

The Guardrisk Update

Volume 13 Issue 1

Incorporating Life Update

February 2007

GET ready for big increases in car insurance premiums in 2007 and, when it happens, blame it on the weather... or, rather, drivers' inability to grasp the principles of wet-weather road safety (*Star Motoring, 22 Feb*). Premium increases of 10-20% are expected and insurers are attributing it to more claims from more crashes.

ABOUT 60% of corporate boards in the UK have not discussed tax issues in the last two years (*Business Report, 4 Feb*). The situation in SA is not known, but corporate governance experts believe tax is also neglected by boards here. Boards need to be more involved in tax planning from a corporate governance perspective.

SA is the world's 19th highest emitter of greenhouse gases, and the seventh highest emitter per GDP dollar (*Business Report, 27 Feb*). Our economy, from an emissions perspective, is more inefficient than Poland, India and even the US.

EXPERTS believe that identity-related fraud is costing the SA economy a staggering R40-billion every year – the equivalent of an annual provincial budget (*The Star, 27 Feb*). It is estimated that it takes 500 hours for an identity fraud victim to undo the havoc that such fraud wreaks.

THE new Companies Bill makes provision for shareholders and other stakeholders to declare directors delinquent (*Business Day, 14 Feb*). Directors could be prohibited from practice or put under probation. The bill is also aimed at improving regulatory oversight and redress for shareholders.

FORTHCOMING results from short-term insurers will once again reflect increased vehicle theft, hijackings and crime in general (*Business Times, 4 Feb*). They will also remind South Africans how driving standards have slumped as car sales have soared.

Counting the cost of time theft

Everyone agrees that it's not okay for employees to help themselves to the company's assets, but many are taking something just as valuable: time.

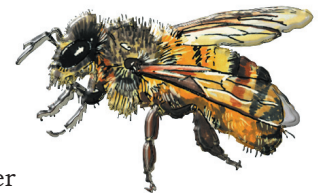
Time theft comes in many guises: arriving for work just five minutes late, or leaving five minutes earlier, taking longer lunch breaks, excessive personal phone calls and emails, surfing the Internet, and having personal conversations with colleagues. For most people, one or more of these activities, are all just part of the "normal" work day, but those stolen minutes all add up and cost the company a great deal of money.

For instance, a company with 100 employees earning R57 an hour (or about R10 000 a month) carries a cost of R2850 a day – or nearly R62 000 a month – if each employee "takes" just 30 minutes a day. And that's based on just the hourly rate, not figuring in the extra costs like employee benefits and taxes, which hike employees' costs considerably – or the fact that employee time theft is generally estimated to be closer to 54 minutes a day.

An article in the November 2006 issue of *Risk Management Magazine* claims that, on average, workers cost between 50% and 100% more than their hourly rate. So the R62 000 a month example above now translates to R93 000 – R124 000 a month. And we haven't even factored in the smokers yet! With smoke breaks now having to be taken outside the building, or in specially designated areas, a worker taking ten minutes a time to smoke just five cigarettes a day spends 50 minutes out of the workplace – that's about 18 hours a month!

Another significant source of time theft is the Internet – one survey indicates that, on average, employees spend almost an hour a day surfing the web or sending/receiving personal emails. In a country like South Africa this problem is exacerbated by the fact that many employees only have access to the Internet at work.

Research indicates that time theft is not confined to any one type of person or industry. It applies to "white collar" and "blue collar" employees in every type of business, institution, profession and governmental agency. It occurs in every organisation with a payroll. Interestingly, the greater the employee's seniority, the greater the chance they will pinch time from their employer – and of course, the higher the cost to the company will be. Office staff pinch more time than manufacturing employees, and employees under thirty years old tend to pinch more time than older employees.



According to the *Risk Management Magazine* article, time theft seems to be less common in workplaces where managers empower their employees to do what needs to be done, and then hold them accountable for doing it. In other words, when employees are driven by quantifiable goals rather than the need to put in a certain amount of hours they are less likely to pinch time.

But, at the end of the day – like so many employee related issues – the answer seems to lie in striking the right balance: employees will always, to some extent, need to deal with personal matters at work; but this should be tempered by an understanding of, and respect for, the costs involved.

Risk Barometer

INSURERS say that a global commitment to reducing pollution would provide them with an opportunity to create new products for managing risks associated with climate change (*Business Report*, 4 Feb). Already hurt in 2004 and 2005 by claims from costly hurricanes, which some scientists think are growing more severe due to global warming, the insurers are looking for better ways to assess the risks involved in providing coverage.

CONCERNED about security breaches that expose employees' personal data and the many ways identity thieves steal personal information, more major US employers are interested in making identity theft coverage available to their employees (*Business Insurance*, 19 Feb).

