

COMPASS WELCOMES



Russell Spring
Chief Underwriting Officer

Russell began his insurance career as General Accounts Manager and then Internal Audit Manager of the Hannover Reinsurance Group. Russell then joined Lireas, as Senior Portfolio Manager, a position he held until joining Compass in February 2008.

Russell holds a BComm with Honours in Accounting Science and a MBA from the Graduate School of Business at the University of Cape Town.

CONSTRUCTION
FARMING
FIXED PROPERTY
MOTOR FLEETS
FUEL GUARANTEES
HAZARDOUS SPILLS
HEALTH
HOSPITALITY
INLAND CARGO
JEWELLERY
LIABILITY
MARINE
PERFORMANCE
BONDS &
GUARANTEES
PERSONAL &
COMMERCIAL
THATCH
WOODWORKING
INDUSTRY

SERVICE · PASSION · FUN · INTEGRITY · INNOVATION

THE COMPASS



Angela Mhlanga
Managing Director

A NOTE FROM MY DESK

The middle of 2008 is approaching quickly and life at Compass does not seem to be slowing down!

I am happy to confirm that all the reinsurance for the coming year was successfully placed at the end of 2007. Congratulations to all those agencies that had a successful underwriting year. We look forward to a prosperous 2008 for all our agencies so that we can ensure the best possible reinsurance terms again for the future!

The broker road shows and cocktail function are again in full swing. We started with the road show in Johannesburg on 5 March and I was delighted to see so many familiar faces

as well as a record number of new brokers this year. I look forward to meeting many of you again in Durban and Cape Town.

We will also be holding the road shows in Port Elizabeth, Bloemfontein, Pietermaritzburg and Polokwane for the first time this year, and through this, we hope to be able to penetrate some as yet untapped markets.

Whilst reaching out to the broker market is constantly on our radar, we are also busy with other projects such as the remodelling of FCR, refining our systems internally and the make-over of our premises, all of which will contribute to a busy year.

Our financial results for 2007 are very positive, in spite of several large losses. I thank both the Compass staff and our partners for contribution to this success. Audited financial statements will be available on the Compass website soon.

As winter approaches, I wish you and your family warmth for the coming months!

OUR FINANCIAL STRENGTHS

- Gross written premium of R668m (2006: R502m)
- Profit after tax of R22m (2006: R10m)
- Gross combined ratio of 85%
- Solvency ratio of 44%
- 'A' rating with a positive outlook from Global Credit Ratings



PHOENIX ANNUAL FUNCTION

Phoenix Underwriting Managers hosted their Annual Function on 28 February. The aim of the function was to celebrate the year that has passed and to thank clients for their valued support. The function was held at Carfax, and the theme was East meets West. Taekwondo demonstrations and scrumptious sushi carried the theme through perfectly. We look forward to another successful year of partnership with Phoenix!



Phoenix Underwriting Managers Transit Underwriting Managers Firedart Engineering Underwriters First Marine Acceptances
Gem & Jewel Acceptances Health & Accident Ad Ultimium Synergy Environmental Underwriters
Thatch Risk Acceptances Construction Guarantee Garagesure Hospitality Industry Underwriters
Landmark Woodworking Risk Acceptances Synergy Targeted Risk Solutions The Administration House



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CLAIMS WORKSHOP

The claims training day, held on the 18th May 2008 for our Underwriting Managers, proved to be a resounding success! Hazeldene Hall provided an idyllic Victorian backdrop for both an entertaining and informative programme of events. Our theme for the day was "Rub 2008 the Right Way" and to get the day started we kicked off with head massages in the exquisite garden surrounds.

Communication across all levels was an integral part of our theme and Brett Turnbull from Attorneys Harvey Nossel & Turnbull, Tony Hardie from Deney's Reitz and Brian Martin, the Short-Term Insurance Ombudsman made various presentations. The topics of these ranged from policy wordings and warranties, avoidance and cancellation of insurance policies, as well as the role of the Ombudsman in dispute resolution in the short-term insurance industry. After a discussion on general Compass claims issues and a scrumptious lunch, we were truly motivated by Sue Anne Finlay from The Consultant Powerhouse who dynamically presented "Attaining Balance in the Workplace."

All too quickly the day drew to a close, but we were happy in the knowledge that a great time was had by all our delegates and that we will continue to "Rub 2008 the Right Way!"

By Jackie Verburgt



NEWS FOR 2008 >>

COMPASS BROKER ROAD SHOW & COCKTAIL FUNCTION

Compass held the first of its broker road shows and cocktail functions in Johannesburg on the 5 March. This year we used caricatures to depict Compass's 18 agencies in the presentation by Angela Mhlanga. This different approach was met with much laughter, and we hope this will be a novel way of reminding our brokers of the wide spread of niche Compass agencies.

This year we will be holding additional road shows in Pietermaritzburg, Port Elizabeth, Polokwane and Bloemfontein as well as in Cape Town and Durban. We look forward to meeting many of you and to having the chance to network and share information about Compass!



