



Minimising claims being repudiated in the short-term insurance industry: Concentrating on clients with Pleroma Brokers

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ABSTRACT

In a highly competitive industry, service providers such as brokerages tend to lose clients because of claims being repudiated. When clients submit a claim, there is an expectation that they will be compensated for their loss. With the repudiation of a claim, the client suffers a financial or property loss, which leaves clients dissatisfied and leads to the cancellation of policies. The cancellation of policies has a negative effect on the bottom line of the service provider or, in this case, the brokerage. Therefore, there is a need to investigate why clients submit claims that are not covered in terms of the policy they entered into, as well as what can be done to minimize the submission of claims not covered in terms of a short-term insurance policy.

The research study method used in this investigation will consist of an empirical study conducted through the utilization of a self-administered questionnaire completed by the respondents. Respondents are clients of Pleroma Brokers (Commercial) (Pty) Ltd, who currently have a short-term insurance product with the brokerage.

The study established that it is important to make sure the service provider uses the most preferred communication channels to provide clients with important information. In addition, a high percentage of clients never read through their policy contract in its entirety, but in most cases, just focus on the initial section of their policy. A critical finding in the study is that clients confirmed that they struggle to understand the policy's wording and find the contract too long, confusing and overwhelming.

Key words: *Short-term insurance, repudiation, policy contract, client satisfaction, minimizing of claims, policy engagement.*

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"A dream doesn't become reality through magic; it takes sweat, determination and hard work" – Colin Powell. These three elements are important but without the support of the following pillars in my life, completing the MBA programme also would not have been possible:

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CHAPTER 1 - PROBLEM STATEMENT AND OBJECTIVES

1 INTRODUCTION

1.1 BACKGROUND

The purpose of the study is to gain insight into the repudiation of claims submitted with an insurer and to provide practical useful recommendations to management on how to minimize the submission of claims that will not be covered in terms of a short-term insurance contract, specifically referring to clients with Pleroma Brokers (Commercial) (Pty) Ltd.

Short-term insurance is a risk transfer mechanism whereby an organization or individual transfers the risk of a financial loss to an insurance company. According to Still and Stokes (2016:2), short-term insurance is designed to compensate an individual, organization or juristic entity for financial losses due to damage or theft to property. The short-term insurance industry is regulated by the Financial Service Board (FSB) in terms of the short-term insurance Act (Act No. 53 of 1998), referred to as the STI Act.

According to Still and Stokes (2016:24), there are four critical factors that play to the success of an insurer; namely, risk selection, risk management, risk acquisition and investment operations. To summarize these four factors, insurers need to select the correct risk to insure through effective underwriting, with sensible risk and claims management strategies, effective marketing and selling strategies and successful investments that generate income from capital reserves.

Short term insurance policies are customarily sold through an insurance broker or directly through the insurer by telephone or online communication. For this study, the focus will be on the broker and not the direct insurer. According to Ragin and Halek (2015:5), the primary role of an insurance broker is to buy insurance cover on behalf of the client from a retail insurance company. Still and Stokes (2016:46) agree and add that an insurance broker also serves as an adviser on matters of insurance. For the intermediate service rendered the broker is compensated. Compensation is based on commission payments by the insurer

with whom the policy was placed. A commission is calculated on a percentage basis of the total premium payable on a policy.

Not all risks are covered in terms of a short-term insurance policy. There are specific exclusions, especially because some risks are too high for an insurer to cover. Therefore, underwriting of risks is very important for insurers to operate a profitable business. According to CILA (2016:47), insurance policies only cover loss or damage due to the result of a peril stated in the policy, therefore, a fundamental step in finalizing a claim is to determine the actual proximate cause. In general, the proximate cause of the majority of claims is obvious and, thus, relatively easy to determine. This process only becomes more difficult when exclusions are included in the policy, with a chain of possible causes. Therefore, a policy can only excel (that is provide financial compensation for the loss or damage suffered) should such loss or damage be caused by a peril that is covered in terms of the policy contract.

Epetimehin (2011:62) maintains that although it is important to chase new business, replace lost business, and expand through other market segments, it is just as important to retain current clients and enhance customer relationships. Retaining clients is normally much easier than finding new business. The brokerage, therefore, needs to develop a strategy process by which clients are adequately informed on what is covered in a policy in terms of the agreement. Clients should also be advised to take note of the rules and regulations set out in the terms of the policy wording since these will apply when cover is needed.

1.2 PROBLEM STATEMENT AND CORE RESEARCH QUESTION

The basic research question that this mini-dissertation investigates relates to the reasons why clients submit claims that are not covered by their respective short-term insurance contracts. When claims are repudiated, consumers suffer damage in the form of property or money, and this situation leaves the consumer dissatisfied with the financial product because there was an expectation that the policy would excel. Williams and Naumann (2011:32) confirm that higher customer satisfaction increases a company's performance, specifically in terms of improved revenue, profitability and cash flows.

South-Africa has a world-class, successful, competitive and highly regulated short-term insurance industry. In spite of this, however, on average 35% of claims are repudiated, and only 27% of claims submitted to the Ombud of short-term insurance are overturned to the benefit of the consumer (The Ombudsman for Short-Term Insurance, 2015). This situation has two negative results because the consumer (1) has a financial or property loss and (2) loses trust in the service provider and the short-term insurance industry. According to Loots and Grobler (2013:329), it is vital to retain customers for business success, especially during times of increased competition, recession, globalization and other stronger regulators. Service providers always try to develop more effective retention strategies and are careful to manage these strategies effectively in order to keep clients from cancelling their insurance policies.

Loots and Grobler (2013:329) describes the short-term insurance industry in South Africa as particularly complex and competitive and regard it as a 'cut-throat' industry. Financial service providers tend to lose business in cases where the consumer feels that policies do not perform according to what was expected, even in cases when claims are turned down because of a lack of policy knowledge by the consumer. According to Nationwide Mutual Insurance Company (2013), on average, only 40% of consumers read their insurance policy in its entirety. By informing and educating consumers on the specific factors that generally lead to claims being repudiated, clients will understand the cover that was bought and minimize unhappiness and the cancellation of policies when claims are rejected or only partially met. Even though the brokerage provides all clients with initial and continual information such as verbal advice, a welcome pack with a cover letter providing explicit written details of the marketed product, and newsletters and annual renewal notices, clients still seem to lack policy knowledge. Included in the welcome pack are the policy's wording and schedule, together with the broker's mandate that includes policy terms, co-payments, clauses, exclusions, endorsements and excesses. Clients also have a free open telephone line with the brokerage for obtaining additional policy advice at no additional charge. According to the survey conducted by the Nationwide Mutual Insurance Company (2013), most insurance policies are described by clients as too long, confusing, complicated and, thus, overwhelming.

The five most relevant fundamental elements of effective client retention according to Loots and Grobler (2013:329) are effective communication, satisfaction, loyalty, trust and

knowledge of the broker or insurer. In their study on retention in the short-term insurance industry of South Africa, Loots and Grobler (2013:332) confirm that effective communication influences clients to stay with a specific organization. Another important consideration is openness and transparency. Broken trust has a negative impact on business relationships and will leave clients dissatisfied. Clients soon become disloyal when they are dissatisfied, which eventually leads to the termination of a policy. According to Loots and Grobler (2013:334) clients specifically indicated that they would terminate a policy should a claim be repudiated.

It is also believed that denial is a psychological factor that also plays a role in the cancellation of policies, specifically in the form of blame. Clients often feel unhappy and uncomfortable when a loss occurs and need to blame someone or something else for their misfortune, specifically in the case of the repudiation of an insurance claim. One form of denial is blaming others and seeing oneself as the victim, thinking the problem lies with someone else or with some set of unfair circumstances (Jacobson, 2014). According to Berger (2014:11), a desire for revenge transpires because clients feel they have to punish and cause harm to firms for the damages they have caused them. This perception actually leads to negative word-of-mouth. Generally, the revenge performed by an unsatisfied client is to cancel the policy and to move his or her business to the competition.

According to Mack (2017), Chief Claims Officer of Allianz Global Corporate & Specialty, the optimizing of claims being awarded is sometimes seen as a business strategy. Awarded claims normally leave consumers with a good claims' experience which, in turn, leads to increased trust and business growth. Because of a highly competitive market, clients tend to cancel their insurance policies after having a bad claims experience, especially when claims have been repudiated. The cancelling of a policy leads to loss of a monthly or annual premium, which is a loss of income for both the insurer and broker, with the broker always being financially more negatively affected.

The reason for this study, therefore, is to find the root of the problem as to why clients of Pleroma Brokers (Commercial) (Pty) Ltd submit claims that will not succeed because of the specific policy contract they entered into. From the above information, it is clear that the repudiation of claims leads to unsatisfied clients which results in a loss of trust in the service provider and leads to the termination of policies. Berger (2014:17) indicates that conflict in

consumer-insurance company relationships is a confirmed source of extortions which drives clients to cancel their policy and switch their business to a competitor. The cancellation of policies has a negative effect on the 'bottom-line' of the brokerage and is the main reason why this study can contribute to the sustainable growth of the brokerage. By understanding the reasons why clients tend to submit claims that are not covered in terms of their policy, solutions can be provided or suggested in order to avoid the uncertainty or dissatisfaction that leads to cancelled policies. The objective of this study is not to suggest solutions which will eliminate repudiations, but to manage repudiations by minimising the number of unsuccessful claims submitted, specifically by the clients of the brokerage (Pleroma Brokers (Commercial) (Pty) Ltd). It is argued that developing the correct solutions for the current problem will differentiate the brokerage from the competition and increase customer satisfaction that, in turn, will also give the brokerage the competitive advantage that will lead to a sustainable and expanding business.

1.3 RESEARCH OBJECTIVES / SPECIFIC RESEARCH QUESTIONS

The objective of this study is to determine why clients tend to submit claims that will not be covered in terms of a short-term insurance policy with Pleroma Brokers (Commercial) (Pty) Ltd and how to minimize the submission of these claims.

In order to reach the research objective, the following questions need to be answered:

1. Why do clients submit claims that are not covered in terms of the policy contract?
2. What can be done to minimize the submission of claims that will be repudiated?
3. Is there a relationship between demographics and the submission of claims that are repudiated?
4. Will other forms of communication be more efficient for informing clients regarding the cover included in their policy?

1.4 IMPORTANCE AND BENEFITS OF THE PROPOSED STUDY

When claims are repudiated, clients suffer losses either to their property or financially. This deficiency leads to clients being unsatisfied resulting in a loss of trust in the service provider. In a highly competitive industry, financial service providers tend to lose business should consumers feel the policy does not excel according to their expectations. By informing and educating consumers on the specific factors that usually lead to claims being repudiated by the insurers via the brokerage, may result in clients better understanding the cover that was bought and, thus, minimize the cancellation of policies. Should the client know that the claim will not succeed in terms of the policy, they might not bother to submit the claim and, therefore, not feel dissatisfied when the claim is repudiated.

As previously mentioned, studies have found that it is just as important to retain current business as to try and obtain new business, especially in the service industry (Ennew, Brinks, *et al.*, 2015:191). Rudanko (2017:12) adds that investors view a loyal customer base as a huge asset because finding new customers is much more expensive than retaining existing ones because of additional costs such as marketing. For this reason, one can argue that minimizing the submission of claims that will be repudiated can become a method to better retain clients and lower the current average of 35% of submitted claims being repudiated (The Ombudsman for Short-Term Insurance, 2015).

1.5 DELIMITATIONS AND ASSUMPTIONS

1.5.1 Delimitations (Scope)

The purpose of the study is to gain insight into the repudiation of claims submitted to an insurer and to provide practical recommendations to management on how to minimize the submission of claims that will not be covered in terms of a short-term insurance contract, specifically referring to clients with Pleroma Brokers (Commercial) (Pty) Ltd. The study is based on the clients of Pleroma Brokers (Commercial) (Pty) Ltd and might not be applicable to all service providers in general. The focus on customer satisfaction could have been more intensive because customer satisfaction might be more relevant to the retention of current business as opposed to only minimizing the submission of claims that are repudiated.

The basic research question, therefore, that this mini-dissertation investigates is the reason why clients submit claims that are not covered by their respective short-term insurance contracts. When claims are repudiated, consumers suffer damage in the form of damage to property or loss of money, and this leaves the consumer dissatisfied with the insurance product because there is an expectation that the policy would excel. This dissatisfaction often leads to clients cancelling their policies, an action that has a negative financial implication on the revenue of the brokerage.

This research study method will consist of an empirical study. The empirical and quantitative study will be conducted through the utilisation of a self-administered questionnaire that will be completed by the respondents.

The method used for the data analysis in this specific study is quantitative research. The raw data that will be collected as part of the study will be used to provide explanations and an understanding of the reasons for claims being submitted that are not covered in terms of the policy contract with Pleroma Brokers (Commercial) (Pty) Ltd. The on-campus statistical service located at the North-West University, Potchefstroom Campus, will be used to assist with the analysis of the data.

1.5.2 Assumptions

The assumption forming the basis of this research study is that substantial benefits will result from educating clients in a more specific way and focusing on the factors that in general lead to claims being repudiated. This practice will minimize the submission of claims that are not covered in terms of a short-term insurance policy. Minimizing the submission of unsuccessful claims will enhance customer satisfaction which, in turn, will increase the retention of clients with Pleroma Brokers (Commercial) (Pty) Ltd.

1.6 DEFINITION OF KEY TERMS

Repudiation: The rejection of an insurance claim, the English Oxford Living Dictionary (2017) defines the word repudiation as “rejection of a proposal or idea” or “refusal to fulfil or discharge an agreement, obligation, or debt”. In short, in terms of this research study,

repudiation alludes to when an insurer cannot compensate a claim submitted in terms of the policy contract.

Short Term Insurance: According to Still and Stokes (2016:2) short-term insurance is designed to compensate an individual, organization or juristic entity for financial losses due to damage or theft to property.

Insured/Client: A person or organization that purchased insurance. A person or organization in whose name the policy is issued.

Insurer: A company or society transacting insurance business. The party to the insurance contract that carries the risk and who promises to pay compensation for losses occurred in terms of the policy contract.

Broker (Insurance Broker): A professional full-time independent agent or intermediary whose role, according to Ragin and Halek (2015: 1), is to buy insurance cover on behalf of the client from a retail insurance company. Still and Stokes (2016:46) agree and add that an insurance broker also serves as an adviser on matters of insurance.

Table 1-1 explains the list of abbreviations used in the mini-dissertation for ease of reference:

Table 1-1 : Abbreviations used in this document

Abbreviation	Meaning
FSB	Financial Service Board
FAIS Ombud	Ombud for Financial Services Providers
MSA	Measure of sample adequacy
OSTI	Ombud for Short Term Insurance
SAS	Statistical Analysis System
STI Act	Short Term Insurance Act
STI	Short Term Insurance
TCF	Treating Customers Fairly
Q	Question

1.7 CHAPTER LAYOUT

The chapters in this mini-dissertation are presented as follows:

Chapter 1: Introduction (Background to study, Problem Statement, Objectives, Research Methodology);

Chapter 2: Literature Review (Historical Background, Theory, Current Empirical Literature);

Chapter 3: Method (Participants, Measures, Design, Procedures, Analysis);

Chapter 4: Results (Limitations and Recommendations).

1.8 INTRODUCTION TO THE LITERATURE REVIEW

This research study will predominantly focus on the short term insurance (STI) industry in South Africa. Chapter 2 of the mini-dissertation will introduce a more in-depth literature study of all the elements applicable to this investigation within the STI industry.

The concept of insurance is part of everyday life. Both individuals and companies conduct their daily operations without thinking of their insurance policies because they are confident that their policy will excel when needed. Short-term insurance policies are purchased by individuals and companies in order to ensure 'peace of mind' that their assets are covered for the many different risks they face on a daily basis.

Still and Stokes (2016:1) defines insurance as "the equitable transfer of the risk of an uncertain but measurable loss event, from one entity to another, in exchange for money". Insurance is sold by an insurer and bought by an individual or company, known as the policyholder or insured. Insurance is, thus, a legally binding contract that offers financial security for a wide range of risks at an agreed price (the premium payable). According to Milpark Education (2016:29) short-term insurance insures against the unforeseen, with the understanding that some kind of loss has occurred. Under normal circumstances, when a loss occurs the insurer will make every effort to compensate the insured according to the policy wording, that is according to the terms and conditions of the policy contract. When an insurer compensates the insured, the insured's situation must be returned to the same position it was before the loss occurred.

The STI industry is strictly regulated by the standards of the Financial Service Board (FSB) in terms of the Short-Term Insurance Act (STI Act) (Act No. 53 of 1998). The Financial Advisory and Intermediary Services Act 2002 (Act 37 of 2002) is very clear on the process that needs to be followed regarding advice rendered to an insured and is specifically focused on the insured's needs. Therefore, it is vital for the intermediary to comply with this Act when providing advice to the policy holder. The intermediary or broker is obligated to formally gather quality information that can be analysed and used to develop an insurance portfolio that is effective and in line with what the insured requires, the insured's decisions must be based on quality and accurate information.

According to The Learning Insurance Academy of South Africa (2012:37) underwriting can be defined as a series of questions that assist in the scientific assessment of a risk in order to determine if the insurer is willing to accept the risk or not. The underwriter may also impose certain conditions, exclusions, endorsements and/or requirements to a specific risk, if accepted by the insurer. Should the insurer discover that any of the information provided at the underwriting level is incorrect, a claim can be repudiated on the basis of non-disclosure or incorrect provision of information.

Insurance policies only provide cover for losses caused by an insurable peril as stated in the policy contract. Therefore, establishing proximate cause is a fundamental factor because the policy can only excel when the specific cause was covered in terms of the policy contract.

According to Loots and Grobler (2013:334) clients will terminate an insurance policy that did not perform according to what was expected. For this reason, it is vital to ensure that clients understand their policy contract in order to avoid the submission of claims that are not covered in terms of the STI policy. By being able to prevent clients submitting claims that are not covered in terms of their policy can be a fundamental factor in retaining current business that is a vital factor in the servicing sector in order to grow a sustainable business.

