



# The Guardrisk Update

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Incorporating AidsGuard Update

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**JOB** insecurity during transformation is a driving factor of corporate fraud in SA (*Financial Mail*, 21 May). White ageing males and emerging black executives are the most common fraudsters says a top private forensic investigator.

**COMPANIES** are continually at risk of confidential data being intercepted because their corporate network is being compromised by portable devices (*Business Day*, 18 May). Security experts conducting controlled "friendly attacks" on wireless networks have intercepted sensitive data from 66% of banks, 60% of financial services institutions, 79% of technology companies and 100% of the educational institutions tested.

**HIGH-INCOME** earners will be hit hardest when their medical scheme subsidies are reduced under a social health scheme to be introduced in SA in about two to three years (*Business Day*, 13 May).

**THE** JSE Securities Exchange SA has introduced the first socially responsible investment (SRI) index in an emerging market, providing a barometer of whether companies are actually complying with the second King report's code on corporate governance (*Business Day*, 20 May). 51 of the JSE's top 160 companies were included with the others either declining to apply or failing to meet the grade.

**HIJACKING** in Gauteng has gone down by 34% since May last year (*Saturday Star*, 22 May). The police's specialist Anti-Hijacking Unit, which was established a year ago, has recovered 1083 hijacked vehicles, and arrested 984 people, between May 2003 and April this year.

## Survive the impact of HIV/Aids by "outrunning" your competitors

**T**he way that people do business in South Africa is set to change drastically as HIV/Aids increasingly forces companies selling on credit to find new ways of delivering their goods and services. On the one hand, aspirant consumers need access to credit type structures while, on the other, companies need to minimize their potential credit losses due to HIV/Aids.

By now most companies have evaluated the "internal" impact of HIV/Aids. In other words, the impact that the disease will have on the workforce and productivity. However, few have considered the "external" impact, or what effect the disease will have on the business' future markets and strategies.

George Marx, consulting actuary for the Risk Monitor Group, uses the example of a large retail organization that operates nearly one million accounts to illustrate how vulnerable companies that provide credit are to the ravages of HIV/Aids. Such an organization could have its profits wiped out if a sufficient portion of its clients (or members of their families) became HIV positive and money previously allocated to account payments was needed for medical treatment like antiretroviral therapy.

Marx tells the story of two guys facing a hungry lion; one dons his running shoes to the amusement of the other who points out that he'll never outrun the lion. "No, but I'll outrun you," is the reply and that's exactly what Marx says companies who want to stay in business are going to have to do: "outrun" their competitors in terms of recognizing and taking concrete actions to counteract the impact that HIV/Aids will have on their business.

And he's not talking about the cursory, lip service kind of attention that companies often pay to issues that they'd rather not or don't know how to deal with.



Citing the example of a brewery that shelved plans to build a new plant in KwaZulu Natal because "there simply won't be enough customers to buy the beer", Marx warns that the external impact of HIV/Aids will have to be factored into the company's strategic plans at the highest level.

As a matter of urgency companies need to establish what the prevalence of the disease is in their market segments and what the impact will be on the company's bottom line over the next 15 years, in terms of credit risk, market risk and suppliers. Once this has been done it's possible to quantify what the disease's impact on the current business strategy will be and to make the necessary changes.

One thing though is certain: all businesses will be affected by HIV/Aids and those that respond more effectively to the challenge than their competitors do are those that will stay in business.

## Risk Barometer

**RISK** assessments of workplace stress can help U.K. employers to better manage stress-related ailments and obtain lower employers liability premiums (*Business Insurance*, 31 May). As employers' liability premiums soar, underwriters will likely offer reduced premiums to employers that can demonstrate efforts to minimize stress-related exposures.

**BUYERS** of D&O coverage in Europe continue to suffer under extremely hard market conditions as the volume and severity of major claims spreads from the US across the Atlantic (*Insurance Day*, 5 May). Corporates have had to deal with rate increases of up to 500% over the last three years and coverage seems to become ever tighter at each renewal.

**GREATER** volatility in insurance company figures as a result of new international accounting standards will not raise the cost of capital for the industry (*Insurance Day*, 6 May). Concerns raised by industry bodies such as the Association of British Insurers that insurers will have to pay a "risk premium" for the new volatility are largely unfounded.

**LEADING** UK brokers have warned that the insurance cycle has started to soften significantly and they fear the market itself is set to plunge back into a round of rate cuts and fight for premium (*Insurance Day*, 14 May).

A leading rating agency is leaving unchanged its negative rating outlook on the U.S. commercial property/casualty insurance market because of continuing concern over reserve shortfalls (*Business Insurance*, 10 May). It says the outlook remains negative despite insurers' strong earnings in 2003, partly because further reserve strengthening could be needed.

**THE** Department of Labor has formally proposed that a major Swedish company be allowed to use a U.S. branch of its Ireland-domiciled captive to fund the benefit risks of the company's U.S. employees (*Business Insurance*, 10 May). Under the proposed ruling, the company would be able to fund benefit-related risks and would reinsure life insurance, accidental death and dismemberment, and long-term disability policies.

# AidsGuard Update

## Aids Barometer

**ABOUT** 7% of 2- to 9-year-olds have the HIV virus, as do around 5% of 10- to 18-year-olds (*The Star*, 13 May). The risk of HIV/Aids among children has received little attention. It appears they run a much greater risk of contracting HIV/Aids than was previously thought and South Africa has not yet felt the full impact of the epidemic on children.

**AS** government's national rollout of antiretrovirals intensifies, there is growing concern that the available sources of supply, including the only South African company currently manufacturing generic antiretrovirals, could be pressured by the demand (*Business Day*, 20 May). Shortages have already been noted, with stocks of branded products being unavailable at times. Manufacturers and suppliers need to plan production and possibly import more raw materials in future, but are hampered by a lack of information about potential demand.

**SOUTHERN** Africa's notoriously porous borders and border settlements have increased the regional spread of HIV/Aids (*The Star*, 20 May). Studies in South Africa have shown that border and migrant community settlements have a high prevalence of HIV/Aids. Borders often juxtapose rich and poor countries and communities, creating economic inequalities that often attract poor rural communities, particularly women.

**WOMEN** who are beaten by their husbands or boyfriends are 48% more likely to become infected by HIV (*The Star*, 3 May). And those who are emotionally or financially dominated by their partner are 52% more likely to catch the virus.

**HIV/AIDS** is generally not among the priority concerns of small businesses, which would rather deal with issues such as productivity, demand for their products and services, costs of labour, regulations, crime and taxes (*Business Day*, 28 Apr). 52% of small businesses recently surveyed have lost workers to Aids. 31% percent of managers considered the number of workers lost to Aids as critical to operations, while 42% expected little or no effect from the epidemic.

**GOVERNMENT** has been called on to offer tax incentives to companies that provide antiretrovirals to employees (*Business Day*, 28 May). This follows an outcry by companies that it is not sustainable to offer employees the drugs because of the tax liability of running such programmes.



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