

Wildlife Insurance in South Africa and the integration with the Marine Insurance Industry

May 2016

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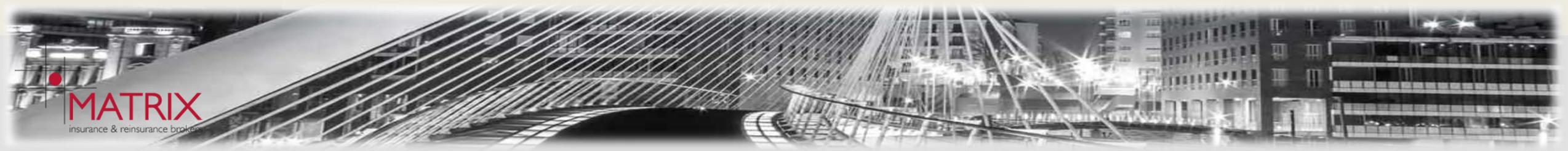
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Introduction



- I would like to thank you Pilansberg Game Breeders for allowing me to use their video and UVO Communications who produced this on their behalf.

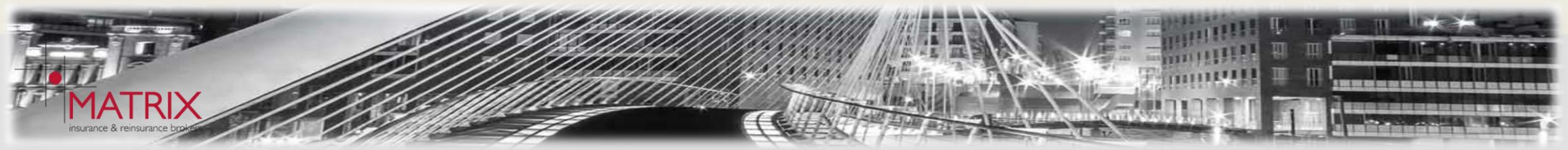


The Wildlife Market



- The game industry is the 6th largest Agricultural sector in South Africa
- There is approx. 20m head of game animals in South Africa (14m cattle and 30m Sheep and Goats)
- Estimates on the total value of game animals is difficult but ranges from R10bn to R15bn
- My estimate of the total insurance market in Wildlife is approx. R200m to R300m (the Marine Insurance Market is estimated to be R2bn)
- The value of individual species varies significantly.

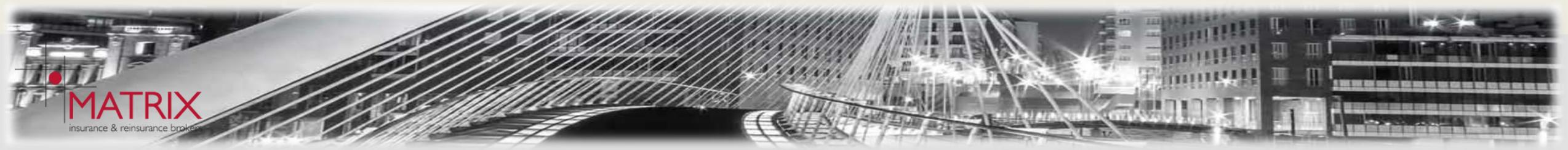
- Values are determined by amongst others;
 - Supply and Demand
 - Bloodline and Genetics
 - Age of the animal
 - The hunting market
 - Foreign Investment
 - Marketing
 - Location of Auction



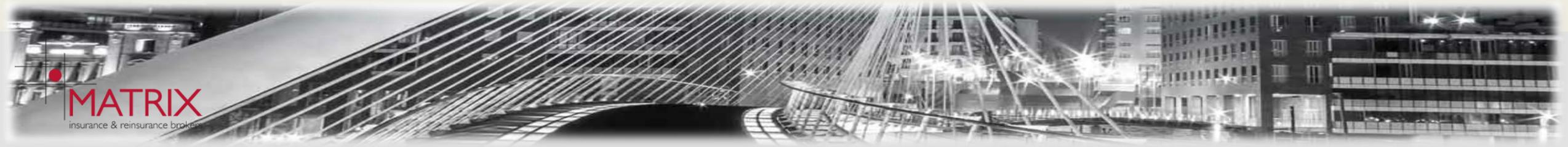
The Wildlife Market



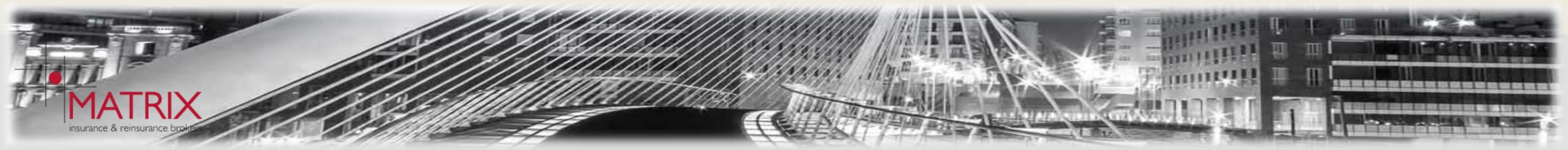
- The following animals have recently made headline news.
- I refer to them as the Big 5;



