

DECEMBER 2021

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## CEO FOREWORD

**Edwyn O'Neill**

*CEO Bryte Insurance*

### Dear Business Partner

The COVID-19 pandemic has been a gruelling litmus test for modern-day society. It has challenged our courage, conviction, composure, and resilience — simultaneously and in ways, many have never encountered. But, seemingly effortlessly, we found ourselves entrenched in virtual working, learning, client services and interactions.

You have been an invaluable business partner, and we appreciate your continued collaboration and remain invested in strengthening our partnership. We will continue with the proactive sharing of information, insights and foresight to assist your clients more effectively on their journey of risk readiness. We hope the insights that follow will inspire sustainable action.

### Thought-provoking risk insights

Our 2021 Bryte Edition focuses on developments — within the South African, Botswana and global environments — that continue to shape the risk landscape and considerations to help guide businesses. Naturally, we have touched on a few defining COVID-induced realities and provided an updated view of threats linked to climate change (which has received expansive media attention in the context of COP26), smart technologies and disruption.

### Business update

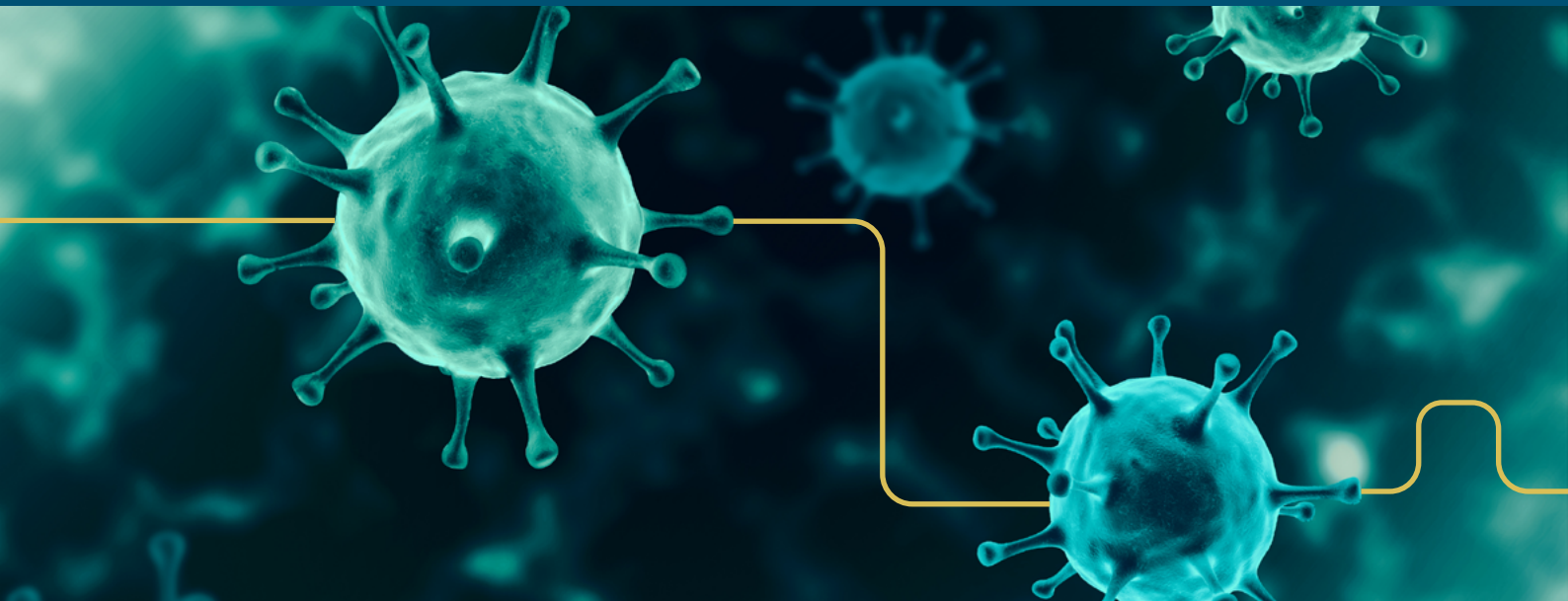
The Edition concludes with an overview of developments that have characterised 2021 for Bryte but also the evolution of our plans for the coming year.

