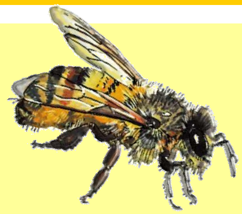

THE CELL NEWS

CELL INSURANCE COMPANY(PVT)LTD

unlocking wealth together through risk management

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When corporate culture and business goals collide…

Enterprise Wide Risk Management (EWRM) is more than just the latest corporate governance buzzwords: in its ideal form EWRM is a blueprint for doing things right the first time, every time; for operating within a cultural and ethical framework that defines every decision and action taken by management.

One of the main challenges in instituting an effective EWRM system is that it has a lot to do with the culture of a company; it's not a quick fix, off-the shelf solution. Instead it involves changing the culture at all levels of the organization and this can take years to do. It's easy to take a high level, strategic look at the business and put together a risk profile but that's just the beginning; then comes the tricky part of transforming the corporate culture and dealing with ethical issues within the company.

Changing corporate culture essentially involves engaging the hearts and minds of the entire team; getting one hundred percent buy-in all the time, not just when processes are under scrutiny.

Typically "real world" business targets are managed and shaped in one area of the business, while the intangibles, dealing with ethical and moral values, originate from a different area of the business. And, when business targets come under fire, ethical and moral values may be pushed aside. Effective EWRM creates a path to bring these two aspects of the business together, paving the way for a corporate environment that is well equipped to evaluate and assess opportunities without losing sight of the bigger picture.

For instance, what may appear at first glance to be a good monetary deal could in fact require actions that conflict with the company's ethical and moral codes of behaviour. Within an effective EWRM environment management would immediately be alerted to the fact that in order to execute the project the company's cultural values would be contravened and, in all likelihood, the project would be scrapped.

Without EWRM, management would only have one part of the picture; the decision to proceed would probably be based primarily on financial criteria and the contravention of cultural mores would only arise when transgression has occurred and retribution is inevitable.

While EWRM can never replace good business sense and keen "gut feel" it does formalize the process of understanding and managing the company's appetite for risk.

When EWRM works, the need for risk management all but disappears because there is no other way than the right way of doing things. (***Guardrisk)***

Did you know?

A honeybee visits between 50 and 100 flowers during the collection flight from the bee hive

Golden Blossom Honey)

Is Defensive driving really a driver's life saver?

Driving standards in Zimbabwe are amongst the worst in the world and according to the Traffic Safety Council of Zimbabwe (TSCZ), an estimated 2000 people die every year in road traffic connected deaths. Of all these traffic fatalities 33% are composed of vehicle-pedestrian collisions.

This situation has put most drivers under scrutiny and great criticism, with most of the blame being put on urban commuter omnibus drivers and passenger bus drivers. Most road accidents are avoidable hence reduction of unnecessary loss of life. Of all road traffic accidents 85% are composed of driving errors which means they can be avoidable *(TSCZ).*

The government, through the Traffic safety Council of Zimbabwe has come up with a Driver Improvement Training program aimed at improving driving standards of most drivers in the country. The program which was compiled by a consortium of truckers and transporters after they had critically analysed the accidents in which their drivers had been involved in. Trends showed that 85% of the times the drivers were wrong and the two car crash constituted the majority of fatalities.

Defensive driving course offered by Traffic Safety Council takes the drivers through all the six positions of a two car crash as well as other accident causing conditions. The course clearly assist drivers in practicing due care when driving and exercising extreme caution, which most drivers in Zimbabwe do not do.

The Road Traffic Act of Zimbabwe was recently amended and now stipulates that the drivers of public transport should not be under 26 years and should undergo the Driver Improvement program every 4 years. As for most organizations it has now become an unwritten law to get their drivers trained. If this is practiced by all drivers maybe Zimbabwe might erase the bad reputation and save innocent victims.

Operation Sunrise, *the aftermath*.

