THEME 2016: METAMORPHOSIS

The story of how the caterpillar transforms into the butterfly has long been used as a metaphor for the process of transforming states of consciousness from one dimension to another, from knowing something on the surface, then undergoing a deep experience that leads to a whole new capacity and perception. The butterfly is a symbol of transformation because of its impressive process of metamorphosis.

Similarly, the SAIA has undergone a transformation to embrace the changing environment to better serve the needs of our members, the short-term insurance industry and society.
SAIA MISSION

- Encouraging fair and ethical treatment of consumers of short-term insurance products;
- Representing the short-term insurance industry with all stakeholders and at all levels in such a way that these stakeholders have trust and confidence in the industry;
- Creating an environment in which the members of our industry can share information, debate important and relevant issues, and create a common vision for the short-term insurance industry;
- Creating opportunities for the industry to continue with and embark on initiatives that will enhance its image and reputation among all stakeholders;
- Promoting understanding of short-term insurance to all stakeholders;
- Promoting awareness of the industry and its contributions to society and the South African economy.

SAIA VISION

To promote and represent the interests of the short-term insurance industry, while leading and enhancing the efforts of the industry to become recognised and trusted as an important contributor to the South African economy and society.
THE SAIA CHAIRPERSON’S REPORT
CEO’S REPORT
INDUSTRY RESULTS
SAIA FINANCIAL EXTRACTS
SAIA STRATEGIC AREAS
• TRANSFORMATION
• GOVERNANCE RISKS
• STAKEHOLDER RELATIONS AND COMMUNICATION
• INSURANCE RISKS
• SAIA FINANCE AND OPERATIONS
ASSOCIATED DIVISIONS
THE SOUTH AFRICAN MACHINERY INSURERS’ ASSOCIATION
THE ASSOCIATION OF MARINE UNDERWRITERS IN SOUTH AFRICA
SAIA HIGHLIGHTS
MEMBERSHIP
• SAIA BOARD MEMBERS AS AT THE END OF FEBRUARY 2016
• SAIA MEMBERS
• THE SAIA COMMITTEES WITH ELECTED MEMBERS
• THE SAIA COMMITTEES
• THE SAIA STAFF
LIZÉ LAMBRECHTS
SAIA Chairperson
AS A RELATIVE newcomer to the business of short-term insurance, and having been recently appointed as the chairperson of the South African Insurance Association (SAIA), I have had the privilege of looking at the industry from a fresh perspective. Despite the prevailing challenges and the complexities of a changing socio-economic environment, I am encouraged by the resilience, dynamism and sophistication of the short-term insurance industry and believe that through working together in finding innovative ways to address our challenges, we will continue to add significant value to our industry and society at large.

The role and value of short-term insurance can never be overstated. As one of the most important contributors to the South African economy, insurance is not only fundamental to our country’s socio-economic prosperity but also to enhancing the resilience of communities and society in general, thereby facilitating and supporting sustainable development. The industry’s role in facilitating commerce and enabling business growth, improving risk management, fostering efficient use of capital and providing customers peace of mind, demands innovative ways of doing business from our members. This includes embracing diversity, robust innovation, as well as being customer-focused; while also addressing other challenges such as transformation, job creation, regulatory compliance and the industry’s image and reputation.

Technology advancement is the game changer that insurers need to keep pace with if they are to remain competitive and relevant. New technologies introduce an element of risk, as seen with the increase in cyber-attacks, loss of data and business interruption due to systems failure. Insurers need to be cognisant of these risks and develop ways to mitigate them, while taking advantage of the opportunities offered by innovative technology.

Challenges present opportunities. The short-term insurance industry has not been spared the impact of the local economic downturn and faces pressure due to the weakening of the Rand and rising interest rates. In 2015, the uncertain political climate, slow market growth, emerging risks, regulatory pressures and existing environmental, social and governance (ESG) risks continued to plague the general insurance market; while insurance penetration, affordability and access to insurance products, as well as transformation and skills development, remain a challenge for us.

According to a 2015 report by PwC, Insurance Industry 2020 and Beyond, insurers are at a tipping point as they do not only have to deal with the negative effects of a general economic slowdown but also with “the impact of new technology, new distribution models, changing customer behaviour and more exacting local, regional and global regulations”. To the extent these challenges affect us as local insurers, they require a new way of thinking to mitigate them and ensure a financially viable and sustainable industry.

I believe that through strategies to manage current and emerging risks, enhance resilience and adapt to the changing socio-economic environment, we can find and leverage off these opportunities. That is why in 2015, the SAIA went through a process of change that entailed reviewing its value proposition and business model to not only meet the needs of our members but also that of the industry. It is because of this process of change that we have themed the 2016 Annual Review ‘Metamorphosis’. One of the outcomes of the review was to move from an executive business model to a participative model, which supports working together with all our members in addressing industry issues.

The SAIA also seeks to become more involved in the broader discussion in the country to find sustainable solutions for South Africa’s economic challenges together with other financial sector stakeholders. As an association we will also continue to engage with policymakers and regulators at the highest level to find amicable ways of ensuring the sustainability of the industry while still providing value to policyholders. Fostering and building partnerships with all relevant stakeholders will be a key priority in 2016.

I would like to express my sincere appreciation and gratitude to all our members for their contribution and continued support during the association’s transformation process. I would also like to thank the SAIA Chief Executive, Viviene Pearson, and the SAIA team for their great work and resilience during a challenging year. Their hard work and commitment ensured that the SAIA remained a strong and relevant industry body. Finally to my predecessor, Themba Gamedze, thank you for your valuable contribution and great leadership during your tenure as SAIA Chairman.
VIVIENE PEARSON
SAIA CEO

CEO’S REP
THIS YEAR'S SAIA ANNUAL REVIEW theme, Metamorphosis, could not have been more appropriate. I am proud of the ‘new’ SAIA that has metamorphosed between late 2014/early 2015 and the end of February 2016.

Having gone through various stages of change during this period, the South African Insurance Association, as the representative body of the short-term insurance industry in South Africa, is ready to fly again in a changed, relevant and widely supported form.

Of course, change is not an easy process and this period of change was a challenging and difficult one. At the same time, change is often necessary and can be very exciting – all of which the SAIA of today can attest to.

‘NEW’ SAIA

The SAIA exists because of, and to serve its members. It is also part of the broader insurance and financial sector, and cannot exist outside of the South African economy or the broader South African agenda.

It is for this reason that we took up the challenge of transforming into a more relevant body with an inclusive and collaborative approach, which has served us well.

Members

Following a change in leadership at the SAIA in late 2014, 2015 required a complete rethink of where we were as a representative body, where we needed to be and how we should get there. As a non-profit organisation serving its members, the first point of call needed to be our members.

Our inclusive process included a member survey during April and May 2015 in which we asked our members to give us their input on the above mentioned crucial questions. We also met with most of our 61 member chief executive officers to obtain their personal input. This process culminated in a SAIA CEO Round Table on 12 August 2015.

During this important phase of engagement, it became clear that the SAIA’s unique mandate was supported by most of its members, although some changes needed to be made to marry the needs and wants of our larger and smaller members in such a way that they would all get optimal value for their membership fees and would continue to support the SAIA as their industry body.

The end result of this incredible process was the approval of a new way forward for the association by the SAIA Board on 9 September 2015, which included a new model, a new fee structure, collaboration with our fellow insurance association, the Association for Savings and Investment South Africa (ASISA), and a more inclusive advocacy approach in the broader environment.

New model

The SAIA model has changed from an executive driven model to a combination of a facilitative and executive model, i.e. a participative model, which allows the SAIA to continue actively driving common industry issues on behalf of and with the assistance of its members, while playing only a secretariat role for those specialist topics that are of interest to only a few of our members. There is also much more room for member involvement at all levels, which will ensure continued member support for and relevancy of the SAIA.

As a result of this new model, several forums were or are in the process of being created, freeing up time and resources to address issues that are common to most members in a more effective way.

In addition to the invaluable input received from our members, this new model was also informed by interactions with ASISA, the Association of British Insurers (ABI), the Financial Intermediaries Association of Southern Africa (FIA), and the Consumer Goods Council of South Africa (CGCSA).

Changed membership fee structure

As the SAIA and its members operate in the same difficult economic environment as everyone else in South Africa (and indeed the world), we also needed to address the costs of the SAIA to its members. The 2015 SAIA budget was approximately one third less than the previous year’s, due to cost saving measures including a relook at resources and general tightening of the SAIA belt. We also found that over time, our fee structure had come to favour our smaller members over our larger members, while our smaller members possibly received more value from the SAIA. It was
proposed, and agreed to by members of all categories, that this situation should be addressed through a correction that will be implemented over three years to minimise the impact on our smaller members, and address the imbalance that crept in over time.

Restructuring process
The new SAIA model, as well as the need for a tighter budget, necessitated a restructuring process that was implemented during the last quarter of 2015, following the SAIA Board approval of the new way forward. Although this was a difficult process, the end result is a much more appropriate and relevant internal structure.

Following the restructuring process, we introduced an internal change management process through which we are establishing a new culture. This is progressing well, but still has a way to go to reach our ultimate goal of delivering on our new value proposition to our members and other stakeholders in a different way.

