



SA·EAGLE

A member of the Zurich Financial Services Group

ISSUE 2

PERSPECTIVE

Global warming threatens insurance industry!

Global warming, according to a recent media report, will affect many sectors of the economy, including the insurance industry. Globally, there have been fundamental climatic changes that have resulted in more frequent and extreme weather conditions.

Heat waves, droughts, floods, hurricanes and tornadoes across the world occur at frequencies and intensities unprecedented in recorded history.

South Africa will also be affected – from both a climatic and insurance perspective. Because of the international nature of insurance and specifically reinsurance, the local market will probably react to the impact of global warming on the international insurance sector.

The South African branch of the World Wide Fund for Nature, WWFSA, supports this view. The 35-year-old conservation agency based in Stellenbosch said it had funded South Africa's first Climate Change Report over the past year. The report showed that climate change, within the next 50 to 100 years, would reduce the biomass, including fynbos, grasslands, succulent Karoo vegetation and forest, to between 35% and 55% of its current extent.

It also states that reports from the intergovernmental panel on climate change have verified that global temperatures will increase by up to 5,8 degrees by 2100. This could lead to potentially devastating effects, including sea level rise, coastal flooding, extreme weather events, food shortages and species extinction.

The frequency and extent of losses from major weather catastrophes have, as has been widely reported, already been increasing steadily across the world. Today, climate change as a financial issue is underestimated, particularly from the point of view of the insurance and reinsurance industry's potentially rising costs and risks.

However, another report draws a different picture. It reads: "The reality here is simple: insurance and reinsurance companies have the potential to become prime catalysts for the development of renewables, emission reduction and energy-efficient technologies for two reasons, such steps will reduce risks and open up new and lucrative lines of business activity."

Could the industry turn, what seems to be a potential threat to its bottom line, into a positive?



INSETA – Working together for a skilled tomorrow

The Insurance Sector Education and Training Authority (INSETA) established in March 2000 is one of 25 Sector Education and Training Authorities. INSETA promotes and represents the training and development interests of the insurance sector of the economy in terms of the skills development legislation.

INSETA's constituents include:

- Short term insurance
- Life insurance
- Risk management
- Health care benefits administration
- Unit trusts
- Funeral insurance
- Reinsurance
- Pension funding and
- Activities auxiliary to financial intermediation

The vision of this authority is to provide quality skills development for sustainable business and personal growth. Their mission is to:

- Develop an integrated and aligned strategy for skills development;
- Contribute to the achievement of national skills development;
- Encourage a competent and productive workforce in the industry;
- Communicate, represent and involve all stakeholders.

The Insurance Sector Quality Authority (INSQA), INSETA's Education & Training Quality Authority (ETQA) division, has been accredited by the South African Qualifications Framework as an Education and Training Authority. INSETA has outsourced non-core functions such as financial and IT administration to Deloitte & Touche and the Project Management of surplus funds and discretionary grants to PricewaterhouseCoopers, thus allowing it to concentrate on its core functions.

INSETA's core functions include:

- To develop a Sector Skills Plan within the framework of the national skills development strategy for the INSETA;
- To implement the Sector Skills Plan;
- To promote Learnerships;
- To register learnership agreements;
- To be accredited as an Education & Training Quality Authority body as contemplated in Section 5(1)(a)(bb) of the South African Qualifications Authority Act;
- To disburse the skills development levies in the insurance sector in terms of the Skills Development Act and the Skills Development Levies Act;
- To liaise with the National Skills Authority as well as other SETAs;
- To report to the Director-General: Department of Labour on the implementation of its Sector Skills Plan, its income and expenditure;
- To liaise with employment services of the Department of Labour and any educational body established in terms of education and training legislation of South Africa;
- To facilitate the involvement of the relevant government departments in the activities of the INSETA;
- To perform any other duties imposed by the Skills Development Act or any other function not specifically mentioned, in order to fulfil the objectives of the INSETA and the Act.

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INSETA has developed a holistic, comprehensive and innovative Learning Strategy to lead, direct and guide training, development and learning within the industry sector. The strategy has been implemented through a range of industry-customised programmes at all levels of employment. The main advantage of a comprehensive, integrated and structured learning programme framework is the provision of standardised and customised theoretical and vocational training by quality training service providers. This benefits both employers and employees.

INSETA currently has 15 Learnerships registered with the Department of Labour and 345 learners are participating in Learnerships. In a Learnership, learners will spend time working under the guidance of a skilled mentor in a company, thereby gaining practical, as well as theoretical experience. A person who completes a Learnership will have a qualification that signals occupational competence which is recognised nationally. Any employer paying a skills levy to INSETA may seek a grant

from them to support the implementation of Learnerships.

A Council – comprising business, labour and the state – govern the affairs of INSETA. However, INSETA itself is managed by Chief Executive Officer, Nelius Volschenk and has a permanent staff of 14. INSETA's offices are located in Parktown, Johannesburg. INSETA has appointed Regional Advisors in Cape Town, Durban and Johannesburg to assist employers with any SETA or skills development related query.

SA Eagle is involved with INSETA's Leadership and Executive Development Programmes and is currently working closely with them to improve the skills levels within the organisation, as well as aligning the employee demographic mix in all occupational categories.

FOR MORE INFO Visit www.inseta.org.za, send an e-mail to info@inseta.org.za or give them a call on 086 113 0013.

