

*The major regulatory change within the insurance industry and the increasing socio-economic challenges that South Africa is currently facing is underscoring the importance of managing risk more effectively.*

Various steps are being taken by insurance companies to address the various types and levels of risk from both a direct and indirect perspective, for example, writing policies in plain language to minimise and/or eliminate confusion; educating consumers on related insurance risks; and streamlining claims processes to speed up settlement times and eliminate consumer frustrations and inconvenience.

### **Collaborative approach**

Experts agree that a collaborative approach to risk management is best to successfully manage and address the challenging underwriting conditions, especially concerning the increases in claims costs and frequency, which are largely influenced by the economic conditions of a country.

Hence, insurers are increasingly moving away from a 'risk management only' approach to an 'influencing the risk' approach to decrease risk proactively.

### **Influencing the risk**

In order to achieve the above, insurers need to have an intimate knowledge of the challenges faced by their markets, such as broker agents, larger policyholders and re-insurance suppliers.

In addition to this, insurers also need to:

- gain an in-depth understanding of the risk owners' prioritised risks;
- elevate loss prevention on all levels; and
- align their business terms with risk reducing behaviour (including those related to supply chain, regulation, reputation and operations) and innovative insurance solutions; while
- continuously updating and reporting on the progress made in terms of risk mitigation measures and controls.

### **Market knowledge**

An example of an intimate knowledge of the market that insurers operate in may be the understanding that perpetrators of violent crime are also users of stolen cellphones and vehicles. Insurers need to be aware that by engaging these wider industries, such as mobility, they will be able to facilitate more effective risk management from a crime perpetration perspective.

Insurers in consultation with all the stakeholders in the cellphone and vehicle industries and insurance brokers can ensure that all policyholders record on their policies their unique serial numbers in respect of the cellphones and vehicles they insure. Subsequently, when policyholders report a theft of an insured cellphone or vehicle, then the stolen item can be more readily logged and identified as stolen. This may facilitate that the law enforcement agencies to be more effective. Innovative insurance solutions may include dedicated resources within a law enforcement agency for policyholders to access these serial numbers when reporting a theft.

### **Operational ability**

As such, insurers' operational ability, namely the execution of business functions to deliver cost reduction and the alignment of risk management with overall business strategy, are now ongoing executive concerns. Therefore, more than ever before, insurers need to analyse all feedback with regard to internal processes, people and systems; and evaluate any emerging trends to manage their exposure on a continuous basis. For example, when a policy is up for renewal, the policyholder's premises should be visited to evaluate and influence general maintenance, and to conduct an evaluation of value limits insured, housekeeping standards and risk mitigation practices.

Other aspects that need to be evaluated and analysed include, for example, the revision of the insured's financial results when deliberating the insurance of the loss of profits and assigning appropriate premiums for the risks assumed, especially given the financial pressure many policyholders are currently experiencing.

By doing so, insurers can bring about significant change to ensure long-term sustainability and success.

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