SAIA/ASISA Collaboration
Various discussions took place during 2015 between the SAIA and ASISA regarding different proposals of how the two organisations should or could collaborate. All the SAIA members supported a closer relationship with ASISA, although by far the majority of members preferred a strong SAIA to continue with its mandate to serve its members. In discussions between the SAIA and ASISA it was recognised by both parties that ASISA’s and SAIA’s mandates were different, and that the unique SAIA mandate was closely related to the business of short-term insurance, which all our members agreed was one of SAIA’s strong points.

Several engagements later, the SAIA and ASISA boards agreed that a closer relationship between the two bodies will be advantageous to both parties, but that such collaboration should be realistic and appropriate.

I am happy to report that the relationship between the SAIA and ASISA remains one of mutual respect and advantage, and includes an agreement to collaborate on broader issues related to the South African agenda in general, and the insurance and financial industries in particular, as well as an agreement to work closer together on jointly identified technical areas. We have also agreed on closer involvement through certain structures and we are happy with this new arrangement.

Broader collaborative approach
The SAIA will continue to play its role within the broader financial sector and we are planning to become more involved in this regard in the future.

In addition, the SAIA board approved an approach in which the SAIA will become more involved at a higher level with a view to play its role in finding solutions for South Africa’s challenges, and to assist with the goals of the National Development Plan, using our strengths as an industry if and where appropriate to make a contribution in this regard. I will elaborate a little more on this elsewhere in this report.

Important stakeholders
As previously mentioned, SAIA’s 2015 was very much focused on changing as an organisation to meet the needs of our members, and to create a better fit within a changed and changing environment.

However, during this process we also revisited and pursued the approach needed to further strengthen relationships with our key stakeholders, including National Treasury; the Financial Services Board (FSB); the Department of Transport (DoT); the broader business community; as well as those industries closely related to the short-term insurance industry, such as the National Association of Automobile Manufacturers of South Africa (NAAMSA); the motor body repair industry associations, including the South African Auto Repairer and Salvage Association (SAARSA); South African Motor Body Repairers Association (SAMBRA); Retail Automobile Aftermarket Federation (RAAF); and Collision Repairers Association South Africa (CRASA); and other relevant key stakeholders.

In addition, we started the process to initiate and strengthen relationships with relatively new key stakeholders, including the South African Reserve Bank (SARB), the building and contractors associations in South Africa, and various other stakeholders with which we need to have closer relationships.

On some fronts we have made enormous progress, and on others we need to increase our efforts to better achieve the common goals needed to create a better environment for all.

THE ROLE OF SAIA IN OUR BROADER ENVIRONMENT

“South Africa belongs to all its people and the future of our country is our collective future. Making it work is our collective responsibility. All South Africans seek a better place for themselves and their children. The National Development Plan is a plan for the country to eliminate poverty and reduce inequality by 2030 through uniting South Africans, unleashing the energies of its citizens, growing an inclusive economy, building capabilities, enhancing the capability of the state and leaders working together to solve complex problems.” National Development Plan – 2030.
SOUTH AFRICA BELONGS TO ALL ITS PEOPLE AND THE FUTURE OF OUR COUNTRY IS OUR COLLECTIVE FUTURE.
The above quotation from the NDP reflects the need for all South Africans to take responsibility for and become more involved in finding solutions for the challenges that we are facing in our country. In the current social, economic and political environment in South Africa, finding solutions through collaboration is becoming even more relevant. The SAIA is ready to play its role in the areas where we believe we can make a difference, and have aligned our priorities with the NDP objectives.

Our Motor Transformation and Sustainability Forum (MTSF), a partnership between the SAIA and the four national motor body repairer associations, is an example of a project that relates directly to one of the key actions identified by the NDP, i.e. a social compact to reduce poverty and inequality, and raise employment and investment. Support for small black businesses in the motor body repair industry is one of the key priorities addressed by this project, and we are hoping that we can replicate this project in other industries as well. For this reason, we are creating a Non-Motor Transformation and Sustainability Forum.

In addition, we are in the process of finalising an enterprise development project, which will further assist in this key area, even as many of our members are already doing a lot of good work in the area of enterprise development. The NDP speaks to a faster and more inclusive economic growth goal by, for example, creating more jobs and supporting small businesses, as well as reducing the cost of financial services and improving access to them for small and medium-sized businesses. This is definitely an area where our industry can make a contribution in many ways.

An emphasis on raising rural incomes, which includes realising food trade surpluses with one third produced by small scale farmers and households, and ensuring food security, speak to our agricultural insurance project where we are working with the Departments of Finance and Agriculture, Forestry and Fisheries to consider a joint solution to assist both commercial farmers and smaller farmers to grow their businesses.

The objective to ensure environmental sustainability and resilience to future shock also fits very closely with the SAIA’s activities around climate change and environmental sustainability. Our Green Geyser Replacement Project that is ready to be implemented as soon as the Department of Energy is ready, is an
example of how the short-term insurance can contribute to creating an environment with a much lower carbon footprint, while assisting with the ongoing provision of electricity and in this way supporting industries and households.

Our Consumer Education Initiative, initiated in 2004 and still running successfully, has reached millions of South Africans with around R16 000 000 already spent. Financial literacy is a key tool to manage money, and relates both to reducing poverty, as well as developing communities. It should go hand in hand with increased access to financial services.

Reducing crime, another key goal of the NDP, is an area in which the SAIA has been actively involved in for many years. Our support for Business Against Crime South Africa (BACSA) and the work done by the South African Insurance Crime Bureau (SAICB), have, we believe, made a significant difference and continue to be a priority area for the SAIA. Fighting corruption, one of the clear objectives identified in the NDP is one of the key areas to be addressed, and is supported by the SAIA through our contributions to BACSA.

The NDP objective of ensuring quality health care for all is dependent on various factors, some of which are outside of the control of the health system. For example, the unacceptably high road accident figures in our country. The SAIA established the Business for Road Safety Initiative during this reporting period, collaborating with many other business partners to seek ways of assisting with road safety promotion in South Africa. We have also had discussions with the Department of Transport and other relevant role players with a view to enter into a partnership on road safety.

In my view, one of the key elements of the NDP is the objective of quality education, and the role of human skills development is supported by the SAIA together with other relevant stakeholders through various projects.

Transformation a key priority
The SAIA believes a key factor in addressing a reduction in poverty and inequality is transformation. Our industry has been successful in some areas, but not so much in others. The SAIA Board has therefore identified transformation as the key priority for the association and the industry. The SAIA has a relatively limited role to play in this regard, with the responsibility to transform at all levels lying mainly with our members themselves. However, the SAIA has a very important role to play in raising awareness about the urgent need for action, and must play a leadership role in the debate about how best to transform the industry. Our projects, some of them mentioned above, can also provide vehicles to assist our members with their challenges in this regard.

THANK YOU
I would like to thank all SAIA members for the role they played in creating a ‘new’ SAIA.

With the support currently received from its members, the SAIA is entering an exciting era.

In this regard, I also need to single out the SAIA Board and Exco, and especially our former Chair and Vice Chair of the board, Themba Gamedze and Terry Ray respectively. Both Themba and Terry moved on in the latter half of 2015, but their support and faith in the value of SAIA for the industry, and within the broader environment, will never be forgotten.

The SAIA also received a lot of support from the non-life industry in general, and various other stakeholders, during our process of change, for which we are very grateful.

I need to thank the SAIA staff, who have experienced a very challenging and difficult year, and despite this remained motivated and delivered on their objectives.

Another aspect of the SAIA’s metamorphosis relates to the fact that, for the first time, SAIA has a female Chair of the Board, Lizé Lambrechts. The SAIA Board elected Gari Dhombo as its Deputy Chair. I would like to welcome Lizé and Gari, and express my gratitude for the leadership, time, effort and support they have already contributed.

Vivienne Pearson
Chief Executive Officer
The motor class of business (the largest line of business based on premiums) in the Primary Insurers category showed a slight improvement in the claims ratio to 64% in 2015 down from 65% in 2014. The Guarantee class of business returned to lower levels after the higher claims experienced in 2014. The Liability class's claims ratio remains high for a 2nd year in a row.

Cash and deposits remain the asset class of choice for short-term insurers. There was a slight decline in the shares asset class in 2015 with some insurers lowering their exposure to shares in favour of government and semi-government bonds.

The property and motor classes of business together account for a total of 76% of net premium for the Primary Insurers. The Guarantee class of business experienced growth during 2015.
The underwriting profit and operating profit as a percentage of net premium of the Primary Insurers experienced solid growth during 2015 and is remarkably the first significant growth since 2010.

Net retention for 2015 was at 71.7% of Gross Premiums, slightly down from the 74.3% for 2014. Gross premium also grew with 10.8% during 2015.

The property and motor classes of business together account for a total of 76% of net premium for the Primary Insurers. The Guarantee class of business experienced growth during 2015.

Net retention for 2015 was at 71.7% of Gross Premiums, slightly down from the 74.3% for 2014. Gross premium also grew with 10.8% during 2015.

The total assets of the Primary Insurers experienced strong growth during 2015 up by R16 bn from 2014, however with an equal increase in total liabilities.

During 2015 the Primary Insurers experienced remarkable growth in profitability when compared to the 2013 and 2014 years respectively. Underwriting profit increased by approximately 65% in 2015 when compared to the 2014 figures.

