

RBS INSIDEissue



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insurance brokers and risk managers

Welcome to our first edition of the RBS inside issue – keeping you in touch with insurance news, interesting facts and views.



We plan to release the publication every second month. We are aware that we are all subjects of spam e-mails on a daily basis, and have made the decision to include only content, that will be of interest to you, with a focus on insurance-related issues.

The insurance industry has come through three years of better-than-expected underwriting results, which have now turned. Santam and Mutual and Federal, the two dominant insurers, with a combined market share of more than 65%, have publicised their intent to correct their declining motor accounts, which contribute more than 40% of their gross written premium. Poor driving standards, increased car sales, increased congestion, thefts and hi-jackings increasing by

more than 2% every year, an increase in car parts prices as well as the poor state of our roads have been contributing factors.

Risk Benefit Solutions, as your brokers, will manage this cycle to ensure that there is little or no impact on your premiums.

BROAD BASED BLACK ECONOMIC EMPOWERMENT
We are pleased to report that we have been accorded level four-contributor status and plan to have this rating verified by an official BEE rating agency in the near future. Our certificate of compliance is posted on our website.

We wish you all a healthy and successful 2007.



RBSfact>

The friendly and competent RBS team is available 24/7 and contactable on:

086 007 2765

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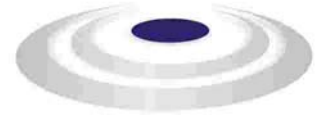
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Short-term insurance industry facing numerous challenges in 2007 arising from trends such as global warming, rising crime, replacement costs and shifting demographics

All these factors have negative consequences and are forcing insurance companies to become increasingly dynamic and cost-conscious in order to continue to grow their profits successfully, according to Santam CE, Steffen Gilbert.

"Weather-related catastrophes result in a rate hike for insurers by their reinsurers, which is generally passed onto the consumer through increased insurance premiums," explains Gilbert. Insurers like Santam are often able to absorb these costs, and, as with policyholders, if claims are low, reinsurers won't increase rates. The recent floods in the Eastern Cape made no impact on premiums for this reason.

"I have no doubt that global warming is going to have more of an impact on insurers and policyholders

as time goes by. Insurers will need to absorb a larger portion of reinsurance costs to keep premiums affordable in the future, which may result in significant cost-cutting in order to remain profitable."

He points to the unusual snowfall and flooding seen over the winter, the magnitude of which bore testament to a localised change in weather patterns. Climatologists predict that the Southern and Eastern Cape will experience more frequent flooding, while the Western Cape is set to become drier.

Local car manufacturers and importers are reporting a price hike of 2 to 3%, mainly as a result of the weakening rand. As vehicles become more expensive to replace, insurance premiums are hiked.



"Many car owners are taking advantage of new and affordable microdot identification technology and tracking to prevent car theft, and in so doing, keeping their premiums down." Gilbert points out. "Although not all preventative measures will reduce monthly premiums, in the long-run they will keep premiums down by reducing claims."

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Investment in CONSTRUCTION no longer lags behind GDP growth



Total annual growth in the construction industry has surpassed economic growth since the last quarter of 2002, resulting in a gradual improvement in the sector's contribution to GDP, says *Finweek*.

However, investment in construction as a percentage of GDP is still far below the levels reached in the mid-70s, when South Africa experienced a massive construction boom.

Research done by Industry Insight notes that, even if government manages to deliver on the promises made in its 2006/7 budget, the construction sector's contribution to GDP will still be only around 7% for the year as opposed to 12% in the 70s.

AIDS hammers South Africa



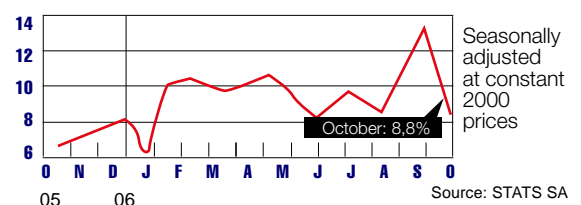
With a GDP/capita level of around US\$100 per year, South Africa is classified as an upper middle-income developing country, according to a report in *Finweek*. However, both its employment and its health indicators are worse than those of countries with substantially lower GDP/capita levels.

For example, only 43% of South Africa's population have jobs. That compares to the global average of 53% for countries with a GDP/capita level of between \$3 000 and \$11 100 (SA's value). For rich countries with a GDP/capita of more than \$19 900, the average employment rate is 68%. However, where South Africa fares really badly is in its health indicators. The only countries with GDP/capita above \$3 000 with worse infant-mortality rates or life-expectancy figures than South Africa are its neighbours. Of course, that's largely due to the HIV/Aids pandemic.

