

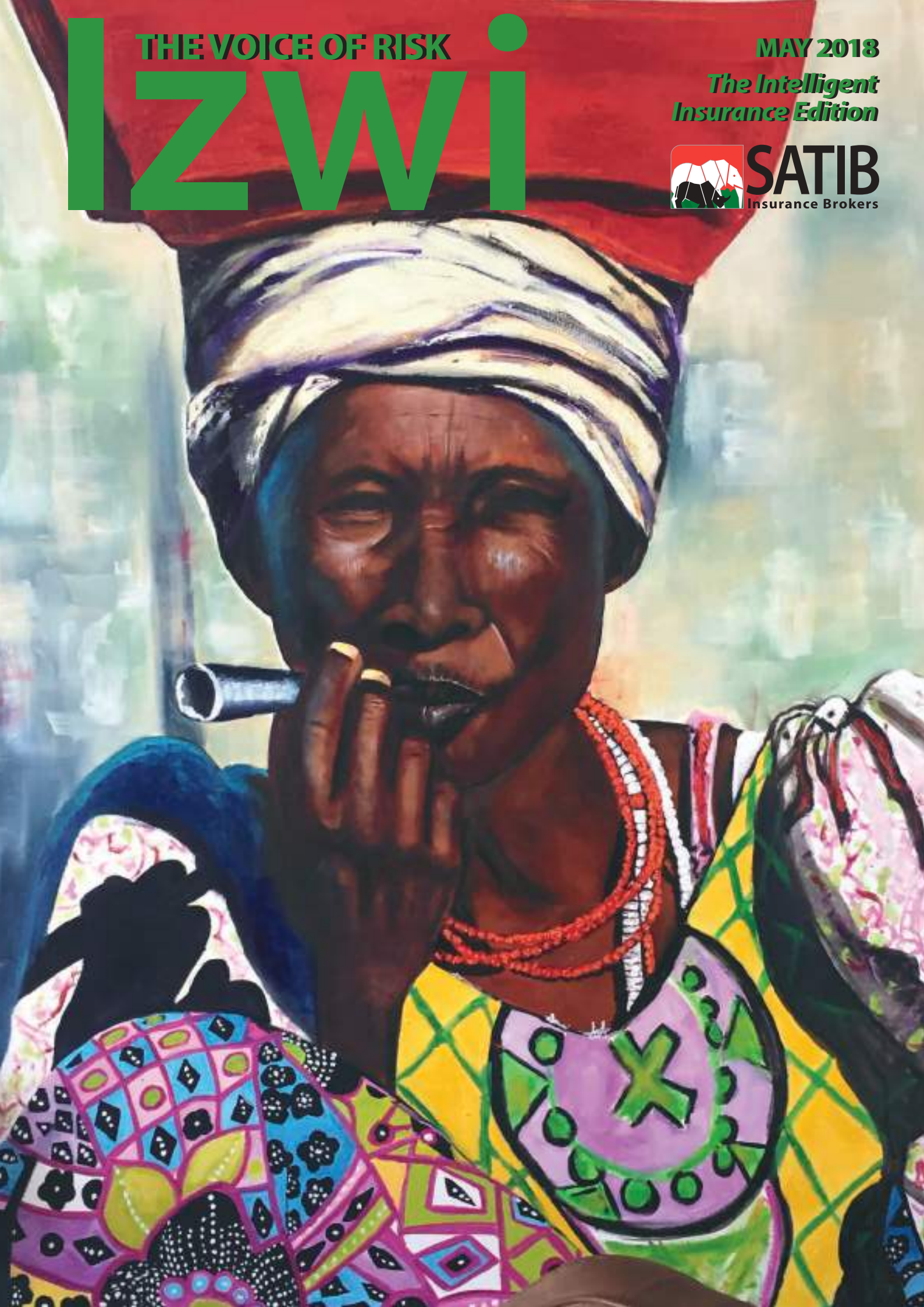
THE VOICE OF RISK

MAY 2018

*The Intelligent
Insurance Edition*



SATIB
Insurance Brokers



FOREWARD



As Benjamin Disraeli said; "Change is inevitable. Change is constant." Change is going to happen, and it can either be a scary, or wonderful thing! We have recently witnessed its effects in South Africa on many fronts. Corrupt leaders being removed and held accountable; adverse weather patterns bringing forth excessive droughts or floods and, most recently, the change in VAT rate, which has sparked a bombardment of e-mails flooding your inboxes with notifications of the effects of this 'small' change.

At SATIB we too are facing changes. Change enables us to continually improve on our deliverables to this fantastic industry we serve, and provide our client base with better and improved products. During the past 18 months, SATIB Insurance Brokers and The first Equity Insurance Group have been actively merging operations. To date the group has acquired various PSG Offices around South Africa, joined forces with Olive Insurance Brokers (a specialist broker to the Bn'B and Guest House Industry) and expanded our on the ground servicing capability to the Indian Ocean Island by opening offices in Mauritius and Seychelles.

Some difficult challenges also face the hospitality industry from a risk mitigation perspective. 2017 set new records in terms of claims being paid after some abnormal natural disasters worldwide. You will recall the devastation of hurricanes Harvey, Irma and Maria; the Californian Wildfires (the worst in recorded history)

and the Knysna Fires. There may or may not be much sympathy towards insurers, however, these global and local losses will continue to influence the insurance outlook for 2018 in Southern Africa.

For 28 years SATIB has stood by our clients through cyclones, floods, bushfires, medical emergencies and the hardening insurance market. We fight on your behalf to ensure that we minimise the interruption to your business. The focus at SATIB remains solely on the Tourism, Hospitality, Wildlife and Conservation industries in which we proudly continue to serve as experts.

The future may not be certain, however, we will continue to build and strive for excellence in all aspects of business.

I would like to take this opportunity to close the introduction to volume three of the IZWI Magazine by thanking our clients for their continued support and faith in SATIB.

Yours sincerely

Dewald Cillie
Executive Head
SATIB Insurance Brokers



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HARD AND SOFT MARKET CYCLES

the difference and the outlook for 2018

What is a hard market vs. a soft market in the Short-term insurance industry?

We know that all industries experience cycles of expansion and tightening. The insurance industry model is no exception to the rule. These cycles are especially important in the insurance, as well as the re-insurance industry, as they are particularly unpredictable. No two cycles are the same. Insurance industry cycles typically last from two to ten years, comprising of a 'hard market', i.e. stricter underwriting criteria and higher premium ratings, which lead to an increase in profits and capital, which leads to an increase in capacity, which will then lead to increased competition among Insurers. This in turn drives down premium rates and relaxed underwriting standards, but typically results in underwriting losses and reduced capacity/ appetite for 'risky business'. The latter is called a **soft cycle** and essentially these rate reductions associated with a soft market affect the insurance carriers' bottom line, as an Insurer relies on a combination of insurance premiums and investments to make money as a company.

Why are we currently facing a hard market?

After experiencing a soft market in the insurance industry for a number of years (the last hard cycle was in 2013 after the catastrophic flood losses in 2012) the string of natural disasters, known as "Nat Cats" and the residual effects of the economic downturn have been the **main causes for this change in the insurance industry cycle from soft to hard**. Insurers need to recover the billions of Rands paid out in losses during 2017, which have resulted in premium increases in the first quarter of 2018. SATIB has witnessed stricter underwriting and risk selection processes, for risks regarded as 'inferior' e.g. thatched roofs, timber and canvas construction. Local Insurers such as Santam officially labelled 2017 as the worst loss year in their history, with internationally placed Insurers such as Bryte affirming this.

What can we expect from our Local Insurers during this hard market?

When in a **hard market**, underwriting becomes tougher and more rigorous. With each year Insurers and Underwriters become more sophisticated, and look closer at losses, safety records, financials and rely on "Big Data" & Telematics Information. We notice insurance carriers digging deeper into company risk mitigation plans than in the past. Today most insurance underwriters insist on a 5/ 10% higher rate on renewal, with some requiring substantially more if losses were paid for that client. Rates will vary from carrier to carrier, but the majority of Insurers have a 'walk-away' rate (aka) a minimum rating for a specific risk, which further depends on a business's inherent risks, claims history and finances.

The outlook for 2018?

We first noticed the effects of a hardened market within the commercial industry. Commercial insurance prices in total are rising between 6% and 10% for risks which have smoothly run over a 12 to 36 months period. We are however noticing a **hard market** in personal/domestic insurance, especially with homeowner's insurance.

As an industry, we expect that rates will continue to increase over the next two to three years – not only to recover from losses paid, but to correct underwriting margins (rating levels) for high risk business and construction types.

