# THE CELL NEWS

CELL INSURANCE
COMPANY(PVT)LTD
*unlocking wealth together through risk management*

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## *How dollarisation helped the insurance industry*

When the Minister of Finance announced that the market was fully dollarised on a multiple currency monetary system, everyone sighed with relief. The insurance industry sighed the loudest as this came as a long awaited lifeline on the backdrop of a difficult operating environment and redundancy of insurance values.

The insurance industry was fast becoming a white elephant in the local economy. There was no value derived from the services offered to customers as well as investment contribution to the economy at large. In the past, most insurance companies had applied for Special Forex Licenses from the Exchange Control Authorities to trade in hard currency. Even though some got the node, operating under this condition was more like a game of cards.

Insurers who were not trading in hard currency were faced with viability problems from all operational fronts. To begin with, covers became absolutely redundant as the Zimbabwean dollar lost value by the minute. This meant that one was adequately covered at one point and soon after that, cover would be rendered useless by inflation. Keeping up with correct values was virtually impossible.

On another note, operational costs became another evil that bedeviled especially the large insurance companies. On average, the large insurance companies employed up to 150 employees. Figures of this magnitude gave operators sleepless nights as salaries and other operating overheads shot to the roof on a daily basis. The only solution was to cut manpower to rock-bottom levels which saw forced leave becoming extremely popular. What really exacerbated the already festering situation were distortions presented by partial dollarisation of downstream industries. FOLIWARS licensing of the downstream industries only meant that a greater percentage of expenses was dollarised whilst income remained in form of the inflation ravaged Zimbabwean dollar currency. This only meant one thing- you are out of business. For sure, most insurance companies were out of business as they could not deliver value. Settling claims meant that there needed to be a US Dollar , Rand and Pound payment. Alternatively any stock that could be used to store value acted as a conducive mode of payment. This saw fuel coupons, cement and stock market shares becoming an alternative mode of payment.

Full dollarisation implied that all insurance companies were relieved of their heavy burden they were carrying in the past few years. Soon after the full dollarisation of the economy, insurance companies have started to smile again. Premiums are now collected in the legalized hard currencies that includes: the United States dollar, British Pound, South African Rand, Euros and Botswana Pula. There is now some incentive to venture into Research and Development and consequent Product Development in an industry that was one foot in the grave.

As much as there are better days to come for the industry, challenges still lie ahead which need a holistic approach to countering them. The Insurance Regulatory Authorities might require capitalization in hard currencies for companies trading in forex, yet the level of retention still remain rock-bottom. Regional integration is also opening up new competition from all over. Most companies are now enquiring on investing in the industry, posing unprecedented levels of competition. Last but not least, rating wars amongst companies are acting as a serious impediment to fast recovery of the industry. Rate wars imply little premiums collected, hence greater risk of exposure to the industry at large. ***(Wisebee)***

**Did you know?**

**In Greek methodology, it is said that cupid dipped his arrows in honey to fill the lovers heart with sweetness**

**(*Golden Blossom Honey*)**

## *Global Buzz*

**THE** first and most cardinal rule in investing is the relationship of risk and return. We all know that risk and return are always related—high risk will give you a potentially high return, while low risk will result in a low yield. By now, we should all be aware that there is no such thing as a high-yielding investment that has a low risk...whoever says so is perpetuating a scam.*(Bussiness Mirror 28 April 2009)*

**RISK** management at Microsoft Corp. has seen almost as many incarnations as the company's famous operating system. And like Windows, the risk management process at Microsoft continues to develop as the company progresses from software pioneer to technology, media and entertainment conglomerate.*(Insurance News Net 20 April 2009)*

**THE** risk landscape facing insurers has changed dramatically, says the latest Insurance Banana Skins report.Investment performance, equity markets and capital availability have overtaken fears of over-regulation and natural catastrophes as the top risks for insurers. And insurance companies are now seen to be less prepared to handle the risks identified. *( Asia One Business 15 March 2009)*

**THE** European Health Minister Andorra Vassiliou, has warned Europe's public not to travel to Mexico or the United States unless absolutely necessary in an effort to stop the spreading of swine flu to Europe.Vassiliou told reporters that people "should avoid traveling to Mexico or the United States of America unless it is very urgent for them." EU ministers are holding an urgent meeting on Thursday to discuss the swine flu, which has already killed over 100 people in Mexico and spread across the border to the United States.The World Health Organisation has already said that the flu poses a serious threat internationally, which in turn has hammered markets across the world. *(Re-Insurance 28 April 2009)*

# Celebrating 5 Years of Sweetness

First of March is always a special day for the Honeybees as they celebrate their birthdays but 2009 was a ***buzzy*** day with a difference. Cell turned 5years old on the first of March which was a historic event for the company that came into the market amidst a myriad of hardships. The company has buzzed its way to be the industry leader and reference point in the provision of comprehensive Alternative Risk Transfer (ART) Solutions in the country. Being the first licensed rent-a-captive insurance company in Zimbabwe in 2004 in a predominantly conventional market, Cell has become a force to reckon with when it comes to innovative ART solutions.

