, it is not that easy to consider the "green insurance" market share given the diverse forms that sustainability can take in the broader financial services industry. Most insurers report on their sustainability initiatives and utilise various guiding frameworks to report on, e.g. the United Nations Sustainable Development Goals (UN SDGs), the Financial Stability Board Task Force on Climate-related Financial Disclosures (TCFD), Code for Responsible Investing in South Africa (CRISA), the UN's Principles for Responsible Investment (PRI), etc. Therefore, in the financial services industry, sustainability has become embedded in the way things are done.

An estimate of insurance coverage market share

To get an estimate of the green insurance market share, one could consider the insurance coverage market share for environmentally friendly technologies. If one considers new electric vehicle sales, then the figures are still low, but it is showing an increasing trend, e.g. in South Africa, new-energy vehicles (including hybrid vehicles) made up around 15k units compared to just over 500k total units (i.e. around 3%) of new vehicle sales in 2024.

Globally, this figure is closer to 20%, with China leading the pack at around 60% of new vehicle sales. In Europe, the figure is closer to 25%, whilst in the United States it is closer to 10%.

When it comes to solar coverage, it is estimated that less than 4% of homes worldwide have adopted solar energy, and the figure in South Africa is very similar. Australia leads this race, where the figure is around 30%. In South Africa, many insurers have warned customers about faulty installations and ensuring that they use reputable suppliers and have all the necessary paperwork in place. Also, sometimes customers forget to inform their insurers and financial advisers when they have done solar installations, and hence, advisers can play a significant role in getting their customers to do this.

If Baby Boomers (those born between 1946-1964) are considered very prudent investors, then Millennials (those born between 1981-1996) are likely to be investors who prefer to invest in alignment with their values and hence, are more likely to consider the impacts of their investments on society and the planet. However, it is not only Millennials who are taking this into account.

The COVID-19 pandemic also resulted in most people re-shaping their thinking on environmental and social issues, and hence, over time, more and more investors are thinking about the broader impact of their investments than just the investment returns that they deliver. Therefore, financial advisers can expect more questions over time from customers about the social and environmental impacts of their investments.

A growing trend integral to business operations

In conclusion, although it may be difficult to precisely quantify the "green insurance" market share, it is clear that the focus on social and environmental issues is not just a fad. It is a growing trend that is becoming an integral part of how companies operate and how customers evaluate their insurance and investment needs. Advisers must take this into account in their interactions with clients.

Poobalan Govender
Head: Structured Solutions
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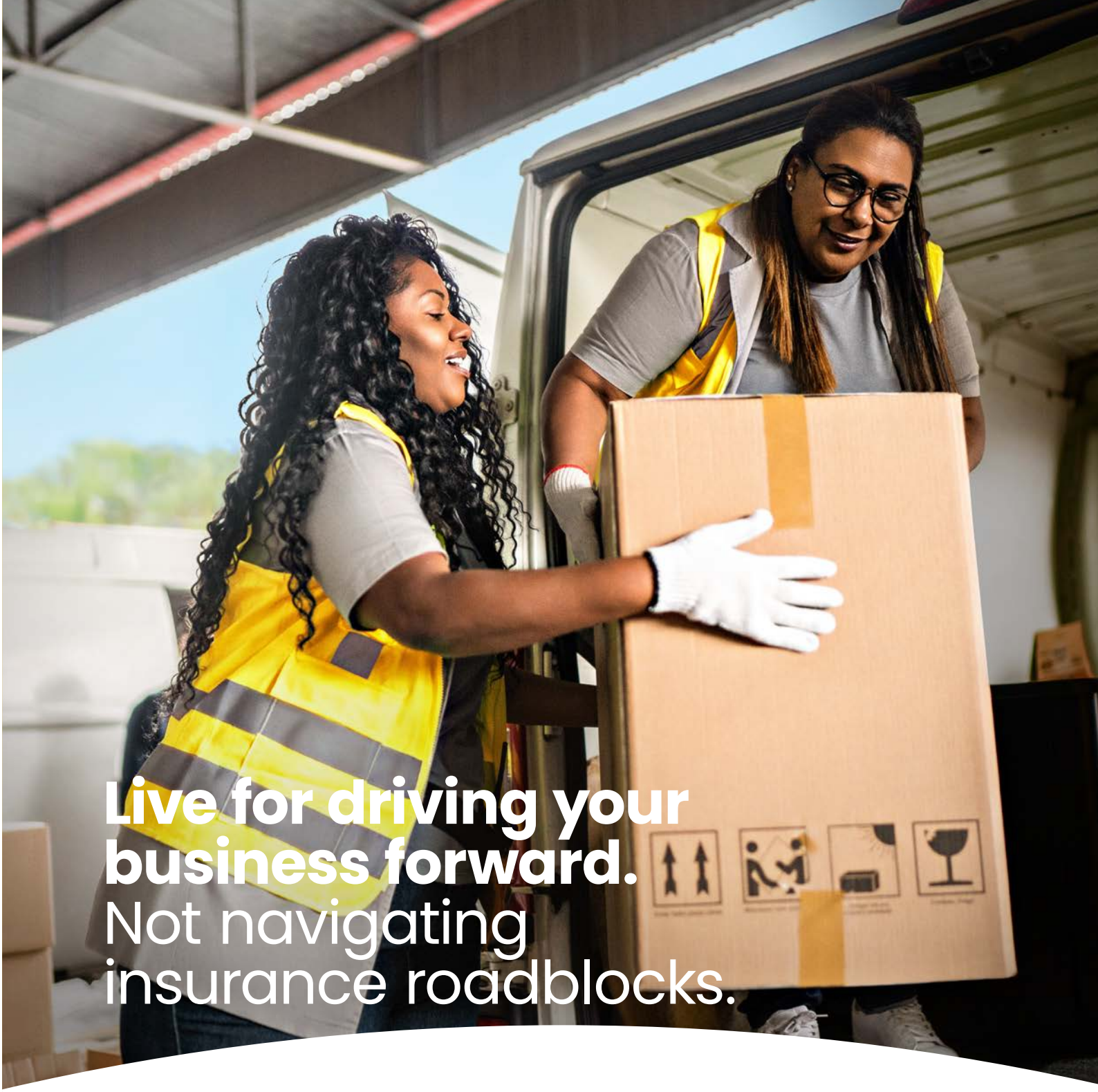

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A CLASSIC SALES PHILOSOPHY
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There is an age-old industry saying that goes, *"insurance is sold, not bought"*. This truism serves as a reminder that strong sales skills are an essential part of the financial adviser's toolkit.

There are many ways to gain a foothold in the sales hall of fame. You can chase hot leads or take the deliberate route of identifying pain points and positioning yourself as the solution.

Uncovering client pain points

One of the best ways to uncover client pain points is by studying their complaints or objections. These moments of friction can be goldmines for advisers, revealing gaps in product or service. If handled constructively, you can turn complaints into opportunities. This is a principle that legendary American sales trainer and motivational speaker Zig Ziglar championed throughout his career.

Ziglar did not coin the phrase "complaints are opportunities", but the sentiment runs through his entire sales and service philosophy. He is often quoted saying, "every sale has five basic obstacles: no need, no money, no hurry, no desire, no trust". The standard adviser response to a complaint or objection is to get defensive or disengage. For Ziglar and like-minded sales thinkers, complaints are not roadblocks to avoid but signals to lean into.

Objections give you valuable cues

Whether you are pitching a retirement annuity to a young professional or explaining the fine print of a dread disease policy to a sceptical single mother, you must pay close attention to both verbal and non-verbal cues. Renowned for his insights into behaviour and performance, motivational speaker Tony Robbins teaches his followers to ask better questions. And there is no better question to pose than, "what about this product or solution is really bothering you?"

To turn complaints into opportunities, you must weigh up your client's responses carefully. If a potential client says your fees are too high, they are not always rejecting your value proposition. They may simply be struggling to see it. In this instance, you would not slash fees to clinch the sale, but rather articulate how your advice, insight and service contribute to long-term outcomes.

If a prospective client pushes back on cover types or hesitates on an investment decision, they are showing uncertainty rather than resistance. Sales-focused advisers need to think on their feet and identify where the misunderstanding comes from. Perhaps something was unclear during your interaction, or the client was misinformed by a previous adviser.

From transactional to relational

The South African financial advice landscape has a legacy of transactional players who focus only on products and policies. Today, clients prefer relational advisers who build trust through shared values and purpose. Bestselling author and leadership expert Simon Sinek reminds us that people do not buy what you do, but why you do it. A complaint could be your chance to steer the conversation back to the 'why'.

Imagine a long-standing client who is upset over a declined claim. The decision may be out of your hands, but how you handle the moment matters. Listen. Acknowledge their frustration. Provide clarity. And, most importantly, show that you are in their corner. Even if the outcome remains unchanged, your willingness to escalate the issue or revisit the facts demonstrates that you are prepared to fight for them.

In the compliance-heavy advice space, it is easy to focus on ticking boxes, but complaints offer something more valuable. They offer insight into what your clients are experiencing. Was onboarding too rushed? Did the client feel overwhelmed by financial jargon? Do they understand the product or solution you recommended? Ziglar believed each objection was a signal.

Complaints to opportunities

Your opportunity lies in how you respond to those signals. Use them to clarify documents, refine onboarding or rework review meetings. One complaint could be the trigger that transforms your advice process and converts that potential client into a lifelong advocate.

Gareth Stokes
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Insurance

BREAKING UP: what restraint of trade means for brokers

Whether you are moving on because you have sold your brokerage or are joining a new one, you must remember the restraint undertakings you have given.

You are usually happy to give these undertakings at the beginning of the relationship, when love is in the air, but there are serious implications if the "marriage" doesn't last. It is, therefore, imperative that you understand what you are agreeing to.

At a high level

At a high level, these undertakings typically fall into three key categories:

- **Non-compete:** This protects the buyer's or former employer's interests by preventing the seller or former employee from engaging in business activities that directly compete with the buyer or former employer after the sale or departure. When you sell a brokerage or leave an employer, you take valuable relationships and knowledge with you. These agreements help ensure that the goodwill and customer base assets the buyer has paid for or that belong to the former employer are not undermined by your future competitive actions.

- **Non-solicitation:** This prohibits former employees or sellers from actively soliciting clients of their former employer or the buyer of the brokerage. It protects the client base from being poached. These clauses typically prohibit active solicitation (e.g., direct outreach or marketing efforts) and often include broader restrictions on enticing or canvassing clients, meaning any effort to persuade them to leave their former employer or buyer.

- **Protection of confidential information:** These undertakings are designed to safeguard competitively sensitive and proprietary business information. This may include client data, pricing structures, sales strategies, and other confidential materials. Protecting this information helps the former employer or buyer maintain a competitive advantage in the market.

Recent case law interpretations

1 ***Simah Risk Advisors (Pty) Ltd v Van Niekerk and Others (November 2024):***

The court interpreted the non-solicitation undertaking widely, stating that both contacting clients and being contacted by clients amounts to solicitation, which is impermissible during the restraint period. Given that the restraint covenant also prohibited accepting any short-term insurance business from any client of the former employer, extending beyond non-solicitation to include non-compete undertakings, the court was correct to uphold the restraint of trade clause.

2 ***Compendium Group Investment Holdings (Pty) Ltd and Another v Crofts and Others (July 2024):***

The court found that a positive action is required for solicitation. A customer contacting a restrained employee is not solicitation. The restrained employees did not notify clients that they were leaving, and clients moved months later. Here, they could accept business from previous clients as long as they did not solicit it. The clause did not restrain dealing with clients who left for unrelated reasons.

3 ***B Sure Insurance Advisors (Pty) Ltd v Schnepel and Another (March 2024):***

The court reiterated that the party seeking to enforce a restraint agreement must establish its existence and prove its breach. The burden then shifts to the resisting party to prove the agreement is unenforceable due to unreasonableness. The court referred to the Basson versus Chilman test to determine reasonableness, considering whether the interest is worthy of protection, prejudice to the interest, balance of interests, and public policy.

The reasonableness of these agreements

Courts will consider the reasonableness of these agreements, balancing the protection of business interests with the individual's right to work. Factors include the duration, geographic scope, and the specific activities restricted.

These agreements are essential tools for protecting business interests, but must be carefully drafted and understood to ensure they are fair and enforceable.

The moral of the story is not to get so caught up in the romance that you skim over the terms you are signing. Understand exactly what you are agreeing to and get legal advice if you have any concerns, so you can make an informed decision.

The insights provided in this article do not constitute legal advice and are provided for educational purposes only.

Jacqueline Hurter
Head of Legal
Old Mutual Insure


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PARTNER ECOSYSTEMS - powerful vehicles for growth and innovation

As the insurance industry continues its rapid transformation, the need to unlock innovation and growth will require intentional and successful collaboration across the insurance value chain, and in some cases, horizontally across sectors.

Vital for navigating complexity

Ecosystems are becoming critical for navigating economic complexity. According to PwC's 2023 Global CEO Survey, 46% of South African CEOs cited strategic partnerships as one of their top three drivers of growth over the next five years. Similarly, Accenture found that companies actively participating in partnership ecosystems grow revenues 2.5 times faster than those that do not.

Established companies battle structural barriers to innovation and delivery at speed and scale; ecosystems solve for some of these challenges as partners often co-develop solutions that extend beyond their own capabilities

Key considerations

We can learn from those who have successfully created and leveraged ecosystems to ensure similar value creation for customers and key stakeholders. While setting up your ecosystems, keep the following in mind;

1 **Harness evolving market trends as growth and innovation catalysts.**

Leveraging proven frameworks, systems, or strategies reduces risk and allows for focus on improvement, rather than duplication. To accelerate this development, it's best to focus on enhancing and optimising emerging trends. The sector is experiencing a global transformation to 'digital-first' business models, unlocking new value projected to be worth billions of Dollars, and leading to ecosystems shaped around emerging industry trends;

- Insurtech presents niche ecosystem players with innate partnering capabilities and gives rise to newer business models and revenue streams.
- Mobile, healthcare, travel, retail and other service providers will collaborate for products beyond the traditional with

a broader access capability. And
- An increasing focus on personalised premiums, usage-based coverage and more granular individual risk profiles requires data-driven technology partners.

2 Structuring toward growth-ready ecosystems with expansion potential.

Collective ecosystem success is the key measure for successful partnership ecosystems;
- Understanding the maximum revenue opportunities presented by ecosystems is critical, and sets the foundation for assessing potential partners, market potential, defining long-term strategies, and attracting investment.
- Set your expectations for your ecosystems and track performance; the right metrics will ensure you know what works and needs improvement. And
- Build the networks in an agile manner, and design for rapid scaling and impact.

3 Team up with champions to deliver standout success.

Learn how to identify, negotiate, manage, build, leverage, and evaluate strategic partnerships;
- Build appropriate capabilities; efficacy in partnering impacts speed and success in the market. This is closely tied to the health of the partner management framework that brings both a healthy partner pipeline and relationship management. And
- Fast decision making is a crucial capability for organisations looking to leverage ecosystems, as it enables quick reaction to market changes, seizing opportunities, and mitigating partnerships risks.

4 Own your difference, set yourself apart.

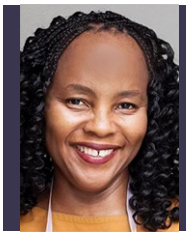
Identify your own unique strengths and the potential partners to create mutually beneficial advantage;
- What makes your company stand out from competitors? Is it your superior product quality, exceptional customer service, or strong brand?
- It's important that your internal processes enable you to identify partners whose strengths complement your own.

Collaboration in South Africa's insurance market

Partner ecosystems are enabling success. TymeBank has leveraged partnerships with retailers like Pick'n'Pay and Boxer to roll out smart banking kiosks across the country. TymeBank uses its partner footprint to scale quickly and cost-effectively, onboarding over seven million customers since its launch in 2019.

In 2024, Sanlam acquired a 60% stake in MultiChoice's insurance business for R1.2 billion, with an additional performance-based earn-out potential of up to R1.5 billion (Reuters). This strategic partnership leverages MultiChoice's extensive customer base of 21 million households across 50 African countries, embedding insurance offerings into the entertainment platform. With this use of a non-traditional channel, Sanlam aims to reach underserved markets and provide tailored insurance solutions.

Collaboration in South Africa's insurance market is a strategic imperative. Insurers can either orchestrate these ecosystems, building them from the ground up, or participate in existing ecosystems.



Nthati Mthembu
Managing Partner
REV Consulting

ApexU:
training with purpose, impact and outcomes

BYRON LAZARIDES

In a rapidly evolving business landscape, skills development has become more than just a buzzword - it's a necessity for real transformation.

FAnews spoke to Dr Ruval Boosi and Byron Lazarides, Co-CEOs at ApexU, about their journey, values, culture, and their mission to make a lasting impact on South Africa's workforce through learning and development.

Training that truly connects

"When we started ApexU, we saw a huge gap in the market. A lot of the training providers were very theoretical, very compliance-focused. But they weren't looking at the outcomes, and they weren't speaking to the people in the business about what they really needed to achieve," explained Dr Boosi. "So, we looked at the insurance industry, and we said, 'How do we create the best technical solution and the best training methodology that speaks both to the learner and to the business?' That's how ApexU was born."

From the beginning, the company's approach has been uniquely focused on outcomes-based education, blending technical excellence with strong human relationships. According to Lazarides, "It's one thing to have great content, but it's another to make people feel excited about it. And so, we try to build a great culture around our training where learners feel supported, engaged, and that they're part of something bigger than themselves."

Creating this kind of impact comes with its challenges, but it's also where ApexU finds its greatest rewards.

Fueled by Purpose

FAnews asked both leaders what drives their passion for the work they do.

"The idea of building something, growing it, and bringing it into existence in a way that actually creates value and has an impact is what drives the passion," said Lazarides. "For me, that's really the thing that gets me motivated - being able to build. I love seeing the growth in people as well. We've had individuals who started with us as learners and today they are project managers or in some type of management role. That's really fulfilling - to see that growth and to be able to see something real that's providing value out there. So, that's a big passion for me."

Dr Boosi added, "Absolutely. I agree with Byron. I think what we've done for unemployed individuals, what we've done for junior employees of the organisations that we support - really allowing them to grow their careers - has been fantastic. But also, I think coming from a completely different background in medicine, I've had to learn a lot. And then just getting to sit with our partners and clients and try to solve problems - figuring out what issues they have in terms of employee upskilling or being e-compliant - has been very rewarding."

He continued, "We came across this opportunity to re-look at transformation - how the entire BEE scorecard and learning and development impact that. What drives me is transformation in South Africa. And I know we can achieve that through learning and development, through education. When we tie the right education into the BEE scorecard, into the skills development element, we can add a lot of value and create necessary change. That's really what drives me. And while our training is aligned to the BEE scorecard, it goes above and beyond that. Our customised approach allows us to target skills gaps in a multitude of sectors and niches and is tailored to our clients' business context. That's where we have seen major impact and success."

Qualifications that meet real industry needs

ApexU offers a wide range of qualifications tailored to the needs of the sectors they serve - most notably insurance and banking. "We started in the consulting space across a variety of sectors in the country," explained Lazarides. "But over time, the biggest focus has become insurance and banking specifically."

DR RUVAL BOOSI

Their offerings include short-term insurance, wealth management, financial advisory, underwriting, and administration qualifications. “We also offer more generic management development and project management qualifications, with a strong focus on the IT sector - which touches all industries,” he said.

In addition to full qualifications, ApexU delivers a wide array of short skills programmes. “It’s a mix,” Lazarides said. “We’re looking at mostly learnerships and occupational certificates - anywhere from NQF Level 1 all the way through to Level 8. We don’t offer degrees per se; our focus is more aligned to the corporate BEE scorecard. That’s typically a 12-month qualification, sometimes longer.”

A culture of motivation and meaning

FAnews explored the unique workplace culture at ApexU. “We’ve worked hard to foster a motivated, flexible environment where people actually enjoy coming to work,” said Lazarides. “The old-school micromanagement approach just doesn’t deliver results - we’ve found that motivation drives performance.”

Dr Boosi added, “It’s a fine balance. Yes, we need alignment and accountability, but we’ve built a collaborative team where everyone shares our values and feels part of a bigger purpose.”

That sense of fun is reflected in office traditions like the “sales elephant” - a whiteboard drawing that gets filled with new projects. “It’s a bit of healthy competition,” Lazarides explained. “The elephants even get renamed from time to time - it keeps things light in a high-performance environment.” Dr Boosi added with a laugh, “One bite at a time. That’s how you get through the elephant.”

ApexU is also taking part in the upcoming AIE Conference, where they’ll sponsor an award for top-performing learners. “This is exciting for us,” said Dr Boosi. “These learners juggle jobs, families, and responsibilities - and still choose to study. We wanted to honour that commitment to personal and professional growth.”

Expanding the offering

Looking ahead, ApexU is focused on continued growth, especially in the tech-forward direction of the Fifth Industrial Revolution. “There’s a strong continuation in terms of expanding our offering when it comes to our skills development or learning and development products. So, really tying in these - especially things like Artificial Intelligence (AI) and data science - into the training. This is what’s really going to allow people to become, or remain, relevant in the coming years,” Lazarides explained.

They also hinted at something new: a product called Payday. “We decided to create a product that really targets financial accessibility, employee wellness, and education as well. So, really helping individuals become financially literate and have more access to the economy. Essentially, the idea is called Payday. And I don’t want to say too much about it yet, but it’s going to be truly revolutionary and transform the landscape of financial accessibility for individuals in the country,” said Dr Boosi.

A message for the FAnews readers

Wrapping up, Dr Boosi said, “We’re just grateful to be part of the educational journey that the readers of FAnews are undergoing. It’s so critical to focus on your Continuous Professional Development (CPD) every year - just upskilling yourself and becoming better for the industry.”

Lazarides added, “Yeah, I think the key here is just a huge appreciation to both FAnews and all the readers, because this represents the biggest sector for us - the insurance space. They allow us to achieve real impact and contribute meaningfully to the learners and their own employees. We hope to continue growing together with you as an industry.”

And, of course, a message to any industry players considering ApexU’s services: “from the smallest brokerage to the largest corporate, we’d love to connect with anyone regarding their skills development needs - whether it’s regulatory exams, CPD, or learnerships. We’ve built a fantastic team and offer a wide variety of services. We can truly create a customised project or training solution for your staff. We’d love the opportunity to work with you.”

FANEWS IN CONVERSATION WITH DR RUVAL BOOSI AND BYRON LAZARIDES, APEXU

FAnews spoke to Dr Ruval Boosi and Byron Lazarides, Co-CEOs at ApexU about their journey, values, culture, and their mission to make a lasting impact on South Africa’s workforce through learning and development.

REIMAGINING INSURANCE WITH GUIDEWIRE

LEO HOLESGROVE
COUNTRY LEAD - GUIDEWIRE SOFTWARE SOUTH AFRICA

Guidewire is not just a software provider - it is a transformation partner. Their cloud-native platform allows insurers to digitise operations, build new products quickly, personalise engagement, and adapt to regulatory change with greater ease.

As the insurance industry continues to navigate rapid digital transformation, platforms like Guidewire are redefining how insurers operate, innovate, and serve their customers.

FAnews spoke to **Leo Holesgrove, Country Lead for Guidewire Software South Africa**, to unpack the role Guidewire plays in transforming the insurance industry.

With over 540 insurers across 40 countries using their platform, Guidewire is no stranger to the global insurance ecosystem. "We help insurers bring their entire value chain onto a single platform that connects everything from underwriting to distribution, policy, billing, claims and insights," said Holesgrove.

Guidewire is not just a software provider - it is a transformation partner. Their cloud-native platform allows insurers to digitise operations, build new products quickly, personalise engagement, and adapt to regulatory change with greater ease. "Our platform provides a system of record and engagement that supports every step of the insurance lifecycle," he explained. "This includes customer onboarding, underwriting, policy management, claims processing, billing, and analytics."

Local momentum and a growing presence

Guidewire's footprint in South Africa continues to grow. Holesgrove shared that they support non-life insurers locally. "Our customers range from traditional insurers to start-ups, from insurers with multiple legacy systems, to those looking to accelerate innovation."

He added that they recently completed successful implementations with some of the largest insurers in South Africa. "One of the key reasons for our success is the fact that Guidewire is purpose-built for property and casualty insurance. We're not retrofitting a banking or life platform. This matters because general insurance is complex – it involves a high volume of transactions, many different product types, and frequent regulatory change."

Why cloud matters

As cloud adoption grows in South Africa, so does the need for platforms that can scale and evolve. "Cloud enables insurers to launch products faster, reduce IT complexity, and focus more on the customer," said Holesgrove. "For example, one of our clients was able to launch a new personal lines product in just six weeks, compared to the typical six to twelve months it would have taken on their legacy platform."

Security and compliance remain top priorities. "Our platform is built with security in mind from the ground up. We're compliant with global standards like ISO 27001 and SOC 2, and we work with insurers to ensure local regulatory requirements are met."

Transforming the customer experience

One of the most exciting shifts in insurance, according to Holesgrove, is the change in customer expectations. "Policyholders now expect the same seamless digital experiences they get from their banks or online retailers," he said. "That's why we help insurers digitise the entire customer journey - from quote and bind, through to claims and renewals."

He shared a compelling example: "One of our clients in Argentina saw a 30% increase in customer satisfaction scores after launching a digital FNOL (first notice of loss) process. Claims that used to take days to settle can now be done in minutes – in some cases, instantly."

Enabling innovation through ecosystem thinking

Guidewire believes insurers shouldn't have to build everything themselves. "Instead of spending time integrating dozens of solutions, our platform allows plug-and-play with best-in-class providers," said Holesgrove. "Whether it's telematics, fraud detection, payment solutions or AI-based claims automation, insurers can choose what fits best and implement it quickly."

With over 200 apps and accelerators in its marketplace, Guidewire's ecosystem approach is gaining traction locally. "Insurers here are seeing the value of partnering with insurtechs and global technology players to leapfrog legacy challenges."

Transformation isn't just about technology - it's also about people and partnerships. "We work closely with our customers and experienced local integrators to support change, while also investing in skills development through our Guidewire Services Centre," said Holesgrove.

Looking ahead, he sees agility as essential. "The insurers that win will be those who can sense and respond to change quickly. We're here to help them grow, adapt, and lead. Insurance is about resilience, and we're proud to help build it." ●

FANEWS IN CONVERSATION WITH LEO HOLESGROVE, GUIDEWIRE SOFTWARE

FAnews spoke to Leo Holesgrove, SA Country Lead for Guidewire Software, to unpack the role Guidewire plays in transforming the insurance industry.

> The goal: simplify and clarify the insurance journey - for brokers and their clients alike.

SAPIENS - innovating the future of insurance

The insurance industry is undergoing profound transformation, driven by accelerated digital adoption, changing customer expectations, and emerging technologies like generative AI. At the heart of this shift is the increasing demand for agile, adaptable systems that can respond to the market at pace.

FAnews sat down with **Gary Tessendorf, Regional Director at Sapiens**, to gain insights into the key trends shaping the future of insurance in South Africa and beyond - and how his company is helping insurers turn challenges into growth opportunities.

Tech-driven agility

As a seasoned leader in the sector, Tessendorf is deeply engaged with the dynamic forces reshaping both the life and short-term insurance markets. "We have seen a general acceleration of engagement and digital transformation," he says, noting that the vast majority of insurers are actively modernising or simplifying their systems. "Many have realised that in order to successfully engage on great AI/ML-led initiatives, you need access to quality data and modern administration systems, digital, and data platforms that support complex ecosystems."

Tessendorf sees Artificial Intelligence (AI) not as a replacement for human expertise, but as a powerful augmentation. "Thankfully the majority of insurers we are engaged with are looking at AI to support human engagement and capacity and not to replace it. This augmentation is an incredibly exciting space to be in at the moment as we provide complex insights and support of most aspects of the insurer value chain."

One area where this shift is particularly visible is in the growing interest in income protection products - a trend catalysed by the COVID-19 pandemic and deepened by the current cost-of-living crisis. "It used to be seen as expensive, rigid, and hard to claim on," Tessendorf explains, "but the pandemic changed that, highlighting just how important it is to protect earnings."

Today, younger consumers are driving demand, particularly around flexible coverage that reflects real-life challenges such as illness and mental health. "Insurers are responding with more flexible, affordable policies, and that's where Sapiens plays a role," says Tessendorf. "Our technology helps insurers modernise and streamline policy management, automating claims, and launching – and adapting – products quickly."

He also stresses the need for better consumer education in this space, while highlighting how agile tech is already helping to deliver more personalised and accessible income protection solutions.

At the core of Sapiens' value proposition is the belief in agile, modern systems as a non-negotiable for future success. "It's no longer just about having a solid core system - it's about having one that's configurable, efficient, and designed to keep up with evolving customer needs," says Tessendorf. "Simply put, it's the ability to connect with ease to the outside world – 'if we dream it, we can build it' mentality."

He emphasises that streamlined, agile systems enable faster time-to-market, efficient automation, and highly tailored offerings - key differentiators in a competitive insurance landscape. "In such a competitive market, the ability to quickly roll out innovative insurance products is more than just an advantage - it's a necessity for long-term success."

The company's culture and operating model

Central to Sapiens' strategy is its hands-on, partnership-led approach with clients. Tessendorf explains, "We work with our customers as strategic partners and not just simply a technology provider." By leveraging a team of strategists and insurance practice experts, Sapiens bridges global best-of-breed solutions with local expertise.

"As we are all aware, some of the great changes are being led by South African insurers moving into new and exciting territories globally," he notes, citing the example of a major bancassurance client that recently marked a decade-long partnership with Sapiens - evidence of the company's long-term commitment and strategic alignment.

GARY TESSENDORF: REGIONAL DIRECTOR - SAPIENS

Innovation isn't just a buzzword for Sapiens - it's embedded in the company's culture and operating model. "This is a central pillar of what we do," says Tessendorf. "Our customers feel and see the benefits of our ongoing investment in all aspects of our platforms."

He highlights Sapiens' R&D partnership with Microsoft on AI as a key initiative. "We are leveraging this R&D partnership into all aspects of our platforms to the benefit of our insurers and their customers."

Beyond technology, Sapiens is also focused on nurturing the next generation of insurance leaders. As a proud sponsor of The Insurance Apprentice (TIA), the company is supporting a grass-roots initiative that's gaining national visibility. "We're thrilled to be sponsoring The Insurance Apprentice - a stunning initiative that is already shaping the future of the industry," Tessendorf says. "With its debut on mainstream television, it has the potential to inspire even more young people to explore careers in insurance."

Unlocking the SME market

One of the most promising areas for future growth lies in the Small and Medium-Sized Enterprise (SME) insurance space - a long-acknowledged but underdeveloped market. "This isn't a new conversation… the challenges in the SME insurance space have been discussed for years. Despite that, few have made real progress in capturing the market," Tessendorf observes.

The SME sector remains largely uninsured in South Africa, with significant opportunities for growth and innovation. "Small and medium-sized businesses often face distinct challenges when it comes to insurance," he notes. "They tend to behave more like individual consumers, but the business insurance experience hasn't kept up." Complex onboarding processes and a lack of awareness among business owners have contributed to widespread underinsurance.

To address these challenges, Sapiens has launched a purpose-built business solution tailored for SME commercial insurance. "It streamlines underwriting by bringing together a real-time view of customer data in a single screen, making the quote process faster and more accurate," says Tessendorf. AI capabilities are embedded to assist brokers in tailoring coverage, spotting cross-sell opportunities, and automating decision-making. "For customers, that means fewer questions to answer, quicker decisions, and a smoother overall experience."

The tools provided to agents and brokers are equally transformative. "We can show the potential value of each customer over three years and give a buying likelihood score," Tessendorf explains. AI-powered recommendations suggest additional cover based on similar businesses, while real-time data prefill, and hazard scores speed up quoting and improve precision.

"There's even a built-in ChatGPT-powered summary that gives a quick overview of each business, including what they do and where they're based," he adds. The goal: simplify and clarify the insurance journey - for brokers and their clients alike.

