



Bryte Edition
November '17

CEO Foreword



Edwyn O'Neill
CEO Bryte Insurance

Dear Business Partner,

Excuse the 'Disruption'

Welcome to our second *Bryte Edition*. There is no doubt that we as an industry need to brace ourselves for the impending 4th Industrial Revolution, one that will be characterised by constant innovation and disruption. The *World Insurance Report 2017* highlights the new wave of digital technology confronting the insurance sector, indicating that 'insurtech' will be a fundamental part of providing customers with new offerings and new experiences.

What's more is that these elements will most certainly reshape the current risk landscape as it stands as well as the strategic decisions that business leaders will have to make. As such, more than ever before, proactive risk management and in-depth data analysis will be critical to ongoing business resilience and ultimately, business survival.

Of course, mitigating risk is at the forefront of everything we do. In this quarter's Bryte Edition, we unpack the findings from our specialist investigation and in-depth insights from our data into the Knysna fires, highlighting the preventative measures you and your customers can implement in order to minimise similar exposures.

Untapping Potential

We are also excited to tell you about our partnership with Takaful Africa and the Shari'ah-compliant offering we have tailored to meet specific market requirements. This particular segment, especially within the South African context, is largely untapped and we look forward to expanding and enhancing this portfolio of solutions.

In addition, this issue explores the importance of our ongoing partnership with Sasria as well as current claim trends related to increased protest action and the rise of political activism.

Although some elements of the future are unknown, I am confident that through solid partnerships, consistent innovation and informed insights, all opportunities within the sector can, and should be, leveraged for ongoing mutual success.

Warm regards,
Edwyn

BRYTE AND SASRIA – CLOSING THE INSURANCE LOOP

By Ntsoane Selela, Customer Relations Manager at Sasria

Over the course of recent years, South Africa has seen numerous public demonstrations such as #FeesMustFall and #ZumaMustGo, including widespread service strikes and labour unrest. Although the majority were peaceful, extensive damage to property, businesses and vehicles did occur. Sasria SOC Ltd, established in 1979 in response to increased protest action, is mandated to insure all individuals and businesses that own assets in South Africa (including government entities) against losses and damages related to civil commotion, public disorder, strikes, riots and terrorism.

Claim Trends

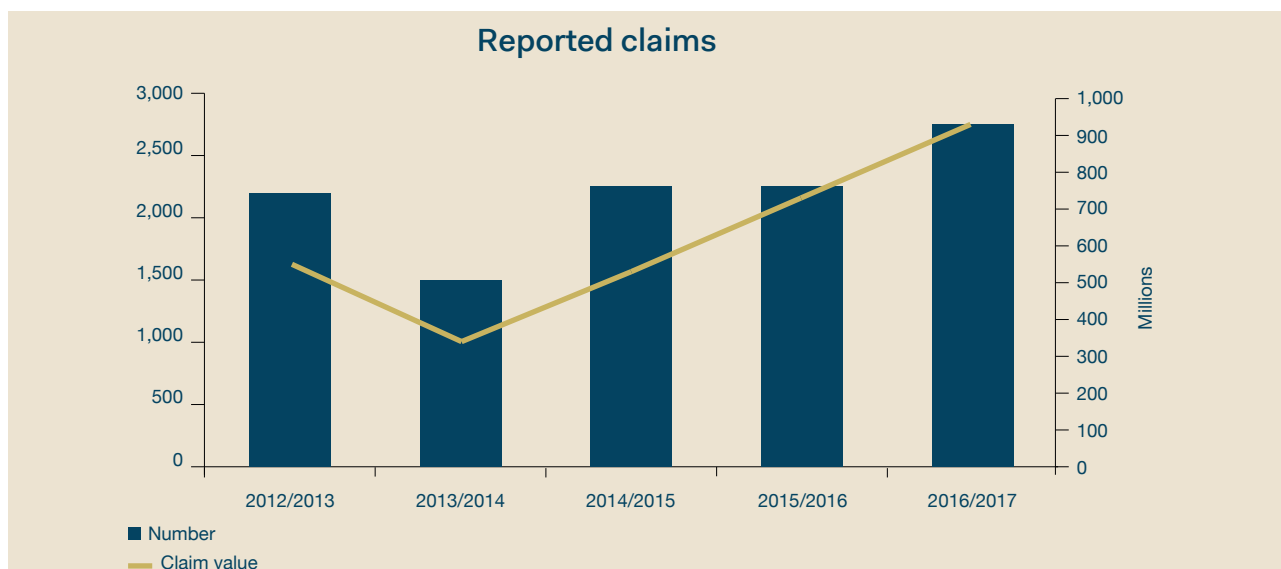
In the past, Sasria paid out claims related to service delivery strikes due to pre- or post-election turmoil. Recently, with ongoing political and economic uncertainty, claim patterns have changed significantly. The #FeesMustFall movement has been a large contributor to this, demonstrating a shift in protest action dynamics. Before the sector saw scattered, uncoordinated student strikes, now these have turned into organised, nationwide protests. The fact that we are seeing groups and organisations working together and reaching out to their peers in other provinces has increased the scale and severity of potential destruction or interruption. In the Western Cape, the farming sector also recently experienced intense labour unrest resulting in increased business interruption and property damage claims.

