

# New beginnings for HIU...



Spring is a time for new beginnings and HIU has blossomed into HIC.



**H**IU was registered in July 1998 as one of the first UMAs and as one which was to operate in the niche hospitality market. It continued to remain a pure Hospitality underwriter until 2009 when it broadened activities and entered the Commercial & Industrial market.

HIU is very excited about the opportunities in the C&I sector, which, historically, has been very profitable for insurers; however, HIU maintains a strong focus on the hospitality market, and we continue to develop new hospitality products to meet our customers' needs.

In May of 2009, Madelein Trybus was appointed as Commercial Manager and, in August 2010, Nevin Sandra joined Madelein's team as Technical Underwriting Specialist.

Madelein has been in the industry for 17 years and Nevin for 20 years. Commercial & Industrial has grown to the extent that it now makes sense for the company to rebrand to better reflect the diversity and scope of our product offering.

Our new name, Hospitality Industrial & Commercial Underwriting Managers (PTY) Ltd, clearly signals our intent to be a meaningful player in the Commercial & Industrial and Hospitality sectors.

The products that we offer are:

**HOSPITALITY** – focuses on Hotels, Game Lodges, Boutique Hotels, etc.

**RESTAURANT** – caters for Franchised and Stand-alone Restaurants

**BED & BREAKFAST** – refers to small residential accommodation establishments

**GRASS SPORTING** – covers golf courses, greens, etc.

**SEAMLESS** – contractors all Risks in the Hospitality sector

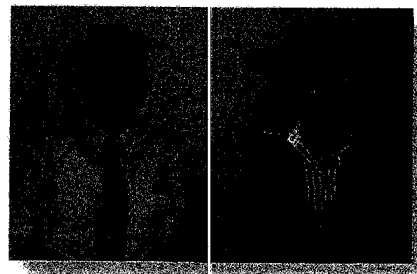
**COMMERCIAL AND INDUSTRIAL** – General Commercial & Industrial risks

Our Core Values and Strengths are:

- Strong Financial Backing
- Professionalism
- Service Orientated
- Efficiency
- Innovation
- Integrity

HIC's distribution channel is only through approved broker networks, with no intention of ever dealing directly with the public.


HIC is lead by **Rory Gainsford**, Executive Chairman and **Denleigh Wilensky**, Executive Director with representation in the following regions:

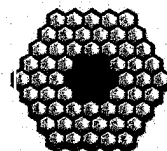


- Bedfordview (Head Office)
- Durban
- Pietermaritzburg
- Cape Town
- Nelspruit
- Port Elizabeth
- Polokwane
- Bloemfontein
- Pretoria

The current shareholders of HIC are SUM Holdings (Rory Gainsford and Lireas Holdings) and Denleigh Wilensky. HIC underwrites for Guardrisk, an AA rated insurer, with Hannover Re, an AA- rated reinsurer and the world's fourth largest, as its lead reinsurer. R&V, which is an A+ rated reinsurer, completes the treaty reinsurers.

*Consistent and efficient service is the lifeblood of our industry, and HIC has added our sixth star to represent our renewed focus on delivering service excellence and top quality products.*

Guardrisk is proud to  the underwriter of Hospitality Industrial & Commercial Underwriting Managers' products.



**Guardrisk**  
FINANCING RISK EFFICIENTLY

# National Treasury recognises the unique structure of the cell captive insurer

Herman Schoeman, MD of Guardrisk

As National Treasury engages with stakeholders regarding the taxation of short-term insurers, and specifically offshore captives and protected

cell companies (PCCs), the spotlight continues to fall on the four tax proposals that remain under consideration: tightened controlled foreign company legislation; taxable premium calculations; dividend recoupments; and, limiting tax deductible premium payments.

Since local cell captive companies are taxed as a single legal entity there is no reason that the taxation treatment of offshore PCCs should be any different. However, there are distinct differences between control and ownership of PCCs and wholly-owned captives (regardless of whether these are local or offshore) and this may indeed have an impact on how profits are taxed. A PCC is a single legal entity, but

its cells are not; captives, on the other hand, are legal entities in their own right. Cell owners have no control over the protected cell company, while captives are directly owned and controlled by the parent company.

With regard to taxable premium calculations, the possibility of over-conservative reserving emerging is remote when one considers local and international developments on the accounting, regulation and compliance fronts.

The inherent uncertainty involved in the business of short-term insurance with regard to best estimates of the quantum of claims and premium provisions, inevitably introduces an element of volatility that could be mistaken as deliberate over provision. Oversight by management, which is increasingly subject to governance and other external controls, as well as the review for reasonability by independent actuaries and auditors, further reduces the possibility of over conservative reserving.