CHAPTER 2 - LITERATURE REVIEW

2 SHORT-TERM INSURANCE DEFINED

2.1 INTRODUCTION

STI according to Still and Stokes (2016:2) is developed to compensate an individual or organization for financial losses caused by, or consequent to, damage or theft to property (vehicle, buildings, household contents, all-risk items and so forth) following an unforeseen event. Still and Stokes (2016:2) elaborates this concept further by including cover for eventualities such as business interruption, personal and public liability, personal and health expenses. For the purposes of this study, the term 'short-term insurance' will exclude any health insurance that may be seen as a short-term product in South-Africa.

2.2 FUNCTION AND PURPOSE OF INSURANCE

Insurance is a risk transfer instrument whereby an individual or organization can transfer the risk of a possible loss (financial or property) to an insurance company. The insurance company takes the premium in return for the risk taken, undertaking to compensate the individual or organization for potential losses in terms of the policy contract. The purpose of insurance is compensation after a loss occurs, to put the insured in the same position that existed before the unforeseen event occurred.

According to Still and Stokes (2016:5), policyholders purchase insurance to attain to a state of financial certainty. This position is achieved by spreading the risk amongst a group of like-minded policyholders. Should a homeowner client not be financially able to purchase a new home after a total loss occurs, it would be wise to transfer that risk to an insurer that would be able to carry the risk for a monthly or annual premium.

2.3 CONCEPT OF SHORT-TERM INSURANCE

According to Thompson (2017:1), the basic concept of insurance is explained by the principle of 'pooling'. Many parties (individuals/organizations) each pay a relatively small portion towards a premium pool. Compensation for losses suffered is paid out of the premium pool to any one or more parties. Losses can only be compensated from the

premium pool, should the premium recovered be insufficient to cover the risk, there will be not enough money in the pool to pay for losses. Therefore, actuaries formulate very complex calculations on the probability of risks and losses to determine the correct premium for the risk accepted by the insurer in order to function as a sustainable business.

2.4 PERSONAL LINES AND COMMERCIAL LINES

Milpark Education (2016:21) maintain that most STI is divided into two categories, namely personal lines and commercial lines policies. Personal lines insurance provides protection of personal belongings whereas commercial lines are policies developed for the commercial market. According to Still and Stokes (2016:2) both these include cover for accidental damage or theft to belongings such as motor vehicles or household contents and can be extended to include cover for buildings, legal liability and many more non-traditional risks such as business interruption, director and officer's liability, cyber liability and professional liability.

2.5 RISK MANAGEMENT

According to A.M. Best Company, Inc. (2013) risk, from an insurance perspective, is the potential of losing something of high value through uncertainty. Risk can be thought of as any trend that could impact the ability of an organization to continue carrying out its usual business. A.M. Best Company, Inc. (2013) further state that risk management is the practice of identifying, managing, measuring and mitigating risk. Risk is a fundamental concept in the insurance industry, from the pricing of individual contracts to the management of insurance and reinsurance companies to the overall regulation of the industry.

It is very important for all companies to develop risk management strategies to help manage risks associated with their business and the environment they operate in. The objective of risk management is not to eliminate risk but to understand and manage it. In general, organizations will identify risks that could impact the operations of their business and then take steps to reduce possible events and reduce damage should an event occur. According to Still and Stokes (2016:5), insurance policies are valuable tools to be used by organizations or individuals to protect them from losses that may occur from unforeseen risk events.

The insured, often with help from an insurance broker, must assess the risk the organization or individual faces to ensure that the risk is covered in terms of the insurance policy. The insurer, with its underwriter, will assess the risk to determine if the insurer is willing to accept this risk, based on the likelihood and severity of such a risk.

2.6 INSURANCE LAW AND INSURANCE CONTRACT (POLICY SCHEDULE AND POLICY WORDING)

According to Davies (2011:6), South African insurance law is predominantly regulated by Roman-Dutch common law, although English law has influenced the development of said South African insurance law. The STI is governed by the STI Act 53 of 1998.

According to Still and Stokes (2016:11), a contract is made between the insurer and the insured, whereby the insurer undertakes to offer a level of cover, in return for the payment of an agreed premium, subject to a range of exclusions and endorsements, by which the insured agrees to be bound.

According to The Learning Insurance Academy of South Africa (2012:102), an insurance contract requires three essential elements to make the contract binding, (1) premium, (2) proposal and (3) an insurance policy. Premium is the amount paid monthly or annually by the insured and received by the insurer who agrees to provide cover in return. The proposal is the basis of the contract between the insured and product provider (insurer), which is actually formed by a combination of the quotation, the related correspondence, and the application form.

According to Still and Stokes (2016:15), the insurance policy and the policy wording forms the policy contract that sets out and provides the cover, conditions, exclusions and terms that make up the agreement between the insured and insurer. Usually the insurance policy comprises two documents that are an integral part of the insurance contract, namely (1) policy schedule and (2) policy wording. The policy schedule indicates who is covered, the insured, as well as who is providing the cover, the insurer. The policy schedule provides all the different sections and items the insured is covered for, including the type of insurance, the period of insurance, the limits that apply, the sums insured and the excesses applicable.

According to Still and Stokes (2016:15), any additional clauses, exclusions and endorsements unique to the specific policyholder will always accompany the schedule.

2.7 PROXIMATE CAUSE

The insurance contract is the agreement between the insured and insurer which clearly defines what will be covered in terms of the policy. According to CILA (2016:47) insurance policies only provide cover for damages caused by the list of perils stated in the policy, therefore, it makes sense that determining the actual cause of loss or damage is important to resolve a claim in terms of the policy contract.

According to CILA (2016:48) proximate cause is defined in English law in the case *Pawsey v Scottish Union & National Insurance Company* (1908) as “the active and efficient cause that sets in motion a train of events which brings about a result, without the intervention of any force started and working actively from a new and independent source”.

The burden of providing proof can either be with the insured or insurer. The insured needs to provide proof that the proximate cause of the loss or damage was indeed caused by a peril stated in the policy contract, or the insurer needs to provide proof that the cause is a specific exclusion in terms of the policy contract before the repudiation of a claim.

2.8 UNDERWRITING

According to The Learning Insurance Academy of South Africa (2012:37) underwriting can be defined as a series of questions that assists in assessing a risk scientifically in order to determine if the insurer is willing to accept the risk or not. It also refers to the terms, conditions, exclusions, endorsements and requirements that will be imposed on the specific risk if accepted by the insurer.

After the underwriting process has been completed, the insurer will propose a quotation to the insured that confirms the premium plus the associated terms and conditions. Should the insured accept the premium and terms, consensus is achieved, and the policy will be issued accordingly.

According to The Learning Insurance Academy of South Africa (2012:38), the purpose of the questions that are asked during underwriting is to gather information about the risk. This information is called "criteria". Examples of these criteria as follows:

- Age
- Driving history and ability
- Full description of the item being insured
- Financial background
- Previous losses
- Risk address
- Occupation
- Value of items
- Security measures

2.9 POLICY EXCLUSIONS AND ENDORSEMENTS

Policy exclusions refer to specific exclusions that will not be covered in terms of the policy contract between the insured and insurer. There are general exclusions that apply to the entire contract and exclusions that concentrate only on specific sections of the policy. The exclusions will appear in the policy wording and might reflect in the policy schedule as well. General exclusions are similar throughout the insurance industry but may differ from insurer to insurer in specific sections of the policy. The following are some examples that are generally excluded from a STI contract:

The stated exclusions are examples specifically from the policy wording of Pleroma Brokers (Commercial) (Pty) Ltd (2017: 10) because such information is relevant to this study.

- Property being confiscated or dispossessed by any lawfully constituted authority.
- Sonic shocks and waves.
- Gradual causes such as wear and tear, depreciation, mildew, fading, the action of light or atmospheric conditions, moths, insects or vermin.

- Any loss or damage which is caused deliberately by the insured or with his/her knowledge, or caused by someone who is entitled to indemnity under this policy.
- Deceit/Trickery.
- Consequential loss or damage of any kind whatsoever, except as specifically provided for in this policy.
- Fines and penalties for which the insured is held liable.
- Fraud, dishonesty and misrepresentation, the insurer will not pay the claim if there is evidence of fraud, dishonesty or misrepresentation by the insured and can, in fact, claim back monies that have been paid out on claims that are subsequently found to be dishonest.
- Poor design and defective workmanship.
- War, riots, labour strikes and terrorism.

2.10 ONUS OF PROOF

In the event of a claim, the insurer might require proof of both ownership and value of any insured property. Still and Stokes (2016:18) explain that should an insurer repudiate liability because of a breach of contract conditions, the burden of providing proof to the contrary will rest on the insured.

Insurable interest in the item being claimed for is a fundamental criterion in order for a claim to succeed. According to The Learning Insurance Academy of South Africa (2012:39), there must be a financial relationship between the risk (the item being insured) and the insured. It is not always necessary for the insured to own the item in order to claim, but one has to suffer a loss in order to claim.

2.11 FIRST AMOUNTS PAYABLE

According to The Ombudsman for short-term insurance (OSTI) (2012) the first amounts that are payable with regard to an insurance claim are also referred to as excesses or deductibles. These amounts are indicated in the policy certificate and are treated by the insurer as an uninsured portion of the risk.

The first amounts payable are generally included in the policy to prevent small claims and to give the insured a financial reason for not claiming. The policyholder is liable to pay the excess with the settlement of a claim. In general, the excess is payable to the company providing the repairs or replacement of an item, or the insurer will deduct the excess from a cash settlement.

According to Hesse (2014:1) insurers sometimes increase first amounts payable to higher risk items or clients that have a higher frequency of claims, in order to increase risk management for the insured and/or reduce the liability on the insurer's side.

2.12 UNDERINSURANCE AND THE PRINCIPLE OF AVERAGE AND THE AVERAGE CLAUSE

The insured value of the policy schedule is the maximum amount that the insurer will pay for any property related claims, less the first amount payable. Property (building and contents) needs to be insured for its replacement value, if the property is insured for less than the replacement amount, the client is considered to be underinsured. Replacement value is the amount it will cost at the time of the claim to repair, replace or rebuild the insured property.

According to King Price Insurance Company (Pty) Ltd (2016:10), the replacement value of a building must be calculated to include all the outbuildings, walls, fixtures and fittings, professional and municipal fees, demolition charges, removal of debris and rubble, and making the site safe.

When property or contents are insured for an amount less than the replacement value, the average clause will apply, and the insurer will settle the claim in proportion to the replacement value.

For example, Mr. X insures his household contents for R100 000.00. He had a burglary and submits a valid claim to his insurer for the amount of R100 000.00. He still has R100 000.00's worth of contents left in this house and, therefore, is underinsured. He should have insured his contents for R200 000.00 which was the actual replacement value of all his contents.

The insurer will only pay 50% of his claim which is R50 000.00 as Mr. X was 50% underinsured.

Underinsurance calculator = (Claim amount x insured amount) ÷ replacement value.

In order to eliminate the problem outlined above, it is very important for clients to avoid being underinsured. Underinsurance can be avoided by conducting accurate upfront assessments of property values with the help of valuation professionals. It is also important for clients to review their insured values on an annual basis and make necessary amendments if needed.

2.13 HISTORY OF THE SHORT-TERM INSURANCE INDUSTRY

This section of the study will provide a brief history of STI to provide a better understanding of the introduction, development and importance of insurance.

2.13.1 Brief history from a global perspective

According to The Learning Insurance Academy of South Africa (2012:25), the concept of commercial insurance can be found in the code of King Hammurabi that comprised a set of rules, and dates back to Babylonian times of 2100 BC. Still and Stokes (2016:38) state that this code consisted of 282 laws, together with suggested punishments for transgressors. Half of the code involved matters relating to contracts, including shipping contracts.

According to Still and Stokes (2016:38), shipping has always been a profitable but dangerous business. Because of the high-level costs of a ship and the cargo it carried, it became important to transfer some of the risks related to ownership to a third party by way of a contract. The journey of a ship was open to numerous perils including fire, inclement weather and piracy.

The Learning Insurance Academy of South Africa (2012:25) further states that the Greeks and Romans were the first nations to develop burial insurance and many people became a member of a burial club, which compensated the surviving family members for funeral expenses. Still and Stokes (2016:39) maintained that Italians were members of agricultural cooperatives that insured them against bad weather and drought. Farmers who had a very

profitable year agreed to compensate farmers who had an unprofitable year because of weather-related conditions.

Still and Stokes (2016:38) further states that the term 'policy' originated from the Italians who called an insurance contract a 'polizza' which means to promise or undertake. According to The Learning Insurance Academy of South Africa (2012:25), the first insurance contract was issued in the city of Genoa (Italy) in 1347. Policies were either issued by an individual or group who confirmed the amount of risk they were willing to accept by signing their name at the bottom of the insurance proposal, an action from which the term 'underwriter' originated.

The insurance industry rapidly expanded in the period between 1860 and 1900, which was a time of increasing industrialization and urbanization in Europe. One of the main hazards at the time was the risk of fire that resulted in large losses and led to co-insurance arrangements that later developed into the 'reinsurance' industry.

According to The Learning Insurance Academy of South Africa (2012:26) fire was the trigger that boosted the insurance industry. One specific event was the Great Fire of London in 1666. The fire started in the home of King Baker and burned down four-fifths of the city, destroying more than 13 000 homes and 100 churches. This event resulted in the introduction of brick buildings as opposed to wooden ones and led to the institution of insurance as the major form of protection against fire.

The Learning Insurance Academy of South Africa (2012:26) elaborates that one year after the Great Fire a dentist, Dr Nicholas Barbon, operating under a charter granted by King Charles II, opened an office to sell insurance policies against fire for certain dwellings in London. A more accurate prediction of losses evolved which was calculated on the prediction that one in every two hundred houses would burn down every fifteen years. The rate of risk was set at 2.5% of the annual rent of a brick house and 5% of a wooden house. By 1706 the Sun Fire Office extended coverage to include household contents as well. According to The Learning Insurance Academy of South Africa (2012:26) insurance companies started to operate globally, appearing in Scotland in 1720, Germany in 1750, the US in 1752 and Canada in 1804.

2.13.2 Brief history of the STI of South Africa

According to Still and Stokes (2016:46) between 1806 and 1850, records indicate the operation of ten insurance companies in South Africa that were established as agencies with their head offices based in the UK. The first of these UK based companies was the Phoenix and, by 1897, there were more than 50 foreign insurance companies operating in the Cape.

According to Borchard and Haueter (2012:327), the first South African insurance company was the Zuid-Afrikaansche Brand en Levensversekering Maatschappij which began operating in December 1835 (the current Mutual & Federal Insurance Company is a direct decedent of this company). Local companies faced tough competition from foreign companies trading under their offshore licensed parent groups and many did not survive for long. By 1971 there were more than 20 insurance companies launched in the Cape Colony. At this time the primary business for STI companies was 60% fire, followed by workman's compensation. Motor accident insurance was only introduced in South Africa in the early 1930s.

The STI industry in South-Africa experienced fast growth in the late 1970s because of two major factors. According to Laing (1988:33), the first factor was rapid industrial expansion and the second resulted from the South African government's pressurized reduction of registered insurers in South-Africa. The reason for this action was the government's desire to reduce South-Africa's dependence on foreign insurers.

After the mineral discoveries of diamonds in 1868 and gold in 1896, many of the UK based insurance companies wanted to expand their footprint in South Africa and opened offices in Johannesburg. Most of these companies were attracted by the expansion of mining towns and the rapid growing of urban populations.

According to Milpark Education (2016:290), the South African Special Risk Insurance (SASRIA) was established in 1976 after the Soweto riots. Insurers were reluctant to provide cover for riots and strikes because these risks were almost the same as providing cover for civil wars, that is cover excluded from a standard STI policy. Milpark Education (2016:290) confirms that war risks are covered by the government war fund in terms of the War Damages and Compensation Act 1976 (No.85 of 1976).

According to Still and Stokes (2016:49) insurers have been going through a difficult time from 2008 (the Global Financial Crisis) until now, because of disappointing economic growth, sideways trending markets, high unemployment and downward trending commodity prices. South African insurers, like all other industries, have had to adapt to the advancements in technology with competitors using these disrupters to gain market share. In spite of current economic instability, a potential recession, a looming credit ratings downgrade and the impact of climate change, Omarjee (2016) confirms that the STI market contributes 3% to local GDP. Gross written premiums exceed R100bn, with R42bn in claims being paid out. These figures confirm that the STI industry is a very important pillar of the financial sector in South Africa. Members of South African society need to realize the benefits and importance of buying insurance and to ensure they understand the cover included with requirements as stated in their policy contract. Insurance can save a negative financial situation after an unforeseen loss has occurred.

2.14 FINANCIAL SERVICE BOARD

The STI of South Africa values high standards of regulation and is controlled by the Financial Services Board (FSB) in terms of the STI Act (Act No.53 of 1998), the STI Act. The goal of the FSB is to “ensure that consumers are treated fairly by the financial service providers” (Financial Service Board, 2016:3). The FSB promotes a sound financial environment in the non-banking financial service industry that has a strong and effective presence in the regulatory field of South Africa. The FSB has over a period of 24 years created a platform of efficiency both in the context of a supervisory and a regulatory role that promotes a stable financial system and investor protection.

The completion of the regulatory examination serves as the minimum requirement in order to serve as a financial service provider. The purpose of the regulatory examination is to ensure that financial service providers have the general acceptable knowledge, awareness and understanding of the responsibilities imposed by the FAIS Act. Key individuals and representatives have specific responsibilities to adhere to in respect of the Act. Any person who renders a financial service to a client must write the regulatory examination. Another objective of the examination is to professionalize the stakeholders and to ensure that the service providers understand the legislation that governs the industry.

2.14.1 Treating customers fairly (TCF)

Treating customers fairly (TCF) was implemented by the FSB as the main framework for a mandate to "promote fair treatment of financial services customers" (Financial Service Board, 2014). The FSB states 6 outcomes of TCF: (1) Customers can be confident that they are dealing with firms where TCF is central to the corporate culture; (2) Products and services are marketed and sold that are designed to meet the needs of the customers or their specific groups and are targeted accordingly; (3) Customers are provided with clear information and kept appropriately informed, during and after the point of sale; (4) Where advice is given, it is suitable and takes account of customers' circumstances; (5) Products perform as customers are led to expect, and services are of an acceptable standard and as customers have been led to expect; (6) Customers do not face unreasonable post-sale barriers imposed by financial services providers when seeking to change products, switch providers, submit a claim or make a complaint.