The Evolution of Policies

The current socio-economic environment has prompted us as an industry to think both reactively and more importantly, proactively, in terms of the risks we are covering. On a reactive level, we regularly assess our cover and determine if and where it was relevant, closing gaps where possible. Ongoing stakeholder engagement is also essential. Valued partners such as Bryte, together with intermediaries, are the eyes and ears of Sasria – they are able to evaluate constantly changing customer needs as well as impending risks and exposures. Proactively, we are monitoring trends in Europe, the U.S., Nigeria and Kenya related to incidences of terrorism. Examining global patterns is critical to designing effective, locally relevant policies.

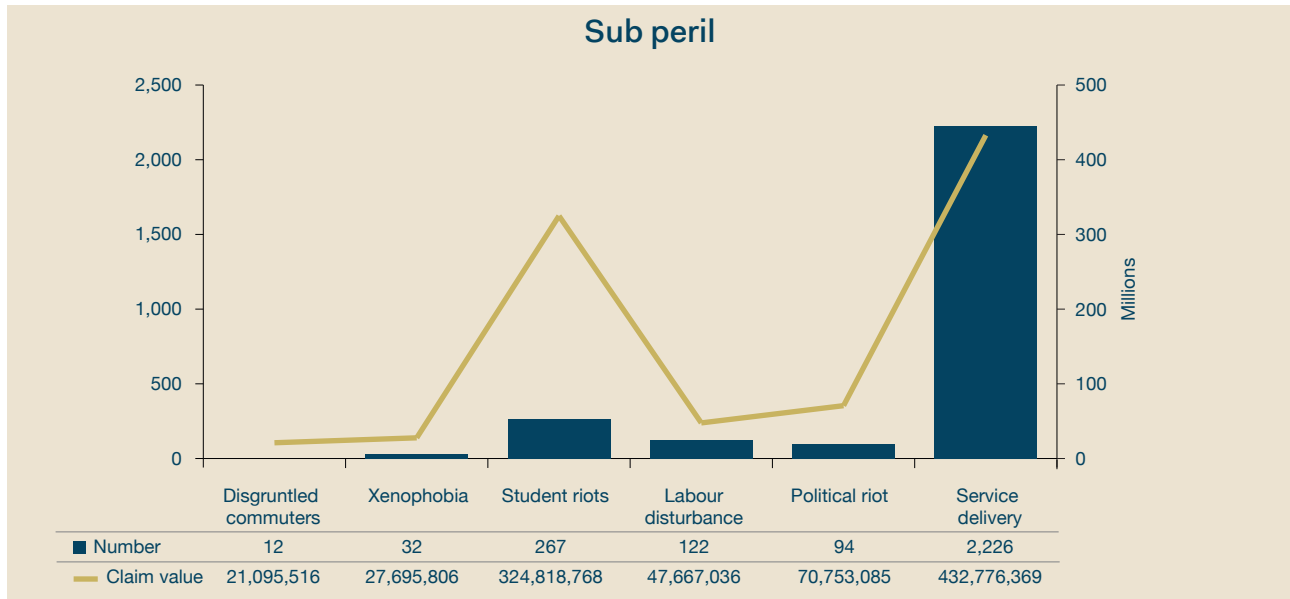
Stats and Trend

The graph below reflects the number and value of claims reported during the last five financial years.



BRYTE AND SASRIA – CLOSING THE INSURANCE LOOP (continued)

The graph below shows claims per sub peril, received during the March 2016/17 financial year.



Going forward, we expect to see increased service delivery protests and we are also monitoring the potential reoccurrence of student and xenophobic uprisings. This year's losses from tertiary institutions alone accounted for 35% of our total severity in claims. Two of the biggest losses received from student riot claims were R75 million followed by R46 million from two prominent South African universities.

For more information, please visit our website – <http://www.sasria.co.za/>

BRYTE CRIME TRACKER

By Cloud Saungweme, Chief Claims Officer at Bryte

Bryte Crime Tracker, an indicator of long-term crime trends in South Africa as captured by insurance claims, is now available for download.

The **Q2 2017 Bryte Crime Tracker** measures the annual change, on a quarterly basis, in crime-related claims (due to hijacking, robbery, theft and malicious damage) committed against South African businesses.

The key trends for the period April to June 2017 include:

- 7.7% contraction in overall crimes against business in Q2 2017 compared to a 2.7% contraction in Q2 2016.
- A 7.1% decline in theft against businesses in Q2 2017.
- Drop in incidents of contact crime (robberies and hijackings), following a sharp increase in Q4 2016.