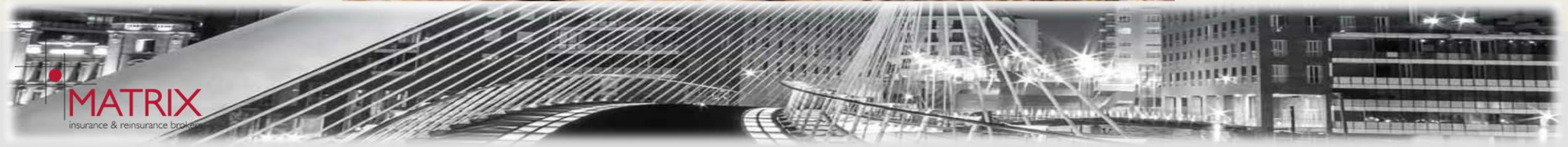
Hercules Kudu Bull R9.6m



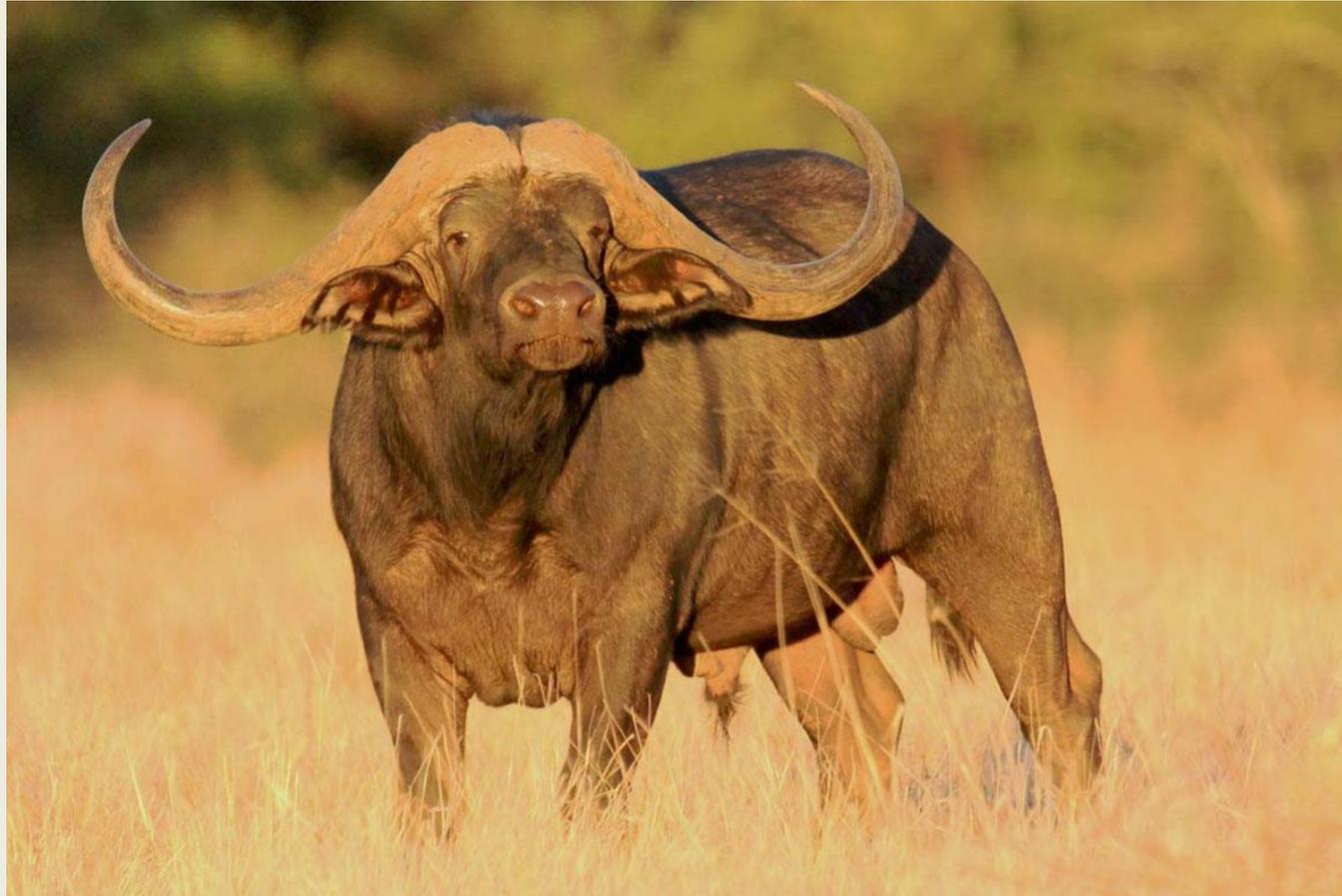
Hennessy Roan R9.5m



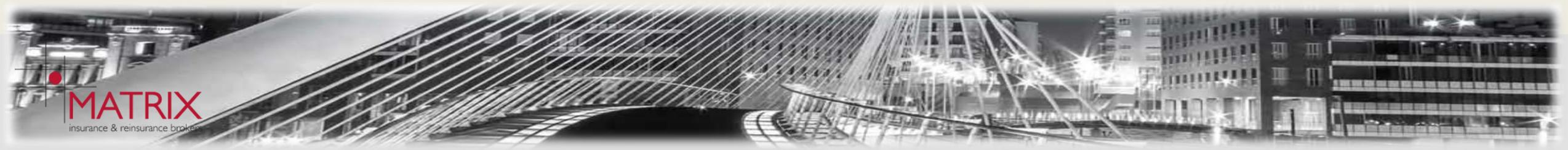
Mopani Zambian Sable Male R27m



Horizon Buffalo R44m for 25% share



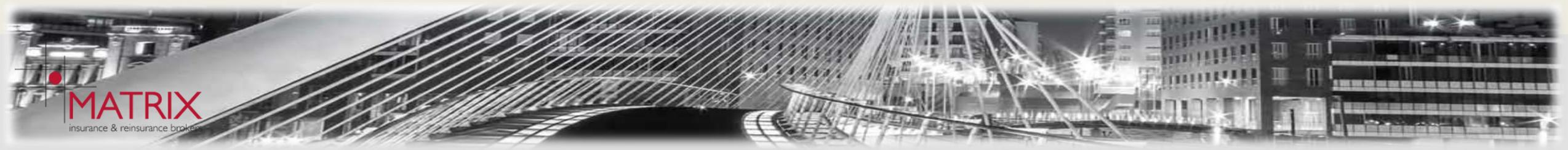
Brutus King Wildebeest R13m



Insurance Coverage Offered



- Three sections to a wildlife policy. Capture, Transit and Veld
- Client can have all three, an individual or any combination
- **Capture policy**
 - Provides protection to the insured for death/injury during the process of capturing the animal. If capture process involves physically darting the animal the risk is from the point of impact until the reversal drug has been administered and the animal has awoken. Note capture must be performed by a suitably qualified person usually a Wildlife Veterinarian.
 - Most deaths occur because the animal is stressed by the process or the wildlife vet gets in wrong,
 - If the vet is negligent Wildlife Insurance does not respond, and the insured is left to sue the Vet which is unlikely.
 - Note most Vets in SA do not purchase Vets PI
- **Transit Policy**
 - Provides protection to the insured for death/injury during the transit of the animal. Cover commences as soon as the animal is loaded onto the vehicle/helicopter and ceases when the animal disembarks. We call this Step On to Step Off.
 - The transporters are known to state in their transportation contracts that they are not liable for any death during the transit process unless they are grossly negligent.
 - There are codes of conduct for the transit section which I will elaborate on later in the presentation.
 - Most deaths occur due to stress whilst in transit, it is difficult to ascertain if this is due to the transit or the after affects of the capture.
 - In a lot of circumstances the seller provides the capture and the buyer the transit so determining who is responsible can be problematic.
 - “General rule of thumb - larger animals travel better than smaller animals”



