

# Industrial Attachment Report: 2012-2013



## DEPARTMENT OF INSURANCE AND ACTUARIAL SCIENCE



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## B.COM RISK MANAGEMENT & INSURANCE (CONVENTIONAL)

Submitted in partial fulfillment of a B. Com (Honours) Degree in Risk Management and Insurance.

### INDUSTRIAL ATTACHMENT CARRIED OUT AT:

## CREDIT INSURANCE ZIMBABWE LIMITED-HARARE BRANCH



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*“The price of success is hard work, dedication to the job at hand, and the determination that whether we win or lose, we have applied the best of ourselves to the task at hand.”*  
(Vince Lombardi).

### ACKNOWLEDGEMENTS

First and foremost, I would like to give honor, praise and glory to the almighty lord for his unending mercy, protection and unconditional love: *“I will praise thee, O Lord my God, with all my heart; and I will glorify thy name for evermore.”* (Psalms 86:12, King James Version).

A special acknowledgement goes to **Mr. L. Madavo** (Managing Director), **Mrs. D. Nyahuma** (Head of Finance), **Mrs. T. Madzivire** (Head of Operations), **Mr. S. Tembo** (Head of Credit, Bonds & Guarantees), **Mrs. R. Chiweshe** (Human Resources Officer), my supervisor **Mr. Mike Muziringa** (Branch Manager), and all my team-mates in the Underwriting department. Thank you so much for your unwavering support: **Together Everyone Achieves More (TEAM)!**

In addition, I would also like to thank the National University of Science and Technology, for giving us a chance to practically learn our fields of study. Special thanks to **Mr. Zinyoro, Mr. Malaba and Ms. Shonhiwa** for their support and visits during my industrial attachment.

Last but not least, I would like to thank my parents, Mr. and Mrs. Madamombe, for their parental advice, financial support, guidance and endless love. Dear father and mother: *“you are my fountain of everlasting inspiration. Thank you for giving me the key of life called education. I shall unlock the value of life and derive the meaning of success with this key. Many parents have done so well to raise their children in the best possible way, but - you surpass them all!”*

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# EXECUTIVE SUMMARY

In a highly evolutionary business world, where forces of destructive volatility are relentlessly confronting business fortunes with shocking consistency and diabolical intensity; it is imperative that universities churn-out competent graduates who can expertly tame such hostile forces and convert them into sustainable business opportunities.

A one-year **industrial attachment program** offered by the **National University of Science and Technology**, in partial fulfillment of its Honors degree programs, is one such crucial initiative which enables universities to produce fully-baked graduates who are not only competent, but relevant to the specific needs of an ever changing business environment. Such industrial attachment program also enables students **to bridge the wide gap between theory and practice.**

I was attached at **Credit Insurance Zimbabwe Limited (Credsure)**, where I managed to marry theory and practice, in the **Underwriting and Claims department, from 1 September 2012 to 30 August 2013.** During my industrial attachment, **I performed the following activities:**

- **Underwriting of all the short term insurance products.**
- **Placement of reinsurance.**
- **Portfolio Underwriting and Management.**
- **Claims Processing.**
- **Marketing and Building Sustainable Customer Relations.**
- **Filing, Receptionist and other assigned duties.**

This attachment report therefore summarizes my attachment experience at Credsure. It also outlines my major findings, major contributions, the background and profile of Credsure and recommendations to both Credsure and the National University of Science and Technology for further improvements.

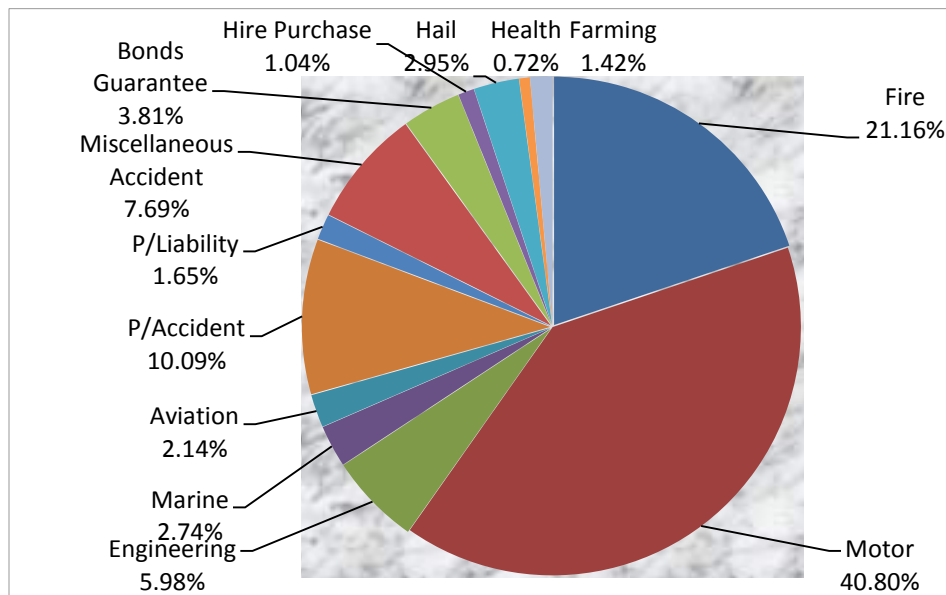
## CHAPTER ONE A COMPREHENSIVE SUMMARY OF MY FINDINGS

The Zimbabwean insurance industry is on the recovery path following the introduction of the multiple-currency system in 2009. Our beloved insurance industry is fast regaining its position as one of the top five insurance markets on the African continent, despite the fact that the **insurance penetration ratio** is still very low and currently estimated to be around 4% only.

### (1) Motor and fire insurance :

Motor and fire insurance currently contributes a larger proportion of all the gross premiums written by all short term insurers in Zimbabwe. Current market statistics shows that both motor and fire insurance contributes more than 60% of all the gross premiums written annually by short term insurers, see **figure 1 below**. This may be attributed to the **Compulsory third party motor insurance**, a huge influx of ex-japanese cars into the Zimbabwean market and the serious need by investors to protect their assets, properties and businesses against fire and allied perils.

**Figure 1: Distribution of Business by Gross Premium Written**



Source: IPEC report, 31 December 2012.

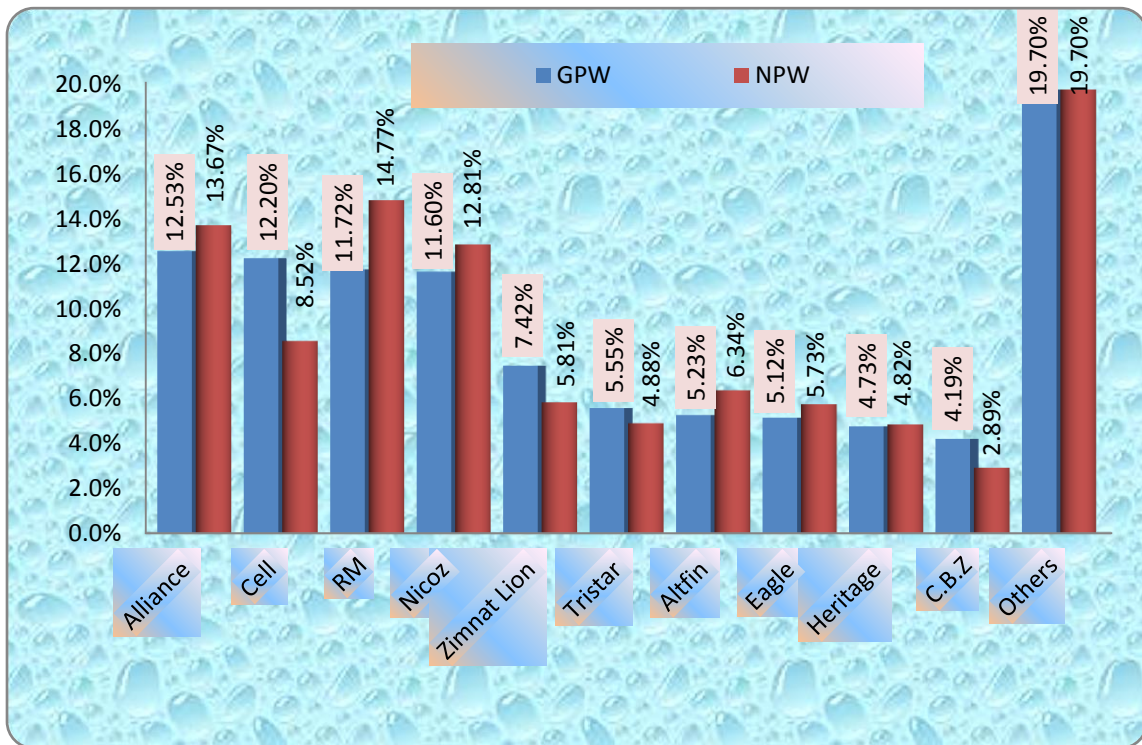
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## (2) Competition and Market share for short term insurers:

**Competition** for business is very stiff in the short term insurance market, where at least 24 fully operational insurers are currently chasing after the same business. Various market reports currently indicates that there are no any clear-cut direct insurers who totally controls the market ahead of others; a situation which most market analysts have opined as competition which is beneficiary for the policyholders.

**In terms of market share:** Nicoz Diamond Insurance company is ‘widely regarded’ as the market leader in the short term insurance market. However, current market share statistics in terms of Gross Premium Written (GPW) and Net Premium Written (NPW) shows that the market has strong competitors such as Alliance Insurance company, RM Insurance company, Cell Insurance company and Zimnat Lion Insurance company; who are all writing a significant amount of business as is shown in **Figure 2** below.

**Figure 2: Market Share in Terms of GPW and NPW**



Source: IPEC report, 30 September 2012.

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### (3) Minimum Capital Requirements:

According to Statutory Instrument (SI) 21 of 2013, the minimum regulatory capital requirement for all short term insurers is now **\$1.5 million**. All direct insurers are required to have complied with 50% of these requirements by 30 June 2013. Full compliance to the minimum regulatory requirements is required by 30 June 2014.

As at **31 December 2012**, all the short term insurers except SFG Insurance Company and Excellence Insurance Company, reported capital levels which were compliant with 50% of the required minimum capital - which is \$750 000, effective 30 June 2013. **Figure 3(a) and 3 (b)** below, shows the new minimum capital requirements versus the reported capital positions for direct insurers, as at 31 December 2012.

**Figure 3 (a): Minimum Capital Requirements (with reference to short term insurance).**

Companies	New minimum capital Requirements	50% Compliance by 30 June 2013	Previous minimum capital Requirements
Short term Insurers	USD \$ 1.5 million	USD \$ 750 000	USD \$ 300 000
Short term Reinsurers	USD \$ 1.5 million	USD \$ 750 000	USD \$ 400 000

**Figure 3 (b): Reported Capital Positions as at 31 December 2012:**

Company	Capital at 31.12.12	Company	Capital at 31.12.12
	USD \$		USD \$
Alliance	3, 637, 339	Hamilton	1, 122, 881
Allied	750, 166	Heritage	1, 258, 053
Altfin	1, 767, 000	KMFS	1, 003, 164
CBZ Insurance	1, 206, 630	Nicoz Diamond	8, 648, 000
Cell	3, 622, 892	Quality Insurance	810, 000
Champions	1, 917, 222	Regal	2, 017, 823
Clarion	1, 446, 380	RM Insurance	6, 728, 193
*Credsure	2, 506, 692	Sanctuary	1, 256, 752
Eagle	2, 270, 963	SFG	(2, 013, 003)
Evolution	1, 115, 467	Tetrad Hail	3, 031, 567
Excellence	410, 776	Tristar	2, 123, 067
Global Insurance	1, 010, 089	Zimnat Lion	3, 142, 664

Source: IPEC report 31 December 2012.



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### **(4) Rates undercutting:**

The short term insurance market is characterized by rampant rates undercutting by some insurance players, who unethically underprice insurance products in a bid to lure more business from rival firms. Companies such as Clarion and Regal insurance are notoriously well known for charging rates as low as 1% for comprehensive motor private policies and 2% for commuter and other commercial vehicles, instead of the standard rate of at least 4% and 7% for both classes respectively. Such unethical practice is destroying the industry, as it promotes unfair competition and also prevents such companies from building a sufficient pool to meet claims when they arise.

### **(5) Insurance regulation and compliance issues:**

The Zimbabwean insurance industry is heavily regulated. The legislative regulation is mainly derived from the **Insurance Act (Chapter 24:07) of 1987**. Regulatory bodies such as the Insurance and Pensions Commission (IPEC) regulate the conduct of insurance companies in Zimbabwe.

Companies are strictly required to comply with regulatory standards set out in the Insurance Act and the whole regulatory framework. Failure to comply with any set out regulatory standards is a serious offence. A recent example is that of **AON Zimbabwe** which was temporarily ordered to stop writing any new business after it failed to meet the prescribed ownership structure. **SFG insurance** company was also ordered to stop writing any new business in 2012 after its capital level went below the prescribed minimum capital requirements, as was stipulated by **statutory instrument 183 of 2009**.

### **(6) Insurance touting:**

Touts have now flooded the insurance market especially in Harare, where insurance is now being sold like a pack of tomatoes near most Zimpost offices, garages, ZINARA offices, flea markets and street pavements. Such unscrupulous touts are masquerading as agents of insurance companies and some of them are selling fake cover notes to unsuspecting clients. Ignorance by some consumers is also contributing immensely to this cancer, as most ignorant customers only think that motor cover notes are only used to get a ZINARA motor license disk.

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### (7) Brokers and agents:

The short term insurance market in Zimbabwe is a broker driven market, as more than 80% of the business currently being written is coming through brokers and agents. Brokers and agents are key intermediaries in the Zimbabwean insurance industry hence maintaining good relations with brokers is a key survival strategy that can be used in the competitive and volatile short term insurance market. Brokers such as AON, Alex Forbes, Marsh and Capitol currently controls huge portfolios of companies listed on the Zimbabwe Stock Exchange, hence their power, relevance and importance cannot be dismissed too lightly in the short term insurance industry.

### (8) Insurance fraud:

Fraud is still rife in the short term insurance industry in Zimbabwe. Crime is getting more complicated each and every day. Insurance fraud can take various forms such as: fraudulent claims, the distribution and selling of fake cover notes on the black-market, cyber-crime, forgery, the squandering and non-remittance of premiums by brokers and agents, bribery, the embezzlement of funds by employees, fraudulent transfer and spinning of pool funds for speculative gains, theft of original cover-note books from insurers, the panel beating of financial statements and the intentional misrepresentation of facts and figures by clients and employees.

### (9) High claims:

Claims continue to be extremely high in the short term insurance market, where claims arising from **motor accidents** constitute a larger proportion of all the claims reported on a daily basis. Claims arising from road accidents, theft of motor accessories and the breakage of car windscreens continue to worsen the insurer's claims ratios. Road accidents and carnages are now very common on our roads due to an increase in traffic volume and the poor state of our national roads. **Theft, burglary and fire** also contribute to the current high claims ratios. Crime is increasing at an exponential rate due to poverty, unemployment, increased population and technological improvements. The **inefficiency of the fire brigade services** is also negatively contributing to high losses, due to its failure to efficiently and timeously minimize fire losses.

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### **(10) Insurance investment and economic development:**

Insurance companies are big investors on the capital and money markets. They invest premiums received in various securities and money market instruments so as to hedge and derive meaningful value from such funds through investment gains. Investment gains enable companies to build a sufficient pool to meet claims and to pay for other operational costs. The investments by insurance companies results in capital formation which leads to the economic development of Zimbabwe. Insurance companies contribute immensely to the Gross Domestic Product and National Income of a country hence, a healthy insurance industry is very crucial for the economic development of a country.