May you and your loved ones enjoy a safe, memorable festive season. On behalf of the Bryte family, we also wish you a blessed, prosperous 2022.

Stay well.

A handwritten signature in black ink that reads "Edwyn".

Edwyn



## COVID-INDUCED EVOLVING ECONOMIC REALITIES

The COVID-19 pandemic has unfortunately catalysed loss (of both lives and livelihoods) on a level that remains challenging to comprehend and accept. Businesses and individuals continue to maintain a greater dependency on insurers and brokers to be a guiding light through this persisting global reality. As an industry that was quick to respond, the journey travelled should make us feel proud during a state of heightened flux.

The considerations applied to many lockdown-related decisions remain contested in many parts of the world. But, as we learnt more about the virus, governments could exercise precautionary and reactive measures that were less stringent. The further opening of economies led to moderate relief in 2021. However, we're not out of the woods yet.

### South Africa's economic context

Despite South Africa cresting the peak of two protracted and devastating COVID-19 waves (all before August this year), the country recorded its fourth consecutive quarter of growth as at the end of June 2021. Industries that were the most significant drivers of growth included transport, communication and agriculture. Even so, economic growth remains sluggish and close to 8 million South Africans remain jobless. By some estimates, the economy has shrunk by 1.4% compared to pre-pandemic performance (which was already low).

Reports indicate that the financial costs of the July unrest are estimated to exceed R20 billion in KZN and the overall impact on the national GDP to be R50 billion. The arrival of the fourth wave will translate to amplified socio-economic challenges. However, according to PWC,

**"With just over a quarter of adults now fully vaccinated and another 35% having received their first jab of the two-dose Pfizer, the fourth wave should be milder compared to the preceding waves."**

**The reality is that vaccinations are a compelling risk mitigation opportunity.**



The momentum of South Africa's vaccination programme, which has now been extended to those from the age of 12, is encouraging. It is instrumental in facilitating some level of "return to normalcy" as more people opt for face-to-face interactions, hybrid working gains traction, and the in-person attendance at schools and universities expands. Further hope is on the horizon as the country seems all set to become a manufacturer of COVID-19 vaccines. A development that will translate to substantial benefits for the continent and an important move in accelerating the fight against COVID.

That said, for 2022, all things being (relatively) equal, the International Monetary Fund projects a 2% increase in growth. While negligible, we are certainly moving in the direction of progress.

## Botswana dynamics

The growth shrinkage inflicted by the pandemic saw Botswana's economic performance reduce by 8%. The government, however, estimates growth of 4.3% in 2022. COVID-19 rates of infection remained substantially high from July to September but has been thankfully tapering in subsequent weeks. Some progress has been made with 3,000 doses administered, but the slow progress is likely to impact infection rates greatly. It is thus imperative that businesses and society brace themselves for another peak in the coming months.

## Bolstering resilience competence

For many businesses, particularly SMEs, the uncertainties and see-saw of disruptions continue to pose many financial risks, further harming their capacity for resilience. This necessitates a firm emphasis on approaching risk with purpose. Appropriate awareness of other, more manageable but evolving exposures and a balanced understanding of the local and global socio-economic realities are worth much more than many realise. For businesses, leveraging this awareness and the right collaborations can strengthen the implementation of actions (policies, processes, practices, and insurance cover) that help the business to consistently de-risk.





## OTHER, DOMINANT RISKS

### APPROACHING RISK WITH PURPOSE AND PRUDENCE

While COVID-19 has dominated the risk landscape, other risks have not diminished in prevalence or severity. Many have worsened against the backdrop of the pandemic. As brokers, it is imperative to have a robust understanding of the ever-evolving risk realities and consider their impact on our clients and their industries.

### Climate, conflict and scarcity

For example, the persistent threat posed by climate change, which is accelerating at an alarming rate. Looking at Africa, a headline read:

#### **“Climate Change: How 1.3 billion Africans cause least but suffer most”**

According to Global Citizen, despite Africa being responsible for under 4% of global greenhouse gas emissions, it is experiencing the worst effects. By 2030, it is estimated that (almost one in ten) 120 million Africans will be severely affected by extreme weather conditions and natural disasters (droughts, flooding, pest infestations, etc.), further exacerbating poverty levels, food insecurity and displacement.