The Financial Services Board is in the process of developing a new solvency regime which will be based on the European Solvency II standard that will be applicable in all EU jurisdictions. This Risk Based Capital model will include quantitative requirements, dealing with such issues as the valuation of assets and also specifically liabilities (including unearned premium provision and outstanding claims provision, incurred but not reported), as well as the setting of capital requirements.

The International Accounting Standards Board and US Financial Accounting Standards Board are also in the process of updating and reviewing the accounting standards for insurance contracts and this will add to a unified standard to be used for insurance accounting.

As far as dividend recoupments are concerned, the existing transfer pricing provisions within the Income Tax Act provide the Commissioner with the power to limit overfunding of captive insurers via excessive premium payments.

All owners of captives are entitled to dividends based on the specific arm's length ownership structures. These dividends are declared by the board of directors and in some jurisdictions, approval is required from the jurisdiction's insurance regulator before any dividend payment can be made to the shareholder.

It seems that dividends declared by offshore captive or protected cell captive companies to their shareholders would be classified as "foreign dividends" and subject to taxation unless specifically exempted. As such, it's hard to see how tax avoidance cycles can legitimately be implemented where dividends are repatriated to a South African resident in a tax free manner under the current income tax legislation.

In terms of limiting deductible payments, the Commissioner is already empowered by current income tax legislation to prevent overfunding to captives and timing of premium deductions.

**National Treasury's reluctance to introduce "piecemeal changes" that "may not only miss the mark but also disrupt legitimate commerce" and its willingness to debate these issues with stakeholders, augurs well for a solution that will stand the test of time and recognise the unique structure of the cell captive model.**



## INTEGRITY

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### Aon Logo Featured on New Manchester United Team Shirt



Aon's four-year shirt sponsorship of the Manchester United Football Club was launched on June 1, 2010. The Manchester United shirt is an iconic image in the world of sport, and every one of Aon's 36,000 global colleagues will receive one.

The Aon logo appears on the front of the shirt. Inside the shirt on the back of the club crest is Manchester United's mantra: "Believe", sitting next to the heart, attesting to the pride of every Manchester United fan, while the symbolic Red Devil is on the sleeve of the shirt. The kit combines elements of the club's history with new-age technology – every shirt has been made entirely from recycled polyester and each created from up to eight plastic water bottles as part of Nike's 'Considered Design' programme.

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### Aon Corporation gives back

Aon Corporation has launched a global charity initiative as part of their shirt sponsorship of Manchester United Soccer Team in the English premier ship. Employees from 229 offices worldwide will be involved in the project.

As part of this global celebration, the Aon South Africa office has elected to raise money from employees to assist children and teachers at the Riversands Preschool in Diepsloot, Johannesburg. Riversands was started 17 years ago with the simple mission: if one person could give one underprivileged child a good start in life and perhaps get that child into a good primary school, the ripple effect would be huge.

Today, over 1 000 children from the Riversands Farm and Diepsloot Informal Settlement have graduated from the pre-school. The school not only educates children, but also provides them with a safe haven. It is not funded by Government in any way and relies on donations and fundraisers.

This year, part of Aon's fundraising efforts will be used to assist the school with building operations and repairs. On 15 July, 30 Aon employees donned their painting shirts and assisted the school with painting jungle gyms, window frames and their patio as well as, installing bathroom doors, donating books, furniture and a host of other things to improve the environment for the 36 young children at the school.

Anyone wishing to find out more about the Riversands Preschool and Diepsloot Preschool Programme can call Patti Hanley, Chairperson for Riversands Preschool Committee, on [patti@global.co.za](mailto:patti@global.co.za) or 082 557 9915

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### Guardrisk and Absa form cell captive partnership

Absa Insurance Company (AIC) and Absa Insurance and Financial Advisers (AIFA), wholly-owned subsidiaries of Absa Financial Services, have each signed an agreement with Guardrisk to provide alternative risk transfer solutions to Absa clients.