### **(11) Customers' perception about insurance:**

Insurance is generally perceived negatively by the Zimbabwean consumers. Most people are of the perception that Zimbabwean insurance companies are dubious in nature. There is also a general perception that most direct insurers repudiate, reject and run away from paying any claims; which is not always the case especially with well-established and adequately capitalized companies. There is therefore a need to restore consumer confidence in the Zimbabwean insurance industry; through various consumer education-based programs, marketing campaigns and regulatory reforms; so as to ensure that the industry reaches its full potential through the restoration of public confidence.

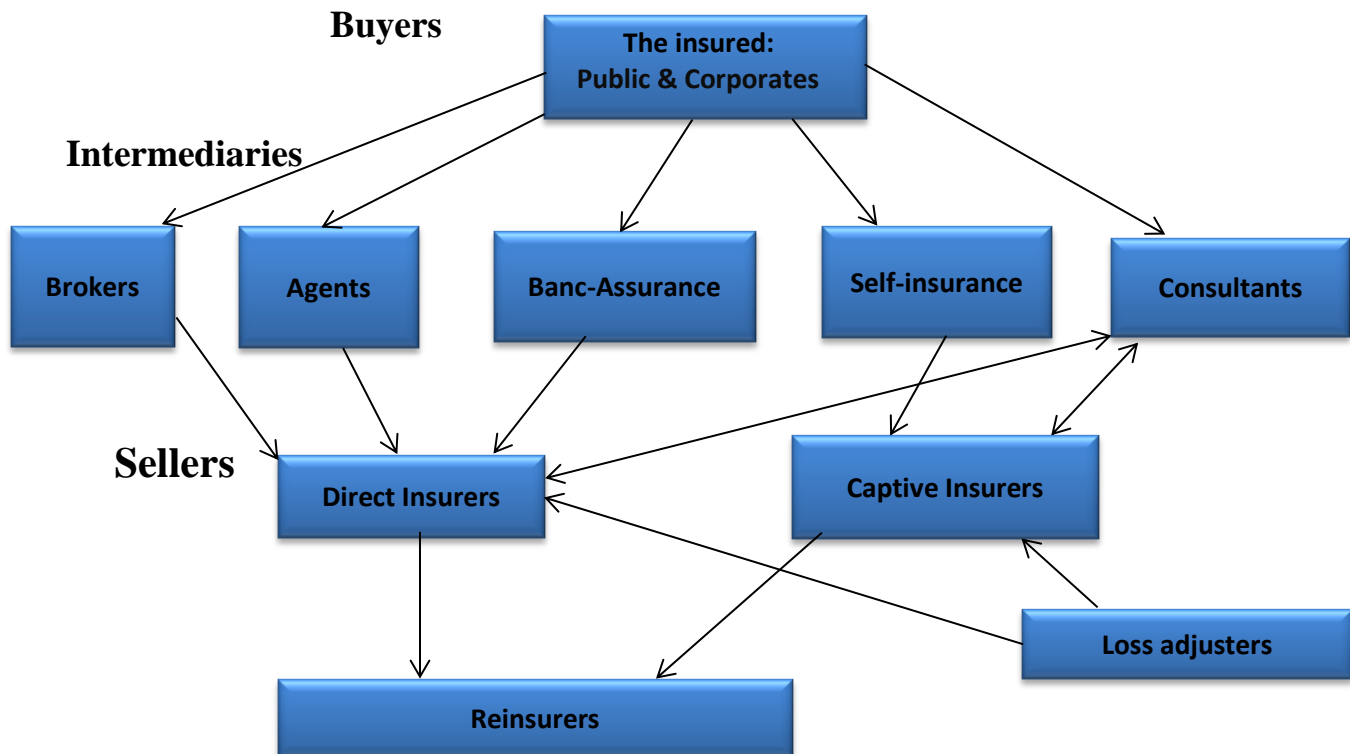
### **(12) Recapitalization and operational challenges:**

The Zimbabwean insurance industry is currently bogged down by operational and recapitalization challenges stemming from economic, political and business uncertainty. Though dollarization was a huge blessing, it brought some challenges which have affected not only the insurance industry but all sectors of the economy including the banking sector. The current liquidity crunch in the market has resulted in players experiencing recapitalization challenges and limited investment options. This has also been worsened by the country's inability to attract new foreign direct investment to inject new capital and save the ailing sectors of the economy.

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### (13) The structure of the Zimbabwean insurance market:

Figure 4: Market structure.



The Zimbabwean insurance market is made up of various stakeholders such as individual and corporate clients, direct insurers, brokers, agents, loss adjusters, banc-assurance firms, captive insurers, risk consultants and reinsurers (see figure 4 above). All the above mentioned stakeholders are dependent on each other and they have a symbiotic relationship in the short term insurance market. Intermediaries such as brokers and agents play a pivotal role in the market as they bring close to 80% of all the business written by direct insurers.

### (14) NUST graduates in the insurance industry:

Insurance graduates from the National University of Science and Technology (NUST) are faring very well in the insurance industry. I noticed that most graduates are currently occupying top positions in most insurance companies, including Credsure. It is good to note that our department of Insurance and Actuarial Science at NUST is churning out quality graduates who are relentlessly contributing to the growth and development of the Zimbabwean insurance industry.

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### **(15) Electronic Commerce (E-Commerce) and the insurance industry:**

Most insurance companies in Zimbabwe have fully embraced and integrated the concept of e-commerce into their business plans. The maximum exploitation of electronic commerce has rapidly revolutionized the way insurance products are marketed in the short term insurance industry. Insurance companies are now marketing their products using the internet, emails, social media, mobile devices and telephone. Information about company profiles, products, promotions and premium prices is now readily available and accessible on various company websites and social networks such as Facebook and twitter.

### **(16) Global trends in insurance:**

Globally, the insurance sector is rapidly moving towards the introduction and adoption of risk based capital regulations such as **Solvency II**, as a risk management tool to effectively ensure adequate solvency levels for insurers, so as to protect consumers. Another development in the pipeline is the adoption of a single **accounting standard for insurers**, and this is meant to ensure uniformity in the reporting and disclosure of financial results by insurers. Measures to enhance **corporate governance practices and business ethics** are also some of the hot issues which have taken the global insurance market by storm.

### **(17) The pricing and rating of short term insurance in Zimbabwe:**

I noticed that short term insurance products are currently underpriced in Zimbabwe, as compared to other developed regions such as the European Union and the United States of America. The current rates for comprehensive cover (for private cars) in Zimbabwe ranges from 3.5% to 4.5%, whereas in the United Kingdom, annual rates for comprehensive cover (for private cars) are as high as 25% of the vehicle value. The current liquidity deficit in the economy and stiff competition might be the greatest contributory factors in the underpricing of insurance in Zimbabwe; however there is a need for the review of the current rates and the subsequent introduction of more sustainable rates in the short term insurance market so that insurers derive more meaningful value from their operations.

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### **(18) The low insurance penetration ratio in Zimbabwe:**

The **insurance penetration ratio** is a reflection of the gross premium written as a percentage of the Gross Domestic Product (GDP). The higher the ratio, the more contribution the insurance industry makes to the GDP and overall economic performance of a nation. In Zimbabwe, the penetration ratio is assumed to be currently very low, **at around 4%**, and this means that currently there is a low contribution to the economy by insurance.

At its best in 2007, the penetration ratio hovered around 6%. Factors that led to a drop in the ratio include a decline in Foreign Direct Investment (FDI), policy cancellations, increased under-insurance, policy lapses, insurance cover reductions, reversal of private capital flows, reduced access to credit lines and the under-performance of other sectors of the economy such as Agriculture, tourism and manufacturing industries.

### **(19) Minimum Solvency margins in the short term market:**

The minimum regulatory **solvency margin is currently 25%**, for all short term insurance companies in Zimbabwe. A solvency margin can be best explained as the difference between the assets and liabilities of an insurer, and it is a reflection of the **capacity and ability** of an insurer to meet obligations such as claims when they arise. All the companies are required to comply with the minimum solvency margin of 25%, and this technically means that the solvency position of insurers should always be at least 25% or more, so as to safeguard the interest of various policyholders, against the potential failure by insurers to meet claims.

### **(20) The Zimbabwean insurance sector on the rebound:**

I can safely conclude this chapter on my findings, by emphatically indicating that the Zimbabwean insurance industry is surely on a recovery path after having gone through difficult challenges in the last few years. The birth of **the inclusive government** and the introduction of **the multiple currency system** in 2009 gave a fresh breath of life and renewed hope to our beloved insurance industry. Business is growing and innovative insurance products are gradually coming onto the market. Clients are also beginning to appreciate the role insurance plays in their lives and in the full recovery of the economy.

# CHAPTER TWO BACKGROUND OF CREDSURE

## HISTORY AND BACKGROUND:

Credsure was established in 1965 by a consortium of Banks, Insurance and Reinsurance companies in partnership with the Industrial Development Corporation (IDC) to, among other objectives:

- Promote Zimbabwe's exports by protecting exporters from commercial and political payment risks.
- Facilitate export finance by cession of Credit Insurance Policies to Financial Institutions and Suppliers.
- Promote domestic business by protecting against commercial payment risks.

Credsure is also a **specialist provider of Construction Bonds and Guarantees**. Credsure became a member of the International Union of Credit and Investment Insurers (Berne Union) and enjoyed full international standing through this membership.

**In 1996** Credsure became a member of the Credit Alliance which gives it on-line access to a database of over 20 million buyers and debt collection networks around the world.

As of **the first of November 2007**, Credsure decide to extend its business to include **short term insurance classes**. Credsure authentically claims to have the largest product offering in the Zimbabwean insurance market, and its clients can bank on the amalgamation of both credit insurance and short term insurance.

Credsure currently has a wide branch network in major cities of Zimbabwe such as **Harare, Bulawayo, Mutare, Gweru, Chinhoyi** and recently **Chiredzi**. It is currently headquartered in Harare, at Number 69 Sam Nujoma Street.

### Vision:

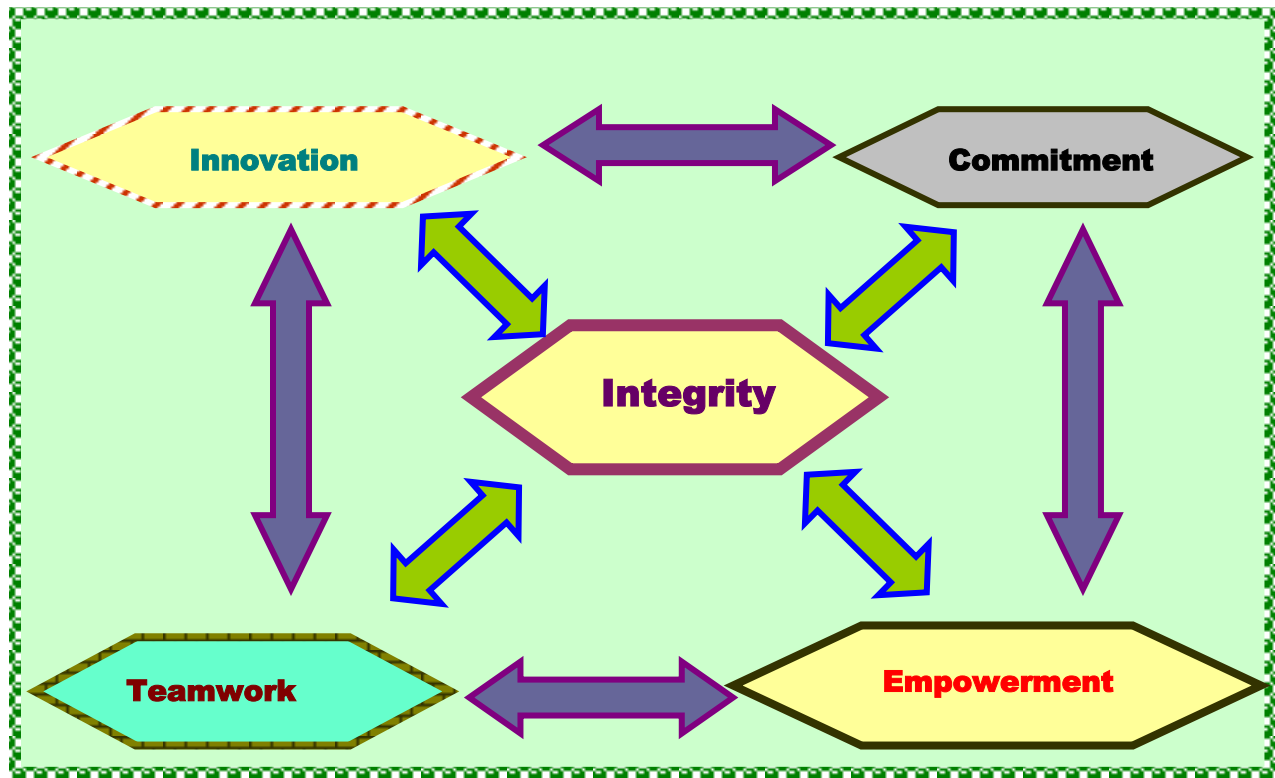
Credsure's vision is to be a dominant world-class provider of short-term insurance products in Zimbabwe and regional markets.

### Mission:

Credsure's mission is to be the preferred specialist provider of quality credit and short-term insurance products which are affordable and accessible to its clients.

### Core Values:

Credsure thrives on the following core-values:

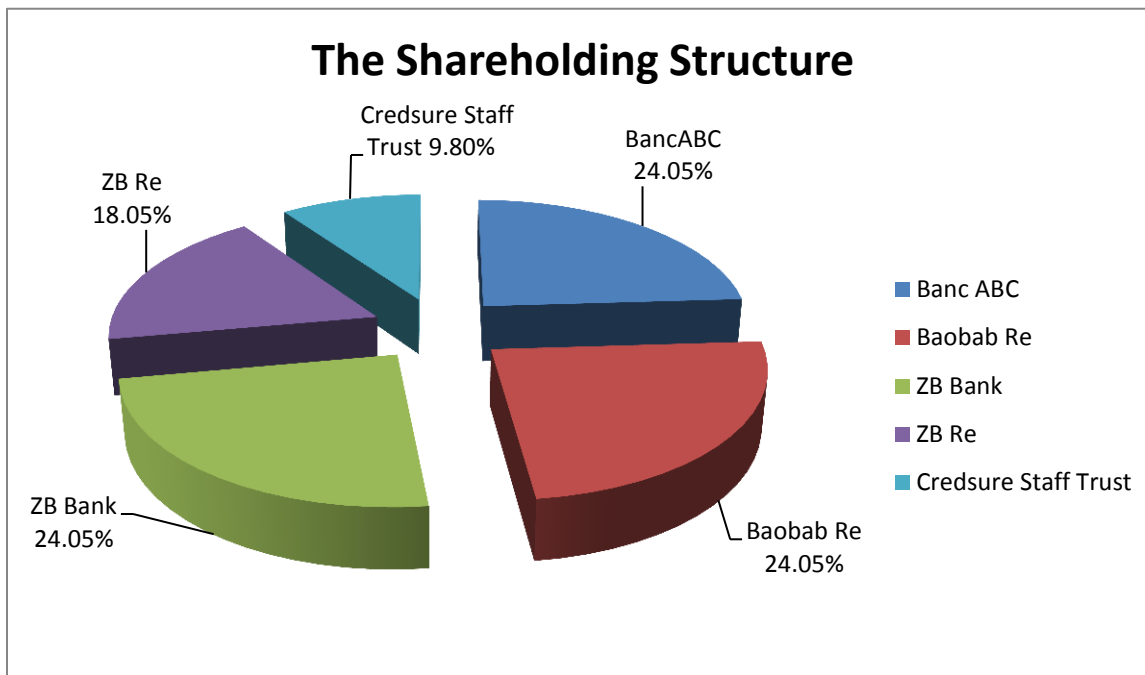




## The Shareholding Structure:

The following are the major shareholders of Credsure:

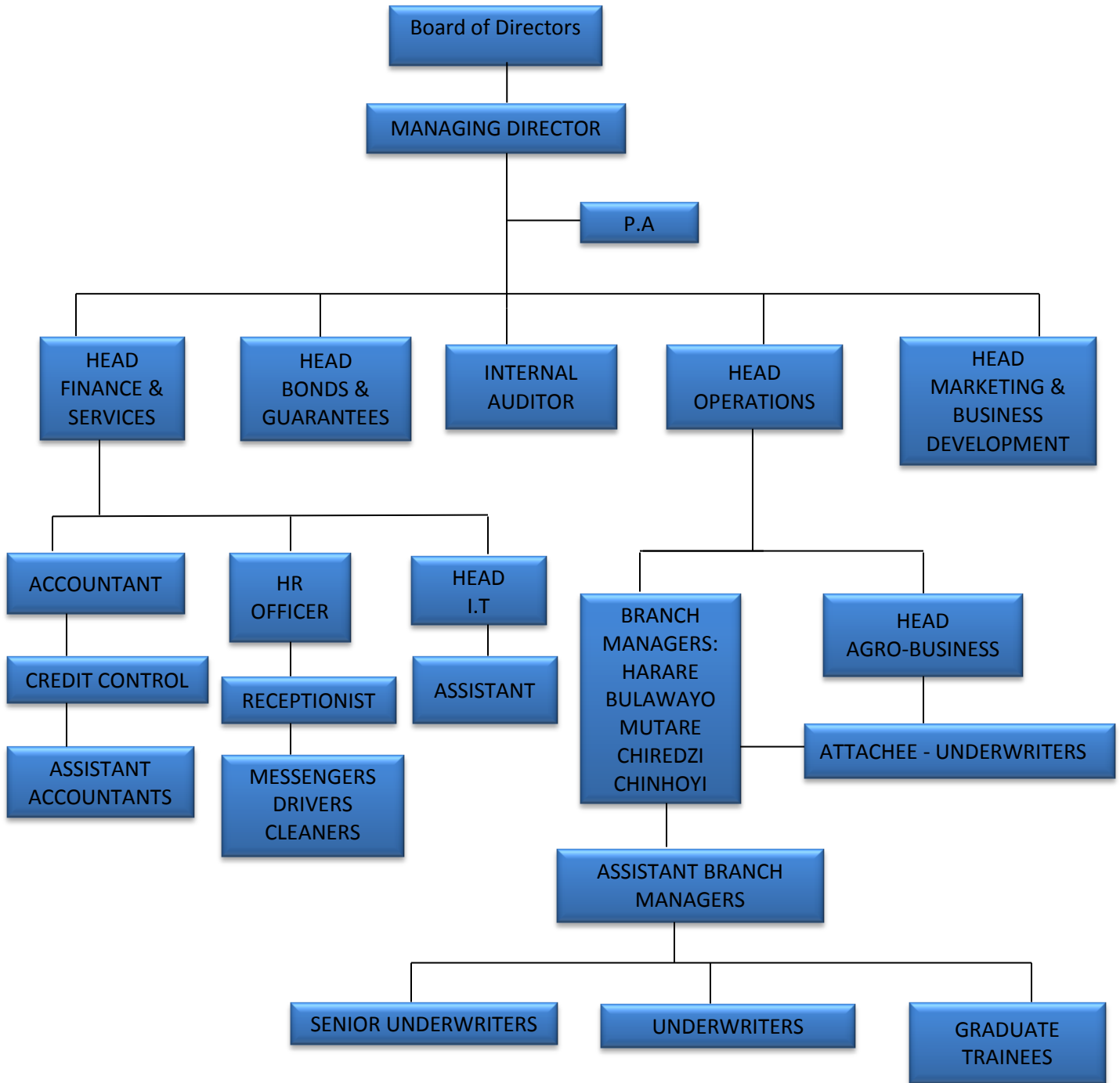
- (1) Banc ABC - (24.05%)
- (2) Baobab Reinsurance (Private Limited) – (24.05%)
- (3) ZB Bank – (24.05%)
- (4) ZB Reinsurance Limited – (18.05%)
- (5) Credit Insurance Zimbabwe Limited Staff Trust - (9.80%)



**N.B:** The Credit Insurance Zimbabwe Limited Staff Trust is a vehicle established in the form of a Trust and designed to empower staff by enabling them to have a stake in the equity of the company. Currently, the equity shareholding equates to almost 10%.

## The Organizational Structure:

The diagram below shows the organizational structure of Credsure:



## **The Management Structure of Credsure:**

### **The Board of Directors:**

**Strategic decisions** at Credsure are made by the **Board of Directors**. The Credsure Board of Directors is made up of highly qualified and experienced professionals who are drawn from various professional backgrounds.

The main control of Credsure is in the hands of its Board of Directors under the leadership of the Chairman. The members of the board are elected by the shareholders and are answerable to them. The board directs the overall strategy of the company and it meets regularly to ensure that this strategy is being implemented by the management and staff. Every year, the operational managers prepare detailed operational budgets and reports, which keep the board informed about the current progress and financial situation.

### **Managing Director:**

The day-to-day running of Credsure is carried out by the Managing Director, Mr Lovemore Madavo. The Managing Director represents the company and concludes contracts on behalf of the company. He will also represent the company in court, should a case against the company arises. The Managing Director invites the shareholders to the shareholders meetings, signs the balance sheet and the tax return statements. He is the steward of the company, and his other role is to ensure that the company's shareholders get a good return on their investment.

The Managing Director is also responsible for ensuring that the social security contributions are punctually paid to NSSA. He is the overall head of the company and he allocates tasks to other employees. He supervises the performance of all the operational managers and the company as a whole. The Managing Director is also a signatory to the company funds and he signs for all the major payments made by the company, together with the other signatories.

### **The Management:**

The **Operational and Tactical decisions** at Credsure are made by the Credsure **Management**, which includes the **Head of Operations, the Head of Finance and Services, the Head of Credit, Bonds and Guarantees, the Head of Marketing and Business Development, the Human Resources Officer, the Agri-business Manager, the Chief Accountant and Branch Managers.**

### **The Head of Finance and Services:**

The Head of Finance and Service is responsible for managing and overseeing the company's financial resources. Currently, the Head of Finance and Services is Mrs. Dorothy Nyahuma and she is also responsible for managing the company's investments and is responsible for making sure that the company generates and raises sufficient funds to continue operating as a going concern in the foreseeable future. She also prepares financial budgets and variance analysis reports for the company. She also funds all the company operations and is a second signatory to the company funds.

### **The Chief Accountant:**

The Chief Accountant is responsible for recording all monetary transactions, preparing financial statements in accordance with the International Accounting Statements, ensuring compliance with insurance regulatory requirements, producing annual and periodic financial reports for the board and the Executive Management.

### **The Head of Marketing and Business Development:**

The Head of Marketing and Business Development is responsible for all the marketing activities of the company. Other duties of the Head of Marketing and Business Development includes: marketing the Credsure brand, carrying out market research and market intelligence, generating new business, public relations, building relations with brokers and clients, creating new products and running marketing promotions.

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### **Head of Operations:**

The Head of Operations is responsible for ensuring that the company operates efficiently and effectively. Mrs. Tambudzai Madzivire is the current Operations Manager, and she oversees all the company operations such as underwriting and claims handling. She manages and monitors the performance and operations of all the Credsure branches in Zimbabwe. She supervises all the line managers and Branch Managers. The head of operations ensures that the strategic decisions made by the board of directors are being successfully implemented at all levels of the organization.

### **Branch Managers:**

Branch managers are responsible for managing their respective branches. They are responsible for all the underwriting and claims processing activities at their branches. They report to the Operations Manager and they prepare budgets and plans of action to ensure that the company achieves the set targets and objectives. They are responsible for sourcing new business, retaining existing business and preparing weekly, monthly and annual reports to inform the Operations Manager on the current state of affairs at their branches. Branch Managers also supervise attachees, graduate trainees, underwriters and the Assistant Branch Managers.

### **The Human Resources Officer:**

The Human Resources Officer is responsible for the recruitment and selection of staff, training and development of staff, drawing up conditions of employment, salaries and benefits, discipline and well-being of staff, industrial relations and designing remuneration policies.

### **The Head Of Credit, Bonds and Guarantees:**

The Head of Credit, Bonds and Guarantee is responsible for managing the underwriting and claims processing of Credit Insurance and Bonds and Guarantees. He is also responsible for designing Credit Strategy, managing and supervising credit risks, assessing the credit worthiness of potential clients, Credit Investigation and advising clients on how to manage their credit risks.

### Notable Changes that the Company has gone through:

**1965** - Credsure was established by a consortium of banks, insurance and reinsurance companies, in partnership with the Industrial Development Corporation (IDC), with the aim of promoting exports by protecting local exporters against commercial and political payment risks.

**1965** - Credsure became a member of the International Union of Credit and Investment Insurers (Berne Union) and enjoyed full international standing through this membership.

**1996** - Credsure became a member of the Credit Alliance which gives it online access to a database of over 20 million buyers and debt collection networks around the world.

**2007** - Credsure extended its business to include short-term insurance classes.

**2009** - Credsure expanded its business operations by opening branches in Bulawayo, Mutare and other towns such as Chinhoyi.

**2013** – Credsure embarked on a massive expansion drive, which saw the company opening new branches in towns such as Chiredzi and Chinhoyi. Credsure plans to set up new branches in all the major towns and cities, so as to increase its market share and be counted amongst the top three direct insurers by the end of 2014.

Credsure is currently aggressively marketing and re-positioning its brand on the market. Star FM is currently running a radio program called **Inside Insurance**, which is marketing the Credsure brand. Credsure has also forged partnerships with DHL to conveniently deliver insurance policies, renewal notices and ZINARA license disks right at the doorstep of its clients.

## **Products Offered By Credsure:**

Credsure authentically claims to have **the largest product offering** in the Zimbabwean short-term insurance market. Credsure offers the following products:

### **Fire and Accident policies:**

- Business protection
- Assets All Risk
- Consequential Loss/ Loss of profits
- Accounts Receivable
- Burglary
- Money
- Glass
- Goods In Transit (GIT)
- Fidelity
- Group Personal Accident

### **Liability Policies:**

- Public Liability
- Employers Liability
- Professional Indemnity (PI)
- Products Liability
- Defective Workmanship
- Directors and Officers Liability.

### **Home Combined Policy:**

- Home Owners – Buildings
- Householders – Contents
- All Risk
- Individual Personal Accident

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### **Engineering:**

- Contractors All Risk (CAR)
- Erection All Risk
- Plant All Risks
- Electronic Equipment
- Machinery Breakdown
- Machinery Breakdown (Loss Of profits)

### **General Insurance:**

- **Motor policies**, e.g. Full Third Party and Comprehensive cover for private vehicles, commercial vehicles, motor traders, motor fleet and motor cycles.

### **Marine:**

- Marine Cargo (Open Marine).
- Marine Hull
- Marine Third Party and Passenger Liability

### **Agro-based products:**

- Farming Comprehensive policy which covers: **Crops (field to floor), Livestock and Tobacco Hail (field to floor)**
- Loan Protection policy for contract farmers.

### **Domestic Credit Insurance:**

- Whole Turnover
- Multiple Accounts
- Selected Buyers
- Specific Account
- Confirming Houses

**Offered Benefits includes:** Credit Investigation and Credit Supervision.

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### **Export Policies – Short Term:**

- Pre – shipment cover
- Post- shipment cover
- Consignment Stock cover
- Transit risk cover
- Guarantees for bank cover

### **Export Policies – Long Term:**

- Contract policies
- Contractor's cover
- Financial Credit cover

### **Bonds and Guarantees:**

#### **Customs bonds:**

- Warehouse bonds
- Removal and Transit Bonds
- Commercial Vehicles Guarantee (CVG) bonds
- Inward Processing Rebates
- Agents Bonds

#### **Construction Bonds:**

- Bid Bond
- Performance Bond
- Retention Bond
- Advance Payment Bond
- Maintenance Bond

#### **Court Bonds:**

- Administration of Estate Bond
- Judicial Management Bond
- Liquidators Bond

### CHAPTER THREE MY PRE-ATTACHMENT PERCEPTIONS

## My pre-attachment perception on the market

### **(1) Payment of Claims:**

Before I embarked on my industrial attachment, I used to think that all the insurance companies do not pay claims and will try by all means to repudiate or run away from any claim. However, when I started my attachment at Credsure, I then noticed and realized that: although theoretical literature is laden with cases whereby insurance companies were successful in repudiating claims, the truth of the matter is that insurance companies **pay claims and are actually paying all genuine claims** which meet all the agreed policy terms, conditions and stated warranties.

### **(2) Rating and Pricing of insurance products:**

When I joined the Underwriting Department, on 1 September 2012, I expected to find all the underwriters holding statistical tables to rate each and every risk based on probabilities of possible loss occurrence, but however I realized that IPEC regulates and stipulates the applicable rates in the market, hence insurance companies do not rate or price insurance products using statistical tables but they in fact follow market rating-guidelines.

### **(3) Performance of the companies and the insurance industry in general:**

Before joining the real insurance industry, I thought all the insurance companies were performing very well and were recording big profits. However, when I entered the market, I noticed that most insurance companies were actually struggling to break even, and most of them were actually downsizing and retrenching staff to reduce operating costs. The insurance industry is on a recovery path, but truth is that most companies are actually struggling in the industry.

## **Industrial Attachment Report: 2012-2013**

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### **(4) Assumed Market Oligopoly and weak Competition:**

I used to underestimate the level of competition in the short term insurance industry. Actually, I used to think that competition was not strong at all and that the insurance market was controlled by a few firms (oligopoly): such as Nicoz Diamond, Zimnat Lion and RM insurance. However, when I entered the market I was actually surprised to note that the industry is full of highly aggressive market challengers such as Alliance, Cell insurance, Credsure, Altfin and Global insurance company. I did not know that Alliance insurance was actually going neck-to-neck with Nicoz Diamond in terms of Gross Premiums Written (GWP) and Net Premium Written (NPW).

### **(5) The relevance and power of Brokers:**

I used to think that Brokers were not important and relevant at all in the insurance industry; since clients can just directly go and get their insurance straight from the insurance company. However, as soon as I started my attachment I then realized that I was actually very far from the truth as I noticed that Brokers were actually driving the industry and were contributing close to 80% of the Gross Premiums Written in the insurance industry. Brokers are actually very powerful in the industry and they can sometimes dictate the pace which the insurers must follow if they want business.

### **(6) Jobs and attachments in the insurance industry:**

I used to think that jobs and attachments are very easy to find in the insurance industry. However, although I was invited for interviews and was given numerous attachment offers by several companies; reality is that it is not very easy to get attachment and a permanent job in the Zimbabwean insurance industry. Competition from the Midlands State University (MSU) and a continuous supply of graduates on the job market has resulted in many students and graduates failing to get attachments and jobs, as the industry cannot totally absorb the ever increasing number of products currently being produced by the universities. Operational challenges have also resulted in most companies downsizing and retrenching their staff, and this has also made it difficult for students and graduates to get attachments and jobs in the industry.

### My pre-attachment perception of Credsure:

#### **(1) Products offered:**

I used to think that Credsure was only a Credit and Exports insurance company, but when I went to submit my Curriculum Vitae (C.V) for attachment, I was really surprised to learn from their brochures, billboards and posters that Credsure actually offers the largest product portfolio and mix in the Zimbabwean short term insurance industry. Credsure offers a large portfolio of products which includes credit insurance, general insurance, bonds and guarantees and all the other short term insurance products.

#### **(2) Amount of business written:**

I used to think that Credsure only writes a small amount of business, since I used to perceive it as a company specializing in credit and export insurance only. However, when I joined the Underwriting department I realized that Credsure was actually writing a significant amount of business as compared to what I thought. **Every month at Harare branch only, we were writing business close to US\$350 000** and our monthly budget was pegged at US\$300 000. However, we used to surpass that monthly budget target, **especially during renewal periods where we would write business more than US\$370 000 per month.**

#### **(3) Size of Company:**

I used to think that Credsure was one of the small insurance companies in Zimbabwe, but however when I joined the company I realized that Credsure was such a big institution. Credsure is not a small company at all, and its shareholding structure, business volume and asset base clearly indicates that it's actually one of the big players on the market with vast potential to become a market leader.