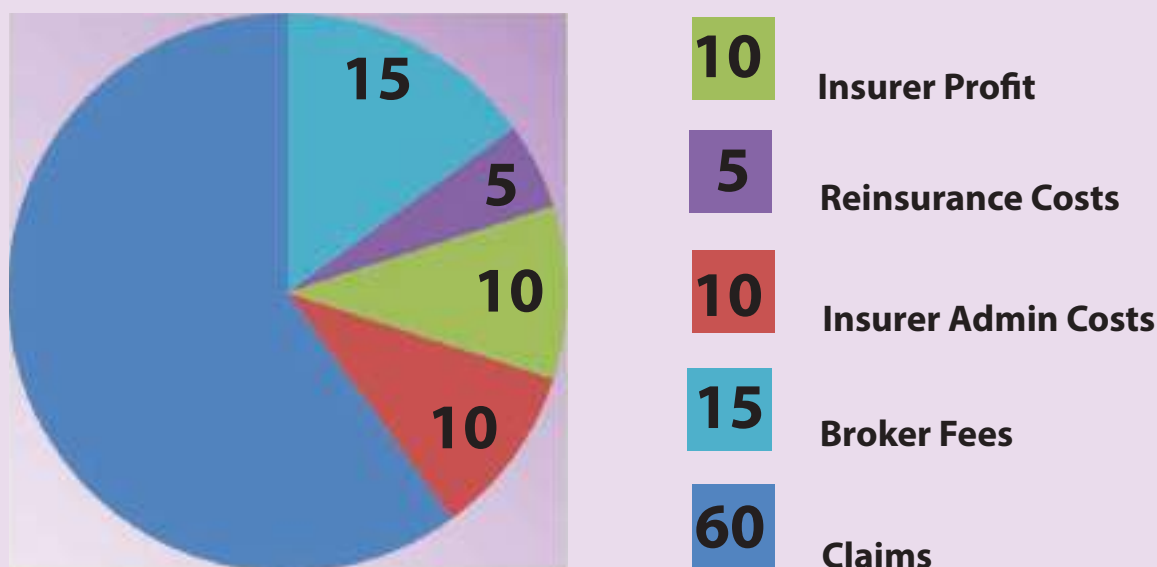
What can consumers or policy holders do in a hard market when you are subject to a rate increase?

While you will likely need to prepare for rate increases, due to the insurance industry's hard market, there are several things you are able to do to mitigate the risk you present to an Insurer. The notion is to rather avoid a loss occurring in the first place vs managing a loss and trying to recover from it.

- Since the market players are becoming more selective it is imperative that business owners are more involved with a Risk Reduction / Risk Management programs.
- Take a more active, strategic approach to managing your company's risks and claim activity.
- Start your insurance renewal process earlier and actively work with your Broker and Insurer to achieve the best possible renewal proposal

Below depicts a breakdown of how premium is allocated:

Premium Pie Chart



Sources:

Santam www.santam.co.za ; Bryte Business Review 2018; SATIB Insurance Brokers historical renewal data.

Article by Natasha Parry - SATIB Insurance Brokers



A FORCE TO BE RECKONED WITH!

SATIB Insurance Brokers and Olive Insurance Brokers join forces

SATIB and Olive Insurance Brokers have recently formed a partnership to stake a solid claim in the hospitality insurance specialist segment of the Tourism and Travel industry. The union of the two not only broadens the existing market coverage, but enables SATIB to offer additional specialist services to their current client base. The partnership also involves SATIB acquiring a minority equity stake in Olive.

Dewald Cillie, SATIB Executive Head, says that the Olive partnership has provided SATIB with a springboard to enter the specialist guesthouse insurance market; an area which SATIB has previously not specifically catered for.

“Entering the urban guesthouse market has been on SATIB’s radar for quite some time. Through partnering with Olive, SATIB has been provided with an opportunity to make good on our corporate vision as ‘The insurance broker of choice’ within the Tourism and Travel segment. Olive, which is well known in reputation amongst guesthouse owners, and various industry bodies, is a welcomed addition to the firstEquity Group” which SATIB forms a part of” says Cillie.

Daneel Lombaard, the founder of Olive Insurance Brokers and with 15 years’ experience in the Guest house insurance market, mentions that, “the partnership with SATIB provides Olive and its clients with more product options and better administrative support, which is fantastic. The back-office support, together with SATIB’s national footprint and market presence will contribute greatly to Olive’s continued growth”.

SATIB and Olive will continue to operate under their own separate brands while drawing support from the first-Equity Group’s efficiency. The union between Olive and SATIB Insurance Brokers forms a powerhouse in the Tourism, Travel and Hospitality industry.

Companies Act

MOI

Corporate Governance

COMPANY SECRETARY

Report Back

Guidance Accountability

Filed Annual Returns

Meeting minutes

Compliance

COMPANY SECRETARY Not what you thought it would mean

The term Company Secretary historically has had a negative connotation. However, **The Companies Act** (the Act) has placed paramount importance on this role as the company secretary plays a pivotal role in corporate governance.

The board should be aware of the company secretary's duties and empower her/him to properly fulfil those duties. As the gatekeeper of good governance, it is important for the company secretary to maintain an arms-length relationship with the board as far as possible.

S88 of the Act, states the duties of company secretary are:

- To be accountable to the board
- To provide the board with guidance as to their duties, responsibilities and powers
- To make them aware of any law relevant to/ or affecting the company
- To report to the board of any failure on the part of the company or a director to comply with the MOI or rules of the company or this Act
- To ensure that minutes of all shareholders meetings, board meetings and the meetings of any committees, are properly recorded in accordance with the Act
- To certify in the company's AFS whether the company has filed required returns and notices in terms of the Act, and whether all such returns and notices appear to be true, correct and up to date
- To carry out the functions, where necessary, of a person who is responsible for the company's compliance with the filing of the annual returns in terms of the Act

Therefore the role should not be taken lightly and with the right support, can provide the perfect balance of governance for a company.

VALUABLE HOUSEKEEPING RULES to keep at hand



You may therefore not pro-rate your employees sick leave, for example you may not restrict employees to only 10 days sick leave per annum. This means that an employee may use all his sick leave before the end of a 3 year cycle, should this happen any sick leave taken for the remainder of the leave cycle could be regarded as unpaid. It is recommended that you ensure that your sick leave policy requires employees to produce a doctor's note for sick days taken on days that precede or follow a weekend or a public holiday. A detailed record of all sick leave taken by your employees should be maintained in their personal files.

Workman's compensation

As an employer you are required to register with the Compensation Fund in order for your employees to claim compensation for occupational injuries and diseases. Once registered, employers pay an annual assessment fee which is determined according to class of industry the business falls under.

The fund entitles employees to compensation regardless of who caused the injury or illness. The employer in turn is safeguarded from any liability for injuries or diseases contracted by employees in the course of their work. This means that the employer is protected from being sued by employees who are injured at work. The fund allows employees who are injured during the course of their work or who fall ill as a result of their work, to claim from the Worker's Compensation fund.



Sick leave, how does it work, can I pro-rate it?

According to the Basic conditions of employment act (section 22), an employee who works a 6 day week is entitled to 36 days paid sick leave in a 3 year cycle. While an employee who works a 5 day week is entitled to 30 days in a 3 year cycle.

It is important to note that the BCEA also states that during the first 6 months of employment, an employee is entitled to 1 day sick leave for every 26 days worked. A part time employee who works more than 24 hours per month is entitled to paid sick leave.

This is determined by the number days worked in a 6 week period. The BCEA does not however indicate what the number of sick leave days are per year.

Dependents of employees can claim when a family member dies due to an accident or disease. When the claim occurs, the employer will be required to pay the employee 75% of his normal salary for 3 months but the fund will reimburse the amount and cover relevant medical expenses.

To register for workman's compensation, the employer is required to submit a WAs2 form together with a copy of the company registration documents. Registered employers are required to submit a statement of earnings paid to employees at the end of March each year. The employer will then be required to pay an annual assessment fee, which is fixed according to the class of industry that the business falls under.

For guidelines regarding Compensation for Occupational Injuries and Diseases, the employer should refer to the Compensation for Occupational Injuries and Diseases Act.



Employee Contracts

With the exception of employees who work less than 24 hours per month, every employer is required by The Basic Conditions of Employment Act (BCEA), to give employees written details of employment.

A contract of employment is an agreement between an employer and an employee, specifying the terms, conditions, roles and responsibilities of employment.

Besides the legal requirement, it is an opportunity to set expectations upfront on what is expected of employees in terms of a job description, policies and procedures need to be adhered to, how to behave in certain circumstances and any incentives in place to drive performance.

Like a contract, it is there to protect all should there be a breakdown in the relationship. Anyone who has been to the CCMA or worse, labour court, will vouch for the importance of getting this right up front and to keeping it updated with changes. It's one of those things that smaller businesses don't do but should a problem arise it can be far more costly than getting it right from the outset.

Further points to consider:

- It can't hurt to conduct an audit of your current contracts to see if they comply with recent changes in legislation.
- Don't get caught having fallen short of the laws and regulations set by the BCEA. Ensure your employee job descriptions and contracts are fully compliant.

Birding Ecotourism in Sierra Leone

I was fortunate enough to spend 2 weeks birding in Sierra Leone during March this year thanks to an invitation by the Tacugama Chimpanzee Sanctuary (TCS) and generous sponsorship from SATIB Conservation Trust (SCT), SATIB Insurance Brokers (SIB) and DHL. The aim of the trip was to identify as many bird species as possible in the three areas TCS operate in, with the additional method of bird ringing included. Being a licensed bird ringer in South Africa, DHL kindly sponsored the transport of my equipment to and from Sierra Leone; while SCT funded the flights and other travel/on the ground expenses.



Located on the outskirts of Freetown in the Western Area Peninsula National Park, Tacugama Chimpanzee Sanctuary was founded in 1995 by conservationist Bala Amarasekaran and his wife Sharmila. Initially established to enforce wildlife laws plus rescue and rehabilitate orphaned chimpanzees, Tacugama has grown into a diverse conservation organization.

Caring for about 80 chimpanzees on-site, Tacugama is also actively engaged offsite in community outreach, wildlife field research, environmental sustainability, conservation education and alternative livelihoods

programs. Tacugama is also an eco-tourism hub for Freetown, home to 6 eco-lodges and a variety of activities for both tourists and Freetowners

Unfortunately, there was no final result in the presidential elections on the 7th March. This disappointingly meant being advised not to travel to Jaibui Island on the Moa River, which was to be the most productive birding site as well as shortening my trip by five days. The trip was however a great success with regards the community outreach and environmental education aspects. Bird ringing allows one to see the birds up close and offers a wonderful opportunity to teach children and adults from the neighbouring communities about birds, conservation and the preservation of their natural resources.