- 20.7% reduction in malicious damage (to fixed and movable assets) compared to 5.7% in Q2 2016.

Although the data reflects an improvement in the overall exposure of businesses to crime, damage owing to protest action remains a concern. Further evidence suggests that the same crime syndicates target both businesses and homes. The consequences of any crime and loss are severe, therefore it is helpful to share information and tips with customers to ensure they proactively reduce their exposure through better risk decisions.

We hope our Crime Tracker will assist you in advising customers on the potential risks they, and their respective businesses, could face and the best ways to mitigate against them.

For more information on Crime Tracker, please visit our website:

<http://brytesa.com/media/thought-leadership/bryte-crime-tracker/>

CARVING A NEW NICHE IN SHARI'AH-COMPLIANT SOLUTIONS

By Sedick Isaacs, Head: Business Support Services at Bryte

Although not an entirely new concept, Shari'ah-compliant insurance has yet to hit its stride locally. Despite its faith and belief-based appeal, the pace of growth for Shari'ah-compliant insurance is relatively disproportionate to the number of potential customers worldwide. In addressing this disparity, Bryte has introduced a Shari'ah-compliant short-term insurance product to the South African market, through a partnership with Takaful Africa. Bryte's Takaful product offering is an alternative to conventional insurance, providing tailored, Shari'ah-compliant personal, commercial, hospitality, engineering, motor traders, specialised motor and travel cover.

How Takaful Works

Takaful, is derived from the Arabic root word *Kafala* meaning "mutual guarantee". It is an Islamic system of mutual cooperation, built around the concept of "*Tabarru*" (voluntary contributions). When a customer purchases a Takaful policy, he/she becomes a participant, paying a contribution that is pooled under one Takaful fund. This creates a pool of wealth for the common good of members and contributions are paid out in the event of a loss or misfortune. In addition, contributions are invested according to the principals of Shari'ah law (avoiding any interest-based instruments). In the event that an underwriting surplus is declared, it can be distributed in the following ways: to participants, donated to charity or placed in a reserve fund.

