

SUSTAINING OUR CLIENT BASE (sustainability component 1)



WE AIM TO OFFER AN EXCELLENT CLAIMS- HANDLING SERVICE TO OUR CLIENTS

No company can be sustainable without retaining and responsibly growing its client base.

We aim to sustain our client base by:

- Creating the best product and service offering for each client segment
- Managing client satisfaction, retention and growth
- Providing client education
- Ensuring client privacy and confidentiality

We aim to balance growth with profitability. This requires a considered approach and is where our client-centric strategy has started to make an impact. We have segmentation frameworks for personal and

commercial clients, intermediary needs and possible loyalty drivers and destroyers. These frameworks also have risk classifications that rate the relative importance of retaining the intermediary or client. These frameworks form the basis of our retention strategy.

ALIGNMENT OF PRODUCTS, PROCESSES AND INITIATIVES TO CLIENT NEEDS AND EXPECTATIONS

The short-term insurance market evolves rapidly. Products are commoditised and the market is highly competitive. We track changes in the market and develop products and distribution strategies that align with the needs of evolving markets. This invariably entails shifting our mind set and approaches to respond to changes in society.

We have researched the needs and expectations of different client segments extensively to improve our product and service offerings. This has allowed us to support our existing clients better and to target potential new clients more effectively. The risk of not addressing this issue is loss of market share due to an offering that is not relevant or competitive.

Our approach

Commoditisation in the personal lines business unit and in the small and medium enterprise (SME) section of the commercial market has increased price sensitivity to such an extent that we had to adopt a client-centric approach in pricing. We have followed this approach in solution development and marketing. Client-centricity was introduced and integrated into the

company during 2009. It was built on extensive research conducted during 2008. Employees, relationship managers and intermediaries received client-centricity training in 2009 as part of the roll-out of the strategy to educate them on client needs.

We follow a segmented approach to developing client value proposition. This allows our personal and commercial business lines to determine the right business initiatives through their strategies. Personal and commercial lines forums were established to ensure multi-disciplinary collaboration between underwriting, claims, marketing and distribution. These forums meet regularly and continuously apply their minds to consumer needs and to revising Santam's offering and approach.

Our product development business unit is ultimately responsible for developing client-centric and competitive client solutions based on the feedback from these forums. For example, this has resulted in research focused on the smaller commercial market being commissioned in 2010 – with a resultant product being developed and due for launch in 2011.

Our client-centric approach has also inspired us to make other changes such as:

- simplifying the wording in contracts;
- offering more choice in cover; and
- advanced claims experience in personal lines.

We aim to offer an excellent claims-handling service to our clients. Administration inefficiency in claims handling and fraud (dealt with in *"Maintaining an ethical culture and managing economic crime"* on page 28) are two of the main sources of escalating costs for insurers.

We believe that an above par claims service is one of the ways in which

we can create loyalty with our clients – and this in turn supports client retention. Our attempts at offering our clients' an advanced claims experience includes personal claims handlers, speedy claims settlement on certain lifestyle items and a lifetime guarantee on repair work. Client loyalty and retention are affected by an insurance company's ability to settle claims quickly as this is the reason why clients take out insurance – to provide them with financial cover at a time when they need it.

Santam's extensive re-engineering of the claims processes over the past five years has allowed us to make sustainable reductions in claims handling costs, while improving turnaround times and quality of service. This reduced average claims cost contributed to the improved underwriting margins experienced during 2010.

What we did during 2010

- We prioritised refining product pricing and benefit packaging. This has allowed us to retain clients and strengthen our established offering.
- We initiated a multi-channel strategy to cater for clients who prefer to deal directly with insurers. This allows flexibility of choice for the client, but does not undermine the importance placed on the intermediary channel. For more information on the role and management of our extensive intermediary network, see *"A sustained intermediary base"* (page 21).
- In May we began with the first deliveries of our new claims cards to Santam claimants. This secure card has a cash claim payment loaded onto it. The Santam claims card is an open-loop card. This means it will be accepted at any Visa Electron merchant – resulting in greater convenience for the

client. Clients are rewarded for risk-limiting behaviour with cash on their cards. Another risk-reducing benefit for Santam is that the cards ensure that clients purchase re-insurable items.

- We revisited our brand and marketing strategy. The branding focuses on our strengths as a focused short-term insurer who is known to be a diligent, reliable and a respectable company that prides itself on excellence.
- Our Insurance Services Transformation Project (ISTP) is re-engineering our claims processing functionality to provide a better service to intermediaries and policyholders. This project completed its third year and continues delivering process efficiencies with client value. In October, we started using predictive analytics tools that allow us to draw real-time reports on historical data and predictive modelling that improves the risk assessment of claims. Our claims services employees all have desk-top materials that assist them in quickly accessing the information needed to better assist clients with their claims.