As Tessendorf sees it, the future of SME insurance depends on removing the friction that has long plagued the space. "Few, if any, insurers have the tools to provide SME commercial customers quick and easy access to real-time, frictionless underwriting - and that's exactly where we see the opportunity." With digital tools offering automated quoting, embedded configuration, and AI-driven insights, he believes the market is poised for a shake-up. "Whether small business owners choose to get a quote via an agent, or online themselves," he says, "the key is empowering them with speed, simplicity, and clarity."

Rooted in Africa, leading with vision

Looking ahead, Sapiens remains deeply committed to South Africa and the wider Sub-Saharan region. "Sapiens is truly excited about the South African market - Sub-Saharan Africa is a key strategic region for us on the global stage," says Tessendorf. "We're proud of the incredible partnerships we've built here, and we're eager to see how they continue to grow and evolve."

As the insurance sector stands on the brink of its next evolution, one thing is clear: companies that combine technological vision with human-centred strategy - as Sapiens is doing - will be the ones to watch. ●

THE POWER OF CERTAINTY:
why guaranteed annuities still matter

Guaranteed annuities remain a cornerstone of retirement planning, offering retirees a predictable, lifelong income in a world full of financial uncertainties. Yet, despite their importance, many clients and advisers wrestle with misconceptions, complexities, and the evolving landscape of these products.

FAnews spoke with Fareeya Adam, the CEO of Structured Products and Annuities at Momentum Wealth, who shared insights into how these products work, the critical role of advisers, and the future of guaranteed annuities amid changing retiree needs, rising inflation, and evolving client goals.

The core value of guaranteed annuities

The core value of a guaranteed annuity lies in the income certainty it provides. The income from a new guaranteed annuity depends on the annuity rates in the week the client purchases the annuity.

"At current annuity rates, a level annuity returns your purchase amount within a period of roughly 10 years and then the income continues for as long as the client is alive," Adam explained.

For the average 60-year-old retiree, this means that all income paid after age 70 is over and above the capital used to purchase the annuity. "I think the misperception is often because people worry about what happens if they pass away too early. They don't realise that what they're protecting is the risk that they actually live for a very, very long time."

This longevity risk – the possibility of outliving your money – is the most important feature guaranteed annuities address. It provides retirees with peace of mind that their income will not stop prematurely, regardless of how long they live.

Balancing certainty with growth

The discussion also highlighted the balance retirees seek between certainty and growth. While guaranteed annuities provide secure income, retirees often want some exposure to growth to protect against inflation and rising costs. Adam shared her perspective: "I definitely see a world in which hybrid annuities and how you blend certainty and flexibility are used a lot more than they are today."

These hybrid annuities combine the stability of guaranteed income with the potential upside of growth assets, offering a flexible way to manage risk and reward in retirement.

FAREEYA ADAM: CEO
STRUCTURED PRODUCTS AND ANNUITIES - MOMENTUM WEALTH

She added, "Advisers are going to start to better understand the return profiles and how adding a guaranteed income stream can benefit clients and the sustainability of their incomes."

This evolution is critical as retirees face inflation and rising costs that can erode the real value of fixed income streams. Providing clients options to protect purchasing power while maintaining a secure base income is becoming an industry priority.

Increasing income to protect against inflation

One of the biggest risks retirees face is that inflation will reduce the purchasing power of their income over time. With a guaranteed annuity, you can choose a fixed yearly increase or an inflation-linked increase to address this risk.

Choosing an appropriate increase level is critical. Adam explained that "the next product innovation is going to be about providing information that helps people assess: how do I choose a guarantee term? How do I choose a future increase so that I can protect my income against inflation?"

This flexibility is vital for clients worried about rising living costs over a potentially long retirement. A guaranteed annuity that includes fixed or inflation-linked increases can ensure income keeps pace with the real cost of living, offering reassurance against inflation.

Supporting the sandwich generation

The discussion also touched on a demographic challenge: the sandwich generation – retirees who balance providing for their own retirement while supporting children and ageing parents. "Clients want a combination of income and also leaving a legacy," Adam noted. This dual goal is often overlooked in traditional annuity discussions.

A guaranteed annuity can be structured with guarantee terms or features that protect inheritance interests while still providing secure income. This is an important consideration for advisers guiding clients who want to both ensure their financial independence and leave something behind for their families.

The critical role of advisers in tailoring strategies

With so many nuances and client-specific factors, Adam underscored the essential role of advisers: "There are so many things that you have to take into account, and every single client is different. So, how can you just decide on your own? The adviser's role is so, so critical and powerful."

Advisers must balance each client's risk appetite, other assets, inheritance wishes, and income needs. The tools now available help advisers incorporate guarantees into retirement portfolios more effectively.

"We have amazing tools that can help advisers to understand how to incorporate guarantees into retirement portfolios and the impact that it can have in extending the number of years for which a client's income is assured," Adam said.

In volatile markets where expected returns are uncertain, a guaranteed annuity helps reduce the return needed from more volatile assets, improving overall client outcomes: "In volatile environments, we can't always be assured of the return that we think we're going to get. So, these are incredibly powerful measures, and they can dramatically improve client experiences during retirement."

Advice to advisers

Adam offered a compelling message for advisers supporting retiring clients: "It's quite a big responsibility to give advice to retiring clients because no one wants to be in a financially uncertain situation during their old age when there's little that they can do about it." She encourages advisers to embrace new guaranteed annuity options: "Guaranteed annuities are going to continue to play a very important role for advisers to consider in providing certainty to those clients."

These innovations are not only for new retirees but also for existing clients in living annuities, offering opportunities to strengthen retirement income guarantees.

"I would really ask advisers to start interacting with that and trying to see what benefit they can give to their clients," Adam stressed. The conversation closed by recognising the critical need for education within the industry. As Adam reflected: "I think the education part of that is more important than any one of us realises. You play an important role in the industry in terms of the space that we have to fill with clients in this stretch of their lives."

An essential tool in managing retirement risk

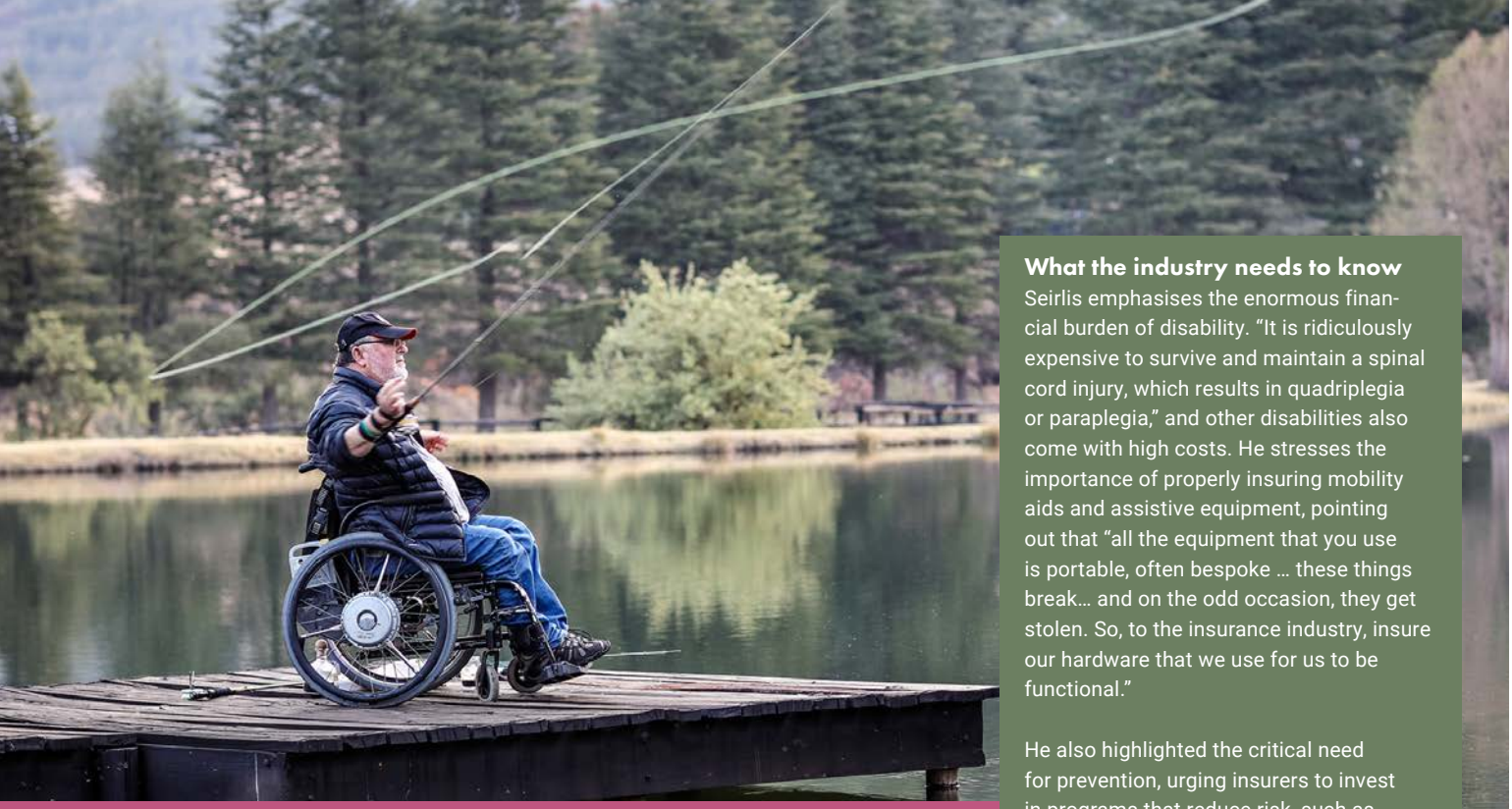
Guaranteed annuities are an essential tool in managing retirement risk, offering clients lifelong income security in the face of longevity and inflation risks. The evolving landscape, including hybrid annuities and enhanced advisory tools, promises better-tailored solutions to meet individual client needs.

At the heart of this is the adviser, who must navigate the complexities of balancing certainty, growth, legacy, and legacy goals for an increasingly diverse retiree population, including the sandwich generation.

As Adam's insights reveal, the future of guaranteed annuities lies not only in product innovation but in delivering clear, client-centred information and education that empowers informed decisions, securing a stable and dignified retirement for all. ●

FANEWS IN CONVERSATION WITH FAREEYA ADAM

FAnews spoke to Fareeya Adam, CEO of Structured Products and Annuities at Momentum Wealth, about incorporating certainty into the financial planning process. In this insightful conversation, Fareeya shares how she works closely with advisers to deliver outcome-based solutions that help clients achieve financial clarity and security.



FROM TRAGEDY TO TRIUMPH – insurance that lifts people up

In this instalment of the Global Choices series with FAnews, we explore the extraordinary journey of Ari Seirlis, former CEO of the QuadPara Association of South Africa (QASA) - a man whose life was dramatically altered in a split second, and whose response to that moment has reshaped how we think about insurance, rehabilitation, and inclusion.

At just 23, Seirlis suffered a spinal cord injury during a commercial shoot that left him a C5 quadriplegic. He had dived into what he thought was a full pool, only to find it had been drained. The impact was life-altering - physically, emotionally, and financially.

What followed was a hard truth: the cost of surviving a spinal cord injury is staggering, not just in terms of medical care, but in long-term expenses that few insurance policies are built to handle.

Mental health, mobility, and mindset

Seirlis's mental journey was as intense as the physical one. Told by doctors that he would never walk again and likely be bedridden, he made a radical decision: "Quadriplegia will not define me," he said. "I'm going to define it."

He challenged the word "confined" and reframed his wheelchair as a mobility tool, not a prison. This mindset shift became his foundation for recovery and rehabilitation. Seirlis not only rebuilt his life but rose as a respected entrepreneur, later becoming the CEO of QASA - a position he held for over 20 years.

The hidden cost of disability

Seirlis is clear: the financial burden of disability is immense and underacknowledged by both insurers and society. Assistive equipment, adapted vehicles, specialised bedding, communication devices, home modifications - all these carry a heavy price tag. Many aren't covered sufficiently by standard policies. "Don't treat disability as a one-time payout. It's a lifelong journey with evolving needs," he stresses.

Moreover, he emphasises the importance of insuring the hardware people with disabilities rely on - from motorised wheelchairs to voice-activated computers. These devices break, get stolen, or become obsolete. And when they do, functionality - and independence - is lost.

Medical schemes, he said, should also understand that this becomes a long-term relationship. "The more medical schemes invest in people with disabilities, the less they cost in the long run. Imburse and understand what the needs are in the first month, five months on and a year or two later and in fact lifelong."

What the industry needs to know

Seirlis emphasises the enormous financial burden of disability. "It is ridiculously expensive to survive and maintain a spinal cord injury, which results in quadriplegia or paraplegia," and other disabilities also come with high costs. He stresses the importance of properly insuring mobility aids and assistive equipment, pointing out that "all the equipment that you use is portable, often bespoke … these things break… and on the odd occasion, they get stolen. So, to the insurance industry, insure our hardware that we use for us to be functional."

He also highlighted the critical need for prevention, urging insurers to invest in programs that reduce risk, such as distracted driving and seatbelt campaigns.

Though Seirlis's injury was not road-related, he highlights that the majority of QASA members became disabled through vehicle crashes, not accidents. "Speed, alcohol, and distracted driving are preventable causes," he says. "The mobile phone is both a blessing and a danger. Turn it off when you drive."

QASA's road safety campaign, "Buckle Up: We Don't Want New Members," gained national attention for its honesty and impact. It's a call for insurers to go beyond compensation and invest in prevention campaigns that reduce injuries before they happen.

Finally, he calls for insurers to focus on long-term outcomes, saying, "If I was employed somewhere, get me back to work. Find the shortest, most economical way, investing in me through whatever policies you've got or support systems you've got. Once I'm back to work, that changes everything. Employment brings stability, restores relationships, and offers purpose."

The message is clear: the industry must understand the true costs of disability, insure critical equipment properly, invest in prevention, and support reintegration into work and society. ●

In this Global Choices series, we follow Ari Seirlis, former QASA CEO, whose spinal cord injury prompts a critical look at how the insurance industry approaches cover, care, and inclusion for people with disabilities.

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    - Pet Assist & Support Services
    - Fire Assistance & Support Services
    - Medical Emergency & Support Services
    - Security Emergency & Support Services
    - Funeral Assistance Services & Support
    - Crime Victim Assistance & Kidnapping Support Services
    - Legal Assistance Services
    - Trauma Care and Mental Health Support
    - Education Assist
    - Disability Assist
    - Employee Benefits Assist
- Access to our microinsurance license, underwriting, and expertise for more comprehensive value-added coverage.
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Beyond employee benefits: MOMENTUM CORPORATE'S VISION

In South Africa's tough economic climate, employee benefits are no longer just a tick-box exercise. **Siyasanga Kashe, Executive: Member Solutions at Momentum Corporate**, believes they are a powerful tool to build household wealth, promote financial inclusion, and drive long-term economic growth - especially for young and underserved workers.

FAnews spoke to Kashe about why the industry must shift its thinking - from product-focused conversations to people-first strategies - and how financial advisers can play a pivotal role in changing lives, one payslip at a time.

Helping members engage and benefit

At the heart of Kashe's role is ensuring that members understand and leverage the employees benefits they receive from their employers. "So, at the heart of my role is really around helping members engage, understand and benefit from the employee benefits," she explains. "This means making not only employee benefits accessible and well-communicated, but also ensuring that they are meaningful."

For Kashe, benefits go beyond financial tools - they represent a foundation for dignity and resilience. From retirement savings to insurance benefits to trauma counselling, she sees them as critical supports in people's lives. "Ultimately, it's about making sure that benefits provide a tool for dignity in members' lives - and financial resilience at the end of it all."

A stark statistic drives her mission: households with access to employee benefits account for 60% of all household wealth in South Africa. "It just shows how powerful employee benefits are in contributing to household wealth," she notes. Yet access remains deeply unequal.

Kashe urges advisers to expand their focus: "Advisers need to look beyond their traditional clients and really focus on employers with young and low-income earners to encourage them to save early and also to push for inclusion."

She sees a strong opportunity in supporting small employers, the true backbone of the South African economy, as they are the most impacted by the benefits gap and have the greatest need for assistance. The FinScope MSME Survey South Africa 2024 found that there are approximately 3 million micro, small and medium-sized enterprises (MSMEs) in South Africa, employing around 13.4 million people.

More than a product: benefits as a path to dignity

Many advisers tend to focus heavily on product selection and return on investment, but in addition Kashe urges a more holistic, long-term perspective. "Advisers are in a powerful position to connect the dots between employee benefits and life-long outcomes. It's not just about the performance of the product," she says. "It's really about creating benefits that have a lasting impact in people's lives."

For Kashe, the true value of benefits lies in their potential to shape financial habits and long-term stability. When advisers and employers encourage young people to start saving early, "they get into the habit of saving - and these young workers then contribute to their household's wealth." For low-income earners, the right benefit can provide much-needed financial security. "It's about helping the household build wealth, plan for their futures, and break the cycle of poverty. That's the big picture."

FAnews spoke to Kashe about why the industry must shift its thinking - from product-focused conversations to people-first strategies - and how financial advisers can play a pivotal role in changing lives, one payslip at a time.

SIYASANGA KASHE
EXECUTIVE: MEMBER SOLUTIONS - MOMENTUM CORPORATE

She also points to a broader economic impact - a virtuous cycle where benefits fuel growth. "Data shows us that a 1% increase in employee benefits is associated with a 0.31% increase in GDP. And we all know that GDP leads to employment," she explains. "When people are employed, it also leads to an increase in benefit participation."

With youth unemployment at crisis levels and benefits rarely extended to interns or contractors, the system is failing young people at a critical stage. But Kashe believes there's hope - if employers and advisers act early, "encourage preservation and educate about the benefits.Among the youth that is employed and who have benefits, they hold 57% of youth wealth and almost 90% in retirement assets and insurance benefits, which is quite transformative," she says.

Entry-level jobs, she argues, are prime moments to build lifelong financial habits. "It's a good place to start in terms of embedding a culture of saving." Even small contributions matter. "There is power in compound interest - small contributions over a long period result in quite substantial retirement savings."

The evolving benefits conversation

Modern employees expect more from their benefits, and advisers are starting to meet those expectations. "We are seeing that advisers are increasingly recognising and appreciating that benefits need to reflect the human side of work," says Kashe. While traditional financial tools remain essential, there is growing demand for support around wellness and mental health. "As an example, if you've got income protection during tough times - it goes a long way."

Kashe emphasises the importance of flexible, adaptive benefits that align with the realities of people's lives. "We need to look at structures that support people during their different life stages." These human-centred offerings not only build resilience and loyalty among employees but also help businesses attract and retain talent in a competitive labour market.

Flexibility builds confidence

For many lower-income workers, inflexible benefits can feel like a trap - with mandatory participation and fixed contribution rates set by the employer, these benefits may impose financial strain. When flexibility is available, however, workers can adjust their contributions to better suit their circumstances "People are sometimes afraid to save because they think their funds are going to be locked in for an indefinite period," Kashe explains. That's why flexible solutions - where individuals can adjust contributions based on their circumstances - are so powerful.

Kashe urges advisers to highlight this flexibility during client education. "People need to know that there are options." By empowering individuals with choice, advisers can help more people participate confidently in benefits - and ultimately build stronger financial futures.

Policy shifts that could unlock inclusion

Expanding benefit coverage nationally requires targeted public policy changes. Kashe highlights the importance of government-backed wage subsidies or tax incentives that include benefits, which can make a significant difference. With many young and vulnerable workers currently excluded from benefit structures, she believes these policy levers are crucial. "Government programmes should include employee benefits. That way, they're equipping vulnerable workers with long-term goals, not just short-term income."

For South Africa's small businesses, which often view benefits as an unaffordable luxury, education is key. "They see employee benefits as something they can't afford," Kashe explains. "We need to demystify that. There are solutions out there designed for SMMEs - but I don't think they know about it."

She encourages small steps: "Employers don't have to take a full package immediately - they can start small by offering basic benefits and grow from there." Kashe believes advisers play a critical role in driving this transformation by informing and supporting small businesses on accessible benefit options.

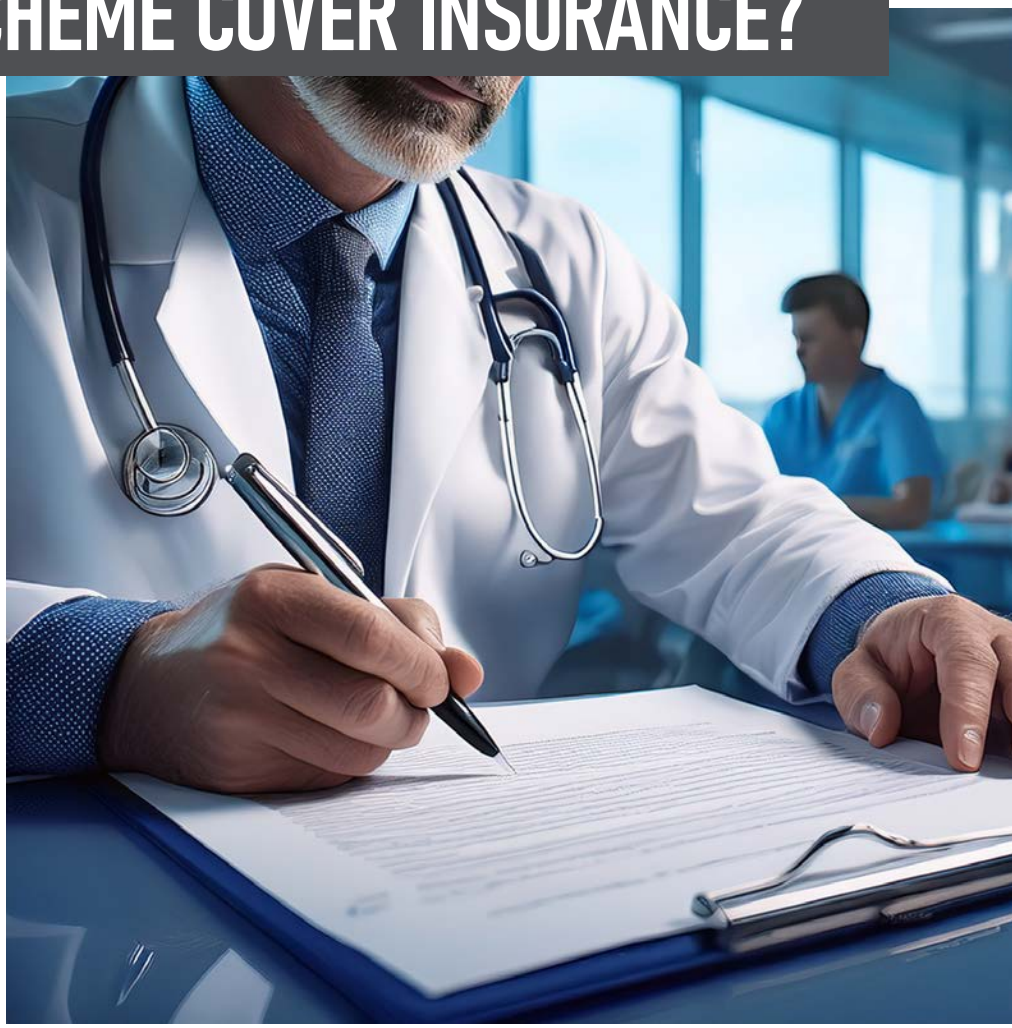
A final word to advisers

If Kashe could leave advisers with one message, it would be this: "Employee benefits are not only about perks. I'll even go as far as saying it's the only tool we have, to create financial wealth in South Africa."

She believes benefits protect families, offer dignity, and provide a real pathway to a better future. "In uncertain times, people need wages - and they also need security and dignity."

And for those wondering where to turn for support... "Momentum Corporate is well suited to assist you in assisting your clients and members with the right solutions. We prioritise wellness and mental well-being just as much as wealth. We value adviser feedback - and we're here to partner and make an impact together." ●

IS MEDICAL SCHEME COVER INSURANCE?



This article addresses the question: is medical scheme cover insurance? It will become clear that this question does not have a straightforward answer.

A series of cases suggests that it is insurance, while others conclude that it is not. This is highly unusual, as two conflicting legal interpretations of the same issue rarely co-exist.

ProfMed series of cases

We have dealt with the first series of cases involving Ms Steyn. As will be recalled, she transferred to a medical scheme, ProfMed, and within 12 months had submitted R400 000 in claims. ProfMed repudiated the claims and cancelled her membership ab initio, on the grounds of material non-disclosure. This is clearly an insurance law approach.

Ms Steyn appealed to the Registrar of Medical Schemes, who dismissed her appeal. The Registrar relied on a case which, in turn, had relied on a motor insurance case, so the medical scheme was treated as if it was insurance. The Council for Medical Schemes upheld the Registrar's decision, as did the Appeal Committee.

She then took the matter to the High Court, where it was again treated as an insurance matter. The High Court ruled in favour of Ms Steyn. The matter proceeded to the full bench, which reversed the High Court's decision. It then progressed to the Supreme Court of Appeal, which declined to intervene. Finally, the matter reached the Constitutional Court, which, again relying on insurance law cases, ruled in favour of Ms Steyn.

Thus, from this series of cases, it can be said that the courts have accepted that the cover provided by medical schemes constitutes insurance cover.

The Discovery-RAF series of cases

In our previous articles on the ProfMed matter, we pointed out that there is another series of cases which must be taken into consideration in answering the question. That series involves Discovery and the Road Accident Fund (RAF). It is to this series of cases that we now turn our attention.

To understand this litigation, it is important to first set out the undocumented history of developments in this field. By undocumented, we mean that there is no single document that can be or was consulted.

The background presented here is our reconstruction of what has occurred over a long period. In the next article, we will discuss the Discovery-RAF cases in detail.

Historical background

In the wake of the industrial revolution came accidents. Employees in factories were injured; trains and ships were involved in collisions; and, later, motor vehicle accidents became common. In insurance terms, this gave rise to the accident market, which supplemented the existing marine, life, and fire markets. Two new classes of insurance emerged: personal accident and general liability insurance.

When it came to occupational accidents, it became clear that common law - the law of delict (known as tort law in the UK and USA) - was inadequate. It was evident that employees injured at work should be compensated. Thus, workers' compensation schemes were introduced: statutory frameworks styled after personal accident insurance. If an employee was injured at work, they received compensation.

The introduction of workers' compensation, however, was not without its challenges, especially in the United States, where it was treated as a state matter rather than a federal one. Nevertheless, by the 1920s, it had become widely accepted and regarded as a success.

In the US, attention then turned to motor vehicle accidents. If occupational injuries could be managed through statutory compensation, why not take the same approach for road accidents? In the famous *Columbia University Report (1932),* it was proposed that victims of road accidents

should also be compensated. Consequently, legislation was introduced worldwide to address motor vehicle accident compensation.

South Africa followed other countries and, in 1942 during World War II, introduced the Motor Vehicle Insurance Act. This scheme was styled after liability insurance, not personal accident insurance. The statutory insurer was the liability insurer of the so-called wrongdoer,

From fault to fairness: the RAF debate

The operation of this scheme proved to be problematic, and it became clear that it needed to be reconsidered. Commission after commission was appointed. The last commission - the Satchwell Commission in 2002 - recommended that a no-fault compensation system be introduced. This has not taken place. No-fault is the personal accident approach.

Under the common-law fault-based approach, the RAF stands in the place of the wrongdoer - the person responsible for causing the motor vehicle injury. However, two changes were implemented.

Firstly, under common law, the wrongdoer is liable for three heads of damage: (1) loss of earnings, (2) medical expenses, and (3) general damages. Legislation was passed to limit general damages in RAF matters. These usually cover non-financial items such as pain and suffering. While loss of earnings and medical expenses are financial losses and can be compensated based on the actual cost, general damages represent non-financial harm. It is this third head of damages that was limited by the change in the RAF law.

Secondly, a system of contingency fees was introduced. Previously, contingency fees were prohibited under the common-law doctrines of champerty and maintenance. Lawyers could not charge contingency fees, as having a financial interest in the outcome of litigation was regarded as unprofessional. However, the legal profession accepted a statutory contingency fee system, which was then introduced through legislation.

Following this, the common-law prohibitions on champerty and maintenance were significantly relaxed. Ironically, lawyers found themselves at a disadvantage compared to the public at large: the statutory contingency fee system was less favourable than the more flexible regime under the relaxed common-law rules on champerty and maintenance.

Road accident litigation was an important class of business for lawyers. However, the revised rules - including the limitation of general damages - made it more difficult for lawyers to operate in this field. This led to various challenges.

Medical schemes and RAF: the R500k question

This leads us to the current Discovery versus Road Accident Fund cases. As indicated, when a person is wrongfully and negligently injured in a motor vehicle accident, the injured party is entitled to damages for (1) loss of earnings and (2) medical expenses. In most cases, general damages are no longer claimable. In the past, when general damages were claimable, they could go some way toward covering legal expenses.

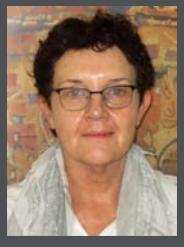
Nowadays, the injured party may claim only for loss of earnings and medical expenses. In many cases, however, the medical expenses are also covered by a medical scheme. The legal question then evolved around the recovery of medical expenses paid by the RAF.

Let us take a practical example. Assume a person is injured in a negligently caused motor vehicle accident and is admitted to a hospital. The accident is serious, and the medical expenses are R500 000, while the loss of earnings amounts to R1.5 million. The RAF pays R2 million to the attorney acting on behalf of the injured person.

This person is also covered by a medical scheme, which pays the R500 000 medical expenses, essentially upon admission. If the medical costs are then recovered from the RAF and paid over to the injured person, the person gains R500 000. How to deal with this scenario is the subject of the Discovery versus RAF cases.

We will discuss these cases in our next article.

Prof Robert W Vivian
Finance & Insurance
University of the Witwatersrand



Dawn Taylor
Retired
University of the Witwatersrand

Penny Spentzouris
Lecturer
University of the Witwatersrand

SATISFACTION VS. LOYALTY:
are insurers aiming high enough?

In South Africa, insurance is often perceived as a "grudge purchase" - an obligatory expense rather than a valued investment. Given the high level of risk across the country, however, insurance becomes more than necessary; it becomes critical.

Recent data highlights this reality: in the first quarter of the 2024/2025 financial year, over 94 000 cases of residential burglary were reported, making it one of the top property crimes nationally. On the roads, South Africa experienced 2 818 road fatalities between January and March 2024, an increase of nearly 13% from the previous year. Additionally, around 65% to 70% of South Africa's 12 million vehicles remain uninsured, heightening the potential financial impact of any accident.

Understanding satisfaction versus loyalty

Client satisfaction usually means meeting basic expectations, like smoothly processing claims or efficiently handling policy renewals. Satisfaction alone, however, doesn't ensure clients stay loyal. Loyalty goes further, measuring emotional investment and genuine trust, leading to long-term relationships, positive referrals, and repeat business.

Research shows a notable gap: about 85% of policyholders report being satisfied with their insurers, but fewer than half commit to renewing their policies without considering alternatives. This significant gap between satisfaction and loyalty should be a priority for insurers.

Insurance fundamentally exists to protect individuals, businesses, and communities at times when they're most vulnerable. Insurers who embrace this core purpose, with empathy, integrity, and genuine care, shift the client's perception of insurance from a compulsory purchase to a valued partnership. Continually reinforcing this purpose strengthens the bond with clients and builds lasting loyalty.

Building more meaningful relationships

To nurture loyalty, insurers should move beyond transactional interactions to build relationships based on genuine trust, reliability, and compassion. Effective practices include:

- **Personalised engagement:** delivering tailored products, services, and communications that show clients they are understood and valued as individuals, rather than as policy numbers.
- **Consistent and transparent communication:** prioritising clear, proactive, and regular communication to eliminate misunderstandings and build trust, especially during sensitive situations like claims processing.
- **Authentic empathy and compassion:** approaching each interaction, particularly claims, with genuine empathy, recognising the emotional and practical challenges clients face during traumatic events such as hijackings, home invasions, or theft.

Common obstacles to building loyalty

In South Africa, insurers face a particular challenge: operating in a society burdened by high crime and violence often leads them to approach claims processes primarily from a stance of suspicion and fraud detection.

