# JUNE 2014 COVE OUR YOUTH, OUR FUTURE EDITION

# E-LEARNING SOLUTION FOR GAUTENG

Our new slogan & advert revealed

# Man VS MACHINE

Is the 'employment dynamic' to be forever changed?





## OUR YOUTH, OUR FUTURE

By Johann Mynhardt, SAU CEO

In honour of Youth Day this month, we would like to take this moment to remember our history. In addition to reflecting on our past, this month also casts light on what the future holds for our youth.

In this rapidly evolving world, many parents are concerned with our education systems. As strange as it sounds, some argue that we should groom our youth for a career that cannot be replaced by robots.

Jennifer Senior, author of "All Joy and No Fun" and editor at New York Magazine, summed it up nicely. She said, "The parenting section of the bookstore is overwhelming - it's "a giant, candy-coloured monument to our collective panic".

Absent being able to predict the future, what we do know is that South Africa has one of the youngest populations in the world. At a 24.9 year average, the long-term economic success of South Africa will largely depend on how the youth integrates into our economy, and the challenges are blatently apparent.

On the insurance front, we have seen a massive impact from the digital revolution, seeing information technology driving change and efficiency. With a supporting youth welcoming "all-things-digital", SAU are in the process of developing a FREE broker website programme to preempt the future of change and to help our brokers create a lasting digital footprint.

We Dare to Deliver



# Man VS MACHINE

The hype around robots taking jobs is reaching a crescendo, in response to an insightful new book The Second Machine Age by Erik Brynjolfsson and Andrew McAfee, as well as an Oxford Martin School study: 'The Future of Employment: How susceptible are jobs to computerisation?' The former states that digital technology and robotics are advancing at such a pace that: "Professions of all kinds — from lawyers to truck drivers — will be forever upended. The latter claims that up to 47 percent of American jobs are susceptible to robots and automation within the next 7 to 10 years.

Despite the doom and gloom, advances in robotics and associated technology are having a positive impact on local manufacturing and services and both sustaining and creating jobs. In developed economies, they have even sparked a trend toward the return of jobs from overseas, or "botsourcing." This new wave of bringing production back home through robotics automation may be the single biggest disruptive threat to India's \$118 billion information technology industry. The more processes can be automated, the less it makes sense to outsource activities to countries where labor is less expensive. The threat is being taken seriously elsewhere in Asia as well. Foxconn, the world's largest contract electronics manufacturer best known for manufacturing the iPhone, has recently announced it will spend \$40 million at a new factory in Pennsylvania, using advanced robots and creating 500 jobs.

Thanks to one of the most advanced robotic manufacturing facilities in the world, Tesla Motors builds its electric cars entirely in the US.

In each of these cases, the combination of advances in robotics and automation and rising wages in developing countries has upended the promise of cost reductions through outsourcing.

Sutherland Global Services, an outsourcing company in Rochester, NY, says it can reduce costs for its clients between 20 and 40 percent by shifting IT work to a developing economy, but it can reduce costs by up to 70 percent.

Nobel Prize-winning economist Paul Krugman writes in his book The Age of Diminishing Expectations: "Productivity isn't everything, but in the long run it is almost everything. A country's ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker." The same is true of business: profits increase (or decrease) in proportion to the output per worker. Shifting work to places where labor is cheaper is one way to improve this in the short term. But over time technology is a far more reliable path to increased productivity.

In March 2012. Amazon announced the \$775 million cash acquisition of Kiva Systems, a warehouse automation robotics company. By October 2013, Amazon CEO Jeff Bezos noted that they had "deployed 1,382 Kiva robots in three Fulfillment Centers." Yet Amazon continues to grow its number of employees in these fulfillment centers, adding 20,000 full-time employees in the U.S. last year. This year, when the company announced that it was hiring an additional 2,500 full time U.S. fulfillment staff, it emphasized that the jobs had a 30 percent pay premium over traditional retail jobs. Technology done well doesn't just replace workers, but makes them more productive.

For managers, the trend toward botsourcing will require a shift in thinking. Rather than moving operations to wherever work costs the least, consider which pieces can be automated, and how best to combine human and robotic expertise.

http://blogs.hbr.org/2014/05/robots-arestarting-to-make-offshoring-less-attractive/



Improved customer service and fair advisor remuneration will be key features of the new financial services landscape.

Jonathan Dixon, Deputy Executive Officer of the Financial Services Board's Insurance Division, made some interesting comments at the Discovery Invest Financial Planning Summit.

He expressed an opinion shared by many in the trenches – the regulatory framework did not develop as it should have:

"It became too rules-based and compliance-heavy, evolving along the lines of sector siloes. Also, it was not clear who the customer was. Product providers tended to view the intermediary advisor as their client, when it should in fact be the end consumer. And we were seeing too many examples of poor customer outcomes."

Dixon focussed on two key issues which are becoming increasingly relevant – Treating Customers Fairly (TCF) and the Retail Distribution Review (RDR).

#### **Retail Distribution Review**

The primary focus of RDR is to ensure that advice and distribution support the delivery of key TCF outcomes. "The current distribution model has problems regarding miss-selling and poor customer outcomes and is fundamentally flawed in terms of what advisors earn from product providers and the conflicts that can arise. The system is not transparent as commissions on products are often hidden from the client."

An interesting view expressed by Dixon is that advisors are not always adequately remunerated for their advice.