The Reserve Bank of Zimbabwe's monetary policy announced on 31 July 2006 came as a surprise to both business fraternity and individuals. Of greater interest to the majority was Operation Sunrise which was implemented overnight to harness the monetary situation in the country. *(RBZ Monetary Policy Statement July 2006)*

The currency reform operation was implemented after some consultations with various stakeholders and according to The Independent of 21-27 July the Institute of Chartered Accountants of Zimbabwe (ICAZ) proposed for a slashing of three zeros on the local currency to address the bulky nature of the local currency as a result of inflation. Wallets and handbags had become childhood mementos since carrying money required a big bag, one can be reminded of the Zambian scenario.

The galloping inflation at 1 118% as of July had put serious pressure on money and effects were mainly felt by retailers who had to shelve their tills due to overwhelming quantities of the valueless bearers. Prior to the operation a money counting machine had become a necessity.

Banks and insurance companies were also caught in the web as the systems could not account for several zeros. Most insurance companies use systems borrowed from Europe and Asia where inflation figures are marginal. Accommodating hundreds of trillions of asset bases of our local currency was an impossible task and it meant that policies with big asset figures had to be fragmented into various policies.

Yet another crisis gripped the financial sector as the systems were supposed to adhere to the re-denomination of the currency when the Monetary Policy Statement was issued. (*Business Digest. August 4-10).* The Government Gazette of 31 July 2006 *(Presidential Powers (Temporary Measures) (Currency Revaluation) Regulations 2006*, published an array of rules which were put in place to implement the new system. To begin with every old bearer cheque expired at 2400hours of 21 August 2006 and after that, the central bank was not to make payment to holders of the old currency. Between 1st and 21st of August 2006 every financial institution was required to exchange old bearer cheques for the new bearer cheques. This saw banks being overwhelmed by depositors of the old currency in order to meet the deadline.

Deposits at financial institutions denoted in old currency system on the 21st of August 2006 were to be automatically converted to new currency .No financial institution was to exchange the old currency for the new currency after the 21st of August for individuals and 22nd August for traders and parastatals. This left a lot of individuals stranded with their bulky old currency.

If an individual person brought an amount over one hundred million and five billion for parastatals and traders, they were to be issued with a one year currency stabilization bond. This allowed the RBZ Money Laundering Unit under the Bank Use Promotion and Suppression of Money Laundering Act (*chapter 24:24*) to investigate the origins of the money. If the origins of the money were contravening the act the bonds would be cancelled or if not would be paid on maturity date.

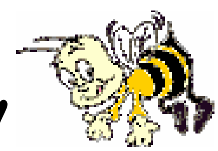
On 9 October 2006 the RBZ Governor announced a Mid-Term Monetary Policy Review which brought another wave of changes in the financial market. One of the landmark changes brought about included the closure of all money transfer agencies with effect from 9 October 2006. *(Herald 10 October 2006)* Authority for money transfers has now been left in the hands of Homelink alone which is an RBZ affiliate.

The review also amended regulations on gold trading and announced the suspension of aid to non – performing parastatals. In terms of lending more emphasis was put on the agricultural sector and the manufacturing industry in line with the Fiscal Policy which was announced earlier on. Performance of these two sectors has been on a marginal and dwindling stage which has also left the insurance industry hard hit by lack of new business.

Farming insurance has shrunk to unprecedented levels and the manufacturing industry has also been affected. Insurance performance is directly linked to the economic performance and the current state of affairs has not done any good to the industry. Insurance companies are now fighting for a shrinking client base, forcing most companies to charge sub-economic rates on insurance policies in order to get a client on board.

The Mid-term Monetary Policy Review also touched on the Stock Market which had dominated the investment climate since the prevalence of low rates. All transactions above $50 000 are now supposed to be done via electronic transfer. According to the policy, the aim was to stop vast amounts of paper wealth which was being created on the Stock Market without any production linkage to it. *(Herald 10 October 2006)*.Stock market transactions must now indicate investors where nominees are involved.

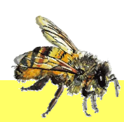
Buzz Corner!



A new buzz line ***496136*** has been added for your convenience.

For any enquiries or queries you can now get us on our dedicated hotline ***496235***

If there is mail that does not need posting you can now use our ***Association Box No. 57*** located on 3rd Floor Bothwell House, Corner First Street and Jason Moyo Avenue Harare



SERVICE

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