All of this coalesces to form a tight unit focused on our clients. An example of how this worked in 2010 is where we modified a product to realise value for our clients. The line was motor insurance and the "problem" was carbon tax.

Government's CO₂ Emissions Tax on motor cars took effect from 1 September 2010. The tax encourages the use of more fuel-efficient vehicles by taxing cars with larger engine sizes and poorer fuel efficiency. On average, this adds approximately R5 000 to R10 000 to the vehicle price. Cars bought after 1 September 2010 have this

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tax included in the price but Santam will still replace cars bought before that date where the insured sum is insufficient due to the CO₂ tax component not being included.

Our aspirations

Client-centricity is a business philosophy with no end date. It is a principle that we will follow on an ongoing basis to ensure that we remain relevant to our clients and competitive to our rivals. We have set ourselves quantifiable targets which facilitate business targets. And, we will continue to strive towards meeting them for the good of the company.

CLIENT SATISFACTION, RETENTION AND GROWTH

There is ongoing financial pressure on clients due to the depressed economic climate and the lower investment income experienced in 2010. This underscored the need to focus on keeping clients with Santam. Retention is a key issue for us and is one receiving significant attention – specifically regarding our personal lines. We have made good progress in the specialist areas and we will examine optimising cross-selling within the business units.

We balance growth and profitability by taking into account affordability for the client while at the same time identifying the correct rate for the risk involved. Client-centric pricing ensures that there is less cross-subsidising – where good risks pay for poor risks – as the model enables us to be competitively priced for good risks and to increase the pricing on poor risks or reserve the right not to take them on at all.

We have a strategic imperative to enter and grow new markets, and we aim to capture significant business in the middle- and mass-insurance market segments. We are working on

enhancing our capability and product offering in the entry-level market. This is discussed in more detail in the chapter “*Solutions aligned to social and environmental needs*” on page 33.

Our approach

Satisfaction and retention work hand in hand. Being an intermediated brand presents some challenges when attempting to obtain feedback from clients regarding the service they receive. Therefore, to function as a client-centric company, we are continuously strengthening our relationships with intermediaries. Our efforts include an emphasis on the retention of our clients to our mutual benefit – this makes satisfaction analysis a necessity. We believe that frequent communication will contribute to intermediary buy-in providing us with increased access to our mutual clients to, among other things, more frequently measured service ratings.

We conduct three types of client research:

- Client needs assessments (for product development)
- Brand health tracking
- Service measurements

When we deal with complaints, our first goal is that our employees try to resolve the complaints immediately. If a complaint cannot be resolved, it is escalated. The process and philosophy of dealing with complaints is applied in a uniform manner across the different business units and by our various distribution partners. Distribution partners must align with our process and decisions due to the fact that Santam, as the underwriter, is ultimately accountable for complaints resolution.

We see a strategic value in analysing and responding to complaints. The quality management unit wants to reposition our head office’s complaints

business unit as a “care unit”. This unit will identify opportunities to engage with our clients constructively and reduce client-related risks.

Consumer education

Santam is committed to addressing the needs of new markets. To do this, it is critical that this market understands the short-term insurance industry to understand the value it can add. This requires some form of intervention to guide, educate and inform the market. To ensure we are aligned with credible and experienced programmes, we have been supporting the consumer education initiatives driven for the industry by the South African Insurance Association (SAIA).

Santam sits on the consumer education committee and can therefore affect decision-making. More recently, our entry-level market team has been participating in these committee meetings to ensure that the education takes place in areas in which we are doing business.

To assist policyholders in making informed decisions, guidelines on how to select an intermediary are available on the Santam website and communicated through the media.

What we did during 2010

Service

We have previously conducted a survey with a representative sample of intermediaries and clients to assess their service experience. This is usually done through an external research company. The survey was not undertaken in 2010, but it will resume in 2011. The questionnaire is being reviewed internally to incorporate more service-related elements.

Growth – organic

Our client service and excellent claims ratios contribute to client retention and encourage growth. Clients with positive experiences at the queries

Our performance

COMPLAINT STATISTICS FOR 2008 – 2010	2010		2009		2008	
Sources		%		%		%
OSTI*	1 042	43.91	1 165	53.40	1 195	55.20
Non-OSTI	1 331	56.09	1 017	46.60	970	44.80
TOTAL	2 373		2 182		2 165	
Average number of complaints per month	197.75		181.83		180.42	

COMPLAINT STATISTICS FOR 2008 – 2010	2010		2009		2008	
Category		%		%		%
General service	256	10.79	224	10.27	200	9.24
Policy admin/underwriting complaints	297	12.52	246	11.27	347	16.03
Complaints about claims	1 789	75.39	1 684	77.18	1 591	73.49
Complaints by intermediaries/trade partners	31	1.31	28	1.28	27	1.25
TOTAL	2 373		2 182		2 165	

* Ombudsman for Short-term Insurance

and claims stages are more likely to recommend Santam to others.