"Absa has been providing alternative risk transfer solutions for over three years now; however, after reviewing the opportunities for growth within the self-insurance market and the current returns we were achieving for this business, we decided to partner with Guardrisk to provide alternative risk transfer

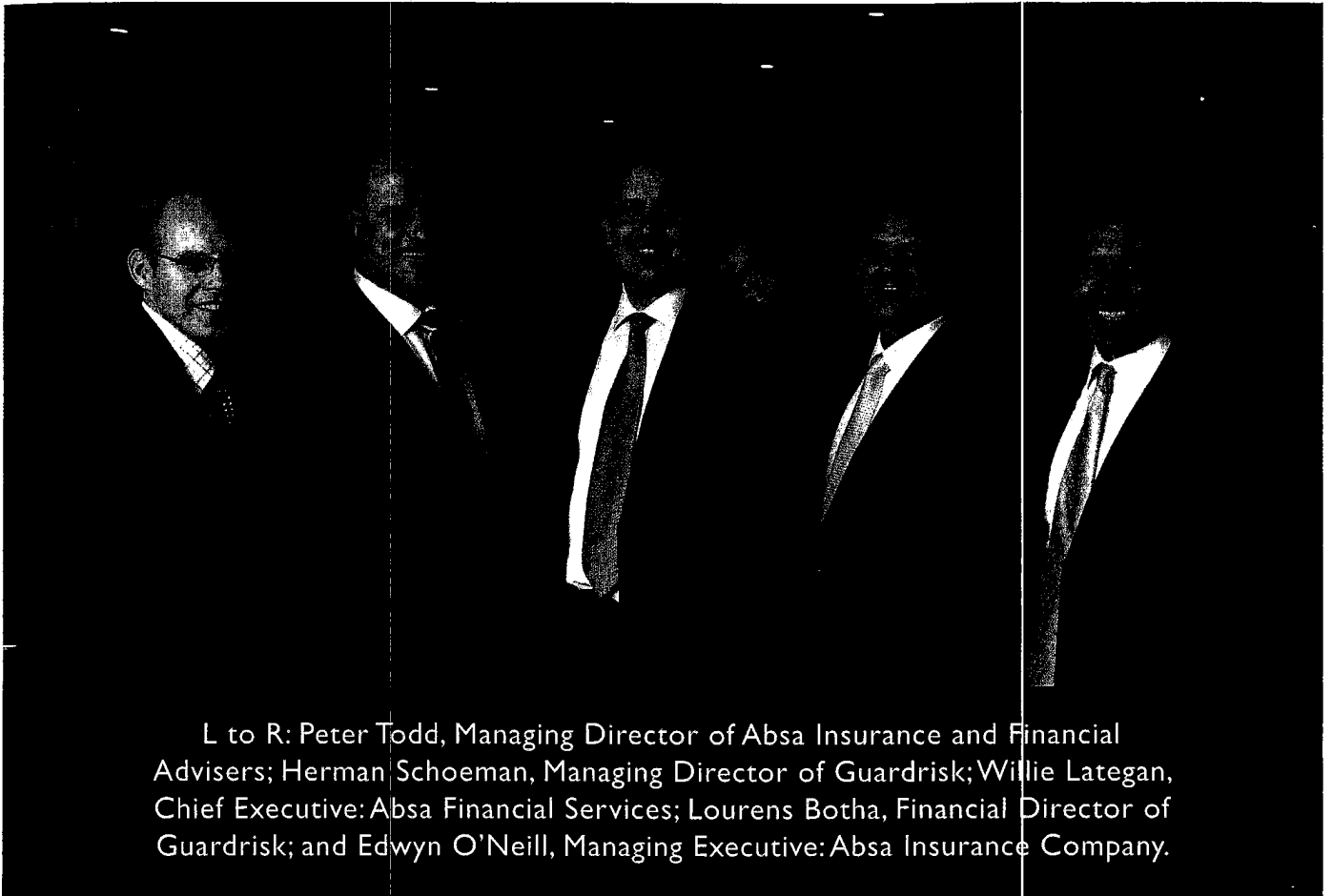


solutions for both existing customers as well as the broader Absa customer base. This partnership will leverage the expertise of Guardrisk's cell-captive capabilities for Absa customers," says Edwyn O'Neill, Managing Executive: Absa Insurance Company.

"Together, Absa and Guardrisk can add considerable value to our clients by providing world-class cell captive facilities," says Willie Lategan, Chief Executive: Absa Financial Services.

Guardrisk MD, Herman Schoeman, concurs that the partnership between these two market leaders in their fields, augurs well for both companies.

Speaking at the signing ceremony in Johannesburg on 30 July 2010, Schoeman said: "There is no doubt that the strength of the Absa brand, combined with Guardrisk's expertise in the cell captive arena, makes for an exciting offering for clients."



L to R: Peter Todd, Managing Director of Absa Insurance and Financial Advisers; Herman Schoeman, Managing Director of Guardrisk; Willie Lategan, Chief Executive: Absa Financial Services; Lourens Botha, Financial Director of Guardrisk; and Edwyn O'Neill, Managing Executive: Absa Insurance Company.



## Software Solutions

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