A LOOK AT THE CLAIMS APPROACH

By Janine Stanley

From a claims aspect of insurance, be that of a loss adjuster, claims handler, recoveries manager or an attorney, the close connection between insurance in general and claims in particular, and the domain of the legal profession is evident. This applies not only to the obvious litigation process, but to the legal opinions we obtain from attorneys and through them, from advocates.

Insurance is a contract between two parties, the insurer and the insured. The contract consists of the policy schedule, endorsements, if applicable and the policy wording. A contract has certain legal ramifications and conditions, a fact which is highlighted when dealing with a contentious claim and/or the potential rejection of a claim. Generally speaking, Compass would seek a legal opinion on a claim where there is a potential rejection, or where the policy wording or endorsement is unclear. What we do often forget when seeking legal opinion in either of these cases, is that it is just that, an opinion.

The contract of insurance is open to interpretation and therefore opinions may differ.

A recent claim at Compass dealt with cover for a retaining wall where the policy contained the extension for subsidence and landslip. Retaining walls are excluded in terms of the standard exclusions to the fire section. The wall had collapsed after heavy rains and an engineer's opinion was obtained as to the cause of the collapse. The engineer concluded that the collapse was due to the high saturation of the soil, leading to a landslip. The debate was whether or not the extension for subsidence and landslip removed or overrode the general condition.

The opinion obtained stated that the extension did not override the standard exclusions. To avoid any ambiguity a second opinion was obtained, from a different attorney of the same firm, who stated exactly the opposite. In terms of the first opinion there was no cover. In terms of the second, there would be cover.

Needless to say, a third opinion was obtained from a different firm, who agreed with the second opinion and the claim was settled. We need to keep in mind that what we are asking for is an opinion, one person's interpretation of the policy as they see it.

The industry needs to remember that the interpretation of contracts is not a science and a legal opinion is just that, an opinion. This can be further illustrated by the approach recently adopted by our courts. Strict rules of interpretation are no longer followed, and as the Ombudsman does, the courts take into account the principles of fairness and equity. The result of this is nothing is cast in stone. Unfortunately, the new approach of the courts in litigation, has the potential to open a whole can of worms. The path ahead may not be clear, but if we keep in mind the principles of fairness and equity, together with those of interpretation and opinion, we will be armed to make informed decisions regarding claims and perhaps even assist in making new law.



FIREDART, CAPE TOWN CELEBRATE THEIR 6TH BIRTHDAY

The Cape Town Firedart office celebrated its 6th birthday with a cocktail function held at Slattery's in Belville in February. Long standing brokers as well as some of the Compass staff joined Firedart in wishing it many more successful years. Compass looks forward to its partnership with Firedart in the future!



IMPACT OF LOAD SHEDDING

By Vivienne Hanmer

Much has been said about the recent actions by Eskom and the Government, and the impact of load shedding. Everyone has been affected, but small business is hardest hit as they can least afford the increased costs. Eskom continues to press for huge tariff increases which will place additional burden on both business and individual. Once the cash flow of any company or individual is under pressure, one of the first expenses to be cut is short

term insurance. BHP Billiton are about to retrench 800 workers in Richards Bay. It has been said that the closure of smelters in Richards Bay could affect more than 20 000 families. Small business owners employing small numbers of staff struggle to run their business profitably, and each business that closes affects the lives of the employees and their dependants.

No one knows at this stage what the real impact will be on the Insurance Industry, but here are a few points to ponder:
Fire/Combined – power surges which could

cause fires to buildings and contents. Increased risk from burning candles and gas lights could also be a problem.

Business Interruption – although there is no cover should power be withheld, what about when sub-stations breakdown/blow-up due to the excess loads they are generating?

Theft/Money – apart from the increased risk when power is down and battery back-ups have run flat, there is the risk of increase in crime as a result of unemployment.

All Risks/Electronic Equipment – constant power outages and surges effect equipment.

Plant All Risks/Machinery Breakdown – are clients adequately insuring the new generators that have been installed?

Public, Products and Defective Workmanship Liability – what will the long term effects of a manufacturing risk be when the process is halted and resumed once power returns? Will it affect the quality/safety of the product?

Motor – increased cost of claims with delays in obtaining parts/vehicles from manufacturers.

Motor/Transit – increased number of motor accidents as a result of traffic lights not working and increased stress of drivers.

Employers Liability / Stated Benefit / Group Personal Accident – what injuries might employees sustain, especially in a

manufacturing environment as equipment stops and starts and lights go out?

Construction/Guarantees – delays in delivery of materials which can escalate to delays in completion or defective workmanship as builders try to get contracts completed on time.

Medical Malpractice – following outages at hospitals.

It would certainly be advisable to revisit conditions, exceptions, exclusions and especially warranties in our policies to ensure that there is no ambiguity in the cover we are intending to provide.

We certainly live in interesting times!

EVENTS

- 6 May Bloemfontein Road Show
- 20 May Durban Road Show
- 21 May Pietermaritzburg Road Show
- 28 May Polokwane Road Show
- 26 June Golf Day
- 30 October Night of the Stars