In 2020, nearly 1.2 million Africans (roughly half of the population of Botswana) were displaced by storms and floods. Some of the resources that are under threat include water, marine life and animals. Arable land — which is already limited, remains at risk. And when considering the level of air pollution in various cities across India and China, the reality of diminishing air quality becomes more real for us.

During the COP26 Climate Conference (COP26) in early November, UN Secretary-General, António Guterres, spoke of developing nations as representing “those who are first to suffer and those who are last to receive help”. He argued that the solidarity needed for the world’s most vulnerable nations is lacking and is advocating for reducing red tape, increasing eligibility thresholds, and access to debt relief or finance to enhance sustainability efforts and resilience.

The growing commitment towards Environmental, Social and Governance (ESG) — with many businesses and economies making very sincere, sustainable investments in negating the impacts of climate change — is probably the most crucial response. This has come across more clearly at COP26, with leaders from more than 40 countries pledging to phase out coal power for good. For South Africa — a nation that relies on coal to power about 75% of our energy usage — the much-publicised R131 billion green finance deal secured at COP26 will hopefully drive marked progress in our transition away from coal.

Furthermore, with customers demanding greater accountability from businesses and institutions and green finance gaining popularity (especially as investors opt to support companies that are much more environmentally responsible), we are certainly on the path of necessary change.

## Up in flames

Another significant risk that a growing number have become increasingly susceptible to is fire risks. From faulty wiring and power surges to explosions (chemicals, etc.) and wildfires — the property damage often means significant financial losses and business interruption — sometimes to the degree that businesses cannot recover. But, among the most catastrophic consequences is the tragic loss of life.

Unfortunately, this very costly risk remains among the more underestimated ones. Therefore, brokers need to create a greater appreciation for the level of destruction that can prevail and, importantly, ways to prevent such disasters. Simple measures can make the most significant difference. Clients should:

- Have an electrician regularly assess their premises for faults that could translate to fire hazards
- When procuring electrical services, ensure they hire a trusted service provider to avoid receiving faulty workmanship that could be hazardous
- Mandate the necessary certification for any hot work activity (welding, grinding, etc.) but also the diligent adherence to the safety requirements
- Ensure the correct storage (and climatic conditions) and use of materials that are of a flammable or combustible nature
- Necessitate equipment and machinery maintenance at recommended intervals
- Invest in safety and mitigation measures such as smoke detectors, fire extinguishers, sprinklers, etc. and training of employees and contractors, so they are equipped to more effectively respond in the event of a fire. It is imperative to have dedicated safety officers who are trained and equipped in helping contain fire incidents, where feasible until the fire department can take over

## The greater good

As they say, no man (or business) is an island. Businesses will undoubtedly be affected by the myriad of socio-political and economic risks that continue to prevail. Both Botswana and South Africa continue to contend with infrastructure and service delivery challenges — realities that have been in sharper focus recently as South Africa headed to the polls. With Eskom's infrastructure chronically constrained, loadshedding remains a thorn in the proverbial (South African) side. Where possible, multiple measures must be implemented to help reduce dependency on the public sector and moderate the more predictable effects of policy uncertainty, crime, corruption, unemployment, lack of investments and social unrest.

Although, it's vital to remain realistic about the unpredictable outcomes of predictable events, like the recent unrest in parts of South Africa. Battering an already ailing economy, the anarchy is estimated to have left 50,000 people jobless. The economy, another R50 billion out of pocket — that's a tenth of the entire COVID stimulus package announced by the South African government at the start of the pandemic. Most unfortunately, 330 lives were lost during the riots. It is a stark reminder of how quickly situations can spiral out of control and how powerful we can be when we stand united and focus on solutions.

**Risk management is thus not just about measures that proactively protect you, your business and stakeholders or ensuring that the right types and levels of insurance are in place. It is also about your role in the safety of the broader public and socio-economic reform (from becoming vaccinated to standing up in responsible ways).**



## 4IR PROSPECTS AND PERILS

Smart technologies are deeply-integrated into daily life, enabling connectivity, agility, innovation and efficiencies at an unprecedented rate and scale. Technology-related outcomes are among the most significant in supporting the development of more empowered, resilient businesses and societies. The Fourth Industrial Revolution (4IR) — as it has been coined — thus continues to usher in limitless opportunities.