Currently there is no reward for advice if the effort does not result in the purchase of a product and this can pose risks to the sustainability of the intermediary business. The value of intermediary services is not always properly recognised and they can sometimes be paid the same as a call centre type of service.

The up-front commission model is not ideal

as it forces intermediaries to follow a cash flow model rather than an annuity model business.

Dixon indicated that, as a general principle, advisor remuneration should be based on activities. "This includes advisors being properly remunerated for advice services. There should be separate charges for:

- financial and risk planning services
- up-front product advice and
- on-going advice.

Dixon does not anticipate caps or restrictions on income, but foresees some form of "safe harbour" rates. Various payment forms should be negotiable, depending on whether they are flat fees, trail fees, a percentage of premium or time-based.

#### Treating Customers Fairly

The TCF approach will require a paradigm shift. Dixon anticipates a re-balancing of responsibilities with increased scrutiny on the design of financial products and how to best meet customer needs.









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## e-Learning Solution for Gauteng

Gauteng's 2 200 public schools will have access to uncapped wi-fi and 3G connectivity and 88 000 Huawei tablets will be distributed to students from next year as part of the province's e-Learning Solution. The R396.2-million project will facilitate learning by addressing the digital divide and will provide all pupils an e-mail address and free internet access.

It will replace the Gauteng Online Schools Programme, provincial Finance MEC Mandla Nkomfe said on Wednesday.

"The rebranded e-learning solution will be rolled out at the beginning of next year and will be up and running in January 2014 when schools reopen," Nkomfe said.

"The Gauteng Online programme succeeded in improving computer literacy in public schools and demystified phobias associated with the world wide web."

"Exposing our learners to e-learning techniques ought to occur at a tender age," he said. "We therefore elected an e-learning solution that could mediate meaningfully, but in a sustainable manner, while being financially viable."

Connectivity and cloud solution firm Cloudseed won a two-year contract to provide network connectivity for the project, following which the Gauteng Broadband Network will provide this service.

http://www.southafrica.info/services/education/elearning-160813.htm#.U4SeGCi4TAw

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As we enter the second half of the year, it's a great time to set aside some time to do a mid-year review.

#### "Look-Back" Questions:

Key Accomplishments. What are all of the great things that I got done over the past six months? What goals did I achieve? Which of my goals did I really miss the mark on?

Relationship Development. What new relationships did I develop? Which of my existing relationships did I significantly strengthen? Which relationships may I have overlooked or not given enough attention to?

**Learning.** What opportunities to learn new things did I take advantage of? What were the things I learned most about myself? What were the things that I learned most about my business?

Mistakes. What mistakes did I make? What mistakes could I have avoided? What mistakes provided me with the most significant

development and learning opportunities?

Time Management. How well did I manage my time? Have I been focusing my time on the most important things in my life? Are there any significant "time wasters" that I need to reduce or eliminate from my life? When am I most productive? When am I least productive?

#### "Look-Forward" Questions:

Top 3 Work-Related Goals. What are my top three work-related goals for the remainder of the year? Why are those goals important to me? What habits and processes do I need to adopt to support those goals?

**Top 3 Personal Goals.** What are my top three personal goals for the remainder of the year? Why are those goals important to me? Who can I share those goals with to help hold me accountable to achieving them?

Relationship Development. Which relationships will I focus on strengthening and developing during the second half of the year? Who do I want to meet and get to know? Who can most help me achieve my work-related and personal goals?

**Learning and Knowledge.** What new skills do I need to develop? What skills do I need to strengthen? What things do I need to "keep current" on? What one skill, if mastered, would have the greatest impact on the achievement of my goals?

**Habits.** What time management habits do I need to develop and strengthen? What three habits, if developed and sustained, would have the greatest positive impact on my work life and personal life? What habits do I know I need to drop or replace?

questions/#ha3hQl20e5buRYpl.99

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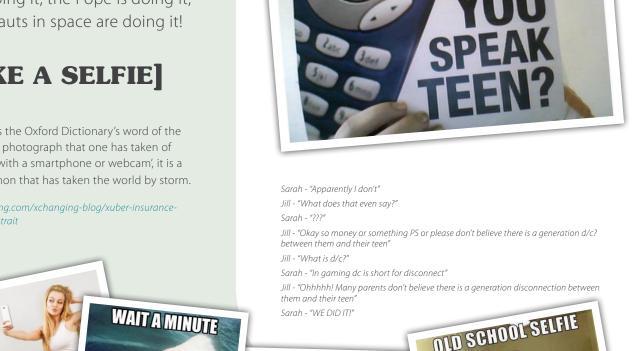


Obama is doing it, the Pope is doing it, even Astronauts in space are doing it!

### [TAKE A SELFIE]

In 2013 'Selfie' was the Oxford Dictionary's word of the year. Defined as 'a photograph that one has taken of oneself, typically with a smartphone or webcam', it is a simple phenomenon that has taken the world by storm.

http://blogs.xchanging.com/xchanging-blog/xuber-insuranceinnovation-selfie-portrait









If I were to give up sarcasm, that would leave interpretive dance as my only means of communicating.





Your call is important to us......

ON THE

**IGHTER SIDE** 

....please enjoy this 40 minute flute solo.







#### **Quick Contacts**

Main Board: 011 777 7200 Broker queries: 011 777 8352 Underwriting: 011 777 7217

New broker email: newbrokers@saunderwriters.com

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(We are available Monday – Friday from 8:00 to 18:30 and *Saturday's from 8:00 to 13:00)* 