This defensive stance often means that genuine empathy and support for clients who have experienced significant trauma become secondary or are overlooked entirely.

This approach negatively impacts trust and fails to acknowledge the legitimate emotional and psychological needs of most clients.

Practical steps to encourage loyalty

To effectively foster loyalty, insurers should consider:

- **Leveraging data analytics:** using data-driven insights to better understand client preferences, behaviours, and needs, enabling insurers to proactively meet and exceed client expectations.
- **Developing customised solutions:** offering tailored insurance products and services that address clients' specific circumstances and life stages, demonstrating genuine understanding and commitment.
- **Cultivating a client-focused culture:** ensuring every team member prioritises empathy, responsiveness, and genuine care in their interactions, reinforcing a positive and supportive client experience.
- **Enhancing communication:** providing regular, transparent, and proactive communication to build confidence and trust, especially during challenging or sensitive situations.

Cultivating lasting loyalty

While client satisfaction is important, cultivating lasting loyalty demands deeper, more meaningful engagement. Insurers must ground their service delivery in the core purpose of insurance, recognising that each client may be navigating significant trauma, whether due to a hijacking, home invasion, or theft.

Instead of approaching claims with scepticism, the priority should be to respond with empathy, respect, and understanding. This approach fosters trust and long-term loyalty through authentic, personalised, and compassionate interactions that drive enduring client satisfaction and sustainable success.

Raashied Jones
Executive: Operations
Ami Underwriting Managers

The financial services industry receives a significant number of complaints. This is to be expected – after all, we deal with people's hard-earned money. In life insurance, our clients often engage with us during some of the most difficult moments – when they need to claim due to a serious illness, injury, or the death of a loved one.

As an industry, we have a duty to treat customers fairly, and that includes how we handle complaints. Clients should be able to voice their concerns easily and conveniently, and these concerns should be addressed with the urgency and care they deserve.

But does our industry truly take customer complaints seriously?

CUSTOMERS' COMPLAINTS

are an opportunity to improve our service

From the client's perspective, the answer often seems to be no.

Better complaint-handling processes

A recent study by the Financial Sector Conduct Authority (FSCA), in their Management Industry Review Report (February 2025), showed that financial institutions need to improve their complaints-handling processes.

The study found that many institutions did not even have documented complaint-handling processes. This led to random and arbitrary decisions. Another concern was that a lot of complaints teams were staffed with inexperienced employees, which shows that the companies aren't taking complaints as seriously as they should.

Financial institutions should take complaints seriously – not just for their clients' sake, but for the benefit of their businesses as well.

By actively listening to a complainant, accurately summarising the grievance (much like how we feel relieved when a waiter correctly repeats our order), and sincerely and promptly resolving the complaint, the complainant feels heard and leaves with a positive memory.

We also know that today's customers are more informed and empowered than ever, with numerous avenues available to air their grievances. If a company doesn't listen to them, customers will turn to platforms like social media to share their complaints. If these posts gain traction, the issue can grow much larger for the financial institution than it initially was.

It is in the institution's best interest to handle the customer's complaint with care from the start.

Complaints: an opportunity, not a burden

While it's not easy to see it this way, customers' complaints can be a blessing in disguise.

They provide the institution with information that can help it pinpoint weaknesses or shortcomings in its processes and documentation. They provide companies with the chance to self-reflect and improve.

Sometimes, the processes we have in place are the problem.

While an institution may be placated by the fact that it has a process in place, it may be these very processes that, in certain instances, are the cause of unnecessary delays. For example, a death certificate may be an absolute requirement for a death claim, but due to delays at Home Affairs, the claim is held up, when other information to prove death could be considered.

Financial institutions owe clients greater care

Financial institutions owe their clients a higher duty of care, given that financial products are often complex and contain terminology that clients don't necessarily understand. Furthermore, financial products are categorised as credence goods in that they are only experienced after sale (you can't touch and feel them before you buy them). Against this background, the complaints handler must have a high degree of skill and knowledge.

Failure to prioritise complaints-handling comes at a considerable detriment to the institution, not only because of potential destruction of shareholder value, but also because in today's world, social media becomes an uncomfortable judge.

It's therefore wise to heed the adage that "the customer has always been king, but never has the king had more power or influence".

Glenn Hickling
Head of Legal
BrightRock

SUPERIOR SERVICE IS THE NEW STRATEGY:
standing out in a foggy insurance market

In today's complex insurance landscape, where client expectations evolve faster than product cycles and risks take on new shapes, one truth remains: differentiation still wins.

However, in a foggy, uncertain market, filled with homogeneous offerings and mounting pressure, how does an insurer truly stand out?

The answer lies in service. Authentic, intelligent, and relentlessly client-centric service.

From product-driven to experience-led

The PwC Insurance 2025 and Beyond report outlines what many in the South African insurance industry are already experiencing first-hand: clients are no longer content with generic offerings. They expect personalised engagement, proactive advice, and seamless interactions. In short, they expect more.

To meet these expectations, insurers must deliver an enhanced client experience. Differentiation today is not simply about the quality of the product but about the quality of the experience surrounding it. That means embracing data and appropriate AI tools, including generative AI, not just to speed things up, but to understand clients better and serve them more effectively.

The goal is not only automation for the sake of efficiency, but it needs to include orchestration for the sake of empathy. Imagine a claims process that anticipates what the client needs before they ask. Or underwriting that adapts in real-time to a client's changing risk profile. This is no longer futuristic thinking; it's the standard that high-net-worth clients increasingly demand.

Technology enables, but people deliver. The insurers who will lead the next chapter are those who combine digital precision with human warmth. In moments of crisis, e.g., a storm-damaged home, a high-value motor incident, or a critical liability claim, clients remember how you made them feel, not which platform you used.

Innovation in response to emerging risks

At the same time, the risk environment is becoming more volatile. South Africa's unique climate-related challenges, from flooding to wildfire, require insurers to act. Globally, the rise of autonomous vehicles, cybercrime, and shifting liability landscapes calls for new types of cover, new forms of underwriting, and new ways of thinking.

Differentiation in this context demands bold innovation, but not in isolation. We need to look outward, working with climate scientists, technology partners, and data specialists to understand and price emerging risks. The old models are no longer sufficient. The best insurers are already forming strategic alliances that help them stay ahead of the curve.

For example, offering usage-based insurance for semi-autonomous vehicles, or dynamically adjusting property cover based on predictive weather analytics, is no longer hypothetical. It's happening now, and those who move first stand out.

A clear brand voice in a crowded market

But innovation must be communicated clearly. In a world of noise, your brand must speak with clarity, consistency, and credibility. Differentiation through branding is not about superficial taglines. It's about delivering on your promise, especially when it's difficult to do so.

This is where service becomes your strongest brand asset. Our clients are not just policyholders. They are people with unique lifestyles, assets, and expectations. That is why our service models prioritise availability, deep expertise, and personal connection. We do not just respond to claims but resolve concerns. We don't want to just underwrite risk; we want to understand lives.

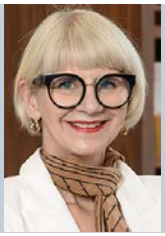
In this market, you cannot fake authenticity. Clients recognise and reward genuine care.

Standing out for the right reasons

Differentiation is not a marketing gimmick. It's a business imperative. And in the fog of complexity, insurers that lead with service, embrace innovation, and stay grounded in their brand purpose will thrive.

Service is no longer a soft value but a sharp competitive edge. In a world where everyone is trying to sell certainty, how you deliver in moments of uncertainty is what clients remember.

Ultimately, what differentiates is not just what is on offer. It's how you show up when it matters most.



Tarina Vlok
MD
Elite Risk Acceptances
A subsidiary of
Old Mutual Insure

ENGAGEMENT IS THE FUTURE:
how do we build real relationships?

The convergence of long-term insurance with other financial services is becoming the norm. A simple example is home loans, where life insurance covers the debt if a client passes away. A family's future also depends on tools like managed investments and education plans, closely tied to their banking and financial needs.

For financial advisers, building lasting relationships in a crowded market means leveraging product synergies and recognising each client as an individual. Insurance is no longer a standalone service - it gains real value when connected to a client's broader financial lifestyle.

And in creating this link, the client relationship is paramount. According to research by Salesforce, 80% of clients say the experience a company provides is as important as its products and services. To bring clients closer to these synergies, there are four main pillars to setting up a positive relationship experience.

Inclusive advice

When an adviser asks a client about their intimate health issues, a bond is formed between themselves and the client that is similar to an attorney-client privilege. The adviser gets to know the most intimate things about the client, because clients want the best protection they can get.

For an adviser, empowering their client in this way is key to giving the relationship a solid foundation. This normally involves adapting cover to a client's unique circumstances, be it their family circumstances or their lifestyle situation. The key here is listening closely to every individual and treating them as such. Getting into a production line mentality can be tempting, but remember, every client's needs are unique.

Underwriting shows you care

Underwriting is key to building a strong relationship. Direct questions about clients' lives are essential for personalised cover. While life insurance is highly adaptable, it can sometimes be unaffordable or unsuitable. Advisers must manage this professionally. For example, clients with smoking or health issues may face higher premiums, requiring honest and open communication.

Access to data analytics and AI enhances advisers' ability to offer more options by comparing clients to similar profiles from large organisations, providing better solutions.

A claims process that matters

Insurance is well known as a grudge purchase, but when the time comes to claim, this all changes. Here, the true value of insurance as a hedge against life-changing situations becomes obvious. But for some clients, it is not always that simple.

One adviser told me the story of a wealthy client who passed away, leaving a wife, two former wives and twice as many children. Each had to produce a birth certificate to qualify for the life insurance payout. To make things more complicated, many of the kids had grown up and lived in different parts of the world. The current

wife was consumed with grief and did not always enjoy the best relationship with her deceased husband's former partners. Here, the adviser used his professional skills to make sure the will of his former client was satisfied to the letter. It wasn't easy, but because the adviser was able to use the vast network his corporate structure offered, which included professional counselling, for example, he was able to get things done much more quickly.

Financial synergies

Every client out there has doubts. Doubts about their money situation, maybe their family arrangements and even you as their trusted confidant. But offering quality financial care, by using the broad depth of synergies available from a modern integrated insurer, will surely affect the situation for the better.

Insurance is no longer a commodity that stands alone. It's something that is becoming increasingly integrated with emerging technologies like AI, as well as wider financial offerings like banking and investments that support family lifestyles.

Bringing all of these things together to create an offering for each and every situation makes the adviser an indispensable partner for any client. This is the future of successful engagement.

Suhail Gani
Head of Agency and Wealth Advisory
Liberty

AFRICA'S M&A SURGE:
aligning culture for sustainable growth

Mergers and acquisitions (M&A) in the African insurance industry rose significantly in 2024, with deal volumes up and deal values up by 400%. Insurers in Africa are increasingly targeting insurtech startups and micro insurers that have benefited from the continent's rapid digitalisation.

A year of acquisition growth

In South Africa in particular, a trend towards lower inflation will continue to encourage more merger and acquisition activity.

Again, this year looks set to be a year of acquisition growth. Many firms are looking to acquire businesses that support their market position in specific regions. For others, the continued success of the MGA model means an easier route into new products or markets, making a merger tempting.

Insurance firms will always look to grow organically, but the use of mergers and acquisitions to accelerate development remains a popular route and will be for the foreseeable future. In our experience, bringing in new entities, with their own established culture, offers the chance to introduce new thinking and creates new opportunities. But it's important to integrate new teams and make them cohere as part of a wider brand.

This can have significant consequences when it is not handled well. It can be easy to underestimate the difficulties involved in aligning very different corporate cultures, especially if the merging companies have very different risk appetites. Senior leaders should always be confident that any acquisition is culturally compatible and can be successfully integrated.

Beyond the deal: aligning values and vision

This is especially true when making acquisitions internationally. Misalignment between global offices can generate confusion about expectations, reduce productivity and create internal friction that leads to opportunities being missed. For the insurance industry, this is especially dangerous, as it can result in inconsistent client experiences and an erosion of trust.

A company's brand is its most important asset, so it pays dividends to invest time and effort in protecting it. One effective approach is to establish a unified brand that integrates the group's various functions, enabling a more consistent customer experience and allowing the group to speak with one voice in the marketplace.

Our experience of implementing this change produced lessons and practices that are replicable across the industry. A clear lesson has been the importance of corporate values that provide direction and instil good ethics in teams.

Strong, clear corporate values are vital to any firm, but particularly so for those with a global footprint. They help guide decision-making and underpin how teams interact with clients, which is vital in relationship-led industries such as insurance. Clients have to be able to trust their firm, and maintaining consistent values across locations helps a brand to maintain credibility.

It also helps new team members to adapt and settle in. When employees across global offices embrace the same ethos, it creates greater cohesion and strengthens both the brand's identity and employees' identification with the brand.

For any international firm, but particularly those in insurance, maintaining aligned values across diverse locations is a strategic imperative. By ensuring that everyone is pulling in the same direction, consistent, clear values help improve the customer experience, build trust and provide the basis for sustainable growth.

A significant competitive advantage

Those that do this successfully do it through attention to, and investment in, their culture. In an industry built on trust and relationships, an organisation that has successfully aligned and implemented its values across all of its offices will enjoy a significant competitive advantage.

Manoj Kumar
Chair
MNK Group

CROSS-FUNCTIONAL SKILLS: do we hire enough people with them?

Throughout industries, the ability to work outside of one's functional silo has become a major source of innovation and responsiveness, yet recruitment practices too infrequently designate and emphasise these boundary-spanning skills effectively.

This limitation hinders companies' ability to solve multifaceted challenges and capitalise on synergies between departments. To close this gap, organisations need to (1) define jobs by ability rather than role, (2) use diagnostics that uncover cross-functional potential, (3) provide employees an opportunity to view multiple departments before and after hiring, and (4) re-evaluate scorecards to enable evidence of collaboration.

Cross-functional skills, which include communication, problem-solving across diverse teams, and adaptability, allow professionals to span multiple departments and work together to develop solutions . McKinsey research suggests that insurers experiencing rapid digital and risk transformations thrive only by embedding recurrent cross-functional interactivity into talent strategies, exceeding traditional, sequential work habits .

Interestingly, many insurance professionals did not embark on a career in the field by design but "fell into the insurance industry by chance," often through unexpected encounters such as college job fairs or word of mouth rather than deliberate career planning .

Current hiring practices

Despite broad recognition of the value of cross-functional skills, most companies still recruit based on a degree and experience, not skills. Although job listings emphasising skills rose 21% in 2020, less than one in five companies has a fully skills-based recruitment model .

Rigid job ads and automated filters screen out transferable talent, and business schools lag in teaching cross-functional integration, creating a skills mismatch between what graduates possess and what the workplace requires .

Structured scorecards improve fairness but 'lock in' criteria, leaving no room for candidates to show cross-functional agility .

Recommendations to enhance hiring

1 **Reframe role definitions and scorecards.** Instead of following rigid job descriptions, define functions in terms of core competencies like communication, coordination, and flexibility. This provides greater talent mobility as the needs change. Include fields requesting that candidates speak about examples of cross-unit collaboration, e.g., leading an interdepartmental project or brokering reconciliations of clashing stakeholder demands, to make these skills eligible to be evaluated along with technical skills.

2 **Use practical, validated assessments.** Use simulations, scenario-based tasks, and project auditions to evaluate real-world collaboration and problem-solving between units. Apply measures like the three-dimensional Cross Functional Integration (CFI) skills assessment to identify specific shortcomings in teamwork, coordination, and communication.

3 **Provide cross-functional exposure prior to recruitment.** Offer rotational internships and job rotation schemes that enable applicants to expose themselves to several departments and showcase their cross-boundary working abilities .

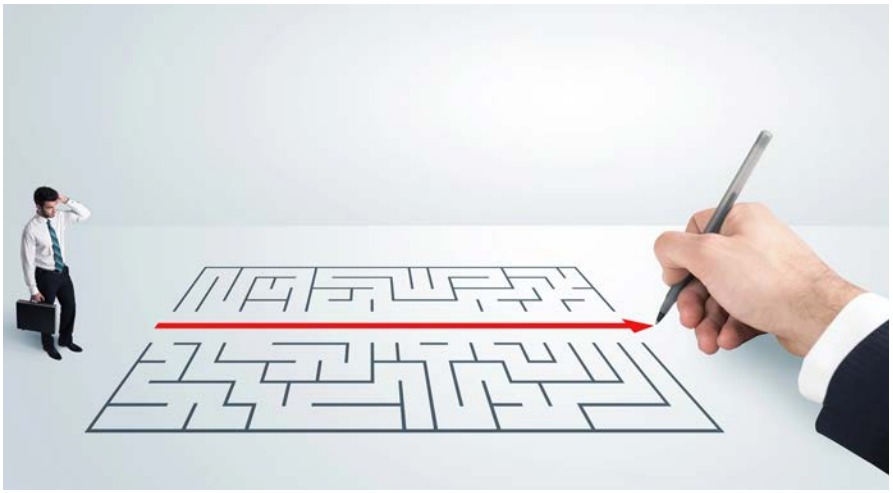
Sustaining cross-functional excellence

Hiring is only the first step toward integrating boundary-spanning capabilities into the heart of an organisation. It is essential that senior leaders visibly champion cross-functional collaboration by role-modelling integrative behaviours, setting common KPIs across business units, and incentivising so that efforts to break down silos are rewarded.

Equally important is establishing ongoing learning and upskilling initiatives like cross-functional workshops, coaching, and mentorship that build communication, flexibility, and systems thinking throughout an employee's career. Formal rotational programs and job-swaps can expose workers to different parts of the company, speed learning, and create a strong cross-functional talent pool that can fuel innovation and resilience.

By reimagining hiring frameworks, refining test-and-evaluation practices, and developing a boundary-spanning-valuing culture, companies can hire but also develop cross-functional excellence essential to sustained success.

Zakariyya Desai
Research Specialist
Research Division
Insurance Sector
Education and Training Authority (INSETA)



REIMAGINING INSURANCE through simplicity

In the vast and intricate landscape of the insurance industry, a compelling paradox exists. While we aim for accessibility and clarity, we often find ourselves mired in convoluted jargon and complex processes. This raises an essential question: is this complexity truly advantageous, or are we merely clinging to outdated practices?

Leonardo da Vinci astutely noted that "simplicity is the ultimate sophistication," a sentiment also championed by Steve Jobs. At Apple, simplicity was more than just a design choice; it was a guiding principle - an unwavering commitment to stripping away excess and revealing the core essence of a product. Are we, as an industry, genuinely making our customer interactions more straightforward and impactful?

Responding to the demand for simplicity

Today's consumers are increasingly seeking clarity, simplicity, and speed in their experiences. Whether they are purchasing insurance or seeking assistance, people desire straightforward interactions devoid of complex jargon or convoluted processes.

This shift is not merely a trend; it is a necessity, particularly within the insurance sector.

The nature of insurance itself is inherently complex. Policies, terms, and claims processes can overwhelm even the most diligent consumers. The challenge lies in transforming this complexity into something understandable and accessible without sacrificing the integrity of the coverage.

Unlocking the power of simplicity

While many industries have successfully embraced simplicity to transform complexity into clarity, the insurance sector has often lagged. Policies filled with intricate language do not serve policyholders; instead, they create barriers. At its core, insurance represents a promise to protect what individuals value most. When this promise is obscured by complexity, we erode trust and limit accessibility.

Embracing simplicity necessitates more than just a linguistic overhaul; it requires a comprehensive re-evaluation of processes, products, and mindsets. The goal is to make insurance interactions as intuitive as the smooth swipe of a smartphone - no manuals, no confusion, just clear and immediate understanding.

Imagine a world where insurance policies are concise - perhaps a single page - where terminology is transparent, and where understanding coverage takes mere moments. In such an environment, customers are not passive beneficiaries; they become empowered participants in their insurance journey. By prioritising simplicity, the insurance industry can elevate its role from merely providing coverage to enriching lives with bundle benefits.

The tech industry recognised early on that simplicity transforms complex concepts into accessible ideas. It takes groundbreaking innovations and democratises them, making them available to everyone. The insurance sector has a similar opportunity. Simplicity is not just a necessity; it is a catalyst for innovation and growth.

A call to action for innovative change

True innovation extends beyond adopting the latest technologies or trends; it involves a fundamental reassessment of our goals and methods. This reflects Apple's design ethos, where the essence of the design speaks for itself without requiring elaborate explanation. The insurance industry can similarly benefit from pursuing clarity and accessibility, significantly enhancing the customer experience.

The journey toward simplicity demands courage to challenge the current norms. It requires dismantling established frameworks and operating procedures, paired with a clear vision to explore new possibilities. This commitment involves investing in human capital - skills in analytics, design, psychology, and communication - to refine and elevate customer engagement.

As we navigate this era characterised by rapid advancements and an abundance of information, simplicity becomes essential rather than optional. Clinging to outdated, convoluted processes in insurance, like blank claim forms in PDF, is similar to insisting on rotary phones in a smartphone era.

We must leverage technological advancements, such as Artificial Intelligence (AI) and data analytics, not to complicate our services but to simplify them, making experiences straightforward and actionable.

This call to embrace simplicity is not a challenge limited to organisational leaders or policymakers; it is a collective responsibility that spans the entire industry.

Everyone - from customer service representatives to technical staff - must be unified in the commitment to uphold simplicity as a core value. By doing so, we can build a more transparent, accessible, and enriching insurance landscape for all.

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

CPD ARTICLE

Compliance in buy-and-sell agreements: WHAT'S OFTEN OVERLOOKED?

A buy-and-sell agreement specifies how the remaining shareholders in a company will purchase the shares of a co-shareholder if they die or become disabled, thus supporting business continuity and ensuring that the beneficiaries receive fair value for their shares.

When properly implemented, it is a powerful tool with significant advantages. As a legally binding contract, it can give rise to unnecessary disputes if it is not correctly structured.

Key practical considerations

In this article, I will outline key practical considerations to help ensure that such an agreement is both compliant and effective.

- If any shares are held in a trust, it is essential to obtain a copy of the trust deed to ensure that all trustees either sign the buy-and-sell agreement directly or provide a signed resolution authorising the transaction.
- It is crucial to verify the marital regime and any antenuptial agreements of each member that could impact the validity of a buy-and-sell agreement. If a member is married in community of property, their spouse must also sign the agreement, as they have a legal interest in the shares.
- A buy-and-sell agreement will take precedence over a last will and testament, and it may be necessary for participating members to consider updating their last will and testament and their estate plan.
- A buy-and-sell agreement will not take precedence over the legal documents that govern a business's operations, such as the Association Agreement, Shareholders' Agreement, or Memorandum of Incorporation. These documents must be carefully reviewed to ensure alignment before implementing a buy-and-sell agreement. If they are not aligned, they will have to be amended to reflect the terms of the buy-and-sell agreement. Any inconsistencies may render the buy-and-sell agreement unenforceable.
- An Association Agreement of a close corporation sets out the procedures to be followed when a member wishes to dispose of their interest, specifies the method for valuing that interest, and defines the rights of heirs and legatees upon the death of a member.
- A company's Memorandum of Incorporation may include provisions that restrict the transferability of shares, and it is often complemented by a Shareholders' Agreement. This agreement governs the relationship between shareholders and typically includes clauses that facilitate the buyout of shares in the event of a shareholder's death or disability.
- An appropriate valuation method must be used, as specified in the business's governing documents. The business valuation should be reviewed regularly, and the buy-and-sell agreement updated accordingly to reflect any changes.
- To prevent possible disputes in the event of a funding shortfall or surplus, the buy-and-sell agreement should include a clause that outlines how such situations will be handled. A practical solution for a shortfall is to allow the outstanding amount to be paid in instalments, subject to a specified interest rate. In the case of overinsurance, the agreement should clearly state whether the surplus proceeds are to be retained by the policy owner or paid to the deceased shareholder's estate.
- Trigger events - the catalysts that activate buy-and-sell agreements - must be clearly defined, along with the method of funding the agreement. If insurance policies are used for funding, they must be properly structured to correspond with the specified trigger events to ensure that the agreement functions as intended.
- If the life assured has paid any premiums on the policy, or if it is a one-sided buy-and-sell agreement, the requirements of Section 3(3)(a)(iA) of the Estate Duty Act, 1955, cannot be met. The policy proceeds will, therefore, be regarded as 'deemed property' in the deceased's estate for estate duty purposes. Consequently, the Life cover should be adjusted to account for potential estate duty liabilities.
- A buy-and-sell agreement should include a clause addressing how policies will be handled if the business dissolves or a shareholder sells their shares. In such cases, I recommend transferring ownership of the policy to the life insured through an absolute cession.

Legal assistance for proper implementation

In conclusion, a buy-and-sell agreement is a highly effective business assurance tool. However, due to its complexity and legal nuances, it is advisable to seek professional legal assistance for its proper implementation.

Ronel Botes CFP®
Lecturer
Milpark Education

This article explores the role of an intermediary during a transaction that results in a change of control of a client's business. I offer practical tips to support clients undergoing an Mergers and Acquisitions (M&A) transaction.

SUPPORTING CLIENTS THROUGH M&A:

key run-off insurance considerations

All losses arising from reported claims are covered under the target's insurance policies up to the date of completion of the proposed transaction. After the transaction, it is essential to understand how the target's existing insurance policies address claims made following the implementation of the transaction.

Discussing the details

Before negotiations, set up an exploratory call with your client to obtain background information on the proposed transaction and to discuss the details required for change-of-control provisions in insurance policies. Insurers will need information on the target's business, assets, employees, operations, and location. This information will help you determine the necessary underwriting effort or the available coverage under existing policies.

The insured risks under the target's existing insurance policies, as well as any separate run-off insurance policy, are best addressed through an indemnity or condition in the Sale and Purchase Agreement (SPA). The agreed wording will be primarily informed by the outcome of the insurance due diligence on the target, which you can assist with.

As the client's intermediary, it is essential to understand whether the target's existing insurance policies provide coverage for liabilities arising from pre-transaction business activities that only become known or materialise after the transaction is completed.

Key considerations

In cases where you are supporting your client in the purchase of a business, the objective is to have the seller accept future responsibility for claims arising from pre-acquisition activities. Once the seller agrees to this, it is reasonable for you, as the intermediary, to:

I. Assess whether the existing insurance policies provide run-off cover. If not, seek insurer agreement and determine any additional premiums required; or

II. Recommend purchasing a separate run-off insurance policy that offers coverage at least as broad as the most recent policy, and preferably with a limit no lower than the previous one. The policy should cover the period for which the seller has accepted responsibility in the SPA - typically up to three years. Securing such a policy will depend on market availability for the specific risk exposures your client wishes to insure. Premiums may be high, particularly where insurers find it difficult to assess potential losses for long-tail liability claims and struggle to price the risk due to claim uncertainty. This type of cover is best sourced from the insurers currently on risk under the target's existing policies.

Additionally, discuss how to manage incidents and claims after the transaction. This may be handled under: (I) existing insurance policies or (II) a separate run-off policy - either managed by the current intermediary or transferred to the purchaser's intermediary. Ensure that the responsibilities for related costs, timely claim reporting, and handling procedures under the available insurance policies are clearly agreed upon. Also, clarify who is responsible for paying deductibles on valid run-off claims. These points should be addressed through relevant clauses in the SPA.

W&I insurance and post-deal coverage

The transaction may also involve the purchase of bespoke Warranty and Indemnity (W&I) insurance to cover breaches of warranties in the SPA. W&I insurers will require due diligence on the target's existing policies, as claims should first be made against those policies or any other available insurance before the W&I policy is considered.

Once the transaction is complete, conduct a post-transaction review to ensure that insurance coverage remains suitable and aligned with the client's evolving needs.

The views expressed are the writer's own and do not reflect those of his employer. The writer has experience negotiating run-off insurance policies and warranty and indemnity insurance throughout his career.

Dayalan Kisten
Head: Group Insurance
Nedbank

INSURANCE MEETS PRIVATE EQUITY:
innovation, risk and regulation

For many years, the insurance sector's growth and solvency were mostly dependent on its capital resources. However, what we have seen since the financial crisis of 2008 is a developing symbiotic relationship between the insurance sector and third-party capital firms.

Private equity and insurance

On a macro level, the insurance industry will continue to access the private equity markets for reasons such as diversifying to lower volatility, investing in new asset classes, meeting portfolio climate targets, increasing income generation, increasing total return and protecting against inflation.

Access to the private markets by the insurance sector also provides access to skills, expertise and capabilities that may not have been prevalent in the insurance sector. This has resulted in asset managers building specialist investor relations resources that target insurance entities as third-party investors.

On the other hand, in pursuing investment diversification, private equity firms have spurred the recent increase in Mergers and Acquisitions (M&A) activity in the insurance sector. Usually by way of acquiring strategic stakes in (re) insurers, or insurance/ advisory intermediaries.

Sidecars and SPVs: unlocking third-party capital

Internationally, (re) insurers have utilised different forms of third-party capital. One form is the concept of a 'sidecar'. Sidecars are especially popular in the life sector, given the annuity premium associated with life policies, but it is also used in the non-life sector. A sidecar operates by way of a special purpose vehicle (SPV), usually situated in a tax-efficient jurisdiction such as the Cayman Islands. Capital is raised when third-party investors take shares in the SPV.

Sometimes the (re) insurer itself also takes shares in the SPV. To do this, it enters into a risk transfer agreement with the SPV that allocates a predetermined percentage of its underwritten risks and premiums to the SPV. The agreement specifies the sidecar's share of both premiums and potential losses. The sidecar assumes its share of the risks and receives its portion of the premiums. Losses and expenses are also allocated proportionally between the sidecar and the (re)insurer. Any remaining profits are distributed to the sidecar's investors as dividends.

SPVs are also used to facilitate access to catastrophic bonds or 'CAT Bonds'. CAT Bonds are used to enable (re) insurers to share the risk of major disasters with an investor in return for the investor benefiting if the disaster does not happen. The (re) insurer pays a premium to the SPV, while a third-party invests in the SPV. CAT Bonds are usually issued for a limited term.

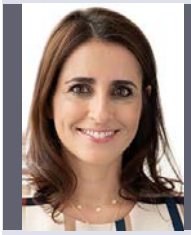
Another way of securing third-party capital is with 'collateralised reinsurance'. This is different to traditional reinsurance, where there is a 'promise to pay'. This is because the insurer is fully collateralised by institutional investors. The collateral is put up by third parties and covers potential claims that could arise from the reinsurance

contract in full, less net premiums payable under the reinsurance contract. Usually, collateralised reinsurance operates by way of a trust structure.

Regulatory scrutiny over alternative capital structures

Regulators have raised concerns about these types of alternative capital access. This is because risks that were previously limited to one sector are being transferred to other sectors through the arrangements, potentially resulting in a global systemic risk. Another concern is that the lack of transparency of the models could result in questions over whether the structures involved are carrying sufficient capitalisation and have sufficiently robust risk management practices (in particular the management of liquidity risk). The feeling is that, if not regulated adequately, this could lead to (re) insurer default and liquidations.

In reality, there is a finite amount of capital available. Risk will continue to emerge, and existing risks may be amplified in terms of the loss and damage that they cause. Access to capital is imperative for innovation and continual insurance coverage, and it will be interesting to see how the clever investment managers come up with new structures and strategies to support the insurance industry and how Regulators respond to these.



Christine Rodrigues
Partner
Bowmans

AI's IMPACT

As Artificial Intelligence (AI) continues to advance, its impact on compliance within the financial services industry is becoming increasingly significant. AI presents promising opportunities for enhancing compliance management and monitoring, but it also introduces new challenges and risks.

FAnews spoke to **Anri Dippenaar, Masthead Head of Compliance, Ignatius Jacobs, Masthead Regional Manager: KZN,** and **Klara van der Merwe, Compliance & Practice Management Consultant** about the integration of AI in compliance and its implications for the industry.

The growing role of AI in compliance

AI's role in compliance has the potential to reshape how financial institutions manage their regulatory obligations. From automating routine tasks to enhancing decision-making processes, AI systems are becoming vital tools in ensuring that financial service providers comply with the myriad regulations they face.

