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Motor insurance

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A grudge purchase at the best of times, motor insurance is on track to become a grudge sale by short-term insurers battling to make their industry's biggest line pay its way.

Insurers are assailed by a flawed market structure and premiums that are too low, says Ian Labram, head of Aura Motor, the fleet insurance arm of insurance broker Alexander Forbes's Guardrisk unit. The result, he warns, is an "unsustainable" motor insurance sector.

Illustrating his point was the sector's largest player. **Santam**'s motor insurance profit slumped from R498m in 2004 to a loss of R29m in 2009.

But don't blame criminals who, though still plying their trade, take a back seat to a host of other causes of claims devouring insurers' profits.

A far worse scourge than crime is the six out of 10 uninsured motorists we share the roads with, says Labram. Based on SA Insurance Association (SAIA) data, that's 5,7m uninsured motorists from whom, he stresses, recovery of costs is usually a fruitless and expensive exercise for insurers.

Labram says adding to the problem is an increasing percentage of inexperienced and unlicensed drivers. Department of transport (DoT) data indicates there are at least 1,5m of the latter.

Neglect of roads and work to restore them also take a toll in terms of higher accident frequency and windscreen claims, he says. This, he adds, is at a time when repair costs are increasing fast thanks to higher spare part costs, particularly those for imported vehicles, and rising labour rates. "An airbag on a cheap imported car costs up to a third of the car's value," says Labram.

Though there's no single solution to the insurers' dilemma, a big step forward would be compulsory third-party motor insurance, a solution SAIA is lobbying the DoT to consider.


WHAT IT MEANS

- Premiums too low to sustain the sector
- Uninsured drivers and bad roads drive up costs

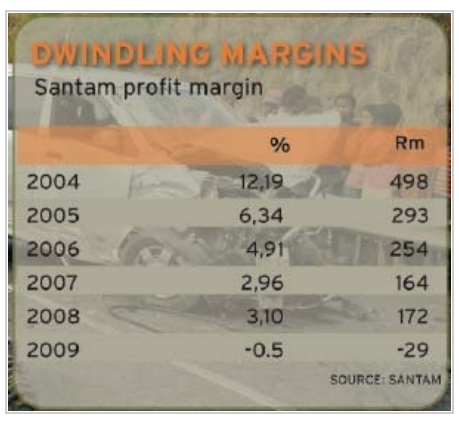
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RAND/EURO	9.4275	▲ 0.05%
ZAR/AUD CALC	6.5582	■ 0.00%
EUR/USD CALC	0.7438	▼ 0.01%
GBP/USD	0.6305	▼ 0.32%

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Management Tip

“ Help the “Hero” learn to delegate: “Under pressure to perform, rookie managers often try to be the hero and do all the work themselves. This not only causes burn-out, but can make their neglected team disengage. Here are three tips for teaching a newbie leader how to push work down:

1. Emphasize the importance of delegation. Explain to your new manager that developing staff is as important as financial results. Giving others work is essential to his engagement and advancement.
2. Think small. Help him to break up complex projects into manageable chunks. Ask him to think about which tasks will play to his employee's strengths.
3. Lead by example. Trust and empower your rookie and he'll do the same with his team.”

” - Harvard Business Review and HBR.org



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