### Connectivity enhancing bonding

Automation, for example, is revolutionising efficiencies, 24/7/365 customer access and customer service. But, the human touch remains irreplaceable. While the interactions may not be as frequent, there has been a greater shift towards more personalised, meaningful engagement. Effectively integrated, especially in a service-oriented industry like ours, technology must be seen as an asset in complementing and strengthening stakeholder relationship management.

### A pandemic of epic proportions

Continuing on the topic of value — just in the context of COVID-19, technology has enabled 8 billion people to access critical life-saving information around this pandemic and their government's response to it. At the end of October 2021, more than 7 billion doses of the COVID-19 vaccine had been administered globally. A feat that has undoubtedly been catalysed thanks to technology-enabled information platforms. Interestingly, more than 1 million South Africans (within the 35 to 49 age demographic) registered for the vaccine in less than 24 hours.

On the other hand, adding to the list of technology-related feats has been the availability of a vaccine within a year of the first case of COVID being reported. A process that usually takes 10-15 years. All, impressive demonstrations of the innumerable technological benefits that are being increasingly realised.

### Smart technologies = smarter cities

While we may not marvel at aeroplanes that fly on autopilot, cars that drive themselves or weather reports that can effectively predict conditions a week from now, this doesn't make these accomplishments any less impressive. As the technology ecosystem expands and deepens its roots, our cities are also getting smarter. In the future, flooding due to blocked stormwater drains may be a thing of the past. Remote sensing combined with satellite imagery could mean such issues are detected within minutes.

Think about the possibilities — technologies that redirect traffic flow to manage bottlenecks; CCTV real-time tracking of road traffic violations; proactively identifying criminals just through widely installed facial recognition software; reliable and efficient public transport systems so we don't have to drive; reduced pollution and waste. The list is endless.

## Hyperconnected and healthier

From a healthcare perspective, the technological progress made remains phenomenal.



- 1 Machines are examining the human body at a cellular level
- 2 4D ultrasound technology is providing parents with realistic images of their child while still in the womb
- 3 Telehealth, drones delivering medicines, etc. are driving more inclusive access to necessary medical screening and treatment
- 4 3D bioprinted organs for humans continue to redefine the realm of possibilities

## Systems failures

Technology and hyper-connectivity may be edging us closer towards efficiency, but it also comes at a price. Machine error and systems failure can have catastrophic outcomes. For example, the briefest connectivity delay during remote surgery could prove fatal. So too, can the impact of drones delivering the wrong medication.

## Cyber security

Perhaps more concerning is the more significant loss of privacy and threats to safety and security as hackers' appetites expand. We see growing instances of cyber criminals controlling systems to inflict harm (causing road accidents and widespread blackouts), cyberstalking, data breaches and theft. Since the pandemic, cyber-crime levels have elevated considerably. The FBI has reported a 300% increase in cybercrimes in the US. This is based only on reported incidents, and in fact, this figure could be multiples higher. As seen from many widely-publicised cyber breach events, a few taps of the keyboard can wreak havoc for millions.

### Consider these stats and predictions:

- In the time that it takes to boil a kettle of water, about four cyber security hacking attempts are made
- Cybercrime costs Africa more than R60 billion each year due to weak and outdated security measures
- Global spending on cyber security in 2021 is estimated at R90 trillion. If escalations aren't factored in, this equates to **67 years of annual budget allocation for South Africa**
- Concerningly, WEF's Global Risks Report 2020 states that "the chances of catching and prosecuting a cybercriminal are almost nil (0.05%)"

**So, realising the value that the 4IR could unlock (which, according to Accenture, will be in the region of R1.4 trillion within the next five years with agriculture, infrastructure, manufacturing, and financial services expected to benefit the most), also requires a risk mitigation mindset — one that's informed by deep insight and foresight.**