2.15 FAIS OMBUD

The office of the Ombud for financial services providers (FAIS Ombud) was established by the Financial Advisory and Intermediary Act, 37 of 2002. The role of the FAIS Ombud according to The FAIS Ombud (2016) is to resolve disputes between clients and their service providers in a procedurally fair, informal, economical and expeditious manner. The objective of the FAIS Act is to protect the consumer and to professionalize the financial service industry.

2.16 OMBUD FOR SHORT-TERM INSURANCE (OSTI)

Working under the supervision of the FSB is the Ombud for short-term insurance (OSTI). The mission of the OSTI is "to resolve STI complaints fairly, efficiently and impartially" (The Ombudsman for Short-Term Insurance, 2015). According to Vivian (2003:289) before the adoption of the Ombudsman, the public had to resolve any disputes between the public and an insurer by way of expensive litigation. The first Ombudsman was appointed in 1989. Should a consumer not be satisfied with the outcome of his or her claim, the case can be directed to the Ombudsman for further investigation. The Ombudsman can, under his

jurisdiction, overturn the claim in favour of the consumer should the findings be that the consumer was not treated fairly under the conditions of the policy contract.

2.17 CLAIM STATISTICS

Clients submit claims to the OSTI for the reason they are not satisfied with the outcome of their claim. Presenting a claim to the Ombud gives the client the opportunity to have the claim overturned in his favour, should the investigation of the Ombud prove that the insurer did not settle the claim according to the contract between the client and insurer. According to the OSTI (2016:16), the percentage of over-turned claims in benefit of the client from 2009 to 2016 decreased from 38.44% to 26.81%. Statistics of an insurer that prefers to remain anonymous (Insurer X), confirm that on average over a 12-month period 33.42% of claims submitted was repudiated. Insurer X had an overturn percentage of +/-20%, that is far less than average in the market (Ombud for short-term insurance, 2016:19). The statistics of Insurer X are relevant because the specific insurer underwrites most of Pleroma Brokers (Commercial) (Pty) Ltd's policies. The trend of a decline in cases being overturned in favour of the insured is an indication that clients may lack policy knowledge, are apathetic or the problem may be related to economic reasons.

According to Vermaak (2017) from Bateleur Assessors, statistics indicated that 46.81% of the total value of claims submitted was not paid due to policy exclusions, repudiations and the implementation of the average clause. In the middle of 2017, the same company forecast an increase to at least 59%. Bateleur Assessors' statistics are relevant because they are mostly appointed to finalize property claims on behalf of the insurer for clients of Pleroma Brokers (Commercial) (Pty) Ltd. The latter increase is a clear confirmation that clients are currently incurring major losses, which expresses the importance of this research study. Steps need to be implemented to minimize the number of claims submitted that are not succeeding in terms of the policy contract.

2.18 REASONS CLAIMS ARE REPUDIATED

According to Jooste (2013) the OSTI statistics indicate that the most common reasons for claims being repudiated are:

- Unlicensed driver
- Unroadworthy vehicle
- Reckless driving
- Drunk driving
- Driver not being the regular driver noted in the policy
- Total-loss policy
- Telematics shows driver at fault
- Tracker device not fitted
- Vehicle inspection not carried out
- Material non-disclosure at underwriting stage
- Vehicle used for business (when insured for private purposes only)
- Vehicle not parked securely at night
- Security device not fitted
- Homeowner's insurance and household content - average clause applied because of insured being underinsured
- A peril not covered by insurance causing the loss (generally gradual deterioration or wear and tear)
- Poor design and defective workmanship
- Retaining walls not built to acceptable standards
- Subsidence
- Unoccupied premises
- Movables not covered
- Inflated and fraudulent claims

Based on the aforementioned information, there is a clear relationship between claims repudiated for clients of Pleroma Brokers (Commercial) (Pty) Ltd and the reasons stated by the OSTI. There are other reasons for repudiations, but these are not that significant in number. Figure 2-1 below shows the most common reasons for claims being repudiated within the Pleroma brokerage in correlation with reasons mentioned by the OSTI. Theft from

a vehicle without forcible entry can be seen as part of "a peril you are not covered for" but because of the high number of incidents it was felt necessary to add this reason as a separate field.

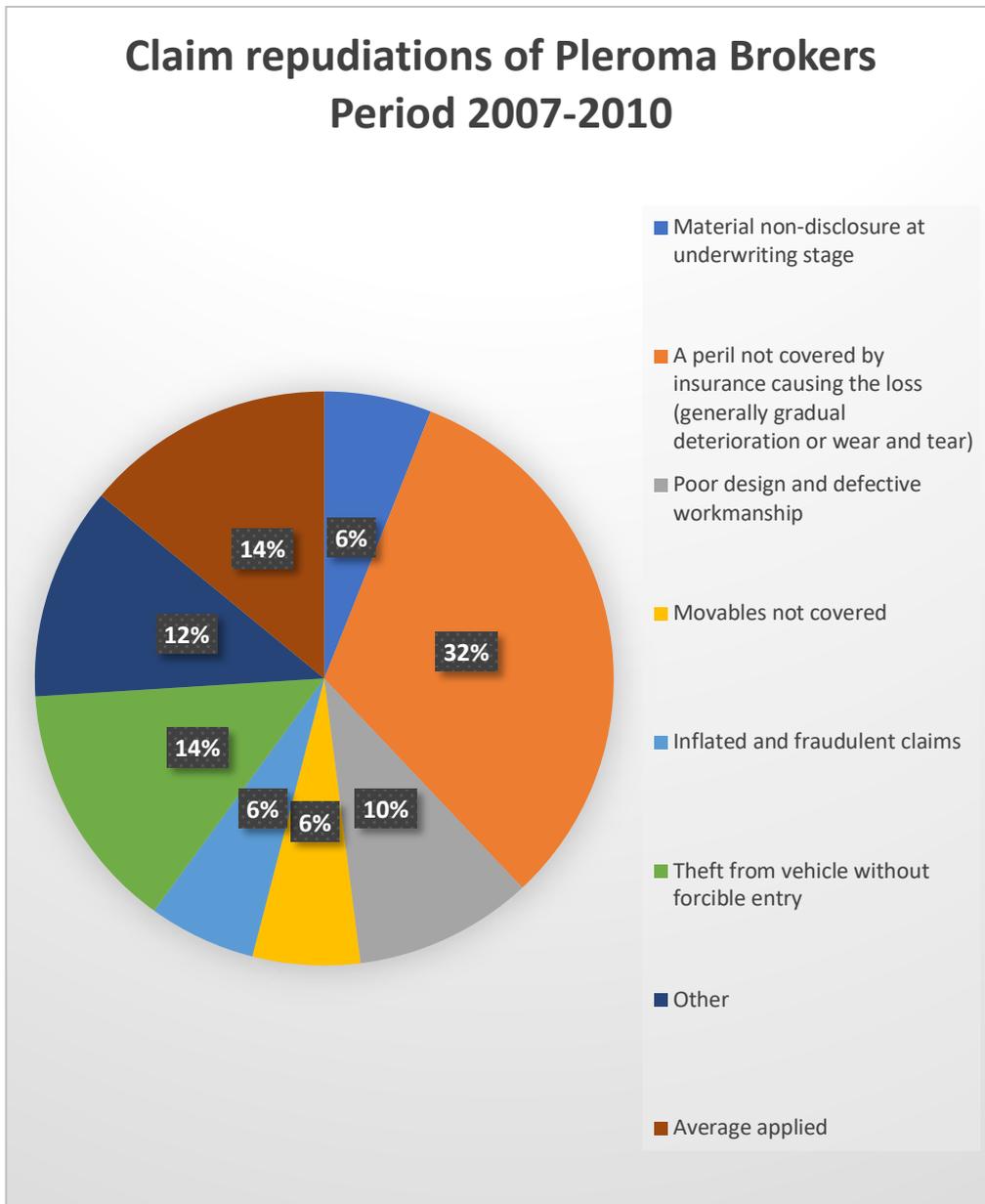


Figure 2-1 : Claim repudiations of Pleroma Brokers (Commercial) (Pty) Ltd

2.19 CUSTOMER SATISFACTION AND RETENTION

Williams and Naumann (2011:32) confirms that higher customer satisfaction does increase a company's performance, specifically in relation to improved revenue, profitability and cash flows. When a claim is repudiated customers are dissatisfied because there is an

expectation that the policy will excel when a claim is submitted. Epetimehin (2011:62) agrees that customer satisfaction, customer loyalty and customer retention are vital objectives for achieving financial success in a very competitive industry. Epetimehin (2011:62) further elaborates by stating that more service providers are focusing on the advantages of defensive strategies in order to retain existing clients. New business is very important if a company wishes to expand, but to retain business is just as crucial, and in general, much easier to achieve and more cost-effective.

According to Loots and Grobler (2013:332), effective communication is one of the most important factors to concentrate on when seeking to retain customers. This attribute is closely followed by satisfaction, trust and knowledge of the broker. Clients are more likely to remain with service providers that they feel have excellent communication channels, are trustworthy and have provided them with a satisfactory service. By managing these elements correctly and acting pro-actively brokers will develop and ensure lasting client commitment.

2.20 DENIAL AND BLAME

One can argue that denial is a psychological factor that also plays a role in the cancellation of policies, specifically in the form of blame. This argument is supported by Cohen (2012) who confirms that the 'blame game' consists of blaming something or someone else for an event or state of affairs a person feels to be undesirable. Cohen (2012) elaborates by discussing a series of four irrational beliefs:

- If something is not going my way, or the way it should be, then someone else is to blame for the cause of the situation.
- This person's/organization's wrong doing decreases the respect they deserve as a person/organization.
- It then becomes only fair to treat this person/organization in ways they deserve to be treated by ignoring them, 'bad-mouthing' them or, in severe cases, physically assaulting them.
- When accepting responsibility for the situation, one would then admit that they were wrong and, therefore, deserve less respect and must be treated in the same way as the person/organization being blamed.

Jacobson (2014) agrees with the above sentiments and states that it is very common to blame others for one's own mistakes and not to take responsibility for one's own actions or difficulties. When, for example, a driver 'tailgates' and is involved in a collision, it is common for the driver to call it an accident when what happened actually is the result of poor judgment. Moreover, in these situations, it is also common to blame the driver of the car that was 'tailgated' for stopping suddenly. Likewise, when a claim is repudiated, clients tend to blame the broker or insurer for the repudiation, even if the cause of loss is not included in the agreed STI contract. When this situation happens, clients often want to shift the blame by arguing that they were not properly informed by the broker or insurer. The study of Loots and Grobler (2013:334) confirms that clients will terminate a policy with immediate effect should the insurer not compensate a loss suffered by the insured. Therefore, it is extremely important to prevent a client from submitting a claim that will not succeed in terms of the policy contract.

2.21 CONCLUSION

STI is a concept dating as far back as Babylonian times in 2100 BC. Insurance started with ships and the cargo they carried because they were exposed to all kinds of dangers. The subsequent high level of losses developed the need for shipowners to transfer some of the risks to a third party by way of a contract. Thereafter, insurance contracts were developed in other industries, such as burial and agriculture, which led to the commercial and personal insurance that is currently practised.

STI was developed to compensate an individual or organization for financial losses caused by an unforeseen event. STI is a risk transfer instrument through which an insurance company accepts a risk on behalf of the insured in return for a monthly or annual premium (small portion). The purpose of insurance is to provide compensation after a loss has occurred in order to put the insured in the same position as prior to the unforeseen event. There are two categories of STI, namely personal lines that provide protection for personal belongings and commercial lines that meet the needs of the commercial market.

Risk is a fundamental concept in the insurance industry, from the pricing of contracts to the management of insurance companies to the overall regulation of the industry. High risks

mean higher premiums as opposed to low risks which mean lower premiums. In general, it is the responsibility of the individual or organization to identify the risk and then take steps to reduce possible damage should an event occur. The insured, often with help from the broker, must assess the risk the organization or individual faces to ensure that the risk is covered in terms of the insurance contract. The insurer, with its underwriter, will assess the risk to determine if they are willing to accept the risk, based on the likelihood and severity of such risks, and then calculate the premium according to the risk accepted. Risks are assessed by the insurer through underwriting, which is a scientific process developed to determine if the risk is acceptable for the insurer and if there is a need to impose specific terms, conditions, exclusions, endorsements and/or requirements.

After the risk has been accepted and the premium calculated by the underwriter, the insurer will provide the insured with a quotation stating the premium, cover, conditions, exclusions and terms that make up the agreement between the insured and insurer. Should the insured accept the quotation, the insurer will issue the policy that provides the insured with information regarding the extent of the coverage, including the type and the period of the insurance, the sums insured, and the limits and excesses applicable. The policy is then issued and the contract becomes binding for both the insured and insurer.

Insurance policies only provide cover for damages caused by the list of perils stated in the policy, therefore, proximate cause is a fundamental factor because it is a vital factor when determining the cause of loss or damages. Should the cause be determined as a peril stated in the policy, the policy will excel and the insured will be compensated according to the terms specified in the policy. Should the cause of loss or damages be determined as an exclusion from the policy, the insured will not be compensated for the loss or damages because their cause is not covered in terms of the contract.

The STI is regulated by the FSB to ensure clients are treated fairly by their financial service providers. Should there be any disputes regarding services provided, the client has the option to present his or her concerns to the FAIS Ombud that was specifically established to resolve disputes between clients and their service providers in a fair and economical manner. If a dispute is claim related the OSTI can be consulted for further investigation and has the authority to overturn a claim should the findings be in favour of the client.

An analysis of the literature presented in this mini-dissertation, makes it clear that clients do suffer losses because of claims being unfairly repudiated by insurers. When claims are repudiated clients tend to cancel their policies which has a negative influence on the service provider's 'bottom-line'. It is also clear that there is a direct correlation between the most common reasons why claims are repudiated as stated by the OSTI and statistics presented by Pleroma Brokers Commercial (Pty) Ltd. For this reason, it is vital to investigate why these STI claims are repudiated and how the submission of claims that are not covered in terms of the policy can be minimized. It can be argued that should strategies be developed to minimize claims submitted by clients that are not covered in terms of the policy, it could increase customer satisfaction, which has a direct correlation with customer loyalty and the consequential financial gain to the insurer.

CHAPTER 3 - EMPIRICAL RESEARCH

3 INTRODUCTION

This research project's study method will consist of an empirical study. The empirical and quantitative study will be conducted through the utilization of a self-administered questionnaire that will be completed by the respondents. The respondents are not specifically selected and consist of the entire client base of Pleroma Brokers (Commercial) (Pty) Ltd. The author of this study is currently an employee of the brokerage and provides an intermediary service to the clients of Pleroma Brokers (Commercial) (Pty) on a professional basis.

3.1 DESCRIPTION OF OVERALL RESEARCH DESIGN

According to Leung (2015:324), quantitative research deals primarily with numerical data and its statistical interpretation with a specific logical focus and is strictly an objective paradigm. According to Bryman *et al.* (2014:32), there are 11 steps in the process of quantitative research. Bryman *et al.* (2014:32) further state that not all the steps are always necessary in order for the study to follow a qualitative research approach. This study will implement an empirical research approach incorporating most of the 11 steps involved in the process of quantitative research to collate the data received via a self-completed questionnaire. It will be a subjective study because the respondents are directly involved in the activities being researched.

According to Flick (2009), qualitative research has developed an identity and can be defined as an approach to understand, describe and explain the world 'out there' from the 'inside' in a number of different ways.

"A cross-sectional design involves the collection of data on more than one case from a single point in time" (Bryman, Bell, *et al.*, 2014:106). This study will follow an empirical research approach that analyses data collection from a specific population at a specific point in time. Self-developed and self-completed questionnaires will be distributed to the respondents, who are clients who have a STI policy with Pleroma Brokers (Commercial) (Pty) Ltd.

3.1.1 Research indicators

According to Bryman *et al.* (2014:34), an indicator is needed to measure the concept that is being studied. The indicator to measure the concept will be developed as a self-completed questionnaire with multiple-indicator measures. The questions will relate to the major reasons for the repudiation of claims as provided by the OSTI, that correlate with the most common reasons for claims being repudiated within the brokerage. Each reason for a claim being repudiated will be presented as a separate indicator.

3.1.2 Validity of measurement

According to Bryman *et al.* (2014:38) validity relates to whether or not the indicator measures the concept it is intended to measure. Ways that will be incorporated in the study to ensure validity is face validity as well as construct validity, colleagues with many years of experience in the STI industry will be asked to confirm correct concept measurement.

According to Bryman *et al.* (2014:38), reliability and measurement validity do not relate to the type of research approach utilized but rather on the quality of measures that capture the concept being studied. For this reason, the researcher will focus on the quality of questions in the survey in order to optimize the study's validity.

The self-completion questionnaires will be used as a multiple indicator, to identify the reasons why claims are submitted that are not covered in terms of the insurance contract. The data will be analysed deductively, tables, graphs and statistics will be used as tools to explain the findings and make necessary recommendations regarding how to minimise the submission of claims that are subsequently repudiated.

3.2 POPULATION/SAMPLING

According to Saunders *et al.* (2009:212), it is possible to collect data from the total population. Total population sampling is effective when a target group is relatively small and set apart with well-defined characteristics. This type of sampling, however, can be much more expensive in contrast to selecting a specific sample. The client base of Pleroma Brokers (Commercial) (Pty) Ltd is relatively small and, therefore, total sampling would not

be expensive to execute. Selecting the total population as the sample for the study provides little opportunity for sampling error and ensures deeper insights into the target population.

The sample will be derived from the entire client base of Pleroma Brokers (Commercial) (Pty) Ltd and includes anyone in their personal or organizational capacity that has a STI policy with this brokerage.

3.2.1 Study population

According to Berg (2001), it is imperative to ensure that the researcher knows where to find the correct population for the study, that is, the correct site. The population for this study will be clients who currently have a STI policy with Pleroma Brokers (Commercial) (Pty) Ltd. Pleroma Brokers (Commercial) (Pty) Ltd is an insurance brokerage that specializes in STI. All clients of the brokerage have one or more STI products with the company.

