



# The Guardrisk Update

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Incorporating Life Update

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**SHORT-TERM** insurance companies command the lowest levels of loyalty among customers in the financial services sector (*Business Day, 9 Nov.*) Short-term insurers can only count on two out of five of their customers being truly loyal, adding to the sector's "churn".

**THE** local property and casualty insurers' profit boom might be nearing an end as the industry approaches the peak of its best performance in a decade (*Business Report, 24 Nov.*)

**IN** SA, stolen laptops have been known to fetch more for thieves than stolen motor vehicles (*Business Day, 30 Nov.*) It is estimated that 12% of all laptops are stolen in this country; 45% of stolen laptops are lifted from inside companies, while 55% are stolen from employees' homes or cars as the result of muggings or hijackings, or during business trips.

**CREDENTIALS** fraud problem is part of an international trend and is costing SA R6,4bn a year (*Business Day, 30 Nov.*) It is estimated that about 16% of white collar crime comes from poor hiring practices and the lowest estimate of the white collar crime bill is R40bn a year.

**POSTSCRIPT:** Aids Barometer, Nov 2004 reported that HIV-positive people would not be refused life insurance from 1 Jan. The Star's correction (*24 Nov*) says: "the new dispensation relates to individuals who are HIV-negative at the time of taking out life insurance, but who later acquire HIV/Aids and die from the disease. All life insurance claims will be paid out in such cases from next year".

*Guardrisk Update wishes all its readers a peaceful and joyous festive season, and a New Year filled with health, wealth and happiness.*

## Insurance is a funny old business

**T**he holiday's are upon us and, once again, we're devoting the December issue of Guardrisk Update to funny statements made on insurance claims. We hope that these sometimes bizarre statements will make you smile...

I thought my window was down, but I found it was up when I put my head through it.

*The guy was all over the road. I had to swerve a number of times before I hit him.*

The pedestrian had no idea which way to run as I ran over him.

*The indirect cause of the accident was a little guy in a small car with a big mouth.*

The insured collided with a cow. The questions and answers on the claim form went like this: What warning was given by you? Horn. What warning was given by the other party? Moo!

*A truck backed through my windshield into my wife's face.*

In an attempt to kill a fly, I drove into a telephone pole.

*An invisible car came out of nowhere, struck my car and vanished.*

The pedestrian ran for the pavement, but I got him.

*Coming home I drove into the wrong house and collided with a tree I don't have.*

The telephone pole was approaching. I was attempting to swerve out of its way when it struck my front end.

*I pulled away from the side of the road, glanced at my mother-in-law and headed over the embankment.*

I knocked over a man; he admitted it was his fault as he'd been knocked over before.

*The accident was caused by me waving to the man I hit last week.*

I knew the dog was possessive about the car but I would not have asked her to drive it if I had thought there was any risk.

*The accident occurred when I was attempting to bring my car out of a skid by steering it into the other vehicle.*

My car was legally parked as it backed into another vehicle.

*I saw a slow moving, sad-faced old gentleman as he bounced off the roof of my car.*

I collided with a stationary truck coming the other way.



## Risk Barometer

**INSURERS** should see an increase in risks from large exposures being transferred into capital markets over the next couple of years (*Insurance Day, 26 Nov*). To deal with growing risks across the world, the insurance industry needs to look towards investors in the capital markets to shoulder some of the risk.

**THE** new UK draft company law reform bill could "open the way for more claims" and result in more companies buying D&O insurance for their directors (*Insurance Day, 25 Nov*). If it doesn't want to run the risk of being caught out, the industry needs to revisit policy wordings, watch legislative developments closely and ensure its voice is being heard when details are being drafted.

**THE** UK government is proposing a new law that will make it an offence to own an uninsured vehicle (*Insurance Day, 6 Dec*). Under the new proposal, owners will be charged with the offence of keeping a vehicle on the road without insurance.

**UK** life assurers have warned that they faced the possibility of higher tax charges and "double taxation" on orphan estates (*Business Day, 6 Dec*). This after the government cracked down on what the treasury described as tax "loopholes" exploited by life offices.

**THE** UK insurance industry has welcomed a second investigation into the state of the country's liability market, believing that the current situation remains "unsustainable" (*Insurance Day, 7 Dec*). The original remit has been widened to include a new probe into the impact of after-the-event insurance on the cost of liability cover.