## Industrial Attachment Report: 2012-2013

### **(4) Prior perceptions about Credsure Shareholding structure:**

I used to think that Credsure was a foreign owned company, with a Headquarters outside Zimbabwe. However, when I did my research about the company before coming for my interviews, I realized that Credsure was actually a purely Zimbabwean company wholly owned by local companies and investors such as Baobab Reinsurance Company, ZB bank, BancABC, ZB Reinsurance Company and Credsure Staff.

### **(5) Performance relative to other top insurers:**

I used to think that Credsure was just an average performer, as compared to other top insurers in the short term insurance market. However, when I joined Credsure I realized that Credsure was a strong market challenger with very encouraging underwriting results in the short term market. Credsure is a big brand and has vast potential to become one of the top 3 insurers within 5 years from now. Its major strength as compared to other firms is its huge financial backing from its shareholders and financial institutions such as BancABC and ZB bank, its aggressive marketing strategies, huge clientele base, huge capital and asset base, large product portfolio, expertise, stability, operating efficiency and its more appealing brand name.

### **(6) Marketing Prowess:**

I used to underestimate the marketing prowess of Credsure. I used to think that Credsure was not even visible on the market and that its marketing activities were non-existent at all. However, when I joined Credsure I realized that Credsure was vigorously marketing its products via all media channels and it actually has a vibrant marketing policy, **as is shown in the picture below.**



## My pre-attachment perception of academic courses that I did:

### (1) Peace, Leadership and Conflict Transformation (PLC 1101 & 1201):

I used to think that this course was just a waste of our precious time at NUST, but however this course proved very handy and helpful during my attachment as **it enabled me to effectively handle angry and fuming clients who wanted a quick settlement of their claims.** During my attachment, I also realized that conflicts might sometimes occur in a workplace due to the fact that co-workers sometimes think or view things differently; hence an efficient conflict transformation and resolution technique is needed if harmony and unity of purpose is to prevail.

### (2) Information Systems (CAC 2104):

I used to under-estimate the importance of this course; however the skills that I acquired from this course were very crucial as they **enabled me to operate a computer for daily communication, underwriting and claims handling purposes.** I would send emails to reinsurers, brokers, agents and clients on a daily basis using the computer.

**Computer skills enabled me to use Excel Spreadsheets to prepare quotations, reinsurance slips, broker commission bordereaux, reinsurance bordereaux, audit spreadsheets and to calculate premiums.** At Credsure, we were also using a system or software called “Progress” for our daily underwriting and claims handling purpose, and this required basic computer skills, which I acquired from the Information Systems course.

### (3) Quantitative Analysis for Business (CIN 1106 & 1207):

This course was very crucial as it enabled me **to accurately rate and to calculate premiums** for various policies. I used to think that this course should have been only studied by Actuaries, but however during my attachment, I realized that one can never be an Underwriter if he or she does not have a thorough appreciation of quantitative techniques and skills, which are a prerequisite for all Underwriters and Claims Clerks in the insurance industry.

## **Industrial Attachment Report: 2012-2013**

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### **(4) Business Communication (CBU 1102):**

I had no doubts about the importance of this course. This course proved helpful during my attachment as it enabled me to effectively communicate with clients and various stakeholders on a daily basis, to market insurance products and to give inspiring PowerPoint presentations during our departmental meetings.

My strong command of the “Queens language” and my good communication skills enabled me to successfully negotiate for new business and to market the products of Credsure to various prospective clients. I also realized that clients need to be convinced to buy insurance: so if you are an effective, confident, knowledgeable and skillful communicator; then you are likely to convince a client to purchase insurance, since insurance is an unsought good.

### **(5) Property and Liability Insurance (CIN 2105 & 2205):**

This was my most favorite course at NUST and I studied this course with great passion and enthusiasm. This course is a vital cog, as well as a pillar and foundation of short term insurance practice. This course proved to be very vital during my attachment as it enabled me to master and understand the art of short term insurance. **I applied the course in the underwriting of short term insurance products and in the processing of claims.** A thorough knowledge of Property and Liability is therefore crucial if one is to pursue a successful career in the short term insurance field.

### **(6) Principles of Marketing (CBU 1209):**

I used to think that this course was relevant to marketing students only, but during my industrial attachment I realized that this course was very important and equally relevant to me as an Attachee-Underwriter as it enabled me to successfully market the insurance products that were being offered by Credsure. An Underwriter should have good marketing skills because Underwriters deal with clients on a daily basis. I used the acquired marketing skills to persuade and to inform both our potential and existing clients to purchase the insurance products that would suit their needs.

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### **(7) Reinsurance Principles and Applications (CIN 2102):**

I knew this course was very important and I had a lot of respect for this course. Reinsurance enables a ceding company (cedent) to boost its capacity, to stabilize its underwriting results, to spread its risks and to protect its accounts against a catastrophe.

**During my industrial attachment, I would place several risks on a facultative basis with various reinsurers such as Colonnade Reinsurance, Tropical Reinsurance, Grand Reinsurance and Baobab Reinsurance Company.** Through this academic course, I gained a thorough understanding and appreciation of the importance, relevance and functions of reinsurance and this enabled me to be a competent underwriter who can understand, interpret and apply reinsurance programs and treaties to my everyday duties.

### **(8) Applied Risk Management (CIN 2107):**

I was not too sure if ever I was going to apply this course in the short term insurance industry, but however this course was very important and very applicable during my industrial attachment in the short term insurance market. **I applied this course to identify, evaluate and assess risks before recommending the appropriate policy for the identified risks.** We visited several companies where we would identify, assess and evaluate the risks they were exposed to and then give appropriate policy recommendations for risk control and risk management purposes.

### **(9) Corporate Finance (CFI 2101 & 2201):**

This was one of the toughest and most dreaded courses for me at NUST. I used to think that Corporate Finance was just a difficult course which was not even relevant to insurance students. However, I was very wrong because this course equipped me with strong analytical skills and a strong corporate finance background which enabled me to interpret the performance of companies, investments, share prices and the economy. Insurance companies are big investors on the money market and capital markets; hence an insurance practitioner must be well versed with corporate finance principles so as to be able to analyze and successfully interpret the overall performance of the financial markets, investments, share prices and the economy as a whole.



# CHAPTER FOUR MY INDUSTRIAL ATTACHMENT EXPERIENCE

### **Chapter Introduction:**

I was attached in the Underwriting and Claims department - from 1 September 2012 to 30 August 2013 - where I mainly specialized in the underwriting of all short term insurance products offered by Credsure. In this department, I also had a chance to perform other several duties such as claims processing, placement of reinsurance, portfolio underwriting and management, filing, receptionist and other assigned duties. In this chapter, I shall therefore comprehensively explain all the relevant experience that I acquired as an Attachee Underwriter at Credsure.

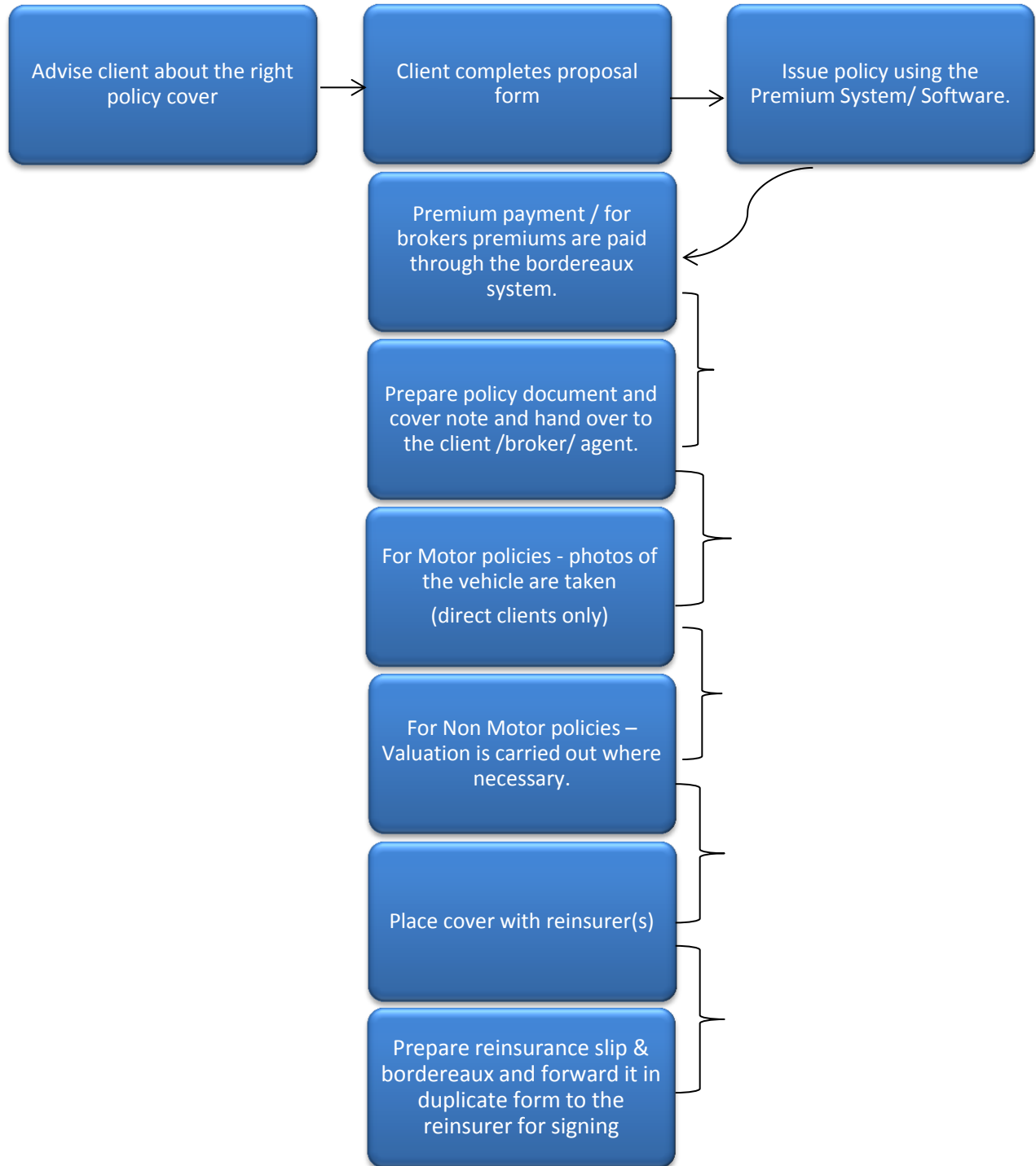
### **(4.1) Major Activities:**

#### **4.1.1 Underwriting of Short term insurance products:**

As an Attachee Underwriter, my main duties were to underwrite all the short term insurance products offered by Credsure. **I was trained to be a competent Underwriter who can expertly assess, rate, analyze and select (or reject) a risk without exposing the company to any financial ruin.**

Underwriting can be defined in simple terms as: *“the evaluation, classification, selection, rating, analysis and assessment of risks; so as to determine a suitable premium charge, as well as the relevant terms, conditions and warranties for the proposed risks”*. The role and task of an Underwriter is therefore: to decide whether a risk is acceptable, and if it is, he or she should then decide on the proper terms, conditions and premium to be offered to the proposer. **A proposal form normally provides information needed for rating and underwriting risks.**

**The Underwriting Flow Chart at Credsure:**



## **Industrial Attachment Report: 2012-2013**

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I now take this opportunity to comprehensively explain my underwriting experience, as an Attachee-Underwriter at Credsure:

### **a) Motor Insurance Underwriting and Rating:**



Credsure offers three major cover options through which clients can insure their vehicles.

#### **(i) Full Third Party:**

This covers legal liabilities to third parties for damage to their property or death and bodily injury up to a certain limit. Third Party Insurance is the minimum level of insurance which satisfies the requirement of the laws of Zimbabwe as defined by the Road Traffic Act. It is also called Road Traffic Act (RTA) Insurance.

**According to Statutory Instrument 124 of 2009**, the Road Traffic Act requires that motorists be insured for at least US\$5 000 against their liability for injuries or death to others (including passengers) and US\$2 000 for damage to other persons' property resulting from use of a vehicle on a public road or in other public places.

#### **Maximum Limits Payable for Full Third Party Insurance Policies:**

**Third Party Property Damage : USD\$2, 000.**

**Third Party Bodily Injury & Death: USD\$5, 000.**

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### Standard rates for Full Third Party Insurance (for One Term):

Type & Class of Motor Vehicle	Termly Premium	Levy	Stamp Duty	Total
	USD\$	USD\$	USD\$	USD\$
Private Cars- Domestic & Private Use	30.00	4.00	1.00	<b>35.00</b>
Private Cars – Company Business Use	30.00	4.00	1.00	<b>35.00</b>
Private Cars – Private Hire (Car Hire)	40.00	4.00	1.00	<b>45.00</b>
Commercial Vehicle - Own Use	50.00	6.00	1.25	<b>57.25</b>
Commercial Vehicle - Hire & Reward	60.00	7.20	1.50	<b>68.70</b>
Commercial Vehicle - Driving School	60.00	7.20	1.50	<b>68.70</b>
Taxis - Public Hire	45.00	5.40	1.00	<b>51.40</b>
Commuter Omnibus - Up to 30 Seats	75.00	9.00	1.88	<b>85.88</b>
Commuter Omnibus - 31 to 60 Seats	75.00	9.00	1.88	<b>85.88</b>
Commuter Omnibus - $\geq$ 61 Seats	75.00	9.00	1.88	<b>85.88</b>
School Bus - Up to 30 seats	65.00	7.80	1.63	<b>74.43</b>
School Bus - 31 to 60 seats	65.00	7.80	1.63	<b>74.43</b>
School Bus - $\geq$ 61 Seats	65.00	7.80	1.63	<b>74.43</b>
Tractors/ Fork Lifts - Hire & Reward	25.00	4.00	1.00	<b>30.00</b>
Tractors/ Fork Lifts - Own Use	25.00	4.00	1.00	<b>30.00</b>
Combine Harvesters	25.00	4.00	1.00	<b>30.00</b>
Other Agricultural Implements	25.00	4.00	1.00	<b>30.00</b>
Ambulance	55.00	6.60	1.38	<b>62.98</b>
Motor Cycles	25.00	4.00	1.00	<b>30.00</b>
Special Types- Bulldozers	15.00	4.00	1.00	<b>20.00</b>
Special Types – Graders	15.00	4.00	1.00	<b>20.00</b>
Fire Engines	55.00	6.60	1.38	<b>62.98</b>
Hearse (Vehicles Carrying Coffins)	55.00	6.60	1.38	<b>62.98</b>

### **(ii) Third Party Fire & Theft:**

In addition to full third party cover, this policy extends to cover (at an additional premium) any damage or loss caused by fire, theft or attempted theft to the insured vehicle.

### **(iii) Comprehensive Motor Insurance:**

#### **Cover Provided:**

This policy covers loss or damage to the insured vehicle, theft of accessories and liability to third parties. It also covers medical expenses, litigation costs and towing charges to the nearest garage.

#### **Policy Exclusions:**

##### **This policy does not cover:**

- (a) Consequential losses arising whether from any depreciation (wear and tear), mechanical or electrical breakdowns.
- (b) Damage to tyres caused by application of brakes, road punctures, bursts or due to inequalities of the road or other surface.
- (c) Damage to springs and shock absorbers due to inequalities of the road.

#### **Underwriting & Rating Considerations:**

The factors considered when quoting a premium for motor vehicles include:

- (a) **Usage** – The type of use to which the vehicle is put, for example, private or commercial usage.
- (b) **The Driver** – Factors concerning the driver, for example: age, driving experience and motoring convictions.
- (c) **Type of car** – This includes the engine capacity, make or model and the age of car.
- (d) **Location** – This indicates and describes where the vehicle is normally kept.
- (e) **Type of cover required** – This can be either Comprehensive or Full Third Party, etc.