On the 14th August 2017 tragedy struck a neighbouring community in the form of a massive landslide following three days of torrential rain.

The construction of homes on hillsides, and unrestricted deforestation for residential purposes, weakened the stability of nearby slopes.

This resulted in over 1 100 lives being lost including 40 children involved in the Tacugama Kids Environmental Education Programme (TKEEP).

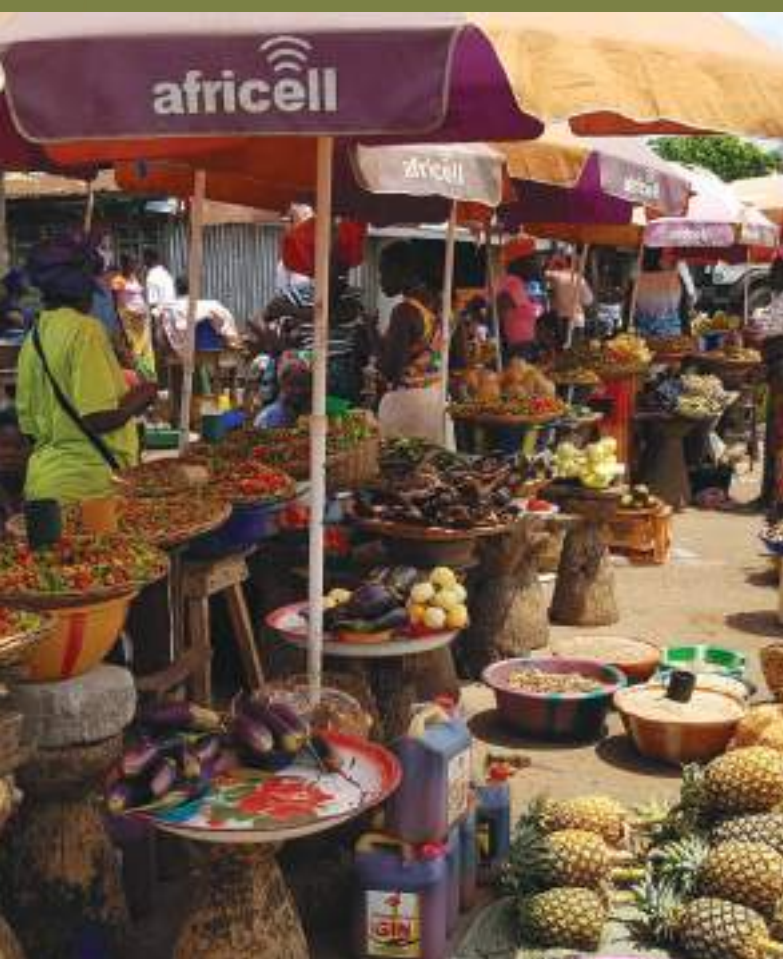
Three of the local schools sent a number of children to participate in the bird ringing, despite the schools being closed over the election period. The children loved the experience of seeing a variety of birds up close. It was wonderful to witness the sheer joy and amazement on the faces of these children as they nervously took part in the research. The bird ringing was a special opportunity for forest rangers and ecotourism guides to participate in an activity which none had witnessed before. We were able to closely study the identification features of several of the Shier Forest species which are more usually heard or fleetingly seen.



Finding suitable ringing sites was a challenge due to the rocky and hilly terrain combined with the dense foliage. Only 2 sites were utilized with 50 birds captured, ringed, measured, photographed and safely released. Highlights were White-tailed Ant-Thrush, White-Tailed and Brown-Chested Alethes, Honeyguide Greenbuls, Green Hylia, Western Bluebill, White-Browed Forest-Flycatcher and a pair of Buff-Spotted Woodpeckers.

Sierra Leone is one of the ten poorest countries in the world, which I got to experience first hand when travelling to Mobanda, one of the remotest areas in the country. One of the families kindly gave up a small room in their mud hut for me to share with them. With the intense heat and humidity, lack of any electricity/running water/toilets and the night time visitors to my bed (rodents and spiders) my comfort zones were sorely tested! How we take all the luxuries and comforts of home for granted. Spending this time living with the community was a humbling experience and an amazing life lesson in daily survival. Watching young boys and girls, from 5 years upwards, setting off to complete their daily chores of collecting water from a stream was quite a culture shock. They do not have a school to attend but are rather kept busy helping with the village requirements, making up games with sticks, stones or simply chasing each other around.

“Sierra Leone, to date, does not have the tourism facilities to attract large numbers of travellers.”



One of the children's favourite, albeit scary games during my stay, was to follow this strange white person around from a distance, until I would suddenly turn around and chase them. Thirty or more kids would scatter in all directions, shrieking and laughing at the same time, to only gather again a few minutes later to repeat the process. Life is far from easy for these people, with no access to doctors or hospitals. However, they seemed content with their simple, uncluttered lives.

Sierra Leone, to date, does not have the tourism facilities to attract large numbers of travellers. Having said that, the potential is certainly there with beautiful beaches, incredible bird life, wildlife and with wonderful friendly people who are only too willing to learn and share their small part of our amazing continent of Africa. Tacugama Chimpanzee Sanctuary is doing an incredible job with their dedicated team of both local and expatriate staff. They aim to develop eco-tourism lodges at their other two areas of operation which will create a very special and unique birding circuit incorporating a wide variety of habitats from forests, mangroves, wetlands, farmlands to grasslands. Most importantly, the people of Sierra Leone will benefit from the creation of jobs and improvement in infrastructure and facilities in rural areas while their beautiful natural habitats will be safe guarded for future generations to come.

Disruption Disrupted

For years I've embraced a disruption strategy and attempted to use this tool in strategic planning endeavours but the corporate stance toward adoption has remained the same – 'interesting conversation, but business as usual'. When disruption first became a spoken topic, it lay in the region of a 'slight change in communication' perhaps or a 'small alternate approach' in strategic business positioning. However, as business stands today can we afford to remain so closed minded to disruption and its true definition?

Disruption defined is:

- A radical change in industry/ business strategy
- The introduction of a new product or service that creates a new market/s
- Rapid advances in technology

Synonyms for disruption:

- Severance
- Splitting
- Break
- Separation

The definition and synonyms do not lend themselves to 'small' alternate approaches or 'slight' changes as we once perhaps believed. They speak of a cutting of ties and a severance of old ways to hear the call to action to service a new market (generation) in new ways. Such a statement causes immediate deflection from current business leaders where the 'old ways' have serviced them and their industry well to date.

However, to prepare for the 4.0 generational revolution we can no longer ascribe to the old ways or remain stuck in routine. Being/ becoming 'stuck' is easy, ask any MBA. We are trained to be stuck and to rely on the modalities that have served businesses and balance sheets well in the past. How much longer can we rely on the saying 'the best predictor of future behaviour is past behaviour' when we are totally out of touch of what the future holds. Never in history has such exponential growth in innovation in such short spurts of time been experienced. We can't look backwards and expect to move forward. These days we are no sooner used to a bouquet of innovative and ground-breaking forms of technology/ communication methods, before another takes the lead. Therefore, the challenge lies in learning how to become 'unstuck'. It is only through disregarding the old that we can allow ourselves to embrace the new. The Industrial Revolution of the late 1700's and the Technological Revolution of the 1900's pales in comparison to what the future holds. The next wave is defined as the 'Fourth Industrial Revolution' and it comprises a combination of nanotechnology, A.I and a host of terminologies which today's corporates refuse to acknowledge as relevant to industry. They tend to turn a blind eye as we typically do when faced with things we fear. Unfortunately, the advent of the 4.0 revolution no longer remains a question of 'when', because it is already upon us. Consider and compare your smart phones' functionalities in comparison with the Nokia/ Blackberry used not so long ago. 4.0 is already alive and well.

It's time to embrace the new world and stop hiding behind 'what we know' - because we no longer have that comfort. One of industry's favourite terminologies and practices is to benchmark against leaders and industry greats by observing their activity and applying the same practices to reap similar rewards. Accept that bench-marking is dead. Nokia, on acquiring over one billion customers was featured on the cover of Forbes Magazine (2007) as the untouchable leaders in cellular communication with a caption which read "Can anyone catch the cell phone king?" Imagine if the dreamers of a new world applied bench-marking principles against the then market leader? Imagine if Apple had used the 'untouchable' Nokia business model as their benchmark? The 4.0 generation calls for strategic visionaries and not piggy backers. It's not how can we do it better but how closely have we listened to the demand of consumers and how well we answer it.

At a stage the intelligent quotient (I.Q) was regarded as a sure measure of success in business. In more recent times this gave way to the emotional quotient (E.Q) and then a scrambled search for employees who would fit within a category which balanced the two. Amidst all the intelligence (IQ) and psychological (EQ) probing, industry has overlooked the most obvious and vital element; the actual vessel itself - the human A.Q (Agility Quotient). AQ is a combination of tech 'know-how' with the ability to relate and interact with business and consumers in the rapidly changing environment which is the 'now'. It is the human element combined with tech savvy skills catering for need states of consumers which measure success, not the figures of corporate balance sheets which we use as performance metrics. Still on the fence? Then tap back into your old school of linear thinking and be the Nokia. I choose to be part of Apple. Considering this repeated analogy, which would you now choose to measure your growth?