3.2.2 Relevance of population

The selected study will be conducted to investigate reasons for claims being repudiated within the STI industry that correlate with claims being repudiated within the brokerage. Furthermore, the study will also look at methods to minimize claim repudiations, concentrating specifically on clients with Pleroma Brokers (Commercial) (Pty) Ltd. The population and site are contextually relevant and appropriate for this research study because the author will only use respondents who have a STI product with Pleroma Brokers (Commercial) (Pty) Ltd.

The clients of Pleroma Brokers (Commercial) (Pty) Ltd are the consumers who submit claims with the brokerage, some of which are repudiated for the reasons explained in Chapter 2 of this mini-dissertation. For this reason, the author believes that the chosen unit of analysis will be perfectly suited because the study focuses specifically on the clients of Pleroma Brokers (Commercial) (Pty) Ltd.

The same study can be conducted on different brokerages, insurers or any other STI service providers. However, for this specific study that focuses on clients of Pleroma Brokers (Commercial) (Pty) Ltd only, it will not be appropriate to use an alternative unit of analysis for this study.

3.2.3 Geographic location of the population

Pleroma Brokers (Commercial) (Pty) Ltd has clients nationally with the highest number being in the province of Gauteng, specifically in the city of Pretoria. These are all consumers who currently have a STI product with Pleroma Brokers (Commercial) (Pty) Ltd. These clients include all personal as well as commercial policyholders.

3.2.4 Population size

The total client base of approximately 1 600 clients will serve as the population group. A full client list will be withdrawn from the IT system with all the clients of Pleroma Brokers (Commercial) (Pty) Ltd listed in alphabetical order.

According to Bryman *et al.* (2014:177) response rates for mail surveys in general range between 15 to 30%. By using the general statistics, the researcher can expect to receive between 240 and 480 completed questionnaires in total.

3.2.5 Access to the population of the study

Access to the entire client base of Pleroma Brokers (Commercial) (Pty) Ltd, which would be the respondents in the study, would be attainable because the brokerage has all its clients contact details on record. Personal relationships with clients have been established over a period of more than 30 years.

The brokerage does have an effective system in place to communicate with clients on a regular basis by electronic mail. The system currently used is the mail-merge function in Microsoft Word. Mail-merge is a process that creates personalised letters for mass mailings.

The Managing Director of Pleroma Brokers (Commercial) (Pty) Ltd has granted permission for the researcher to go ahead with the study and has provided access to the full client base. Pleroma Brokers (Commercial) (Pty) Ltd is the main financial sponsor of the researcher's efforts to complete his Master's Degree in Business Administration (MBA), which confirms the company's commitment and support.

3.3 DATA COLLECTION

Firstly, a survey covering letter will be sent out to all respondents by e-mail, to introduce the research study that will be conducted by an MBA student studying through the North-West University in Potchefstroom. The introductory statement will introduce the researcher and clearly state the reason for the study, as well as the importance thereof. The respondents will be reassured of the confidentiality of the study and the voluntary nature of participation.

3.3.1 Data collection instrument

According to Bryman *et al.* (2014:191), self-administered questionnaires are questionnaires completed by the respondents. The questionnaire will be a self-developed instrument (as per Appendix A) distributed by e-mail to the respondents' e-mail addresses for completion through a software application named Google Forms. The format of the questions will be closed-ended questions because these are easier to answer. Some of the questions will include an additional paragraph explaining the question in greater detail to ensure the respondent fully understands the question. For this reason, it is important to keep the questions to a minimum to reduce the risk of respondent fatigue (Bryman *et al.* 2014:192).

3.3.2 Structure of the questionnaire

The nature of the questionnaire will be 33 closed questions that are divided into five sections. The questionnaire commences with section one which seeks to gain demographic information. Demographics are believed to play a significant role in the study because gender, age, education and other demographical data can provide interesting and thus insightful variables and correlations for the researcher. Section two focuses on the policy engagement of the respondent, in an attempt to discover if the respondent takes time to read and understand his or her policy contract. Section three is based on customer satisfaction. Section four concentrates on the client's most preferred way of communicating with the brokerage while the final section contains seven closed questions aimed at providing insights on the clients' policy knowledge. The respondent can only select only one answer to all the questions

The data collected through the instrument will provide the researcher with information for the purpose of identifying the reasons why clients submit claims that are not covered in

terms of their STI policy. The instrument is developed to assess the respondents' attitudes towards STI, customer satisfaction as well as knowledge regarding their policy contract.

3.3.3 Distribution of questionnaires

Google Forms is a web-based application that was developed to easily distribute questionnaires in large quantities and is very 'user-friendly'. The application only allows the respondent to select one answer per question, a fact that is very important for the variable being measured. Google Forms have a professional appearance with functions to design the face of the questionnaire that will make the questionnaire more attractive for answering by the STI clients. With the distribution of the questionnaire each respondent will receive instructions on how to complete the survey, the amount of time allocated for its completion and a set closing date.

3.3.4 Collection of data

The process of data collection will commence with a survey as the main method for obtaining the data. The development of a self-administered questionnaire will follow, through the internet application known as Google Forms. All the questions will be populated into the application, which then will be sent to the respondents by e-mail. As soon as a questionnaire has been completed and submitted by a respondent, the completed questionnaire will automatically return to the creator of the survey for data analysis. Figure 3-1 is an illustration of the data gathering process.

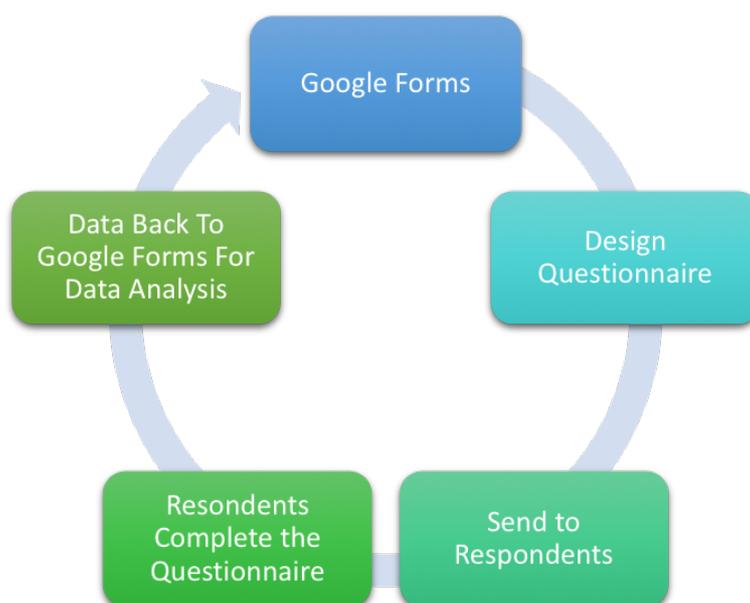


Figure 3-1 : Data collection flowchart

3.4 DATA ANALYSIS

The method used for the data analysis in this specific study is quantitative research. According to Williams (2011) “qualitative research is a holistic approach that involves discovery”. The raw data that will be collected as part of this study will be used to provide explanations and an understanding of the reasons for claims being submitted that are not covered in terms of the policy contract with Pleroma Brokers (Commercial) (Pty) Ltd.

The technique that will be used is a self-developed and self-administered questionnaire. Data will be categorized by the answers that provide the reason for claims being repudiated as per the OSTI that correlates with the reasons claims are being repudiated within the brokerage. There are more than seven reasons why claims are repudiated, but the researcher chose the seven that he deems currently to be the most significant. According to Bryman *et al.* (2014:191), nominal variables are also known as categorical variables and comprise categories that cannot be ordered or ranked. Each reason has five possibilities/categories as to why claims tend to be repudiated.

Google Forms is a web-based application with a function that collects and processes data into frequency tables and bars charts than can be easily interpreted. According to Bryman *et al.* (2014:318), a frequency table provides the count and the percentage belonging to each category for any type of variable. The frequency table will show the data provided by each completed question in the questionnaire. The same data will also be displayed in the form of a pie chart. The data will mainly consist of dichotomous-, nominal-, ordinal and interval variables.

Different statistical techniques, such as uni-variance, bi-varianc and multi-variance, will be used when the data is analyzed to formulate results and make the recommendations for resolving problems related to the repudiation of STI claims by the management of Pleroma Brokers (Commercial) (Pty) Ltd.

The statistical analysis of data produced through this study will be finalized with assistance from the Statistics Department of the North-West University, situated in Potchefstroom. The Statistics Department has software applications such as Statistical Analysis System (SAS) that are used to calculate accurate results for the purpose of this study. SAS is a software

system for data analysis and report writing, the system has the ability to store data values and retrieve them, modify data, compute simple and complex statistical analysis and create reports (SAS, 2015).

3.5 ASSESSING AND DEMONSTRATING THE QUALITY AND RIGOUR OF THE PROPOSED RESEARCH DESIGN

In order to demonstrate the quality and rigour of a research proposal, there is a certain structure that must characterise the research proposal.

3.5.1 Style and layout

The style and layout of this proposal complies with the guidelines as per the requirements of the North-West University necessary for confirming the quality and rigour of the set layout.

3.5.2 Quantitative research

According to Leung (2015:324), quantitative research deals primarily with numerical data and its statistical interpretation with the focus specifically on the logical and is strictly an objective paradigm. Bryman *et al.* (2014:31) agrees with this statement and adds that qualitative research is a deductive study with a principle orientation to the role of empirical testing of theory and has a distinctive epistemological and ontological position that confirms that the study is more than just a compilation of statistics and numbers.

3.5.3 Validity

According to Leung (2015:324) validity refers to the "appropriateness" of the study and relates to whether the research question is valid for the specific research study, the methods and techniques used are appropriate to answer the research question and if the results are valid for the sample and context. Bryman *et al.* (2014:38) supports this description and adds that if the measurement does not measure the specified concept there will be a lack of confidence in the validity and accuracy of the results. In this specific study, the researcher has made use of techniques such as face validity and constructs validity to ensure that the correct concept is being measured by including the insights and recommendations of experts from the STI industry.

3.5.4 Reliability

According to Bryman *et al.* (2014:36) reliability is concerned with issues of the consistency of the measuring of a specific concept. There are three prominent factors that need to be considered when confirming the reliability of a study. The first is stability - the researcher must ensure that the measure of the concept being analysed is stable, should the same study be re-administered on another occasion. The second factor is internal reliability - all indicators must relate to one another, if the core concepts are unrelated the study may be indicative and the results not accurate. In this study, internal reliability will be calculated through Cronbach's Alpha reliability test. The test essentially calculates the average of all possible split-half reliability coefficients; the correlation varies between 0 and 1, with 1 as a perfect correlation and, therefore, a complete internal consistency. An acceptable average of internal reliability according to Bryman *et al.* (2014:38) is 0.8. The third factor is internal-observer consistency - if more than one observer is used for open-ended questions there can be a risk that the interpretation of the questions can be different throughout the study and that will have a negative influence on the results. In this study, internal-observer consistency will not have an effect because the data is collected through a self-administered questionnaire with closed-ended questions.

3.6 RESEARCH ETHICS

According to Walliman (2011:42), research, and the discoveries thereof, will only carry value if the research is carried out honestly.

According to Walliman (2011:42), it is vital to always conduct a research project with the highest levels of integrity. When working with human participants, ethical complications may arise and, therefore, it is important to treat all participants with the respect they deserve. Walliman (2011:43) elaborates by adding honesty as an essential factor when conducting a research study, a high level of trust and credibility must reflect the outcomes of the research. According to the NWU Research Support (2016:3) there are four major principles of research integrity to which a researcher should adhere, (1) honesty in all aspects of research, (2) accountability in the conduct of research, (3) professional courtesy and fairness in working with others, and (4) good stewardship of research on behalf of others.

Bryman *et al.* (2014:120) explains that there are four basic ethical principles that need to be considered when conducting a research study, (1) harm to participants, (2) lack of informed consent, (3) invasion of privacy, and (4) whether deception is involved.

3.6.1 Harm to participants

Harm can be regarded as any physical harm or harm to any participant's self-esteem, stress or career prospects. Any form of harm to a respondent is unacceptable (Bryman *et al.*,2014:121).

3.6.2 Lack of informed consent

Respondents should be fully informed about the research process. A cover letter with the informed statement of consent will assist in providing the respondent with the necessary information regarding the study in order for him/her to make an informed decision as to whether or not to participate in the research study.

3.6.3 Invasion of privacy

Respondents will be ensured that all information will be kept safe and confidential. Respondents have the right to refuse to participate at any time if they feel uncomfortable about answering any of the questions posited in the questionnaire. Respondents do not have to provide any reasons for not participating in the study should they decide on this option.

3.6.4 Deception

According to Bryman *et al.* (2014:127), deception is when the researcher presents his/her research study as something other than what it is. This research study will not deceive any respondent in any way whatsoever. Respondents will be provided with the researcher's information if they feel any additional information is needed prior to their deciding to participate in the study.

3.6.5 Informed consent form

All participants will receive a formal consent form informing them of the research study being conducted (see Appendix B). The consent form will serve as an invitation and confirm that participation in the study is strictly voluntary. The consent form will also provide a brief

introduction of the researcher, the study itself and why the study will be conducted. Results will be made available to participants who wish to receive this information after the study has been completed. The consent form provides all the participants with the necessary contact information should they have any inquiries or concerns regarding the study.

3.6.6 Completed application for ethical clearance

The Research Risk Level Descriptors (RRLD) (see Appendix C) provided by the Ethics in Commerce Research Committee (offering ethical guidance for this study) indicate that this research is a low-risk level study. The study will involve human participants, but all surveys will be completed anonymously, and information will be handled with respect and confidentiality. The study is focused on a relatively uncontroversial topic with all participants being consenting adults above 18 years of age.

The data will be collected by way of the questionnaire and the only foreseeable risk of harm might be minor discomfort or inconvenience because not everybody wishes, or has the time, to complete a questionnaire. This aspect is controlled by the fact that participation is strictly voluntary and participants can, at any time, refuse to continue completing the questionnaire.

The completed application for ethical clearance for commerce-related research required by the Faculty of Commerce and Administration Research Ethics Committee has been submitted for ethical clearance. It is clear that all the necessary steps have been taken to inform the participants of the confidential and voluntary nature of participation in the study. The researcher has also declared that the focus will never deviate from the proposed study and that there is a very low foreseeable risk of any possible harm to any participant..

CHAPTER 4 - RESULTS

4 INTRODUCTION

To finalize the study appropriately, it is important to analyse the data collected in order to answer the research question, namely: Why clients submit claims that are not covered in terms of their policy contract?

This chapter consists of the analysis, presentation and interpretation of the data collected. The analyses and interpretation of the data are based on the results of the questionnaire that is analysed with the help of the Statistics Department at the North-West University in Potchefstroom.

4.1 SAMPLE PROFILE (Q1-Q7)

This section of the study will provide an overview of the respondents, concentrating on the demographic factors that were compiled from responses Q1 - Q7 in the questionnaire.

Q1: Table 4-1 indicates a total of N = 86 respondents completed Q1, the average age of the respondents who completed the questionnaire is 49.72 years old. The wide range between the minimum and maximum age of the respondents is quite noticeable, which is an indication that Pleroma Brokers (Commercial) (Pty) Ltd has a wide variety of clients in many different age groups.

Table 4-1 : Q1 Age of respondents

N	Mean	Std Dev	Min	Max
86	49.72	15.50	24	78

Q2: The aim of this study was to send the questionnaire to policyholders only, which the researcher believes was achieved because it is compulsory to provide personal contact details when applying for cover through Pleroma Brokers (Commercial) (Pty) Ltd. Figure 4-1 below indicates that the brokerage currently has more male policyholders (67%) than female policyholders (33%).

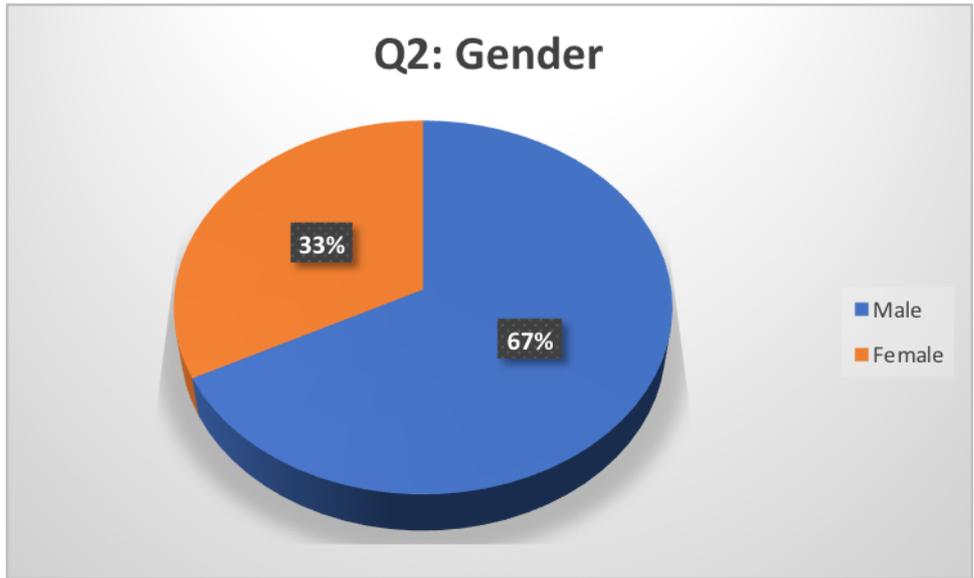


Figure 4-1 : Q2 Gender percentage

Q3: The average respondent has at least a high school qualification or the equivalent thereof. Figure 4-2 indicates that (16.67%) of respondents have a high school qualification, with (28.89%) having achieved a tertiary-level diploma. Furthermore, (21.11%) have completed a degree through a tertiary institution, with the majority of clients (33.33%) having attained a post graduate degree.