Insurance Coverage Offered

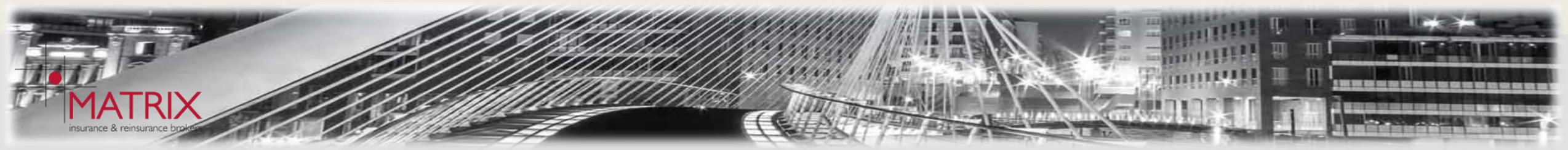


- **Veld Policy**

- Provides protection to the insured for death/injury for a prescribed period (usually between 7 days and 365 days) whilst in the field or on Boma.
- Coverage can be on a restricted, specified or an all risks basis.
- Subject to exclusions (pre existing conditions, farmer mismanagement or specified diseases)

- **Auction Policy (This is currently where most Marine insurance contracts are placed)**

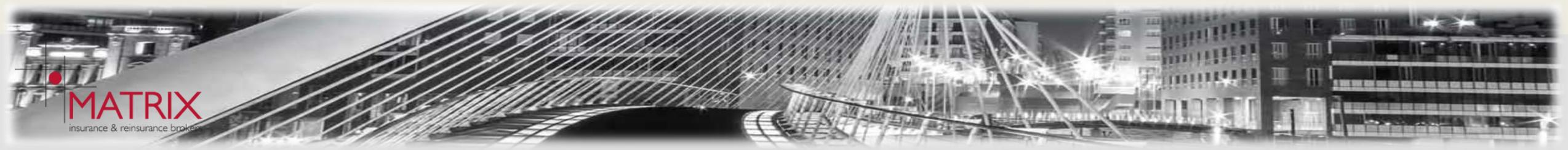
- An auction policy provides coverage to the insured (seller or buyer) for the process of selling an animal at an auction
- It is different for animals placed on Boma (ie they have been moved to the auction venue) or Catalogue animals (ie you purchase based on a picture and the animal remains on the sellers farm)
- Boma Animals
 - Pre Auction and Post Fall of Hammer
 - Pre Auction is capture, transit (from seller's farm to the Boma) and Veld for period in the Boma prior to fall of hammer (note the animal at this point is still owned by the seller)
 - Post Fall of Hammer is Boma, Loading, Transit and Veld (The insured is now the Buyer)
 - Note that the sum insured will be different in Pre Auction and Post Fall of Hammer
- Catalogue Animals
 - Post Fall of Hammer
 - Capture, Transit and Veld
- Clearly Boma coverage is more risky as it involves greater stress on the animal.
- Certain animals are not comfortable with the Boma environment



Insurance Coverage Offered



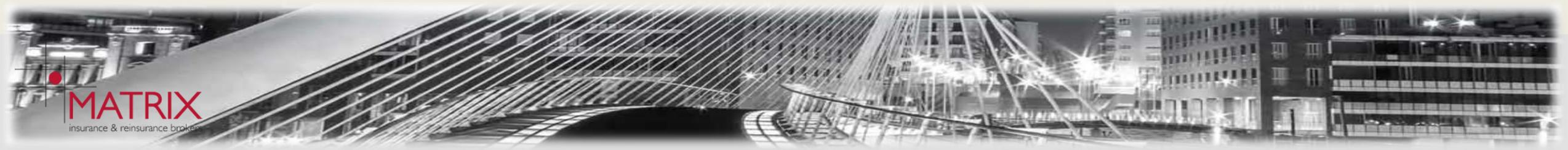
- Auction Policy (This is currently where most Marine insurance contracts are placed)
 - Auctions can be closed auctions or open auctions.
 - Closed Auction is where all animals are automatically insured and the premium is paid by the seller for all facets of the coverage. The perception is that this will ensure higher sale prices
 - Open auction is where the seller pays pre auction and the buyer post fall of hammer. It is not obligatory and many buyers choose not to insure
- Do Marine underwriters realise what exposure they actually have?
 - Transit and Veld combination can be viewed as a transit and warehousing coverage except that the perils once in the veld increase significantly
 - How is capture risk included in a marine policy?
 - Two largest Auction losses to date were a Buffalo (Ritchie) who failed to wake up after being darted to move (R9m) and a Sable (Thomtelo) likewise with a pre auction value of R20m (fortunately this animal died before the auction coverage had been finalised)