BUSINESS COMMITTED TO FIGHTING CORRUPTION

Consider the following; almost 35 percent of all claims in the short term insurance industry contain an element of fraud; 54 percent of all stolen vehicles on our roads are re-registered through corrupt officials at the licensing department; that fraudulent death claims cost the life insurance industry R3 billion a year and that the South African Mining industry loses US\$400 million a year from gold theft alone. This is by no means an exhaustive list but an illustrative list of the damage being caused to South African business by fraudsters and corrupt officials. The business community is intent on fighting corruption not only from a moral and legal conviction standpoint, but also because it makes business sense to do so.

The corporate scandals abroad as well as in South Africa have led to the spotlight being cast on the legal requirements of those appointed to boards and this has had a salutary effect on the corporate environment in which directors now face more stringent tests than prior to the King 2 report. Directors now find themselves being pushed to comply with the new regulatory framework while, at the same time, being pulled to attempt to please shareholders in this current turbulent economic environment. Historically many boards have had an arms length relationship with shareholders and in some cases a dismissive attitude. However boards are increasingly being taken to task especially when share prices drop unexpectedly. Shareholders will be watching carefully that directors do not remunerate themselves or their executives excessively and that insider trading and misuse of company assets is not tolerated and directors will have to deal with the increasing requirement of information disclosure.

In spite of all the measures that have been taken to combat corruption and all the legislation that has been introduced, we will not achieve the desired result until attitudes to corporate crime change.

One of the major impediments to combating fraud since the Anti-Corruption Summit in 1999 has been the inability or reluctance by some sectors of business to share fraud data thus reducing the risk of exposure. This is exacerbated by the fear of shareholder backlash and therefore resulting in the practice of hiding fraud problems in bad debt provisions. Business has now accepted that fraud is a non-competitive issue and cannot be treated as such. The result is that many sectors of business have entered into information sharing arrangements in an effort to prevent fraudsters from executing the same scam over and over again.

Despite the challenges that are still facing business with regards to fraud and corruption such as lack of investment to execute some of the anti-corruption measures, many sectors of business have contributed immensely to alleviating the problem. Without dismissing the prevalence of corruption within our society, it must be mentioned that the perception of corruption within business is greater than the reality and it is certainly not debatable that the business sector has been an unsung hero in the fight against fraud and corruption.

In spite of all the measures that have been taken to combat corruption and all the legislation that has been introduced, we will not achieve the desired result until attitudes to corporate crime change. Fighting corruption has to be a culture. The balance has to be struck between a more effective legislative and compliance environment and ensuring that the requirements of commercial reality are not interfered with.

Acknowledgement: South African Insurance Association



Cross Country All Terrain policy

If you own a 4x4, you need a no-nonsense insurance policy as hardy and practical as your vehicle. A policy that can take the knocks and go the distance. Now, for the first time, there is the All Terrain Insurance Policy underwritten by SA Eagle which covers you against anything, anywhere, from South Africa to Swaziland, Zimbabwe to Zambia... and much further.

Much more protection than a rollbar

The All Terrain Insurance Policy has been custom-designed for off-road and outdoor adventurers. To qualify, you need to insure any off-road vehicle, whether a 4x4 or 4x2 with diff lock. Thereafter, you can literally cover everything from:

- your QUAD/ATV off-road motorcycle and/or other off-road vehicles with up to 5 ton load capacity
- your caravan and/or trailer
- your specialised outdoor equipment on an all risks basis, including while in use
- your off-road vehicle's mechanicals or electricals against derangement or breakdown
- your motorised boat, inflatable, semi-rigid or jet-ski on an all risks basis, including use at sea

Designed for rough rides

With the All Terrain Insurance Policy, you can head off into the wilderness without a care in the world, as it comprehensively insures you for:

- business/private use and full off-road application
- use in RSA, Namibia, Botswana, Zimbabwe, Lesotho, Swaziland, Mozambique, Malawi, Tanzania, Kenya, Uganda and Zambia, including repatriation costs of up to R25 000, following accident or breakdown (includes vehicles and persons)
- special fixtures (subject to adequacy of insured value)
- ex-RSA imposed duties in the event of loss of your vehicle beyond South African borders
- hospitality clause applies beyond RSA borders

As much flex as a kinetic strap

The All Terrain Insurance Policy is flexible enough to cater for professional outdoor operators, clubs and associations. In addition, there are many other beneficial extensions that are not included in a conventional insurance policy.

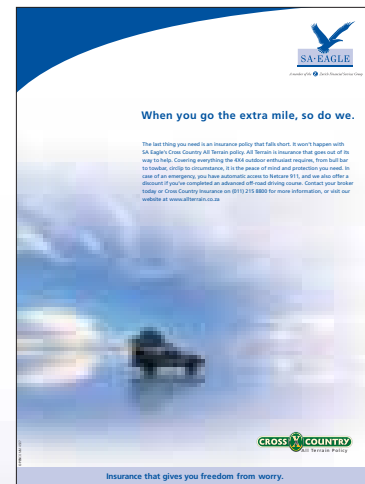
Emergency assistance services

You get:

- automatic access to Netcare 911 for emergency assistance services. This includes:
 - reporting of theft/hijack
 - vehicle retrieval after accident
 - breakdown within South Africa and listed territories
 - professional medical evacuation of vehicle occupants
 - personal accident cover while beyond South African borders
 - legal assistance
 - road-side assistance
- specialised packaging including preferential discount options and multiple vehicles insured under one policy
- ability to insure the adventurous as well as the not-so-adventurous

If you've attended an accredited off-road training course and have the certificate to prove it, you will receive a discount of up to 25 percent.

We promote better, safer and eco-friendly driving. Metal on wheels is easy to replace, life and limb, not so easy.



FOR MORE INFO

Contact your broker or Cross Country on (011) 476 8155 or visit our website at www.allterrain.co.za