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### Rates and Excesses for Comprehensive Motor Policies:

Type & Use of Vehicles	Rate	Excesses
Private Cars	4%	<p><b><u>Own Damage:</u></b>                      Total Loss- 5% of vehicle value                      Partial Loss- 10% of Loss</p> <p>Theft of accessories - 25% of Loss                      Windscreen Damage - 33.33% of Loss</p>
<u>Commercial Vehicles:</u> Carrying Fuel	10% - 15%	<p><b><u>Own Damage:</u></b>                      Total Loss – 7.5% of vehicle value                      Partial Loss – 12.5% of Loss</p>
<u>Commercial Vehicles:</u> Non-Fuel	7 %	<p><b><u>Own Damage:</u></b>                      Total Loss – 7.5% of vehicle value                      Partial Loss – 12.5% of Loss.</p>
Taxis – Public Hire	10%	<p><b><u>Own Damage:</u></b>                      Total Loss – 7.5% of vehicle value                      Partial Loss – 12.5% of Loss.</p>
Commuter Omnibuses	10%	<p><b><u>Own Damage:</u></b>                      Total Loss – 7.5% of vehicle value                      Partial Loss – 12.5% of Loss.</p>
School Buses	5%	<p><b><u>Own Damage:</u></b>                      Total Loss – 5% of vehicle value                      Partial Loss – 10% of Loss.</p>
Staff Buses	5%	<p><b><u>Own Damage:</u></b>                      Total Loss – 5% of vehicle value                      Partial Loss – 10% of Loss.</p>
Agricultural Equipment Motor Cycles Motor Fleets	3% - 4.5%	<p><b><u>Own Damage:</u></b>                      Total Loss – 5% of vehicle value                      Partial Loss – 10% of Loss.</p>
Motor Traders	10% on highest vehicle value	<p><b><u>Own Damage:</u></b>                      Total Loss – 7.5% of vehicle value                      Partial Loss – 12.5% of Loss.</p>

## **Industrial Attachment Report: 2012-2013**

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### **Maximum Limits payable for Comprehensive Motor Policies:**

- Third Party Property Damage Limit: USD\$5,000 or otherwise stated on the schedule.
- Third Party Bodily Injury & Death: USD\$5,000 per person/ any one event.
- Towing Charges to the nearest garage: Maximum of USD\$150
- Litigation cost: Maximum of USD\$250/ per any one accident.

### **Territorial Limits Extensions For the Comprehensive Policy:**

This Policy extends to indemnify the insured whilst any vehicle described in the Policy Schedule is temporarily in the Republic of South Africa, Lesotho, Botswana, Malawi, Namibia, Swaziland, Zambia, and Mozambique including whilst in transit by sea between any ports in the aforementioned territories and loading and unloading incidental to such transit.

### **Illustration of how rates are applied when underwriting insurance policies:**

**Example:** Assuming that Mr Zinyoro wants to comprehensively insure his Mercedes Benz valued at USD\$20,000.00, for one year. As an Underwriter; if I decide to charge him a rate of 4%, then the annual premium that he should pay is calculated as follows:

**Formula:      Sum Insured x Rate = Premium**

$$\$20,000.00 \times 4\% = \text{USD\$ } 800.00$$

**For motor vehicles: the Total Premium Payable = Premium Charged + Levy + Stamp Duty**

Assuming an annual road traffic levy of \$10.80 and a stamp duty of \$5.00

**Total Premium Payable = USD\$800.00 + \$ 10.80 + \$5.00 = USD\$815.80**

# Industrial Attachment Report: 2012-2013

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## Procedures for issuing a motor policy at Credsure:

### Comprehensive Policy:

- The client must bring a **registration book** of the vehicle.
- Or, if the name appearing on the registration book is not the same with the insured's name then the insured must provide **an agreement of sale as proof of ownership**.
- The client must complete a **motor proposal form**.
- The client should then pay the charged **premium**.
- A motor **cover note** is then issued.
- A **policy schedule** is then issued to the client after the payment of the relevant premium.
- The underwriter should then take photos of the insured vehicle to check if there are no any visible damages and to prevent any moral hazards.

### Full third Party:

- The client must only bring a registration book of the vehicle.
- The client should then pay the relevant premium
- A cover note is then issued
- A policy schedule is issued after the payment of the premium.

## Recommendations for Motor Underwriting and Rating:

I recommend that:

- The company should redraft its proposal forms to seek more information about the proposed insured vehicles. I have noticed that the proposal forms currently being used do not give adequate information for rating purposes.
- The company should also check the loss histories of the clients to rate clients accordingly. Currently, clients are being uniformly rated and **I strongly feel that those who have bad claims experiences should be charged more**.
- Clients who want FTP policies should also be required to complete proposal forms.



## Home Combined Insurance Policy:

House Owners



Householders



### Cover provided:

This is a specific fire policy for the individual householder, and it covers the client *against loss or damage to household contents (known as the householder's policy) and loss or damage to the residential building itself (known as the house owner's policy)*. A combination of the two policies gives rise to the Home Combined or a "Domestic All in One" policy.

### Policy Extension:

It additionally has an extension to provide additional cover to specified valuables that can be carried by a person, such as: jewellery, clothing, handbags, watches and laptops.

### Policy Section & Cover:

1. House Owners
2. House Holders
3. Personal Accident (All Risk)

### Items Covered:

Main Buildings & outbuildings e.g. swimming pools  
Household contents e.g. furniture, stoves & fridges.  
Moveable personal items such as Laptops

## **Industrial Attachment Report: 2012-2013**

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### **Standard Rates & Excesses for Home Combined Policies:**

(i)	Buildings	0.15% ( Excess: 10% of Loss, minimum 1% of Limit)
(ii)	Contents	0.75% (Excess: 10% of Loss, minimum 1% of Limit)
(iii)	All Risk	1.5% (Excess: 20% of Loss, minimum 1% of Limit)

### **Policy Exclusions:**

- Political riot
- Earthquakes
- Strike and malicious damage
- Arson and wilful acts

### **Standard Fire policy:**



### **Cover:**

The standard fire policy protects property and provides cover against:

- Fire
- Lightning or thunderbolt
- Explosion

## **Industrial Attachment Report: 2012-2013**

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### **Definition of Fire:**

There is said to be a fire within the meaning of fire insurance when:

- There is actual ignition.
- The fire is purely accidental or fortuitous in origin so far as the insured is concerned.
- The fire has burnt / damaged the property of the insured.

### **Policy Exclusions:**

- Storm, floods, earthquakes and landslides.
- War
- Consequential losses of any kind.
- Damage caused by nuclear forms, pollution and contamination.
- Damage to property due to fermentation, natural heating or spontaneous combustion.
- Damage to property undergoing any heating or drying process.
- Explosion of boilers due to internal pressure
- Malicious damage
- Riot and Strike
- Forest and Subterranean fire.

### **Policy Extensions:**

A standard fire policy can be extended to provide cover for damage caused by:

- Storm, wind, water and hail.
- Floods.
- Spontaneous combustion.
- Impact by animals and falling trees.

## Industrial Attachment Report: 2012-2013

### Underwriting Considerations for Fire policies:

- Inception hazard: The likelihood of a fire starting
- Use of the premises
- Materials used for construction
- Propagation hazard: The speed with which the fire is likely to spread once it starts.
- The insured's loss history.
- Location of the premises
- Fire prevention measures in place, for example: fire extinguishers and sprinklers.

### Rates and Excesses for Fire & Allied Perils (Material Damage):

Type of property	Rate	Standard Excess
Brick and Tile works	0.15%	10% of Loss, minimum 1% of Limit
Thatched & wooden buildings	1% plus 20% loading	20% of Loss, minimum 1% of Limit
Clothing factories	0.3%	10% of Loss, minimum 1% of Limit
Collieries	0.4%	10% of Loss, minimum 1% of Limit
Concrete Block Works	0.15%	10% of Loss, minimum 1% of Limit
Cosmetic factories	0.3%	10% of Loss, minimum 1% of Limit
Cotton Factories	0.3%	10% of Loss, minimum 1% of Limit
Cigarette Factories	0.4%	10% of Loss, minimum 1% of Limit
Bakeries	0.3%	10% of Loss, minimum 1% of Limit
Dry Cleaners	0.3%	10% of Loss, minimum 1% of Limit
Garages	1% plus 20% loading	20% of Loss, minimum 1% of Limit
Engineering Workshops	0.3%	10% of Loss, minimum 1% of Limit
Offices	0.125%	10% of Loss, minimum 1% of Limit
Oil Storage (Depots)	1% plus 20% loading	20% of Loss, minimum 1% of Limit
Power Houses	0.4%	10% of Loss, minimum 1% of Limit

### Fidelity Guarantee:



### Cover:

This policy covers the insured against loss of money or any other direct financial loss caused by the dishonesty or fraud of any of his employees during the course of their employment.

### Cover Applies:

- During the period of the policy.
- During the "**Discovery Period**": which is defined as the period during which theft is committed and discovered up to 12 months after termination of policy, or when the guilty party resigns or leaves employment.

### Parties involved:

The fidelity guarantee policy involves three parties:

- The insurer
- The insured (the employer)
- The applicant or insured person whose fidelity is guaranteed (the employee)

### **How the Fidelity Guarantee policy operates:**

The insurer agrees to indemnify the insured in respect of loss of money or other goods and property caused by the fraud or dishonesty of the insured person. The insurer becomes a guarantor in respect of the insured person and if the insured person commits a fraud or dishonesty against the employer, then the guarantor (insurer) must make a payment to compensate that fraud or dishonesty.

### **Policy Extension:**

The policy can also often cover:

- Auditors' fees incurred in substantiating the amount of the loss.
- The cost of rewriting or amending computer programs to avoid future losses
- The policy can also be extended to cover computer fraud by non-employees.

### **Types of employees that may be required to obtain fidelity guarantee cover:**

- Cashiers
- Accountants
- Directors
- Treasurers
- Sales Assistants
- Managers
- Stewards in clubs
- Computer programmers
- Commercial travelers
- Bus drivers

### Types of Fidelity Guarantee policies:

1. **Blanket Policy**- A policy covering all employees.
2. **Names Based covers** - This is a type of policy taken out on named employees and have a specific amount guaranteed, **which is a limit of indemnity per named person.**
3. **Loss Based Covers**- This policy will have a **limit of indemnity for any one loss.** The insurer suggests a minimum limit and an aggregate limit for any one loss.
4. **Positions Policy**- This policy guarantees the holders of specified positions.

### Policy Exclusions:

The policy does not cover:

- Frauds committed by employees with a shareholding in the business exceeding 5% or 10%.
- Claims that are only substantiated by inventory or profit and loss calculations.
- Stock taking losses.

### Companies which I practically issued Fidelity Guarantee Policies:

- Banc ABC
- ZB Bank
- Kingdom Bank Micro Finance

### Underwriting Considerations for Fidelity Guarantee Cover:

- Employee: e.g. previous convictions and previous employment.
- Cash handling and Accounting System
- Employer's recruitment policy
- Previous losses
- Information Technology (IT) systems in place.

## Industrial Attachment Report: 2012-2013

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### **Rates and Excesses for Fidelity Guarantee Policies:**

Service or Type of Policy	Rate	Standard Excess
Financial Services (Banks, Forex Bureaux, Micro Finances)	5%	10% of Loss, minimum 1% of Limit
Distribution Channels, Sales & Purchasing Staff	4%	10% of Loss, minimum 1% of Limit
Others (such as offices not exposed to huge sums of money)	2.5%	10% of Loss, minimum 1% of Limit
Blanket Policy	4%	10% of Loss, minimum 1% of Limit
Position Based Covers	3%	10% of Loss, minimum 1% of Limit
Names Based Covers	3%	10% of Loss, minimum 1% of Limit

### **Recommendations for Fidelity Guarantee Underwriting:**

I recommend that:

- Every effort should be made to encourage the issuing of fidelity guarantee policies on a named or position basis. I have noticed that the underwriting and issuing of blanket policies sometimes adversely selects or acts against the insurer as the underwriter is not able to get all the necessary information about each and every employee, especially in a large company with hundreds of employees.



**Professional Indemnity Policy:**



pe0007575 fotosearch.com

**Cover:**

This policy offers protection for professional firms or persons such as doctors, solicitors, architects and accountants against loss or damage suffered as a result of their professional negligence or that of their employees.

**Applicable Rates for Underwriting Purpose:**

- Doctors 3%
- Lawyers, Accountants, Architects & Surveyors 2%
- Others 1.5%

**Standard Excess:**

10% of Claim, minimum 1% of Limit

### **Marine Policy:**



### **Cover:**

Covers the loss or damage of ships, cargo, terminals, and any transport or property by which cargo is transferred, acquired, or held between the points of origin and final destination.

### **Marine Products:**

#### **i. Hull Insurance:**

Covers loss or damage to the actual ship, yacht or motor boat whilst being used on water, laid up and during transit to and from the lake. Cover also applies to outboard motors and ancillary equipment.

#### **ii. Cargo:**

Covers loss of or damage to goods in transit. Cover is from warehouse to warehouse until final destination. Cover is on an all risk basis and exclusions include war, nuclear disaster, wear and tear and damage due to dampness.

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### iii. Marine – Third Party Liability:

Insures against claims of loss or damage for which a policyholder might have to compensate another party. The policy covers losses resulting from acts or omissions that are legally deemed to be negligent and that result in damage to the person, property or legitimate interests of others.

### iv. Marine – Passenger Liability:

Covers death or bodily injury to passengers whilst cruising in, boarding or alighting from the boat due to negligence on the part of the insured, cover only applies to fare paying passengers.

### Open Marine Cover:

This policy provides cover against loss or damage to cargo originating from or going to destinations outside our borders **whilst in transit by sea, air and road.**

### Underwriting Considerations for Open Marine (Cargo) Policies:

Rating is based on:

- The nature of goods transported
- The estimated annual carry
- The value of goods per load or single transit.

### Rates for Marine Cargo (Open Marine):

Nature of Goods	Single Transit	Annual Carry	Standard Excess:
Food and Groceries	1%	0.65%	10% of Loss, Minimum 2% of Limit
Machinery	0.5%	1%	10% of Loss, Minimum 2% of Limit
Vehicles	1.5%	1.5%	10% of Loss, Minimum 2% of Limit
Fuel	15%	10%	10% of Loss, Minimum 2% of Limit
Minerals	1%	1.5%	10% of Loss, Minimum 2% of Limit

### **Goods in Transit (G.I.T) Policy:**



### **Cover:**

The policy covers goods moving inland within Zimbabwe. Cover is on 'all-risks' and the policy cover accidental loss or damage to property whilst in transit by rail, road or air.

### **Goods in Transit Policies fall into two categories:**

- On goods on the insured's vehicles, with a sum insured per vehicle.
- On all goods despatched by the insured, by own vehicles, by road haulier, rail and post, subject to a limit on any one consignment.

### **Policy Exclusions:**

- Theft from unlocked vehicles
- Moth, vermin, insects, damp, mildew or rust
- Delay, loss of market, consequential loss of any kind, deterioration and changes by natural cause.
- Connivance by the insured's employees.
- Specified property such as explosives, cash, bullion, acids and goods of dangerous nature.

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Subject Matter Insured	Rate	Standard Excess
Raw Materials (Non Explosive)	0.75%	10% of Loss, Minimum 2% of Limit
Plant, Industrial Equipment & Industrial Machinery	0.80%	10% of Loss, Minimum 2% of Limit
Chemicals and Pharmaceuticals	1%	10% of Loss, Minimum 2% of Limit
Fragile Cargo	2.5%	10% of Loss, Minimum 2% of Limit
Textiles/ Clothing	0.75%	10% of Loss, Minimum 2% of Limit
Machinery & Motor Spare Parts	0.85%	10% of Loss, Minimum 2% of Limit
Motor Vehicle (Not Containerised)	1.5%	10% of Loss, Minimum 2% of Limit
Motor Vehicle (Containerised)	0.65%	10% of Loss, Minimum 2% of Limit
Tyres	0.85%	10% of Loss, Minimum 2% of Limit
Chrome Ore (ingots/ Containerised)	0.65%	10% of Loss, Minimum 2% of Limit
Chrome Ore (Not Containerised)	1.50%	10% of Loss, Minimum 2% of Limit

### Other Applicable Excesses:

Breakage Excess: 15% of Consignment Value.