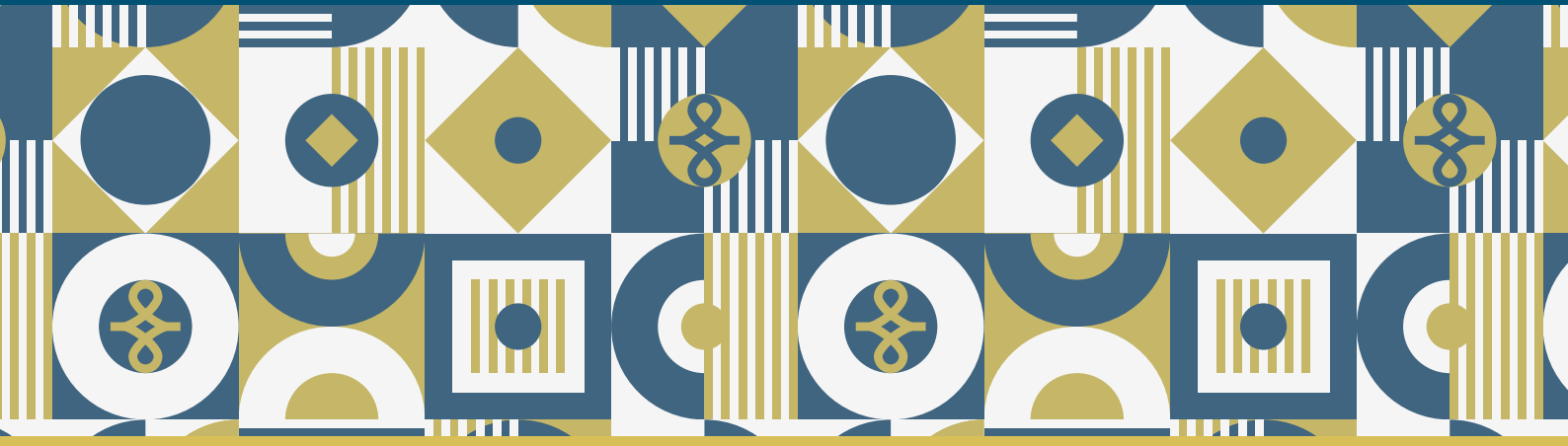


## Hack-proofing

As technology evolves, there are many risk outcomes — many we understand and can predict, others we can only factor in after the fact. Some of the primary considerations to help your clients' risk proof include:

- **Keeping abreast of trends** related to information security, phishing, data theft, ransomware and other cyber-attacks
- Installing **firewalls** and breach detection software as well as maintaining patch updates at the recommended frequencies
- Investing in **upskilling IT personnel** — specifically in the cybersecurity space. It is estimated that 3.5 million cybersecurity jobs remain unfilled
- **Educating** employees, partners, suppliers and contractors on the evolving cyber risk realities
- Ensuring **diligent adherence** to safety processes and practices and ownership at every touchpoint in the value chain
- Enlisting the services of **"White hats"** — aka friendly hackers — to conduct routine vulnerability assessments
- **Partnering with associations** that share cyber-attack related trends and information (e.g., the ICB — within the insurance context)
- **Partnering with risk management specialists** — such as intermediaries, risk engineers, and insurers will help ensure a more resilient and robust exposure management strategy

The reality is that even the most secure networks and systems have some level of vulnerability that could be exploited. "Reinforcements" in the form of insurance — including comprehensive business interruption, liability, and other covers remain critical. Covers and limits must also be reviewed at least annually.



## LEVERAGING DISRUPTIONS

Disruption, which refers to events or innovations that lead to radical change, has been received with a more positive connotation in recent years. Disruption continues to challenge the relevance of processes or practices, prompting evolutionary shifts. It tends to compel societies, organisations and governments to do things differently and approach opportunities with greater creativity. It catalyses the revision of products and services, prompting new approaches to the formats or platforms used to deliver these.

### Embracing disruption innovatively

Effective leaders embrace disruption rather than being intimidated by it, pursuing agility-enhancing developments that are more responsive to current and future needs. More and more, businesses are using defining events (such as the pandemic) to ensure elevated levels of innovation and value creation. While the pandemic may have shifted corporate priorities, it has not discouraged businesses from innovating business processes. Interestingly, the Boston Consulting Group's Top 50 Most Innovative Companies of 2021 ranking survey recognised brands such as Toyota for its investments into commercialising electric flying cars and Pfizer for its critical role in developing a COVID-19 vaccine in less than a year.