The underwriting profit and operating profit as a percentage of net premium of the Primary Insurers experienced solid growth during 2015 and is remarkably the first significant growth since 2010.
INDUSTRY RESULTS

REINSURERS
31 DECEMBER 2015

Property, Accident and Health and Guarantee classes of business make up almost 78% of the total Net Premiums of Niche Insurers in 2015.

During December 2015 one reinsurer received a claims refund from its parent reinsurer hence impacting on the claims ratio of the guarantee class of business for the Reinsurers category.

Asset allocation of the Reinsurers remains largely concentrated in cash and deposits and government and semi-government bonds. There was a slight increase in exposure to the shares asset class to 19% in 2015 when compared to the 17% exposure in 2014.

Gross premiums for 2015 stood at R 8.8 bn marginally up from the R 8.75 bn generated in 2014.
Net retention for 2015 stood at 24% of Gross Premium. During 2015 net premiums decreased by R 957 million when compared to the 2014 figure.

The profitability of the Reinsurers continues to benefit from strong performances from their investment income. It was encouraging to note the modest improvement in underwriting profit in 2015.

Total assets for the Reinsurers, increased by 16.2% in 2015 from the 2014 figure, with total liabilities increasing by 21.4% over the same period.

Underwriting profit edged marginally into positive territory during 2015 after ending in the red in 2014.

Profit as a percentage of Net Premium: Reinsurers

Operating profit/(loss) [incl. Investment Income]
During the 2015 period under review in the Typical Insurers category, an insurer recorded a significant claim in the Transportation class of business thus impacting on the overall average. The Miscellaneous class of business also experienced a significant movement in the claims ratio during 2015.

No significant movements occurred in the net premium split for Typical Insurers during 2015.

Typical Insurers continue on their positive profitability trajectory with a satisfactory increase of just over 20% in 2015 compared to the same period in 2014.
Negative claims in the guarantee class of business for the Cell Captive Category were as a result of an adjustment of the IBNR between two quarters by one cell captive insurer. One cell captive insurer experienced higher than usual claims in the engineering class of business.

Subsequent to the higher than usual claims experienced in 2014, the Cell Captive Category posted an impressive recovery in 2015 comfortably surpassing the 2013 profitability figures.

At the end of 2015 the property line of business is the largest category, passing the motor line which was the largest line of business in 2014.

Subsequent to the higher than usual claims experienced in 2014, the Cell Captive Category posted an impressive recovery in 2015 comfortably surpassing the 2013 profitability figures.
In the Captive Insurer category, one captive insurer experienced higher than usual claims in the liability class of business. Negative claims in the miscellaneous and property classes were as a result of an adjustment of the IBNR between two quarters by two insurers.

The liability class of business remains the largest class of business by net premium in the Captive Insurers category despite a slight decrease from 47% in 2014 to 42% in 2015.

The overall profitability of the Captive Insurers declined in 2015 with the one captive insurer that experienced higher than usual claims in the liability class of business, impacting the profitability results of this category.

The overall profitability of the Captive Insurers declined in 2015 with the one captive insurer that experienced higher than usual claims in the liability class of business, impacting the profitability results of this category.
In December 2015 within the Niche Insurers Category, an insurer recorded higher than usual claims in the liability class of business. During December 2015 one insurer received a claims refund from its reinsurer that had a significant impact on the aggregate claims figures.

Underwriting profit for the Niche Insurers improved satisfactorily from the mediocre 2014 year. The returns from investment income contributed significantly to the overall increase in profitability of the Niche Insurers.

Property, Accident and Health and Guarantee classes of business make up almost 78% of the total Net Premiums of Niche Insurers in 2015.

Underwriting profit for the Niche Insurers improved satisfactorily from the mediocre 2014 year. The returns from investment income contributed significantly to the overall increase in profitability of the Niche Insurers.
Statement of Financial Position as at 31 December 2015

Figures in Rand

<table>
<thead>
<tr>
<th>Assets</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Current Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>1 416 236</td>
<td>2 239 236</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>12 083</td>
<td>84 583</td>
</tr>
<tr>
<td><strong>Total Non-Current Assets</strong></td>
<td><strong>1 428 319</strong></td>
<td><strong>2 323 819</strong></td>
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<tr>
<td>Current Assets</td>
<td></td>
<td></td>
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<tr>
<td>Trade and other receivables</td>
<td>933 167</td>
<td>510 745</td>
</tr>
<tr>
<td>Cash held on behalf of the SAIA Consumer Education Fund</td>
<td>9 843 699</td>
<td>7 478 028</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>10 139 988</td>
<td>4 015 139</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td><strong>20 910 854</strong></td>
<td><strong>12 003 912</strong></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>22 339 173</strong></td>
<td><strong>14 327 731</strong></td>
</tr>
</tbody>
</table>

| Equity and Liabilities         |            |            |
| Equity                         |            |            |
| Reserves                       | (152 425)  | (101 641)  |
| Retained income                | 8 116 798  | 3 624 517  |
| **Total Equity**               | **7 964 373** | **3 522 876** |

| Liabilities                    |            |            |
| Current Liabilities            |            |            |
| Funds held for SAIA Consumer Education Fund | 9 843 699 | 7 478 028 |
| Trade and other payables       | 3 886 101  | 2 702 827  |
| Retirement benefit obligation  | 645 000    | 624 000    |
| **Total Current Liabilities**  | **14 374 800** | **10 804 855** |
| **Total Equity and Liabilities** | **22 339 173** | **14 327 731** |

Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>31 266 584</td>
<td>34 043 383</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(27 638 803)</td>
<td>(35 844 238)</td>
</tr>
<tr>
<td><strong>Operating profit (loss)</strong></td>
<td><strong>3 627 781</strong></td>
<td><strong>(1 800 855)</strong></td>
</tr>
<tr>
<td>Investment revenue</td>
<td>766 366</td>
<td>558 171</td>
</tr>
<tr>
<td>Sundry income</td>
<td>98 134</td>
<td>310 274</td>
</tr>
<tr>
<td><strong>Profit (loss) for the year</strong></td>
<td><strong>4 492 281</strong></td>
<td><strong>(932 410)</strong></td>
</tr>
</tbody>
</table>

Other comprehensive income:

Benefit liability will not be reclassified to profit or loss:

Remeasurement of retirement benefit obligation | (50 784) | 121 136 |

Other comprehensive income for the year net of taxation | (50 784) | 121 136 |

**Total comprehensive income (loss) for the year** | 4 441 497 | (811 274) |
## Statement of Changes in Equity

<table>
<thead>
<tr>
<th>Figures in Rand</th>
<th>Reserves</th>
<th>Retained income</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at 1 January 2014</strong></td>
<td>(222 777)</td>
<td>4 556 927</td>
<td>4 334 150</td>
</tr>
<tr>
<td>Loss for the year</td>
<td>-</td>
<td>(932 410)</td>
<td>(932 410)</td>
</tr>
<tr>
<td>Remeasurement of retirement benefit obligation</td>
<td>121 136</td>
<td>-</td>
<td>121 136</td>
</tr>
<tr>
<td><strong>Total comprehensive loss for the year</strong></td>
<td>121 136</td>
<td>(932 410)</td>
<td>(811 274)</td>
</tr>
<tr>
<td><strong>Balance at 1 January 2015</strong></td>
<td>(101 641)</td>
<td>3 624 517</td>
<td>3 522 876</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>-</td>
<td>4 492 281</td>
<td>4 492 281</td>
</tr>
<tr>
<td>Remeasurement of retirement benefit obligation</td>
<td>(50 784)</td>
<td>-</td>
<td>(50 784)</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year</strong></td>
<td>(50 784)</td>
<td>4 492 281</td>
<td>4 441 497</td>
</tr>
<tr>
<td><strong>Balance at 31 December 2015</strong></td>
<td>(152 425)</td>
<td>8 116 798</td>
<td>7 964 373</td>
</tr>
</tbody>
</table>

## Statement of Cash Flows

<table>
<thead>
<tr>
<th>Figures in Rand</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash generated from (used in) operations</td>
<td>5 482 485</td>
<td>(852 875)</td>
</tr>
<tr>
<td>Interest income</td>
<td>766 366</td>
<td>558 171</td>
</tr>
<tr>
<td><strong>Net cash from operating activities</strong></td>
<td>6 248 851</td>
<td>(294 704)</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>(130 002)</td>
<td>(818 560)</td>
</tr>
<tr>
<td>Sale of property, plant and equipment</td>
<td>-</td>
<td>584</td>
</tr>
<tr>
<td><strong>Net cash from investing activities</strong></td>
<td>(130 002)</td>
<td>(817 976)</td>
</tr>
<tr>
<td><strong>Total cash movement for the year</strong></td>
<td>6 118 849</td>
<td>(1 112 680)</td>
</tr>
<tr>
<td>Cash at the beginning of the year</td>
<td>4 015 139</td>
<td>5 127 819</td>
</tr>
<tr>
<td><strong>Total cash at end of the year</strong></td>
<td>10 133 988</td>
<td>4 015 139</td>
</tr>
</tbody>
</table>

**THE ABOVE EXTRACTS** are from The South African Insurance Association NPC’s audited annual financial statements, prepared in accordance with International Financial Reporting Standards, a full copy of which is obtainable from the offices of the Association at Ground Floor, Willowbrook House, Lake Drive, Constantia Office Park, c/o 14th Avenue and Hendrik Potgieter Street, Weltevreden Park 1709 or email: info@saia.co.za. The annual financial statements were audited by Grant Thornton, who expressed an unmodified opinion thereon.
METAMORPHOSIS IS ABOUT crossing a threshold, which requires letting go of old ways of perceiving, performing, thinking, relating and behaving. The metamorphosis is essentially about letting go. It is therefore fitting that a key focus of the Transformation portfolio this past year was on the revision of the Financial Sector Code.

