



Peter Jennett

CENTRIQ

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CEO of Centriq

The major events in 2017?

The industry suffered significant underwriting losses: the Knysna fires, Durban storms and many large single-fire events. This has had a material effect on industry loss ratios, with the bulk of the burden being picked up by the reinsurance market.

The net effect of these losses is quite rightly causing reinsurers to reassess who they support and on what basis; that pressure is going to flow into the industry next year.

One of the current challenges is the water situation in Cape Town, which impacts the efficacy of protection systems – particularly in commercial buildings from low or no water pressure.

The insurance industry has had an extremely tough year, as has the consumer. We have had an incredibly soft market in South Africa, which has been driven by pressure on the consumer due to a struggling economy and an extremely competitive market. I do think that consumers and businesses are struggling to find the money to pay for increased premiums and better risk protections. Unfortunately, insurers and reinsurers are in a similar position in that they cannot afford to continue making underwriting losses, so there will have to be a shift in thinking.

Positives to take from the year?

The industry has been static in its underwriting approach and we haven't always reacted to what's going on in the market. I think 2017 has been a bit of a wake-up call and it will strengthen the industry going into 2018. As an industry, our underwriting philosophy will become more disciplined. Sometimes an industry has to endure a bit of pain to learn.



CENTRIQ HAS BEEN FORTUNATE AND HAS HAD A RELATIVELY SUCCESSFUL YEAR.

Ideas and plans realised by the company?

Centriq has been fortunate and has had a relatively successful year. We are predominantly a cell captive insurer that provides solutions to our partners, which, in turn, helps them to supply insurance solutions to their clients. We tend to be a bit boring in our approach. This has served

us well in a year like this and we don't intend to change this approach. We deem it important to provide both our partners and clients with a stable platform; it is an approach that our shareholders buy into as well. From a purely business perspective, we have remained profitable. We are a bottom-line-focused company. ➤



THE AWARENESS OF WHAT CAN HAPPEN, IN THE EYES OF INSURERS AND REINSURERS, WILL LEAD TO A BETTER APPROACH FOR 2018.

In this environment, you have to proceed with caution and do the basics well.

Looking to 2018?

With the industry pain [of 2017] comes action. As already mentioned, a more disciplined approach is needed. Fortunately, this has already started filtering into the industry. It's not just on the pricing of risk, but also on the insistence on how risks are protected and the quality of disclosure at the time that a risk incepts. That is important as all the players need to ensure that the customer has certainty of cover.

The hurdles of 2018?

I think 2018 is going to be a much better year for the industry. With a more disciplined approach the industry should post better results.

On the regulatory side, there will be a number of amendments filtering into the industry. We generally don't have a problem with the majority of the regulation, but it all comes down to the implementation and enforcement thereof. It must be consistent and fair in how it's rolled out. That's in the hands of the

Financial Services Board and they have it under control.

The impact of AI on insurance?

For the short-term sector, there might be opportunities with artificial intelligence (AI) but it is not simple. I don't see AI coming in and changing the industry next year to any large extent. It might well have a role to play in how you distribute, but a lot of short-term insurers would have to get their hands dirty. As an example, how do you deliver on the claims side, and so forth? With regard to AI's introduction to insurance, we think it will take time and that there will be some lessons learnt. There's always some debate whether you want to be the first mover in this space.

Projections for Centriq?

Overall, we will continue to aim for steady, profitable growth in 2018. For us, it's about doing the basics well. We will continue to ensure that our existing clients and partners are well looked after. We'll be selective in terms of growth but remain confident as we are currently looking at some interesting opportunities. ➤

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