



The Guardrisk Update

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Incorporating AidsGuard Update

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A RECENT Supreme Court of Appeals ruling on sexual harassment has far-reaching implications for employers (*Sunday Times*, 19 June). Employers must: ensure that work environments are not conducive to sexual harassment; train employees in understanding what does and does not constitute sexual harassment; and, establish adequate mechanisms to deal with sexual harassment claims.

USING a cellphone, even with a hands-free device, may distract drivers because the brain cannot handle both tasks (*The Star*, 24 June). New research confirms says the brain directs its resources to either visual input or auditory input, but cannot fully activate both at the same time.

THE reinsurance industry has warned that unless it improved its image among analysts "there will be no reinsurance industry in a few years' time" (*Business Report*, 6 June). The SA Reinsurance Offices Association says that the global reinsurance industry's overall return over the past 10 years had been negative 6%. Excluding the US 2001 terror attacks, the return would still have been a negative 3%.

SOUTH Africa's institutional investors are now embracing global trends on shareholder activism (*Business Report*, 1 June). A number of them now expressly undertake to vote all shares under their stewardship and to be cognisant of the principles of good governance when exercising those votes. Institutional investors have been seen to be particularly opposed to a number of resolutions that were previously approved as a matter of course.

MANAGERS and senior employees at companies are more likely to commit fraud, but lower-level staffers are more likely to be caught (*Business Day*, 15 June). Employees at lower levels are typically used as a front by syndicates.

When corporate culture and business goals collide

Enterprise Wide Risk Management (EWRM) is more than just the latest corporate governance buzzwords: in its ideal form EWRM is a blueprint for doing things right the first time, every time; for operating within a cultural and ethical framework that defines every decision and action taken by management.

One of the main challenges in instituting an effective EWRM system is that it has a lot to do with the culture of a company; it's not a quick fix, off-the-shelf solution. Instead it involves changing the culture at all levels of the organization and this can take years to do. It's easy to take a high level, strategic look at the business and put together a risk profile but that's just the beginning; then comes the tricky part of transforming the corporate culture and dealing with ethical issues within the company.

Changing corporate culture essentially involves engaging the hearts and minds of the entire team; getting one hundred percent buy-in all the time, not just when processes are under scrutiny.

Typically "real world" business targets are managed and shaped in one area of the business, while the intangibles, dealing with ethical and moral values, originate from a different area of the business. And, when business targets come under fire, ethical and moral values may be pushed aside. Effective EWRM creates a path to bring these two aspects of the business together, paving the way for a corporate environment that is well equipped to evaluate and assess opportunities without losing sight of the bigger picture.

For instance, what may appear at first glance to be a good monetary deal could in fact require actions that conflict with the company's ethical and moral codes of behaviour. Within an effective EWRM environment management would immediately be alerted to the fact that in order to execute the project the company's cultural values would be contravened and, in all likelihood, the project would be scrapped.



Without EWRM, management would only have one part of the picture; the decision to proceed would probably be based primarily on financial criteria and the contravention of cultural mores would only arise when transgression has occurred and retribution is inevitable.

While EWRM can never replace good business sense and keen "gut feel" it does formalize the process of understanding and managing the company's appetite for risk.

When EWRM works, the need for risk management all but disappears because there is no other way than the right way of doing things.

Risk Barometer

CYBER criminals are increasingly crafting more focused attacks with a potential for profit as they target one or two companies at a time, rather than blasting out Internet virus attacks across the globe (*The Star*, 22 June). Playful hackers that write viruses that bring no financial gain have been elbowed aside by organized criminals who are motivated by profit.

THE intangible risk posed by loss of reputation is now the greatest threat to UK firms (*Insurance Day*, 14 June). In 2003, loss of reputation was ranked fifth on the equivalent list, with business interruption and a failure to change sharing the top spot. But in a recent survey business interruption has slipped back to second on the list and a failure to change has dropped to third.

ALLOWING insurers to share in their buyers' fortunes as well as their losses could achieve financial benefits that largely have been unattained by other risk sharing models (*Business Insurance*, 26 June). Treating risk financing more like an equity investment that reduces the cost of risk while permitting risk takers to share in any profits could be an approach that would be beneficial for risk managers and insurers.

DESPITE last year's hurricane season, the insurance sector posted much improved return on equity over the year (*Insurance Day*, 7 June). All insurers, including life and non-life, reported a 10.6% return on equity, compared with 9.3% in 2003.

FRAUD is 10 times more costly to businesses than fire (*Insurance Day*, 21 June). While almost all companies insure for property damage, the majority are still not insured against fraud. This is despite the fact that over half of companies with more than 1,000 employees report losses, with the average sum being in the region of £1.2m.

RISK managers are taking a more global approach to their political risk exposures and are finding insurers eager to accommodate them with favorable prices and coverage conditions (*Business Insurance*, 13 June). Whereas risk managers previously were more likely to seek coverage on a country-by-country basis, they now want to "put it all together" into a "global political risk" programme.

AidsGuard Update

Aids Barometer

SA BIG business has been commended for being "world leaders" against the Aids pandemic but their tactics are as appropriate for small and medium enterprises wanting to obliterate the disease and protect their workforce (*Business Times*, 10 Jul). Testing is the weak link in the ABC (abstinence, be faithful, condomise) prevention campaign. If people do not know their status, the disease will spread.

THERE is a debate within corporate and medical aid circles regarding the extent to which employers should be responsible for funding health care for staff, particularly in the area of HIV/Aids and while this rages on many patients are falling through the cracks (*Business Day*, 23 June). Employers, medical aids and insurance groups should find the most efficient and sustainable ways of working together; identifying HIV-positive employees and putting them on to some kind of treatment as soon as possible.

SA's BIGGEST killer is HIV/Aids, according to a new Medical Research Council report (*The Star*, 17 May). In Gauteng HIV/Aids accounted for 33% of all deaths in 2000, compared with 30% of all deaths nationwide. While overall mortality rates and causes of death differ in the nine provinces, HIV/Aids is the leading killer across the board.

A LARGE mining house's "trailblazing" programme to provide free Aids treatment to its employees is paying off (*Business Times*, 19 June). A study of employees on antiretroviral drugs found that 95% are able to work normally. The measurable benefits of antiretroviral therapy including reduced absenteeism and improved productivity almost balance out the cost of treatment, according to an interim appraisal. Over the first 12 months of treatment approximately 70% of the cost of treatment may be covered by the reduction of absenteeism.

SOUTH Africa has fallen short of its target for the "3 by 5" project which aims to afford 3-million people antiretroviral treatment by the end of 2005 by a staggering 866,000 (*The Star*, 30 June). SA's "unmet" need is by far the highest in the world.

THE South African National AIDS Council is in a state of disarray over its latest grant application to the United Nations Global Fund to Fight Aids, Tuberculosis and Malaria (*Business Day*, 28 June). Key members of the council, representing labour, business, the children's sector and people living with HIV/AIDS, refused to sign off on its \$161m application to the fund's fifth round of grants, saying they were not given sufficient time by the council's technical committee to study the document.



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