Hijacking: 20% of Loss, minimum 2.5% of Limit.

## Engineering Insurance:

### CONTRACTORS ALL RISK



### PLANT ALL RISKS



## Contractors All Risk (CAR) Policy:

Covers any sudden and unforeseen physical loss or damage to construction works and materials from any cause other than those specifically excluded and will also reimburse the cost of clearance of debris following upon any event giving rise to a claim under this insurance policy. It can also be extended to cover public liability. The policy insures **contract works** and this includes **temporary works** such as scaffolding and **permanent works** on the construction site.

## Rates and Excesses for Contractors All Risk:

Subject to be Insured	Rate	Standard Excess
Buildings	0.3%	10% of Loss, minimum 1% of Limit
Roads	0.3%	10% of Loss, minimum 1% of Limit
Dams/ Pipelines	0.4%	10% of Loss, minimum 1% of Limit
Others	0.25%	10% of Loss, minimum 1% of Limit

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### **Plant All Risks:**

Cover is for any sudden and unforeseen physical loss or damage to plant and machinery from any cause not specifically excluded; in a manner necessitating repair or replacement, whilst at the location or in the geographical area mentioned.

### **Rates and Excesses for Plant All Risks:**

<b>Subject to be insured</b>	<b>Rate</b>	<b>Standard Excess</b>
Mobile Plant	0.4%	10% of Loss, minimum 1% of Limit
Non-mobile Plant	0.4%	10% of Loss, minimum 1% of Limit

### **Erection All Risks:**

Cover is for all risks pertaining to projects of erection, testing and commissioning.

### **Rates for Erection All Risks (Material Damage):**

- i. Projects Up to 12 months 0.4%
- ii. Any extra period per year is charged on pro-rata basis & loaded by 25%.
- iii. Third party liability/ Surrounding Property 0.4%

### **Machinery Breakdown (Loss of Profits):**

Cover is for loss of Gross profits due to any interference or interruption of the business within the period of insurance caused by the perils under machinery breakdown insurance cover.

**Rate: 0.75%**                      **excess: 2 weeks' gross profit.**

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### **Machinery Breakdown:**

Cover is for sudden and unforeseen physical loss or damage to the insured property which is on the premises by causes such as defects in casting, defects in material, faulty design, bad workmanship or any other cause not specifically excluded.

### **Rates & Excesses for Machinery Breakdown (Material Damage):**

Machinery to be insured	Rate	Standard Excess
Metal Working Industrial Equipment:		
<ul style="list-style-type: none"> <li>• Riveting &amp; Welding Machines</li> <li>• Cutting &amp; Facing Machine Tools</li> <li>• Forging Equipment (Hot Works)</li> <li>• Forging Equipment (Cold Works)</li> <li>• Rolling Mill (Hot &amp; Cold)</li> <li>• Heat treatment/ Wire drawing</li> </ul>	1% 0.5% 2% 1% 0.8% 1%	10% of Loss, minimum 1% of Limit
Chemical Industry:		
<ul style="list-style-type: none"> <li>• Injection/ Blow molding extruders</li> <li>• Vulcanizing presses</li> <li>• Pelletizing machines</li> <li>• Coking plant</li> <li>• Other machines &amp; equipment</li> </ul>	0.8% 0.8% 0.8% 0.8% 0.4%	10% of Loss, minimum 1 % of Limit
Mining Plants:		
<ul style="list-style-type: none"> <li>• Surface</li> <li>• Underground</li> </ul>	2% 10%	10% of Loss, minimum 1% of Limit
Transport & Traffic System	0.8%	10% of Loss, minimum 1% of Limit



### **Electronic Equipment:**

Cover is for any sudden and unforeseen physical damage or loss to electronic equipment. The insurance can also be extended to cover the expenses for the reconstruction and re-recording of information following damage covered under the policy. Cover can also extend to cover the expenses for the use of substitute electronic data processing equipment.

### **Rates for Electronic equipment (on the premise):**

Material Damage and all other extensions: 0.75%. **Excess:** 10% of Loss, minimum 1% of Limit

### **Key points about Engineering Insurance:**

Engineering insurance policies cover a multitude of risks. The property coverage depends on the type of plant insured. The type of plant that can be insured includes:

- **Boiler and pressure plant** – e.g. boilers and pressure plant include steam boilers, super heaters, economizers and other pressure vessels. This is insured against **explosion and collapse**.
- **Engine Plant** – e.g. steam engines, gas and oil engines, diesel engines, air compressors, pumps, hydro-extractors and large refrigerating plants. This is insured against the risk of **mechanical breakdown**.
- **Electrical Plant** – e.g. electric motors, generators, transformers, turbines, switch boards, rotary converters and rectifiers. This is insured against **electrical and mechanical breakdown**.
- **Lifting Machinery** – e.g. cranes, elevators, excavators and other types of lifting appliance. This is insured against the risk of mechanical breakdown.
- **Computers** – covers all computer equipment against accidental damage, erasure and distortion of stored data. Cover can be extended to cover any additional costs incurred during the indemnity period.
- **Miscellaneous Plant** – e.g. any other type of plant and equipment which does not fit conveniently in any of the above category. Cover is for any risks appropriate to the plant.

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### Exclusions for Engineering Policies:

The policies do not cover:

- Perils covered by a fire or special perils policy
- Perils excluded by general market agreement.
- Willful act or neglect of the insured
- Repairs or replacement necessitated by wear and tear or intentional overloading of machinery

**N.B:** These policies all exclude fire and consequential loss risks because these are covered by the appropriate policies.

### Theft Policy:



### Cover:

This policy normally covers loss of or damage to the insured property caused by **‘theft involving violent and forcible entry to or exit from the premises’**. The policy does not cover theft by persons legitimately on the premises such as customers or visitors, unless they secret themselves and break out. The policy can also additionally pay for repairs to the buildings strictly caused by theft.

### **Theft policy extensions:**

It is possible to add the risk of 'hold-up'. **Hold-up** may be defined as “**theft accompanied by assault or violence or the threat of it to the insured or employees of the insured, irrespective of whether there is forcible entry**”.

### **Theft insurance policy exclusions:**

The policy excludes:

- Loss or damage caused by fire
- Damage to stained or plate glass
- Loss or damage by persons lawfully on the premises or brought about by or in connivance with a member of the insured's staff.
- Shoplifting
- Loss or damage to money, securities, coins, medals, precious stones, curios and documents

### **Rates for theft insurance policies:**

Burglary and house breaking rates:

- Trading stores (First Loss)      **6%    Excess: 10% of Loss, minimum 1% of Limit**
- Other Buildings                      **4%    Excess: 10% of Loss, minimum 1% of Limit**

### **Underwriting Considerations for Theft Insurance:**

- Security measures in place e.g. burglar bars, electric fence, alarms and tracking systems.
- Crime rate
- Location of the premises.
- Loss history of the insured
- Maximum possible loss

### **Money Insurance:**



**Cover:** The policy covers ‘all-risks’ of loss or damage to the money as defined.

“**Money**” is often expressed in the policy to include: cash, bank and currency notes, postal orders, cheques, bankers' drafts, bills of exchange, postage stamps, revenue stamps, share certificates, savings bonds, luncheon vouchers and gift tokens acceptable by the insurer.

### **Money as so defined is insured in several ways:**

- In transit
- On the insured’s premises during business hours
- On the premises out of business hours and not in a safe or strong room (nominal Limit).
- In a bank night safe
- In a locked safe or strong room out of business hours
- In the private residence of any principal or an employee of the insured (nominal Limit)
- In the custody of collectors or travelers provided it is delivered to the insured, bank or post office within 24 hours.

Policies normally include damage to safes occasioned during theft or attempted theft. Each of the above situations will have a monetary limit placed on it and the limits will vary depending on the agreement between the proposer and the insurer. In general, the limit on money safe will depend on the quality of the safe. The transit risk is frequently made subject to an **escort warranty** specifying the number of able-bodied adult employees who must accompany the money in transit.

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### **Policy Extensions:**

Money policies can be extended to include:

- Personal accident benefits to employees or representatives who may be attacked while carrying or handling money on behalf of the insured.
- Loss of or damage to stamp franking machines
- Loss of or damage to employees' clothing and personal effects in the course of theft or attempted theft.
- Cost of opening safes or strong rooms following theft of keys.

### **Policy Exclusions:**

The policy excludes:

- Dishonesty of an employee not discovered within a short period (e.g. 7 days)
- Act of local or national authority
- Shortages due to error or omission
- Use of a key left on the premises (the 'key clause').
- Depreciation in value
- Loss from an unattended vehicle

### **Rates and Excesses for money:**

<b>Subject of insurance</b>	<b>Rate</b>	<b>Excess</b>
Money in transit	5%	10% of Loss, minimum 1% of Limit
Money in transit (accompanied by a bullion van)	4%	10% of Loss, minimum 1% of Limit
Money in premises	4.5%	10% of Loss, minimum 1% of Limit
Money in premises during working hours	4.5%	10% of Loss, minimum 1% of Limit
Locks and Keys Extensions	3%	10% of Loss, minimum 1% of Limit
Personal Money	8%	10% of Loss, minimum 1% of Limit

### **Underwriting considerations for money insurance:**

- Where the money is kept
- Security measures in place
- The amount of money kept at the premises at any given specified time
- The maximum possible loss
- The loss history of the insured
- Details of the custodians of the money and of the personnel who accompanies the money in transit.

### **Summary and conclusion for the underwriting of short term insurance products:**

During my attachment, I mainly specialized in the underwriting of short term insurance products such as motor, home combined, assets all risk, group personal accident, professional indemnity, fidelity guarantee, contractors all risk, engineering policies and several other policies which I could not explain in this report due to the limitations of the maximum amount of words needed for this report.

### **The Underwriting Procedures at Credsure are as follows:**

- Advise client about the right policy cover to suit his/ her needs.
- Client should complete a proposal form.
- The underwriter will then prepare the policy documents, cover notes & policy wording.
- For motor policies- photos of the vehicle are then taken to check for any visible damages
- For non-motor policies – A valuation of the property may be made (if necessary)
- Placement of reinsurance
- The underwriter will then prepare the reinsurance slip and bordereaux for signing
- After the reinsurer signs and confirms cover, the signed slip will then be filed.

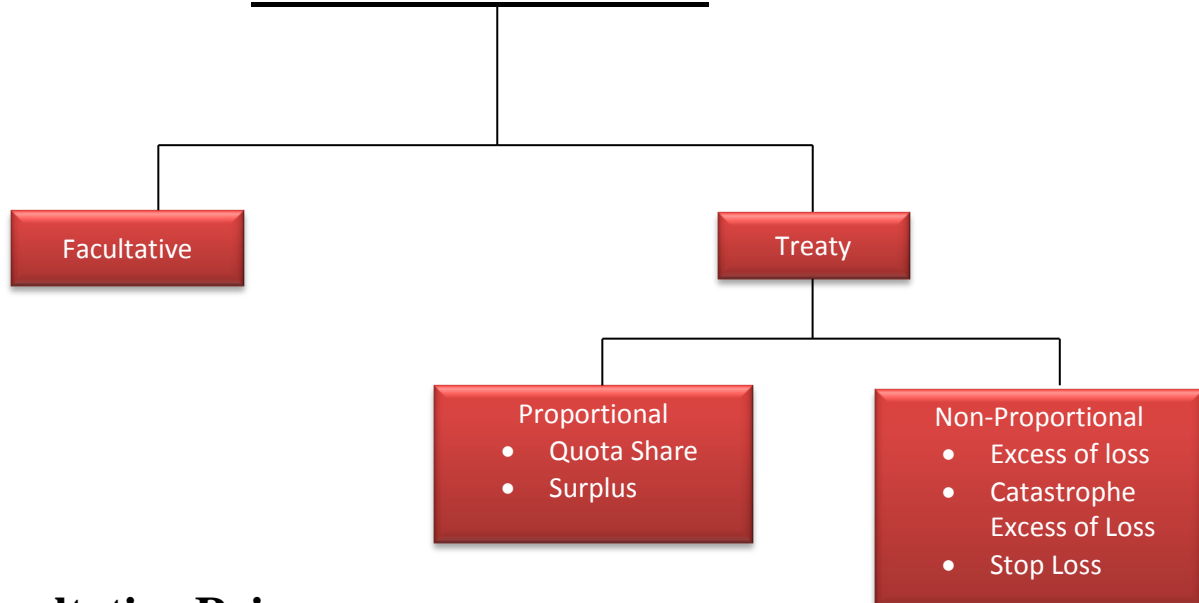
## 4.1.2 Reinsurance Placement:

My other duty as an Underwriter was to seek reinsurance cover for several risks that I would be willing to write. Time and again, **I would also consult reinsurers for technical support and for rating guidelines.** At Credsure, I used to place reinsurance in accordance with the treaty requirements and company retention limits. **Before explaining the procedures for placing reinsurance at Credsure, let me start by explaining the concept of reinsurance:**

### Definition of Reinsurance:

Reinsurance can be defined in simple terms as the “*insurance for insurance companies*”.

### Methods of Reinsurance:



### Facultative Reinsurance:

Is where risks are ceded individually and the reinsurer can either accept or reject the risk based on its merits.

### Situations where I would cede risks on facultative basis:

- When the capacity of the company has been exceeded
- When the risk is outside the terms of the treaty
- When the risk is unusual.

### **Treaty Reinsurance:**

A treaty is an agreement between the ceding office (direct insurer) and the reinsurer, whereby the ceding office cedes and the reinsurer accepts any risk which falls within or satisfies the treaty terms, conditions and warranties.

Treaties fall into two broad categories:

- Proportional
- Non-proportional

### **Proportional treaties:**

These are agreements whereby the reinsurer agrees to take a proportion of the risk for which it gets the same proportion of the premium and pays the same proportion of any arising claim. Examples of proportional treaties include **quota share and surplus treaties**. This form of reinsurance is **popular with forms of insurance that have agreeable sums insured, for example, property and business interruption insurances.**

### **Quota Share Treaties:**

These are treaties where the ceding office agrees to cede to the treaty; a fixed proportion of all the insurance of the specified type that it writes.

**For example:** An 80% quota share treaty means that the ceding office will cede 80% of the risk and will remit 80% of the received premium to the reinsurer, for which the reinsurer will pay 80% of any claim that might arise for the risk.

### **Circumstances where the direct insurer might opt for quota share treaty:**

- Where the ceding office has very little experience of underwriting a certain type of risks.
- Where the ceding office is writing a certain class of business as “accommodation” business - that is to say, that class of business it does not necessarily want but accepts just to retain its customers’ goodwill and market share.



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### Surplus treaty:

In this form of treaty, the reinsurer agrees to accept, subject to a maximum limit, any surplus amount of the risk that is above the ceding office's desired retention limit. The proportion to be accepted is usually expressed in "lines". A line is equivalent to the amount of the ceding office's retention.

**Example:** If a ceding office arranges a **5 line surplus treaty** for fire policies, and decides to retain \$5,000.00 for the same particular class of business. **Its retention limit of \$5,000.00 becomes one line.** The ceding office can cede five lines to the treaty, hence its **maximum capacity** or amount of business that it can accept or underwrite for fire policies is **\$30,000.00 (\$5,000.00 + \$25,000.00)**. The treaty will thus have 5/6<sup>th</sup> of the premium and if a claim arises, the ceding office will recover 5/6<sup>th</sup> of any payment it makes to the policy holder.