I.Q = I'm aware + E.Q = I feel + A.Q = I'm connected

At a talk I attended recently the speaker presented an example of 'Capital One Bank' in Virginia, USA. This bank has embraced the millennial market and strategic disruption to such a degree that half is a coffee shop/ smoothie bar and the other, bank. A customer can expect to be served coffee by an individual who was the barrister yesterday and is teller today. You may feel that this makes no business sense, but consider the psychological barriers this business model smashes between customer and corporate. Allow yourself to be challenged, not stuck.

4.0 focused. How?

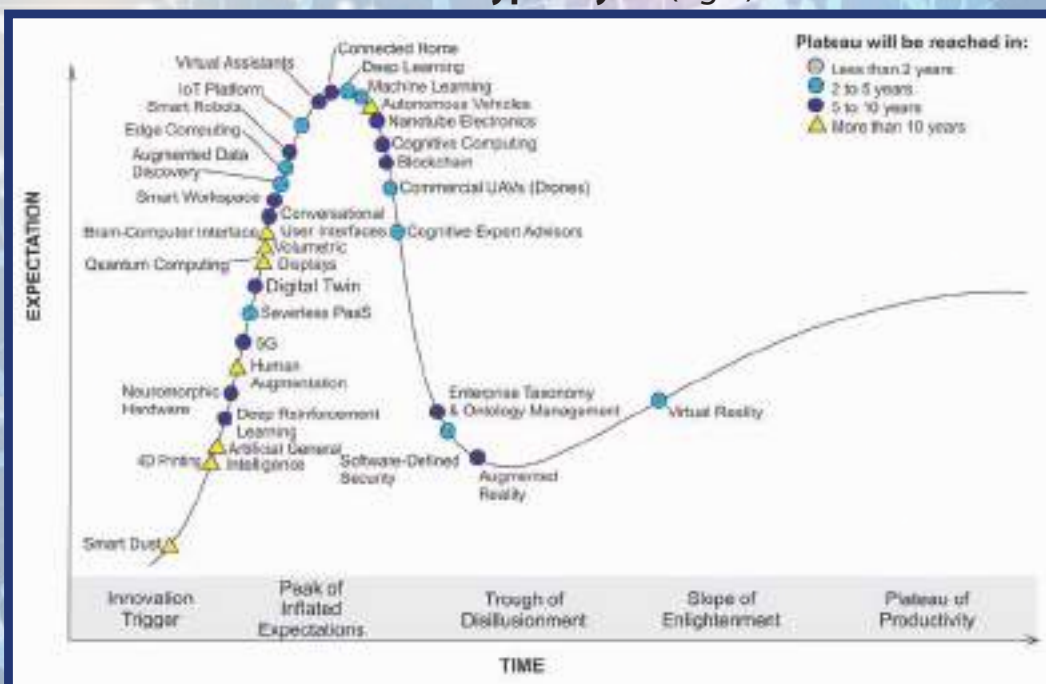
Start mapping where you 'are', and identify your current mindset and practices which keep you stuck. Stop resisting the change, because what you resist will persist. This is a universal law. Once you've established these bottlenecks then begin to formulate a strategic vision. Allow yourself to be the visionary that tosses aside all that you know. Use the constructs of 'Cathedral Thinking' and 'Chain Thinking' as a guide. Keep top of mind that your mission is to invest in the tomorrows, and not in the balance sheets of today. Don't be a Nokia.

If you still find that you lack inspiration or a call to action, then look at today's leaders who invested in their then tomorrows as examples of success. Bill Gates, Steve Jobs and Mark Zuckerberg, to name a few, used cathedral and block thinking to realise their vision. They ascribed to create a future for the generation to come. They may have started in a garage a basement or a college dorm room, but their vision certainly didn't see them remain there. As the speaker at the talk I attended put so eloquently "stop thinking like a factory and start thinking like a laboratory".

A world of consumers is STILL waiting for industry to meet their needs, but large corporate continue to not listen.

We can no longer justify our mediocre performance in a market which is so fertile. It is just sheer laziness bred by a combination of fear and complacency based on secure revenue from past performance. There is no future in the past and time has run out. The demand for a 100% focus approach towards pure consumerism is what the 4.0 revolutionary generation expects. Will you deliver? Ironically, what stale businesses consider 'soft business psychology' (marketing and strategic communication) will become their greatest assets and most depended upon strengths in the 4.0 revolution. Millennials, and succeeding generations, celebrate their individuality. They benchmark product choices through allegiances to brands which are extensions and expressions of their unique individuality.

Technological socialism correlates directly with **Gartner's Hyper Cycle** (fig 1). Take a close look at what is mapped on the diagram and take special note at the rate of its predicted speed as in 2017. Allow yourself to imagine the remapped diagram in 2020. **Gartner's Hyper Cycle** (fig 1)



The power of pure consumerism is the only driver of the future. The business models we know consider the principle of demand and supply and touch on psychographics of market demographics. Those demographics are further broken into 'grouped' psychographics. Our understanding of them, in accordance with what we've been taught, has defined categories which only serve to trap and keep us stuck in old school modalities of thought. They are industry/ corporate focused and not consumer focused. **The business**

models we rely on are not just defunct, they are delusional.

It's time to stop observing and start acting. Industry needs to wake from its comfortable unconscious state and become conscious of reality. Still in doubt? Then perhaps you will allow yourself to relate to other linear thinkers who once shared your views of the future:

"There will never be a bigger plane built." — A Boeing engineer, after the first flight of the 247, a twin-engine plane that holds ten people.

"This 'telephone' has too many shortcomings to be seriously considered as a means of communication. The device is inherently of no value to us." — A memo at Western Union, 1878 (or 1876).

"The world potential market for copying machines is 5000 at most." — IBM, to the eventual founders of Xerox, saying the photocopier had no market large enough to justify production, 1959.

"(Television) won't be able to hold on to any market it captures after the first six months. People will soon get tired of staring at a plywood box every night." — Darryl Zanuck, movie producer, 20th Century Fox, 1946.

As a visionary strategist and self-confessed continuous student of life, I am beyond excited for the 4.0 revolution and its challenges. Personally, I see this era marking a rebirth for marketers and strategic planners. Strategists will be instrumental in the facilitation of moving business from tomorrow to today, and it will be at their hands in which business will find their path to move forward and service consumers actual need states.

DON'T LIVE WITH RISK

Risk

Take a minute and think about what the word means. Consider your risk as a business owner and ask yourself if you have covered all the bases. Think hard. Think about all the things that could go wrong under your watch; think about the 'what-ifs', the late-night call with bad news, an unexpected incident all of which are a threat to your business and reputation.

Ask yourself am I properly geared to deal with any scenario? Be honest. Chances are you may find gaps in your risk solutions. They'll be there, they always are. You're a tour operator, an accommodation provider, a professional guide. This isn't your job, right?

Wrong, it isn't your job to deal with crises. Your job is specific and aimed at providing a level of service to your clients and guests they can't get elsewhere. Your job is to make them comfortable, to provide services and products which stand out, and which make you part of the great tourism industry in South Africa.

However you have a responsibility to those guests. You have an obligation to ensure that should anything go wrong they are covered and cared for. You are not the expert however, you need to think ahead, so should anything happen, you and your guests are well looked after.

For nearly three decades SATIB has provided this peace of mind to their clients. Thinking about risk, and ways to deal with different incidents, is our job. This is our specialty.

SATIB pioneered cover for this industry and continues to lead through innovation and the changing needs of clients. We are industry specialists who have built a network of, A+ rated insurers and expert incident management teams to help manage your risk. We offer prompt claims settlement, efficient, personal service, and bespoke products for your business.

As innovators in this industry SATIB offers SATIB24, an 24hr Crisis Call Service. This product goes beyond traditional insurance by providing clients with an essential level of support. It is proven and established.

The Types of Incidents:

- Emergency medical and security incidents
- Personal injuries/ fatalities
- Accidents (motor vehicle, quad-bikes, boating etc.)
- Assaults and Robberies
- Natural disasters (flood, fire etc.)

Core Services:

- Access to dedicated 24/7 Crisis Call operations centre
- Clinically lead decision making
- Medical monitoring and case management
- 24/7 access to medical doctors, nurses and security professionals
- Incident management plan creation
- Remote management of rescue and medical staff
- Medical and security evacuations
- Repatriations
- Post traumatic risk assessments and counselling
- Stakeholder communication
- Advisories and active monitoring
- Media management
- Legal liability management

As a valuable partner to our clients we partner with people and services we know have the same level of commitment we do, and who deliver services no-one else in our industry can. Through our newly-formed association with London-based Specialist Projects and Services Limited (SPS), we have found that SATIB aproved partner.

SPS is a world leading independent security and risk management consultancy who specialise in delivering expert operational solutions to clients. They have 27 years' experience.



A state of the art Operations centre

Operations Centres

SPS has one of the world's most advanced Operations Centres which co-ordinates multiple resources globally to ensure the best possible outcomes for our clients and their guests. SPS offers a superior service which covers our growing geographical footprint, ensures we have enough capacity and resources to deal with core services, and covers a range of additional services to meet client's needs.

None of the above would be possible without a certain level of technology and infrastructure, which SPS offers. It doesn't matter where the infrastructure sits on the world map, what does matter is calls to the Operations Centre are answered anytime. This is SPS's guarantee.

Two exciting enhancements to SATIB's capabilities (as seen below) are the result of our collaboration with SPS. These enhancements are intended to increase timely risk mitigation and ensure more effective resolution of either medical or security related incidents, or both.