Upon introduction to the market the **Rent-a-cell** product which is the company's flagship product has provided unique benefits to the corporate customers who have been looking for value in risk transfer mechanisms for a long time. This enabled the **"Cell concept"** to gain popularity especially with large corporate customers who have been bedeviled by huge premium bills. The Rent-a-cell product enables organizations to run their self funded insurance arrangements through cell structures. This is arrived at by a scientific Risk Retention Exercise **(RRE)** which is one of Cell's areas of speciality. When the retention level has been determined, the client can safely self insure by transferring the retained risk to a cell fund with Cell insurance as the administrators.

Once transferred to the cells, the fund becomes client's insurance fund which is invested in any vehicle as agreed with the client. If at the end of the insurance period there is some funds remaining after all claims payments and payment of administration fees, the fund will be used in the next insurance period or paid to the client as a bonus. The client has an option to purchase reinsurance as further protection of the funds in the event of catastrophic losses that may exhaust the fund. With this, the client continues to enjoy cover up to the end of the insurance period.

Through the cell structures, the customer can retain as much risk as they wish. What is important is that the customers begin to have control over their insurance costs as well as ability to customize their insurance program. Over and above the Rent-a-cell product, Cell Insurance also offer conventional insurance products in order to give a wholesome package. Some risks are not attractive to self insure and therefore, the traditional conventional arrangement remains a better option to transfer those risks.

Risk management is one area of strengths for the Honeybees. Traditionally, risk management has been taken as a ***secondary*** add-on to the insurance program. In most instances, the meaning of risk management is narrowed to insurance surveys and claims assessments. At Cell Insurance, Risk Management forms the basis of a sound risk retention program. Risk management is a core part of an insurance program and the honeybees are the market leaders in offering Enterprise Wide Risk Management **(EWRM)** services in the country. With EWRM, the customer's risks are addressed in totality, whether they are insurable or not. This entails identifying all risks that the organization faces which might include financial risks, marketing risks, human capital risks, operational risks, country risks and any other risks that might bedevil the organization. An appropriate risk mitigation strategy is then put in place which might entail both financial and non-financial measures. With this, the customer's upside risk (profitable risk) is maximized whilst the downside risk ( loss risk) is minimized. Cell has a fully fledged Enterprise Wide Risk Management product which has been implemented by large listed corporate organizations.***(Wisebee)***

## THE CELL-*BRAND*

### RENT-A-CELL

**A product that enables organizations to run self funded insurance programs by retaining all or part of their risk.**

### HONEYGOLD

**A wide rage of property and pecuniary insurance products that can be run on self funded basis or on the conventional arrangements . These includes Motorsure - FLEET, Motorsure - BASIC, Agrisure, Travsure, Envirosure, Homesure, Eletrosure, Medisure**

### HONEYGOLD *CLASSIC*

**A top notch product for executive clients who desire value for money. WARNING! This is not for the faint pocketed!**

### HONEYGOLD *Motorsure-BASIC*

**A motor liability product that is aimed at providing adequate liability cover at low cost as well as ability to license motor vehicles.**

### EWRM

**A Comprehensive Risk Management product that addresses totality of an organisation's risk management requirements.**


**Your BASIC right to adequate Liability Cover**

HONEYGOLD

## MOTORSURE -*BASIC*

# Dollarisation - *New currencies, new risks*

Dollarisation of the Zimbabwean economy came as one of the major policy changes which followed a government of national unity. Inflation, which was rising at a supersonic jet speed totally paralyzed the purchasing ability of the local currency. Trading was almost relegated to a barter system, with sellers of goods and services opting for any merchandise that could be readily converted to hard currency.

As much as this move might have come as a *"Maritime Salvor of a stranded ship"*, the use of foreign currency has a *"lien"* that is being paid in form of a resurgence of risks related to a properly valued currency. A proper risk identification exercise will unearth a plethora of risks that may pose a threat to an organizations operating in the current economic dispensation.