2015 witnessed the occurrence of important milestones for the Transformation Portfolio. The Financial Sector Charter Council constituencies concluded the negotiations for the revised Financial Sector Code, which was then submitted to the Ministers of Finance and Trade and Industry. The Consumer Education initiative crossed the R100 million mark for spend on projects; an initiative to establish a School of Insurance at a Technical Vocational Education and Training (TVET) College was started; and an industry leadership development programme was launched.

THE FINANCIAL SECTOR CODE

The Financial Sector Code (FSC) is the financial sector’s commitment to transforming the socio-economic circumstances of South Africans.

The process of changing the FSC started in 2014 following changes made to the Department of Trade and Industry’s Codes of Good Practice on Broad-based Black Economic Empowerment (DTI Codes). The revised DTI Codes fundamentally changed BEE policy and the way business needed to implement the policy.

Because of the unique position that the financial sector plays in the South African economy and its role in the development of the economy, it is necessary for the sector to have its own Transformation Code that reflects the unique challenges and activities that the sector can undertake to promote transformation and economic growth.

2015 was devoted to finding agreements between the financial sector, labour, community, government and representatives of the Association of Black Securities and Investment Professionals (ABSIP) on what the new FSC requirements would be.

The revised FSC contains the following:

a. A significantly ramped up set of transformation commitments relative to the previous code.

b. Commitments in the DTI Codes have been supplemented by a modified set of sector specific commitments.

c. The new sector specific commitments seek to address national priorities (e.g. provision of financing for black industrialists) and to address the transformation of elements of the financial sector value chain on which sufficient focus was lacking in the previous FSC (e.g. support of small black stockbrokers and intermediary firms).

d. The FSC Council constituents have developed a unique solution to the contentious ‘once empowered always empowered’ principle, which sees the introduction of financing for the creation and growth of black industrialists as an alternative to replacing BEE deals that have unwound.

e. The FSC has significantly prioritised Enterprise and Supplier Development (ESD). The introduction of supplier development means that the sector’s small business development initiatives will be focused on businesses in the sector’s supply chain, thereby assisting with the sustainability of those suppliers.

f. There are more bonus points available under the FSC than the DTI Codes. These bonus points are included to incentivise transformative spending over and above the DTI Codes requirements or to address sector specific challenges.

g. The sector has adopted a unique approach to skills development spending requirements, ensuring skills development spend is concentrated on uplifting non-management staff in order to underpin the Employment Equity requirements.

h. Areas of the sector, such as intermediaries, private equity managers, venture capitalists and impact investors that were previously not governed by the FSC have been brought into the fold.
The new FSC scorecards

<table>
<thead>
<tr>
<th>ELEMENT</th>
<th>WEIGHTING</th>
<th>BANKS AND LIFE OFFICES</th>
<th>SHORT TERM INSURERS</th>
<th>OTHER INSTITUTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td></td>
<td>20</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Management Control</td>
<td></td>
<td>20</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Skills Development</td>
<td></td>
<td>15</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Procurement And Esd</td>
<td></td>
<td>15</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>Socio Economic Development And Consumer Education</td>
<td></td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Empowerment Financing And Esd</td>
<td></td>
<td>25</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Access To Financial Services</td>
<td></td>
<td>12</td>
<td>12</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>112</strong></td>
<td><strong>107</strong></td>
<td><strong>95</strong></td>
</tr>
</tbody>
</table>

The revised FSC was submitted to the Minister of Finance on 30 November 2015. The FSC was subsequently submitted by National Treasury to the Minister of Trade and Industry in January 2016 and is out for public comment until 16 May 2016.

CONSUMER EDUCATION

Since the inception of the initiative in 2004 to the end of 2015, the SAIA Consumer Education initiative had committed almost R116 million to uplifting the financial education and skills of South Africans.

The table below shows how the funding has been allocated across the various interventions.

As can be seen from the next table millions of South Africans have been reached through this initiative.

In 2015, projects included the Mathematical Literacy resource development project (Managing My Finances) and the Next of Next Week television series.

**Managing My Finances - schools mathematical literacy resource**

This project has made a significant difference to the Maths Literacy subject. The project has successfully shown measurable and positive impact on the learning outcomes of students in the grades reached, namely grades 10, 11 and 12. The statistical results show that schools using the resources had better pass rates than non-user schools. The research also showed that there has been more improvement in rural and remote schools, and in schools reached more than once.

For the 2015 project, 1 865 teachers were reached, bringing the total to 11 865 teachers reached since the project was initiated. By the end of the 2016, statistically all Mathematical Literacy teachers will have been reached.

To date a very conservative estimate of 700 000 learners have been trained through the project, with approximately 182 000 learners reached in 2015. Local caterers, where possible, were utilised to provide catering at the workshops in order to support local small businesses.

**The edutainment comedy series – Next of Next Week Season 2**

The ‘Next of Next Week’ series addressed a number of issues broadly categorised into three main topics namely insurance, savings and investment with the 14 episodes televised over a period of three months. ETV, which has nationwide coverage, aired the episodes on Thursdays at 17:25, with repeats on Saturdays at 11:15. Each episode was three to five minutes long.

**Topics covered were:**

1. The implications of over-insurance and under-insurance
2. Riot insurance
3. Ensuring your insurer has your up to date details
4. Ponzi and pyramid schemes
5. What is excess?
6. What is insurance fraud?
7. Buying on credit is expensive
8. Consumer credit insurance
9. Dealing with registered brokers
10. Dealing with registered financial services providers
11. Business interruption insurance
12. Guarantee insurance
13. Public liability insurance
14. Using authorised motor body repairers

Independent research showed that the initiative succeeded in increasing the awareness and knowledge of the target audience about financial services and products. The study revealed an average increase of 18% in the awareness and knowledge of insurance products and services over the three months.

Before the television intervention, 24% of focus group participants held various insurance products including life insurance (11%), vehicle insurance (6%) and health insurance (5%). One per cent had business interruption insurance and 1% all risk insurance. There was a slight increase of 2% in the use of the same products a month after the intervention. The highest increase in usage was recorded in all risk insurance, which jumped from 1% to 5%.

HUMAN CAPITAL DEVELOPMENT

School of Insurance
In terms of the White Paper for Post-School Education and Training, Sector Education and Training Authorities (SETAs) must build the capacity of the public education system to meet the skills needs of their industries. In order to meet these requirements, INSETA is considering the establishment of a School of Insurance. SAIA has been working with the INSETA, the Financial Intermediaries Association of Southern Africa (FIA) and the Insurance Institute of South Africa (IISA) to establish a School of Insurance at a local Technical Vocational Education and Training (TVET) College. It was agreed to run a pilot project at the Ekurhuleni West TVET College (EWC), which has six campuses across Gauteng. During the pilot, students at the EWC will be able to study the Certificate of Proficiency (CoP).

The process to develop the CoP curriculum and material is currently underway between the SAIA, IISA, Financial Planning Institute of Southern Africa (FPI) and FIA. The existing EWC lecturers will be trained to deliver the CoP.

INSETA Captains of Industry programme
INSETA launched the Captains of Industry programme on

23 March 2015. Henley Business School was chosen as the provider for the programme, which was aimed at middle and senior managers in the industry. Miss Leila Moonda, on behalf of SAIA, was one of the programme sponsors and adjudicators of the syndicate projects.

Participants were required to submit assignments and to work in teams to complete and present an Action Learning Project on one of the topics identified as being of importance to the industry.

The topics were:

- Overcoming insufficient consumer trust and confidence in the industry.
- The insurance industry is facing the perfect storm in terms of the amount and complexity of regulatory-driven change required over the next few years.
- Develop a business case and business plan for creating a distribution channel for short-term insurance aimed at the black middle class.
- Transforming from a commission- to a fees-driven financial planning practice.
- Consider how the insurance sector can kick-start transformation and win over government and social partners.
- Examine how the impact of proposed regulatory change can be mitigated to enhance job growth in the sector and ensure the survival of small- to medium-sized businesses.
- Examine the role of a potential third party compulsory motor insurance scheme.

The participants produced some innovative solutions to the topics and we hope they will further develop their solutions for practical application in the industry.

Access product standards
The SAIA Access and Microinsurance Committee undertook an extensive exercise to revise the FSC Access Standards. This was done as members had raised concerns that the Standards were inflexible and did not allow companies sufficient ability to develop innovative products aimed at the low-income market.

The aim of the review is to make the Standards more flexible (allowing for greater innovation) and principles based (as opposed to being rules based). Once the SAIA Board has approved the Standards, they will need to be approved by the FSC Council. It is anticipated that this will be finalised before the revised FSC becomes effective.