Jacobs explained the growing impact of AI, stating, "AI can be used to automate and streamline compliance processes such as Know Your Customer (KYC) checks, risk assessments, and anti-money laundering (AML) screenings. This reduces the manual burden on compliance teams, enabling them to focus on more complex tasks."

He continued, "AI-powered systems can also enable real-time monitoring, providing institutions with proactive insights into potential compliance risks. This shift from reactive to proactive compliance management is essential for financial institutions that deal with large volumes of data and transactions."

However, while AI offers numerous benefits, it also introduces new risks. "AI tools must be carefully implemented and monitored to ensure they do not create unintentional biases or discrimination," Jacobs added. "Ensuring that the data used by AI systems is representative and unbiased is a critical part of maintaining compliance."

Ethical considerations in AI compliance

With AI's growing involvement in compliance, ethical considerations are at the forefront of discussions. One of the biggest challenges is the transparency and accountability of AI systems, which can often function as "black boxes", making it difficult to understand how decisions are being made.

Dippenaar emphasised the importance of transparency, noting, "Financial institutions need to ensure that their AI systems are not only efficient but also ethical. Transparency and explainability are critical in building trust with clients. AI should be designed in a way that its decision-making processes are clear and understandable." She further elaborated, "Clients need to know that AI-driven decisions, especially those that affect their financial services, are fair and in their best interest. A lack of transparency can lead to a breakdown in trust, which can ultimately affect the reputation and success of the institution."

According to Dippenaar, ethical AI is about more than just avoiding bias - it's also about providing accountability. "Human oversight is essential," she stated. "While AI can perform certain tasks more efficiently than humans, it cannot replace the need for human judgment, particularly in areas where ethical decisions need to be made."

Navigating regulatory challenges

A significant challenge when implementing AI in compliance is ensuring that it aligns with existing financial services regulations. Van der Merwe addressed this issue, explaining, "While AI is not specifically regulated in South Africa yet, financial services providers still need to comply with existing laws that govern their industry. Compliance officers should ensure that their AI systems meet the requirements set by existing legislation, such as data protection laws and the Financial Advisory and Intermediary Services (FAIS) Act."

She continued, "Businesses should first understand the regulations that apply to them. This includes industry standards, data protection laws such as POPIA (Protection of Personal Information Act), and the FAIS Act, which governs the conduct of financial services providers."

Van der Merwe also pointed out the importance of data governance. "AI systems rely on vast amounts of data, so ensuring compliance with data privacy laws is essential. Financial institutions must have strong data governance frameworks in place to protect client information," she said.

> While AI has the potential to enhance compliance, it will still require ongoing human intervention to ensure that ethical standards are met and that AI models are kept up to date with the latest regulations.

ON COMPLIANCE

While AI is not yet explicitly regulated in South Africa, there have been global developments, Dippenaar added. In February 2025, the European Union adopted the AI Act, the world's first comprehensive AI framework, which classifies AI systems by risk levels and sets corresponding rules.

Maintaining AI compliance: best practices

To ensure AI systems remain compliant, businesses must adopt robust governance practices. This includes implementing regular audits, reviewing AI models for potential biases, and establishing clear oversight structures.

Jacobs outlined the importance of governance in AI compliance, stating, "To effectively integrate AI into compliance processes, financial institutions need to have the right human resources with the necessary expertise. It's not just about implementing AI technology - it's about understanding the methodologies behind the algorithms and ensuring they align with industry regulations."

He emphasised the importance of human oversight in AI implementation. "AI can be a powerful tool, but it needs to be closely monitored. There must be adequate human intervention to identify risks, monitor the outcomes of AI-driven decisions, and ensure that they align with legal and ethical standards," Jacobs stated.

Van der Merwe provided additional guidance on best practices, saying, "Regular audits and reviews of AI systems are crucial for ensuring ongoing compliance. These audits should focus on verifying that the system's data integrity is intact, that it remains free from bias, and that it complies with both internal policies and external regulations."

She added, "AI systems must also be monitored for changes. Every update or modification to an AI model should be carefully documented and approved by management to ensure transparency in how changes might affect compliance outcomes."

Preparing for the future of AI in compliance

As AI continues to evolve, financial institutions must stay ahead of emerging trends to remain compliant. The future of AI in compliance is likely to be characterised by increased automation, real-time monitoring, and even more advanced risk management tools.

Van der Merwe anticipates that AI will play a significant role in the future of regulatory technology (reg tech), saying, "AI will continue to automate routine compliance tasks such as KYC checks and AML screenings, but it will also expand into areas like regulatory change management. AI systems will help compliance officers track regulatory updates and quickly adapt to new obligations."

She continued, "In the future, we may see AI used to conduct more advanced risk assessments, analyse large datasets in real-time, and predict potential regulatory issues before they arise." However, while AI has the potential to enhance compliance, it will still require ongoing human intervention to ensure that ethical standards are met and that AI models are kept up to date with the latest regulations.

The importance of collaboration in AI compliance

To successfully implement AI in compliance, collaboration between departments is essential. AI systems impact various areas of a business, including data science, legal, compliance, and IT. A cross-functional approach ensures that AI systems are properly governed and aligned with regulatory requirements.

Dippenaar stressed the need for collaboration, stating, "Collaboration between legal, compliance, and IT teams is crucial when implementing AI systems. Each department brings a unique perspective, ensuring that the AI system is not only technically sound but also aligned with business, legal and ethical standards."

Van der Merwe echoed this sentiment, adding, "A cross-functional oversight committee should be established to oversee AI systems. This ensures that AI models are regularly assessed for compliance risks and that all stakeholders are involved in managing these systems."

Ensuring AI upholds compliance and integrity

AI has great potential to transform compliance in financial services by automating tasks, improving real-time monitoring, and enhancing decision-making. However, challenges around ethics, transparency, and regulatory alignment remain. Financial institutions must adopt best practices, such as strong governance, regular audits, and human oversight, to ensure AI supports compliance without compromising integrity.

As Van der Merwe concluded, "The future of AI in compliance is bright, but businesses must prepare for ongoing change and the risk innovation brings. By staying informed and adopting a collaborative, ethical approach, businesses can ensure their AI systems support compliance objectives." ●

BEYOND COMPLIANCE:

keeping values alive in a regulated world

Compliance with Joint Standards and the like is crucial, but so is keeping our shared values alive.

The implementation of Joint Standard 2 of 2024 on Cybersecurity and Cyber Resilience, effective June 1, highlights the increasingly complex risks organisations face today. It also reflects an important shift in how workplaces approach ethics, moving from informal, shared values toward formal policies.

Balance is especially critical

While rules and standards are essential in our industry, it's equally important to remember the role of human values and personal responsibility in shaping a strong organisational culture. This balance is especially critical in the client-facing world of employee benefits.

Shared values – such as honesty, integrity and personal responsibility – have traditionally been seen as part of everyone's roles. Today, they are often formalised and can seem to be distributed across functions: vigilance to IT, integrity to compliance, risk management to specialised teams. The inferred professionalisation is necessary and valuable, but it can also unintentionally dilute the sense of personal accountability across an organisation.

Resting on human values

Increasingly, complex risks have made more sophisticated responses necessary. However, in a world where employees focus on the rules rather than the spirit of those rules, we risk losing a lot more than data or funds. Where shared ideals can unify, separate responsibilities can create distance between people and teams.

As the risks we face have grown more complex, regulation and codification have become indispensable. Yet if we focus too heavily on rules and regulations, we risk creating a workplace where people see compliance as a tick-box exercise, rather than a key pillar of ethical behaviour. In financial services, and especially in employee benefits, the heart of our work remains human – built on empathy, trust and responsibility.

In a rules-based workplace, it becomes easier for employees to believe that doing their job well means following protocol. But financial planning is not just a rule based profession, it is a relationship-based one. As advisers, planners, brokers and intermediaries, we are not just technical experts. Our work, particularly in employee benefits, rests on human values.

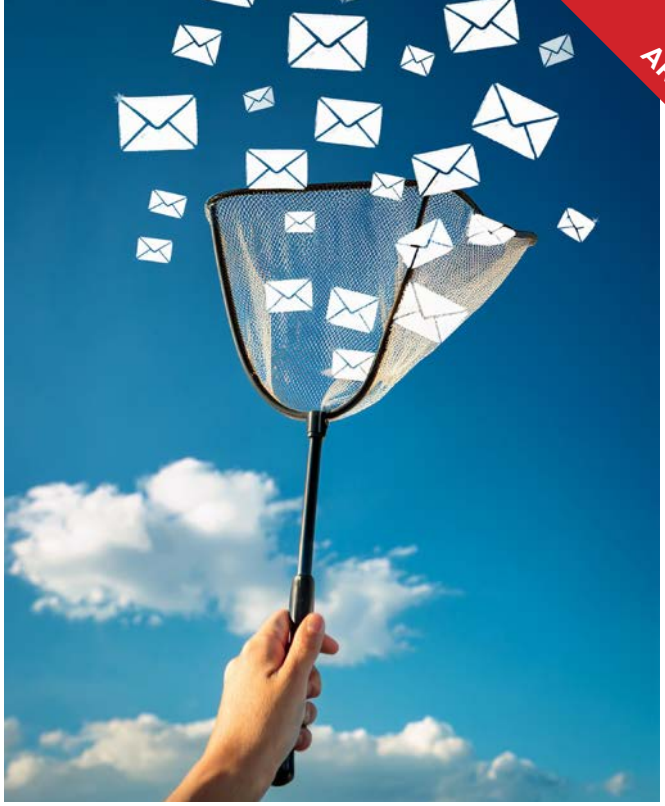
Joint Standard 2 and similar frameworks are essential tools for navigating risk. But they should work hand in hand with a living culture of ethics, where personal responsibility is not just formalised but deeply felt.

Embedded into daily practice

For organisations, this means making sure values are not only written into policies but embedded into daily practice. Ethical behaviour should be modelled and rewarded; just as technical competence is. Values must be visible in what we do and how we do it. It also means ensuring that leaders actively model principled decision-making. When executives and managers speak openly about ethical dilemmas, share tales of principled decision-making, or highlight examples of employees acting with integrity, they send a message that values are not simply ideals, but practical guideposts.

In an age of increasing regulation, rising cyber threats and complex client needs, it is tempting to rely solely on rules and procedures to guide behaviour, at the expense of softer skills. But values are what make those rules meaningful. They are the glue that holds teams together and builds trust with clients. Old-fashioned values still matter – and they, too, must evolve with the times.

Abdur-Rehman Mangera
Head of Group Benefits
Bryte Life



CPD ARTICLE

THE RISK OF email interception in a FSP

The reality is that no Financial Services Provider (FSP) can operate effectively without using email communication. However, without sufficient risk controls and strict security measures, this method of communication can pose significant risks. As part of their professional duties, FSPs are entrusted with receiving and transmitting sensitive banking details to and from clients and product providers, making them vulnerable to email interception.

Email interception occurs when an unauthorised party gains access to an email and alters its contents without the recipient's knowledge. The most common tactic used is known as a man-in-the-middle attack, where attackers position themselves between the sender and the recipient to intercept, alter, delete, or read the email's contents. These interceptions often occur within the sender's or recipient's email server.

A duty of care

We encountered a situation where a fund manager emailed their banking information to an FSP for the purpose of a prospective investment transaction. Upon receipt of the banking details, the FSP hand-delivered a hard copy to its customer, who proceeded to deposit the investment amount into the fund manager's bank account as intended.

Two days later, it was discovered that the funds had actually been deposited into an incorrect bank account, supposedly belonging to a minor in a rural area. In this case, the original email attachment from the fund manager was intercepted and modified while in transit to the FSP's email account. The FSP, unaware of the interception, unknowingly provided the fraudulent banking details to its customer.

Both the FSP and the fund manager owed a duty of care to the customer to ensure that strict security measures were employed in the transmission of any banking information.

Guarding against email fraud

Furthermore, Section 12 of the General Code of Conduct for authorised FSPs and Representatives, 2003 stipulates that, "A provider, excluding a representative, must, without limiting the generality of Section 11, structure the internal control procedures concerned to provide reasonable assurance that:

a) The relevant business can be carried on in an orderly and efficient manner;
b) Financial and other information used or provided by the provider will be reliable; and
c) All applicable laws are complied with."

There are various instances in which an FSP can become the target of email interception. FSPs need to consider and act upon their risk exposure to email interception, especially in the following circumstances:

- When a customer's debit is unsuccessful, and he/she is required to complete an EFT payment to the product provider;
- When an FSP provides a customer with the product provider's banking details for payment of an annual premium or lump sum investment; and/or
- When the FSP submits its customer's banking details to the product provider for payment of a claim.

In any of the above instances, the FSP's email to the customer or product provider could be intercepted, resulting in the fraudster receiving the payment.

Taking all reasonable and necessary steps

FSPs can take various steps to protect and safeguard themselves against the risk and consequences of email interception, such as:

- Insert a cyber risk disclaimer on all emails, specifically documents containing banking information. The disclaimer should warn customers of the risk of email interception and inform them to contact the FSP on a trusted phone number to verify the bank account details, or alternatively, verify the recipient's banking details directly with the bank.
- Encrypt or password protect all emails containing banking information or enable two-factor authentication to make it difficult for hackers to gain access to the banking information.
- Ensure that the FSP's Professional Indemnity cover includes a cyber risk extension, or alternatively, have a separate Cyber Liability policy.
- Ensure that all staff receive adequate and effective training on cyber risks.
- Utilise the services of reliable and responsible IT and internet service providers.

FSPs are encouraged to take all reasonable and necessary steps to protect themselves from data breaches, which could lead to reputational damage and unforeseen financial losses.

Alida Ganesen (Govender)
Compliance Officer
Attorney (Non-Practising)
FAIS Compliance and Licensing

> "Fight fire with fire", goes the saying. And when it comes to the ever-expanding shadow of fraud, this has become the insurance industry's mantra.

FIGHTING FIRE WITH FIRE:

how AI is reshaping the war on insurance fraud

Fraud is nothing new to the insurance industry, but what is new is the sudden and rapid evolution of fraudsters. With the rise of Artificial Intelligence (AI), we're seeing criminals become more sophisticated, more daring, and, frankly, more difficult to detect via traditional methods. It's not just a game of cat and mouse anymore. It's a tech arms race.

At Momentum Insure, we've come to accept a hard truth: we can't rely on old-school methods to detect fraud anymore. Whether they are lone wolves or organised syndicates, fraudsters are quick to adopt new technology. And if we're going to stay one step ahead, we need to match their speed, creativity, and use of emerging technologies like AI.

AI-powered fraud: what we're doing about it

One of the biggest trends we're seeing is synthetic identity theft. This occurs when bits of real personal information, like an ID number or bank account, are combined with fake data to create an entirely new, fake identity. It sounds like something out of a sci-fi movie, but it's happening right now, and it's targeting ordinary South Africans.

Then there's social engineering – a slick psychological trick where someone pretends to be a policyholder or broker to get access to personal details. Once they've got what they need, it's only a matter of time before they submit fraudulent claims under someone else's name.

Vehicle insurance, which makes up a significant portion of our business, is particularly vulnerable. We've seen cases involving completely fabricated accidents or even multiple claims submitted for the same incident across different insurers. As more companies digitise their claims process to make things easier for real customers, there's an unintended side effect: fraudsters exploit the parts of the process where minimal information is required.

So, what's our answer?

We're using advanced fraud detection tools powered by machine learning algorithms. These tools can process enormous amounts of data and spot patterns that a human investigator might miss. But this isn't a case of technology replacing people.

Our approach relies heavily on human expertise working with AI, not against it. Our investigators bring critical thinking, context, and instincts that no machine can replicate. Together, the combination is powerful.

Fraud is more than a nuisance – it's a national issue

It's easy to think of insurance fraud as a victimless crime. But we all pay for it. When fraudulent claims are processed, insurers are typically required to recoup those losses through increased premiums or reduced benefits. And it's the honest policyholders who end up footing the bill.

The Insurance Crime Bureau warned in its 2024 Annual Report that the life and non-life insurance industry in South Africa could lose a staggering R3.5 billion if fraud and organised crime are left unchecked. That's not just an insurance problem; it's a national economic risk.

Beyond the financial loss, fraud has a chilling effect. It can lead to stricter underwriting, more red tape, and even the reduced availability of certain insurance products. And for a country like ours, where economic inclusion and financial resilience are national goals, that's a cost we simply can't afford.

That's why we've taken a zero-tolerance approach to fraud. When we detect it (and we do), we act decisively. We work closely with law enforcement and industry partners, including the Insurance Crime Bureau and the South African Insurance Association (SAIA), and pursue legal action when necessary. If an individual commits fraud, the consequences are severe: prosecution and, potentially, a permanent mark that prevents them from securing insurance ever again.

The way forward

The reality is that fraud is becoming more sophisticated. But so are we. We'll keep investing in technology. We'll keep building stronger partnerships. And most importantly, we'll continue to work with South Africans to ensure they understand not only the risks but also their rights.

When it comes to fraud, the best defence is not just AI or policy – it's awareness and action.

Vickey Swanevelder
Chief Operating Officer
Momentum Insure

CPD ARTICLE

CAN AI EVIDENCE hold up in SA courts?

Artificial Intelligence (AI) is transforming South Africa's insurance sector. From automating claims assessments to detecting fraud and analysing risk, AI enables significant efficiencies.

But as AI tools increasingly influence decisions that may be challenged in court, like denied claims or disputed liability, an important question arises: can AI-generated evidence be used in South African legal proceedings, and how can insurers ensure it is admissible?

The SA legal context: admissibility requirements

Under South African law, evidence must be:

1. Relevant to the issues in dispute;
2. Reliable and authentic, and
3. Fair, meaning its probative value outweighs any prejudicial effect.

AI-generated evidence – such as risk scores, image recognition outputs or chatbot logs – must meet these standards. Courts assess not only the evidence but also how it was generated, stored and explained.

Challenges for insurers in admitting AI evidence

There are challenges in admitting AI evidence. These include:

1 **Opacity and lack of explainability.** Many AI models function as "black boxes", producing results without a clear rationale. In court, evidence must be open to interrogation. If a judge or party cannot understand how the AI reached its conclusion, the evidence may be deemed unreliable or unfair.

2 **Authentication and chain of custody.** AI outputs must be authenticated regarding their origin, accuracy and integrity. This is key for digital evidence. Insurers must prove that the input data was lawfully collected (e.g. under the Protection of Personal Information Act, 4 of 2013 (POPIA)), unaltered and processed through a legitimate system.

3 **Bias and discrimination risks.** The Constitution and anti-discrimination laws prohibit unfair treatment. If an AI system disproportionately flags certain groups, such as claims from lower-income areas, as fraudulent, it could raise constitutional or reputational risks. Courts may reject such evidence or question the fairness of the outcome.

4 **Procedural hurdles and expert testimony - AI-generated evidence may require expert support.** The party introducing it must present a qualified expert who can explain the system's functionality, limitations and reliability, consistent with South African jurisprudence on novel or scientific evidence.

Best practices for South African insurers

The best practices include:

1 **Using favourable interpretable AI.** Use AI models that allow for human-understandable explanations. Rule-based systems, decision trees or models with explainable AI features are more likely to be accepted than deep learning models with opaque logic.

2 **Maintaining comprehensive documentation.** Keep detailed records of data sources, model training processes and how outputs informed decisions. These will be vital to establish that the AI's output is authentic, reliable and legally compliant.

3 **Collaborating with legal and technical teams.** Involve legal experts in the design and use of AI tools. Insurers should also coordinate with IT and data science teams to prepare for litigation, including the provision of expert testimony where needed.

4 **Testing for bias and ensuring POPIA compliance.** Regularly audit AI tools for discriminatory patterns. POPIA gives data subjects the right not to be subject to decisions based solely on automated processing. Insurers must ensure human oversight and offer mechanisms to challenge automated decisions.

5 **Anticipating judicial caution.** South African courts remain cautious with new technology. A technically sound AI output will not be accepted automatically. Instead, insurers must show how the evidence contributes to a fair trial and respects procedural rights.

Transparency, legal compliance and explainability

As AI becomes more integrated into insurance operations, its outputs are likely to appear in court. Insurers must prioritise transparency, legal compliance and explainability. By building systems that are both technologically and legally sound, insurers can strengthen their litigation posture and support a more innovative, trustworthy insurance industry in South Africa.

Sherianne Pillay-Booysen
Group Legal Counsel
Capital Legacy Solutions

NFOSA CASE:
policy interpretation and security costs

The National Financial Ombud Scheme SA (NFOSA) resolves disputes between consumers and financial service providers in South Africa. This article discusses a recent case where a group of complainants sought additional compensation from their insurer for security costs incurred due to potential threats related to the Israel/Palestine conflict.

The complainants, members of the Jewish community in Cape Town, incurred costs to protect their interests and property in anticipation of potential threats stemming from the ongoing and well-documented Israel/ Palestine conflict. The dispute concerns events that took place between October 2023 and January 2024. While the insurer partially settled the complainants' claims, they demanded more than what was offered to cover security costs.

The dispute

Circular 491 had been issued by the insurer in 2018, prior to the loss, to clarify the cover it provided and the limitations thereof. The complainants insisted that the Circular was not applicable to the loss or to the interpretation of the policy.

It was the insurer's contention that the trigger for a valid claim for security costs was an active (insured) peril or event within a 10 km radius. The insurer further provided that under Footnotes 1 and 2 of the Circular "imminent" meant "based on or using good judgment, and therefore fair and practical". Further that "impending" meant "at hand, close, near, approaching, fast approaching, coming, forthcoming". The insurer argued that cover was confined to the parameters set out in the policy. The complainant, therefore, had to first establish whether there was imminent danger as defined, and that it was within a 10km radius of the insured property.

Circular 491 is provided as follows:
"The security costs, preventative measures or protection of property cover is available on the following basis:

- Reasonable security costs, preventative measures costs or protection of property costs incurred to prevent imminent loss as a result of (an insured) peril only.
- Cover is applicable and can only be activated on the following basis:
- An active (insured) peril should be present within a 10km radius of the insured premises."

The issue in contention was whether there was any imminent danger justifying the protective or preventative measures taken by the complainants to avoid or avert such danger.

It was common cause that the complainants were aware of Circular 491 prior to the loss and that when it was received, the complainants neither disputed nor otherwise contested its application to the policy.

The Ombudsman's decision

The Ombudsman upheld the insurer's approach and stance on the claim.

It was further held that reasonable apprehension of danger does not mean that there was "imminent danger" in the context of the policy as explained in the Circular.

A general apprehension due to the persistence of the conflict would not be adequate. It would, therefore, not be reasonable to insist that the existence of the Israel/ Palestine conflict amounted to imminent danger being present in the context of the policy.

It was clear from the complainants' arguments that they conflated "imminent danger" and what may be termed "reasonable apprehension".

The complainants' submission that the insurer's clarification by way of the Circular was improper was dismissed, the Ombudsman holding that insurers are entitled to endorse policies from time to time, to amend them or clarify their terms and conditions of cover, as the insurer did in this instance.

Circular 491 was no different to any instrument an insurer may use to clarify or amend policy terms and conditions. That the Circular was issued prior to the loss was also crucial.

Policy interpretation and SASRIA consideration

The Circular applied to the interpretation of the policy, as intended, and as communicated by the insurer by its publication or circulation of it, unless it was demonstrated to have not been clear, or to have suffered from some other defect.

It was important to also note that the insurer was willing to consider any facts or circumstances that the complainants could provide to substantiate the contention that there was an active (insured) peril or event within a 10km radius.

Peter Nkhuna
Senior Adjudicator
Non-Life Insurance Division
National Financial Ombud Scheme South Africa

CLIMATE CHANGE
and the impact on the insurance sector

CPD ARTICLE

The escalating frequency and severity of natural disasters are making the effects of climate change impossible for the insurance sector to ignore. Property and Casualty (P&C) insurers now face a stark reality: climate risk is no longer a long-term consideration; it is a present and growing challenge.

According to the World Bank Group, more than 100 disaster events were reported in South Africa between 1900 - 2017, resulting in 2 200 deaths as well as 21 million people affected and totalling roughly US$4.5 billion monetary loss. As uninsured losses mount, insurers are being forced to confront what has become a climate change-induced "new normal."

Leading insurers are rethinking their role, not just as financial responders but as strategic partners in resilience. By requiring resilient building practices as a condition of coverage, insurers can shape more robust communities and mitigate future risk.

Insurers are also expanding their educational role. Most homeowners understand flood zones, but far fewer are aware of high-risk hail or wind zones. With the right tools, insurers can integrate granular hazard data into the underwriting process, then share that knowledge with policyholders, turning data into actionable advice on risk mitigation.

Inflation, rising reconstruction costs, and outdated estimates have all contributed to a growing underinsurance crisis. Insurers are being called to act. The path forward involves updating replacement cost estimates annually and educating policyholders on the value of full coverage. Steps like vegetation management, roof upgrades, and home hardening reduce risk, but only if homeowners are aware of them.

Transparency around underwriting and pricing is also vital. Customers need to understand the risk drivers behind their premiums. When policyholders are informed, they can take proactive steps, and insurers can reduce their exposure.

Responding to surge events

The role of insurers is never more visible than during disasters. The sector's ability to manage surge events like the Los Angeles wildfires is a test of both infrastructure and empathy.

Insurers with scalable claims processing platforms and automated workflows are far better equipped to maintain customer trust. AI, automation, and flexible staffing models allow insurers to manage everyday claims efficiently, reserving bandwidth and human expertise for crises.

The data-driven future of insurance

The increased rates of floods and severe storms means that the pressure is on the insurance sector to modernise, with a greater focus on embedding granular data and analytics across the value chain. Reinsurance, too, is evolving. Data sharing between insurers and reinsurers is essential for addressing underinsurance and reintroducing capital into climate-vulnerable markets. However, solutions must be interoperable. Walled gardens won't solve this crisis - open systems and shared standards are the way forward.

Innovating for resilience

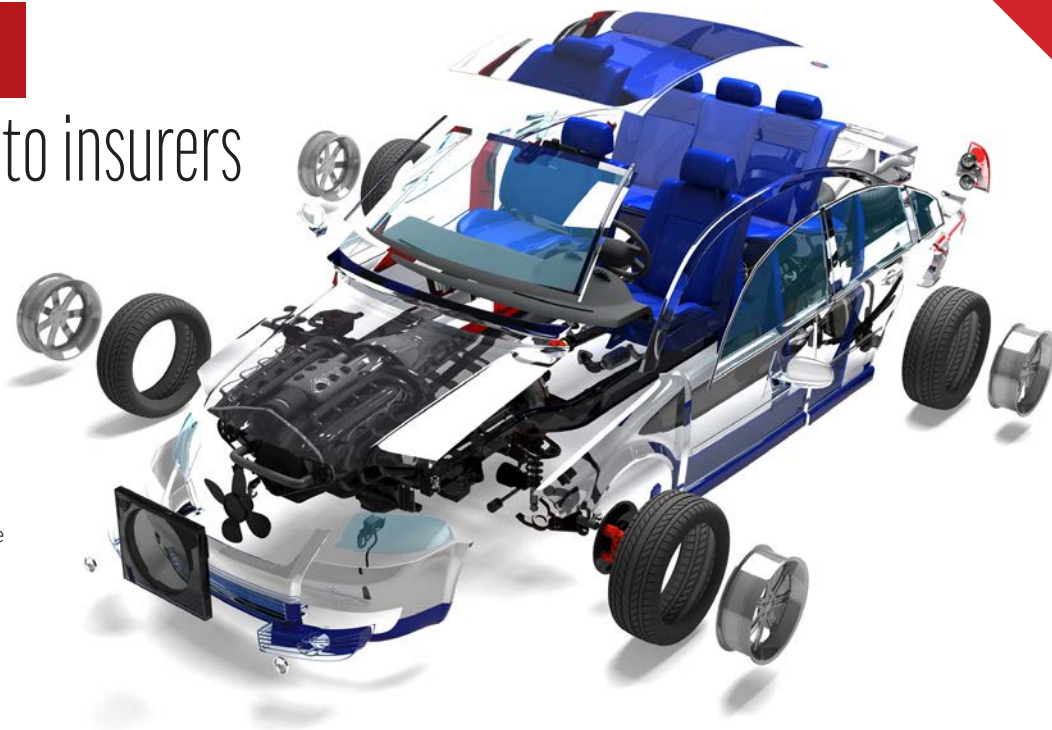
Emerging technologies, including AI-driven underwriting, are pushing the boundaries of what's possible. In the short term, hybrid insurance models, education, and prevention will form the foundation of climate resilience. Longer-term, parametric insurance and real-time loss assessments may offer new pathways to protect policyholders and keep insurers active during catastrophes.

The insurance sector is at a turning point. Those who embrace innovation, collaboration, and transparency will not only survive the climate crisis - but they will also lead the way through it.

Leo Holesgrove
SA Country Lead
Guidewire South Africa

CPD ARTICLE

PARTS WOES
put pressure on auto insurers



The motor insurance industry is grappling with an escalating issue: parts shortages. This trend is significantly impacting claims efficiency, repair timelines, and overall cost management.

Whether dealing with vehicles under manufacturer warranty or older models, parts availability is becoming a major hurdle for insurers, repairers, and policyholders alike.

OEM parts: a worsening supply chain strain

For vehicles still under warranty, insurance policies require the use of Original Equipment Manufacturer (OEM) parts to maintain warranty integrity. However, many vehicle agents have drastically reduced their in-house stock of parts, opting instead to order parts on a case-by-case basis. These orders often come from other regions or even overseas suppliers.

The implications for turnaround times and claim finalisation are significant. What once took a few days can now stretch into weeks or months, frustrating policyholders and driving up claim costs. Extended vehicle rentals, increased labour hours, and higher administrative burdens all contribute to rising expenses. Freight, import duties, and special-order costs add further financial strain.

In some cases, OEM parts have taken up to eight months to arrive. More troubling are situations where neither local agents nor overseas manufacturers can provide an estimated time of arrival, especially when parts must be newly manufactured. This lack of control highlights a key vulnerability in the claims process.

Adding to the complexity, many imported OEM parts are considered "special order" and are non-returnable. If claim circumstances change, insurers may be left with expensive, unused parts they cannot return or recover costs on, posing a financial risk to both insurers and policyholders. This issue is not limited to specific brands; the non-availability of OEM parts is spreading across more manufacturers and models, intensifying the challenge industry-wide.

Second-hand and alternate parts: a shrinking supply

For vehicles out of warranty, insurers are typically more flexible with part sourcing, allowing for second-hand or alternate parts. However, this strategy is becoming less reliable. More policyholders are choosing to retain and repair their vehicles privately when insurers declare them total losses. This trend, driven by rising vehicle ownership costs and limited new car availability, is reducing the supply of second-hand parts. Insurers now face difficult choices when managing repairs on out-of-warranty vehicles:

1. **Use of alternate parts.** Insurers can turn to alternate or aftermarket parts, but supply can be inconsistent across makes and models. Clients often hesitate to use non-OEM parts due to quality concerns. It is important for insurers to work with vetted part sourcing partners to ensure high-quality components are used, maintaining repair quality while controlling costs and managing client loss ratios.

2. **Fallback on OEM parts.** When second-hand or suitable alternate parts are unavailable, insurers may revert to OEM parts, reintroducing challenges of long delays, high costs, and potential write-offs of repairable vehicles due to uneconomical repairs.

The role of technology in mitigating delays

One potential solution to the parts availability issue is leveraging technology to improve supply chain transparency and efficiency. Advanced tracking systems can provide real-time updates on part availability and expected delivery times, allowing insurers and repairers to better manage client expectations and plan repairs more effectively.

Additionally, predictive analytics can help insurers anticipate parts shortages and adjust their strategies accordingly.

A call for industry collaboration

The current state of parts availability demands a coordinated response from all stakeholders in the motor insurance ecosystem. Manufacturers, agents, insurers, and repairers must collaborate to develop sustainable solutions. This includes increased transparency on part lead times, broader acceptance of high-quality alternate components, and policy adaptations to reflect real-world supply chain challenges.

As insurers, our priority is ensuring timely, cost-effective, and quality repairs for our clients. Without meaningful change in the supply chain landscape, we risk further strain on claim efficiency and customer satisfaction. The road ahead requires adaptability, proactive planning, and open communication across all links in the automotive repair and insurance value chain.