**COMPANIES** are under increasing pressure to not only comply with the law but to adopt the spirit of it (*Insurance Day, 3 Dec*). Organizations are being punished not only in the court of law, but also in the "ever more global court of public opinion".

**JUST** establishing a captive insurance company can generate premium savings, but in a different way from what one might expect (*Business Insurance, 29 Nov*). When commercial insurers learn that an employer intends to use a captive to fund a risk they previously had been insuring, their premium pricing strategies can change dramatically.

# Life Update

## Life Barometer

**RESEARCH** shows that only 9% of South Africans have a pension fund and 11% have life insurance (*Business Day, 12 Nov*). Only 11% of the population (older than 16) have a formal life insurance policy, while 15% have a funeral policy with a big institution and 20% contribute to a burial society. The obstacles appear to be the perception that these policies are too expensive, as well as a lack of understanding of how life products work.

**STAGNANT** growth in the South African life assurance industry over the past few years can be blamed on poor markets as well as life assurers not offering consumers appropriate products (*Business Day, 18 Nov*). "Investment performance has had an impact on the industry, but from a risk point of view there has also been a lack of expectations being met." Despite strong growth in the early 1990s, this tapered off in the early 2000s, with the life market shrinking last year.

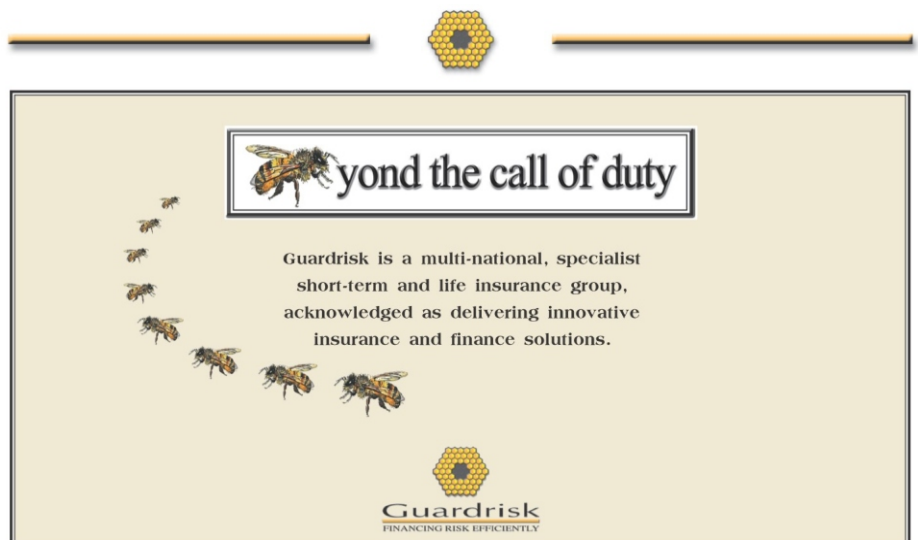
**THE** insurance industry's move from combined risk and investment products to risk-only cover could save the consumer an estimated R4.2 billion over 10 years (*Business Report, 18 Nov*).

**DIFFERENT** types of investment risk need to be understood and considered by retirement fund decision-makers (*Business Day, 25 Nov*). Too many investment decisions are based on historical returns alone. Apart from the obvious danger that past performance is not necessarily an indication of future performance, this approach ignores the other key consideration: the risk that has been borne to achieve those returns.

**TRUSTEES** of retirement funds need to identify and weigh up the different short-term and long-term risk factors in order to maintain a balanced perspective of what risk means when investing the money of fund members (*Business Day, 25 Nov*).

**SOME** limits on investment types may be scrapped as they encourage a "herd mentality" among asset managers (*Business Day, 6 Dec*). The national treasury has recommended scrapping the prescribed limits on investments by retirement funds in particular asset classes, where approved investment strategies exist. If implemented the proposal could, over time, see a significant realignment of the investment of hundreds of billions of rand held in pension fund assets.

Guardrisk Update's snippets track trends and opinions reported in the media and do not necessarily reflect the opinions of Guardrisk's management, staff or shareholders.



**Beyond the call of duty**

Guardrisk is a multi-national, specialist short-term and life insurance group, acknowledged as delivering innovative insurance and finance solutions.

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