### Effectively leveraging disruption

What's also great is how the fundamentals across some industries have been redefined — largely thanks to smart technologies and artificial intelligence. Online banking, apps, and chatbots have contributed to positive changes in service-oriented organisations' perception and value proposition. It's also promoting greater customer satisfaction. Gone are the days when one had to stand in long banking queues for even the most straightforward transactions. And, who isn't elated by not having to navigate Home Affairs just for a passport application? How about the opportunity to "see" and interact with family, friends and colleagues who are at the other end of the world without leaving the comfort of one's home?

**Disruption connects us more effectively, delivering conveniences on levels never before seen, enabling access to services or products almost instantaneously. Organisations' value is recognising the elements within disruption ecosystems that can fast track their ability to be more relevant and entrenched across their stakeholders.**

## Collaborating for more value

However, often, realising and delivering compelling value requires collaboration. Some of the more apparent, progressive benefits of disruption come to light through a growing focus on purposeful and strategic partnerships that:



**Create new market opportunities or stimulate the evolution of demand**



**Excite stakeholders about change or new offerings**



**Help better address consumer needs**



**Promote futuristic ways of approaching challenges**



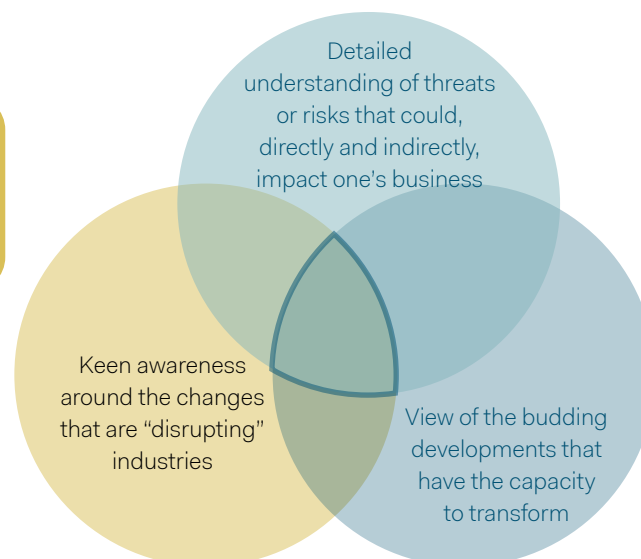
**Diversify existing offerings**

About opening up new markets, ride-sharing apps like Uber have redefined private travel options. Content platforms like Netflix and Spotify have spoiled us for choice — enabling the consumption of on-demand access to content that is closely aligned to one's interests.