Owen Kearney
Motor - Claims Manager
MUA Insurance
Acceptances

Is the insurance market EVOLVING RATIONALLY?

Has insurance in South Africa - or indeed worldwide - ever evolved rationally, or has it merely reacted to events that led to significant local or international claims, excluding potential future events only after the proverbial horse has bolted? In doing so, has it deprived clients of the cover they fear they need, no matter how unlikely such events may be?

These incidents are often what we would call 'one-in-200-year' events and are unlikely to recur in our lifetime.

Let us now look at a couple of examples that most of us will remember.

The evolution of insurance exclusions

In 1973, the U.S. Court of Appeals upheld a judgment from the U.S. District Court for the Eastern District of Texas in favour of Borel, an insulation worker, against Fiberboard and other manufacturers of asbestos products. This opened a Pandora's box across the U.S., and by 1994, approximately 220 000 such cases had been filed. Insurers and reinsurers, facing a surge in claims for asbestos-related illnesses, reassessed coverage, and the asbestos exclusion was born. Fortunately, sense prevailed, and only claims related to the hazardous nature of asbestos were excluded.

Governments responded to the threat by implementing stringent measures regarding the use, handling, and disposal of asbestos products, significantly reducing the risk. The exclusion, however, remains in reinsurance and policy wordings.

The second exclusion I recall being instituted was introduced in November 1999. Amid widespread fears about how computer systems would recognise and react to the date change from 1999 to 2000, insurers and reinsurers introduced what became known as the Y2K exclusion.

The IT industry could not provide certainty to insurers, either regarding our systems or those of our clients and the providers of essential services to them. The new year came and went, and the year 2000 was celebrated without any major computer glitches. The exclusion remained for a time but was eventually amended and became known as the computer losses exclusion.

Pandemics and policies

The other example that comes to mind is the infectious disease exclusion that followed closely on the heels of the COVID-19 pandemic. Most insurers and reinsurers were caught off guard, and claims were significant - in some cases, almost crippling. The last time an event of similar magnitude occurred was during the Spanish Flu following the First World War in 1918. The world reacted in much the same way it had in 1918: isolate and cover your nose and mouth when venturing out.

The exclusion was rapidly put in place, but once again, the proverbial horse had bolted. Should we, as an industry, have anticipated the possibility that viruses could spread uncontrollably and that developing vaccines would take time? Should we have been as comfortable as we were offering, often for free, cover for contagious diseases - assuming that by excluding it from the liability sections of our policies, we were adequately protected?

Most, it appears, did not anticipate the widespread closure of businesses and the resulting Business Interruption claims.

Navigating the uninsurable

What should insurers do when confronted with potential events they believe to be uninsurable? Is there any way we can, with all our new technology and in this era of information, identify possible exposures and reserve for them in advance? Or, if something is truly uninsurable, should we at least exclude it prior to the event?

We are still grappling with how to handle the effects of climate change, and a new challenge is fast approaching the South African market: the impact of electric vehicles on the motor loss ratio. When it comes to electric vehicles, we can draw on the experiences of other markets. I am watching with interest to see how we, as an industry, respond to these emerging risks and remain relevant to our clients.

Sharon Paterson
CEO
Infiniti Insurance

WHEN CLAIMS GET COMPLICATED - let's learn from them

Understanding complex claims and being able to deal with them fairly and competently is what differentiates insurers in my mind, given that many of the products today are very much the same.

I recently dealt with a claim that presented many different facets of the challenges that arise in claims handling. It was a liability claim involving a summons being served on the insured as the first notification of loss to insurers.

The insured was owned by a trust, which required a good understanding of trust law and trustees' liability. Strong investigation skills were also needed for insurers to understand the factual background of the claim.

Cyclist claim raises liability issues

The insured is a hospitality resort with a golf course as well as a large estate. The policy was issued as a hospitality policy with associated liability cover. No Trustees' Liability cover was taken, as no individual cover for the trustees was deemed necessary. The estate had leased part of the property to a farmer who was conducting significant tree felling to clear the area and selling the wood. A fence was constructed to secure this part of the property, but a cyclist on the estate rode into the fence and subsequently issued a summons against the owners of the farm.

The pleadings addressed the reason for the fence being there. The insured responded with a plea and then advised the insurers, resulting in a full range of issues to investigate. These included: whether there was prejudice due to late notification and appointing their attorney to handle the pleadings; whether there had been non-disclosure of the facts concerning the leased farm and tree felling; and whether, because the trustees were sued in their capacities, Trustees' Liability cover should have been in place.

Trust and disclosure dispute

The reason the trustees were cited in their own names is that a trust is not a juristic entity like a company, and legally, all trustees must be sued. It is not a matter of an individual trustee incurring the liability - rather, it is the trust itself that was insured for liability. Therefore, Trustees' Liability would not have been required.

The late notification should also not be an issue, given that the matter was only at the pleadings stage, and it is unlikely that incurable prejudice was caused. Insurers could have taken over the matter and appointed their attorneys. The plea itself would not have been difficult to prepare and would likely have stated that the cyclist was solely responsible, as they should have seen and avoided the fence. The cyclist was, in fact, well aware of the fence, as they resided on the estate. The chances of the estate losing this case appear to be low, based on the facts.

The final and most important issue is that of material non-disclosure. The insured has a duty to disclose all facts which, in the eyes of a reasonable insured, are material to the risk.

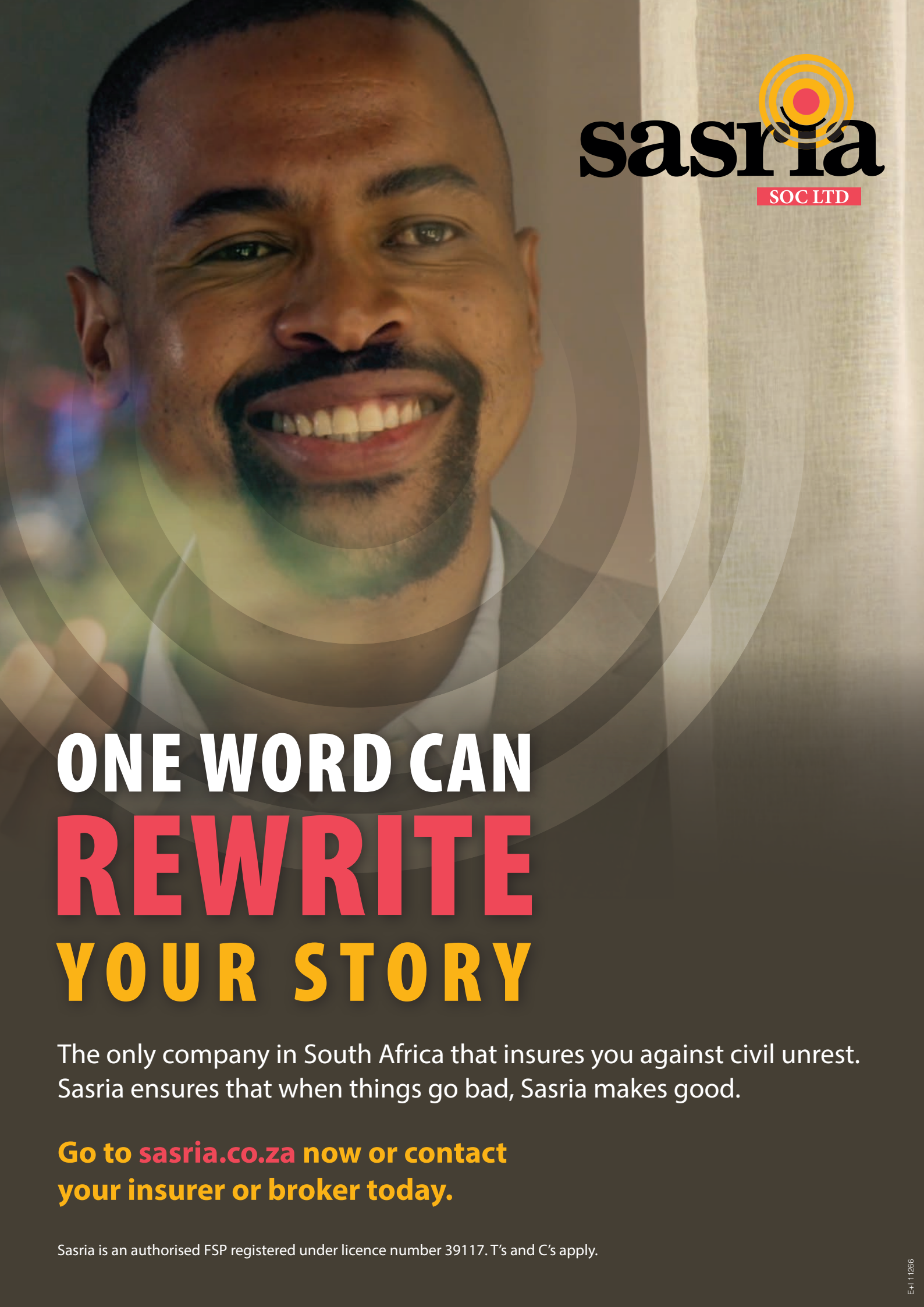
The second part of the inquiry is whether the insurer was induced to enter into the policy by the non-disclosure and must prove that they would not have accepted the policy had they known the facts, or that they would have accepted the risk under different terms. Tree felling is a hazardous activity to conduct on an estate with residents and is underwritten very specifically by insurers. Standard liability reinsurance treaties often include tree-felling restrictions or exclusions.

Each element must be carefully examined

The insurer stated they would not have accepted the risk had they known about the tree felling activity, which was not occasional tree removal for maintenance, but a large-scale operation. The policy was, therefore, voided for material non-disclosure. It is important to note that the inquiry is not about the materiality of the claim, but about the risk itself.

As demonstrated by this case, many aspects of claims assessment can converge in a single claim, and each element must be carefully examined.

Danny Joffe
Head- Legal
Hollard Group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THE RISK OF NOT COMPLYING with the policy requirements

This article discusses a case where a claim for a stolen vehicle was rejected because the policyholder failed to meet a policy condition.

The basis of the claim

The claim for the stolen vehicle was rejected on the basis that the policyholder failed to comply with a policy condition that two tracking devices be installed in the vehicle. There was only one tracking device installed in the vehicle at the time of loss.

When the vehicle was placed under cover in 2020, there was no requirement for a tracking device. Notices were sent to the policyholder's broker on 1 November 2022, 21 April 2023 and 29 September 2023 informing them of a dual tracker requirement. Once the required notice period lapsed, the policy was amended to include this new security requirement of two tracking devices.

On 4 October 2023, the broker sent a tracking certificate indicating that one tracking device was installed in the vehicle and asked the insurer to confirm whether the policyholder was compliant.

In response to the email, the insurer stated that the VIN number on the certificate did not correspond with the VIN number on the vehicle.

On 5 October 2024, the vehicle was stolen, and the claim was rejected by the insurer. The broker, acting on behalf of the policyholder, submitted a complaint to the National Financial Ombud Scheme South Africa (NFO).

The arguments raised by the broker

The following arguments were raised by the broker:

- The insurer did not provide the original email dated 1 November 2022 to prove that the notice was sent to the broker.
- After the loss, the insurer advised the broker that the letter dated 1 November 2022 is on the portal, but the insurer did not train the broker on how to access the letter.
- The broker did not understand the tracking requirement. This is why the tracking certificate was sent to the insurer to confirm whether the policyholder was compliant in October 2023. The insurer only mentioned the VIN number but did not request a second tracking device and failed to advise the policyholder that two tracking devices were required.
- Neither the broker nor the policyholder took cognisance of the requirement for two tracking devices.
- The policy did not stipulate that a failure to comply with the tracking requirement will result in a claim not being paid.
- The insurer continued to collect the premium for theft cover, despite the non-compliance.

The NFO's stance

The NFO noted that the broker did not dispute having received the correspondence dated 21 April 2023 and 29 September 2023, which stipulated the requirement for two tracking devices. Therefore, although the insurer did not provide the original email of 1 November 2022, this did not assist the policyholder's case.

The insurer submitted that the broker received training on how to navigate the portal.

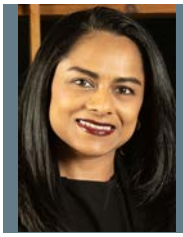
In October 2023, the insurer was asked whether the policyholder was compliant, and the insurer's response indicated that it was not because of the discrepancy with the VIN number.

The certificate showed one tracking device which did not comply with the insurer's requirement for two tracking devices, and the broker did not need the insurer to repeat this.

The policy wording was clear that two tracking devices were required, and that the insurer would not be liable for theft unless the required number of approved tracking devices were installed.

The complaint was unsuccessful, and the insurer's rejection of the claim was upheld. However, the NFO requested the insurer to refund the premiums for theft cover.

This case study deliberately focused on the arguments presented by the broker to highlight the shortfalls in the broker's conduct towards the policyholder and the arguments made by the broker in the complaint. The financial risk to the broker could have been avoided by simply carrying out its duties.



Nadia Gamieldien
Senior Adjudicator: Non-life Insurance Division
National Financial Ombud Scheme South Africa

INSURANCE INNOVATION

in the age of climate, conflict and cyber threats

As global risks intensify, so does our ability to respond - with smarter tools, stronger partnerships, and sharper foresight. Over the coming decade, talk of climate disruption, geopolitical instability and cyber risk will dominate boardroom agendas and reshape national policy priorities.

These aren't distant concerns: they are bearing down on us, demanding immediate, coordinated action from governments, industries and the financial sector.

The biggest risks of our times

In the latest Global Risks Report 2025, produced by the World Economic Forum with Marsh McLennan, state-based armed conflict, misinformation and disinformation are flagged as the biggest risks of our times. But over the next decade, extreme weather events, driven by accelerating climate change, will be the most severe long-term threat facing the world.

Closely linked risks, such as biodiversity loss, ecosystem collapse, and resource scarcity, will also climb sharply.

Since the report's first edition in 2006, environmental risks have worsened significantly, costing the global economy over $2 trillion. As all 33 identified risks are expected to worsen by 2035, proactive solutions - rooted in resilience, innovation, and cross-sector collaboration - are essential.

Though responsible for less than 4% of global greenhouse gas emissions, the continent pays unfairly for climate change, which it experiences in multi-year droughts, flooding, infrastructure damage, and mounting threats to food and energy security.

Africa and climate change

The cost of climate adaptation for Africa is immense, ranging from $30 billion to $50 billion each year, which is equivalent to about 3% of the continent's GDP.

The recent crisis in Zambia, where low water levels at Lake Kariba triggered power shortages, is one example of how climate volatility is disrupting infrastructure and economies. Since 2022's record drought, power cuts from the lake have become routine, affecting 75% of urban households in Zambia and Zimbabwe. Crop failures and livestock losses are driving up food prices, with over 50 000 Zambian children facing severe wasting, malnutrition's deadliest form.

New times

Faced with this increasingly volatile global risk landscape, financial and insurance intermediaries will have to advise clients accordingly.

This climate reality demands a shift in mindset: it's time to move beyond reactive responses and embed resilience into our planning. Insurance is basic to that resilience, but it needs to move with the times. One such evolution is the development of products such as parametric insurance. Unlike traditional indemnity-based models, these solutions pay out quicker because they are triggered by predefined events - heavy rainfall, high wind speeds, seismic activity - helping businesses manage liquidity and recover quicker.

Cybercrime, too, is escalating in scale and sophistication. The increasing use of generative AI to spread disinformation underscores the urgency of robust cyber hygiene and risk transfer mechanisms. Businesses, now increasingly digitised, also need integrated cyber cover, which is increasingly needed as we've seen in the recent ***M&S, The Co-op and Harrods*** breaches in the UK. Businesses now also need to invest in supply chain risk modelling, scenario planning, and insurance solutions that mitigate the impact of delays, sanctions, or export controls.

Quantifying the return on resilience

Resilience is not built in isolation. Governments and businesses must co-invest in public-private partnerships that facilitate innovation, data-sharing, and affordable coverage. This also helps to scale systemic change, whether by modernising infrastructure, expanding access to climate-risk modelling, or creating risk pools to protect underserved communities.

Globally, the World Bank reports that investing in more resilient infrastructure in low- and middle-income countries can result in a benefit-cost ratio of $4 for every $1 invested.

Encouragingly, more organisations are assessing future climate risks but the 2024 Corporate Climate Adaptation Survey shows that while 83% of organisations are doing so, fewer than half apply cost-benefit analyses to support adaptation decisions.

For advisers and brokers, this is a chance to guide their clients in quantifying the return on resilience, linking insurance solutions to long-term value creation.

Insurance is not just a backstop: it facilitates stability, innovation and sustainable growth. As storm clouds gather, it is clear that risk is rising. But so too is our capacity to respond.

Spiros Fatouros
CEO
Marsh McLennan Africa and South Africa

Telematics and motor disputes:

A SHIFT IN GEAR

The prevalence of in-car computing power and aftermarket telematics devices is giving insurers unprecedented access to driving behaviour and crash-related data. In this article, FAnews explores how this data is being used by insurers in claims assessment following a motor vehicle accident.

Data in motor accident claims

There is little doubt that local insurers are using telematics and other vehicle-sourced data to assess motor accident claims, mainly due to the technology offering a level of objectivity around the cause and timing of an incident. However, a small but growing body of case law, together with recent rulings from the Ombudsman for Short-Term Insurance (OSTI) and the Financial Advisory and Intermediary Services (FAIS) Ombud, hints that courts and regulators will intervene when the use of data is prejudicial.

Telematics refers to the remote collection and storage of vehicle data that includes speed, location, braking, acceleration, and time of travel. It can be collected from built-in vehicle systems, add-on devices like tracking units, or even smartphones. In South Africa, these technologies are used in both underwriting and claims assessment, and leading local brands like Discovery Insure, OUTsurance, and Santam offer a mix of behaviour-linked premium models and smartphone-enabled driving apps.

Discovery Insure has long promoted its Vitality Drive programme as a positive incentive tool. The insurer often shares claims statistics showing that engaged drivers submit fewer and less severe accident claims. It remains emphatic that telematics data is not used to refute claims. In a November 2022 article published on iol.co.za, a company spokesperson told consumer journalist, Wendy Knowler, that "Telematics-derived data in no way influences the outcome of a claim; it is used only to verify details like the time and location of an incident."

The traffic law exclusion

Not all insurers take this view. In the same article, Knowler recounted a case in which Old Mutual iWYZE used an SUV's event data recorder (EDR) to prove a driver had not come to a complete stop at a stop sign, resulting in a repudiation for gross negligence. The insurer accessed EDR data and reviewed a five-second 'window' of vehicle speed, showing the driver only slowed down before accelerating and colliding with a taxi. The consumer involved in the case was shocked by the level of evidence presented, but the insurer stood by its decision, citing a clear policy exclusion where traffic laws had been broken.

While case law is still limited, there are signs that South African courts will accept and scrutinise telematics-related evidence, including the insured's obligation to install the necessary device. For example, in a January 2025 ruling in *Ngako versus Bryte Insurance Company Limited and Another,* the Pretoria High Court upheld an insurer's decision to reject a theft claim due to the policyholder's failure to prove that an operational tracking device had been installed, and that it was active at the time of the incident.

A summary by law firm Adams & Adams notes that the court emphasised the insured's duty to provide credible proof of compliance with policy terms. The installation certificate submitted by the insured lacked key details, including the vehicle's registration number and confirmation that the device was active on the date of loss, rendering it insufficient to support the claim.

Excessive, unfair demands for data

Meanwhile, in *Mashele versus Momentum Insurance and Another,* the Johannesburg High Court found the insurer's data demands excessive. The insurer had requested not only telematics records but also the claimant's cell phone logs, banking statements, and a breakdown of his movements.

Although the claimant supplied some of this information, the court found the original request invasive and unjustified. It said the insurer's conduct amounted to a fishing expedition, violating the principles of reasonableness and fairness under both the insurance contract and privacy legislation.

There are a number of non-insurance regulations that impact this space. The Protection of Personal Information Act (POPIA) plays a central role in how telematics data is collected and processed. Because this data pertains to identifiable individuals, insurers must obtain informed consent and ensure the data is only used for clearly defined purposes, such as risk assessment or claims verification.

Further, the Consumer Protection Act (CPA) imposes strict requirements on how policy terms are disclosed. If a telematics device is a condition for theft cover, for example, then the insurer or broker must explain this clearly. In 2023, the FAIS Ombud found a broker liable for failing to disclose such a requirement, ordering compensation after the client's vehicle was stolen and the claim was rejected due to the absence of an active tracker.

Musings from the conduct authority

Per guidance from the Financial Sector Conduct Authority (FSCA), any data collected should also align with Treating Customers Fairly (TCF) principles. Insurers must guard against discriminatory outcomes, must not use data in ways not understood by the consumer, and must be transparent about how telematics affects premiums and claims.

The ethical concerns surrounding telematics are not just about privacy. They also relate to the broader fairness of insurance contracts. For example, if a driver is penalised for failing to stop completely at a stop street, should the entire claim be rejected even if the other party was at fault?

In practice, few policyholders understand that their vehicles may carry EDRs, and fewer still realise that this data can be used to refute their version of events. Insurers must, therefore, tread carefully. On the plus side, telematics can support life-saving benefits, such as alerting an insurer to a crash and triggering emergency assistance.

If used to repudiate a claim for a technical breach, such as a marginal speeding event, it risks damaging trust.

OSTI has noted in various case summaries that while data can provide clarity, its use must be tempered by the principle of proportionality. The insurer must always weigh whether a breach contributed materially to the loss. Where the cause of the loss lies elsewhere, reliance on data to reject the claim may be seen as opportunistic.

Context and consent are key

Telematics data is generally admissible in court if it is relevant and properly authenticated. However, courts may reject data if it is ambiguous, lacks context, or was obtained without proper consent. In the 2025 Pretoria High Court case, the court questioned the probative value of a tracker certificate that did not link to the insured vehicle or the date in question. The same standard applies to EDR and other onboard computer data.

The limitations of data access became evident in *Govender versus Guardrisk Insurance Company Limited* case. The insurer alleged reckless driving as a basis for repudiation, claiming that the insured had crashed his Ferrari California at high speed in wet conditions. Guardrisk was unsuccessful in its attempt to access the vehicle's onboard computers to establish performance details at the time of the crash. Ferrari, like some luxury brands, restricts access to its vehicle telemetry. Technology offers precision, but practical access and legal admissibility remain hurdles.

The increasing use of telematics introduces both risk and opportunity. It allows insurers to price more accurately and reward clients who drive responsibly while increasing the complexity of disclosure and the risk of claim disputes. Brokers must ensure that their clients understand whether a telematics device or tracking system is required under their policy and encourage clients to retain installation and activation records.

You should also explain to clients how the data gathered by this device will be used in the event of a claim and inform them that driving behaviour may be monitored and that a breach of traffic law, verified using telematics data, could impact the claim outcomes. Intermediaries should document that these disclosures were made, both to manage client expectations and to demonstrate compliance with their duties under the FAIS Act.

Reshaping the motor insurance landscape

Telematics and vehicle data are transforming motor insurance by providing valuable insights for more accurate claims handling. However, insurers must use this data responsibly, ensuring fairness, transparency, and compliance with privacy laws. Intermediaries play a vital role in helping clients understand how this data impacts their coverage.

As case law evolves, the balance between valid verification and excessive surveillance will be tested. For now, all parties should remember that vehicle data can either support or undermine the principles of TCF in the financial sector.

Gareth Stokes
Stokes Media

LEADING WITH PURPOSE:
closing the protection gap

The global insurance market reached $8 trillion in 2024 (according to a Statista Report on the global insurance industry), and it's still growing.

But with that growth comes responsibility. Climate change, economic instability, and widening social gaps are testing our industry's ability to protect itself. I believe the future of insurance lies not just in managing risk, but in leading with purpose, anchored in ethics, sustainability and inclusion.

When protection meets purpose

We are living in times of polycrisis and permacrisis, which have led to insurers pulling back, reducing or withdrawing cover altogether. This leaves homes, businesses, and entire communities exposed to growing threats. I see this not as a reason to retreat, but as a call to evolve.

As insurers, we hold a unique position to influence how societies prepare for and recover from crises. We can shape markets and influence behaviour, offering premium discounts for fire and flood-resilient buildings, and nudging clients to 'build for good'. That's a powerful mandate, and one I take seriously.

The protection gap: a bold opportunity

South Africa faces a 71% insurance protection gap. That means millions of households, small businesses, and informal sector players are underinsured or excluded entirely and without sufficient protection. This isn't just a statistic - it's a signal that we need to rethink how we serve.

But within this gap lie opportunities. With smart policy, innovation, and inclusive products like microinsurance, we can offer affordable, accessible protection to those who need it most. Handled boldly, sustainability is a generational chance to close the protection gap while unlocking profitable growth.

Collaborate for systemic impact

No single insurer can underwrite grid collapse or regional flood risk alone. Public-private pools, data sharing with reinsurers, and municipality-level flood mitigation pilots demonstrate how collective action can build resilience and sustainability. A case in point is the recently initiated collaboration to support the South African Fire Services, which includes Old Mutual Insure, Santam, and Hollard.

With unemployment rising to 32.9% in Q1 2025, the link between economic exclusion and insurance access is clearer than ever. There is an opportunity to create shared-value CSI initiatives to run industry programs, such as the creation of skills banks.

These are community-based hubs that train unemployed individuals in high-demand areas like loss adjusting, solar PV maintenance, drone surveying, and artisanal trades such as plumbing and electrical work. These initiatives don't just create jobs; they strengthen our industry's supply chain and build a more resilient economy. They also promote responsible business practices across the entire insurance value chain, including our suppliers and service providers.

Building resilient communities

Insurers are key capital allocators, managing a significant amount of assets. Re-weighting portfolios towards green bonds, renewable IPPs, and inclusive housing supports the Just Energy Transition Partnership (JETP) pipeline, while hedging stranded-asset risk. We must go beyond traditional compensation models and support proactive adaptation. In cities like Durban, which already have natural sponginess, I believe in backing 'sponge city' initiatives, using green infrastructure, parks, and wetlands to absorb excess water and reduce flood risk.

We can support these efforts by offering specialised insurance products for green infrastructure and incentivising sustainable building practices through premium discounts. This is how we move from reactive to proactive risk management.

My take? Seize the moment

Sustainability isn't a footnote - it's the rewiring of our social contract. With over 140 organisations signed onto the UN Sustainable Insurance Principles, this shift is no longer optional; it is essential.

By combining upstream influence, inclusive investment, and purposeful collaboration, we can close South Africa's protection gap, create job-rich green growth, and future-proof our balance sheets. We can build a responsible, ethical and sustainable industry.

The next decade will define our legacy. Will we be remembered for retreating from risk or for helping our country thrive through it? I choose the latter.

Thabile Nyaba
Chief Risk & Sustainability Officer
Old Mutual Insure

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TRUCK DRIVERS:
the transport industry's core asset

The heavy haulage industry faces unique challenges, which are well-documented. As it currently stands, many fleet management companies have reduced their fleets by 10-15%, and some never recovered from the impact of COVID-19. New threats are also emerging, such as cyber-criminals hacking delivery schedules sending drivers to the wrong address, where loads are captured, putting drivers' lives at risk.

Health, safety, and wellness

Truck drivers' lives are also at risk due to increasing health issues caused by spending too much time seated, poor diet, high cholesterol, declining eyesight, and loneliness caused by being away from loved ones for long periods. These challenges have highlighted that to sustain and thrive, the industry requires actions and interventions that ensure drivers are kept healthy and safe.

The health, safety, and wellness of truck drivers has, as a result, morphed beyond their own and employer concerns, into an industry challenge where collective stakeholders, are pivotal role players in driving initiatives that promote the well-being of truck drivers and road safety in general.

Wellness and road safety initiatives

There is a clear call to action, which speaks to how we ensure that drivers reach and return to destinations safely. With the backing of the Department of Transport, the heavy commercial industry has recognised that comprehensive well-being programmes are not merely beneficial, but crucial. This is evidenced by the number of wellness and road safety initiatives that are in play, from SaferStops to on-road Wellness Clinics, to Masterdrive and new telematics systems.

Telematics is a particular case in point. These systems have been viewed with some skepticism by drivers, who see them as intrusive and view them with suspicion. With the recent addition of AI, drivers are now rated by what they are doing right instead of highlighting what they do wrong. This is invaluable in identifying not just good driving habits, which can be rewarded, but also indicators of poor health or fatigue, and where to access health resources on the road.

A large part of the fatigue is caused by the pressure put on drivers to drive for long hours without resting. Additionally, a poor diet is also a contributor to fatigue. It is estimated that long-haul drivers currently spend between R50 and R120 per lunch. These usually comprise energy drinks and fast-food meals that have little to no nutritional value. Over a two-week-long, long-haul, this becomes the largest deduction from their income. This is why SaferStops has prioritised the evolution of rest points that offer shower and sleeping facilities, and nutritious and cost-effective meals that are subsidised by the government.

These, and existing weigh-stations and other on-road wellness clinics, are also being used to interview drivers about their stress levels, loneliness, fears of being targeted by criminals, for example, as well as being able to avail of basic medical tests in collaboration with other stakeholders, for identifying health markers such as cholesterol, diabetes, eyesight, blood pressure etc.

Prioritising driver wellbeing

Programmes such as these are not motivated by being the biggest or best in the insurance industry, nor are they about how to justify premiums or risk management. As you prioritise driver wellbeing, you are in effect weaving investment in a more sustainable, safer, and healthier economy, and boosting company performance. A health-conscious culture is pivotal. It sends a strong message that even beyond an employer's role, insurers value drivers' health and wellbeing.

Getting our drivers back safely is no longer a talking point … evidenced by tangible efforts that show genuine concern. At Santam Heavy Haulage, we maintain that size or performance in the market is not everything. By doing right by our drivers, we ensure the future stability of road freight.

Anton Cornelissen
Head: Heavy Haulage
Santam

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CPD ARTICLE

AI MODEL UNDERPERFORMANCE

and emerging uninsurable risks

In a digitally driven era, it is undeniable that Artificial Intelligence (AI) is transforming the world.

AI has become the foundation for innovation across industries, ranging from finance and healthcare to logistics and cybersecurity. However, as reliance on AI systems increases, growing concerns about model underperformance and emerging uninsurable risks are becoming more prominent, posing significant challenges for insurers and businesses.

In 2022, a leading insurance provider discreetly withdrew coverage on certain AI-driven products following a cutting-edge underwriting model that inaccurately priced risks across a vast insurance portfolio. This is just one of many indicators of deeper problems for insurers, regulators or any industry relying on AI to drive strategy and performance.

Reasons for AI model underperformance

AI models, especially those based on Machine Learning (ML), are trained to learn from historical data to make future predictions. The problem arises when the performance of these models is compromised by changes in data patterns they were not trained on. As a case in point, according to MIT Technology Review (2020), shifts in consumer behaviour following COVID-19 rendered many retail and financial models obsolete.

These failures arise from underlying data and the assumptions that AI models rely on, which makes them harder to detect. Some notable reasons for AI model underperformance include:

- Models often struggle to capture complex interactions and may reflect skewed correlations, leading to inaccurate predictions.
- Models may be biased toward majority classes, resulting in underperformance for certain demographic groups.
- Models often lack transparency and interpretability, making it challenging to understand their decision-making processes.

The impact of AI model underperformance

AI model underperformance can have wide-ranging and costly consequences for organisations. Below are some of the key impacts:

- Significant financial losses for organisations, whereby inaccurate AI predictions or recommendations could lead to missed sales opportunities. Furthermore, incorrect forecasting can result in unnecessary expenses.
- Waste and inefficiency: poor decision making [based on AI] can lead to wasted resources, materials or time.
- Indirect losses, such as reputational damages where there are dissatisfied customers, erosion of trust and reputational harm.
- Inaccurate or biased AI models can lead to non-compliance with regulations, resulting in fines or penalties.

The adoption of AI models initiates unprecedented risks that are challenging and sometimes impossible to insure under established methods.

