

Emerald developments in business insurance

Gary Corke, CEO, Emerald Risk Transfer

Emerald Risk Transfer underwrites Corporate Property and Engineering business throughout the African Continent. We currently offer solutions to over 500 clients within Africa, and about 75 of these are within South Africa's top 100 Companies. In the past couple of years, we have worked very hard to differentiate our offerings to the broker market, and, broadly speaking, we believe we can add value in three specific areas.

1. Insurer security

Our product is underwritten by South Africa's leading short-term insurer, Santam, who also holds interests in Zimbabwe, Malawi, Uganda, Tanzania and Zambia, and further strategic interests including Santam Nigeria Ltd.

2. Innovation

We have retained our position within industries such as Mining and Rolling Stock, and found solutions for those South African companies that have grown into other parts of Africa, and beyond our continent. Our flexible approach, coupled with the support of our excellent Reinsurer panel, allows us to be truly innovative.

3. Contract certainty

Claims are our 'shop window'. In our 12 year history at Emerald, we have been most fortunate that RARELY has there been a loss notification received by us where it cannot be established immediately that a valid contract exists, an insured loss has taken place, and therefore, there is reason for a claim to be regarded as valid.

In fact, any debate will usually concern the quantum of the loss, as opposed to whether the contract should respond at all. Whilst there are negotiations involving several parties, in the vast majority of cases, a conclusion is found timeously and all parties walk away from what has been a satisfactory process. On the few occasions that this is not the case, the problem is usually certainty of the insurance contract (or the lack thereof).

There are two principle reasons for this 'experience': the first is The Policy Wording, the second is Information Disclosure.

Policy Wording

The wonderful thing about the Corporate Property and Engineering Market on our continent is that we are able to create bespoke contracts with our intermediaries that are tailor-made for our corporate clients.

Unfortunately, at times, such negotiations around contract



wordings have taken a good deal longer than negotiations around pricing and deductibles. Allied to a fundamental misunderstanding of the coverage offered to many insurers by the changing ideas of Treaty Reinsurers, there have been gaps (some perceived, some real) in Policy Wordings that will usually only get challenged at the time of a loss.

Information Disclosure

Information material to the risk has to be adequate, correct, and disclosed in full. If an insurer cannot rely on these three areas specifically, no amount of ingenuity will prepare the insurer for the contract they must provide.

The future

Globalisation has affected Corporate Property and Engineering Insurance just as it has other industries. Prior to the recent events in Australia, New Zealand and Japan, certain clients benefitted from heavy 'incidental' assets covered in these countries for, amongst other things, earthquake. This is likely to come to an end sooner rather than later.

The reality is that whilst some brokers will believe that they can extend client wordings to cover these and other eventualities, there is a cost implication that certain insurers, including Emerald, will take account of.

We would suggest that in future, some clients will be paying for cover they didn't necessarily require, particularly with regard to the Contingent Business Interruption arena. Also, the influence of the major Reinsurers that have paid more than their fair share of claims in Australia, New Zealand and Japan will be felt within the South African Insurer market in 2012 at least.