### Non-Proportional treaties:

In non-proportional treaties, the ceding office and the reinsurers do not share the loss in fixed proportions, and may not share some losses at all. The ceding office will bear all losses up to a certain figure and the reinsurer will deal with the balance of any loss above the figure, usually with an upper limit for their own involvement. Non – proportional treaties **are traditionally the province of liability insurers.**

### Excess of Loss treaty:

This is a treaty that agrees to pay the amount of any loss that is in excess of the amount that the ceding office retains for its own account, subject to an upper limit. Excess of loss reinsurance is based on claims and not sums insured. Premiums for excess of loss treaties are calculated using a method called **the burning cost method**, and basically this method looks at the claims experience of the ceding office over the past three or five years.

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**Example:** If a liability insurer wants a maximum liability of \$100,000.00 on public liability claims and arranges two excess of loss treaties as follows:

- First excess of loss treaty - \$900,000 in excess of the retention limit of \$100,000.00
- Second excess of loss treaty - \$1 million in excess of \$1 million.

**In the above example, if a loss of \$750,000 occurs then** the ceding office will pay \$100,000.00 and the first treaty will pay \$650,000.00. **If a loss of \$1.5 million occurs** then the ceding office will pay \$100,000.00, the first treaty will pay \$900,000.00 and the second treaty will pay the remaining balance of \$500,000.00.

### **Catastrophe Excess of Loss:**

This treaty is arranged by direct insurers to cover events that affect large numbers of policy holders at the same time. **It deals with the accumulation of losses**, from more than one policyholder arising out of one event. Events that are likely to be covered includes floods, and it is the cumulative effect of the flood that the catastrophe excess of loss treaty caters for.

### **Stop Loss or Excess of Loss Ratio Treaty:**

This treaty works on the same principle with the excess of loss treaty, but instead of fixing monetary limits it works on percentage limits. **The stop loss treaty is used by direct insurers to protect their whole portfolio of a particular class of insurance.** This helps direct insurers to prevent wide fluctuations of the net claims ratio from one year to the next, thus promoting stability and giving confidence.

**Loss ratio** is the ratio of premiums to claims and for the purpose of the stop loss treaty it is calculated on the year's figures, not just one policy. **For example**, a commercial vehicle insurer may wish to limit its loss ratio on own damage claims to 70%. To put this into effect, it must arrange a stop loss treaty that will pay the excess of loss ratio above the chosen figure of 70%. If there is an upper limit of say 110%; the treaty will thus pay for excess of loss ratios above 70% but not more than 110%.

### **The Privity of Contract:**

The doctrine of privity of contract applies to all reinsurance contracts and it states that: **“a reinsurance contract is a separate contract entered into between the cedent and the reinsurer only. It creates personal rights between the cedent and the reinsurer, and not a right against the world”**.

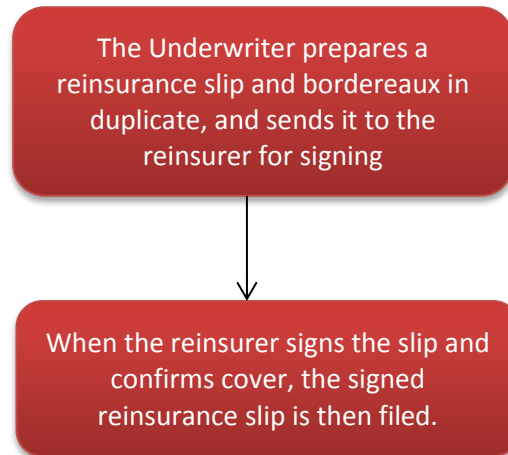
The implication for this doctrine is that, if a direct insurer is liquidated, the original policyholders cannot claim against the reinsurer for their policies ceded to the reinsurer.

### **Benefits of reinsurance to the Direct Insurer:**

- **Capacity:** It boosts the capacity of the insurer to accept more risks.
- **Stability:** It stabilizes the underwriting results of the insurer by smoothening the peaks and troughs of claims and premiums and spreading the risks over a much wider pool.
- **Risk spreading:** It spreads the risks.
- **Catastrophe protection:** It protects the insurer from individually paying large claims arising from catastrophic events.
- **Confidence and peace of mind:** Reinsurance gives confidence and peace of mind to the insurer.
- **Commission:** The direct insurer normally receives a commission for every risk ceded and this is a benefit to the insurer.

**After thoroughly explaining the concept of reinsurance, I now take this opportunity to explain the procedures for placing reinsurance at Credsure and to also outline some of the treaty arrangements that are currently being used to protect the underwriting accounts and to boost the underwriting capacity of Credsure:**

### **Procedures for placing reinsurance at Credsure:**



### **The reinsurance slip will show:**

- Name of the original insured
- Name of the ceding office
- Class of business and the details of the risk.
- Sum insured
- Premium amount
- Commission
- Percentage reinsured
- Policy number
- Cession number
- Cedent's retention
- The rate applied

### **The reinsurance bordereaux:**

- Simply gives a summary of the premium amounts to be ceded to the reinsurer, the risk, and the commission due to the ceding office, the original insured and policy number.

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### Auto-Facultative treaties for Credsure:

- For private motor business, Credsure retains US\$15,000.00 and cedes the remainder to the reinsurers on auto - facultative basis.
- For Commuter Omnibuses, fuel carrying vehicles and taxis, Credsure does not retain anything and it cedes all the premiums received, 100% to the reinsurer.
- For non-fuel carrying commercial vehicles such as haulage trucks, agricultural equipment, horse and trailers, Credsure retains 50% and cedes the remaining 50% with reinsurers.

### 2013 Treaty Summaries for Credsure:

#### Quota Share Treaties:

Motor business: 60% Quota Share Treaty.

#### Surplus Treaty for Credsure (5 Line Surplus Treaty):

#### Participating Reinsurers:

Baobab Re (40%), ZB Re (25%), Tropical Re (20%), Grand Re (10%) & Colonnade Re (5%)

Class of business	Retention	No: of Lines	Capacity	Underwriting Capacity
	\$		\$	\$
Fidelity Guarantee	80,000	5	400,000	<b>480,000</b>
Money	80,000	5	400,000	<b>480,000</b>
Goods In Transit	80,000	5	400,000	<b>480,000</b>
Engineering	120,000	5	600,000	<b>720,000</b>
Marine Cargo	80,000	5	400,000	<b>480,000</b>
Business All Risks	80,000	5	400,000	<b>480,000</b>

### 4.1.3. Portfolio Underwriting and Management:

Credsure controls huge insurance portfolios for several companies. **I managed to underwrite portfolios** for companies such as Banc ABC, Standards Association of Zimbabwe, ZB Group, Curechem Overseas, Zimre Properties, Hubbard Zimbabwe, Mitchell Cotts, Lobels, Makomo Mineral Resources, UTI and China International Engineering and Water Works.

**An insurance portfolio** can be explained in simple terms as **“a collection of various insurance policies taken by the same corporate or individual client”**. As an Attachee - Underwriter, one of my key responsibilities was to manage and underwrite portfolios for several companies.

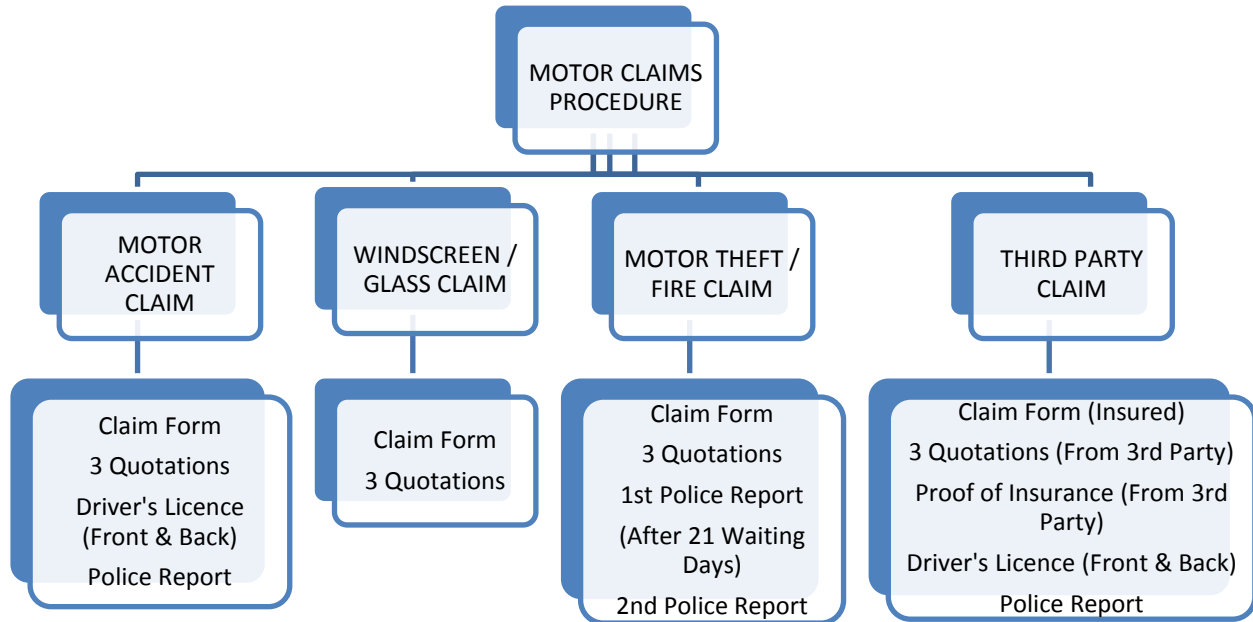
### Underwriting & Managing insurance portfolios included:

- Issuing various policies to the same corporate clients.
- Arranging reinsurance cover for various risks within a portfolio.
- Preparing quotations for any requested policy covers.
- Rating and calculating premiums as per the request of the client.
- Making policy endorsement entries to existing policies to effect changes to the risk items.
- Renewing existing and expiring portfolios.
- Preparing renewal notices to the corporate and individual clients.
- Checking if all the premiums have been paid by the client.
- Issuing cover notes and policy wordings to the client.
- Ensuring that any claims from the portfolio are settled promptly.
- Checking the performance of any particular class of insurance within a portfolio.
- Making endorsement entries to change the policy excesses and limits based on the performance of any particular class of insurance within a portfolio.
- Ensuring that commissions (if any) have been paid to the broker or agent who is involved in the portfolio.

## 4.1.4. Claims processing:

I also had a chance to process claims during my attachment at Credsure. The diagrams below summarize the claims handling procedures that I followed and used at Credsure:

**Fig 1: Motor Claims procedure:**



**CREDSURE INITIAL PROCESS:**  
Cover Verification  
Claims Registration & Acknowledgement  
Premium Confirmation

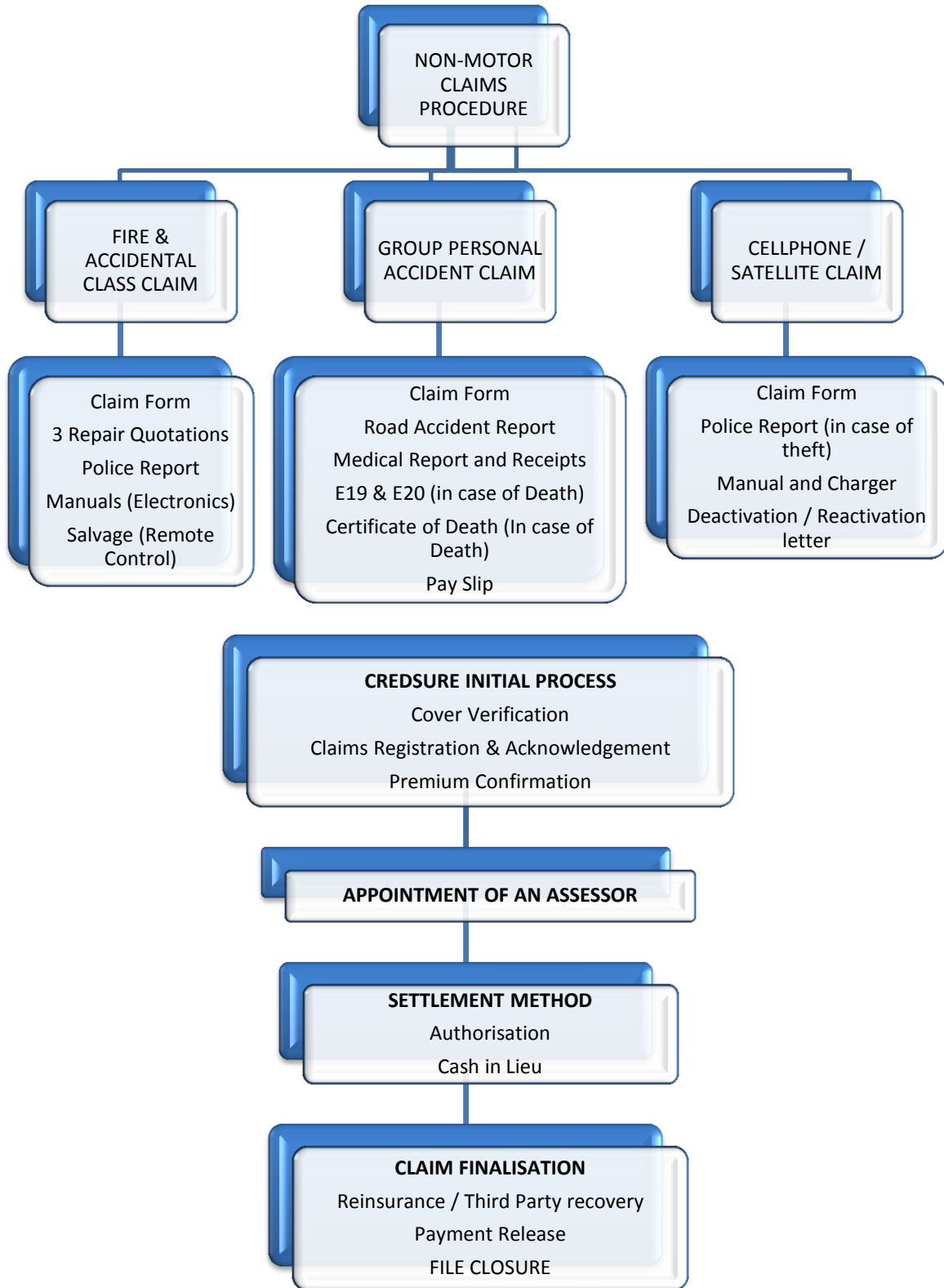
**APPOINTMENT OF AN ASSESSOR**

**SETTLEMENT METHOD:**  
Authorisation  
Cash in Lieu

**CLAIM FINALISATION:**  
Reinsurance / Third Party recovery  
Payment Release  
**FILE CLOSURE**

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**Fig 2: Non-motor claims procedures:**





### Summary of Claims Handling Procedures at Credsure:

#### The Initial Verification and Checking Processes:

On the initial notification of a claim by a client:

- **I would check if the premium was paid and if the policy is still in force.**
- I would check if the policyholder's name, address, occupation and insurable interest are correct.
- I would also check if the incident was reported within the period of insurance.
- I would also check if the cause of the incident is within the scope of the policy (**proximate cause**).
- I would also check if all the policy warranties and conditions have been complied with.
- I would also check if the amount being claimed appears to be reasonable.
- I would also check the adequacy of the sums insured.

#### Motor Insurance Claims Procedures:

- A motor claim form, police report form and a list of approved panel beaters is issued to the client.
- The client must bring a completed claim form, a police report form signed by the officer in charge, 3 (three) quotations from the approved panel beaters and a copy of the driver's license (photocopied front and back).
- Verification of cover is done.
- An assessor is then appointed to assess the extent of damage, to investigate the claim, to adjust claim costs in favor of the insurer and to negotiate for a fair settlement of a claim.
- A claim is then registered using the Premium software.
- Methods of settlement include: **repairs** (a repairs authorization letter is given to the client), **cash payment (or cash in-lieu), reinstatement or replacement.**
- Reinsurance recoveries are then done (if any) and the claim file is created and closed.