The emerging uninsurable risks include:

- Algorithmic liability: who carries the responsibility when an AI model makes a harmful decision?
- Cyber-physical convergence: AI systems controlling infrastructure introduce cascading failure risks, e.g. power grids and drones.
- Model drift: AI systems degrade over time as data distribution shifts without immediate detection.
- Adversarial attacks: inputs intentionally designed to fool AI systems cannot be easily foreseen or priced into traditional policies.

Traditional insurance relies on quantifying known probabilities, but the novelty and complexity of AI-generated risks hinder actuaries' ability to model them. According to Lloyd's of London (2020), Artificial Intelligence and the future of insurance, AI's unpredictability and the potential for systemic impact make certain risks either overpriced or fundamentally uninsurable.

Guiding AI's trajectory

Organisations should robustly manage all AI risk by implementing strong AI governance frameworks. These strategies could include validation of models for underperformance and regular auditing, together with the adaptation of insight generation tools to increase model transparency and scenario-based stress testing, which will assist in detecting model behaviour under extreme conditions.

A comprehensive AI risk management plan should also incorporate cross-functional collaboration among compliance officers, legal teams, risk managers and data scientists.

AI risk: a matter of design and oversight

AI is not fundamentally safe or dangerous, but it is, like all tools, shaped by how we build, deploy, and monitor it. As AI becomes more indispensable across various sectors, its underperformance and the emergence of uninsurable risks pose significant threats to organisations.

While regulations and technological advancements are improving, the pace of AI innovation surpasses the development of corresponding risk management tools. Therefore, ensuring AI reliability requires not only technical excellence but also ethical and strategic foresight.

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CPD ARTICLE

CLIMATE PRESSURES prompt industry rethink

With the insurance industry facing another year of rising claims related to climate change, reinsurers and insurers must reevaluate their roles and explore ways to shape the sector through responsible, ethical and sustainable initiatives.

The sector is pivotal in identifying and addressing environmental and ethical challenges to develop and sustain an accountable future. By adopting Artificial Intelligence (AI) powered technologies and principles, insurance providers can automate processes and improve efficiency, while benefiting society and enhancing the customer experience.

Empowering ESG-driven risk strategy through AI

AI can be leveraged to empower the insurance industry to gain fresh insights into risk scenarios, enabling them to adjust their risk management and long-term sustainability strategies. This technology assists in formulating insurance guidelines that proactively align with Environmental, Social and Governance (ESG) responsibilities rather than just being responsive to events.

However, implementing AI-driven solutions creates some challenges, with some notable ones rooted in concerns around ethics and workforce redundancy. Organisations must, therefore, be proactive in the upskilling and reskilling of employees to navigate these hazards.

At the same time, AI systems should be designed to provide stakeholders with an understanding of the decision-making process and the ability to address any concerns and errors that may arise from the use of such technologies.

Harnessing AI to further ESG goals

The insurance sector's commitment to the wider ESG agenda can be further bolstered by AI-driven applications that facilitate sustainable decision-making, such as tailoring climate-related insurance products around communities that are vulnerable to weather-related risks.

Other examples of harnessing AI to further ESG goals would be to use the technology to design renewable energy insurance policies based on an accurate assessment of climate change and other risks that might impact green energy projects, such as wind and solar farms.

AI could also be used to create sustainable agriculture insurance products that support sustainable farming practices by analysing soil, crop yields and weather patterns, while smart water management systems can address water scarcity in specific areas.

By innovating, creating and aligning with market development which focuses on AI applications, insurers directly address various facets of sustainability. The AI journey is complex but will equip the insurance industry with foresight and integrity to navigate this new era, allowing insurers to lead from the front.

As the global population increases and land for development becomes scarce, insurers need to actively adopt environmentally friendly practices in their operating environment, as waste management and disposal programmes.

The environmental focus areas that are emerging and that the insurance industry should pay attention to include:

- **E-waste** - repair and reuse electronics where possible.
- **Plastics** - reduce single-use plastics and repurpose plastic into useful products. Insurers can create recycling management systems in their offices to address plastic pollution.
- **Solar panels** - transition to green energy sources.
- **Fluorescent tubing** - opt for energy-efficient LED lighting.
- **Lithium batteries** - create certified recycling facilities.
- **Used batteries** - opt for rechargeable batteries.
- **Soil contamination** - plants or micro-organisms can remove pollution from soil and dispose of contaminated soil in designated hazardous waste landfill sites.

Some initiatives and innovations in respect of sustainability are already taking off across the insurance industry around the world. For example, top European insurers have restricted cover for coal-related projects, demonstrating their commitment to environmentally friendly practices.

Increasingly, insurers are consciously changing the consumer buying experience by offering products and services that align with environmental sustainability. Conversely, consumers are becoming more environmentally aware and moving towards sustainable products, which influences the insurance sector. It is also exciting to see that many insurers are now positioning themselves towards achieving long-term decarbonisation.

Insurers: in a powerful position to foster change

The role of insurers extends far beyond conventional policy underwriting. Their strategic influence across industries, from private security to energy management, fintech and municipal governance, places them in a powerful position to foster change.

Those who take the lead in incentivising sustainability and ethical governance will not only drive industrywide responsibility but will also secure their own long-term relevance in an evolving marketplace.

Shelley Howell
Product Head: Environmental Liability iTOO Special Risks


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CPD ARTICLE

HOSPITALITY SECTOR: brokers must exceed basics to manage unique risks

The hospitality sector is experiencing a significant rebound, with 8.92 million international tourists visiting South Africa in 2024 - up 5.1% from the previous year, according to StatsSA.

Tourism and hospitality now contribute 8.8% to the GDP and support over 1.68 million jobs. While this is a welcome recovery, it introduces heightened risk exposure across a fragmented and highly service-dependent sector. For brokers, this presents a vital opportunity to shift from selling insurance products to offering technical, sector-specific risk solutions.

From tourism boom to a complex risk landscape

The modern hospitality environment encompasses hotels, guesthouses, lodges, restaurants, and event venues. Each of these operations interacts with large groups of people, handles sensitive customer data, depends on uninterrupted utilities, and operates with costly infrastructure, resulting in a perfect storm of potential liabilities.

Traditional risks like fire, theft, storm damage, and equipment failure remain high priorities. However, brokers must also consider less visible risks such as:

- Cyberattacks targeting booking systems or guest data;
- Food poisoning or allergen contamination;
- Business interruption due to public unrest or utility outages;
- Reputational harm from social media claims or influencer backlash; or
- Liquor liability exposures in licensed premises.

Too often, hospitality businesses operate with inadequate or misaligned cover, especially regarding business interruption. The absence of correct indemnity periods, the wrong gross profit basis, or a lack of extensions for utility supply failure or public authority closures can leave businesses financially devastated.

Insurance alone is not a risk solution

Risk in the hospitality sector is fluid. A well-drafted insurance policy forms part of a broader risk transfer strategy but must be complemented by:

- Risk identification and mapping;
- Underinsurance assessments (especially with rising replacement costs);
- Correct scheduling of movable equipment; and
- Regular reviews of endorsements and exclusions.

In one recent example, a restaurant suffered a kitchen fire. While the owner had insurance, their business interruption cover was limited to a 3-month indemnity period. Repairs and reopening took six months. The business survived, but just barely. This type of oversight illustrates the importance of deep technical guidance.

Customisation is critical

Standard commercial policies often fall short. Hospitality businesses need customised cover that includes:

- Property (including improvements, décor, and signage);
- Business interruption based on actual operating costs;
- Machinery breakdown for cold rooms, coffee machines, and kitchen equipment;
- Electronic equipment (POS, CCTV and booking systems);
- Cyber liability and data breach response;
- Public and product liability (with adequate sub-limits for food safety); and
- Event cancellation cover, particularly for venues and conference centres.

Your expertise is the differentiator

The most important part of a policy isn't always what's covered - it's what's excluded, and how clearly your client understands that. Brokers must play a proactive role in interpreting complex wording, negotiating broader terms, and ensuring their clients are aware of potential gaps.

Annual reviews, claims history assessments, and scenario planning (such as fire drills and data breach simulations) all form part of a broker's modern-day advisory toolkit.

In a competitive space where insurers may commoditise product offerings, brokers remain the linchpin between an insurer's offering and the client's operational reality. By offering tailored advice, conducting risk audits, and continually revisiting the evolving risk environment, brokers reinforce their value, not just at renewal, but year-round.

Juan Fourie
Head of the Hospitality Division
Santam

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Is risk management just a compliance tick box – OR A STRATEGIC ADVANTAGE?

As individuals and organisations, large and small, we live and work with risks daily. Every part of life has a level of risk, both on a domestic level and businesses in their internal and external operating environments face risk. How we deal with these risks is of paramount importance.

On a domestic level, we face risks in our normal daily functions in our homes when, for example, using a stove or gas apparatus. In business, the risks we take in insurance need to be understood, as at some point, there may be a claim or a business that participates in a specific type of industry that requires consideration for their specific exposure to risk.

A catalyst for informed decision-making

We know that there is risk in life, but what is more important is understanding how risk management can minimise, avoid, or remove risk. Risk management is a process that uses a methodology to identify risks that organisations face. It then enables an understanding of the effect and impact it will have on an organisation if it takes place.

Once we thoroughly understand the risk, we then analyse and assess it to ascertain how it can affect the organisation and consider what mitigation measures need to be implemented to manage risk, where it cannot be eliminated. Risk management is critical as most risks cannot be eliminated, but constant management and controls must be in place to minimise and sometimes avoid them. Businesses mustn't treat risk management as a once-off, but rather as an ongoing programme of continuous management and control. Risks evolve in the modern world with new risks constantly emerging, making it critical for risk management to evolve.

When implementing a risk management programme that carries strategic significance for the organisation, we look at how this will deliver strategic success in various key aspects. When risks are strategically managed, it allows for easier decision-making processes to be implemented at various organisational levels. This promotes opportunity for growth, expansion, and success. But more importantly, it allows for sustainability.

Multilevel decision making at individual, management and executive levels is critical to an organisation, particularly in the insurance industry. Risk management should, therefore, enable and be a catalyst for informed decision-making at these various levels.

Becoming resilient for sustainability

The insurance industry relies on historical data for business planning, directly affecting individual clients and businesses. Therefore, risk management at a strategic level allows for short-term and long-term business planning. Because the risks are known, it allows for solid planning with the ability to consider innovative actions and create a business that will not only withstand risk but will become resilient for a sustainable existence.

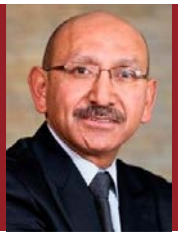
Similarly, strategic risk management has a major impact on the reputation of a business, and a strong risk management programme allows for customer confidence and strengthens the business's brand. Risk mitigation is a direct factor in a business's ability to grow, expand, and be profitable.

A negative view of any organisation is a serious risk to its reputation and will impact the entire business and its profitability. A negative reputation cultivated by a lack of trust and confidence could lead to serious financial repercussions. In contrast, a formidable reputation will give the company good standing with its competitors and allow it to explore opportunities and new ventures.

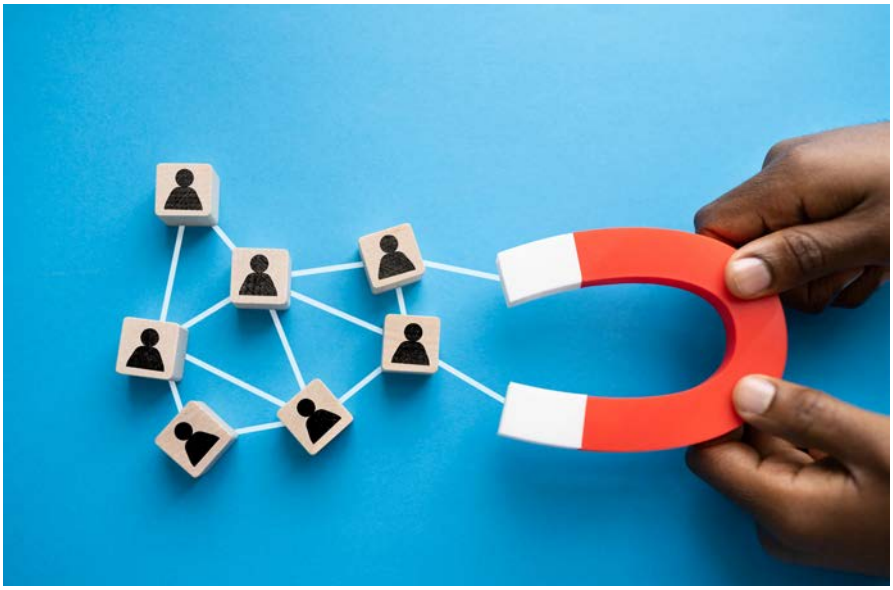
Part of the strategic direction

In this digital age, risk management and emerging risks cannot be treated with a tick box approach, as this will carry profound consequences for an organisation and its people. With rapid and ongoing technological change, organisations must view risk mitigation as part of their strategic direction and with a long-term future approach. It is the one key aspect for business success that cannot be taken for granted and needs intense and continuous focus and management.

To conclude, risk management mitigates and controls risk, allows companies the freedom to take risks, grows and expands business, increases profitability, implements eco-linked policies, provides for long-term employment opportunities, and serves customers strategically in the short and long term.



Sedick Isaacs
Head: Bryte Africa Takaful



RETENTION AS A STRATEGIC IMPERATIVE

in a changing insurance landscape

Retention has emerged as a key differentiator for success in a rapidly evolving insurance landscape. With a saturated market and evolving consumer priorities, insurers must rethink how they engage and retain policyholders.

Insurers should view this as an opportunity to lead with innovation and empathy, centred around changing lives. We, for example, are committed to continuously finding better ways to support our policyholders, especially in a market as competitive as ours. Retention is no longer just a metric - it's a strategic imperative for long-term sustainability. After all, retaining an existing policyholder is far more cost-effective than acquiring a new one. Considering the ongoing economic shifts, a focused retention strategy is more critical than ever.

The long-term insurance statistics released in 2024, by the Association for Savings and Investment South Africa (ASISA), show that life insurers maintained a solvency buffer of 1.99, even after paying claims and benefit payments worth R639 billion last year, which is the highest ever paid in a year. This underscores the industry's strong capital position and its ability to meet contractual obligations.

This is great news for the sector and demonstrates that the past year has shown growth and resilience against many of the market's challenges. In fact, statistics from ASISA pointed out that policies increase by over almost a million in-force policies - from over 43 million in 2023, to over 44 million as of end 2024.

The South African insurance industry has also seen a slight decrease in lapsed policies, and while this is positive news, we need to remember that consumer affordability remains constrained, and market confidence is low. This continued strain on disposable income remains a threat to consistent policy payments. In fact, statistics show that just last year, over 500 000 policies were surrendered – a clear indication of tough times.

Economic instability on retention

South Africa's economic uncertainty is taking a toll on consumers. According to the 2025 1Life Insurance Generational Wealth Survey, 55% of respondents reported supplementing their income through side hustles or second jobs - most of which were aimed at simply making ends meet. Rising unemployment further compounds the issue. In such an environment, unless consumers fully understand the long-term value of insurance, they may deprioritise it in favour of immediate financial relief.

This is where retention becomes particularly challenging. Insurers must foster a culture of savings and provide practical solutions to help clients maintain their policies. Options like premium breaks, budget-friendly product restructuring, and tangible financial support - such as education and debt management tools - can make a meaningful difference.

The role of communication and innovation

Effective, ongoing communication between insurers and clients is essential for retention. It not only allows for policy adjustments that accommodate changing financial circumstances but also drives innovation. By staying in tune with emerging trends and evolving consumer needs, insurers can adapt more effectively. When communication breaks down, retention suffers - especially in tough economic times. Insurers must stay close to their customer base, listen actively, and tailor their offerings to build trust and relevance. Meeting consumers where they are is no longer optional - it's essential.

As insurers, we must also acknowledge that brand loyalty isn't what it used to be. Today's consumers are price-sensitive and more willing to shop around. If we fail to deliver value - whether through pricing, service, or innovation - we open the playing field.

The age-old saying of customer service

The way in which a customer is handled defines the ability to retain them as well as the ability to take on new clients. One of the key contributing factors to high attrition rates is poor customer service - whether it is at sales or claims stage. The reality is that in today's cancel culture, exceptional service is not a luxury; it's a necessity. Sub-par service not only erodes brand value but also creates opportunities for competitors to step in.

The market is crowded, and financial strain is widespread. That's why retention must be embedded in every aspect of the business. It's not just about holding onto clients - it's about building lasting relationships that can weather economic storms.

Xanthia Reneke
Retentions Manager
1Life Insurance

THE INCOME-FIRST ADVANTAGE

Many financial advisers are struggling to attract new clients in a shifting market. One of the biggest hurdles? Younger clients who believe that life insurance is something they will need "one day" – but not today. What these clients often do not realise, however, is that life insurance is not just about death benefits. And as advisers, you do not need to reinvent your approach - you already have the solution in your toolkit: Income Protection cover.

Your clients are far more likely to need income protection cover than life cover, especially early in life.

The numbers speak for themselves

According to Bidvest Life's 2023 Claims Report[1]:

- **Clients were 17 times more likely to claim on their income protection benefits than on death benefits.**
- **Among Millennials (aged 29-44) that number jumped to 55 times, with minor infections, cancer, and mental illness being some of the leading reasons for claiming.**
- **Millennials accounted for 50% of all income protection claims, but only 12% of all death claims.**
- **Among Gen Zs (aged 13-28), 'full-time tertiary student' was the occupation group most likely to claim on income protection.**

And, while a 30-year-old male has only a 15% chance of passing away before retirement, there is a 91% chance he will be unable to work for a period of two weeks or more due to an injury or illness[2] during his career.

What does this mean for you as an adviser?

The conversation needs to change. Life insurance does not start with death benefits. It starts with what every working South African relies on: their ability to earn an income. Protecting their income should be the number one priority.

Younger clients also see affordability as a barrier to entry for life insurance, and research from Deloitte shows that their financial concerns are real. Fifty one percent of Gen Zs and 52% of Millennials live from pay cheque to pay cheque[3], and three in 10 do not feel financially secure[4].

Starting with income protection can make life insurance more accessible. Because premiums are typically lower when clients are younger, it is a smart entry point – providing long-term value for them and building long-term relationships for you. As your clients enter the working world and progress in their careers, you can add further protection for securing their financial future.

Adding a benefit like Critical Illness Income assures your clients of a monthly income, for up to 12 months, on the diagnosis of a qualifying illness. Income protection alone sometimes does not cope well with the intermittent periods during which claimants are able to work, which often happens with critical illnesses, and payouts often do not cover unexpected additional monthly expenses. In addition, claims on most temporary income protection products in the market are triggered by occupational disability, and so they terminate the moment a claimant is deemed fit to return to work. This is when Critical Illness Income comes to the rescue.

Building beyond the base

ASISA research shows that South Africans under 40 have the largest average shortfall in cover for death and permanent disability[5], which makes the commutation option (which allows your clients to convert a portion of their monthly payouts into a lump sum, providing a means of paying once-off expenses, if an illness or injury becomes permanent) and life cover the next logical add-ons. And the smart life cover move is to combine life income with lump sum benefits.

But it all starts with income protection.

Giving your clients the income-first advantage means that their most valuable asset – their ability to earn – is at the centre of their financial plan. Leading with income protection from a young age is a way of meeting your clients where they are, keeping them covered with premiums they can afford, and building relationships that can grow over time.

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[1] Bidvest Life 2023 Claims Report
[2] Non-smoker; retirement age 70; 2019 Risk Reality Survey
[3] Deloitte Insights
[4] Deloitte Gen Z & Millennials Survey
[5] ASISA Insurance Gap Per Age Bands

Nic Smit
Product and Pricing Executive
Bidvest Life

Put your client's **income first** with **Bidvest Life.**

For 30 years, we've protected the income of hard working South Africans—across a wide range of occupations—from injury, illness or death. Helping your clients stay financially secure through life's unexpected challenges.

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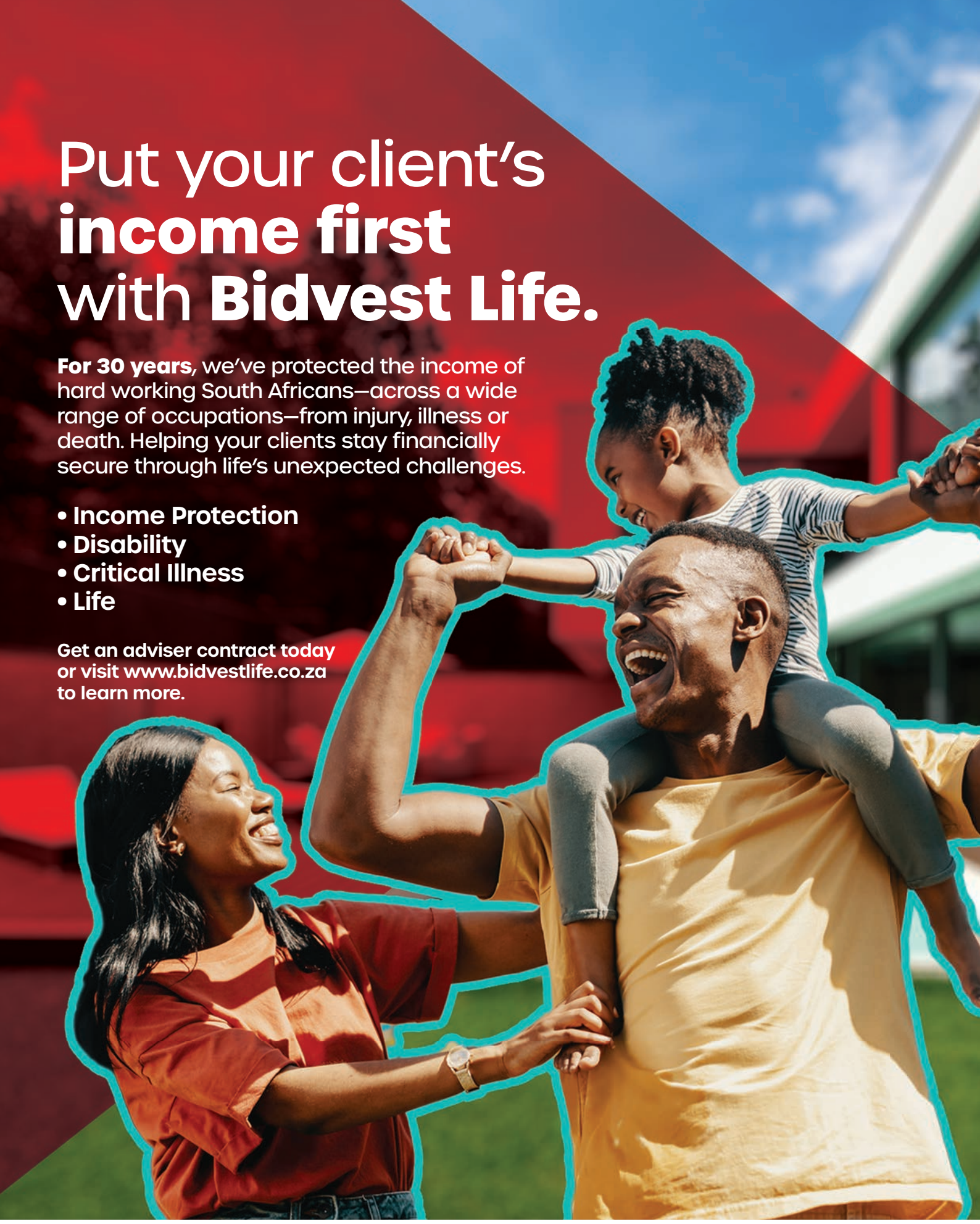


When life happens, we show up.

Bidvest life

momentum
life insurance

LEADING THE WAY:

Momentum Life Insurance's **digital fitness assessment** reshapes life insurance and adviser conversations

Momentum Life Insurance is leading the way globally with a groundbreaking, world-first digital fitness assessment integrated into its LifeReturns® screening – a comprehensive digital health assessment tool that evaluates multiple health risk factors to determine personalised premium discounts. This technology-driven advancement represents a significant leap forward in underwriting, offering more accurate, dynamic risk assessments and rewarding clients who actively take ownership of their health.

Momentum's breakthrough: A digital step change in fitness-based underwriting

While VO_2 max has been part of Momentum's underwriting considerations for many years, the real game-changer is the digitalisation of the fitness assessment within the LifeReturns® screening.

Now, clients can complete a scientifically validated fitness assessment on their smartphone using LifeReturns® screening – no wearable devices, gym visits, or specialised equipment required. This digital innovation enables real-time collection of fitness data, streamlining underwriting and making health-linked life insurance discounts more accessible.

It's a world-first in terms of implementation at scale, and it's already driving measurable results. 'We're not just talking about innovation – we're delivering it,' says Stephen van Niekerk, Executive Head of Momentum Life Insurance at Momentum. 'This technology allows us to assess client health more fairly and accurately, rewarding those who are actively managing their wellbeing.'

Building on more than a decade of fitness data expertise

This development places Momentum at the forefront of innovation in life insurance. Building on over 20 years of experience using fitness data (initially based on steps, events such as races, and later VO_2 max through our wellness and rewards programme), this development simplifies and scales delivery through digital innovation – reinforcing Momentum's leadership in wellness-linked life insurance discounts.

VO_2 max: Why it matters to life insurance advisers

VO_2 max, or maximal oxygen uptake, measures the maximum amount of oxygen a person can use during intense exercise. Traditionally a tool for athletes and medical professionals, VO_2 max has gained increasing relevance in life insurance underwriting due to its strong correlation with mortality and morbidity risk.

A landmark 2018 study published in the Journal of the American Medical Association (JAMA) showed that individuals with the highest cardiorespiratory fitness had an 80% lower mortality risk compared to those with the lowest levels. Similarly, research published in the European Heart Journal in 2021 found that even a modest 1 mL/kg/min increase in VO_2 max corresponded with a 9% reduction in cardiovascular disease risk and a 4% decrease in all-cause mortality.

These findings signal a clear shift in risk assessment – moving beyond static measures like BMI or smoker status to dynamic, lifestyle-linked data points such as VO_2 max.

What Momentum's data reveals

During the recent first LifeReturns® digital reassessment season using the digital activity based fitness assessment, over 85% of the clients that participated achieved average or above average fitness levels. These individuals recorded an average VO_2 max of 43 – indicating a significantly higher fitness level than the general population. It is worth noting that the clients who completed the assessment likely represent a more fitness-engaged segment of the base.

Momentum's actuarial modelling, drawing on years of our wellness and rewards-linked fitness data, estimates that clients with high VO_2 max levels experience around a 30% reduction in mortality risk, often more. This reinforces what global research has been showing for years – fitness is one of the most powerful predictors of longevity.

'Small improvements in VO_2 max can make a big difference,' adds Van Niekerk. 'This not only benefits clients but also empowers advisers to have deeper conversations around health, wellness, and financial protection.'

Wearables, technology, and underwriting: the future is here

Wearable devices like smartwatches now estimate VO_2 max through continuous heart rate and activity tracking. According to a 2021 whitepaper by the Reinsurance Group of America (RGA), such metrics derived from wearables offer insurers dynamic and personalised health insights, enhancing risk assessment and claims prediction models.

Momentum has been incorporating VO_2 max in underwriting for over a decade, but the shift to a fully digital, smartphone-based assessment makes these insights more accessible and actionable than ever before.

What this means for advisers

Advisers can leverage this technology-driven evolution to:

- Facilitate more meaningful underwriting conversations, encouraging clients to engage with fitness data to unlock better life insurance terms and discounts.
- Educate clients on how everyday health efforts can influence long-term financial and health outcomes.
- Deepen client engagement by positioning themselves as partners in holistic wellbeing – not just life insurance providers.
- Promote better persistency as engaged clients see the value of maintaining their health and fitness alongside their life insurance.
- Offer clients life insurance products priced more accurately, reducing the risk of future premium changes.

Conclusion: From innovation to impact

Momentum Life Insurance's world-first digital fitness assessment is more than a technical achievement – it is a transformative tool that reshapes how life insurance is underwritten and priced, as well as how advisers engage with clients.

'Life insurance is evolving,' Van Niekerk concludes. "It's no longer just about preparing for the worst; it's about helping clients live longer, healthier lives. Our digital fitness assessment is a powerful step forward in making that vision a reality."

"Momentum has been incorporating VO_2 max in underwriting for over a decade, but the shift to a fully digital, smartphone-based assessment makes these insights more accessible and actionable than ever before."

momentum.co.za

PHASED RETIREMENT IN SOUTH AFRICA

Traditional retirement planning in South Africa treats retirement as a "hard stop". You accumulate wealth until a certain age, enjoy your retirement party, and then live off your nest egg. But with the average life expectancy now exceeding 67 years - and many citizens living well into their 80s and beyond - this model is rapidly losing its footing.

Rising healthcare costs, extended family obligations, and increased life expectancy demand that we rethink retirement as a gradual glide path rather than a single leap. For the modern South African, "retirement planning" can no longer be boxed into a binary save-then-stop-working model.

Living longer

While our increase in life expectancy is a triumph of public health, it brings new pressures. The traditional idea of funding a 20-30-year retirement without active income is, for many, no longer feasible. That's especially true in a country where household savings rates remain low and unemployment remains high.

Advisers are seeing this reality first-hand. Clients are asking, "Can I really afford to stop working completely?" Often, the answer is no, not just for financial reasons, but also for psychological and social ones.

Health is wealth, but it's also an expense

While some South Africans are covered by private medical schemes, many rely on the public system to address their health concerns. Ageing brings higher medical needs, and these are seldom fully accounted for in traditional retirement planning.

Beyond the cost of medicine or hospitalisation, there's the issue of quality of life. Remaining active and engaged in meaningful work, even part-time or on a freelance basis, has been shown to support mental and physical well-being.

This strategy allows income to continue flowing while also drawing down savings more slowly. Many retirees also continue to financially support children, grandchildren and even siblings, which often stretches retirement resources thin, making it essential for many to find ways to preserve their earning potential for longer.

Empowering clients with phased retirement

Rather than setting a single retirement date, we can empower clients to choose a more sustainable and effective staged model that aligns asset allocation and income generation to their evolving needs and life phase.

During their pre-retirement years, as their full-time or typical working years draw to a close, clients aged 55 should shift their focus from growing savings to protecting what they've built and preparing for regular income withdrawals.

As industry professionals, we can guide clients to shift some growth investments into balanced, moderate-risk portfolios that combine shares, bonds, and cash to reduce short- to medium-term market risk. They should also set aside enough in low-risk, short-term investments - like money market funds or short-dated bonds - to cover three to five years of living expenses. This "cash ladder" helps avoid selling during market downturns.

As clients begin easing into semi-retirement around age 60–65, they'll need both income and growth. A practical strategy is to divide their savings into three "buckets" based on when the funds will be needed. Individual advice remains essential, as investing is never one-size-fits-all.

For example, one "bucket' can focus on the short term, with cash and high-quality fixed-income funds to cover immediate expenses. Another "bucket" can focus on the medium term, with a balanced portfolio with a mix of local and offshore shares and bonds to keep pace with inflation. Finally, a long-term bucket can prioritise higher-equity funds or property to ensure their money can last into very late retirement.

In advanced retirement, most clients' downward risk has been managed, and they can shift remaining funds into solutions that guarantee income for life. Retirees can consider transferring leftover savings into deferred annuities that start paying out later, for example, at 80, to cover the risk of outliving their capital.

Encouraging clients to view retirement in stages - pre-retirement, active retirement, and assisted retirement - can help them enjoy a better quality of life in their later years. Retirement is no longer a finish line, but a spectrum that requires thoughtful, responsible planning.

Betty Masemula
Managing Director
Workerslife Assurance Company

GEN X VS BABY BOOMERS – what financial planners need to understand

Right now, most Gen Xers (born 1965 to 1980) have yet to retire, whilst most Baby Boomers (born 1946 to 1964) will already have retired. What these two broad generations have in common is that they straddle the difficult times when people need to transition from full-time work into retirement.

While there are similarities in how their finances should be planned, key differences also exist. This article explores the key issues financial planners face when working with each generation.