These enhancements are available through **Directional Care and Response Capability and Active Monitoring and Associated Client Advisories.**

Directional Care and Response Capability

Our partners, SPS, have developed a market-leading resource tool which identifies the nearest and most appropriate medical facility which accepts our Guarantee of Payments. This supports our ability to offer tailored medical and security responses and, if necessary, evacuations, with regional assets.

SPS's unique and highly sophisticated mapping system allows for active monitoring, overlays of intelligence data and geofencing. Therefore we can insert your locations, specific resources, local service providers as well as advise you of potential incidents which can impact your business and allows SATIB24 responders to be guided to your location.

Not only is this capability valuable to our clients in South Africa, but also to SATIB's increasing client base in various areas of Africa, including West Africa, North Africa, and the Indian Ocean Islands. Because our clients have guests travelling to more than 100 countries globally, we must have a partner who understands Africa, but who has an established network of providers and assistance companies globally. SPS offers this.

Active Monitoring and Associated Client Advisories

Through SPS's established networks and intelligence feeds, the Operations Centre monitors major incidents every hour of each day. These incidents range from human factors such as political instability, terrorist attacks and environmental influences such as heavy weather patterns and fires. This service also monitors disease warnings.

At the first signs of a deteriorating environment in an area or region, a detailed report and client advisory is produced outlining the nature of the threat, as well as providing possible risk mitigation advice.

At the same time, clients in an area who potentially could be effected by threats are identified and immediately notified. This allows SATIB24 to proactively place emergency response elements (medical, security, media) on standby should they be needed, and allows our clients the chance to activate their own.



Self help

However, SATIB24 is not the answer to everything. Activating your own measures is important because SATIB24 doesn't simply take over incident management. We work with your teams. We work with your available resource and assistance companies to create an **incident action plan** which is implementable. You will be required to execute certain aspects of this plan. This will require you to understand your operational risks and meet that with appropriate training and capacity on the ground to be able to stabilize a situation (specifically in more remote areas). Work with your team and external consultants to put certain systems and procedures in place.

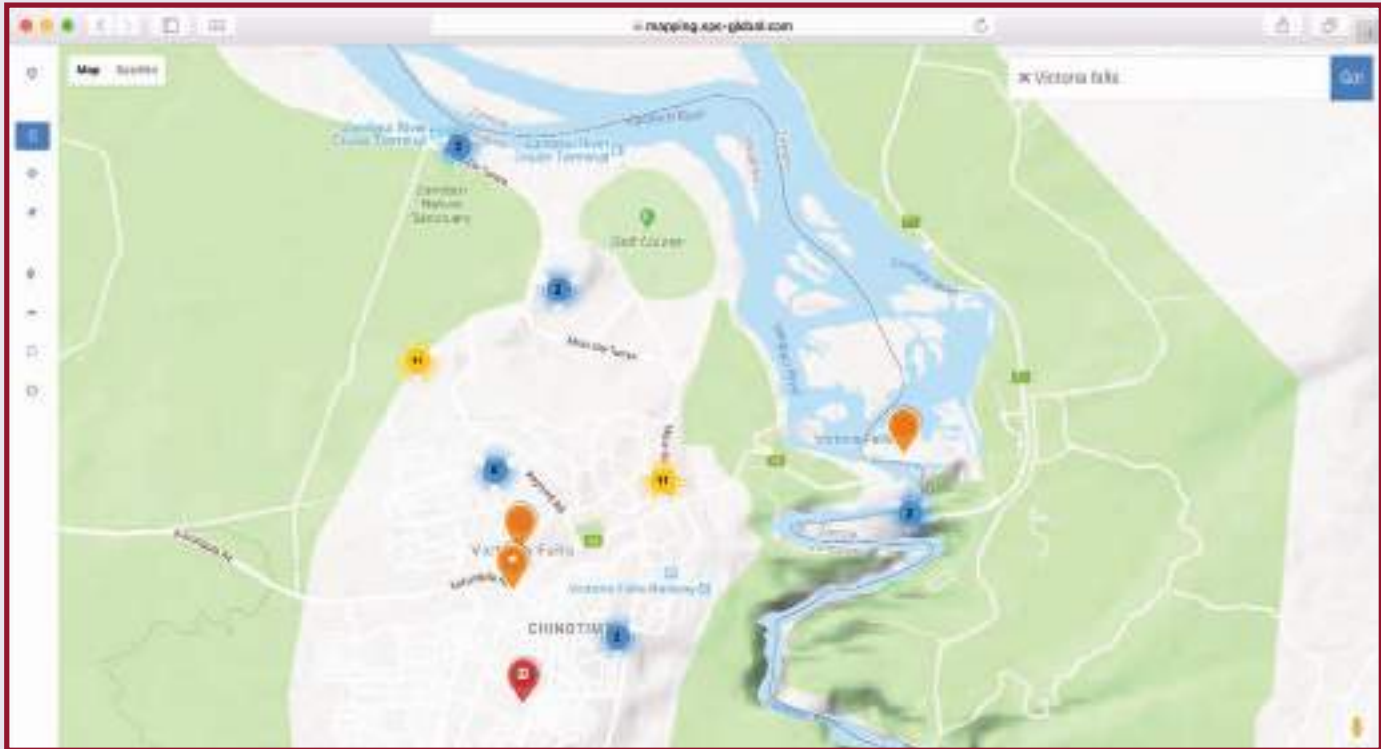
This includes (but not limited to) tailored first aid kits, trained staff in providing relevant first aid, and the sharing of contactable doctors, clinics, other response service providers, and even details about available airstrips in the area.

This information should be kept up-to-date and will be stored with SATIB24 to use when needed. We offer support in completing a Client Performa which make this process easier.

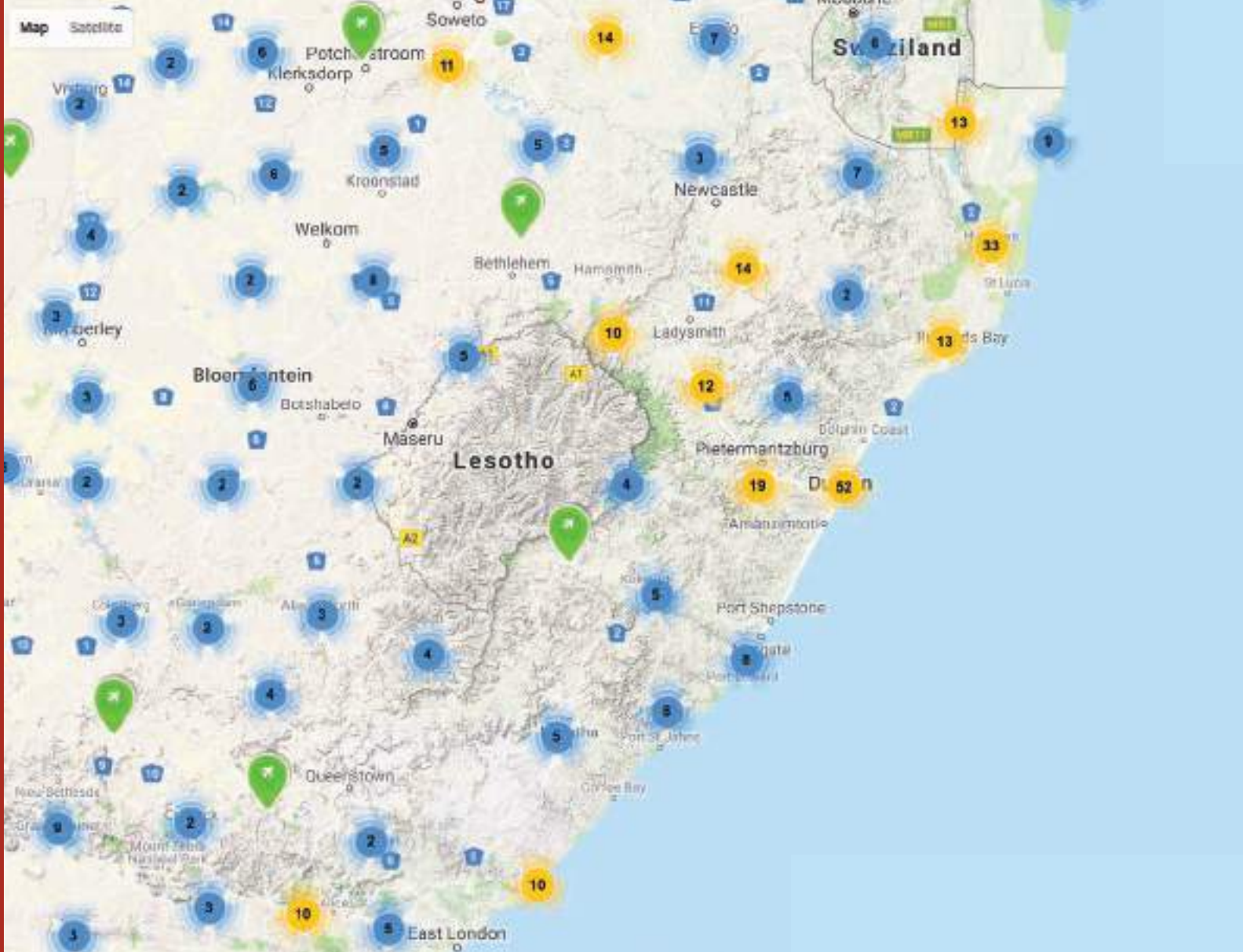
Additional Services

Through SPS we offer a range of additional services which cater to your needs, those of your guests and staff. These include pre-travel advice, travel assistance, business continuity services and crisis management plans.