Leila Moonda
General Manager: Governance and Transformation
GOVERNANCE RISKS

SAIA STRATEGIC AREAS

Leila Moonda
General Manager: Governance and Transformation

Easvarie Naidoo
Legal Manager

Aatika Kaldine
Legal Manager

Gareth van Deventer
SAIA Project Manager: SAM

SAIA STRATEGIC AREAS
The metamorphosis of the South African financial services regulatory environment continued in 2015. The objective of the regulatory reforms is to enhance the stability of the sector, enhance consumer protection, increase access to financial services (financial inclusion) and to ensure coordination between the various regulators. The regulatory reforms are therefore a necessary metamorphosis of the sector to ensure that progress is made towards preventing another financial crisis and aligning with international standards.

We appreciate the constructive engagements and consultative approach of both the Financial Services Board (FSB) and the National Treasury (Treasury) in the reform process.

Financial Advisory and Intermediary Services Act, 2004 (FAIS) Circular 4 of 2015: Application of Sections 7(3) and 13(1) (c) of the FAIS Act:
The Registrar of Financial Services Providers (FSPs) became aware of certain abuses of section 13(1) (c) of the FAIS Act and as such published the FAIS Information Circular 4 of 2015 on 7 September 2015. These abuses relate to situations where representatives of FSPs had been included as a contracting party in agreements between the FSP and a product supplier. However, Section 13(1) (c) is very clear that a financial services contract can only be entered into in the name of the FSP and cannot be in the name of the representative. Therefore a representative cannot contract in his own name.

The aim of the Information Circular is to ensure that customers know who is ultimately responsible for the insurance contract and to prevent the practice of “renting a licence”.

The Information Circular also clarified that section 13(1)(c) does not impact on the requirement in section 7(3) of the Act, which provides that a financial services provider may only conduct financial services-related business with a person rendering financial services if certain that they are appropriately licensed.

Twin Peaks model of regulation
The Twin Peaks model of regulation is part of the regulatory reform process aimed at creating a more resilient and stable financial sector. The other fundamental objective of Twin Peaks is to strengthen South Africa’s approach to consumer protection and market conduct in financial services.

The Financial Sector Regulation (FSR) Bill is the piece of legislation that will enable Twin Peaks. The Bill will create the Prudential Authority (within the South African Reserve Bank) and the Financial Sector Conduct Authority (the successor to the FSB).

The third draft of the FSR Bill was tabled in Parliament on 27 October 2015 and made available for public comment by the Standing Committee on Finance (SCOF), from 6 November 2015 to 16 November 2015. SAIA members did not have material issues with this draft of the FSR Bill. However, due to the short period allowed for comment on this draft, we reserved our rights to submit comments at a later stage should material concerns be identified. To date no such concerns have been identified.

No substantive changes in policy positions were made in the latest draft. However, various draft provisions were refined to ensure technical accuracy and alignment with existing legislation in the financial sector.

When Twin Peaks is fully phased in, there will be a harmonised system of licensing, supervision, enforcement, customer complaints (including ombudsman complaints), appeals, and consumer advice and education across the financial sector.

Treating Customers Fairly (TCF)
The FSB’s guiding principles for Market Conduct Supervision are aimed at being outcomes based, intensive and intrusive while also being risk based and proportional, in order to ensure that the regulatory framework is constantly being tested to ensure fair consumer outcomes are being achieved across the financial sector.

This is marked by the transformation from a tick-box compliance approach, to an outcomes based approach, that will ensure that insurers are constantly testing product design (amongst others) and ensuring that there is meaningful management of information. Insurers will be required to demonstrate the effective use of this information for reporting purposes, in
addition to pre-emptively and proactively identifying and mitigating poor consumer outcomes and market conduct risks.

The National Treasury accepted the SAIA’s recommendations – in its submission made on 8 April 2015 on the discussion document, *Treating Customers Fairly in the Financial Sector: A Draft Market Conduct Policy Framework for South Africa* – to involve the industry in prioritising the various market conduct related initiatives. Following this the tri-lateral Short-term Insurance Market Conduct Policy Sub-committee was established, which comprises of SAIA representatives, as well as representatives from the FSB and the Treasury.

At the committee’s inaugural meeting, a list of market conduct risks were identified with the purpose of developing work programmes and timelines for the prioritisation of the projects to address the risks. The SAIA submitted two discussion documents relating to the market conduct risks and priority projects to the FSB and Treasury. We expect that feedback on our documents will be received in 2016.

**Development of Key Information Documents (KID) for Motor and Household Contents Products**

At a SAIA KIDs Working Group meeting, the FSB indicated that it has revised its thinking in respect of the KIDs, taking into account the timing of when the documents will be given to clients and the purpose thereof. Initially the KIDs were to be used for many classes of business, as such, the documents need to be aligned to the product types offered, as well as the distribution models used to sell these products. There will therefore be a KID for each product class. As part of the process of reviewing the KIDs, a motor policy KID was produced and will be used to do consumer testing on the usefulness of the document.

**Complaints Management Process (CMP)**

Complaints reporting is envisaged to form part of the Conduct of Business Returns reporting process, which will facilitate the revision of the complaints management requirements of all financial institutions.

The CMP is expected to be introduced in the short-term insurance industry by means of Policyholder Protection Rules (PPR), in the second half of 2016. The SAIA will be working closely with the FSB in the finalisation of the PPR.

**Information Letter 5 of 2015: Binder Regulations Thematic Review Key Findings Report**

This Information Letter was issued by the FSB on 15 December 2015 in respect of the Binder Thematic Review.
conducted by the Insurance Division of the FSB in 2014, in order to assess the level of compliance of insurers with the Binder Regulations. A General Circular including the report was circulated to SAIA members on 17 December 2015.

The FSB identified the following general concerns during the thematic review:

• Information Letter 3 of 2013 emphasised that binder functions and the activities incidental thereto, should be described in all binder agreements. The FSB found that many binder agreements still do not comply with these regulatory expectations. The fees were not clearly proportioned against the functions being remunerated.

• The quality and effectiveness of monitoring existing binder arrangements is inadequate.

• There was little to no evidence indicating that insurers are continuously assessing and/or addressing the market conduct risks related to the distribution and servicing of policies through the binder mandates.

The key findings of the report will inform:

• Planned amendments to the Binder Regulations in conjunction with the parallel regulatory interventions proposed under the Retail Distribution Review (RDR); and

• Planned development of outsourcing standards with specific focus on governance requirements, remuneration structures and system developments.

In addition, the report will form the basis of ongoing conduct of business supervision in respect of outsourced business models.

Draft Information Letter : Clarification of Legislative Requirements Relating to the Transfer, Cancellation and Replacement of Policies and Request for Information prior to the Cancellation of Policies

The SAIA submitted comments on the Draft Information Letter that was issued by the Deputy Registrar of the FSB on 11 December 2015. This Information Letter set out the responsibilities and legislative requirements to be met by insurers and intermediaries prior to the transfer, cancellation (including cancellation of policies following the cancellation of a binder agreement) and replacement of policies. The FSB confirmed that insurers will not be allowed to rely on “negative consent” for cancellation, transfer and the replacement of policies.

Draft Conduct of Business Returns (CBR)

The SAIA submitted comments on the revised Draft Conduct of Business Returns (CBR) guidelines for non-life insurers, as well as the CBR’s final draft mapping to the amended Insurance Bill, issued by the FSB on 14 December 2015. This is a new set of market conduct returns to be completed by all life and non-life insurers, except reinsurers and captive insurers. The CBR will form part of the off-site supervision for insurers and will be used to identify trends and to highlight specific market conduct risks. The FSB will be running a pilot project on the CBR to test the functionality and practical effectiveness of the draft CBR.

It is anticipated that the CBR will be implemented during June 2016.

Retail Distribution Review (RDR)

The FSB established six working groups to consult further on the comments received in the RDR submissions

The six working groups were as follows:

• Long-term risk;

• Short-term insurance;

• Low-income market;

• Sales execution and other intermediary services;

• Investments; and

• Adviser categorisation.

Each working group compiled reports setting out the views and recommendations from the consultation sessions, as well as an analysis of the written comments received. These reports were presented to the FSB’s Internal RDR Steering Committee for consideration. This Steering Committee is in the process of considering all the reports to inform a follow-up paper to the RDR Discussion Document, which will be a RDR Roadmap.

In the interim, the FSB published its RDR Phase 1 Update on 10 November 2015. A subset of 14 RDR proposals was identified for implementation in Phase 1. The document provided an update on next steps for implementation of the 14 proposals, including proposed changes to some of them. It also shared the FSB’s current thinking regarding the adviser categorisation model proposed in the RDR Discussion Document.

The FSB invited public comments on the Phase 1 Update until 1 February 2016. SAIA held a workshop with members in January 2016 to finalise a submission on the update.

Consumer Credit Insurance (CCI)

The FSB issued an Information Request in December 2015 on CCI products currently being underwritten for submission to the FSB by 8 March 2016. The Information Request was issued following the Treasury’s Technical Report on CCI, published on 3 July 2014, which highlighted prevailing market practices and poor customer outcomes. The information
submitted to the FSB will assist in the formulation of an appropriate regulatory and supervisory framework for CCI.

In the interim, the Department of Trade and Industry (DTI), published the Draft Credit Life Insurance Regulations for public comment, which comment window closed on 6 January 2016. The draft regulations included proposed caps for credit life insurance for the various types of credit agreements. The SAIA invited comments from its members and hosted a workshop with members prior to finalising the SAIA’s submission to the DTI.

Revised Draft Demarcation Regulations between Health Insurance policies and Medical Schemes
On 18 September 2015, Treasury shared the Draft Demarcation Regulations with the SAIA. Most of the issues in the SAIA’s previous submission had been incorporated into the new draft but the exclusion of primary healthcare products remained an issue for some members.