Gen X: the biggest role a financial planner can play

Gen Xers will be in their peak earning years, and one of the biggest roles a financial planner can play is to help them increase their savings, rather than spending all of their income on lifestyle improvements. This is also a time to educate people about the potential financial scenarios they will face at retirement so that they can use their remaining working years to prepare as well as possible for their coming retirement.

Whilst individual circumstances and needs differ, this is also a time to review life insurance needs versus savings priorities, because growing savings will tend to offset some (seldom all) of the need for life insurance to support dependents. As retirement approaches, it is also time to begin considering the investment strategy for savings. This will be influenced by the future choice of annuity as well as the specific risk profile of the individual. This may be a good time to consider a smoothed or guaranteed investment option for their retirement savings, which can balance the need for real investment growth while protecting their savings against market risks.

When Gen Xers and Baby Boomers are on the cusp of retirement, it is a time fraught with risks and difficult decisions. This is possibly the most important time for a financial planner to help these individuals. Besides helping with finances, they may also be called on to offer support for people going through this tough transition in their lives.

The most important guidance will be to help these individuals create financial structures that will affect them for the rest of their lives in retirement. Ideally, they should have some cash reserves, which can be facilitated with the R500k tax-free allowance from their retirement fund benefit. Their annuity choice should also take into account the need for an income that lasts their whole life, as well as accommodating their essential spending needs. Financial planners should resist the natural urge by people to focus on the present and should attempt to guide them to make the best long-term choices.

The guidance Baby Boomers need

For Baby Boomers in retirement, much of the guidance they will need will revolve around maintaining a suitable investment strategy and drawdown rate in a living annuity, if they have opted to use one as part (or all) of their annuitisation strategy. One of the biggest dangers for a living annuitant is running out of money later in life.

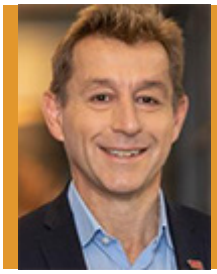
Most people think they will live shorter lives than statistics show they typically do, and planners need to remind people that their

savings may need to last much longer than they think. One excellent way is to transfer a portion of the assets, sufficient to secure a minimum level of income for survival, into a guaranteed annuity before the asset levels in the living annuity become too low. In terms of the investment strategy, it is important to help individuals find a balance between investing overly aggressively and overly conservatively.

Many people may feel anxious about markets and choose investments that are far too conservative, or they may become desperate as the asset values run down and try to make wild bets in the market. Neither is a good solution, and a planner can play a critical role in helping individuals maintain a suitable strategy.

A solid financial plan

In closing, a solid financial plan is crucial for those nearing or in retirement. Financial planners not only guide the planning process but also provide reassurance during turbulent markets like those we've seen in recent years.



Hugh Hacking
Executive: Structured Investments and Annuities
Momentum Corporate

MEDICAL SCHEME FRAUD: be part of the solution

Imagine a portion of your clients' monthly medical scheme contribution ending up in the pockets of criminals, rather than funding their healthcare.

Unfortunately, this is the reality of medical scheme fraud, waste, and abuse (FWA), which costs the healthcare system in South Africa an estimated R22 billion to R28 billion annually.

FWA includes a range of activities that drain healthcare resources, ultimately harming everyone. Fraud is deliberately deceiving, like making fake claims or charging for unnecessary treatments. Waste refers to inefficient practices that increase costs without enhancing care. Abuse involves misusing services for personal gain.

The consequences of FWA are far-reaching:

- It drives up medical scheme contributions, making healthcare less affordable for everyone.
- Schemes are forced to allocate resources to fighting fraud instead of improving patient care, which reduces available benefits.
- Ultimately, the sustainability of and trust in the entire healthcare system are eroded.

Combating fraud requires collaboration between schemes, advisers, members, healthcare professionals, and hospitals.

Non-disclosure

Both healthcare providers and members can commit fraud, especially during enrolment, by withholding information necessary to apply underwriting and risk management. Members must disclose:

- Any medical conditions treated in the 12 months before joining, even if not yet diagnosed; and
- Any planned treatments for the following 12 months.

Some schemes assess risks by investigating requests for authorisation, specialist referrals, or pregnancy benefits in the first year of membership. Failure to declare a condition results in treatment denial and membership cancellation.

Corrosive to trust and reputation

Medical scheme advisers are responsible for helping their clients navigate the complexities of the healthcare system. When a client engages in fraudulent behaviour, like failing to disclose pre-existing conditions, it can reflect poorly on the adviser's reputation. The resulting investigations, legal battles, and harm to business can also have a negative impact on overall well-being.

Preventing fraud: the adviser's role

Advisers can help prevent fraud, particularly non-disclosure of pre-existing or newly diagnosed conditions, by following these tips.

1. **Educate and inform.** Clearly explain the importance of accurate information and the risks of non-disclosure.

2. **Ask detailed questions.** Discuss past and present medical conditions with clients. For example, are they taking supplements or over-the-counter medication linked to deficiencies or chronic issues? Was your client previously diagnosed with a high-risk condition but then stopped taking their medication? This can result in a higher risk for the scheme than a client who takes their medicine every day. After being diagnosed with a chronic condition, did your client adopt a healthier lifestyle? They still need to declare the condition. Are they planning or suspecting a pregnancy?

3. **Review applications carefully.** Scrutinise applications for inconsistencies and omissions. Help clients complete medical questionnaires thoroughly, including details of past consultations, diagnoses, or treatment.

4. **Guide through disclosure.** Assist clients in updating their records promptly if conditions arise after application.

5. **Understand scheme policies**. Different medical schemes have different underwriting models and fraud policies. Stay informed to give the best advice.

6. **Beyond non-disclosure.** Stay updated and educate clients on common fraud practices like over-servicing, false claims, and identity theft. Explain to them how to report suspected fraud anonymously.

7. **Take a stand and report fraud.** If you suspect fraud or non-disclosure, report it through the medical scheme's fraud reporting channels.

Building a trustworthy future together

As financial advisers, you're not just selling products - you're helping to ensure fair and sustainable healthcare. By actively preventing fraud and promoting responsible behaviour, you safeguard your clients and enhance your reputation while helping to build a healthcare system we can all trust.

Andaleen Krieg
Manager:
Forensic Investigations
Medihelp

Alternative does not mean risky

PAUL COUNIHAN
Managing Director
Wealth and Investments
Fedgroup

> Advisers should evaluate offerings on the strength of governance and transparency rather than exotic labels.

Alternative investments have long been viewed as the financial equivalent of a lawless frontier, exciting, unpredictable, and free of regulation. The truth could not be more different.

In South Africa, the compliance landscape around alternative assets have matured into a rigorous framework that is underpinned by stability and transparency. Compliance is, in essence, the formal processes, procedures, and controls that govern the asset class or asset strategy. These principles are mandatory, whether or not a regulatory body demands them.

Some misconceptions are that if a product lives in the alternative space, oversight doesn't apply. In reality, the vehicles and providers facilitating alternative investments are subject to stringent standards. Fedgroup, for example, offers agricultural and renewable-energy assets through robust internal governance controls. Currently alternative assets are not regulated, and the observance of compliance principles is left up to the provider. We have always treated these principles as non-negotiable, no matter the asset class.

Due diligence in the alternative space

Due diligence is far more than a marketing slogan; it is a gatekeeper. Every prospective investment undergoes environmental, legal and financial assessment, third-party valuation and review by an independent operational risk committee.

With regard to alternative assets and investing therein, Fedgroup for example, steers clear of unclear land rights, weak governance structures or insufficient environmental impact controls, any one of which can halt a project in its tracks. The truth is that the nature of the asset is no more or less risky than traditional assets, once properly managed, understood and with the same compliance rigour attached.

New regulations on the horizon

The forthcoming Conduct of Financial Institutions (CoFI) Bill promises to consolidate myriad regulations into a single code with an emphasis on client outcomes, suitability of advice and enhanced governance standards. Historically hedge funds weren't regulated and much like the recent formalisation of crypto-asset regulation, this shift will impose fresh compliance obligations on the alternative investment sector. It is understood that alternative asset management will soon become more regulated, much like crypto, and then compliance practices will be more regulated and measured. Regulations protect both investors and providers of products.

Unnecessarily complex products usually include long-winded explanations and risk confusing retail investors. It is important to ensure that products are as simple and easy to understand as possible, including fee transparency. Training sessions can also ensure that advisers fully grasp strategic risk profiles and governance frameworks before presenting them to clients.

Asset managers and product providers have to consider whether they will participate in the retail market for alternative investments. Those that plan to do so need to establish the right fund structures and robust distribution processes and provide clients with support teams that have the right training.

Innovation should not compromise compliance

Specialist teams with deep sector knowledge can source unique opportunities, while independent credit committees and technology-enabled risk assessment tools can uphold compliance at every stage. People, planet and profit are not afterthoughts. These are hard-coded business initiatives that should be supported by systems. Providers need to assess their present capabilities. The process starts with baselining key processes aimed at risk management, ensuring compliance, improved reporting and client service. Those that apply leading-edge capabilities in these areas will manage and cope with greater compliance much more easily.

Far from being a barrier, compliance is a competitive advantage when done properly. It transforms niche strategies into storm-proof portfolio building blocks capable of delivering diversification, inflation-hedging potential and long-term stability. Advisers should evaluate offerings on the strength of governance and transparency rather than exotic labels. Although the financial services industry is already heavily regulated, compliance in the alternative asset realm will be welcomed, and after all, these frameworks are meant to protect both investors and providers, and therefore, I am fully on board. ●

Navigating uncertainty in financial decisions

WARREN BROWN
Head of Research
ThinkCell

> Knowing what you don't want refines decision-making.

Before making any financial move, investors grapple with key questions: will markets rise, fall, or stay flat? Are investments too risky? And perhaps the most pressing - should I invest now or wait?

These uncertainties shape every decision, especially in today's unpredictable economic climate. Investors look to experts for answers, and their decisions depend heavily on the outlook for economic and financial markets.

Investment outlook framework

The framework below helps interpret these outlooks and supports more meaningful conversations between experts and clients.

1 **An uncertain future and size** - Outlooks in economics and finance have no certainty - only degrees of uncertainty. We classify outcomes as likely or unlikely, or as having probabilities above or below 50%. NATO and other intelligence agencies use similar methods. Attaching probabilities to future outcomes defines risk. Imagine an analyst suggests a 30% probability of a market rise, 60% of a decline, and 10% sideways. The probabilities must total 100%. Worrying about these probabilities should highlight downside risks more than just chasing gains.

In uncertainty (or ambiguity), people tend to assign equal probabilities to all outcomes. But expert research typically produces unequal probabilities - these are more useful for making informed decisions. The size of the outcomes matters. A 1% decline is more concerning than a 10% decline. Using the earlier example with expected outcomes of +20%, 0%, and -5%, the expected return, after multiplying by probabilities, is +3%. Despite the likelihood of a decline, the expected return is positive.

2 **Our diaries are important** - Outlooks must have distinct time horizons! Just like distant memories blur, so do expectations for longer-term investments. Long-term outcomes are vaguer, less probable, and often grouped (e.g., "high road," "low road"). Short-term outcomes are fewer and more defined. Short-term outcomes attract more exploitation, while long-term ones attract more exploration. But when grouped, long-term scenarios are supported by collation of information, they become more exploitable.

3 **Whimsical outlooks** - Beware of spin: many skilled professionals shape public views of outlooks. Most investors don't have the time or tools to sort through that clutter. A key distinction helps filter noise: is it a forecast or a prediction? Forecasts are based on historical data. They explore many outcomes and assign probabilities across time horizons. Predictions ignore history, focusing on present information and short timeframes. Forecasts rely on objective judgements; predictions depend on subjective interpretation of current information. Outlooks often combine both. Always identify limitations to each and their impact on the outlook.

4 **Avoiding bad ideas** - Knowing what you don't want can clarify what you do. This "negative discovery" helps avoid bad ideas. Even if you're unsure of what you want, tools like lygometry - the practice of identifying what you don't know - can guide you. Think of it as the dark matter of understanding. Exclude outlooks that don't align with your financial goals.

5 **Behave better and slow down** - Behavioural biases derail sound decision-making. Probability neglect bias causes us to miscalculate probabilities under pressure. Dread risk bias causes overreactions, like avoiding stocks after a crash. Avoiding even a few common biases can improve your decisions. People absorb information differently. A "3-day rule" gives space to reflect before acting. Also, stay flexible. Circumstances change. Evaluate your outlook and plan alongside your evolving needs and goals.

Understanding and navigating financial outlooks

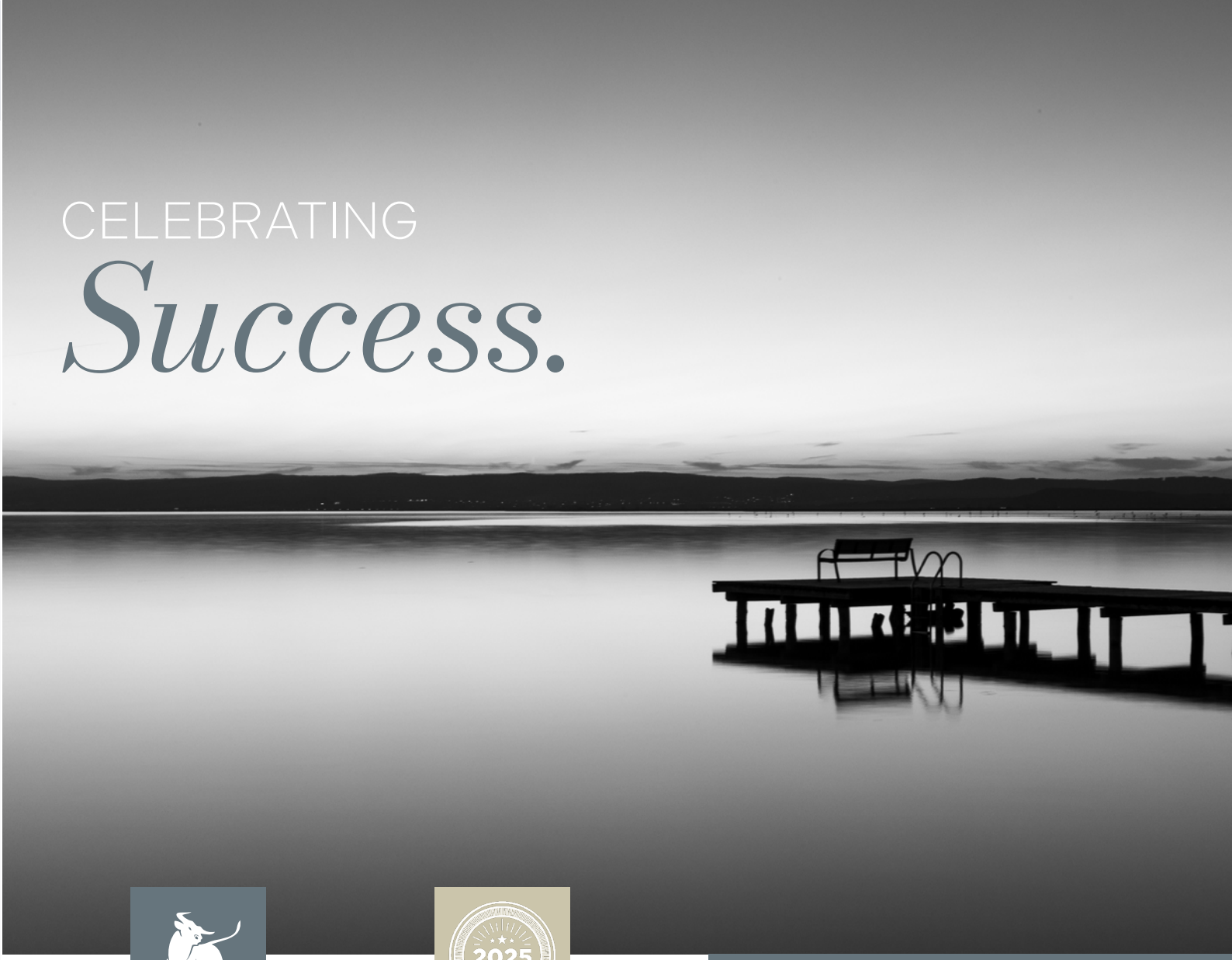
This framework helps clarify outcomes, their probabilities, and their time horizons. Sizes matter. Outlooks contain both forecasts and predictions. Understanding both improves interpretation.

Knowing what you don't want refines decision-making. Avoiding biases and allowing time to think leads to better decisions. Different investors may arrive at different "best" decisions, even with the same investment.

The FAIS Act (2002) requires financial service providers to ensure clients understand their products and services. This framework helps both experts and clients navigate financial outlooks more meaningfully and make smarter, more responsible decisions. ●

CELEBRATING

Success.



12

Consecutive
Raging Bull Awards

2

Fund Hub
Awards

MI-PLAN

If you have invested in global equity markets over the past decade, you will have benefited significantly and improved the value of your investment portfolio. With pride and humility, Thinkcell and its CIO Tony Bell have, in partnership with Mi-Plan and its clients, been recognised for their performance, earning 12 consecutive Raging Bull and 2 Fund Hub awards over the past ten years.

thinkcell
the essence of investing

Rethinking retirement income strategies in a shifting economy

Retirement planning isn't a one-size-fits-all process. With the economy consistently changing and interest rates (and markets) fluctuating, financial advisers are challenged to design income strategies that provide clients with stability and growth. Therefore, understanding the role of guaranteed annuities and inflation-protected solutions is more crucial than ever.

Between June 2023 and June 2024, long-term bond yields were consistently above 11.5%, even breaching 13% twice. After June 2024, yields dropped to between 10.5% and 11%[1]. Even at these relatively lower yields, these conditions are still favourable for individuals considering a guaranteed life annuity. For example, if a 60-year-old male purchases an annuity with R1 million today, he can expect an income payment of around 11% of his purchase amount in the first year from a level annuity, which offers higher initial payouts, or 7.5% from an annuity with 5% annual increases, which helps maintain long-term purchasing power[2]. The decision between these options depends on factors like life expectancy, lifestyle goals, and inflation.

While a level annuity offers a higher starting income, its real value can shrink dramatically over time. An annuity where the income increases by 5% or 7% a year can help protect purchasing power, ensuring that income remains valuable as costs rise.

One of the biggest risks clients face is losing purchasing power over time due to inflation. If inflation is at 6%, the income from a level annuity could lose more than half its real value in 15 years. Choosing a 5% yearly increase helps protect the income against inflation and maintains spending power for longer. Even better, opting for a 7% escalation or linking increases to the Consumer Price Index (CPI) can further preserve income and boost real spending power over time. When planning for retirement, it's important to look beyond just the initial payouts and focus on long-term financial security and a comfortable lifestyle.

Finding the balance: income and capital protection

People often worry about running out of money or not getting back what they originally invested. Adding a guarantee term helps reduce these worries by offering income protection and ensuring a certain payout period, regardless of how long the person lives. A level annuity with a 10-year guarantee ensures that even if the person passes away early, payments will continue to a beneficiary for at least 10 years. An annuity with an increasing income usually needs a longer guarantee period, around 15 years, to provide similar capital protection while allowing for future income growth. Over time, an annuity with an increasing income can pay out more, sometimes exceeding R4 million from a R1 million purchase during a long retirement. This highlights the need for careful retirement planning that balances short-term income requirements with long-term financial security.

The evolution of retirement solutions

For those looking for both steady income and a way to leave something behind for their loved ones, the Capital Protector offers a valuable solution. This option ensures that the initial purchase value remains intact by combining a life annuity with a life cover product that does not need underwriting. People benefit from a stable and predictable monthly income while also securing a financial legacy for their beneficiaries for a monthly premium. The initial purchase amount can be passed on tax-free, making it a great option for those who want both income security and estate protection.

TAX IMPLICATIONS

Tax implications play a key role in retirement planning, and they are often overlooked. Different annuity options have varying tax and inheritance consequences.

- **A life annuity can leave remaining income to beneficiaries if the person dies during the guarantee term, but the value decreases over time.**
- **A living annuity offers flexibility but is exposed to market risks and could run out if withdrawals are too high.**
- **The Capital Protector ensures a steady income while preserving capital for beneficiaries, with the added advantage of tax-free payouts upon death.**

Understanding these differences helps retirees make smarter financial choices that align with their personal and family goals.

Navigating today's retirement landscape requires a thoughtful approach. Advisers should focus on three key principles:

- **protecting against inflation by structuring income to handle rising costs;**
- **customising guarantee terms to suit individual client needs; and**
- **exploring hybrid solutions that combine guaranteed income with:**
  - **legacy planning; and**
  - **market exposure.**

Advisers can help clients make smart decisions for a secure retirement by using modern financial tools and data-driven insights.

The future of retirement planning depends on flexible, resilient strategies to give clients the confidence to retire comfortably, no matter what happens in the economy.

For more information on investment and retirement solutions and how you can bring personalised certainty to your clients' retirement income planning, visit our website: https://www.momentum.co.za

■ FAREEYA ADAM
CEO of structured products and annuities at Momentum Wealth

[1] Bloomberg, 13 February 2025
[2] Momentum Wealth, quote 17 February 2025

How to use the rule of thumb to stretch retirement savings

MARTIENS BARNARD
Marketing Actuary
Momentum Wealth

> It is clear that the amount of money needed can become astronomical very quickly and many people will have to break the rule of thumb.

A rule of thumb is a general principle or guideline based on practical experience rather than a strict law or scientific proof. It's used to make quick, approximate decisions when exact information isn't available or necessary.

Budgeting and saving

In finance, a common rule of thumb for budgeting and saving is to "save at least 20% of your income".

There is such a rule of thumb for people with a living annuity, yet like the savings rule, it is sometimes difficult to achieve.

The rule is, "if you want your living annuity income to last 25 - 30 years while keeping up with inflation, your withdrawal rate should be no more than 4% to 5% of the capital amount when you retire".

What's not immediately obvious is that this rule essentially includes an underlying assumption about returns. When using a simplistic inflation assumption of 5% on the income amount, you can calculate that for an initial 5% withdrawal rate, you would need an 8.2% net of fee return to maintain your income for 25 years.* This does seem like a realistic long-term rate of return. The same calculation can be done for each level of drawdown (as shown in the table below).

Income drawdown	3%	4%	5%	6%	7%	8%
Required return	4.3%	6.4%	8.2%	9.8%	11.2%	12.6%

Source: Momentum Investments, May 2025

Maintaining the intended income stream

This tells us why the rule is at 4% or 5%. Moving to an income drawdown of slightly over 6%, you would, for more than two decades, need double-digit returns after fees to make this equation work. These levels may not always be achievable, but in reality, it may not always be avoidable.

Drawing an income of only 5% (and that will still be taxable) from your living annuity means you would need a R2 million living annuity to get a starting income of R100 000 per year, or R8 333 per month.

Living annuity market value	Annual starting income at 5%	Monthly starting income at 5%
R2 000 000	**R100 000**	**R8 333**
R4 000 000	R200 000	R16 667
R6 000 000	R300 000	R25 000
R8 000 000	R400 000	R33 333
R10 000 000	R500 000	R41 667
R12 000 000	R600 000	R50 000
R14 000 000	R700 000	R58 333
R16 000 000	R800 000	R66 667
R18 000 000	R900 000	R75 000
R20 000 000	R1 000 000	R83 333
R22 000 000	R1 100 000	R91 667
R24 000 000	R1 200 000	R100 000

Source: Momentum Investments, May 2025

It is clear that the amount of money needed can become astronomical very quickly and many people will have to break the rule of thumb. They will have to draw more than the guideline of 4% or 5%, implying that they may need a 10% or much higher return from their market-linked funds to maintain the intended income stream.

An easier way to achieve the rule of thumb

There is a way to make it easier to achieve the rule of thumb. Momentum Wealth's Guaranteed Annuity Portfolio (GAP), for example, pays a guaranteed income for as long as your client lives, thereby protecting a portion of their retirement income. Unlike the traditional market-linked components that are used in living annuities, the GAP "return" is not linked to the market, as its income payments are guaranteed for life.

The levels of income that you can lock into in the GAP are generally high, and it enables clients to draw a higher level of income from their living annuities without increasing the underlying

required return needed on their market-linked assets to maintain the income as shown.

As an example, a 65-year-old male, drawing a 5% starting income from a traditional living annuity, would be able to maintain his income (increasing by 5% per year) to the age of 90, should his market-linked assets provide a return, net of fees of 8.2% per year.

When allocating 50% of his portfolio to the GAP, that same man invested in the same market-linked assets performing at the same 8.2% per year, would be able to maintain a 7% starting income (increasing by 5% per year) to the age of 90 from his "hybrid" living annuity. ** In this instance, it is a 40% higher level of income.

This happens because with a R1 million GAP, the starting income of R7 468*** per month (that escalates at 5% every year), is just under R90 000 per year. If we think of this as a starting income of 9% (R89 616/R1 000 000), and we only needed 7%, it's easy to understand that we would only need to draw about 5% from the market-linked assets. This is in line with the rule of thumb and implies that an 8.2% net return on these market-linked assets would be sufficient.

Reimagine retirement income planning

Reimagine retirement income planning with a blended solution supported by a state-of-the-art investment tool called the Income Illustrator, a tool that transforms retirement planning from guess-work into a more precise data-driven analysis. For advisers, this means delivering advice that's not just informed, but personalised to each client's priorities. And clients no longer have to choose between the certainty of a life annuity and the flexibility of a living annuity – they can combine the best of both worlds. ●

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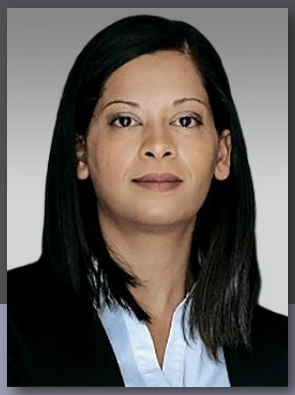
* *Potential changes to inflation and inheritance needs have been ignored for simplicity.*

** *These are calculations done on a specific example and will not hold for clients drawing excessive income from their living annuities.*

*** *The guaranteed rates of income that were available at the time of the research on a R1 million GAP.*



MYRA KNOESEN
Journalist/Researcher
FAnews

Navigating investment challenges in the age of AI and geopolitics

In today's fast-evolving global landscape, Artificial Intelligence (AI) and geopolitical events are playing a critical role in reshaping investment strategies.

FAnews spoke to **Shaun Krom, Chief Investment Officer and Portfolio Manager of Easy Asset Management**, who shared his insights into how these factors are influencing investment decision-making, portfolio management, and market opportunities. Krom highlighted how AI is being utilised to optimise investment processes, while geopolitical events are pushing investors to rethink their strategies for managing risk and seizing opportunities.

> While AI is revolutionising investment processes, geopolitical events continue to be a significant influence on global financial markets.

AI transforming investment strategies

AI is rapidly transforming the way investors approach market analysis and decision-making. AI tools significantly enhance the speed and accuracy of investment workflows, automating the analysis of large datasets, financial reports, and real-time sentiment monitoring.

Krom explains that at EasyEquities, AI is leveraged for detecting early market signals, scanning earnings calls, and even predicting risk scenarios. It also supports idea generation by screening news sources, financial statements, and other data for promising investment opportunities. AI tools play a critical role in sentiment analysis by interpreting unstructured data from sources like news outlets and social media. Additionally, AI is helping investors assess Environmental, Social, and Governance (ESG) factors, providing a more precise understanding of reputational risks and sustainability concerns.

The long-term impact of AI on investment strategies is expected to be far-reaching. Krom notes that industries closely linked to AI, such as cloud computing, semiconductors, cybersecurity, and automation, are set to experience substantial growth. Companies that successfully integrate AI into their business models are likely to outpace competitors, presenting significant opportunities for investors who can identify AI-ready companies.

AI's capabilities

Beyond technology, Krom highlights the need for massive computational power to fuel AI systems, which will drive growth in sectors such as data center real estate, GPU manufacturing, and renewable energy utilities. This diversification in investment opportunities is prompting portfolio shifts toward thematic exposures like AI-focused exchange-traded funds (ETFs) and digital infrastructure.

In fixed income markets, AI is enhancing credit analysis by helping asset managers identify early warning signs of issuer distress and improving the assessment of creditworthiness. Predictive models allow for dynamic adjustments of bond portfolios, optimising yields, duration, and risk exposure based on macroeconomic and market signals. Similarly, AI's predictive capabilities in commodities markets are providing deeper insights into supply and demand dynamics, helping investors make more informed decisions and manage volatility more effectively.

Navigating geopolitical risks in investment strategies

While AI is revolutionising investment processes, geopolitical events continue to be a significant influence on global financial markets. Trade wars, armed conflicts, and political instability introduce both short-term volatility and long-term structural shifts. For instance, the U.S.-China trade war accelerated supply chain decoupling, particularly affecting industries like semiconductors and AI.

As Krom notes, geopolitical risk has become an essential consideration for investors, who now use tools like the Geopolitical Uncertainty Index to track rising tensions and adjust their exposure accordingly. Emerging markets, especially those in regions like South Africa, are particularly vulnerable to shifts in global sentiment and capital flows driven by geopolitical instability.

To mitigate these risks, Krom recommends strategic diversification across asset classes, sectors, and geographies. This approach, coupled with the use of safe-haven assets such as gold and U.S. Treasuries, can help investors navigate the uncertainties introduced by

geopolitical disruptions. Krom also emphasises that, in the long run, investing in companies with strong business models, innovation, and large competitive moats will provide resilience against geopolitical shocks. Even amid volatile periods, these high-quality companies are more likely to weather challenges and continue to deliver solid returns.

Significant opportunities for investors

Recent geopolitical events have underscored the profound impact that global tensions can have on investment markets. The Russia-Ukraine conflict in 2022 triggered energy price shocks and inflationary pressures, which drove investors toward safer assets. Similarly, the ongoing U.S.-China tensions, exacerbated by tariff disputes and trade uncertainty, have put pressure on the tech and manufacturing sectors.

Krom also highlights other significant geopolitical events such as the AI chip export controls, Brexit, and regional conflicts like the Israel-Hamas war in 2023, all of which have led to heightened volatility in various asset classes. These events show how interconnected global markets are and the need for investors to stay agile in response to such disruptions.

Despite the challenges posed by geopolitical events, Krom sees significant opportunities for investors in sectors that are being disrupted by AI and global tensions. AI infrastructure and cloud computing companies, for instance, stand to benefit from the rising demand for data processing and storage capabilities. Similarly, the growing need for AI-driven solutions in cybersecurity and defense technology is creating a wealth of investment opportunities in those sectors. As geopolitical tensions rise, demand for defense and cybersecurity technologies has accelerated, particularly in regions with heightened security concerns.

Furthermore, the transition to renewable energy is being accelerated by both AI and geopolitical factors. The growing demand for AI-driven energy management platforms and battery storage solutions is opening new avenues for investment. Additionally, the increasing adoption of automation and robotics, driven by labor shortages and geopolitical risks, presents another attractive area for investors. Krom also points to opportunities in critical resources and supply chains, particularly in materials such as lithium and rare earths, which are crucial for the development of AI and green technologies.

Balancing risk and opportunity

One way investors can balance risk and opportunity in a market disrupted by AI and geopolitical events is through diversification. Krom recommends employing a barbell strategy that pairs high-risk, high-reward assets - such as frontier tech stocks - with more stable holdings like bonds and dividend-paying stocks. This approach helps smooth returns during periods of volatility. Krom also advises investors to use risk management tools such as scenario analysis, volatility targeting, and regular portfolio reviews to assess their exposures and make informed adjustments when necessary. The goal is to stay disciplined, focus on fundamentals, and avoid reacting impulsively to market fluctuations caused by geopolitical events or media headlines.

Looking toward the future, Krom highlights several emerging trends in AI and geopolitics that investors should be aware of. AI is now at the center of geopolitical competition, with the U.S., China, and other nations investing heavily in domestic AI capabilities, semiconductors, and talent. This trend is driving fragmented global tech ecosystems and creating opportunities for investors in AI infrastructure and domestic chip manufacturing. Meanwhile, shifting geopolitical alliances and the rise of "friend-shoring" are reshaping global supply chains, with countries like India, Mexico, and Vietnam emerging as key manufacturing hubs. Krom also points to demographic shifts, such as aging populations in developed markets and youthful populations in emerging markets, as a potential source of investment opportunities in sectors like healthcare and education.