Higher rates begin to bite

CONSUMER demand has begun to moderate, with retail-sales growth slowing to 8.8% every year. Retail sales are expected to start slowing as the effects of higher debt-servicing costs begin to emerge on the back of the tightening monetary policy.

RETAIL TRADE SALES Annual % change



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FACT >

The average global temperature is expected to increase by between 1.4° C and 5.8° C this century.
The Economist

Empowerment codes to become law soon

The empowerment codes, intended to drive economic transformation, become law early this year, three years after the government began drafting them.

The codes, approved by the cabinet, are a compromise between what hard-line black business activists were pushing for and what white-owned and foreign businesses were happy to accept. Among the key compromises are that, subject to conditions, pension funds may be scored for empowerment or left out of any calculations of equity ownership. This means companies will have to sell fewer shares to blacks to meet their black-ownership requirements.

According to the codes, the exclusion principle allows for ownership by certain entities to be excluded from calculation of ownership up to a maximum of 40% of the measure entity.

Tickets to princes' concert for Diana snapped up

LONDON: Tickets to a pop concert marking the 10th anniversary of Princess Diana's death sold out in minutes, organisers said. The concert, organised by Diana's sons, Princes Harry and William, is to be held at the renovated Wembley Stadium in July and feature Elton John, Duran Duran and Pharrell Williams, among others. The tickets were sold at £45 each, but they were attracting bids of up to £200 each on the on-line auction site www.ebay.co.uk.

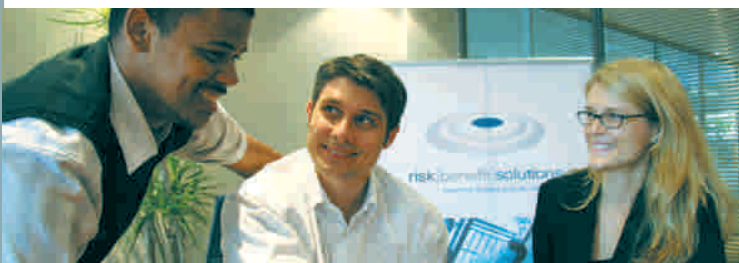
The concert is to be held in July, which would have been Diana's 46th birthday. [Reuters](#)

UP in SMOKE

The Scottish Licensed Trade Association said the country's five-month-old public-smoking ban had reduced alcohol sales in pubs by more than 10%.

A survey of 365 pubs found that 46% had reported a drop in visits by regular customers compared to just 5% that noted an increase, according to a report in *Finweek*.

Source: [santam e-focus](#)

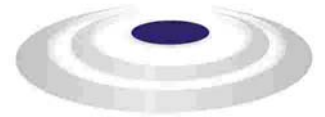


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New technology aims to help police nab cellphone thieves



JOHANNESBURG: A new technology that will enable people to trace their lost or stolen cellphones will be introduced into the country.

The new technology, called Phone Bak, will be distributed by Keypad Mobile Security solutions and its international partner in the venture BAK2s Singapore.

When a cellphone is lost or stolen and a different SIM card inserted, the technology will automatically send an SMS notifying two numbers chosen by the owner.

The SMS will show the number of the person using the phone and the location, which can then be used by the police to trace the culprit.

This is possible because the SMS will show the cellphone identification (ID) of the terminal to which the phone is connected, the country ID and the current network. The SMS will be sent without notifying the new user. The technology will cost between R35 and R55 for a once-off fee and thereafter subscription fees of R10 to R15 a month.

Home Affairs considers audit on number of fraudulent identity documents in country

The Home Affairs Department is considering conducting a forensic audit to find out how many fraudulent identity documents are in circulation.

The final decision on the feasibility of an audit would take into account the impending introduction of the smart-card identity documents, which would possibly identify fraudsters and drastically reduce fraudulent identity documents through a structured, multilevel identification service. Sapa

Source: Cape Times, Tuesday, December 19, 2006

FAST FACTS >>>>>

A weekly collection of facts and figures selected by *The Globalist*.

> By mid-century, India is expected to have a population of 1.6 billion and 220 million more workers than China. *Business Week*

> New Delhi is the world's most polluted city, followed by Cairo, Calcutta and Tianjin. China has 16 of the 20 most polluted cities. *World Bank*

> In Burundi, about 52% of the labour force consists of women, the highest ratio in the world. *World Bank*

> Satellite imagery has shown that the Arctic ice-cap is nearly 30% smaller than it was 25 years ago. *Nasa*

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