Primary healthcare products were excluded from the draft regulations on the basis that the Council for Medical Schemes (CMS) would enable access to primary healthcare for low-income groups via the Low Cost Benefit Option (LCBO) framework. The LCBO framework was published on 3 September 2015 by the CMS and it was only at this stage that stakeholders realised that the LCBO framework imposed an income restriction, making these products exclusively available to income earners below the current tax threshold, being a monthly income amount of R6 137.50. Following concerns raised by stakeholders, the LCBO was withdrawn on 14 October 2015.

There are an estimated 4.5 million people who earn above the tax threshold, of which a significant percentage are unable to afford the normal medical scheme options. The income threshold denies these people access to private healthcare as they would not qualify for the LCBO, but cannot afford medical aid. Following discussions with SAIA, Treasury undertook to find solutions and interim agreements before the final Demarcation Regulations are issued. In the interim, the FSB issued an Information Request in December 2015 on Accident and Health policies, to assist the FSB in gaining a clearer understanding of the type of policies that currently exist in the market and which of these may be impacted by the proposed Demarcation Regulations.

Protection of Personal Information (POPI) Act, 2013
The SAIA formed the POPI Code of Conduct Work Group with a view to drafting a POPI Code of Conduct for the short-term insurance industry. After identifying potential risks for the industry in terms of the POPI Act, the Work Group agreed that it was premature to draft an industry Code of Conduct without the appointment of the Information Regulator. The appointment of the Information Regulator will lead to the commencement of the main provisions of the Act.

Microinsurance
The details of the microinsurance regulatory framework will be contained in standards, which are due to be released for consultation in 2016, following tabling of the Insurance Bill.

The microinsurance prudential standards are anticipated to be issued for comment to the Solvency Assessment and Management (“SAM”) structures later this year.

Ombudsman for Short-term Insurance (OSTI)
Following a successful term as the Ombudsman for Short-term Insurance, Mr Dennis Jooste retired at the end of February 2016. Ms Deanne Wood succeeded Mr Jooste as the Ombudsman.

The SAIA enjoyed a positive and warm relationship with Mr Jooste and wish him well in his future endeavours. At the same time we extend a warm welcome to Ms Wood and look forward to a productive relationship with her.

Complaints received by the OSTI from consumers continued to decrease year on year.

Leila Moonda
General Manager: Governance and Transformation

Easvarie Naidoo
Legal Manager

Aatika Kaldine
Legal Manager

REINSURANCE

During the last year, SAIA reinsurer members continued to actively debate and consider a number of important industry developments impacting on their businesses. Of particular interest, are the changes proposed by the Financial Services Board (FSB) relating to the reinsurance regulatory landscape in South Africa.

In April 2015 the FSB released its much anticipated Reinsurance Regulatory Review Discussion Paper to the insurance industry for initial public comment. The discussion paper outlines the results of the reinsurance regulatory review carried out by the FSB, and proposed reforms to the reinsurance regulatory
framework in South Africa.

The review was undertaken against the backdrop of the new risk-based solvency regime, Solvency Assessment and Management (SAM), for insurers (both direct insurers and reinsurers), which will establish a forward-looking risk-based approach to solvency by aligning capital requirements with the underlying risks of an insurer. The SAM regime is a principles-based regulation based on an economic balance sheet, and utilises a three pillar structure of: financial soundness (Pillar 1), governance (Pillar 2), and reporting (Pillar 3). Its primary objective is the protection of policyholders and beneficiaries.

The discussion paper contained a number of proposed reforms to the reinsurance framework, some of which will be implemented through the new Insurance Bill and others through the Insurance Prudential Standards under the new Insurance Bill.

During 2015 the SAIA hosted a workshop to scrutinise and generate constructive industry comments on the Review Discussion Paper. A number of pragmatic comments were received and fed back to the FSB resulting in the FSB reviewing and revising some of its proposed reinsurance reforms.

The FSB provided high-level feedback at its SAM Seminar held in November 2015 on its revised Reinsurance Regulatory Review proposals. The FSB indicated that a revised Reinsurance Regulatory Review Paper will be issued to the industry early in the second quarter of 2016. It is anticipated that the revised proposals will be incorporated in the Insurance Prudential Standards expected to be released for informal public consultation towards the middle of 2016.

An outstanding issue, still being considered by the FSB and not addressed at its high-level feedback session in November 2015, was allowing for the inclusion of financial reinsurance in the Solvency Capital Requirement (SCR) calculation of the SAM Standardised Formula. The SAIA SAM Project Support Office (PSO) approached the FSB regarding this issue and in response, constituted a SAIA forum to undertake further research relating to financial reinsurance for the consideration of the FSB. The SAIA forum drafted an industry paper setting out alternatives and suggestions for the FSB to consider for allowing the inclusion of financial reinsurance in the SCR calculation.

The SAIA approached the Association for Savings and Investment South Africa (ASISA) and proposed that a
collaborative effort be used to address this issue, to cover both the life and non-life insurance aspects. The industry paper was submitted to the FSB at the end of February 2016.

The changes introduced by the Reinsurance Regulatory Review policy decisions have far reaching implications for conducting reinsurance business in South Africa. Important business decisions will need to be made by reinsurers during 2016 in light of these new reforms in preparation for the effective implementation date currently set for 1 January 2017.

SOLVENCY ASSESSMENT AND MANAGEMENT (SAM)

During the period 1 January 2015 to 31 December 2015 the emphasis of the Financial Services Board’s (FSB) Solvency Assessment and Management (SAM) project shifted from development to implementation, taking one step closer on its metamorphic journey towards final completion, anticipated for 1 January 2017.

The objectives of the FSB’s new SAM regime are to better protect policyholders and beneficiaries and contribute to financial stability. This is intended to be achieved by aligning the capital requirements with the underlying risks of an insurer; developing a proportionate, risk-based approach to supervision with appropriate treatment both for small insurers and large, cross border groups; setting governance and risk management requirements; and requiring comprehensive disclosures to the public and regular reporting to the regulator.

Insurance Bill

An area of significant development during the last year was the finalisation of industry comments on the new draft Insurance Bill. The Bill forms part of the National Treasury’s Twin Peaks reforms, which seek to significantly enhance South Africa’s financial regulatory and supervisory framework. The Bill provides a consolidated legal framework for the prudential supervision of the insurance sector that is consistent with international standards for insurance regulation and supervision. It also seeks to replace and consolidate substantial parts of the Short-term Insurance Act, No. 53 of 1998, relating to prudential supervision.

The SAIA and its membership engaged in a number of successful interactions and meetings with the National Treasury and the FSB, where active debate took place leading to workable solutions and constructive refinement of the draft Bill.

A number of areas of importance that touched on the sustainability, expansion and growth of the short-term insurance industry, as contained in the Bill, were meticulously debated with the National Treasury and FSB, until all parties settled on an outcome deemed to be in the best interest of the short-term insurance industry, the National Treasury and the FSB.

The contribution and participation from all SAIA members through the numerous workshops and industry sessions held on the Bill is sincerely appreciated. These contributions went a long way towards ensuring that the collective voice of the short-term insurance industry was heard by the FSB and the National Treasury during the public commentary process.

The SAIA is grateful to the National Treasury and the FSB for the proactive and consultative approach taken throughout the public commentary process and industry engagement on the Bill.

The Minister of Finance tabled the Bill in Parliament on 28 January 2016 and, as at the date of this annual review, the Bill was being considered by the Standing Committee on Finance (SCOF) in Parliament, which is anticipated to invite further public comment and submissions on the Bill.

Comprehensive Parallel Run

The 2015 SAM Comprehensive Parallel Run (CPR) took place from 1 January 2015 to 31 December 2015 and provided insurers and reinsurers with an opportunity to test the impact of some of the new SAM proposals on their businesses before the SAM ‘go live’ date. Given the revised SAM implementation date the industry can expect one more year of SAM testing during the Updated 2016 CPR exercise.

On 3 July 2015, the FSB in conjunction with the SAIA, hosted a workshop to agree on a way forward for the calibration of certain parameters specific to the non-life (short-term) underwriting risk sub-module of the Standardised Formula to be used under SAM. The SAM 2016 reporting templates (QRT’s) are expected to reflect these agreed changes. It is anticipated that the non-life underwriting risk sub-module will require further refinement and testing post the enactment of the Insurance Bill.

The release of the Updated 2016 CPR Technical Specifications Document provides further clarity and information pertaining to the requirements for the 2016 Updated CPR exercise.

First ‘mock’ ORSA submissions

As part of the 2015 CPR all registered insurers and reinsurers were required to submit their first mock Own Risk Solvency Assessment (ORSA) documents to the FSB by 31 August 2015. The ORSA submission is intended to capture all current and foreseeable risks facing the business over the business planning
THE SAIA AND ITS MEMBERSHIP ENGAGED IN A NUMBER OF SUCCESSFUL INTERACTIONS AND MEETINGS WITH THE NATIONAL TREASURY AND THE FSB.
THE SUCCESS OF THIS SAIA STRATEGY HINGES ON ACTIVE SAIA MEMBER COMMITMENT AND DEDICATED PARTICIPATION IN THE MONTHS LEADING UP TO THE REVISED SAM IMPLEMENTATION DATE.
period and to ensure that sufficient capital is available to cover these risks.