Early Weather Warnings



Vic Falls: Intelligence Network



Specialised Mapping Software

Regarding security, additional services offered include:

- Security risk mitigation measures
- Travel security services
- Security review and threat/ risk assessments
- Investigations
- Security awareness and self-preservation courses
- Threat response training

Additional security services for Game Reserves/ Conservation Areas include:

- Threat, vulnerability, and risk overview
- Assessment of procedures, tactics and equipment
- Knowledge assessments (tactical overview with combinations of equipment)
- Operations Centres to co-ordinate intelligence and information
- Communications (such as IE Satellite Ranger Tracking Units)
- Forensic support (including evidential photography from UAS, and forensic evidence kits)
- Physical support (such as guards, reaction forces, dog handlers)
- Integrated technical equipment.

Think again about the meaning of the word risk.

Do what is responsible by building capacity for your specific environment and transferring the management of incidents to the experts – **SATIB24**.

FROM HUMBLE BEGINNINGS TO MASSIVE GROWTH

The importance of having a specialist broker in Tourism and Hospitality is undeniable. SATIB pioneered cover for this industry nearly 30 years ago and continues to lead through innovation and regular consultation with clients and providers across Africa. Our established relationships with international and local insurers, our intimate understanding of the industry, A+ rated security, prompt claims settlements and efficient, personal service allows us to provide tailored products that ensure your business is secure. In addition to exceptional products and premier service, SATIB also provides clients with unique benefits such as the SATIB24 Crisis Call Facility, specialist risk surveys and access to property valuations capacity building and legal assistance.

From humble beginnings insuring wild game around Africa to massive growth in tourism and infrastructure development, SATIB Insurance Brokers (SATIB) is making huge strides towards realising its dream of being Africa's leading insurance broker for specialist risk and niche areas.

SATIB have recently merged operations with The firstEquity Insurance Group which will see the group having several specialist insurance broking divisions. This drive towards specialist business units has included a merger with strategically placed PSG Insure offices in Johannesburg, Cape Town and Durban to take care of household, car and small business risks for our clients. The Group is also in the process of setting up a PSG Wealth business to take care of our client's life, health, retirement and investment needs.

In addition SATIB has recently acquired a strategic stake in Olive Insurance Brokers, a specialist broker in the Bed & Breakfast and restaurant space. Through partnering with Olive, SATIB has been provided with an opportunity to make good on the corporate vision of being 'The insurer of choice' in the Tourism and Travel segment.

Over the past five years, the Group has seen significant growth in African enquiries and, to capitalise on this and accelerate growth, felt it was important to create a team purely focused on Africa. To this end a decision was taken to create a focused Africa division headed in Mauritius. African Risk Transfer LTD (ART), headed by ex SATIB Managing Director, Gavin Courtenay, provides the same products and services as has come to be expected by SATIB clients but will be focused on Africa, with SATIB remaining South Africa focused. ART is also able to offer our Africa clients life, health, retirement and investment products.

Long time SATIB stalwart Dewald Cillie has been appointed as the Executive Head of SATIB and will be ably assisted by the Board which includes directors Anthony Courtenay, Kevin Watson and Andre Du Toit, who also now have broader group roles to ensure that clients are looked after in the same way no matter which specialist business unit they transact with.

In the hospitality space, SATIB counts big hotel groups like Four Seasons, Fairmont Hotels & Resorts, Wilderness Safaris and Anantara as clients. It also acts for large property investors and financial institutions including AMDEC Property Developments, Actis Private Equity and IFC / World Bank to name but a few. As such SATIB will be launching a campaign in the coming months to educate clients and potential clients that the company is as capable in urban areas as it is in the bush.

SATIB remains positive about the tourism potential in South Africa and Africa and will continue to innovate to ensure that our clients identify all their risks and are adequately insured against them. We are confident that we are able to now take care of our clients', and their staffs', household and other business insurance as well as their retirement, life and investment need. We look forward to the exciting phase in our evolution as we start our next 30 year journey.

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LION MANAGEMENT FORUM (LiMF)

Working together to defend the pride

Registered Charitable Trust: IT000896/2016(D)
Public Benefit Organisation (PBO): 930056474, registered with SARS.

African lions top the wish list for international tourists on safari in South Africa. Without them, many ecotourism ventures would likely fail and conservation goals would not be met. Lions are currently flourishing in South Africa with close to 3,500 found in protected areas across the country. Over 700 of these are found in 50 small, fenced reserves. These “managed wild” lion populations are a valuable conservation resource for a species that is globally classified as vulnerable.

Conserving these large and charismatic carnivores within our protected areas is no simple task. Not only are there outside pressures affecting conservation activities, such as the bone trade, muti industry and poaching etc., but in comparison to open systems such as The Kruger, these reserves are smaller in scale (less than 100,000 hectares). This smaller scale brings unique challenges: rapid population growth (often at the expense of other predators and prey populations), altered pride dynamics and the potential for inbreeding to name a few. Management of these managed wild lion populations is a daunting task to face alone.

In 2010, a small group of lion managers organised a workshop to share experiences and ideas. Thus the Lion Management Forum of South Africa (LiMF) was formed. LiMF has grown rapidly and has now close on 100 members. The majority of members, are still on-the-ground managers, with the addition of a useful mix of veterinarians, academics, policy makers and NGOs. LiMF organises annual meetings for the continued sharing of experiences and ideas. The mailing list is also a valuable source of input in between meetings and facilitates many exchanges of not only ideas, but lions too.

LiMF recognises that lions are an important driver of natural systems and of the socio-economy of integrated landscapes. Thereby lions contribute to biodiversity and economic values, improving the livelihoods of people through sustainable development. From its origin, LiMF has been committed to a holistic approach towards lion management concerns, striving for proactive, evidence-based, practical solutions to problems. These solutions aim to repair natural processes which are not present in smaller reserves, reflecting conditions in more open systems. This opens up a vast field of research which LiMF strongly supports and participates in.

Through LiMF, reserve managers and wildlife researchers nationwide pooled resources and information to explore the common issues around managed wild lions, resulting in a peer-reviewed scientific paper in 2013. This article outlined the challenges faced by managers and some proposed solutions. We also underlined the need for the development of national norms and standards for effective management of these managed wild lions. A requirement which is echoed in the recently published Biodiversity Management Plan (BMP) for lions in South Africa.

LiMF member, and PhD student, Orla McEvoy is finishing up her investigation into lion pride dynamics as a factor of lion population growth and increased predation increase on smaller reserves. She seeks to understand how we can best mimic natural pride dynamics in our smaller reserve systems, providing best practise recommendations. This project is supported by SATIB Conservation Trust (SCT), through Chairman Brian Courtenay.

LiMF is a registered Charitable Trust and has PBO status with SARS. Led by Chairman Dr Sam Ferreira of SANParks Scientific Services, LiMF is dedicated to the long-term conservation of viable, free-roaming lion populations in South Africa. Through collaborative efforts and on-going research, these managed wild lions can continue to contribute positively to the conservation status of lions in South Africa.

For more information, please contact Brian Courtenay on elephant@satib.co.za or visit our website: www.limf.co.za.

Article by Brian Courtenay - SCT Chairman

#rangerprotect

An initiative by SATIB Insurance Brokers and GRAA



A recent WWF study, focusing on rangers employed by governments across the world, reported that rangers are not getting the following necessary support. The study surveyed rangers from 40 countries worldwide and 10 countries in Africa. In Africa, 40% of those surveyed had no health insurance, 50% no life insurance and 60% no long-term disability insurance. As a continent, it was found that Africa's rangers were the worst off.

The difficult and often dangerous work conditions of rangers impacts on their morale. The life-threatening risks faced by rangers are amongst the highest ranked work stressors which negatively impact well-being. Society cannot afford to lose rangers from protected areas. It is therefore essential to ensure rangers receive the necessary support and protection to prevent job dissatisfaction and a negative impact on morale.

The intent behind this project is to garner financial support to ensure the wellbeing of Africa's rangers and their families, through providing adequate and improved insurance cover in the event of injury or death.

Rangers across the world are subject to an increasing risk of potentially life-threatening encounters. While they work in extreme environments, to protect our natural heritage, they face unimaginable risks daily. Aside of natural dangers associated with the wild rangers, like the endangered species they protect, have become a target for armed poachers and militia groups in a bid to reach the 'safe-haven' areas they protect. Despite their brutal working conditions, I am yet to meet a rangers whose passion for protecting the land, requires a reward or recognition in return for their sacrifice. It is now our time to stand up and give back to those who tirelessly give so much.

The GRAA (Game Rangers Association) and SATIB Insurance Brokers, have partnered to take that first step by providing rangers with the essential protection they need to confidently perform their duties in the field. 'Safe Ranger Project', an initiative between the GRAA and Medwise Safety Services (ranger first aid training) has been launched to train rangers on how to stabilise a person/s in an emergency.

The GRAA and SATIB have recognised that in the event of a tragic incident, there is a dire need for rangers to have insurance protection. Together we have created affordable cover for rangers, across Africa, which offers protection on and off duty. This product can serve as a primary or additional source of cover to rangers.

There are an estimated 20 000 rangers in Africa. We want them protected with what we believe is an essential cover. If your business relies on a wilderness or conservation area then do the right thing and act now.

Covers are currently available for rangers in South Africa, Namibia, Zambia, Botswana, Zimbabwe, Swaziland, Mozambique, Angola, Kenya, Tanzania & Uganda with further territories being introduced.

With #rangerprotect we now have a way of giving back and becoming part of the solution. We can now, at least, provide rangers with the same protection they so selflessly provide us.