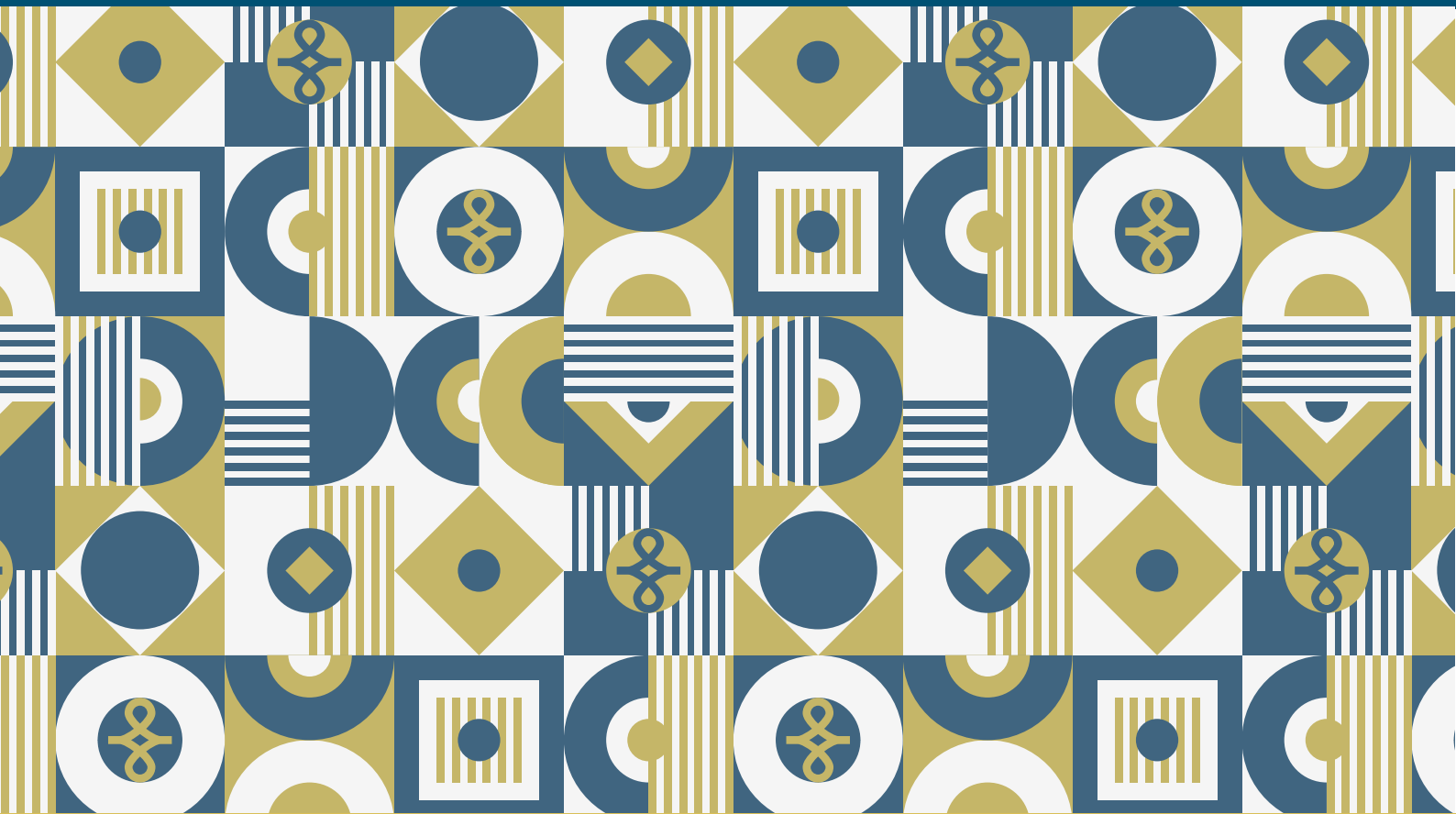
Disruption tends to bring access, flexibility, efficiencies and cost savings that are on another level. But sometimes, such disruption doesn't come from external sources. Take Kodak, a brand that became synonymous with photography, driving access to the broader public. Think about how often you have heard the phrase “a Kodak moment”... With a global market share of over 50%, the brand seemed invincible until it patented the digital camera (which, thanks to smartphones, has become an even bigger rage). This move to drive innovation also triggered the kind of disruption within the photography industry, which led to Kodak filing for bankruptcy in 2012.

While such turn in events can dissuade organisations from going down a route that may be too innovative or disruptive, the reality is that businesses that don't evolve are at a higher risk of stagnation. Falling into the shadows of irrelevance is probably a more significant threat. The lesson lies in examining what has and hasn't worked, opportunities that may have been poorly leveraged and threats that were underestimated.

**The sweet spot of advantage is likely at the intersect of a:**



For some disruptive business models and businesses, there is the added challenge of effective risk evaluation and response (including underwriting). Accordingly, partnering with risk management specialists remains the most valuable approach for businesses that want to ensure a more holistic view of the evolving risk landscape and specific exposures and ways to mitigate against these. What's also valuable is the data and insights from brokers, which can better inform policy underwriting to ensure cover that is more responsive to unique business needs.



## BUSINESS AND BEYOND

### 2021 REVIEW

For Bryte, our emphasis on remaining responsive to customers and effectively supporting them on their resilience journey has been consistent. But, the pandemic has undoubtedly prompted a review of products, services and partnerships. While this has resulted in some enabling adaptations, new offerings and revised approaches, it also validated the relevance of things that didn't require change.