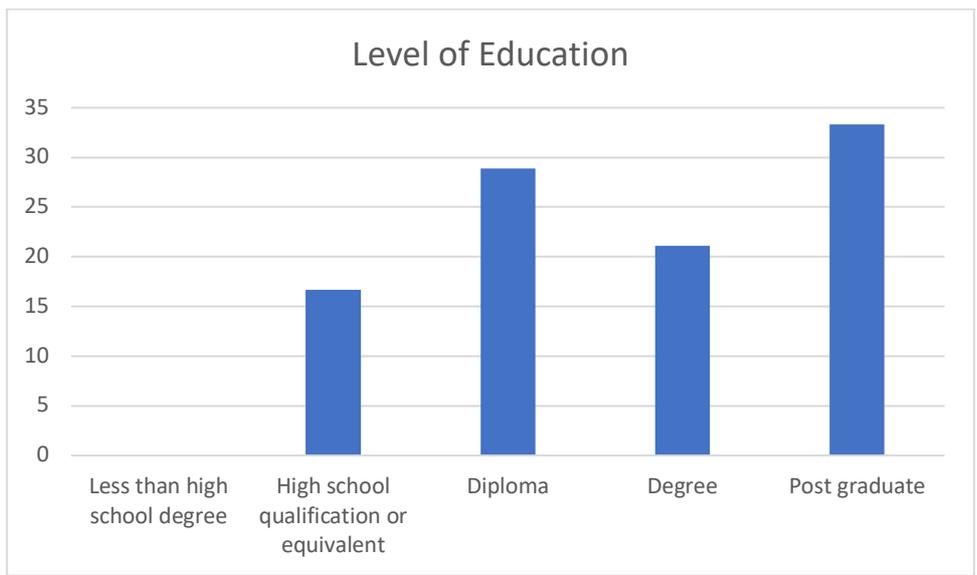


Figure 4-2 : Q3 Level of education

Q4: Figure 4-3 illustrates that (57.00%) of respondents own a business, with (43%) not having their own business.

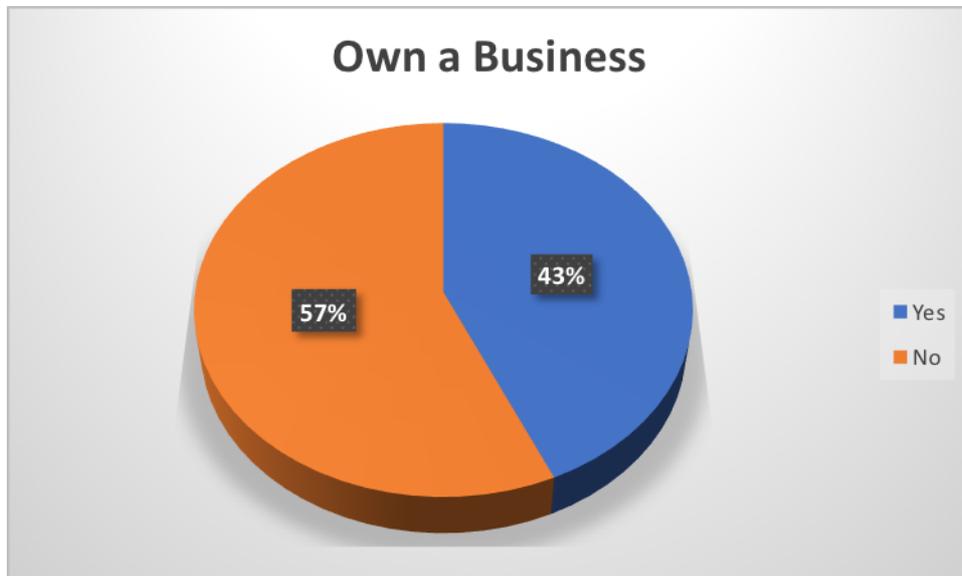


Figure 4-3 : Q4 Business owner

Q5: Figure 4-4 indicates that (64.44%) of respondents have a full-time job working more than 40 hours a week, with (20.00%) working less than 40 hours a week. A very low percentage of respondents (1.11%) is unemployed and looking for a job, with the same percentage (1.11%) being unemployed but not looking for a job. A fair number (13.33%) of respondents are retired.

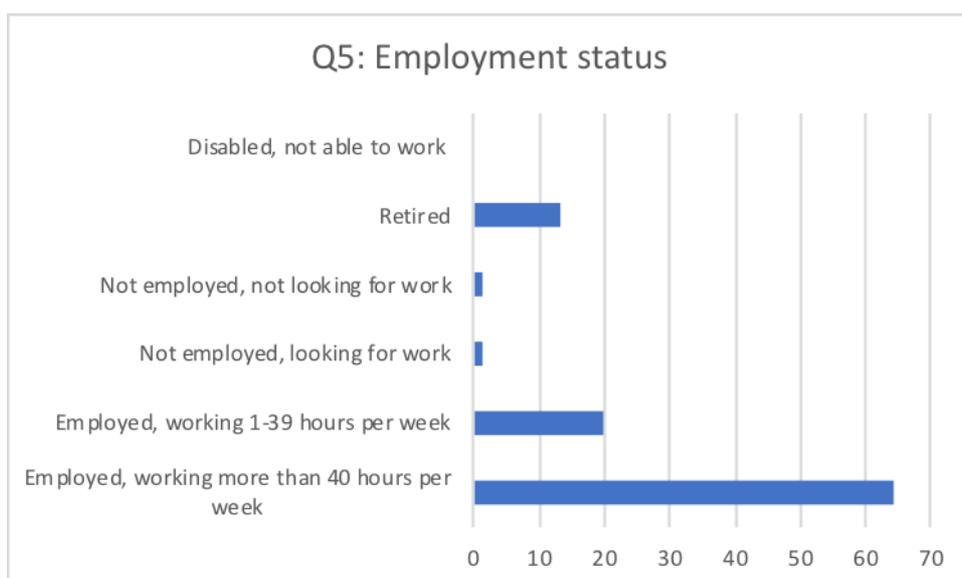


Figure 4-4 : Q5 Employment status

Q6: All 11 official languages of South-Africa were included in Question 6 of the questionnaire, however, as indicated in Figure 4-5 below, only 3 of the 11 languages are reflected as the home language of policyholders. A massive (71%) of respondents speak Afrikaans at home, with (28%) speaking English and (1%) speaking Tswana.

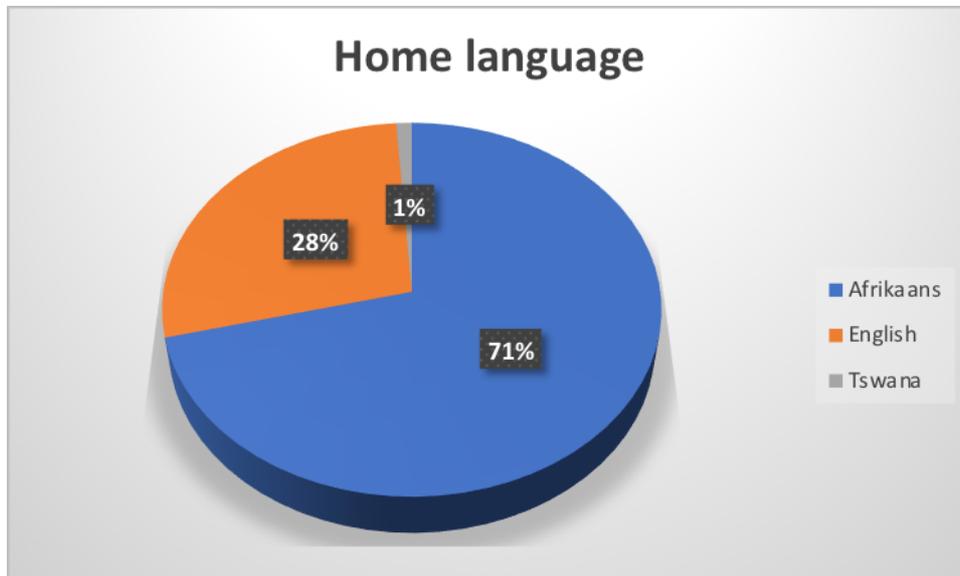


Figure 4-5 : Q6 Home language

Q7: As indicated by Figure 4-6 below, it is clear that most respondents are currently married or living together with their partner (78.89%). Only (2.22%) are widowed with (6.67%) being divorced. None of the respondents are separated from their spouses or former partners. The second highest percentage (12.22%) of respondents are single and have never been married.

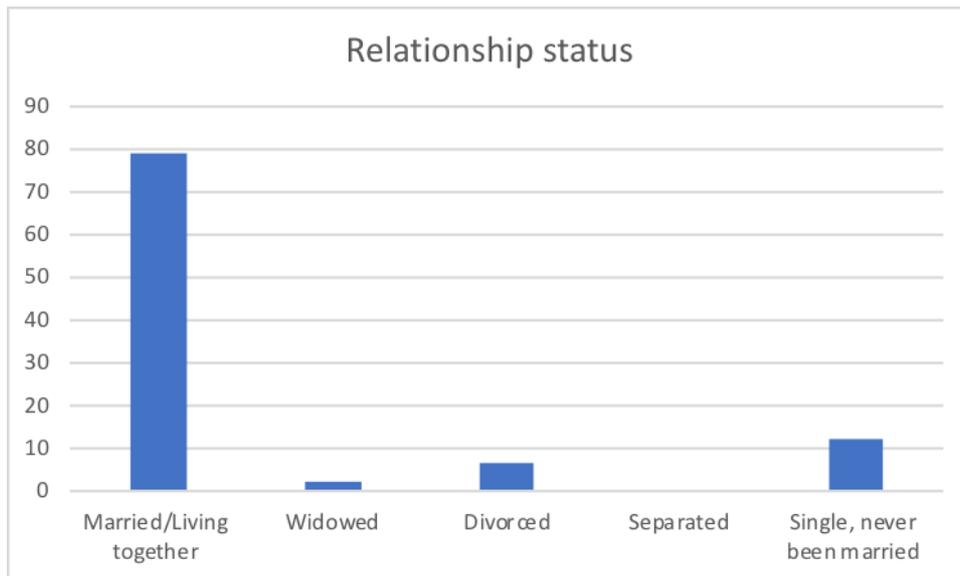


Figure 4-6 : Q7 Relationship status

To conclude, an average respondent of this study is an Afrikaans male of +- 50 years of age, who is currently married or living with his partner. The respondent is educated with at least a high school matric qualification, or the equivalent thereof, whose job requires him to work more than 40 hours per week.

4.1 NEGATIVE POLICY ENGAGEMENT (Q8-Q17)

This section of the research instrument was compiled to measure the level of negative engagement the respondent shows towards his policy contract. It is important to (1) understand whether or not the respondent made an effort to read his policy contract and then (2) to determine his level of understanding. It is also important to (3) identify barriers that may influence the respondents to not make an effort to read through the policy contract, an action that could then distort his/her understanding of the cover included.

Q8: Figure 4-7 illustrates that (64%) of all respondents have made the effort to read through their policy contract (schedule and policy wording) in its entirety, (36%) confirmed that they have not yet done so.

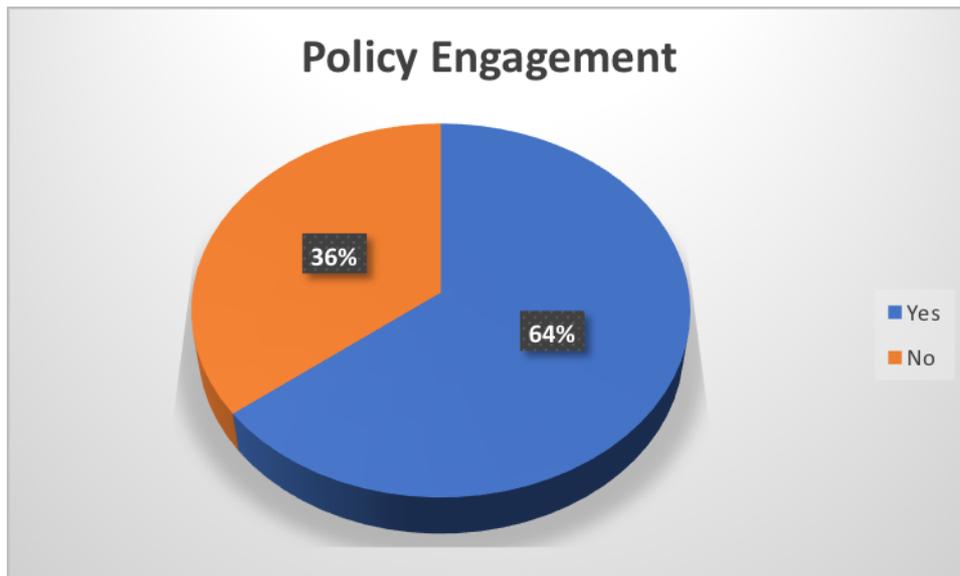


Figure 4-7 : Q8 Read through entire policy contract

4.1.1 Construct validity (negative policy engagement)

Factor analysis was undertaken in this study as a data reduction method and to assure construct validity.

Q9-12: Table 4-2 illustrates the results of the factor analysis with regard to negative policy engagement. The study reveals that four items were sufficient to explain the underlying structure of negative policy engagement. To determine the appropriateness of the factor analysis, a Kaiser’s measure of sample adequacy (MSA) needs to be computed. Table 4-2 confirms that the MSA is acceptable because the variable has a value greater than 0.5 (Hair *et al.*, 1998). Therefore, construct validity was assured as indicated in Table 4-2.

Table 4-2 : Q9-Q13 Negative policy engagement (Validity)

Construct	N	MSA	Number of factors retained	% Variance explained	Communality vary between
Negative Policy Engagement (Q9-Q13)	79	0.64	1	50.55	0.43 and 0.88

4.1.2 Reliability (negative policy engagement)

The reliability test was conducted by determining the Cronbach alpha of which the value must be larger than 0.7 for acceptability (Field, 2009). Table 4-3 illustrates that reliability was

assured for the construct negative policy engagement because the value calculated was 0.80.

Table 4-3 : Q9-Q13 Negative policy engagement (Reliability)

Construct	N	Cronbach Alpha reliability
Policy Engagement (Q9-Q13)	79	0.67

A mean negative policy engagement score was computed by averaging participants' responses on the 5-item negative policy engagement measure after reverse-scoring the appropriate items. It was necessary to reverse answers 3 and 4 on the Likert scale in Q13 to make the answer truly ordinal. Table 4-4 shows that a mean of 2.46 was computed which did not measure either high or low but almost exactly in the middle of the scale.

Table 4-4 : Q9-Q13 Negative policy engagement (Means procedure)

Variable	N	Mean	Std Dev
Negative policy engagement	90	2.46	0.67

Q14-17: Table 4-5 indicates that (96.67%) of respondents will not submit a claim, knowing that the cause of the loss is not covered in terms of the policy contract. Furthermore, (92.13%) of respondents confirmed that they have never cancelled their STI policy because of a claim being repudiated. However, (24.14%) indicates that they would indeed cancel their policy if their submitted claim is repudiated, even if the reason of the repudiation is valid in terms of the policy contract. Finally, only (1.11%) of respondents confirm that they would cancel their policy if their claim is repudiated despite their knowing that the claim submitted by them is not covered in terms of the policy contract.

Table 4-5 : Q14-Q17 Negative policy engagement

Question	Yes	No
14	3.33%	96.67%
15	7.87%	92.13%
16	24.14%	75.86%
17	1.11%	98.89%

4.2 CUSTOMER SATISFACTION (Q18-Q21)

This section of the questionnaire was compiled to determine the overall level of customer satisfaction the respondents have with the brokerage (Pleroma Brokers (Commercial) (Pty) Ltd.).

Table 4-6 illustrates the results of the factor analysis regarding customer satisfaction. The study reveals that four items were sufficient to explain the underlying structure of customer satisfaction. To determine the appropriateness of the factor analysis, a Kaiser's measure of sample adequacy (MSA) should be computed. Table 4-6 confirms that the MSA was acceptable because the variable has a value greater than 0.5, thus construct validity was assured (Hair *et al.*, 1998).

Table 4-6 : Q18-Q21 Customer satisfaction (Validity)

Construct	N	MSA	Number of factors retained	% Variance explained	Communality vary between
Customer satisfaction (Q18-Q21)	90	0.79	1	0.80	0.70 and 0.88

The reliability test was completed by determining the Cronbach alpha of which the value must be larger than 0.7 for acceptability (Field, 2009). Table 4-7 illustrates that reliability was assured for the construct customer satisfaction because the value calculated is 0.90.

Table 4-7 : Q18-Q21 Customer satisfaction (Reliability)

Construct	N	Cronbach Alpha reliability
Customer satisfaction (Q18-Q21)	90	0.90

A mean customer satisfaction score was computed by averaging participants' responses on the 4-item customer satisfaction measure. Table 4-8 shows that a mean of 3.77 was computed which measured high. Therefore, overall respondents show a high level of customer satisfaction with the company.

Table 4-8 : Q18-Q21 Customer satisfaction (Means procedure)

Variable	N	Mean	Std Dev
Negative policy engagement	90	3.77	0.46

4.3 COMMUNICATING WITH PLEROMA BROKERS (COMMERCIAL) (PTY) LTD, (Q22-Q26)

The intent of this section of the questionnaire was to establish the method of communication respondents prefer as a means of receiving information from the brokerage.

Q22-25: Table 4-9 indicates that the majority (36.67%) of respondents prefer to communicate with the brokerage by telephone to a very great extent. In contrast, (62.22%) of respondents do not want (or to some extent) to communicate with the brokerage by formal meetings. Furthermore, the majority of respondents (57.30%) prefer to communicate with the brokerage via e-mail also to a very great extent. And lastly, (78.16%) of respondents indicate that they want to receive communication by social media only to some extent, which indicates that this would not be the preferred method of communication.

Table 4-9 : Q22-Q25 Communicating with Pleroma Brokers

Question	1 = To some extent	2 = To a moderate extent	3 = To a great extent	4 = To a very great extent
Q22	8.89%	24.44%	30.00%	36.67%
Q23	62.22%	24.44%	10.00%	3.33%
Q24	2.25%	11.24%	29.21%	57.30%
Q25	78.16%	17.24%	4.60%	-

Q26: Figure 4-8 below clearly illustrates that the majority of respondents (98.89%) prefer communication from the brokerage via e-mail, only (1.11%) would like to receive information by post. The most interesting aspect of the information provided is that 0% of respondents would like to receive communication from the brokerage through the company website, company app or social media.