The cost of each Ranger is as follows:

1. #RangerProtect Premium – ZAR 270
2. GRAA Field Ranger Membership – ZAR 85
3. Approximate Transaction and Banking Costs – ZAR 30

TO DONATE PLEASE USE THIS LINK:

www.givengain.com/cc/rangerinsurance/donate/#start

For further information on how you can support rangers in the field, please contact us at rangerprotect@satib.co.za



VAT IN THE TOURISM INDUSTRY

VAT charged to clients in the Tourism Industry can be a bit of a mine field. Not only does one need to look at the costs of putting together the trip where there may be different VAT treatments for using your own vehicle or using a transport company or hiring a vehicle but things can become further complicated if your company has foreign tourists.

Determining whether you have to charge VAT on the fee for arranging the trip for foreign tourists depends on where your foreign guests are at the time that your business arranges their trip to South Africa.

The fees or commission charged by the your local business for arranging the foreign tourist's trip is zero-rated according to section 11(2)(ℓ) of the VAT Act if the foreign tourist and your business are outside South Africa at the time the service of arranging the tour package for the foreign tourist is rendered.

On the other hand, the fees or commission charged by the your local business for arranging the foreign tourist's trip is standard-rated according to section 7(1)(a) of the VAT Act if the foreign tourist and your business are in South Africa at the time the service of arranging the tour package is for the foreign tourist is rendered.

To add another layer of complexity, in the travel and tourism industry, many of the goods and services supplied by service providers are made available through local entrepreneurs. That is, such local entrepreneurs act as agents under common law in representing principles (i.e. service providers) that supply the goods and services. Notwithstanding this, local entrepreneurs may also act as principles, for example, the purchase and resale of tour packages. VAT is treated differently in these two instances.

The above just lightly touches on some of the issues to consider when putting together an itinerary and how to calculate the correct VAT. If you charge VAT on items that you shouldn't, it will make you more expensive than your competitors who are treating it correctly. If you are not charging VAT on items you should, then SARS could levy an additional 14% on your business without you having the ability to claim it back from clients.

This is an area you need to savvy about and ensure that your bookkeepers/ accountants are up to speed on.



THE POPI ACT (The Protection of Personal Information Act) and what you should be aware of in the Tourism Industry

POPI, which is not a flower but the Protection of Personal Information Act 4 of 2013, has been the buzzword for a few years and many people are not quite sure what the impact of this piece of legislation means. The news is full of stories about data breaches, especially overseas, and the financial and reputational damage that this can do to companies at the source of the data breach can be dire. An example of a big data breach in the South African context involved the personal details of more than 30 million South African citizens leaked on the internet, with the source traced to a web server of a real estate company.

The rise of technology and a dependence on data means the risk of a data breach for organisations is increasing at a rapid rate.

The Protection of Personal Information Act 4 of 2013 was signed into law on 19 November 2013. **The purpose of this Act is to ensure that personal information is safeguarded and to regulate the way personal information may be processed.** The commencement of the various provisions of the Act would be determined by the President by proclamation in the Government Gazette. On the 11 April 2014 the following sections of the Act came into effect:

Section 1 – Definitions

Part A of Chapter 5 – Establishment of the Information Regulator

Section 112 – Allowing the Minister to make certain regulations

Section 113 – Procedure for making regulations

The information regulator, Adv Pansy Tlakula, was appointed with effect from 1 December 2016.

Although most of the sections of the Act are not yet in effect, draft regulations have been published and the full enactment of the Act could become a reality in the very near future. It is best that organisations take closer look at their current procedures when it comes to data processing and data security to ensure that they are not caught lacking when the remaining provisions come into effect. Additionally, any data breach can have a negative impact on the reputation of an organisation and it is good business practice to ensure that there are processes and procedures in place to avoid or mitigate against loss caused by a data breach.

Protect yourself from CYBER THREAT



Looking at the definitions of Personal Information and Processing in the POPI Act, I don't think there is any organisation which can honestly say that they do not process personal information in some way or another. In the tourism industry, I can think of some examples of personal information processing which occurs daily.

- **Hotels and Guest Houses** will receive passport numbers, ID numbers, full names, contact details, credit card details and copies of travel documents for their guests. This information would usually be entered into the booking system / information system used by the Hotel / Guest House and copies of documentation would often be stored either electronically or in hard copy format;
- **Personal Information of Employees** such as banking details, tax numbers, ID copies and qualification details and copies are usually stored in HR files, either electronically or in hard copy format.
- **Personal Information of various suppliers** are usually stored by the finance departments

The above are merely a few examples of the various types of personal information processing which occur in the tourism industry. If you give some thought to what information you store in your own business, you will grasp the importance of evaluating processes and procedures with regards to how this information is handled within your organisation. I am sure you can imagine the potential negative impact for your clients should their personal information, under your care and control, find itself in the wrong hands.

Although the steps an organisation can take to prepare for POPI are varied, and organisation dependent, here are a few tips to get you started on your road to POPI readiness:

- **Do an inventory of the current personal information that you have within your organisation:** Each department should look at the records stored and compile a spreadsheet indicating the record type, personal information is contained within the record, where it is stored, what it is used for and who has access to it.
- **Look at where and how data is stored and accessed within the organisation:** Most organisations will have a combination of physical and electronic records containing personal information. If you have physical records, then you would need to evaluate your physical security and access control measures to determine what additional steps should be put in place to protect the data. An evaluation of your IT processes and IT security will be important to determine how secure your electronic data is.
- **Do an inventory of electronic devices, especially mobile devices, which are in use within your organisation:** In this day and age, staff make use of their own mobile devices for business purposes and these devices will contain large amounts of personal information relating to your business and your clients. You should look at what your IT policies say about the use of mobile devices especially with regards to passwords, remote wiping, backups etc.
- **Evaluate who you do business with and who you would potentially share your client's personal information:** Once you determine this, you can meet with your suppliers or business partners to discuss data security so that you are satisfied your client's personal information is adequately protected.
- **Seek guidance and assistance from an expert:** Many Attorneys hold workshops on POPI readiness, which would be useful to attend. In order to gain an understanding of the requirements and implications of the Act.

Sources:

The real source of SA's massive data breach, Andre Fraser. 19 October 2017. Published on Moneyweb <https://www.moneyweb.co.za/news/tech/revealed-the-real-source-of-sas-massive-data-breach/>

<http://www.justice.gov.za/infoleg/index.html>

"personal information" means information relating to an identifiable, living, natural person, and where it is applicable, an identifiable, existing juristic person, including, but not limited to—

- (a) information relating to the race, gender, sex, pregnancy, marital status, national, ethnic or social origin, colour, sexual orientation, age, physical or mental health, well-being, disability, religion, conscience, belief, culture, language and birth of the person;
 - (b) information relating to the education or the medical, financial, criminal or employment history of the person;
 - (c) any identifying number, symbol, e-mail address, physical address, telephone number, location information, online identifier or other particular assignment to the person;
 - (d) the biometric information of the person;
 - (e) the personal opinions, views or preferences of the person;
 - (f) correspondence sent by the person that is implicitly or explicitly of a private or confidential nature or further correspondence that would reveal the contents of the original correspondence;
 - (g) the views or opinions of another individual about the person; and
 - (h) the name of the person if it appears with other personal information relating to the person or if the disclosure of the name itself would reveal information about the person
- "processing" means any operation or activity or any set of operations, whether or not by automatic means, concerning personal information, including—
- (a) the collection, receipt, recording, organisation, collation, storage, updating or modification, retrieval, alteration, consultation or use;
 - (b) dissemination by means of transmission, distribution or making available in any other form; or
 - (c) merging, linking, as well as restriction, degradation, erasure or destruction of information;



AIRBNB - interested in earning a passive income?

Would you be interested in making additional income using an asset you already own?

Do you have a spare room or two, in a great location or close to local entertainment spots around your area?

If you're a friendly host who enjoys people, then Airbnb is your solution to earn money from home. Statistics have revealed that South Africa boasts more than 13 000 listings, perhaps it's time to jump on board?

With the Government recognising tourism as a vital growth sector in the South African Economy, our newly elected President, Cyril Ramaphosa, at his State of the Nation address asked South Africans to open their doors to tourists.

An influx in tourism will most definitely help boost our economy, and the line the pockets of Airbnb Hosts. However, while the Airbnb Host introduction programme is well organised and structured, Airbnb Hosts need to make sure that their additional cash in hand (bookings from residents) is not at the cost of losing everything.

Hosts need to be aware that their current insurance policy may not be sufficient to cover the fact that they are receiving strangers in their home for payment as most personal insurance policies will not cover such establishments.

Through not informing your insurer that your property is being used as a AirBnb, will lead to your legitimate claim being repudiated due of a term in all insurance contracts which refers to "Non-disclosure of material facts".

Why would insurers not pay for these claims?

Having a stranger in your house, with no financial interest in your goods, may lead to irresponsible behaviour/ negligence on their part. "So what if I smoke in the room and burn the carpet? So what if I leave the stove on and risk a fire outbreak I have nothing to lose?"

Sadly, the misperception is that business insurance is too expensive, but this this is not the case. We have policies structured specifically for these kinds of establishments which are the same cost as a personal policy. Not only does the policy cover the both the host's personal and Airbnb business under one policy, It also includes hospitality related cover (Public Liability; Loss of Income; Accidental Damage; Malicious Damage; Trauma Counselling, etc).

Yes, you will notice on-line that many Airbnb's promote they offer cover (The Host Protection Insurance program), but the stated \$1 million guarantee on offer is not sufficient and, even if the cover seems to be sufficient, it comes with a massive amount of exclusions.