Insurers and reinsurers are encouraged to actively refine and improve on their first ORSA submissions during 2016, to ensure that the ORSA is seen as an integral decision-making and planning tool in the day to day running of their businesses.

Individual feedback on the 2015 mock ORSA submissions will be provided to insurers early in 2016 to guide further work on an updated mock ORSA exercise taking place in 2016 as part of the updated CPR. Further information pertaining to the updated mock ORSA requirement is included in the 2016 updated CPR Technical Specifications Document.

**Insurance Prudential Standards (Sub-ordinate SAM legislation)**

The full suite of the new Insurance Prudential Standards (SAM Subordinate Legislation) are expected to be released for informal public consultation towards the end of the second quarter of 2016, with a final formal public consultation anticipated in the last quarter of 2016.

The FSB indicated that it is their intention to allow for three rounds of consultation on the Insurance Prudential Standards.

Round one of consultation will be with the relevant FSB SAM Task Groups, for initial comment only. These Standards will be published in tranches between December 2015 and June 2016. The first tranche of Insurance Prudential Standards (Standards) are the Financial Soundness Standards for solo insurers (i.e. Pillar 1 standards). In Round two of the consultation, a complete suite of revised Insurance Prudential Standards will be released for informal public comment. The final round of consultation (Round three) will be conducted in terms of the formal process of public consultation for Standards provided for in the Financial Sector Regulation Bill. These new Standards required careful consideration and meticulous review by the industry.

The drafting of these Standards are targeted at the Board of Directors level, setting out what is expected of insurers including practical examples to assist in understanding the context and requirements of these new Standards.

On 21 December 2015 the FSB released the first tranche of Standards, dealing with the Financial Soundness requirements for solo insurers and reinsurers, to the FSB SAM Task Groups as part of Round one of the consultation. The SAIA approached our members serving on the various FSB SAM Task Groups requesting active participation in providing input, comment and review during this important first round of consultation on the Standards. The submission date for round one comments by the FSB SAM Task Groups closed on 19 February 2016.

These three allotted rounds of comments on the Standards are expected to be the only opportunity that the Industry will have to provide comment and exercise any form of influence over the finalisation of the Standards, before these become the new Law. It is therefore imperative that the industry takes full advantage of the opportunities provided by the FSB to comment on the Standards during each allotted round, in order to ensure that the collective voice of the short-term insurance industry is heard.

The SAIA SAM Project Support Office (PSO) has set in motion a strategy aligning to the new SAIA participatory model to address and generate comment on these Standards when released for public comment. The success of this SAIA strategy hinges on active SAIA member commitment and dedicated participation in the months leading up to the revised SAM implementation date.

**2016 SAM Expectations**

Building on from the work undertaken during 2015 some of the most significant aspects that lie ahead for the Short-term Insurance Industry in 2016 is:

- Providing meaningful comments on the Insurance Prudential Standards during the remaining allotted rounds of comment
- Updating and refining insurers ORSA’s ahead of submission in 2016 (anticipated due date 30 September 2016)
- An Updated and refined CPR “testing” environment which includes duel reporting
- Further work and continuous refinement relating to certain parameters and calibrations of the non-life underwriting risk (NLUR) sub-module of Solvency Capital Requirement forming part of the Standardised Formula

**Conclusion**

To use the remarkable metamorphoses that a caterpillar undergoes towards transforming into a butterfly as a comparison to where we find ourselves in the SAM journey, we are currently in the cocoon, changing shape and eagerly awaiting that moment when we break free to stretch our wings and fly.

The regulatory metamorphosis from the current regime to SAM is well underway and it is only a matter of time before this six-year journey reaches fruition. The SAIA has been at the forefront of this extraordinary journey and will continue to actively participate and influence the process until that day when SAM finally takes flight.

**Gareth van Deventer**

SAIA Project Manager: SAM
Lelo Ntshalintshali
General Manager: Stakeholder Relations and Communication

STAKEHOLDER RELATIONS AND COMMUNICATION

SAIA STRATEG
STAKEHOLDER RELATIONS and communication continued to play a pivotal role in the SAIA’s transformation journey in 2015, with the association undergoing a review process of its business model and value proposition. A crucial outcome of the review process was the SAIA’s move from an executive business model to a participative model, which emphasised the need for strengthened stakeholder relationships and collaboration, particularly with our members and other key stakeholders in the financial sector and the government.

As part of this process, a review of the SAIA Stakeholder Relations and Communication Strategy was also implemented to align it with the changing environment as well as the current needs of our members and the industry. The strategy outlined the various approaches to be implemented by the SAIA in fostering, building and strengthening key stakeholder relationships. Meaningful stakeholder engagement, particularly in relation to our members and the role of advocacy within the government’s sphere was highlighted as being critical to the SAIA’s success in delivering on its mandate.

To this end, 2015 saw an escalation in high level advocacy engagements at policy and influencing level, with regular meetings taking place with the National Treasury (NT), the Financial Services Board (FSB) and other key government stakeholders such as the Department of Transport (DOT) and the Department of Agriculture, Forestry and Fisheries (DAFF) amongst others. This was in addition to the standing FSB/NT/SAIA liaison meetings that take place every quarter aimed at addressing industry issues. Relationships were also established with the South African Reserve Bank (SARB) in preparation for the move to the Twin Peaks Model of Financial Sector Regulation, and continue to be strengthened through regular engagements with key SARB officials.

Extending beyond our borders, the SAIA continued to build and strengthen relationships by representing the industry internationally and on the continent through participation in various forums such as the African Insurance Organisation (AIO), the Global Federation of Insurance Associations (GFIA) and the International Union of Marine Insurance (IUMI) amongst others. We also continued to forge good relationships with other trade associations in Africa, including the Insurers Association of Mauritius (IAM), the Insurance Association of Zambia (IAZ) and the Nigerian Insurers Association amongst others.

COLLABORATION

One of the SAIA’s priorities is to become more involved in the broader discussion in the country to find sustainable solutions to South Africa’s economic challenges, together with our members and other financial sector stakeholders. Therefore collaboration with other financial sector organisations such as the Association for Savings and Investments South Africa (ASISA) in particular, was advocated by our members. Although these associations have different mandates and for the most part face different challenges, it was agreed that the two bodies would work together in addressing common industry issues. In addition to collaborating with ASISA, since the beginning of 2016, the SAIA has been actively building relationships with other financial sector bodies such as the Banking Association of South Africa (BASA) and Business Unity South Africa, to name a few.

Collaboration on initiatives with other industry organisations such as the Financial Intermediaries Association of Southern Africa (FIA) and the Insurance Institute of South Africa (IISA) continued in 2015. The three industry bodies once again partnered for the annual Insurance Conference at Sun City in July 2015, which was a great success, drawing more than 1000 local and international delegates. A joint FIA/SAIA/IISA communication initiative was also established to promote the value of the short-term insurance industry through targeted media messages.

MEDIA RELATIONS

In late 2015, the SAIA engaged the services of a communication agency to assist with the implementation of a more proactive media relations approach (including social media) as part of its image and reputation strategy. This resulted in an elevation of the association’s profile and initiatives, as well as a prominent and positive media presence. Through the media, the SAIA also positioned itself as a thought leader on many issues that affect the short-term insurance industry, as well as gave proactive commentary on socio-economic issues that impact both policyholders and the industry. In this regard, we would like to thank the SAIA Communication Committee for its input and support in promoting our communication initiatives.

Lelo Ntshalintshali
General Manager: Stakeholder Relations and Communication
THE SAIA INSURANCE RISKS DEPARTMENT continued to be a cornerstone of the SAIA’s business operations in 2015. In line with the broader SAIA change process to transform into a more cost effective and relevant organisation, this department also re-evaluated its committees and structures, as well as priority areas to ensure that we serve our members optimally.

Amidst all the organisational changes, much progress was made on various important projects which will ultimately have a positive impact on the sustainability of the short-term insurance industry, its consumers and various other related stakeholders. In addition, many of these projects will assist with the delivery of several of the objectives of the National Development Plan (NDP), including safety and security (road safety and crime combating related projects), addressing poverty and inequality through the promotion of small business development (motor and non-motor sustainability and transformation projects), energy supply (green geyser replacement project), financial inclusion (third party compulsory motor property insurance project and motor repair process projects), food security (agricultural insurance project) and others.

MOTOR INSURANCE

Motor insurance is still the biggest short-term insurance business class, approximately accounting for 45% of short-term insurance business. Therefore, motor insurance remains a key area for SAIA.

The SAIA Board and SAIA Board Committee: Insurance Risks agreed on the following key priority areas for 2015:

- Relationships with Government and any potential outstanding market conduct areas that need to be addressed by the industry, as perceived by National Treasury (NT) which could act as stumbling blocks to continuous positive relations and achieving traction on our key projects.
- Compulsory Third Party Motor Property Insurance (CTPMPI).
- Road safety.
- Repair process.

Below follows a report on activities related to these key priority areas, as well as other projects in the Insurance Risks area of SAIA.

Relationships with Government and outstanding market conduct areas to be addressed

- Relationships with National Treasury and the Financial Services Board

In general, the SAIA experienced a positive reaction from our major stakeholders including National Treasury (NT) and the Financial Services Board (FSB) following the broader transformation process followed by SAIA during 2015 which allowed us to positively build on relationships that have always been solid. Furthermore, the increased emphasis by the SAIA on a collaborative and partnership approach assisted in this regard, together with a higher level move towards Government and business joining hands to address the challenges of South Africa. This impacted positively on many of our projects, and we will continue to work hard on these key relationships.