This is contrary to conventional insurance where policyholders pay premiums for protection against loss. If a loss occurs, the policyholder will be protected; if not, the policyholder will still contribute the full premium paid to the insurance company. What's more is that the Shari'ah Advisory Board ensures that all products and services offered by Bryte are fully compliant with the principles of Shari'ah law. The Board also reviews and oversees all potential new product offerings in line with industry trends and customer expectations.

Innovation and Personalisation

In today's fast-paced digital economy, customers expect to access information instantaneously. The Takaful app allows users to lodge and track claims, view and change cover, upload vehicle photos after an accident and press an "SOS" or panic button in the event of an emergency. Looking ahead, the Takaful product has strong growth drivers within the market, encouraging financial inclusion and enhancing insurance penetration. Its transparency, integrity and financial model has wider customer appeal and, as such, is open to all potential participants. Bryte will continue to anticipate, and respond to, market and community needs and requirements in order to provide innovative, tailored cover and solutions.

Keen to add this offering to your portfolio? Email Umair Jassat at umair@takaful.co.za.

STRENGTHENING EVERY LINK WITHIN THE INSURANCE INDUSTRY TO COMBAT FRAUD

By Garth de Klerk, Chief Executive Officer at The Insurance Crime Bureau

South Africa's challenging economic climate has seen added pressure on cash-strapped consumers and businesses, which in some instances is resulting in a rise in criminal acts such as fraudulent insurance claims. The Insurance Crime Bureau's (ICB) own data reflects that approximately 5% to 12% of all insurance claims submitted are fraudulent, while some reports suggest that as much as 30% of all insurance claims have a fraudulent element. Overall, insurance fraud is costing the industry billions annually and consumers are paying the price.

Given the growing statistics of fraud, prudent action is critical to maintaining the stability of insurance businesses and the industry at large. Insight is power and such action therefore involves collaboration within the insurance community to share information related to fraud trends that can help identify perpetrators. Beyond this, individual insurance businesses must ensure that intelligent and effective fraud prevention tools and measures are implemented; this could include fraud detection technologies, training for employees and firming up processes from risk assessment and quotation through to claims.

Differentiating between Opportunistic and Syndicated Fraud

Fraud incidents can be divided into two categories: opportunistic and syndicated fraud.

Opportunistic fraud (perceived by many as socially acceptable) can be described as fraud committed by individuals as part of a personal claim. An example of this can be seen when a customer includes items in a burst geyser claim that were not actually damaged during the incident.

Syndicated fraud is more sophisticated and complex. It often involves collusion to perpetuate fraud between multiple parties such as hackers, banking employees and even insurers. These require resources and time to uncover. This trend is gaining traction with cross-sectoral data from the ICB indicating that collusion to perpetuate fraud has increased between 14% and 30%.

Such crimes are having a tremendous impact on insurers and the unfortunate consequence of this is that policyholders ultimately pay the price. To adequately detect and curb fraud, the industry must prioritise collating sufficient fraud trends data, as well as human, technological and forensic resources. While an insurer may have statistics on the prevalence of fraud incidents within their business, the most valuable data is that which offers an industry-wide view on a national level. This can only be accessible through the pooling of information across insurance businesses..

Why Partnerships are Critical to Sustainability

Collin Molepe, Chief Operations Officer at Bryte, says; "Insurance businesses are losing millions annually due to fraudulent claims. This results in insurers absorbing significant unnecessary losses, as well as penalising customers as these have to be mitigated with market-wide premium increases. Combatting fraud remains the responsibility of every player within the insurance value chain, including the customer – whose premium potentially could be increasing due to fraud committed by a neighbour. As responsible insurance businesses, we are legally required to establish, maintain and operate an adequate and effective claims management framework – one that must provide a compliance programme for combatting fraud. This also involves the sharing of critical insurance crime-related data on an industry-wide level."