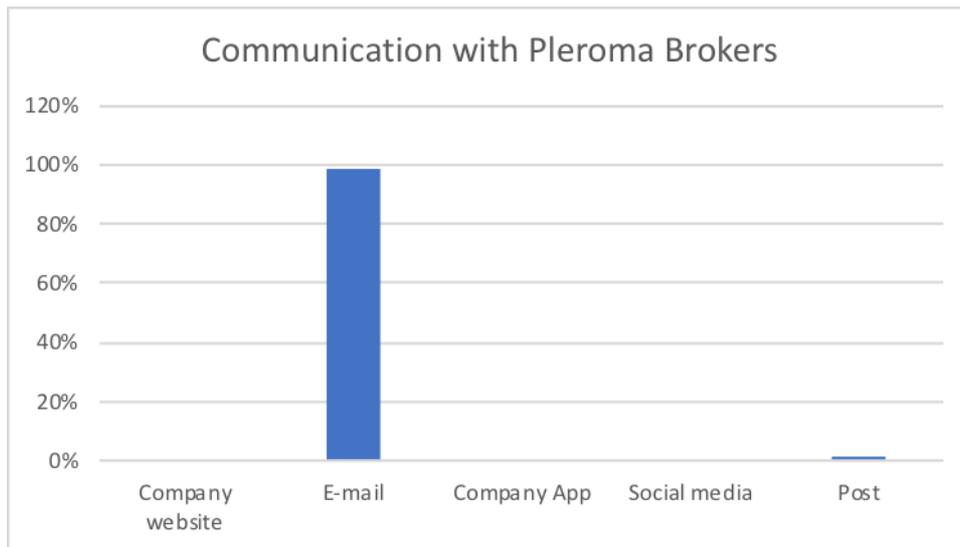


Figure 4-8 : Q26 Preferred method of receiving communication from Pleroma Brokers

4.4 POLICY KNOWLEDGE

Policy knowledge is the focus of the final section of the questionnaire, and was compiled to measure the respondent’s policy knowledge, specifically concentrating on those sections of the policy wording that causes the repudiation of the majority of claims submitted by the brokerage’s clients.

Q 27: Figure 4-9 illustrates that (65.56%) of respondents know that a claim can be repudiated because of misrepresentation or non-disclosure. Furthermore, (23.33%) did not know that it is important to always provide all the necessary information required even after a policy has been issued. Finally, (11.11%) of respondents do not think it is important to inform the insurer when the risk has materially changed.

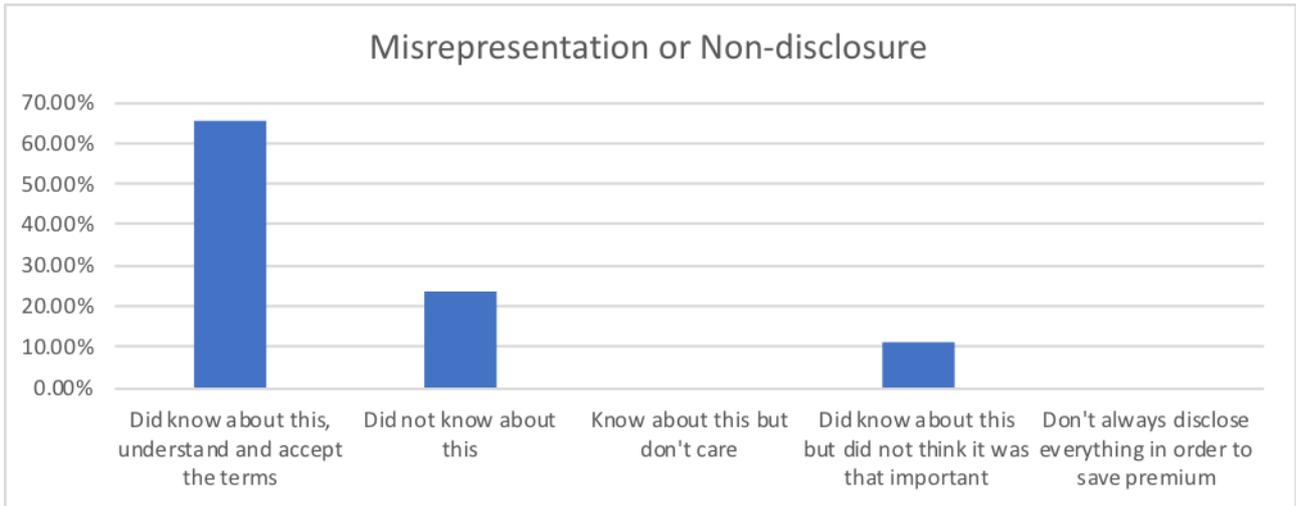


Figure 4-9 : Q27 Misrepresentation of non-disclosure

Q28: Figure 4-10 confirms that (82.22%) of respondents know that gradual causes of deterioration of property, such as normal wear and tear, are not covered in terms of the policy contract, with (11.11%) being unaware of this exclusion. Furthermore, (2.22%) do not care about the exclusion, while (3.33%) think cover for gradual causes is included and only (1.11%) know about the exclusion but do not have the funds to carry out proper maintenance.

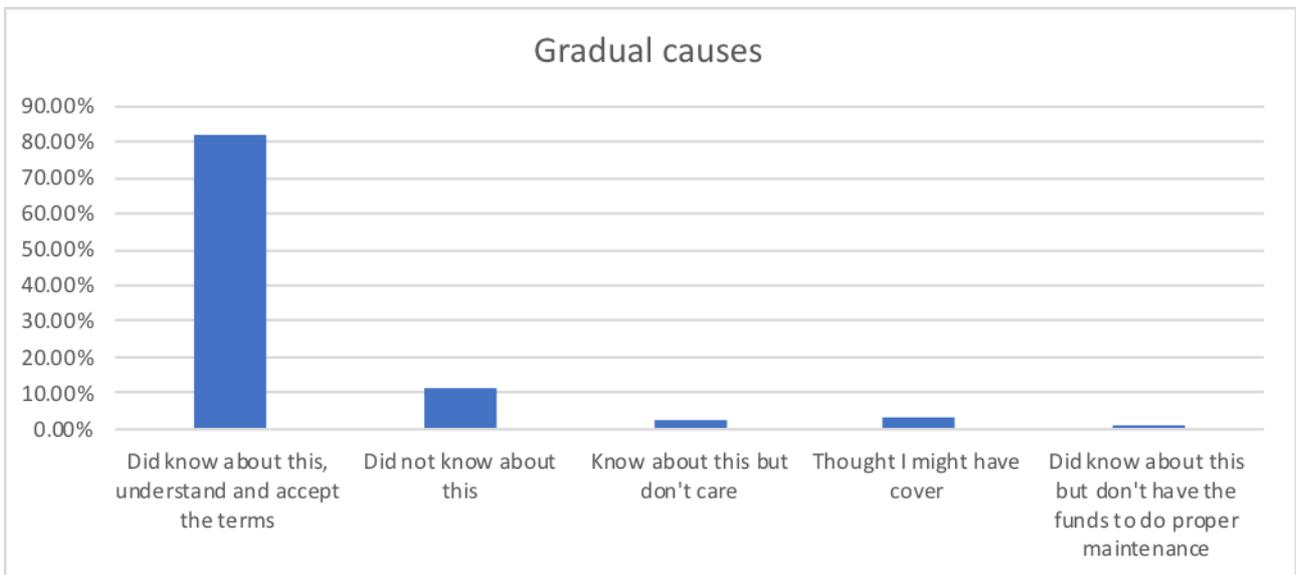


Figure 4-10 : Q28 Gradual causes

Q29: Question 29 focuses on damages resulting from faulty design, construction or materials. Figure 4-11 illustrates that (60.67%) of respondents know that cover is not provided should a building not conform to National Building Regulations, with (25.84%)

being uninformed regarding this specific exclusion. In addition, (1.12%) confirm that they are not concerned about not confirming to the regulations relating to this exclusion, (11.24%) thought cover is included in the policy wording and (1.12%) do not have the financial means to undertake repairs according to National Building Regulations.

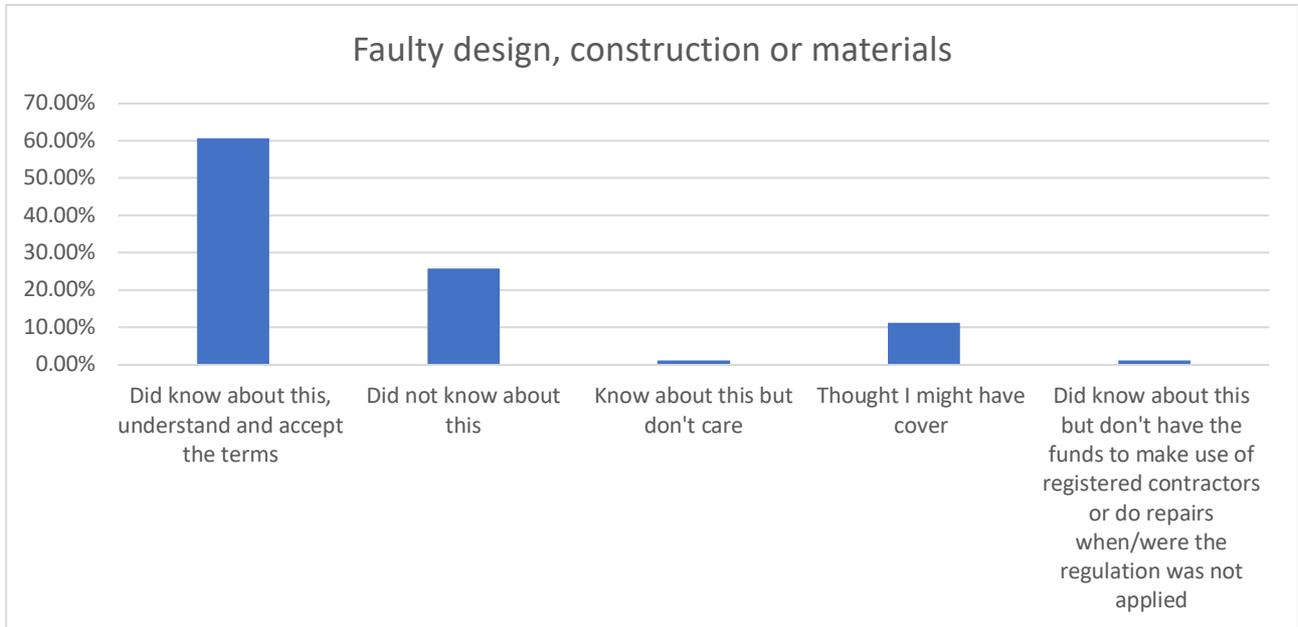


Figure 4-11 : Q29 Faulty design, construction or materials

Q30: Figure 4-12 indicates that (85.56%) of respondents know that it is important to specify items separately should cover be required for the specific item away from home, with (4.44%) not knowing of this exclusion. In addition (1.11%) are not concerned about cover for portable possessions, while (2.22%) think that cover is automatically included and (6.67%) do not want to incur the additional premium cost that would be incurred by specifying portable items.

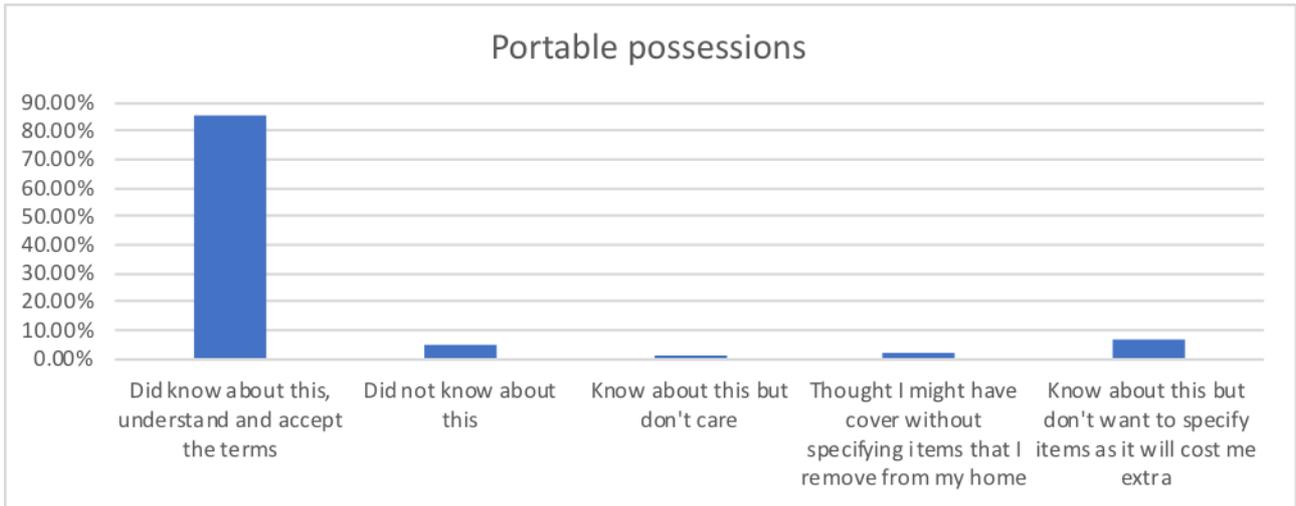


Figure 4-12 : Q30 Portable possessions

Q31: It is vital to always provide the insurer with the correct information when applying for cover or submitting a claim. Figure 4-13 indicates that (98.88%) of respondents are aware of the importance of providing the correct information, with (1.11%) confirming that they are not concerned about this clause.

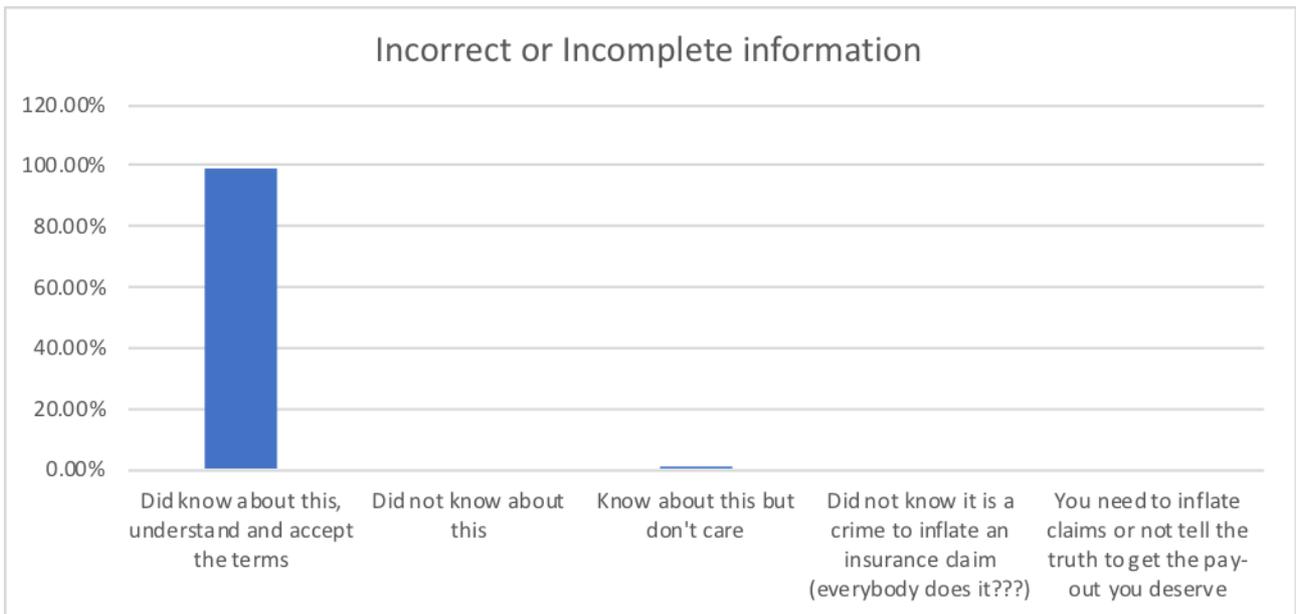


Figure 4-13 : Q31 Incorrect t or incomplete information

Q32: It is important to make sure a vehicle is locked when left unattended because there is no cover for items stolen from a vehicle without actual, visible, violent and/or forcible means of entry being evident, even if the item is specified separately in the policy. Figure 4-14 illustrates that (75.56%) of respondents know it is important to make sure a vehicle that is left unattended is locked in order for items inside the vehicle to be covered by their policy,

with (12.22%) who did not know it is important to lock an unattended vehicle. Furthermore, (1.11%) indicated that they are not concerned about this stipulation with (3.33%) who know about the clause but do not think they will suffer such a loss. Finally, (7.78%) think this type of cover is included in their policy contract.

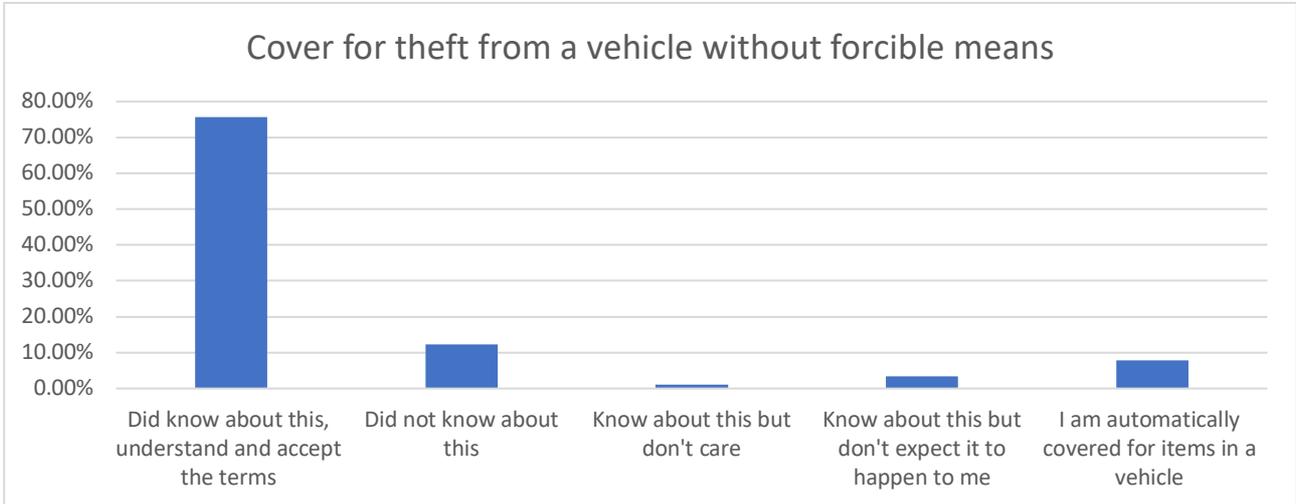


Figure 4-14 : Q32 Cover for items stolen from a vehicle without forcible means

Q33: It is important to insure household contents and/or the building for the total current replacement value. If not, the insured will be liable for his/her share of the loss or damages incurred. Figure 4-15 below confirms that (80.00%) of respondents know about the “average” clause, and (14.44%) do not. In addition, (2.22%) of respondents know about the clause but do not expect the clause to be applicable to them, with (3.33%) who cannot find the time to compile an accurate inventory or do not have the financial means to pay an organization to compile an inventory on their behalf.