Building resilience against future disruptions

As AI continues to evolve and geopolitical tensions remain a global concern, Krom believes that staying informed and regularly reviewing investment portfolios will be crucial for building resilience against future disruptions. He encourages investors to adopt a proactive approach by integrating AI tools to monitor market developments, leveraging sentiment analysis, and adopting a thematic investment approach to sectors poised for growth in response to these technological and geopolitical shifts.

By embracing AI-driven investment strategies and staying vigilant to global geopolitical developments, investors can better navigate these disruptions and position themselves for success in an increasingly complex world. ●

> "The increasing adoption of automation and robotics, driven by labor shortages and geopolitical risks, presents another attractive area for investors."

Man vs. machine: AI in the investment process

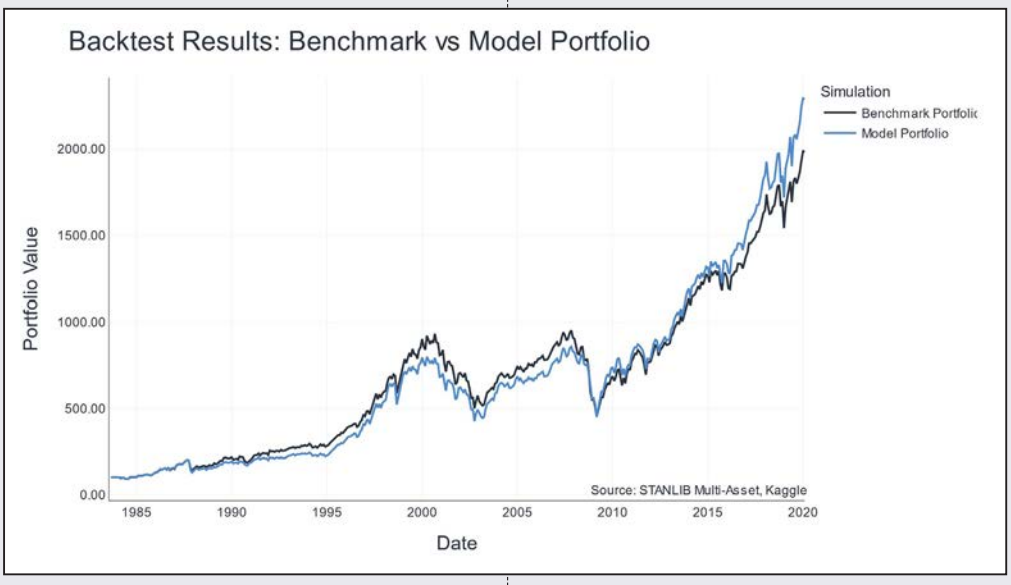
STANLIB
Asset Management
Multi-Asset

In a world of Artificial Intelligence (AI), investment professionals shouldn't be replaced, but clients should demand more from their managers.

Poking the bear

Since ChatGPT was released, there has been a chorus espousing the downfall of fund managers. Over Christmas, we constructed a pure-quant model using only ChatGPT, and the results were surprisingly good! Using monthly data from July 1983 to January 2020, the model outperformed the S&P 500 in a back test.

> Without sufficient data, models can easily overfit, appearing successful in back tests but failing to generalise to new data.



We use 'surprising' because the data is entirely spurious[1] with its key 'features' including derivations of ice-cream sales, methane output and sunspots. What we are observing is more likely not a remarkable, yet unpublished, economic causal relationship between Häagen-Dazs and the S&P 500, but a case of spurious correlation, where AI is looking for statistical relationships, but they lack logical foundations.

Broadly, when applied to investment management application of data-mined AI models, they have two fundamental problems:

1. Lack of data; and
2. Non-linearities in small data sets.

When we say 'lack of data' let's consider that if we wanted to predict the S&P 500 return over a tactical window, the longest dataset readily available is the Shiller database going back to 1900[2]; fewer than 1 500 data points and hardly enough to gain confidence.

Especially when we consider that most financial relationships are what we call non-linear.

Machine Learning (ML) excels at identifying non-linear relationships in data. For instance, ice cream sales are not linearly related to temperature; they peak at a certain range and decline at extremes. AI's capacity to uncover these non-linearities is powerful, but it requires substantial data to establish statistical confidence. Without sufficient data, models can easily overfit, appearing successful in back tests but failing to generalise to new data.

Man-and-machine

While this experiment may seem dramatic, the lack of robust data makes it risky to rely solely on AI for investment decisions. However, we should not dismiss technology; significant investments have been made in understanding AI and its applications in investment management. In fact, we've allocated substantial resources toward AI research and remain extremely bullish on its potential in this field.

Let's outline some use cases:

- **AI analyst:** One example is the development of an in-house AI tool that acts as a co-pilot. This AI remembers all interactions

and generates nuanced, real-time analytical support.

- **Big data and resolution:** In the world of big data, we can achieve higher resolution by increasing the frequency of observations and reducing the time horizon. For scale, consider one year of data, or 12 monthly data points. If we increase resolution, we're looking at approximately 250 days, 2 000 hours, or 7.2 million per-second observations. With larger datasets, we can have more confidence in AI or ML models.

- **Man and machine collaboration:** The goal is to foster collaboration rather than confrontation. By using our real-world experience to guide model training, we can steer AI to test hypotheses that align with human logic and intuition.

Harnessing AI for smarter investing

In this précis we've distilled as much as we can; we hope you'll find the examples in the original richer and more fulfilling.

ML and AI will change the investment industry, but arguments that managers can be replaced by AI typically misunderstand real-world use of technology or are simulations that rarely pass a credibility test.

We remain extremely bullish on the prospects for productivity enhancement from AI. Our custom-built AI co-pilot has already begun improving team productivity. In the area of strategy development, AI tools enable the creation of more effective models, generate higher-quality insights, and do so at a pace that was not achievable just a few years ago. These tools also help deploy those insights into portfolios more efficiently than ever before. ●

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1 Data was spliced from different datasets at https://www.kaggle.com/datasets with monthly frequency.

2 Many long-term studies reference the Shiller database by Prof. Robert Shiller (https://shillerdata.com/) of Yale. For a broader global perspective see Triumph of the Optimists (2000) by Dimson, Marsh and Staunton who continue to update their dataset annually, but access is restricted.

> Machine Learning (ML) excels at identifying non-linear relationships in data.

Advice confusion: your financial plan delivers peace of mind, not your portfolio

GARETH STOKES
Stokes Media

If you are new to financial advising or source the bulk of your information from personal finance articles online, then you may be conflating key financial concepts.

One of the common misconceptions encountered by Certified Financial Planners (CFP®) is that clients believe the planner is there to manage investment portfolios rather than draw up holistic financial plans.

An important distinction

The distinction between 'financial plan' and 'investment portfolio' is important in a world where financial advice practices have evolved beyond product shops to focus on clients' long-term risk protection and savings outcomes. Clients rarely approach you for asset class selection or quarterly market forecasts; they turn to you to make sense of their life financial goals, to offer guidance in navigating life-stage transitions, and to draw up a flexible plan that gives structure to important financial decisions.

A financial plan is personal and strategic, whereas an investment portfolio is tactical and responsive. In this sense, a financial adviser or planner adds more value through holistic financial planning methodologies interwoven with coaching to help clients navigate challenges in areas like behavioural finance and emotion. Clients need your insights on complex matters like how to fund their children's education, when and where to retire, and how to pass a financial legacy to the next generation. These issues are not resolved through investment selection.

Outsourcing to the professionals

The fact that you partner with asset managers, Cat II Financial Services Providers (FSPs), Discretionary Fund Managers (DFMs), and platform providers to implement and monitor portfolios does not mean stepping away from financial planning activities. On the contrary, getting professionals to handle portfolio functions like asset allocation and diversification frees up your time to concentrate more fully on client relationships and hold clients accountable for reaching key financial milestones.

Remember, the financial plan is the foundation of the client relationship, built on real-life goals and supported by appropriate strategies to manage risk and opportunity. Financial plans offer stability through market volatility, while investment portfolio returns and values ebb and flow. The argument here is that a carefully thought-out financial plan acts as a buffer against the anxiety caused by financial market volatility. Clients who understand this are less likely to panic during downturns and more likely to stay the course.

What the experts say

Kobus Kleyn CFP®, a respected voice for the financial planning profession, reminds us that advisers are the custodians of their clients' financial plans. "We should never try to be wealth managers or asset managers for our clients' plans," he says. "We select who is going to make decisions about our clients' asset allocations and growth, but then we become passive, allowing the manager to actively manage the portfolio."

Advisers must help clients stay invested, guide them through financial market volatility, and ensure their clients do not react emotionally to global events. "The focus is on spending time in the market, not timing the market," says Kleyn. "When Trump or Ramaphosa makes a misstep, or when there is a war or correction, your clients should not be calling you in a panic. They should already know that the plan accounts for these events."

Client meetings serve as opportunities to revisit the plan and reaffirm your clients' goals. Rather than agonise over portfolio returns, you should re-centre the adviser-client conversation around progress towards the long-term financial targets set out in their plan.

The value of financial advice

One useful trick is to explain the difference between the various financial planning constructs early on. Your client should appreciate the subtle difference between portfolio and investment returns, and the financial plan and value of advice. They must understand that any minor adjustments to the investment portfolio are made to help achieve the financial goals set out in the financial plan, and do not represent a change to the plan itself. ●

> Client meetings serve as opportunities to revisit the plan and reaffirm your clients' goals.

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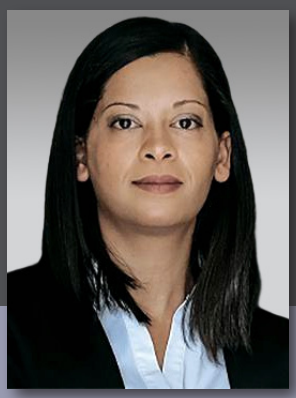
AI and geopolitics: the new frontiers for investors



MYRA KNOESEN
Journalist/Researcher
FAnews

> AI is significantly reshaping the investment landscape, a field traditionally driven by data and human judgment.

In today's volatile market, Artificial Intelligence (AI) and geopolitical events stand out as major disruptors reshaping the macroeconomic landscape. These forces are not only altering investment dynamics but also presenting new opportunities and risks for investors.

In an exclusive conversation with **FAnews, Nomzamo Manqele, Wealth Investment Specialist at Fedgroup**, shared valuable insights into the transformative role of ArtificialIntelligence (AI) in investment strategies, the impact of geopolitical instability on global markets, and the strategies investors can use to identify and capitalise on emerging opportunities in a world of disruption.

AI's influence on investment strategies

AI is significantly reshaping the investment landscape, a field traditionally driven by data and human judgment. According to Manqele, "Many portfolio and fund managers are now using AI to enhance investment strategies, as it can quickly analyse large amounts of data, help manage risks and suggest optimal investment approaches." She further explains that AI-powered tools have become more accessible, enabling faster and smarter decision-making. The technology is transforming how investments are managed, making decision-making processes more efficient, faster, and data driven.

Looking ahead, Manqele suggests that AI is expected to "further commoditise asset classes in the future, identifying top performers and patterns for optimal returns." This raises questions about the future role of analysts and asset managers if AI can predict the best investments. She continues, "With broader access to the same opportunities and asset classes, where will investors then find added value?" This growing challenge may be contributing to the demand for alternative investments that can spread risk and deliver inflation-beating returns, as different asset classes outperform at different times.

In contrast, Manqele highlights how authorised financial services providers with specialised knowledge in bespoke, non-commoditised, yet tangible asset classes can offer "the diversification needed to unlock real value and achieve more stable, long-term, inflation-beating returns."

Long-term effects of AI on asset classes

As AI technology continues to evolve, it is expected to have a profound impact on various asset classes and investment portfolios. Manqele notes, "One major change will be the increased use of automated portfolio rebalancing. AI can track how different investments are performing in real time and quickly adjust portfolios to match market conditions." This ability to react faster to market shifts can reduce risk and potentially increase returns. Furthermore, AI's improved capacity to analyse data and predict market trends may enhance the accuracy of investments, helping investors make better decisions.

Manqele also emphasises that AI's role in portfolio management will make it easier to build more diversified portfolios. "As AI improves, markets may become more stable, and both large and small investors could have more opportunities to grow their money," she explains.

Leveraging AI for emerging trends and opportunities

When asked how investors can harness AI to identify emerging trends and opportunities, Manqele highlights the power of machine learning algorithms.

"AI can track market movements, predict price shifts, and identify sectors with high growth potential." AI's ability to provide real-time insights into market changes, news, and global events allows investors to make informed decisions more quickly. Additionally, Manqele points out that AI can assist in optimising investment strategies, automating portfolio management, and assessing risk.

Geopolitical events and portfolios amidst risks

Geopolitical events, such as trade wars and political instability, have far-reaching effects on global financial markets. Manqele acknowledges that such events create uncertainty, often causing market fluctuations. "They may disrupt trade, increase risks, and affect investor confidence,"

she explains. In response, investors tend to adjust their strategies by diversifying their investments, focusing on safer options, or seeking out sectors less impacted by these events.

To mitigate risks associated with geopolitical uncertainties, Manqele recommends diversification as an essential strategy. "Diversification spreads your investments across different asset classes, industries, and regions," she explains. Certain sectors are less affected by geopolitical events, and exposure to these sectors can help reduce risk during uncertain times. Additionally, investing in alternative assets such as impact investing can help safeguard a portfolio in volatile times.

Opportunities and balancing risk in a disrupted market

In a market disrupted by AI and geopolitical events, Manqele advises investors to focus on sectors with high growth potential. "Investors should look for opportunities in AI technologies, cybersecurity, and green energy," she states. These areas are expected to thrive amid technological advancements and global challenges. She also suggests looking into defence technologies and emerging markets utilising AI, as these could offer substantial investment potential. Companies leveraging AI to improve manufacturing and supply chains may also present solid investment opportunities.

In a world increasingly shaped by disruption, finding the right balance between risk and opportunity is crucial. Manqele suggests a diversified investment strategy that takes into account regional and sectoral distinctions. "By embracing diversification, investors can better navigate this complex landscape to create more investment stability," she says, emphasising that diversification is key to ensuring success in an uncertain world.

Trends in AI, geopolitics, and resilient investment strategies

Investors should be attuned to the growing global competition in AI, particularly between the US, China, and the EU, which is contributing to regulatory divides. Manqele highlights the rise of open-source AI as a challenge to the dominance of private models, which will make AI more accessible. She also points to the increasing significance of AI in global politics, shaping military power and economic strength. Other trends investors should monitor include AI safety and governance, its impact on various industries, and the rising cybersecurity risks.

To stay resilient in the face of ongoing and future disruptions, investment strategies must be flexible and adaptable. Manqele recommends diversification across sectors and regions to help buffer against market downturns. Including alternative investments, which tend to behave differently from traditional stocks and bonds, is another crucial step in managing risk. "Correlation analysis plays a key role in risk management," she says, explaining that selecting assets with low or negative correlations can help balance portfolios, ensuring more stable, long-term growth.

Regulatory changes and ethical considerations

Regulatory changes in AI and geopolitical risks are shaping investment opportunities. Manqele notes that stricter AI regulations, such as data privacy laws, could limit market access but create demand for compliance solutions. Geopolitical risks like trade wars or sanctions can disrupt markets but also open opportunities in defence, cybersecurity, and renewable energy.

Manqele emphasises the importance of ethical considerations in investing. "Investors should think about fairness, honesty, and the impact on society," she advises. She stresses investing in companies that use AI responsibly, avoid biases, and ensure data security for long-term, sustainable success.

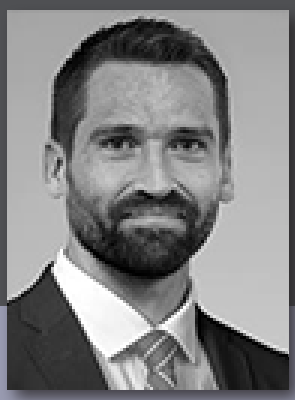
Practical steps for investors

Manqele encourages investors to stay informed about new technologies and global trends that could affect the market. She suggests using AI tools to analyse economic trends and predict market shifts, helping investors spot risks tied to geopolitical issues. "Spreading investments across different types of assets, regions, and industries can reduce risks, especially in unstable areas," she adds. By monitoring changes in regulations and global power shifts, investors can adjust their strategies to stay ahead of the curve.

In conclusion, despite AI's growing influence on investment strategies, Manqele stresses that sound financial advice remains indispensable. "A seasoned adviser provides the perspective and strategy needed that algorithms alone can't offer," she concludes. ●

> "Investors should look for opportunities in AI technologies, cybersecurity, and green energy,"

Trends in the adviser landscape from the Adviser Barometer 2024/2025



DANIEL VAN ANDEL
Head: IFA Proposition
Allan Gray

> Only 9% of firms have started using AI tools, but interest is growing, with 39% expressing curiosity and planning to explore its potential.

To continue creating value for clients over the long term and building an advice business that lasts, advisers need a comprehensive understanding of the environment in which they operate.

In April, Allan Gray released the *Adviser Barometer 2024/2025*, a study compiled in association with the Lang Cat, a UK-based consultancy. Based on nearly 600 responses from a diverse set of advice businesses who use the Allan Gray Investment Platform, the Barometer offers a nuanced view of South Africa's advice landscape - one that extends beyond traditional research into fund and platform preferences. While the report is in no way comprehensive of the entire South African financial advice landscape, it offers a relevant and valuable departure point.

The Barometer explores technology and regulation, fee models, staffing, and the future of advice practices. It also includes an international lens. The comparisons drawn to UK-based practices offer insight into the evolution of the advice profession elsewhere, including trends that could shape our path and differences likely to persist due to fundamental distinctions in our respective markets.

Firm structures, resourcing and efficiency

The report reveals considerable diversity in firm size and operating models, with the average firm having a team of seven people. Notably, the support staff-to-adviser ratio varies widely, signalling opportunities for more strategic practice management and better use of technology to boost efficiency.

Also speaking to the theme of potential untapped capacity within advice practices, the average adviser currently manages 155 clients. Some believe they can handle more, with the ideal number reported at 163. This is, however, already well above the ideal number of 119 reported in the UK, despite its more integrated adviser software landscape. It will be interesting to see whether technological advancements in our market can drive the ideal number up, or whether it will reduce as advisers come to terms with escalating compliance requirements and clients who continue to indicate a preference for in-person advice.

Speaking of technology, only 9% of firms have started using AI tools, but interest is growing, with 39% expressing curiosity and planning to explore its potential. Practical, easily implementable use cases remain limited at this stage, but that is bound to change.

Revenue models and a continued servicing focus

The report also surfaces key insights into adviser charging models. Ongoing asset-based fees remain dominant, with 48% of firms charging clients 0.5% annually, and with nearly half of the firms reporting no revenue from initial advice fees. Alternative models, such as hourly consulting-based fees or charging for the implementation of a plan, remain relatively uncommon, used by just 26% of respondents. Regulation can change this quickly, and some advisers expect their businesses to gravitate toward what we typically see in the UK, with two-thirds of revenue stemming from ongoing asset-based fees, and a third from various activity-specific charges.

In terms of client servicing, top-tier clients continue to receive the lion's share of advisers' attention, with an average of nearly five personalised engagements per year. The core offerings across most firms remain focused on investment and financial planning, including tax advice. However, softer services like behavioural coaching and life planning are yet to be fully embraced: only 40% of advisers see these as core, while 26% do not offer them at all.

Offshore advice that is locally led

Offshore investing continues to play an important role in client portfolios. Most firms engage in offshore structuring but remain largely comfortable servicing these assets from within South Africa. Contrary to the narrative, only 14% of advisers expect a quarter or more of their AUM to accrue to beneficiaries based abroad. It is, therefore, unsurprising that only 11% of firms are actively pursuing offshore licensing or the opening of overseas offices.

The future outlook

The financial advice profession faces challenges in attracting new talent (only 22% of respondents believe there is a clear career path for new entrants) and meeting the expectations of younger clients. In an environment where growth is expected, but margin pressure is mounting, how firms think about succession planning and adapt their models, not just their advice, will be key to long-term success and sustainability. ●

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Private equity and credit: the future of wealth-building in SA

TIVON LOUBSER
Head: Product Development
Grovest

> For South African investors, well-structured private equity and credit funds can improve portfolio diversification and long-term performance.

For years, retail investors have looked to the stock market as their main path to building wealth. These markets have had decades to mature, backed by strong regulatory frameworks and clear investor protections. By comparison, private capital in South Africa has mostly remained in institutional hands and is still relatively unfamiliar to everyday investors. But this is starting to change.

Globally, private capital is growing rapidly and becoming more accessible to retail investors seeking to diversify beyond listed shares. This shift is being led by some of the world's largest asset managers, including BlackRock, Blackstone, Carlyle and Vanguard, who are expanding their private market exposure and bringing scale and visibility to the asset class.

Private equity and credit in SA

South Africa is following suit. The local alternative investment space, especially private equity and private credit, is gaining traction. In 2022, South African private equity raised R19.6 billion in new capital, up 21% from the previous year, even as global fundraising slowed. Much of this is flowing into infrastructure, energy and property, reflecting growing investor interest and a maturing market.

However, with growth comes complexity. The compliance landscape remains fragmented, and regulatory scrutiny is rising. Private credit funds wanting to raise retail capital must understand new rules, manage disclosure obligations and maintain transparency.

Unlike traditional unit trusts, private equity and credit funds have operated in a relatively grey area. Most are structured as limited or en commandite partnerships and have not been subject to the same regulations as collective investment schemes. While managers are licensed under the Financial Advisory and Intermediary Services (FAIS) Act and monitored by the Financial Sector Conduct Authority (FSCA), the funds themselves have not faced direct oversight.

Licensing, disclosure, and oversight

This is set to change with the upcoming Conduct of Financial Institutions (CoFI) Bill, which aims to create a single, harmonised framework for financial services. It will introduce licensing for private fund managers and bring funds into a clearer regulatory scope. Navigating these changes while managing investor expectations will be a major challenge for the sector.

Transparency is another key area. Private funds report less frequently than public ones and often involve complex, illiquid assets. Under CoFI, managers will need to adopt clearer valuation policies and improve reporting. Risk disclosures must cover leverage, exit limitations and liquidity constraints. Helping investors understand the long lock-in periods will be essential for compliance and trust.

Beyond regulation, performance during market volatility is also important. Private equity and private credit have proven resilient in past crises and offer strong diversification. Over the past two decades, private equity has often outperformed listed equities in times of stress. During the COVID-19 shock, global private equity funds returned about 18%, compared to 2% for public markets. With locked-in capital, managers can avoid panic selling and support portfolio companies, contributing to lower volatility.

Private credit also performed well. In 2020, default rates on private credit loans stayed below 2%, about half the broader leveraged loan market. With senior secured positions and close borrower relationships, private credit funds protected capital while continuing to generate income. These features make it a reliable diversifier with low correlation to listed assets.

The long-term value

For South African investors, well-structured private equity and credit funds can improve portfolio diversification and long-term performance. They also offer access to sectors not well represented on the JSE. Recent Regulation 28 changes allow pension funds to allocate more to alternatives.

These investments do carry risks – they are less liquid, pricing is infrequent, and early exits are difficult. However, when used within allocation limits, private alternatives can offer both resilience and returns.

South Africa's private markets are entering a new phase. With regulation evolving and track records growing, advisers and brokers are well-positioned to guide clients through this space. Understanding the rules and how these investments behave during downturns will be key to unlocking their value. ●

CPD ARTICLE

Advisers face opportunities, threats as crypto assets enter the mainstream

GARETH STOKES
Stokes Media

> The message from the Twin Peaks regulators is clear: crypto assets are no longer outside the system.

As hundreds of Crypto Asset Service Providers (CASPs) begin eyeing the South African market, financial advisers and investors can expect heightened vigilance from the Twin Peaks regulators.

The Financial Sector Conduct Authority (FSCA) wasted little time bringing crypto assets into the regulated environment, with immediate consequences for intermediaries who give advice, facilitate trades, or operate platforms.

CASPs join the list of regulated institutions

In October 2022, the FSCA declared crypto assets to be 'financial products' under the Financial Advisory and Intermediary Services (FAIS) Act. As a result, any person offering advice or intermediary services in this space must be licensed or authorised.

The list of financial institutions subject to conduct oversight has since been expanded to include CASPs, who are now expected to meet the same minimum standards as providers of traditional insurance and investment products. To manage the transition, the FSCA gave CASPs a window between June and November 2023 to apply for authorisation. By 10 December 2024, the FSCA had approved 248 CASP licences.

You must distinguish between CASPs, who are licensed entities, and individuals who provide crypto asset advice under their FAIS licence. Anyone providing such advice must either hold a FAIS licence or operate as a representative of a licensed provider. These individuals must meet the usual fit-and-proper requirements, including holding a recognised qualification relevant to crypto assets. The FSCA has updated its list of qualifications to reflect this.

New CPD requirements

In addition, advisers authorised to provide crypto services must complete at least six hours of crypto-specific Continuing Professional Development (CPD) hours annually, in addition to their standard FAIS CPD obligations. These requirements were introduced through FAIS Notice 25 of 2023, which also provided for a transitional 18-month exemption from regulatory exams. The exemption applies only to key individuals and representatives of crypto-licensed FSPs, giving them until late 2024 to complete the relevant FAIS exams. Thereafter, the standard examination rules will apply.

The General Code of Conduct under FAIS applies in full, requiring crypto asset advisers to act with skill, care and diligence. They must provide adequate disclosures and consider whether a product is suitable for a client's financial situation and risk appetite. Crypto assets carry significant price volatility, and there is no recourse to the South African Reserve Bank (SARB) or other authorities if losses occur; clients must be made aware of this, and the adviser's process must reflect it.

Crypto assets are not recognised as legal tender in South Africa. They are not permitted within retirement funds or Collective Investment Schemes (CIS). They are treated as discretionary assets and should be positioned accordingly. Some regulated exposure is possible via listed Exchange-Traded Notes (ETNs), but these remain limited.

PA and SARB lead the way

At the prudential level, the South African Reserve Bank (SARB) and Prudential Authority (PA) are developing rules to govern institutional exposure to crypto. Banks and insurers are expected to maintain conservative positions, guided by international capital standards and risk limits. Exchange control reforms are also in progress. Treasury and the SARB have signalled that crypto may soon fall under foreign investment allowances and require reporting similar to other offshore financial assets.

Advisers must update their compliance processes to reflect the current regulatory position. This includes updating onboarding material, risk profiling questionnaires and advice records. Practices should verify that any crypto platform or partner they work with are licensed by checking against the list of approved crypto FSPs published by the FSCA. Documentation is critical. If a client complains about unsuitable advice or an undisclosed risk, the adviser's records will be the first line of defence.

Informed advice in a volatile market

The message from the Twin Peaks regulators is clear: crypto assets are no longer outside the system. If you are licensed to advise on crypto assets and transact with licensed CASPs, then you are ready to help your clients make informed decisions in a volatile market. ●

TIA THE INSURANCE APPRENTICE

The countdown begins – The Insurance Apprentice season launch

TELEVISION, TENSION & TALENT – IT ALL STARTS 17 JULY ON SABC 3

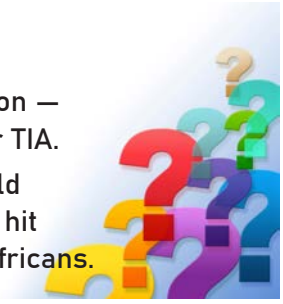
Countdown to TV:

- **Launch date: 17 July 2025**
- **Eight episodes**
- **Every Thursday**
- **19:00 on SABC 3**

What's new?

This is not just another season — it's a television revolution for TIA.

Expect real-time tension, bold personalities, and tasks that hit home with everyday South Africans.



WHERE IT'S ALL GOING?

Expect personal stories, career highs, team dynamics… it's not just about insurance; it's about life, leadership, and levelling up. This is the most human season yet. Our contestants don't just compete. They open up. They inspire.

Expect chaos. Expect brilliance. Expect curve balls that left contestants reeling and viewers asking: 'what would I have done?' **We turn up the pressure — and turn on the cameras.**

IT'S A WIN-WIN

This year one viewer will win **R50 000** cash (sponsored by Sasria) just for voting for their favourite contestant! The detail of all contestants will be hosted on the TIA website and this is where the voting will happen.

Win **R5 000** cash (sponsored by Auto & General) per episode for answering one question correctly. This will be run on the TIA social pages so make sure you follow us on Facebook, X and Instagram.

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GWII Trailblazers Leaderwalk:
THE POWER OF COLLABORATION

Gauteng Women In Insurance (GWII) hosted a Trailblazers Leaderwalk at iTOO, Villa Acardia.

As part of a new initiative, the Trailblazers Leaderwalk was designed specifically for future leaders in the insurance industry, offering a fresh perspective alongside the traditional Leaderwalks, which cater to upper senior management.

The event was centred around the powerful insights shared by our distinguished speaker, Ylaney Ramlall, Reinsurance Client Relationship Manager at Santam Re. With a keynote address, Ramlall led us through an engaging exploration of the power of collaboration and how emerging industry leaders can work collaboratively to accelerate personal growth and reimagine the insurance industry.

This talk also focused on how individuals can seek out mentors and sponsors, the importance of peer mentorship, and how collaboration across gender, race, age, and other factors enriches personal experiences and fosters innovation within the industry.

We thank our accelerator facilitators (below) for accepting our challenge to facilitate discussions:

- Asiya Swaleh, Fulcrum Group
- Christopher Appanah, Bryte Insurance
- Katlego Thaba, Deloitte
- Mandilakhe Madikane, Emerald Risk Transfer
- Shaazia Khan, iTOO Special Risks

A word of thanks

Once the session concluded, a cocktail hour with snacks and networking took place, offering attendees the opportunity to connect, engage, and empower each other. We were grateful to our main sponsor, iTOO Special Risks, co-sponsor Emerald Africa and complementary sponsor, Santam Re for contributing to the success of the event.

As the session came to a close, attendees left with new insights and a deeper understanding of collaboration, mentorship, and personal growth, thanks to Ramlall's inspiring guidance.

Thank you to all who attended!










GWII Leaderwalk:
MANAGING CHAOS AND ORDER

On May 8, 2025, Gauteng Women In Insurance (GWII) hosted a thought-provoking Leaderwalk session on Managing Chaos and Order at The Venue Green Park in Sandton. The event was centred around the powerful insights shared by our distinguished speaker, Huntley Smith, a Change Architect, Management Consultant, and Brazilian jiu-jitsu black belt.

Huntley led us through an engaging exploration of how chaotic and ordered environments impact both our external worlds and internal decisions. His keynote addressed the delicate balance between these forces and provided actionable strategies for understanding and leveraging chaos and order as catalysts for growth.

Breakaway sessions

We thank our facilitators (below) for accepting our challenge to facilitate discussions:

- Dirk van den Berg (O'Keeffe & Swartz)
- Karen Naidoo (OMART Insure)
- Lindsay Robertson (MUA Insurance Acceptances)
- Linroy Peters (Charter Risk Underwriting Managers)
- Lucian Carciumaru (Camargue)
- Philip Cronje (Aon South Africa)
- Roshael Hoosen (Hollard)
- Samantha Williams (FIA)
- Shevani Sookdeo (Lloyd's South Africa)
- Tebogo Baloyi (Bryte Insurance)

Thank you, sponsors and attendees

As the session came to a close, attendees left with fresh perspectives and practical tools to better manage chaos and order in their respective lives. Huntley's inspiring guidance provided valuable insights that attendees could immediately apply to their professional environments.

We would like to extend our gratitude to our main sponsors, Aon and Bryte, as well as our table sponsors, Camargue, Lloyds, and O'Keeffe & Swartz, for their contributions to the success of the event. Their support made this meaningful discussion possible, and we look forward to future sessions where we can continue to explore leadership and personal development.

A big thank you to Global Choices for generously sponsoring the beautiful flower arrangements, adding a lovely touch to the décor.

Thank you to all who attended.










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