



The Guardrisk Update

Incorporating Life Update

Nov/Dec 2011

GUARDRISK UPDATE will no longer be printed and will, in future, only be published electronically. Guardrisk Update wishes its readers a joyous festive season and a prosperous 2012.

THE results of climate change and extreme weather conditions are becoming apparent to insurers, with severe rain and floods in various areas around South Africa having had a significant impact on insurers' claims and loss ratios over the past three years (*Business Day, 26 Oct*).

SA insurers are cautiously optimistic about business prospects next year despite uncertain economic conditions (*Business Day, 23 Nov*). The sector has been steadily recovering from the last global crisis though costs remain high.

THE odds of being injured in a crash are 25% lower for people in hybrids than people traveling in conventional vehicles (*The Star Motoring, 24 Nov*). Weight is a big factor. Hybrids on average are 10% heavier than their standard counterparts. This extra mass gives them an advantage in crashes.

THE new Companies Act has been criticised on the grounds that its directors' liability provision militate against individuals accepting appointment as a director, or continuing to act as a director (*Business Day, 26 Oct*). That's especially applicable to nonexecutive directors because the risk of personal liability is too great relative to the fees directors normally earn.

THE functions of the Financial Services Board could change quite significantly if the "Twin Peaks" model unveiled by treasury at the last budget is introduced (*Financial Mail, 24 Nov*). Under this model, the Reserve Bank will take responsibility for prudential issues such as capital requirements; and market conduct issues.

'Tis the time to be jolly...

It's the time of year when Guardrisk Update lightens up a bit and takes a look at the lighter side of insurance with extracts supposedly taken from real insurance claims (we're not sure if they are all true, but they certainly are funny).

I was stopped at traffic lights. The lights changed. Miss Powell started to move and then stopped. I had just started to pull away and then broke. As I stopped I very slightly touched the bumper of the car in front. There was no damage and Miss Powell is a fat cow who definitely doesn't have whiplash.

I consider that neither vehicle was to blame but if either were to blame it was the other one.

My car was damaged by a frozen kebab that was tossed out of another car.

I unfortunately ran over a pedestrian and the old gentleman was taken to hospital, much regretting the circumstances.

One wheel went into a ditch. My foot jumped from brake to accelerator pedal, leapt across the road to the other side and jumped into the trunk of a tree.

I heard a horn blow and was struck violently in the back. Evidently a lady was trying to pass me.

I was driving along the motorway when the police pulled me over. Unfortunately I was in the middle lane and there was another car in the way.

A truck backed through my windshield into my wife's face.

A pedestrian hit me and went under my car.

Accident unnecessarily occurred on account of a misjudgment.

I admit I was unconscious and not really paying attention immediately before the impact.

The telephone pole was approaching. I was attempting to swerve out of its way when it struck my front end.

The accident was caused by me waving to the man I hit last week.

I got my right hand first finger in the saw while helping Mike and staying out of his way. My finger bled and it affected my mind.

Customer thought she needed the brakes adjusted. She drove the car into the station, could not stop the car, came through the door and pinned claimant against the cash register.

I slipped and fell and hurt everything in me.

I was working on my job and got a pain at the end of the week.

I ran down the steps and when I got to the end, my feet wouldn't stop.

Source: The Internet.



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Risk Barometer

PREDICTING the reinsurance market's upturn is premature as we are yet to see the downturn (*Captive Review, 24 Oct*). It is expected that the market will see some complex dynamics during renewals because of the unprecedented amount of alternatives to reinsurance currently available.

RISK managers should budget for somewhat higher insurance costs but capacity remains abundant (*Captive Review, 16 Nov*). Average renewal premiums increased in the third quarter in three main business lines. Renewal premiums increased for general liability, property and workers' compensation by 1.2%, 1.6% and 2.1%. Only D&O liability posted a decrease, falling by 1.9%.

UNDERWRITERS are looking to make a greater underwriting profit due to a lack of investment income after suffering from large scale natural catastrophes in 2011 (*Captive Review, 15 Nov*). They have reportedly taken a more traditional approach to risk in 2011, which has increased costs for risk managers.

THE renewable power industry faces a growing range of risks and significant challenges in managing them as it grows (*Business Insurance, 29 Nov*). 70% of energy and finance executives surveyed said they were successful in identifying the key risks their companies face, 61% said they were successful at assessing the scale and the scope of risks, 61% said they were successful at mitigating risks and 50% said they were successful at transferring their risks.

HIGHER than expected technology spend and a greater use of external consultants is set to raise the cost to UK insurers of implementing the new Solvency II framework past the £2bn mark (*Insurance Day, 25 Nov*).

FOR middle-market companies, expanding into the global marketplace has never been more accessible, but international opportunity also brings significant exposures to unfamiliar risk (*Business Insurance, 16 Nov*).

THE full impact of Solvency II on captive insurance companies is unclear, and risk managers should continue their lobbying efforts to ensure that captives are treated appropriately under the upcoming risk-based capital rules (*Business Insurance, 16 Oct*).

Life Update

Local

SOUTH Africans are starting to win the battle to curb their appetite for consumptive debt and spending but are still struggling to save (*Business Day, 25 Nov*). The ratio of household debt to disposable income is more than 76%, and has been blamed for the dilemma facing many families who are struggling to repay debts, let alone save for long-term needs such as retirement.

A survey of 1 000 working metro households showed that 62% of respondents had funeral policies (*Business Report, 25 Nov*). However, only 46% were members of pension or provident funds and only 27% had retirement annuities (RAs), while 45% had no pension, provident fund or RA provision at all. The situation has deteriorated since July, when only 38% had made no provision for retirement.

THE Financial Services Board (FSB) is adopting an aggressive name and shame approach to rule breakers (**Financial Mail, 24 Nov**). Even when fines levied for contraventions of section 13b of the Pension Fund Act — by holding too little capital in a pension fund administration business — have been paid they are accompanied by press releases which say that the companies pleaded guilty of the offence.

International

HIGHER defined contribution plan fees are associated with participants' lower average plan balances, plans with fewer participants and plans with higher equity allocations (*Business Insurance, 17 Nov*). A new survey suggests economies are gained as a plan grows in size because these fixed costs can be spread over more participants and/or a larger asset base; and that equity investment options have higher expense ratios than fixed income or other asset classes.

EMPLOYERS should take into account their organization's culture when implementing workplace health and benefit programme, include dependents and other family members in company communication efforts, and structure incentives to be part of the health plan design (*Business Insurance, 30 Nov*). Employers should also offer resources that enable plan members to compare plan costs and learn the actual cost of health care services.

Beyond the call of duty

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