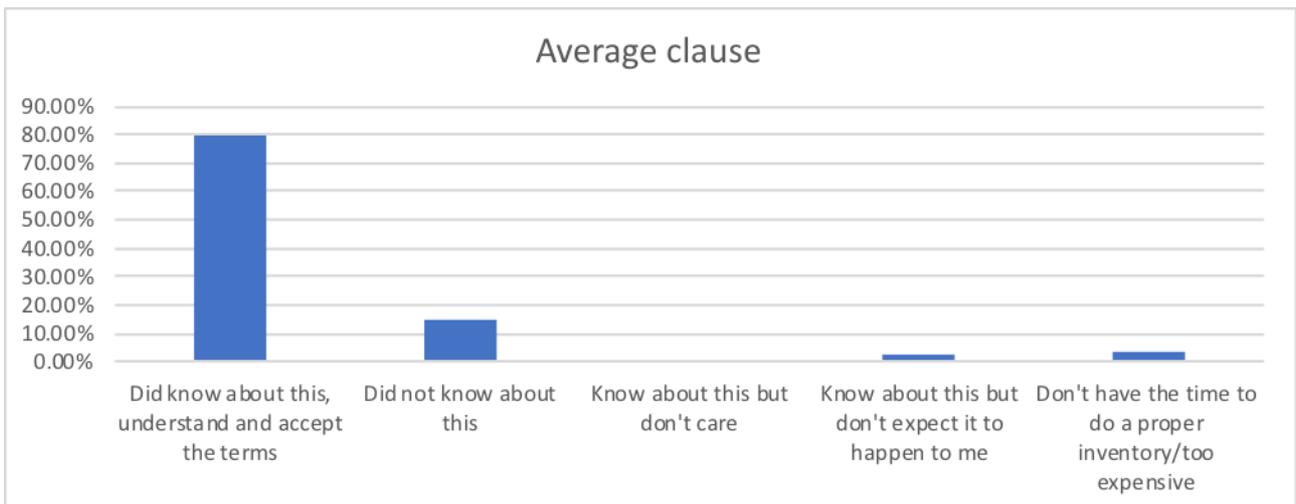


Figure 4-15 : Q33 Average clause

In essence, there are a few important results that came to light from the analysis of the data submitted via the responses to questionnaires, specifically referring to the fact that 36% of respondents have never read through their policy contract in its entirety. This lack of commitment is mainly the result of a too long, confusing and overwhelming policy document. It is also important to notice that 24% of respondents will cancel their policy after a claim is repudiated even if the reason for such repudiation is covered in terms of the policy. Overall, the respondents are very satisfied with the service rendered by Pleroma Brokers (Commercial) (Pty) Ltd. In addition, it is clear that the preferred method of communication between respondents and the brokerage is by e-mail. The results of the data analysis will be discussed in more detail in Section 4.4 of this chapter.

4.5 EFFECT SIZES

As a result of the fact that no random sampling was completed, interpretation of comparisons between group means was undertaken according to Cohen's effect sizes (Cohen, 1988). Effect sizes indicate practical significance, that is the extent to which a difference is large enough to have an effect in practice (Steyn, 2009). The following guidelines were used for d-values regarding differences between means: small effect: $d = |0.2|$; medium effect (noticeable with the naked eye): $d = |0.5|$; large effect: $d = \cong |0.8|$.

4.5.1 Differences between male and female

As can be seen from Table 4-9 there is no practical difference between male and female regarding their negative policy engagement ($d=0.33$). However, there is a difference in customer satisfaction with a medium practical effect ($d=0.51$). This difference means that female ($m=3.95$) customer satisfaction is higher than that of male respondents ($m=3.68$), a fact which is noticeable with the naked eye (Cohen, 1988).

Table 4-9: Descriptive statistics and effect sizes on negative policy engagement and customer satisfaction for differences between male and female

Construct	Group	N	Mean	Std Dev	p-value	d-value
Negative policy engagement	Male	60	2.38	0.64	0.14	0.33
	Female	29	2.61	0.71		
Customer satisfaction	Male	60	3.68	0.52	0.0014*	0.51 ^Δ
	Female	29	3.95	0.24		

Note – Std Dev = standard deviation

*Statistically significant at 0.0014 level according to t-test results independent groups

4.5.2 Differences between respondents who read the policy contract in its entirety and those who do not do so.

As can be seen from Table 4-10 there is a practical difference in negative policy engagement between respondents who read the policy contract in its entirety and those who do not do so, to a large effect (d=1.33). However, there is no practical difference in customer satisfaction (d=-0.25). These results indicate that respondents who do not read their policy contract in its entirety (m=2.96) have a higher level of negative policy engagement as opposed to respondents who do read their policy contract in its entirety (m=2.19).

Table 4-10: Descriptive statistics and effect sizes on negative policy engagement and customer satisfaction for differences between respondents reading their policy contract as opposed to respondents who do not

Construct	Group	N	Mean	Std Dev	p-value	d-value
Negative policy engagement	Yes	58	2.19	0.58	<.0001*	1.33 ^Δ
	No	32	2.96	0.50		
Customer satisfaction	Yes	58	3.82	0.37	0.21	-0.25
	No	32	3.67	0.59		

Note – Std Dev = standard deviation; Yes = respondents who read their policy contract in its entirety; No = respondents who did not read their policy contract in its entirety

*Statistically significant at <.0001 level according to t-test results independent groups

4.5.3 Differences between respondents' qualifications

As can be seen from Table 4-11 there is a practical difference in negative policy engagement between respondents who have a diploma, high school matric or equivalent qualification or less than a high school qualification and those who have a tertiary degree or post graduate achievement, to a medium effect (d=0.55). However, there is no practical difference in customer satisfaction (d=-0.21). These statistics indicate that respondents who achieve a

degree or post graduate qualification show a higher level of negative policy engagement (m=2.63) as opposed to respondents who only have a diploma, high school matric or equivalent, or less than a high school qualification (m=2.26).

Table 4-11: Descriptive statistics and effect sizes on negative policy engagement and customer satisfaction for differences between qualification groups

Construct	Group	N	Mean	Std Dev	p-value	d-value
Negative policy engagement	Diploma	41	2.26	0.68	0.0081*	0.55
	Degree	49	2.63	0.61		
Customer satisfaction	Diploma	41	3.82	0.41	0.28	-0.21
	Degree	49	3.72	0.50		

Note – Std Dev = standard deviation; Diploma = Include respondents with a qualification less than a high school qualification, high school matric or equivalent and tertiary diploma; Degree = Include respondents with a degree and post graduate qualifications

*Statistically significant at 0.0081 level according to t-test results independent groups

4.5.4 Differences between age groups

Two age groups were created, below 30 years and above 30 years to determine if there is a practical difference in relation to respondents' age. The outcome is clear, there are no practical differences between the two age groups on negative policy engagement and customer satisfaction.

4.5.5 Differences between owning a business and not owning a business

Means were calculated to determine if there is a practical difference between respondents who own/do not own a business on negative policy engagement and customer relationship. The outcome is clear, there are no practical differences between respondents who own/do not own a business in relation to negative policy engagement and customer satisfaction.

4.6 DISCUSSION

The purpose of this study is to determine why clients submit claims that are not covered in terms of a STI policy. In addition to the latter exploration, recommendations will be discussed regarding possible methods insurers can use in order to minimize the submission of claims that are subsequently repudiated. When claims are repudiated, clients suffer a financial or property loss which leads to their dissatisfied and creates distrust in their service provider. The result of this outcome is that clients then cancel their policies and move their business

to a competitor, an action which has a negative financial impact on the original service provider which, in this case, is Pleroma Brokers (Commercial) (Pty) Ltd).

4.6.1 Discussion on policy knowledge

It is evident that (36%) of respondents have never read through their policy contract in its entirety. The percentage is lower than the (60%) that is recorded in a study of the Nationwide Mutual Insurance Company (Nationwide Mutual Insurance Company, 2013). However, the researcher believes that the result of (36%) is still too high and has a significant impact on claims being submitted that are not covered in terms of the policy contract. The results of this study also confirms that the majority of respondents who do read their policy contract in its entirety only do so at the commencement of the policy.

In addition, respondents find their policy contract too long, confusing and overwhelming, a fact that is confirmed by the study undertaken by Nationwide Mutual Insurance Company and discussed in Chapter 1 (Nationwide Mutual Insurance Company, 2013). In the opinion of the researcher, respondents do not read their policy contract in its entirety because it becomes very onerous to read such a long, confusing, and overwhelming document. Furthermore, if respondents find their policy contracts too long, confusing, and overwhelming, they are unlikely to know or understand that the claim submitted by them is not covered in terms of the policy contract.

The results of this study further confirm that respondents will not submit a claim if they know the claim will not succeed in terms of the policy contract. In addition, (24%) of respondents confirm that they will cancel their policy with the service provider should a claim submitted by them be repudiated, regardless of whether the cause of loss is insurable or not. The latter finding has a direct relationship with the study of Loots and Grobler (2013:334), that confirms that clients will terminate their policy should a claim submitted by them be repudiated. The reason for the cancellation of the policy is because clients have an expectation that their insurer will compensate them for their loss, which is not the case when a claim is repudiated.

A focus on the last seven questions of the questionnaire that test the respondents' knowledge of specific clauses, once again confirms that a high percentage of clients lack policy knowledge. Some responses indicate a higher level of misunderstanding over others.

It is confirmed, however, that there is a need for improvement, specifically in terms of the respondents' policy knowledge because this is the main reason for clients submitting claims that are not covered in terms of the policy contract. Only specific aspects of policy knowledge are measured in this study, which is an unavoidable limitation but provides the opportunity for further investigations.

4.6.2 Discussion on negative policy engagement

Referring to the factor analysis on negative policy engagement it is clear that respondents are not really engaged in their policy, specifically with those sections that refer to the condition of the contract. To be able to understand the contract fully, it is important for a client to engage with it by trying to read through the contract, as well as seeking to understand the contents thereof. If any of the information is unclear, the client has the option of contacting the brokerage or insurer and asking for assistance. It is, therefore, important for the brokerage to develop methods that will encourage clients to engage with their policies. This involvement will increase the client's understanding of the contract, and if the client understands the contract he/she will be less likely to submit a claim that will not be covered in terms of the policy. This fact is confirmed through the responses because (96.76%) of the study population confirm that they will not submit a claim knowing that the cause of loss is not covered in terms of the policy contract.

4.6.3 Discussion on customer satisfaction

The results of this study confirm that respondents overall are very satisfied with the service received from Pleroma Brokers (Commercial) (Pty) Ltd. Furthermore, respondents confirm that they will recommend the brokerage to friends and colleagues because the service received is of a high quality with prompt response rates in terms of their requests. Customer satisfaction creates a high level of customer loyalty which, in turn, improves revenue, profitability and cashflows (Williams and Naumann, 2011:32). Epetimehin (2011:62) agrees and maintains that customer satisfaction, customer loyalty and customer retention are needed to build a sustainable company in a very competitive industry.

4.6.4 Discussion on clients' preferred method of communicating with Pleroma Brokers (Commercial) (Pty) Ltd.

The results of this section confirm that the majority (57.30%) of respondents prefer to communicate with the brokerage via e-mail. This reaction is very positive because e-mail is currently the main method of communication used by Pleroma Brokers (Commercial) (Pty) Ltd. This factor is a very important element because using the incorrect method of communication can be the cause of clients not receiving valuable information. Effective communication is closely related to the clients' level of satisfaction, trust and knowledge of the broker. Clients are more likely to stay with service providers that they feel have excellent communication channels (Loots and Grobler, 2013). By managing these elements correctly and acting pro-actively, brokers will develop their clients' commitment levels.

4.7 CONCLUSION

With a high rate of claim repudiations in a very competitive market it has become important to learn why clients submit claims that are not covered in terms of the STI policy they entered into. The repudiation of claims leaves clients unsatisfied and leads to clients transferring their business to a competitor

The following research questions were answered by analyzing the data obtained by analyzing the returned questionnaires;

Research question 1: Why do clients submit claims that are not covered in terms of the policy contract?

The study confirms that a high percentage of clients (36%) do not read through their insurance policy in its entirety, and, if they do, it is usually only at the commencement of the policy. Even if a client reads the policy in its entirety, he/she is highly unlikely to remember all the clauses, exclusions, policy terms, endorsements and co-payments after a year or two, especially if the client does not engage with the policy information on a daily basis. Another important finding is that a high percentage of clients find the policy document too long, confusing and overwhelming, a fact that is confirmed by the results of Questions 9-12. It is unlikely that a client will know if he/she has submitted a valid claim if the contract is too difficult to understand. Therefore, the reason clients submit claims that are not covered in

terms of the policy contract, can be because of a lack of knowledge. Clients cannot have knowledge of a contract if the contract has never been read or if clients find the content of the contract very long, confusing and overwhelming.

Research Question 2: What can be done to minimize the submission of claims that are subsequently repudiated?

To answer this particular question, the researcher focused on negative policy engagement, customer satisfaction and the method being used to communicate with clients. The reason for this is to ensure the company communicates with clients through their preferred communication channel, because it does not make sense to provide clients with information through a channel that they are not interested in using. The responses to Question 26 confirm that clients prefer to communicate via e-mail, which is currently the main method Pleroma Brokers (Commercial) (Pty) Ltd uses to communicate with clients. It is very important to make sure clients are satisfied with the way their broker communicates with them. Furthermore, the collected data indicates that the study population measures high on negative policy engagement, especially those respondents who have never read their policy contract in its entirety. Therefore, as is confirmed in response to Question 1, the brokerage needs to investigate and determine what methods can be used to increase both policy knowledge policy engagement. Increasing client's policy engagement will minimize the submission of claims that are repudiated, a fact that is confirmed by the answers to Question 14 (96.67%) of respondents confirm that they will not submit a claim knowing that the cause of loss is not covered in terms of the policy contract. Furthermore, the content of the policy contract must be available in a shorter version that is less confusing and overwhelming, in order to encourage clients to positively engage with their policy.

Research Question 3: Is there a relationship between demographics and the submission of claims that are being repudiated?

There is no clear indication that demographics have an influence on the submission of claims that are repudiated. However, the following are interesting factors that provide insight on this study and could form the focus of further research. Firstly, female respondents show a higher level of customer satisfaction. This fact is an indication that the company needs to consider and focus on methods that will specifically increase the customer satisfaction levels of male clients. This development is important because (67.42%) of the study population are males.

Secondly, respondents with a higher level of education indicate a higher level of negative policy engagement. Therefore, it is important to include people from a wide-range of educational backgrounds when focusing on methods to encourage clients to engage more actively with their STI policies, and, in particular, to motivate 'buy-in' from those with degree and post-degree qualifications.

Research Question 4: Which forms of communication will be the most efficient and effective for informing clients regarding the cover included in their policy?

Pleroma Brokers (Commercial) (Pty) Ltd currently use the correct communication channel to communicate with the study population. From analyzing the results from Questions 22-26 it is clear that respondents prefer to communicate via e-mail. Therefore, all important information must be sent via e-mail because this is the preferred method of communication and the company has the best chance of ensuring that clients read the information that it sends to them which, in turn, will help them to engage more fully with their STI policy and, hopefully, lead to increased levels of policy knowledge.

The study is insightful because it is very important for brokers to know why clients submit claims that are not covered in terms of the policy contract. After a client has a claim rejected, he/she is more likely to cancel the policy and move over to a competitor because there are no costs involved in this transaction and is very easy to switch brokers/insurers. Pleroma Brokers (Commercial) (Pty) Ltd should now focus on creating shorter and more understandable policies to help clients understand the terms, clauses, endorsements and exclusions of their contracts. It is also very important to focus on techniques that will encourage greater client engagement in their STI policies. These more comprehensible documents will minimize the submission of claims that are not covered in terms of the policy contract and reduce policy cancellations from dissatisfied clients. Another important benefit from such an innovation is that clients will incur less financial and property losses because they will understand the exclusions and ensure that they comply with the terms of the policy contract. As confirmed in the literature review (Chapter 1.7) satisfied clients are more loyal to the company, a factor which increases customer retention, revenue and adds value, thus helping to build a sustainable company in a highly competitive industry.

4.7.1 Recommendations

Difficult insurance concepts (such as those contained in policy documents) need to be explained in a shorter, easier and more visual manner to improve clients' understanding of their contracts. One-page documents, with practical examples provided on a more regular basis via e-mail, will help clients to better understand these concepts. Information must be sent to clients on a continual basis, because most clients only read their insurance policy at the commencement of their contract.

Hosting of network sessions with clients can be a method to create a platform to explain and discuss specific insurance concepts with the objective of increasing clients' policy knowledge. Sending surveys on a more regular basis is another method that could help to identify the difficult concepts that Pleroma Brokers (Commercial) (Pty) Ltd need to focus on.

Although social media platforms are not the preferred method of communication, they are still an effective channel to encourage clients to become more engaged with their STI policy. Such engagement can be achieved by developing games and quizzes on policy knowledge that offer opportunities to win prizes, whose main objective is to inspire clients to become more actively engaged with their STI policy.

4.7.2 Limitations and suggestions for further research

Although the findings from this research study cannot be generalized, it provides valuable insight within the client base of Pleroma Brokers (Commercial) (Pty) Ltd and has uncovered elements for further investigations.