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### Calculations of Claim settlements:

**Example:** If a client insures his vehicle for \$10,000.00, subject to an own damage excess of 5% for Total Loss and 10% for Partial Loss.

(a) If the vehicle is declared a write-off (a Total Loss), then the claim will be paid as follows:

	\$
Sum insured	10,000.00
Less: 5 % Excess	<u>(500.00)</u>
Total amount payable for the claim	<u>9,500.00</u>

(b) If the vehicle is partially damaged and repair costs are pegged at \$5,000 then the insurer will pay \$4,500.00 (\$5,000 less 10% Excess).

### Declared Write-Off:

At Credsure, if repair costs exceed 70% of the sum insured then the vehicle will be declared a write-off.

### Average Condition:

If the sum insured is less than the value of the property insured (**under-insurance**) then the insured shall be considered as their own insurer for the difference and shall bear a rateable proportion of the claim.

To calculate average condition payments, we use the following formula:

**Sum insured/ value of property x amount claimed = amount to be paid.**

**Example:** If a client insures his vehicle for \$10 000, when the actual value is \$15 000. If a claim of \$6,000 arises then the insurer will only pay \$4,000.00 (10/15 x \$6,000)

## 4.1.5. Marketing of Insurance Products:



As an Attachee Underwriter, my other duties were to market the Credsure brand in the market. When I started my attachment, **I realized that Marketing is an everyday duty for an underwriter.**

### Marketing Activities that I performed at Credsure:

- Rating and pricing insurance products to suit customer's needs, at a profit to Credsure.
- Cross-selling of other insurance products when a client enquires about a certain product.
- Distribution of brochures and flyers during the launch of promotions such as the motor service plan promotion.
- Persuading clients to insure their vehicles comprehensively instead of relying on third party insurance which has limited cover.
- Advertising the Credsure brand in the market through broker visits, presentations at corporate functions and establishing sustainable relations with clients.
- Preparing and sending renewal notices to clients to maintain existing business.
- Attracting new business and portfolios through making PowerPoint presentations to various targeted corporate clients.
- Working closely with brokers and agents to get as much business from them as possible.
- Going out into the market to look for business from direct clients, small to medium enterprises and corporates.

### **4.1.6 Filing, Receptionist & other Duties:**

During my attachment I was also responsible for the filing of all the policy schedules produced and reinsurance slips signed and returned by the reinsurer. I also had a chance to perform receptionist and other several assigned duties, as part of my industrial attachment training.

#### **Filing activities that I performed included:**

- Creating policy folders for both underwriting and claims files.
- Registration of files in the central registry system.
- Filing of registered files in the physical cabinets.
- Updating signed reinsurance slips in their relevant file folders.
- Allocating files according to class of business.
- Maintaining order in the file room.

#### **Receptionist Duties that I performed included:**

- Operating the switchboard
- Welcoming and receiving clients and guests, in a very warm and friendly manner.
- Answering incoming calls.
- Directing incoming calls to their respective extension lines
- Making outgoing calls on behalf of all the requesting staff members.
- Liaising with clients and attending to their queries
- Receiving and signing for incoming mails.

#### **Other duties that I performed which are worth mentioning:**

- Declarations and Remittances of Yellow Card and Passenger Liability premiums to ICZ.
- Preparation of renewal notices and quotations to clients.
- Broker visits and building good relations with brokers.
- Carrying out risk surveys and performing risk management activities for our clients.

### **4.2. Notable Findings During My Attachment:**

#### **(1) “Excess Buy-Back” Policies:**

During my attachment, I noted and discovered that a client can “buy back” some of the excesses that he/ she does not want to pay in the event of a claim. An **Excess Buy-Back** policy is normally issued at a higher rate of premium, and it is issued as a separate policy on its own in addition to the policy which the insured does not want to bear any excess. At Credsure, I issued several “Motor Excess Buy-Back” policies which I used to rate at 20% on the excess buy back Sum insured.

#### **(2) Packaged Policies:**

I discovered that most insurers prefer to issue a package of several policies combined into a single policy, instead of offering one policy. It is profitable for insurers to give the insured a package of various policies covering several risks, than to issue a single policy. Examples of Packaged policies that I issued at Credsure include Fire-Assets All Risk, Multi-peril Policies and Business Combined policies.

#### **(3) “Hold-Cover” Agreements:**

Instead of keeping a risk on your desk, it is wise for an Underwriter to seek facultative reinsurance cover on risks received, but not yet processed. Such immediate protection or cover can be acquired through “hold-covered” agreements with the reinsurer.

#### **(4) “Knock-For-Knock” Agreements:**

This is an agreement between motor insurers, to waive subrogation rights and simply settle their own claims. It is simply an inter-insurer agreement, where the insurers settle claims for their own client without having to recover the paid amount from the other insurer. This is normally the case with situations where accidents occur for clients who both have comprehensive cover.

## 4.3. Application of theory:

### Property and Liability Insurance:

I mostly applied theoretical concepts that I had learnt from my Property and Liability lectures. It was fairly easy for me to settle as quickly as possible at Credsure because I was very much equipped and armed with a rich background of property and liability insurance concepts. **I used these concepts to underwrite various policies, to apply excesses and limits and explain to the clients what each and every policy covers.**

### Reinsurance Principles:

My strong mastery, fluency and understanding of reinsurance concepts enabled me to settle quickly, to adjust and to speak at the same level with reinsurers when seeking technical advice and support on how to underwrite risks. **Reinsurance principles learnt from my lectures enabled me to interpret and apply Reinsurance Treaties at Credsure with great ease.**

### Legal Aspects of Insurance (Insurance Law):

**Insurance policies are contracts of indemnity** between the proposer (who becomes the insured) and the insurer. When issuing policies, I would follow and observe all the basic principles of the law of contract, such as **offer and acceptance, consideration, capacity, physical possibility and legality** - to issue valid and legally enforceable policies of insurance.

**The duty of disclosure:** As an underwriter, I had to ensure that I get all the full information and all the **material facts** concerning a risk. **I would issue proposal forms** to clients which they had to complete in **utmost good faith**. As an underwriter, acting on behalf of the insurer, I also had a duty to disclose every material fact to the client to avoid any disputes in future.

When processing claims, I would also establish **insurable interest** and **the proximate cause** of the loss; provide **indemnity** and then enforce **subrogation** rights to make recoveries from third parties. If there are other insurers participating then, I would apply **the principle of contribution**. Where there is under-insurance, I would apply **the doctrine of average clause**.

## **4.4. The Gap Between Theory and Practice:**

### **Underwriting Considerations:**

During my attachment, I noticed that there is a wide gap between theory and practice. I noticed that the underwriting considerations that I learnt from my property and liability lectures were rarely used at all in the market due to standard rates, competition and market forces.

Whereas theory assumes that a motor vehicle is rated according to factors such as: age of the driver, where the car is parked, loss history and the capacity of engine; this is not the situation in the Zimbabwean insurance market because most insurers apply standard rates such as \$35 (for Full Third Party cover for private vehicles) and 4% (for comprehensive cover).

### **Rating of risks and Calculation of Premiums:**

When I started my attachment, I expected to calculate premiums using statistical tools and techniques for each and every risk, according to theory. However, this was not the case because rates which are applied are regulated by the Insurance and Pensions Commission (IPEC).

### **Rates Undercutting:**

Theory assumes that competition is perfect for all insurers due to regulation, but in Zimbabwe this is not the case because there is rampant rates-undercutting by most insurers, due to stiff competition and the need to survive.

### **Corporate Culture vs. Theoretical Assumptions:**

I noticed that corporate culture determines the overall routine practices of a company. Corporate culture differs with each and every company; hence you will find that the underwriting and claims practices vary with each and every company. Theory, however assumes that insurance practices are the same everywhere, which is not the case with Zimbabwean insurance companies.

## **4.5. Skills Development, Including Analytical Skills & Problem Solving Skills:**

The industrial attachment enabled me to acquire the following key skills:

### **1. Ability to work under pressure:**

During renewal periods we would work tirelessly to efficiently and effectively serve clients. Most of the times we would also be under severe pressure to complete randomly assigned tasks, to meet budgets, to finish capturing mails from brokers and agents, to serve clients and to look for new business.

### **2. Communication Skills:**

I perfected my communication skills during my attachment. I would communicate with clients, reinsurers, brokers and agents almost on a daily basis. I would communicate using emails, telephone and face-to-face with clients. Good communication skills enabled me to convince clients to purchase insurance and to attract new business.

### **3. Team work:**

I mastered the art of team work. We would assist each other to complete tasks and to plan together as a team. If one of our team members is busy, we would help him/ her to reduce the work load. We would also support each other in times of need.

### **4. Analytical and Problem-Solving skills:**

The attachment equipped me with key analytical and problem-solving skills. I would be given complex underwriting tasks that I would strongly analyze and solve with great diligence, precision and meticulous accuracy.

### **5. Initiative and Decision Making skills:**

The industrial attachment equipped me with initiative and decision making skills. It gave me the platform to display constructive ideas, creative thinking, leadership and pro-active decision making abilities; to solve complex problems and to improve the efficiency of Credsure.



## **4.6. Participation and the value of my input:**

### **To the Underwriting and Claims Department:**

- I attracted new business through my strong marketing and good communication skills.
- I immensely contributed to the achievement of Departmental budgets and to the improvement of our Underwriting results.
- I initiated crucial activities such as preparing and sending renewal notices to clients.
- I was a key member of the Underwriting team and my contributions were very valuable and worth more than a diamond field.
- I worked whole heartedly and my dedication, innovative ideas, self-motivation and commitment to duties were unquestionable.
- I worked hard to ensure that claims are paid promptly, and to ensure that clients are served satisfactorily. I also assisted clients with technical advice and support.
- I displayed meticulous underwriting skills which immensely benefitted the department.
- I established good relations with brokers and clients and this boosted business.
- I would also make follow-ups on clients to convert every quotation into a new policy.

### **To the Organization (Credsure):**

- I marketed the Credsure brand with so much passion and enthusiasm.
- I prepared a PowerPoint presentation for the 2013 Strategies that Credsure adopted.
- I participated in the launching of new products such the motor service plan and Inside Insurance (a program for Credsure which is broadcasted weekly on Star-FM).
- I actively participated in the prevention and reduction of fraudulent activities which were being perpetrated by unscrupulous agents, touts and conmen.
- My loyalty to Credsure was unquestionable. I got offers from most insurance companies but I chose to stay at Credsure, when I could have easily left.
- I portrayed a good image of the company and I was a true ambassador of Credsure everywhere I would go.
- I worked tirelessly to make Credsure be counted amongst the top insurers in Zimbabwe.

## 4.7. Client and Interpersonal Relations:

### Client Relations:

I managed to establish a strong relationship with clients. I managed to attract new clients and I also developed a strong professional relationship with most of the clients that I served. I became so connected with my clients such that most clients would only want to be served by me. **I managed to establish good relations with clients through:**

- Serving clients well.
- Good customer service.
- Sacrificing my lunch just to serve and attend to clients.
- Paying attention to client's needs.
- Attending to customer's queries as quickly as possible.
- Sending renewal notices and reminders to clients.
- Regularly communicating with clients and ensuring that their claims are settled quickly.
- Giving technical advice and support to clients

### Interpersonal Relations:

We worked well together with all the other employees at Credsure. We were a wonderful family together, and my outgoing character enabled me to make friends with a lot of employees at Credsure. The support from everyone was just great. **Together, we achieved more!**

### Chapter Five

# Impacts and Benefits of Attachment

### To Credsure:

Credsure benefits immensely from employing attachees. The benefits that accrue to Credsure include:

- The improvement of operational efficiency and effectiveness.
- Cost reduction.
- The utilization of key productive skills that the university is impacting in most students.
- The improvement of underwriting results.
- The company gains from the innovative contributions of the attachees.
- The company gains from the strategies that they may gain from the attachees.
- The hard work and contributions of attachees is a great benefit to the organization.
- Work load is shared to improve operational efficiency.
- The contribution of attachees enables Credsure to meet its goals and objectives.
- As an attachee, I created and added value to the Credsure brand through my innovative contributions.

### To me:

Industrial attachment **enabled me to acquire valuable practical experience. It enabled me to bridge the gap between theory and practice**, and it equipped me with key professional skills such as:

- Good communication skills.
- Ability to work under pressure.
- Analytical and problem solving skills.
- Initiative and decision making skills.
- Team work.
- Meeting of deadlines and attaining set goals and objectives.

### Chapter Six Recommendations

#### To Credsure:

I recommend that Credsure should:

- (a) Establish a wider branch network to sell insurance products in areas where it does not have any market presence, for example, in Kwekwe, Gweru, Masvingo and Marondera.
- (b) Introduce “no claims bonuses” to incentivize clients to minimize losses.
- (c) Develop an effective renewal invitation system, which invites clients to renew their policies 30 days before renewal.
- (d) Increase visibility on the market by making weekly broker’s visits.
- (e) Maintain constant contact with clients, brokers and agents to build sustainable relations.
- (f) Deal with queries promptly and efficiently.
- (g) Settle claims promptly, for example within 7 working days.
- (h) Fully utilize the synergistic links with its shareholders such as Banc ABC and ZB group.
- (i) Promptly respond and react to competition dynamics in the market.
- (j) Carry out regular checks, to check the adequacy of sums insured on existing portfolios on a quarterly basis.
- (k) Develop an effective filing system which is also aligned to the Information System goals.
- (l) Continuously improve the welfare of its staff to enable them to meet the rising cost of living and to reduce labor turnover.
- (m) Continuously upgrade and enhance the skills of its employees through regular skills-training and workshops.
- (n) Should conduct monthly market surveys on pricing and rating to ensure competitiveness.
- (o) Promptly process policy documents from brokers, agents and clients, for example, there should be a 24 hour turnaround on policy documents, quotations, mail and endorsements.

### **Recommendations to NUST:**

To the National University of Science and technology, I recommend that:

#### **1. The University should introduce new courses for our degree program:**

The Department should introduce courses such as:

- Enterprise Wide Risk Management.
- Marine and Aviation
- Claims Processing and Management.
- Safety and Occupational Health.
- Banc Assurance

The introduction of new courses will enable our degree program to move with changing times and it will also enable our students to get attachments and jobs in sectors such as mines and banks.

#### **2. Conduct Regular Seminars and Workshops that will be conducted by renowned captains of industry:**

Our department should regularly invite captains of industry to come and conduct seminars and workshops at NUST, so that all the students will be well versed with current market practices.

#### **3. Establish sustainable partnerships and alliances with companies:**

The university should be pro-active on the market and should establish partnerships and alliances with all the insurance companies so that our students are given first preference when seeking jobs and industrial attachments.

#### **4. Establish contacts and relations with International universities and professional bodies such as the Chartered Institute of Insurers (C.I.I):**

The department of Insurance should establish contacts and relations with International Universities and bodies such as the Chartered Institute of Insurers, in order to share information.

**Chapter Seven**  
**Conclusion**

My industrial attachment at Credsure gave me the best platform to marry theory and practice. I was groomed to be a meticulous underwriter who can competently rate and assess risks. I was attached at Credsure (Harare Branch) from 01 September 2012 to 31 August 2013, and it was a practical journey worth remembering.

At Credsure I mainly specialized in the underwriting of all the short term insurance products. I can summarize all the activities that I performed as following:

- The underwriting of short term insurance products.
- Placement of reinsurance.
- Portfolio Underwriting and Management.
- Claims Processing
- Filing, Receptionist and other assigned duties.

I contributed immensely to the growth and to the underwriting success of Credsure, during my attachment. I also acquired key essential skills such as: the ability to work under pressure, communication skills, team work, analytical and problem solving skills as well as initiative and decision making skills.

Signed.....  
**Student**

Date.....

Signed.....  
**Industrial Supervisor**

Date.....