



The Guardrisk Update

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Incorporating AidsGuard Update

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SA banks have promised that credit card fraud will be reduced by 70% within the next few months as advanced smart-card technology is introduced (*The Star, 23 Feb*). Fraudsters are able to buy equipment needed to illegally copy credit cards for R300, but this will multiply by more than 100% when smart-card credit cards become operational.

PENSION funds must prepare to change their rules this year to recognize and accommodate same-sex marriages so that partners can enjoy the same benefits as those in heterosexual unions (*Business Day, 30 Jan*).

THE Road Accident Fund remains R19.8 billion in the red and there are 400,000 outstanding claims (*Business Report, 20 Jan*). Of the R4.5 billion the fund receives in levies every year, 55% is spent on lawyers, medical experts and actuaries; leaving only 45% for compensation.

THE danger for companies using "catchall" e-mail addresses like info@company.com or ceo@company.com is that these kinds of e-mails often fall into a "black hole" (*Business Day, 20 Feb*). Automated delivery receipts would serve as proof of delivery and would stand up in court.

A "vile cocktail" of cancer-causing pollutants has been measured in and around some of SA's industrial centres (*The Star, 17 Feb*). SA spends more than R4-billion a year on respiratory health problems linked to foul air. The country's first set of ambient air quality standards will be announced for public comment before the end of March.

THE H5N1 bird flu virus is more likely to get into SA through imports of contaminated poultry products or the activities of bird smugglers than through the wild birds which migrate into the country from the northern hemisphere, including Nigeria where an outbreak of the disease was recently reported (*Financial Mail, 17 Feb*).

Time to start looking that gift horse in the mouth!

The giving (and receiving) of gifts – be it a pen, a case of wine, a fishing weekend, a lunch, or a trip abroad – has been part of the business landscape for as long as anyone can remember. But SA's Prevention and Combating of Corrupt Activities Act will change the way that South African's exchange gifts in the business arena: in future, the motives of the giver will have to be carefully evaluated and the nature of the gift itself recorded.

According to the Act, giving any amount of money, or any gift with a monetary value, could be interpreted as a bribe. From the company's point of view, the tricky part is that someone must be responsible for assessing the intention of the gift. And it is here – in the subjective minefield of intention – that the thorniest problems can arise.

While it is permissible for a supplier to thank a valuable client for their business, there is always the danger that an act of "legitimate" relationship building creates a feeling of obligation. And even the most innocuous of gifts could be seen as a bribe if there is any expectation for the recipient to respond in a particular way. In future, the timing and nature of gifts, and the individuals to whom they are given, will have to be carefully considered to ensure that no ambiguity can be construed in the giving.

Good corporate governance practice dictates the establishment and maintenance of a gift register. And all indications are that, in keeping with the current climate of stricter corporate governance, corporates are taking it seriously. Most large organizations now post their gift policies on their websites; and a quick review of several large corporates' websites indicates that many companies insist that each and every gift – regardless of the value – be recorded, while others set thresholds above which all gifts must be disclosed. Some even mandate that all gifts that are offered must be declared, regardless of whether they were accepted or declined.



The Prevention and Combating of Corrupt Activities Act has yet to be tested in the courts; but the test will always be subjective and the evidence will always be circumstantial. How effectively a company regulates the giving and receiving of gifts will ultimately become a feature of its larger corporate governance profile – the same profile by which investors, and prospective employees and customers will pass judgment as to whether they wish to invest in, do business with or work for the company.

In the meantime, companies would be well advised to examine their gift giving practices closely because the penalties for contravention of the Act are stiff. Transgressors can expect fines or jail sentences from five years to life, and offenders will be "named and shamed" in a register to which the public will have access. And, it's not only the offender that will be punished: anyone who is in a position of authority and is aware of a corrupt practice involving R100,000 or more, and who does not inform the police, is guilty of committing an offence too.

Risk Barometer

IF the International Accounting Standards Board does not come up with a useable set of rules on accounting for insurance liabilities then insurance companies will probably have to comply with two sets of standards (*Insurance Day, 24 Feb*).

THOUSANDS of UK firms face a cash crisis because the pension regulator has set harsh requirements for the financial health of their retirement plans (*Business Report, 7 Feb*). The regulator might act to force firms to put their retirement funds on a sound footing if they could not plug a shortfall within 10 years – a time frame that could land one in five UK companies in trouble.

BUYERS are going to find terrorism insurance a little more expensive as insurers adjust their pricing to account for changes in the Terrorism Risk Insurance Act (*Business Insurance, 30 Jan*). A hardening market for property catastrophe coverages also will contribute to a gradual increase in pricing.

THE court of appeal in London has ruled that people whose lungs were scarred through exposure to asbestos were not entitled to damages (*Business Report, 31 Jan*). The ruling potentially ended thousands of sufferers' hopes of claiming compensation from their insurers even though the appeal court immediately gave leave for the matter to be referred to Britain's highest court of appeal.

THE UK Court of Appeal has ruled that a broker is obliged to show an underwriter placement, claims, and accounting documents pertaining to a buyer's business even if the buyer has not agreed to disclose the documents (*Business Insurance, 7 Feb*).

RATE increases achieved in the January 1 renewal were not sufficient to compensate for losses incurred in 2005 and only "temporarily" halted the softening insurance market before last year's hurricanes, according to a leading rating agent (*Insurance Day, 21 Feb*).

INCREASED competition in the D&O market led to a broadening of cover offered by insurers (*Insurance Day, 13 Feb*). Exclusions that found their way into policies in recent years were relaxed and in some cases removed completely, examples being major shareholder, insured versus insured and restricted reinstatements of policy limits.

AidsGuard Update

Aids Barometer

WITH 1000 people being infected with HIV daily, the country's prevention efforts are failing (*The Star, 20 Feb*). Only 100 0000 people are on treatment, "so it's like we are running on the spot", says the Treatment Action Campaign.

IF there is no decision intervention on the HIV/Aids pandemic, pension and retirement funds will be able to put less aside for savings and will have to spend more on risk cover for their members, leading actuaries to suggest that contributions may have to be increased (*Business Report, 15 Feb*).

AN injection of two drugs, normally used to treat HIV patients, completely protected monkeys from becoming infected with the Aids virus (*The Star, 15 Feb*). While it is too early to tell whether people can pop a pill and escape infection, the study provides the strongest evidence yet that it might be possible, say researchers.

A new HIV test that can identify the small minority of patients who take up to 20 years to develop Aids is to be launched in SA, (*Business Day, 16 Feb*). Without treatment most people infected with HIV will develop AIDS-associated illnesses within three to five years, but so-called "long-term nonprogressors" stay healthy for longer. The test will enable doctors to identify patients who can safely delay taking antiretroviral medicines.

IF not stamped out, corruption could inhibit international donor funding to developing countries and undermine progress towards the United Nations health-related Millennium Development Goals: reducing child mortality, improving maternal health, and combating diseases such as HIV/Aids and malaria (*Business Day, 2 Feb*).

THE US, through its President's Emergency Plan for Aids Relief will increase funding to SA from more than R918-million last year to about R1,3-billion this year (*The Star, 12 Feb*). This money is to support efforts aimed at preventing HIV infection, providing care and treatment for those infected, and to strengthen programmes aimed at orphaned and vulnerable children. One of the conditions of the funding is that it may not be used in South African schools to promote condoms.



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4th floor, Alexander Forbes Place, 90 Rivonia Road, Sandton, 2196
PO Box 786015, Sandton, 2146

Telephone: (+27 11) 669-1000 Fax: (+27 11) 669-1931 Website: www.guardrisk.com