



# The Guardrisk Update

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Incorporating AidsGuard Update

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**THE** life insurance industry's premium and investment income has grown 13% to more than R99.8 bn for the first half of 2006 (*Business Report, 21 Sep*). Total premium income was R78.5 bn; claims settled were worth R70.9 bn.

**MANY** companies say that their employees are their most valuable asset, but few have risk-management programmes that reflect the risks associated with this asset (*Business Day, 4 Sep*). The concept of risk and managing risk still tends to be about physical risks, like buildings, fires and storms.

**SOUTH** African companies are increasingly turning to mediation to resolve disputes rather than submitting to the more costly, time-consuming and adversarial route through the courts (*Business Day, 11 Sep*). The mediation process is quicker, and the costs of mediation and litigation are incomparable.

**THE** adoption of new security protocols means liability for fraud shifts from merchants to issuing banks (*Business Day, 29 Sep*). New security measures are expected to help grow the number of South Africans shopping online, as well as the number of merchants turning to the internet to sell their goods.

**SOUTH** Africans spend about R40 bn a year for medical aid benefits, but a large percentage of these premiums, estimated between R8 bn and R12 bn, are lost through fraud (*Business Day, 11 Sep*).

**A** combination of shareholder expectations, tight regulations and globalisation is piling pressure on chief financial officers (*Business Report, 7 Sep*). The role of the CFO has transcended mere adherence to financial reporting standards.

## Corporate jets help to allay business air travel safety fears

**I**n the comparatively idyllic days prior to the US's 9/11 terror attacks, business travel decisions were based on relatively mundane things like cost, convenience and comfort. Since 2001, the threat of terrorism has to be factored into the equation and, increasingly, businessmen are choosing to forgo commercial flights, opting instead for the more expensive, but safer, options of charter flights and privately owned jets.

In the days immediately after 9/11, scheduled carriers reported empty seats and cancelled services, while the executive charter market boomed. Many predicted that this would be short-lived and that business travellers would revert to their old habits once the memory of the terror attacks faded. But this seems not to have been the case...

When US-based, Wainhouse Research, asked business travellers in 2004 whether their business travel habits had changed "due to war, terrorism, security inspections, etc", 61.6% said that their travel habits had changed because of these factors (up from 44% in 2002). And a significant number of respondents (79%) indicated that they were "interested in alternatives" (up from 20.8% in 2002).

No doubt events like the recent foiled terror plots to blow up air liners over the Atlantic will have done little to quell rising fears of air travel; serving instead to keep fear of terrorism at the forefront of travellers' minds and encouraging them to explore safer options.

One local industry pundit reports that his European clients dealing in aircraft are experiencing a "surge in enquiries", with safety being recorded as one of the main reasons for companies looking to invest in their own jet. "There's no doubt that by flying on certain airlines, or to some destinations, one becomes more of a target and, with jets becoming more affordable and providing good tax write offs, more and more corporates are choosing to go this route," he says.



And its not just safety that has business travellers looking for alternatives to commercial flights: terror-related airport delays, flight cancellations and restrictions on hand luggage are also tipping the scales in favour of private and chartered jets.

Traditionally, the acquisition (or disposal) of private jets has been linked to oil prices yet, despite consistently rising oil prices, the private jet market has shown steady growth of 20% per annum since 2001. Considering that it costs more than R40,000 to charter a jet from Johannesburg to Cape Town, and more than R200,000 to Europe, it's clear that corporates are not putting a price on the safety of their people ... a trend that is unlikely to change in the near future.

## Risk Barometer

**BRITAIN'S** Financial Services Authority says that overregulation across the world's financial markets is stifling growth and creativity (*Business Report*, 12 Sep).

**THE** FBI is conducting inquiries into 52 companies that might have illegally backdated stock options, and more cases are on the way (*Business Report*, 27 Sep). They are investigating 486 corporate fraud cases this fiscal year, up from 423 in 2005.

**US** commercial insurers would be unlikely to expand coverage for terrorist acts caused by unconventional weapons in the absence of a federal back-stop (*Insurance Day*, 28 Sep). Providing coverage for terrorist acts caused by unconventional weapons (e.g. nuclear, biological, chemical and radiological) is difficult because such risks generally fail to meet most of the principles of insurability.

**RISK** management is receiving ever more attention these days across the business world, for reasons ranging from increased regulation and reporting requirements to increased awareness of how fragile a business can be in the wake of financial collapses such as Barings Bank and Enron (*Insurance Day*, 13 Sep).

**RATES** for property catastrophe business are expected to remain hard for North American business, but the effect on European business is less clear (*Business Insurance*, 25 Sep). However, European buyers should not expect large rate hikes at the upcoming January 1 renewals.

**ALTHOUGH** a number of recent high-profile product recalls and a big increase in the total number of product recalls across Europe this year are unlikely to prompt rate hikes or tighter policy wordings, they will serve as a "wake-up call" to both underwriters and manufacturers (*Business Insurance*, 11 Sep).

**THE** UK motor insurance sector has not heeded the warnings of 2005 and is continuing to chase market share at the expense of underwriting discipline (*Insurance Day*, 7 Sep).

# AidsGuard Update

## Aids Barometer

**UP** to a million children orphaned and made vulnerable by HIV/Aids in SA are not receiving adequate support to ensure their basic needs are being met (*The Star*, 30 Sep). With 1,000 new infections and 800 HIV deaths daily, an entire generation of orphans is being left in the pandemic's wake.

**THIS** year's AMPS findings by the SA Advertising & Research Foundation confirm that HIV/Aids is wreaking havoc on the country's population growth (*Financial Mail*, 22 Sep). The number of SA adults crept to 30,9m in 2006 from 30,7m a year ago. The number of males aged 25-34 increased a mere 0,5% – less than the 0,8% overall population growth. Standing in stark contrast is the 1,4% dip in the number of females in the same age group, a scenario that suggests that HIV is taking its toll on women. It's worrying that the pandemic is altering population growth patterns.

**BROADCASTERS** across Africa have launched a new initiative to increase HIV/Aids-related coverage, that could be an antidote to awareness fatigue (*The Star*, 23 Sep). The campaign is part of a five-year plan for at least 5% of daily programming to contain HIV/Aids-related content. This comes at a time when messages about HIV/Aids are being received by an audience suffering from Aids fatigue.

**THE** private sector should take greater responsibility for looking after HIV-positive employees and unions should lobby for this, says deputy president Phumzile Mlambo-Ngcuka (*The Star*, 19 Sep). "This means not only taking into account the treatment of their own employees, but extending this to spouses and dependants, as far as this is feasible."

**THE** SA government must introduce compulsory Aids tests for six-week-old babies to monitor whether prevention of mother-to-child transmission is working (*The Star*, 11 Sep). The compulsory Aids screening tests would help the government to find out whether nevirapine, which is offered to HIV-positive pregnant women, stops the transmission of the virus to the child.

**PEOPLE** not infected with HIV could be taking antiretroviral (ARVs) drugs on a daily basis in the future, (*The Star*, 7 Sep). This comes as scientists in several countries conduct research into the use of anti-Aids drugs to prevent HIV infection. Researchers hypothesize that giving an uninfected individual a daily pre-exposure of ARVs may prevent that individual from infection by disabling or interfering with the HI virus within a period after an individual is exposed to the virus.



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