The client care business unit is equipped with the requisite expertise to deal effectively with all complaints sources or channels. Our goal is to ensure a positive client experience by virtue of timeous complaint resolution. We will introduce an internal arbitrator function in 2011 to further enhance and support the alternate dispute resolution process. The strategic intent is to build up the credibility of the client care business unit to ensure complaints are directed to Santam's internal complaints resolution process. This will decrease the cost of complaints handling through external complaints channels and reduce brand/reputational risk.

Incident management initiated a client satisfaction index with the Multi-SOS and Immediate Resolution call centres in 2009. This process obtains daily feedback from our intermediaries and clients and rates call centre performance on a scale of 1 to 10. The monitoring encourages agents to maintain the high levels of service that Santam promises its intermediaries and its clients.

Any agent rating of six or lower is immediately transmitted to our

internal quality mailbox. The client is then contacted to resolve their concerns.

The incident management survey results for 2010 are:

- Average agent rating – Multi-SOS – 8.04 (1 381 surveys completed)
- Average agent rating – Immediate Resolution – 7.8 (700 surveys completed)

These ratings form part of every agent's key result areas. The top five rated agents are announced weekly and a prize is awarded.

Our aspirations

One of our key client service initiatives for 2011 is to accurately measure our net promoter score (NPS). This measures our clients' propensity to promote us. This is particularly relevant in an age of increased social networking which has amplified the power and reach of word of mouth.

CLIENT PRIVACY AND INFORMATION SECURITY

The nature of our business gives us access to confidential client information – breaching this confidentiality poses not only a regulatory risk, but also a reputational one. Therefore, it is important that we

maintain our reputation as a provider of integrity with secure systems.

The Protection of Personal Information Bill (PPI) will be promulgated early in 2011 and Santam will be required to comply with this. From a litigation point of view, a breach could result in civil claims. Therefore, this represents a financial risk to the company.

We need to ensure that a client's privacy is protected and this is linked to our ability to protect information from unauthorised access or manipulation. When managing information, we ask ourselves the following important questions:

- Are we using information for what we say we are?
- Are measures in place to control the use of information?
- What measures are in place to protect information once extracted?

We are confident that the structures that we have in place are working well.

Our approach

Each business unit head manages client data for their division and is ultimately responsible for overall data privacy. Corporate legal services advises management on the current laws pertaining to privacy and

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instructs them how to comply with these laws.

We have shared official communications with employees regarding the protocol around the sensitivity of handling client data. The quarterly *Compli-Alert* newsletter for management covers typical compliance issues and updates them on what is happening in the legislative landscape. This includes detail on the PPI. Santam's electronic newsletter is called *Today@Santam* and is issued to all employees. Our legal compliance team uses this platform to reinforce the processes around handling personal information. This team also issues targeted emails to people who are affected by relevant legislation.

We have built a control mechanism whereby access to client data is authorised by one senior person in IT. This will enable us to:

- effectively manage the issue of client privacy;
- ensure that data is correctly tracked; and
- record the details of data owners.

This will regulate our ability to monitor access to data and allow us to fully comply with the requirements of the PPI.

Our systems are being aligned with the eight principles of the PPI which are:

1. Accountability – The company must have policies in place and manage the issue effectively.
2. Processing limitation – Permission to collect personal information must be attained and information must only be used for the purpose it was collected for.
3. Purpose specification – The person must be made aware of what the information will be used for, and

once this purpose is achieved, the information must be destroyed.

4. Further processing limitation – If the company wants to use the information for any further purpose than what it was acquired for, it must contact the person to attain permission again. If the information is kept, the person has a right to know what is being kept.
5. Information quality – The company should have mechanisms for checking the accuracy and completeness of records.
6. Openness – The company must notify the person and the regulator before using the information.
7. Security safeguards – Controls against risks must be implemented, monitored and in the case of a breach the person and the regulator must be notified.
8. Data participation – Personal info must be kept up to date at all times, and this process must be communicated effectively.

What we did during 2010

The Sanlam Group Information Security Initiative was tasked with reviewing and improving our group's identity and access management systems and processes in 2009. It was established that the existing maturity of data controls was low. We focused on tightening these controls in 2010.

We already have policies in place on protection of information and client information and during the year our focus was on access and identification management. We identified all processes that use client information and the controls required to manage this. In the distribution office, client lists are controlled in terms of intermediary exchange – where every request from intermediaries for

information is recorded. Internally, we have a network access management system and basic authorisation systems in place for access to information.

In future, we will be implementing stricter controls around information ownership and flow within Santam.

Our performance

We have piloted a new product called Safend, which will track the movement of information and identify any possible breaches. No incidents of confidentially breaches were recorded in 2010.