AS insurers and reinsurers focus on ways to boost capital efficiency, the industry's senior players are increasingly looking at methods of freeing up capital by applying run-off techniques to both live and discontinued business (*Insurance Day*, 19 Feb).

WHEN a US bank informed a job applicant that a routine criminal background check had uncovered felony convictions for rape and sexual assault, and rejected his application, the applicant filed a wrongful hiring discrimination lawsuit (*Risk Management Magazine*, Feb). The bank was found to have violated fair hiring laws and ordered to pay more than \$1 million, and offer him employment within the company.

FIVE of the largest European reinsurers all reported flat or softening rates in almost all key lines of business at 1 January 2007 renewals (*Business Insurance*, 26 Feb). But lower reinsurance rates are unlikely to translate into vastly lower primary prices this year, although the trend for softening rates in insurance is expected to continue.

INSURERS have been warned that taking advantage of lightly-worded contracts to win more business could distort the results produced by catastrophe models (*Insurance Day*, 14 Feb). A leading research officer has hit out at the process of 'gaming', which he says is rife in the insurance sector. It is "taking advantage of ambiguity, rather than actual corruption or fraud".

Life Update

Life Barometer

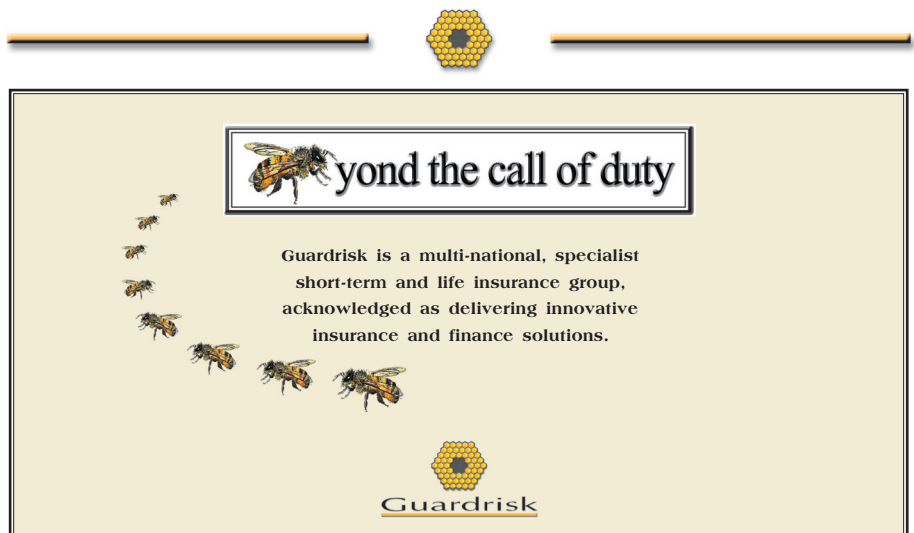
THE pension fund industry is in for the biggest shake-up in its history, with new proposals on a social security system likely to lead to major changes in its role in retirement provision (*Business Day*, 24 Feb). The proposed scheme will finance basic retirement savings, death and disability benefits and improved unemployment insurance. The system will be mandatory for all people in formal employment, who will pay monthly contributions (14%-18% of their salary) as part of their payroll tax. This will replace the current unemployment insurance fund and skills levies.

INSURERS have been quick to launch their new Zimele- approved products, however, distribution of these products could be a challenge, particularly in remote areas previously not serviced by the industry (*Business Day*, 20 Feb). Zimele, modelled on the UK's CAT standards, meets minimum standards on access, pricing and terms. Life, disability, mortgage and credit life cover are expected to follow the recent launch of funeral cover for low-income groups.

ALMOST half of UK companies say that the increasing cost of funding their pension schemes has affected workers' pay packages (*Business Report*, 27 Feb). A survey, which covers the UK's largest defined benefit schemes, shows that 49% of firms believe the costs of deficits has reduced remuneration, while 48% think this will continue to be the case. 22% think the increasing cost of funding their schemes is reducing their share prices, but this is down from last year's figure of 36%.

A growing number of US employers are offering voluntary benefits that help employees cope with rising medical costs (*Business Insurance*, 19 Feb). In particular, employers are offering disease or critical illness policies, which provide employees with a lump sum payment upon the diagnosis of a major illness, such as life-threatening cancer, heart attack, kidney failure, stroke, organ transplant or paralysis, among others.

BRITISH pension plans dodged a bullet when the European Court of Justice ruled that an industry-financed reserve fund for employees of bankrupt companies is not required to pay benefits equaling 100% of expected pensions (*Business Insurance*, 5 Feb). The cost of 100% compensation could be as high as £3 billion.



yond the call of duty

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

Guardrisk