#### Continuing pandemic-related support

Through your support, our accelerated drive to process and settle all valid claims in the context of COVID-19 has resulted in more than 6,500 claims settled and in excess of R650 million paid out to customers. We focused our efforts on simplifying processes and providing customers and partners with feedback in a manner that facilitated easier understanding.

#### Supporting business during and post the recent unrests

The debilitating effects of the July civil unrest across parts of South Africa have left societies, industries, and the economy unravelling. At the outset, Bryte was quick to respond by supporting colleagues and communities in need by distributing essentials. We also engaged with Sasria and, through our mandate, have been able to provide quicker, up-front support to affected customers to help them get back on their feet quicker.

## Extending/strengthening offerings

### Sapphire:

We acquired a controlling stake in Sapphire Risk Transfer South Africa to ignite new growth initiatives and significantly increase our corporate property service offering. This also meant that Sapphire assumed responsibility for the underwriting and reinsurance of Bryte's corporate property portfolio.

### Phishield:

Cyber risk is among the more prominent exposures that are fiercely gaining momentum. Hence, we continue to pursue more responsive cyber insurance solutions through innovation, resources and expertise. Our specialist UMA Partner, Phishield, offers access to the bespoke Cyber Protect for SMEs, who are among the most vulnerable in cyberspace.

### Infiniti Aviation:

Our Botswana business partnered with the leading expert in aviation insurance, Infiniti Aviation. This collaboration is providing our Botswana aviation customers with a complete business solution for their assets — premises and hangar keepers — and liability cover suited to this type of business.

### Bryte Life:

The growth of this — relatively new — offering has been a very fulfilling journey for our business. Our commitment to offering high-quality solutions to an underserved population — in a manner that is simple and easy to access — saw us introduce a Legal Plan option for everyday South Africans.

### Shariah-compliant insurance:

Islamic finance is growing rapidly, with Shariah-compliant financial assets forecasted to total \$3.8 trillion in 2022. Appreciating the opportunity to meet the needs of an underserved market, we strengthened our focus on our Shariah-compliant insurance value proposition, extending greater choice to customers and helping our brokers enhance relevance among their clients.

## Partner development

We continued to build on our reputation of empowering, growing and sharing meaningful insights. Training courses were completed by our partners on our learning and development portal — Bryte Academy. Continuing on the topic of partner empowerment, our entity in Botswana granted agents and brokers access to our system, providing the necessary training and support to ensure effective utilisation.



## GLIMPSE INTO 2022

We pride ourselves on being forward-thinking, agile and responsive risk-mitigation experts who invested in value-adding innovation and evolution. But, we are equally committed to ensuring that some of the core elements that define our business continue to be delivered at the highest levels.

### Consistently living our values

As a people-first business, we are dedicated to deepening our partnerships and maintaining excellence. In all we do, we will remain aligned to our values and the culture of accessibility, visibility, professionalism, compassion and transparency that we have worked so hard to cultivate.

### Hybrid working

We remain proud of our team's ability to seamlessly transition to remote working while maintaining the high customer and partner service standards we are committed to. Now, as the South African vaccination programme makes headway, we are excited to launch our hybrid working model for Bryte employees in 2022 — ensuring flexibility and facilitating more in-person engagements (something we all can appreciate the value of).

### Expanding our profile

Our branding and communication strategy is bigger and better than ever. It extends far beyond billboards and radio advertising — expanding not just brand and value proposition awareness but also connections at every stakeholder touchpoint.

### Knowledge and talent development

While Bryte Academy continues to grow from strength to strength, our parallel emphasis remains on developing our employees (through ongoing training/mentorship, etc.) and empowering the insurance industry value chain (specifically through our relationship with the Maharishi Institute).

### Analytics and intelligence

Ours is an industry that is greatly dependent on quality, accurate and timely data. Investments into data analytics and effective intelligence extrapolation will continue, as will our focus on capitalising on the insights drawn.

### Migration to Totally Integrated Automation

We have been progressively bringing more products and services online to complete our migration to TIA in 2022. We are pleased by the quick turnaround times for claims, significant improvements in quoting efficiencies and greater process consistencies that have been adding tremendous value. The enhancements to our payment collection, automated communication and documentation systems have also been well-received. The highest professional standards will become a mainstay.