



3 October 2016

Dear Adviser

Staying strong through this challenging time for our industry

Audatex, an expert independent body within the automotive insurance industry, revealed that the short-term insurance market has experienced price inflation for motor vehicle parts during the past three months. This is mainly due to the weakening South African Rand. We have also observed that vehicle parts prices increase when the rand weakens but rarely decrease when the rand strengthens again. This has a direct impact on insurance premiums.

In light of our unstable economy, we have seen an increase in theft claims, particularly for motor vehicles. This could continue until the economy stabilises and starts to grow. The state of our economy, as well as the volatile weather patterns that we're experiencing, makes it very difficult for us to predict what the future holds. Therefore, we will have to take some precautionary measures to remain stable.

Precautionary measures

We need to write new business at a price that is closer to our technical price and reduce the current discount rate by 5% nationally, from 15 October 2016. The system discount will be 10%. Millionaires can qualify for 20% based on their profitability. Therefore, please only apply a discount, within your mandate, when our competitors are less expensive. This will also enable us to be more lenient at renewal stage.

We will still consider discounts beyond the system mandates via the Old Mutual Business Centre (OMBC), to make sure that we remain competitive.

Way forward

The short-term insurance industry is fluid and unpredictable. Therefore, it is important for us to be flexible, agile and proactive. If things improve, we will look at revising the discount mandates. For now, we will continue to work hard to reduce our average cost of claims and assist our procurement teams to make sure that we remain competitive.

Thank you for your continued support, we look forward to working with you to ensure our mutual success.

Regards
Soul