The first and foremost risk that comes into mind is robbery and theft of money. Given that a multitude of foreign currencies that include the US dollar, S. African rand, Botswana pula and Euros are circulating in the economy, armed robbery has resurfaced since the licensing of shops to trade in foreign currency. Retail shops, banks, filling stations and other organizations that receive money from customers have been victims of armed robberies of late. In the recent past, pouncing on a store's till or bank's vault was a disincentive because the money stored in there would not suffice to buy a packet of candles.

In as much as these risks are a threat to business viability, a number of risk management protocols could help safeguard losses. For large organizations, beefing up security structures has become more important than ever. Armed guards, radio link, alarm systems with rapid response, security screen doors and other physical security systems help reduce the risk of robbery. Banking on a regular basis, say every time you collect significant amounts of money is also key to reduction of ultimate loss. Use of Cash In Transit (CIT) services from professional security companies transfers your risk to their custody. Over and above, a well structured insurance program that incorporates Money Cover is probably your final nail into the coffin. Money Cover will protect your loss in case an unfortunate incident eventually befalls your business.

Counterfeit notes , especially for the US dollar have swarmed the market like killer bees. Money launderers and bogus money traders have found a safe haven in the midst of an acute cash shortage to cleanse their bogus notes. Usually, higher risks for counterfeit notes are incurred where larger notes like the US$50 note or US$100 note are used. Huge sums of money have been lost in the business circles through use of counterfeit notes.

A number of risk mitigatory measures can be put in place to reduce the impact of losses due to counterfeit notes. First of all, receiving payments through credible and safer means that includes reputable banks and other financial institutions, reduces this risk. Furthermore, whenever a payment is made, one needs to take down the serial numbers of the notes and get a signed proof of agreement from the originator of the notes. This acts as a recourse when the notes have been dishonored.

Money detecting machines have been useful in stamping out this risk at the node. Money detecting machines help identify bogus notes at the point of receipt. What needs to be done is to acquire reputable or universal money detecting machines in order to cover a number of currencies. However, there is a moral risk where customers might connive with the recipients of the money in a bid to clean up bogus notes. For this risk, always entrust your vault, till or cash box with a trustworthy custodian or you will cry fowl the next day .Unfortunately, there are no insurance policies that will cover this risk- only your prudent risk management structures will be your policy of last resort.

Pick-pocketing , mugging and car-jackings have also resurfaced at an unprecedented level. The thieves are readily aware that whenever they snatch a woman's handbag, pounce on a motor vehicle, or stage an armed robbery especially at businessmen's houses there is bound to be a couple of US dollar notes or any other currency of true value. The only problem is that these social ills are coupled with human loss of life and it becomes a sad situation when one dies for paltry notes. It is prudent not to carry large sums of money in bags or motor vehicles. Carry what you need to use and avoid locations like glove compartment, handbag or any other vulnerable locations.***(Wisebee)***

## *Local and African Buzz*

**FIVE** years of delivering sweetness and still going! Cell Insurance celebrated its fifth anniversary on the first of March 2009. The company has shown its strengths over the past five years by bringing flavor into the insurance industry through delivering comprehensive Alternative Risk Transfer Solutions that include the famous Rent-a-cell self insurance product which transformed the market

**INSURANCE** and pension funds are reshuffling their investments to prepare for a planned enforcement of the Pension and Provident Funds Act (PPFA) under which they are compelled to hold government instruments in their investment portfolio *.(Fingaz March 12-18 2009)*

**NATIONAL** Social Security Authority NSSA started paying pensioneers in foreign currency in April 2009. With effect from 1 April 2009, pensions would be paid in United States dollars . The amount will be US$25 *.(Zimbabwe Independent 3-9 April 2009)*

**THE** liberalization of the country's economy has restored confidence in the mining sector with a number of mines that had shut down operations reviewing their position .By liberalising the foreign exchange market and removing price controls, a new wave of energy has been given to the economy. *(Fingaz 2-8 April 2009)*

**PIRATES** attacked a US-flagged cargo ship off the coast of Somalia with rockets and automatic weapons on Tuesday but failed to board the craft. The crew of the Liberty Sun was unharmed, but the vessel suffered damage, according to a maritime statement from Liberty Maritime Corp of Lake Success, new York. The ship immediately requested for help from the US Navy, which sent forces. *( Financial Gazette 16-22 April 2009*

**Bee on guard and watch your risk closely!**

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