Auctions



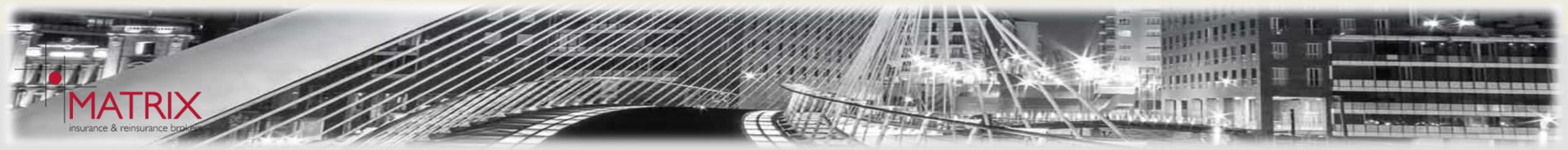
- The total South African formal auction turnover has increased by greater than 25% per annum over the past 10 years
- The number of game auctions in 2016 is in excess of 100
- 50 000 Animals are sold annually on Auction
- 68% of all auctions are in Limpopo however the other provinces have shown significant increase,
- Two major auctioneers is South Africa Vleissentraal and Wiltswinkel
- Auctions occur at Gametraders premises periodically, an individual game breeder will have their own auction or there exist several prestigious auctions where several Game Breeders form a group to sell their animals.
- The most prestigious auctions thus far (auctions that expect to turn over the greatest amount of money)
 - Piet Du Toit February 2016 Turnover R230m
 - Pilansberg Game Breeders (May 7th 2016 Turnover R50m)
 - Stud Game Breeders August 2016
 - 3G Auction Expected turnover R60m



Transit Code of Conduct



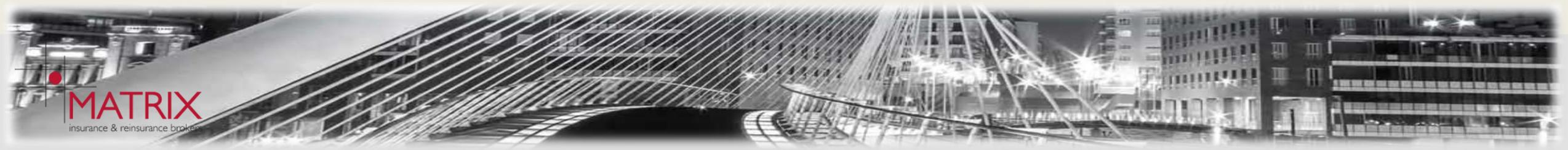
- Regulations for the Transit of Wild Animals are set out in SABS 0331
 - Guidelines exist for;
 - The crate in which an animal is to be moved
 - The methodology of movement by Species
 - Road Transportation
 - Air Transportation
 - Sea Transportation
 - Note Rail transportation is not advisable
- Permits are required for the Transportation of Wild Animals
 - An export/import permit is required from the province of origin to the province of destination
 - A transport permit is required
 - If transporting within the same province only a transport permit is required
 - Obviously transportation outside of Republic of South Africa will need to comply with the permit requirements of the respective country of import.



Potential and Pitfalls



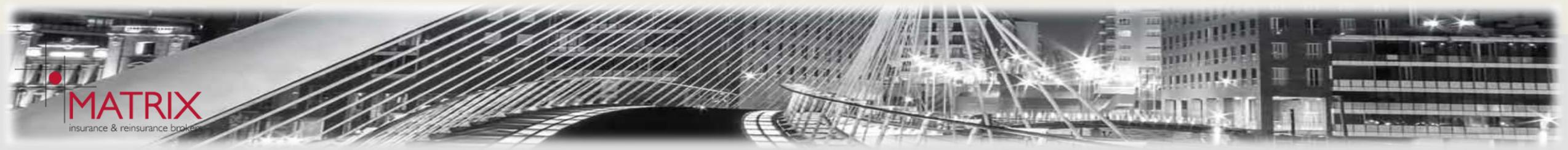
- The future of the Wildlife Industry is indeed very rosy.
- Yes there are problems that affect the industry some of which I list below;
 - Political Uncertainty (This is true for any industry)
 - El Nino
 - Unwarranted public criticism
 - The Colour Variants saga
 - Concerns over intensive breeding
 - High prices for the local hunter
 - Perception of a Ponzi Scheme



Potential and Pitfalls



- However the positives outweigh all of this;
 - This industry is unique to South Africa
 - For certain territories in South Africa Game Farming is the only viable option
 - The Game Meat industry is very immature yet Game meat is believed to be better for you
 - The market grows annually
 - Regulation is improving all the time
 - Wildlife is an asset on a balance sheet
 - The potential in the Game Lodge hospitality sector is enormous and largely untapped
 - Currency devaluation entices foreign investment in our animals
 - Neighbouring countries are starting to see the potential of Game Breeding (especially Namibia)



Questions