From the above it is clear to see that ALL Airbnb Hosts must ensure that they are adequately insured always.

AN UPDATE ON THE SATIB CONSERVATION TRUST (SCT)

From the Desk of Brian Courtenay – Chairman of SCT

SCT identifies the importance of conserving our wild lion population in South Africa therefore we support the local SA initiative, Lion Management Forum of SA (LIMF).

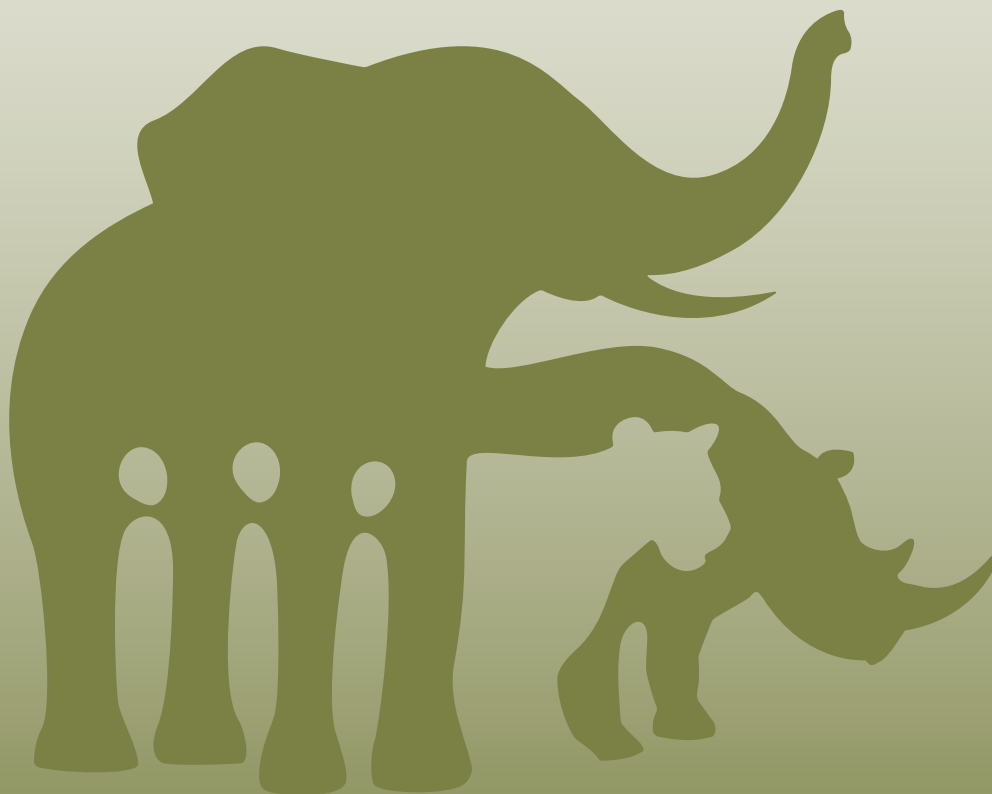
Our initial support included a loan/ sponsored 4x4 for LIMF researcher Orla McEvoy, and some limited financial funding.

Another local support programme SCT have supported, is local PhD student, Alexander Brackowski, whom I have mentored for a few years. He is at the University of Queensland (Australia) doing a PhD on lions and conflict mitigation with rural communities. Mentoring Alex is on the "Financial Model/ compensation programme using international risk carriers/ insurance carriers"

As a side issue, Alex is also involved in conservation film work for National Geographic (USA) in Africa, but also on leopards in India. He is currently in Uganda, Queen Elizabeth Park, on a lion research project in fulfillment of his PhD studies.

We are changing the name of SCT to Southern African Conservation Trust (SACT). Our aim and mission statement will not change the way we operate.

Should you wish to make a donation, please contact me at elephant@satib.co.za. The trust is able to issue section 18(a) tax certificates to all SA citizens/ companies registered with SARS, and all donations we remit in full to the projects of SCT.



SOUTHERN AFRICAN CONSERVATION TRUST

THE VALUE OF VALUATIONS in the Hospitality Industry



"There are numerous examples, and many disaster stories of clients being either under insured or not insured at all. Defining his profession, Gavin Commins from The Valuator Group, confirms that "the Valuer's role in the commercial property transaction cycle is to determine value by providing an independent, arm's-length valuation. Importantly, when the valuation is put on the table, it needs to be defensible. A valuation is always going to be subjective, in essence, so it is imperative it's motivated by research, combined with economics, logic, and experience attached to methodology which is all available in determining replacement cost values for insurance purposes."

The Valuator Group is a multifaceted valuation company covering most specialised assets for both market and insurance purposes. "Anyone looking for an independent valuation can approach us – we work for a diverse range of clients," says Commins. Brokers prefer that their clients properties are accurately valued and to achieve this they prefer to use independent professional Valuers. Credibility and discretion are of the utmost importance. A valuation, for replacement value, needs professional input.

"Most respected property owners in the related industry of compliance and regulations should have their properties accurately valued annually. This is particularly relevant in the hospitality industry where hotels, resorts, guest houses, B&B's etc. have an obligation to ensure that their clients have a pleasant stay and the company involved manages their assets professionally. To be correctly compliant, it isn't appropriate to value one's own portfolio. Nowadays, all property owners or often the management company if it is their responsibility, tend to employ a professional valuer for an assessment to determine replacement value. The procedure may not be regulated but, through the corporate governance process, one must have a valuation done. As with ISO, a professional procedure is followed. In the body corporate market, trustees are now held personally liable for any consequences of non-compliance. If a building burns down and the trustees haven't followed the required procedure to have the property correctly valued, their insurance company will question the evaluation and apply the average clause, with huge financial consequences. Regulations are happening now in this sector and new legislation is on its way.

"Most prefer to be forward-thinking and cover for eventual disaster. Certain funds must be kept in place. Regulations are currently being written and passed into legislation. Since 2008, we've all been subject to huge corporate governance innovation, which is a positive thing, with the National Association of Managing Agents of South Africa (NAMASA), being the organisation looking after the governance of body corporates. All property, moveable and fixed, has value.

Many clients confuse the difference between market value and replacement cost. Market value is defined as:

“Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”

On the other hand replacement value is defined as :

“The current cost of similar new assets having the nearest equivalent utility as the assets being appraised, as of a specific date.”

Governed in South Africa by the South African Council for the Property Valuers Profession (SACPVP), the individual is the member, not the company. There is thus a joint shouldering of responsibility between the Valuers and the company. One must have a qualified Valuer of the South African Institute of Valuers (SAIV) and the Professional Council for an insurance valuation for a broker to an insurer.

“Our valuers are part of a professional institution which is accepted in the industry. Our valuations, including for insurance purposes, must be defensible in a court of law. For the individual member there are other professional options, such as the Royal Institution of Chartered Surveyors (RICS). RICS offers a range of career options. Another great value RICS brings to the table is that the valuation company now has rules and regulations, as you need both. The Valuator Group is regulated by RICS, and a company must be compliant to become a RICS member. It’s audited annually by RICS Europe, which looks after Africa. The Code of Conduct (the Red Book) is a huge part of the RICS organisation which, from a company perspective, strengthens the professionalism of the whole industry.

The devastation caused by the fires in the Knysna region stretching from Great Brak to Plettenberg Bay in June 2017 has had a marked effect on many people’s lives as the cost and tragedy unfolds. It is an excellent example to property owners who fail to understand the implications of taking out adequate cover for buildings & improvements.

Aside the loss of life there were over 800 homes destroyed, 150 of which were informal settlements and a further 300 homes damage. It has emerged that a substantial number, estimated at over 50%, were either not insured or under insured. Many businesses were also affected including tourist establishments.

While investigations continue to establish the exact cause of this disaster, (with reports suggesting it may very well be arson) claims for homes, business premises, contents and other insurance cover proceed through the process as people try and regain normality as quickly as possible.

The tragedy, says Commins, is that many people have lost their entire asset base due to the fact that they ignored/ did not ensure they had sufficient insurance cover. “People look at insurance premiums as a ‘grudge cost’ not expecting something like this to affect their lives until it happens..

Estimates confirm that there was over R5 billion worth of damages this may potentially be higher accepting that uninsured damage will not be recorded by the insurance companies many whom have had to fall back on reinsurance to assist to limit their losses. While the Government has agreed to assist people, particularly those displaced with nowhere to stay, this amount and assistance appears to be very minimal in context to the overall cost and damage suffered.

While tragedies like this alert people to ensure they are correctly covered, (which has substantially increased the need for valuation work), Commins says that people should never expose themselves to this type of risk often ignoring calls from their Brokers who attempt to ensure that their assets are accurately covered for insurance purposes. Property and businesses are often ones largest asset and it is not prudent to ignore insuring these assets in case of such tragedies which can literally bankrupt and alter lives for ever.

Gavin Commins suggests that it is imperative for all asset owners to contact their Brokers/ valuation company and request that their assets are accurately valued for insurance purposes. The Valuator Group offer a cost effective 5 year Long Term Assistance Plan, which is a plan worked out specifically for clients, covering their requirements and if maintained throughout the period, providing a peace of mind that should they claim Insurers will not need to apply their Average Clause to clients who are under insured.

Unfortunately the consequence of under/ no insurance cover is not worth the risk and the premiums should be factored in to both individuals, or businesses monthly expenses to avoid the financial tragedy many have suffered as a result of these fires and various other disasters which occur unexpectedly.

Gavin Commins

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