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HEAD: BROKER SERVICES (COASTAL) | OLD MUTUAL INSURE



Dear Broker

New Personal Lines premium and excess structure

We have seen and experienced a significant change in the South African short-term insurance landscape over the past few years. These changes have been driven by a challenging economic climate and mostly by an increase in the frequency and severity of natural disasters, weather-related damage and catastrophes. We cannot rely on traditional practices in isolation and we have to be much more flexible and agile to continuously adapt to these changes. This requires an approach with a renewed mind-set where we take a balanced approach towards claims cost management, overall risk management and determining risk-based premiums for each customer.

It is in this context that we have completed our annual Personal Lines rate review and are pleased to inform you that we are implementing a balanced approach in order to offer our customers a sensible and value-for-money proposition.

Personal Lines rate review

To be able to offer our customers this value-for-money proposition, our rate review has zoned in on four focus areas that have informed our adjustment. These are:

1. Claim cost management

Claims remain the window of our business. One thing we pride ourselves on is that we have done exceptionally well in claims cost management despite experiencing an increase in the frequency and severity of claims across all classes of business – this over and above the increase in severe weather related claims and catastrophes. We have managed to contain our average cost per claim by focussing on securing the best procurement supply chain and have at the same time made huge improvements in our service delivery. We are still faced with external economic challenges that threaten to push up the claims inflation cost, but we are very confident that we can manage this through disciplined execution. This will enable us to return these benefits to our customers by offering them more competitive premiums.

2. Changes to basic excess structures – effective 1 November 2018 for new business and 1 January 2019 for renewals.

We are very proud to announce that due to our ongoing efforts on claims cost management **only the Motor excess structures will change and all other excess structures remain unchanged.**

- The Motor Standard Excess for **allsure/prosure** SA will change from R3500 to R4000
- The Motor Standard Excess for **motorsure** will change from R4000 to R4500
- The Windscreen Replacement Excess for **allsure/prosure** SA will change from 10% min R500 to 20% min R500
- The Windscreen Replacement Excess for **motorsure** will change from 10% min R750 to 20% min R750

Despite these changes to our Motor excess structure, we believe that our excess structures remain very competitive and relevant compared to our competitors.

3. Rate adjustment for new business – effective 1 November 2018

We have reviewed and restated our rating factors according to our experience of the frequency associated with motor and non-motor claims across the Personal Lines portfolio. Our rates will be adjusted to reflect our experience and will result in the following changes:

- a. Less-than-inflation increase in our new business Motor rates
- b. Reduction in our Contents rate for new business of between 6 – 8% (depending on location)

We believe that the impact of these rate adjustments will be positive on a collective portfolio basis and will make us more competitive in specifically the comprehensive product offerings.

4. Renewal changes – effective 1 January 2019

We are pleased to inform you that we once again commit to a single digit renewal increase on average for 85% of our customers across the collective portfolio – we will follow a very similar framework and approach to what happened in 2017/2018 with the main difference being that the parameters will be restated according to our claims experience across classes of business. Different renewal parameters will be applied to the balance of our customers based on multi-claimants and poor performing portfolios. Our **motorsure** product has a different experience and will attract an average increase of 12-15% at average across the portfolio.

We trust that you will support our balanced approach towards the acquisition and retention of our mutual customers.

We are also excited to announce that we have listened to your feedback and are proud to be able to offer a few additional proposition enhancements to you. These are:

Excess waiver for employed customers above 55 years

While we are very competitive in the above 55 customer segment and have been over many years, we have lost market share in the gainfully employed above 55 customer segment as we were not able to offer them the same value as our retired customers. This has been a burning issue for you and for us and we are extremely pleased that we will now also be offering an excess-free policy for 55 and older even if the customer is still gainfully employed. This will not be automatic and will be available as a buy-up option at a small additional premium and the policy will be endorsed accordingly.

We are extremely excited that we are now able to offer you this proposition and trust this will allow you as the broker to position us as an insurer of choice in this segment yet again.

New Quick Quote functionality

In addition, our **Quick Quote** functionality has been upgraded to allow the addition of vehicle accessories value and this will make a huge difference in your ability to use the **Quick Quote** option in all your quotations. We will also now populate the data from the Quick Quote solution into the Full Quote solution in those instances where Quick Quote creates a referral. This means that data will be auto-saved and you will no longer be required to recapture – saving a significant amount of time.

Our **Quick Quote** solution has been in the market for a few months and we are very pleased with its performance so far. We trust that the new functionality will make it even more user-friendly and encourage increased utilisation.

Thank you for your continued support, we look forward to strengthening our relationship with you, as we continue to do great things for our customers every day. If you have any questions or need any assistance, please contact your Senior Portfolio Manager or our Personal Lines Contact Centre on **0860 63 73 73**.

Regards

Brian