STRENGTHENING EVERY LINK WITHIN THE INSURANCE INDUSTRY TO COMBAT FRAUD (continued)

Many insurers have been reluctant to share what they perceive as commercially sensitive data; this view, in effect, is what is hampering the success of the insurer, industry and the economy. The fact is that such data can be safely shared with organisations specialising in consolidating insurance fraud data across the industry. These organisations are then able to extract valuable insights that help identify trends in fraudulent activities, understand the modus operandi of sophisticated fraud networks and better determine what is making insurers vulnerable.

Qualified insights also inform the proactive revision of policies and facilitate better anti-fraud collaborations with law enforcement institutions such as the National Intelligence Agency, South African Police Services, Financial Intelligence Centre, etc. This enables the industry to more effectively address issues of fraud and avoid losses. Ultimately, meaningful collaboration aimed at addressing crime will help safeguard the interests of policyholders, ensure the resilience of the insurance industry and drive much-needed economic growth..

THE KNYSNA FIRES, INVESTIGATED...

By Reynier Rautenbach, Head: Claims Operations at Bryte

The devastation caused by the Knysna fires shook the South African population; thousands of residents had to be evacuated and in just three days, reportedly, more than 10,000 hectares of land and hundreds of buildings were obliterated. The damages to both insured and uninsured property has run into billions of Rands and this figure is steadily climbing while many homeowners and businesses try to recover. Within this context, the support from people, businesses and government has been immense; the insurance industry, in particular, went above and beyond to support not just its customers but also the wider community.



Understanding What Caused the “Perfect Inferno”

While the immediate priority was disaster relief, the next step involved understanding the factors that led to the start of the blaze and outlining the lessons learnt in order to reduce exposures in the future. Bryte commissioned **Protocol Forensic Fire Investigations (Protocol)** to determine the origin of the fires, including the dynamics at play that caused it to spread as far and wide as it did.

Initially rumours of arson surfaced, however, the investigation revealed that the devastation was a culmination of a range of factors. Essentially the fire originated in three unrelated places:

- The first was caused by lightning which started on 6 June.
- The second was a fire that broke out in an informal settlement.
- The third occurred two days later when trees fell on power cables.

Understanding What Caused the “Perfect Inferno” (continued)



Protocol's unique approach utilised satellite imagery from the Terra and Aqua satellites to map out the migration of the fire. These satellites covered the affected areas and data was fed from the Advanced Fire Information System – a satellite-based fire information tool that provides near real time fire information to users across the globe.

The spread of the fire was accelerated due to the berg winds (which peaked at 60km/h) resulting from the low-pressure system off the coast of Knysna, the cold front that was moving through the country at the time as well as the high-pressure system near Mozambique. In addition, dry plant material aggravated by prolonged drought conditions and trees further fuelled the fire.

Valuable Lessons Learnt

Predicting the particular mix of factors that aggravated the situation may not have been possible, but there are many lessons that can be applied to help limit customer exposure and accelerate recovery from such disasters. In fire-prone regions, working closely with local fire/fire-fighting associations should be a priority for all businesses and homeowners.

These associations support by:

- Employing risk mitigation measures that are more sophisticated and comprehensive.
- Providing access to data and insights that can bolster individual risk mitigation measures. This could also include historical data on fire paths (patterns are usually noted at 50 to 60 year intervals). Bryte's investigation showed that buildings had been constructed along fire paths and consequently, these suffered extensive damage.
- Cleaning up loose, dry material on the forest floor/woodlands/plantations, etc.
- Replanting trees after fires occur as the top soil becomes badly damaged leaving affected areas susceptible to flash flooding.
- Cutting down trees that may have suffered damage and could pose a threat in future.

Brokers are well placed to create an understanding of the inherent benefits of customers joining such associations and can also advise insurers on location-based risks to ensure that policies are accurately underwritten. Additionally, developing an appreciation for the right level of risk advice and cover is essential – prevention is often not possible when disasters of this magnitude strike hence, having protection could spell the difference between recovery and complete loss.



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