Limitations

- The majority of respondents included in this study have obtained a post matric qualification. Therefore, the data obtained may not necessarily be representative of the non-graduate workforce because richness of insight may vary.
- The response rate is lower than was expected, a fact which indicates that most clients do not engage in correspondence as a means of improving their insight into the industry of STI.

Suggestions for further research

- What are the psychological factors leading to the cancellation of policies after a claim has been repudiated.
- Will the minimizing of claims increase customer satisfaction and higher client retention rates?
- What methods can be implemented to increase the level of clients' policy engagement?
- Will a higher level of clients' policy engagement minimize the submission of claims that are not covered in terms of STI contracts?

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ANNEXURE A – RESPONDENT LETTER

Dear Respondent,

My name is Jacques du Toit, and I am a postgraduate student enrolling in an MBA degree at the North-West University of Potchefstroom. Being a valued client of Pleroma Brokers, you are invited to participate in this research study by completing the survey that will be forwarded to you via e-mail through a software application called Google Forms. The questionnaire will require approximately 10 minutes of your time to complete.

The research design is based on a quantitative approach, consisting of a self- developed and self-completion questionnaire compiled with closed-ended questions. Questions relating to basic demographic information such as age, gender, highest qualification etc. will also be included in the questionnaire.

Please do not include your name because this will ensure that all information remains confidential, as we respect and ensure confidentiality. If you decide to participate in the research study please answer all questions as honestly as possible. The application (Google Forms) will automatically return your completed questionnaire to the researcher for data analysis. Participation is strictly voluntary and you may choose to refuse participation at any time without stating your reasons. Completion of the questionnaire will be open for 14 days.

Thank you for taking the time to assist me with the research study to complete my MBA degree. The objective of this research is to identify the reasons for claims being submitted that are not covered in terms of an insurance contract and how to minimise the submission of claims that will not excel (be accepted) in terms of the policy contract.

The results of this study will be available for any participant who wishes to receive the information after the study has been completed. If you require any additional information or have any further questions, please feel free to contact the researcher.

The information gathered for the study will only be available to the North-West University and the researcher. All copies of the completed questionnaires will only be kept electronically and will be deleted after the data analysis is fully completed.

If you are not satisfied with the manner in which the study is being conducted, please feel free to report your concerns to Leonie Smit (Managing Director of Pleroma Brokers) (012) 345 5052 or the North-West University School of Business and Governance (018) 299 1400.

Yours sincerely,

MJ (Jacques) du Toit
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ANNEXURE B - QUESTIONNAIRE

Self-administered questionnaire

Below are the questions that will be included in the questionnaire to be distributed to the respondents. The questions will be populated into a software application called Google Forms that will distribute the questionnaires via e-mail. All respondents will receive an e-mail with a link that will guide them to the questionnaire for completion should they decide to participate. Below is an exact example of how the questions will look like when received by the respondent:

MBA Research questionnaire

Demographic information

1. **Question 1: What is your current age (only years)?**

2. **Question 2: Which gender do you identify with?**

Mark only one oval.

- Male
 Female
 I identify with a gender other than male or female

3. **Question 3: What is the highest level of school you have completed or the highest degree you have achieved?**

Mark only one oval.

- Less than a high school degree
 High school qualification or equivalent
 Diploma
 Degree
 Post graduate

4. **Question 4: Does anyone in your household own a business?**

Mark only one oval.

- Yes
 No

5. **Question 5: Which of the following categories best describe your employment status?**

Mark only one oval.

- Employed, working more than 40 hours per week
- Employed, working 1-39 hours per week
- Not employed, looking for work
- Not employed, not looking for work
- Retired
- Disabled, not able to work

6. **Question 6: Indicate the language you speak in your household**

Mark only one oval.

- Afrikaans
- English
- Ndebele
- Northern Sotho
- Sotho
- SiSwati
- Tsonga
- Tswana
- Venda
- Xhosa
- Zulu

7. **Question 7: Which of the following describes your current relationship status?**

Mark only one oval.

- Married/Living together
- Widowed
- Divorced
- Separated
- Single, never been married

8. **Question 8: Have you ever read through your short term insurance policy contract (schedule and policy wording) in its entirety?**

Mark only one oval.

Yes

No

9. **Question 9: If so, did you understand the content of your short term insurance policy contract? 1 = To some extent and 4 = To a very great extent**

Mark only one oval.

1 2 3 4

To some extent To a very great extent

10. **Question 10: Did you find the policy contract too long? (Scale 1-4) 1 = To some extent, and 4 = To a very great extent**

Mark only one oval.

1 2 3 4

To some extent To a very great extent

11. **Question 11: Did you find the policy contract confusing? (Scale 1-4) 1 = To some extent, and 4 = To a very great extent**

Mark only one oval.

1 2 3 4

To some extent To a very great extent

12. **Question 12: Did you find the policy contract overwhelming? (Scale 1-4) 1 = To some extent, and 4 = To a very great extent**

Mark only one oval.

1 2 3 4

To some extent To a very great extent

13. **Question 13: When last did you read through your policy contract in its entirety? (Scale 1-4) 1 = Never, 2 = Only with commencement, 3 = Within the past 6 months, 4 = Annually**

Mark only one oval.

	1	2	3	4	
Never	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Annually

14. **Question 14: Have you ever submitted a claim to your insurer knowing that the cause of the loss is not covered in terms of the policy contract?**

Mark only one oval.

- Yes
 No

15. **Question 15: Have you ever cancelled your short term insurance policy because your claim was repudiated?**

Mark only one oval.

- Yes
 No

16. **Question 16: Will you cancel your short term insurance policy if a claim submitted by you gets repudiated, no matter if the cause (reason for loss) was insurable or not?**

Mark only one oval.

- Yes
 No

17. **Question 17: Will you cancel your short term insurance policy after a claim has been repudiated, and you consciously know it was not a valid claim in terms of the policy contract?**

Mark only one oval.

- Yes
 No

18. **Question 18: How likely is it that you would recommend Pleroma Brokers to a friend or colleague? (Scale 1-4) 1 = Unlikely, 2 = Somewhat unlikely, 3 = Somewhat likely, and 4 = Very likely**

Mark only one oval.

1 2 3 4

Unlikely Very likely

19. **Question 19: Overall, how satisfied are you with Pleroma Brokers? (Scale 1-4) 1 = Dissatisfied, 2 = Somewhat dissatisfied, 3 = Somewhat Satisfied, and 4 = Very Satisfied**

Mark only one oval.

1 2 3 4

Dissatisfied Very satisfied

20. **Question 20: How would you rate the quality of service of Pleroma Brokers? (Scale 1-4) 1 = Very poor, 2 = Somewhat poor, 3 = Somewhat good, and 4 = Extremely good**

Mark only one oval.

1 2 3 4

Very poor Extremely good

21. **Question 21: How responsive have Pleroma Brokers been to any of your requests/queries? (Scale 1-4) 1 = Not responsive, 2 = Somewhat responsive, 3 = Very responsive, and 4 = Extremely responsive**

Mark only one oval.

1 2 3 4

Not responsive Extremely responsive

22. **Question 22: Do you prefer to communicate with Pleroma Brokers by telephone? (Scale 1-4) 1 = To some extent, 2 = To a moderate extent, 3 = To great extent, and 4 = To a very great extent**

Mark only one oval.

1 2 3 4

To some extent To a very great extent

23. **Question 23: Do you prefer to communicate with Pleroma Brokers through formal meeting? (Scale 1-4) 1 = To some extent, 2 = To a moderate extent, 3 = To great extent, and 4 = To a very great extent**

Mark only one oval.

1 2 3 4

To some extent To a very great extent

24. **Question 24: Do you prefer to communicate with Pleroma Brokers by e-mail? (Scale 1-4) 1 = To some extent, 2 = To a moderate extent, 3 = To great extent, and 4 = To a very great extent**

Mark only one oval.

1 2 3 4

To some extent To a very great extent

25. **Question 25: Do you prefer to communicate with Pleroma Brokers via social media? (Scale 1-4) 1 = To some extent, 2 = To a moderate extent, 3 = To great extent, and 4 = To a very great extent**

Mark only one oval.

1 2 3 4

To some extent To a very great extent

26. **Question 26: How do you mainly prefer to receive general communication from your Brokerage?**

Mark only one oval.

- Company website
- E-mail
- Company App
- Social media
- Post

27. **Question 27: We will not pay your claim if the risk has materially increased due to any reason whatsoever without your having notified us about accepting the increased risk. For the purpose of motor insurance, the age of each regular driver, use of each insured vehicle and changes thereto, should be declared at all times. You should also let us know should the driver's licence of any regular driver is endorsed and if any insured person is declared insolvent. Misrepresentation or non-disclosure of any material fact entitles us to avoid liability on the entire policy or a particular risk or section of the policy affected.**

Mark only one oval.

- Did know about this, understand and accept the terms
- Did not know about this
- Know about this but don't care
- Did know about this but did not think it was that important
- Don't always disclose everything in order to save premium

28. **Question 28: A short-term insurance policy does not cover gradual causes such as wear and tear, depreciation, mildew, fading, the action of atmospheric conditions, moths, insects or vermin.**

Mark only one oval.

- Did know about this, understand and accept the terms
- Did not know about this
- Know about this but don't care
- Thought I might have cover
- Did know about this but don't have the funds to do proper maintenance

29. **Question 29: Any loss or damage directly or indirectly resulting from faulty design, construction or materials. Loss or damage if your building was not constructed according to the rules of the National Building Regulations or similar laws at the time of building loss or damage.**

Mark only one oval.

- Did know about this, understand and accept the terms
- Did not know about this
- Know about this but don't care
- Thought I might have cover
- Did know about this but don't have the funds to make use of registered contractors or do repairs were regulation was not applied

30. **Question 30: We will cover personal items which you would normally carry and remove from your home if the item is specified separately on your insurance policy for an additional premium. You may insure your clothing and personal items, jewellery, watches, portable possessions, electronic devices and other items that you take out of your building.**

Mark only one oval.

- Did know about this, understand and accept the terms
- Did not know about this
- Know about this but don't care
- Thought I might have cover without specifying items that I remove from my home
- Know about this but don't want to specify items as it will cost me extra

31. **Question 31: Always provide us with the truth and complete information when you apply for cover, make changes to your policy or submit a claim. We use the information provided by you to determine the cover, conditions of cover and the premium due. Incorrect or incomplete information may result in your not having cover and may affect the outcome of the claim.**

Mark only one oval.

- Did know about this, understand and accept the terms
- Did not know about this
- Know about this but don't care
- Did not know it is a crime to inflate an insurance claim (everybody does it???)
- You need to inflate claims or not tell the truth to get the pay-out you deserve

32. **Question 32: You will not enjoy cover for theft from a vehicle unless the vehicle was locked and entry into the vehicle was gained by actual, visible, violent and forcible means (even if the item was specified in the policy).**

Mark only one oval.

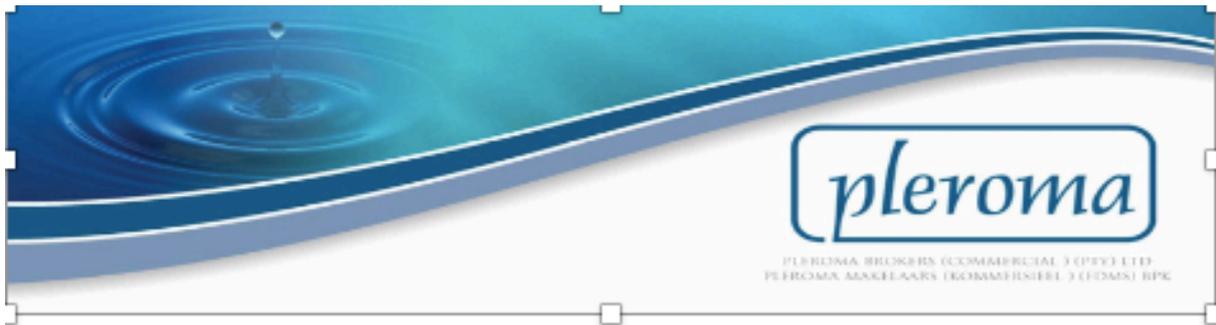
- Did know about this, understand and accept the terms
- Did not know about this
- Know about this but don't care
- Know about this but don't expect it to happen to me
- Thought I have automatically cover for items in a vehicle

33. **Question 33:** You must insure your household contents and buildings for the correct value. The correct value is the total, current replacement cost of your insured property. This is listed as the sum insured on your policy schedule. If at the time of any loss or damage, the amount which is needed to replace all your insured property with similar and/or new property is more than the amount it is insured for, you will be expected to bear your share of the loss or damage for the difference. For example, if the correct value of your household contents is R600 000 and you have insured it for R300 000 and you have a loss of R100 000, you will only be compensated for 50% of your loss (or R50 000).

Mark only one oval.

- Did know about this, understand and accept the terms
- Did not know about this
- Know about this but don't care
- Know about this but don't expect it to happen to me
- Don't have the time to do a proper inventory/too expensive

ANNEXURE C – COMPANY CONSENT



2 Augustus 2018

FROM:
PLEROMA BROKERS (COMMERCIAL) (PTY) LTD
121 Sovereign Drive
Route 21 Corporate Park
Irene
0157

TO:
NORTH-WEST UNIVERSITY IN POTCHEFSTROOM
The Office of the Registrar
Building F1
11 Hoffman Street
Potchefstroom
2351

To Whom It May Concern,

It is our pleasure to be part of the research study performed by Jacques du Toit, who has been employed with Pleroma Brokers for the past 6 years.

I hereby confirm that we fully support the research study and are aware that Jacques du Toit will be contacting the clients of the brokerage via e-mail in order to gather information needed to complete his mini-dissertation. He has full access to the clients of the Brokerage and may use their contact details on record to make contact as needed.

Should you have any queries please feel free to contact the writer.

Sincerely,
Leonie Smit

DIRECTORS | DIREKTORE:
L. SMIT (MANAGING / BESTUREND) | PROF. N. P. DU PREEZ D.SC. (DU / VIR. C.H.O.) MBL (UNISA) | L. SMIT
J.J. WISSERS | H.M. GOOSEN

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ANNEXURE D – RESPONDENT CONSENT LETTER

MBA Study: Minimizing claims being repudiated in the short term insurance industry:
Concentrating on clients of Pleroma Brokers (Commercial) (Pty) Ltd
Institution: North-West University, Potchefstroom
Course: Masters in Business Administration, MBA
Field of study: Human Resources
Researcher: MJ (Jacques) du Toit
Tel: 074 1061 353
Email: Jacques@pleroma.co.za

Dear Respondent

This **Informed Statement of Consent** serves to provide information and to obtain consent regarding the research pertaining to the MBA Mini-dissertation relating the minimising of claims repudiated in the short-term insurance industry.

1. The objective of this research is to identify the reasons for claims being submitted that are not covered in terms of an insurance contract and how to minimise the submission of claims that will not excel in terms of the policy contract.
2. This research design is based on a quantitative approach, consisting of a self- developed and self-completion questionnaire compiled with closed-ended questions. A request for basic demographic information such as age, gender, highest qualification etc. will also be included in the questionnaire.
3. A specific period of time will be allocated to the distribution, completion and collection of the questionnaires. This will all be conducted electronically through a software application called Survey Monkey.
4. Participation is strictly voluntary, however every person identified within the sample group is encouraged to participate. Should the respondent at any time feel uncomfortable h/she has the right to end participation immediately.
5. The confidentiality, privacy and anonymity of each respondent are guaranteed by means of this statement.
6. An electronic copy of the final dissertation will be made available to the respondents if they wish to obtain one.
7. The information obtained by this statement will also be kept confidential.

I _____ (Initials & Surname), acknowledge that I have read and understand all the information contained within this Informed Statement of Consent. I hereby give Mr MJ du Toit my full consent in regard to participating in the completion of the self-administered questionnaire and the use of the data gathered by means of the questionnaire.

Name & designation	Date	Signature
Prof J Visagie (Supervisor)		
Mr MJ du Toit (Researcher)		
Respondent		

ANNEXURE E – SOLEMN DECLARATION



Higher Degrees Administration

SOLEMN DECLARATION AND PERMISSION TO SUBMIT

1. Solemn declaration by student

i. Marius Jacques du Toit

declare herewith that the thesis/dissertation/mini-dissertation/article entitled (exactly as registered/approved title),

Minimising claims being repudiated in the short-term insurance industry: Concentrating on clients with Pieroma Brokers

which I herewith submit to the North-West University is in compliance/partial compliance with the requirements set for the degree:

MBA

is my own work, has been text-edited in accordance with the requirements and has not already been submitted to any other university.

LATE SUBMISSION: If a thesis/dissertation/mini-dissertation/article of a student is submitted after the deadline for submission, the period available for examination is limited. No guarantee can therefore be given that (should the examiner reports be positive) the degree will be conferred at the next applicable graduation ceremony. It may also imply that the student would have to re-register for the following academic year.

Signature of Student

University Number 28487893

Signed on this 13 day of September of 20 18

2. Permission to submit and solemn declaration by supervisor/promoter

The undersigned declares that the thesis/dissertation/mini-dissertation complies with the specifications set out by the NWU and that:

- the student is hereby granted permission to submit his/her mini-dissertation/ dissertation/thesis:
 Yes No
- that the student's work has been checked by me for plagiarism (by making use of Turnitin software for example) and a satisfactory report has been obtained:
 Yes No

Signature of Supervisor/Promoter

Date 1 Nov. 2018

ANNEXURE F – DECLARATION OF LANGUAGE EDITING

DECLARATION OF LANGUAGE EDITING

of

Mini-dissertation submitted in partial fulfilment of the requirements for the degree *Master of Business Administration* at the North-West University

Minimising claims being repudiated in the short-term insurance industry:

Concentrating on clients with Pleroma Brokers

Author: Mr MJ Du Toit - orcid.org 0000-0001-5977-6450

Supervisor: Prof JC Visagie

has been subjected to an English language edit by

Dr Barbara Basel

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MA Potchefstroom University,
BA UNISA

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Lecturer in English Literature, Linguistics, Communication and Business English at
Pearson Institute for Higher Education (previously Midrand Graduate Institute), Cape Town
Campus.

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Thesis.

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Barbara Basel

4 November 2018