- Relationships with Department of Transport and related agencies

The relationship with the Department of Transport (DoT) is extremely important to the industry, but still needs some work. One of the stumbling blocks in this regard experienced during 2015 was the concern expressed by the DoT on the reported position of the industry that claims will continue to be paid on merit, taking all relevant circumstances into account. This position was taken following media questions on whether or not short-term insurers will pay motor vehicle claims should the person not have a valid licence disc for his/her vehicle as a result of unpaid e-toll fees. This position was taken after consultation with SAIA members. When SAIA was informed of the DoT’s concern in this regard, SAIA further consulted with the Ombudsman for Short-term Insurance (OSTI) as well as the FSB on our position in this regard to make sure that we were not incorrect in our interpretation of equity principles and the Treating Customers Fairly (TCF) Framework. Following these consultations, SAIA explained to the DoT that whilst the industry is supportive of Government policy, insurers will not be deemed to treat customers fairly should they not treat every claim on its merits by taking into consideration factors and circumstances that are directly related to an incident including the policy wording, as well as equity and fairness, and find themselves in a difficult situation regarding this topic.

The SAIA also gave input into the proposed amendments to the Road Traffic Regulations, including linking the licensing of vehicles to the payment of e-tolls, as this would result in
practical challenges for insurers and others regarding the change of ownership process on e-Natis.

Having said the above, the SAIA and its members will always do their utmost to adhere to the law, and will continue to find ways to resolve any potential conflict.

More about the progress on relationship building with the DoT can be read under the Road Safety section of this report.

- **Market conduct**
  One of the key projects the Insurance Risks department participated in, together with the SAIA Governance Risks department, was the joint workshops with NT and the FSB to identify any outstanding market conduct issues to be addressed within the current market conduct regulatory framework projects, and to prioritise and align market conduct issues identified with the market conduct related projects of NT and the FSB during this reporting period. More about this can be found in the Governance Risks section under Treating Customers Fairly (TCF).

- **Road map for short-term insurance**
  The National Treasury and SAIA also agreed on a joint project, a Road Map for Short-term Insurance in 2015, which will result in a road map for the short-term insurance industry for a period of five years. This Road Map will include the regulatory and other areas to be addressed and prioritised with the ultimate goal of growing the short-term insurance industry. The SAIA is excited about this joint project as it is a positive and constructive project which will create certainty and continuity whilst at the same time providing an opportunity to advance some of the projects that we believe are crucial to the sustainability and growth opportunities of the industry. The project is underway with funding pledged by the NT and the SAIA, and a process to appoint a third party independent service provider to deliver the project has been initiated.

**Compulsory Third Party Motor Property Insurance (CTPMPI)**
Compulsory Third Party Motor Property Insurance (CTPMPI) remains a priority on the SAIA agenda, as many positive outcomes could result if successfully implemented. CTPMPI could address the increasing cost of insurance, resulting in more affordable and sustainable comprehensive motor insurance; provide millions of uninsured people with access to insurance; assist with much needed growth in the insured pool; positively contribute with improved road safety; and assist with Government’s goal of financial inclusion.

PwC was commissioned in 2015 to conduct research on a potential implementation model and used most of 2015 to gather the necessary information. This exercise took longer than expected as some SAIA members were unable to provide the requested information on time, and the SAIA required some additional work on assumptions and on scenarios to solidify the report.

The next steps include engaging with NT and the Department of Transport (DoT) and other relevant stakeholders using this report as a foundation for further discussions regarding the possible implementation of CTPMPI in South Africa.

**Road Safety**
Improved road safety not only speaks to the number of claims to motor insurers but is also a top priority for the Department of Transport, and links with the National Development Plan (NDP).

- **Business for Road Safety Initiative**
The SAIA recognised that our attempts to assist in addressing road safety in South Africa have not been successful in the past and that another approach was needed. The new approach was aligned with the broader collaboration and partnership model of the SAIA and resulted in the establishment of the Business for Road Safety (BRS) Forum. The BRS Forum includes various associations from the private sector including the National Association of Automobile Manufacturers of South Africa (NAAMSA), the Southern African Vehicle Rental and Leasing Association (SAVRALA), the Retail Motor Industry Organisation (RMI), the Automobile Association (AA), the Insurance Institute of South Africa (IISA) and Financial Intermediaries Association (FIA), and others. The main goal of the BRS Forum is to have a bigger voice on road safety issues, and to engage and seek solutions together with other relevant stakeholders to address the current unacceptable high accident figures in our country.

The BRS Forum made slower than anticipated progress during 2015, however, it is anticipated that the Forum will agree on key priority projects related to the National Road Safety Strategy of the DoT and Road Traffic Management Corporation (RTMC) in the near future with the aim of positively influencing road safety within South Africa together with these entities.

- **Potential partnership with Department of Transport on road safety**
  Key stakeholders on road safety are the DoT and the Road Traffic Management Corporation (RTMC). A meeting took place between the Minister of Transport and her top team, and the SAIA and Automobile Association (AA), during February 2016, where areas of potential collaboration between the DoT (and related agencies) and the SAIA (and the short-term insurance industry) were discussed. A potential exciting collaboration was proposed, and this potential exciting collaboration will continue to be explored during 2016.
Repair process
Around 70-80% of all motor insurance claims are accident-related and it is therefore crucial to address the ever rising cost of accident related claims. In addition, the impact of the increasing devaluation of the Rand against other major currencies during this reporting period (and into the future) has made this area of activity even more urgent. This is the reason why the Insurance Risks department concentrated on various projects related to the repair process during this reporting period and will continue to do so in future.

- **Thatcham Group Rating System**
The Thatcham Group Rating System has been a focus area for the SAIA for the last two years, and a final decision regarding the implementation of this system in South Africa had to be made during this reporting period. The Thatcham Group Rating System in essence is an insurance rating given to newly launched vehicles which reflects the security and safety systems of vehicles, the cost of a basket of parts typically damaged in front and rear end collisions, and the complexity of these parts which closely relates to the repair time and therefore labour costs. In addition, the Thatcham Group Rating also gives insurers an advantage when underwriting vehicles that are new on the market and for which no claims experience exist.

Much consultation with Thatcham in the United Kingdom, our members, the Competition Commission and others took place during 2015 which ultimately led to the decision by the SAIA Board in March 2016 not to continue with this as an industry project, as not all SAIA members were convinced that the potential benefits will justify the (quite considerable) costs to implement this project.

- **Motor Transformation and Sustainability Forum**
Historically, an adversarial relationship existed between the motor body repairer and insurance industries. The sustainability of the repairer industry is of vital importance to the insurance industry. In addition, the SAIA and its members recognise and embrace the role we can play in small business development and potential resulting job creation. The establishment of a joint initiative with the motor body repairers associations, the Motor Transformation and Sustainability Forum (MTSF), is therefore an important project that was pursued by the SAIA during 2015. The MTSF came into life following many years of frustration by both the SAIA and the motor body repairer associations because of a lack of progress made in the Department of Trade and Industry (DTI) process to facilitate between the insurance industry and the motor body repairer industries.

Much progress was made on this project during 2015, including the signing of a Memorandum of Understanding (MOU) by the four major motor body repairer associations, the South African Motor Body Repairers Association (SAMBRA), the Collision Repairers Association South Africa (CRASA), the South African Motor Body Repairers Association (SAARSA) and the Retail Automobile Aftermarket Federation (RAAF) and the SAIA in October 2015.
Further progress made by this Forum includes:

- Getting the DTI’s and Small Business Development Department’s blessing for the MTSF initiative, with agreement that this initiative should continue without Government involvement. We did agree to periodically report back on progress to the DTI, and that the DTI will play a role in unlocking any deadlocks that may occur.

- The finalisation of non-structural repair (NSR) standards, and near finalisation of a major structural repair (MSR) standard to be accepted and implemented by all four motor body repairer associations and insurers. The SAIA also funded the independent benchmarking and aligning of these standards to international standards by Bureau Veritas. This is a major step towards access to insurer procurement and the SAIA believes that this will remove a major stumbling block to procurement. In addition, as insurers only insure 35% of the vehicles on the road, a national standard could assist motor body repairers to more easily market themselves to other markets in order to become more sustainable.

- Initial talks between the MTSF members took place regarding potential procurement targets for black motor body repairers, especially small businesses, over and above the Financial Sector Code procurement targets as many of our members already show excellent results regarding these targets.

- The “Interim Measures” were agreed to remain in place until the MTSF process has been concluded and a new and sustainable environment is in place. The “Interim Measures” in essence is an agreement that vehicles that land up with qualifying black motor body repairers that are not on an insurer’s panel of preferred suppliers will be allowed to be repaired by such a motor body repairer should the motor body repairer qualify to do the repair work. The wording of the “Interim Measures” was improved in 2015, SAIA members re-committed themselves to the “Interim Measures”, and SAIA embarked on an awareness creation campaign with members, underwriting managers and brokers to ensure that the “Interim Measures” are implemented. The SAIA also continued to play a facilitation role to address challenges around the implementation of the “Interim Measures”.

Future steps include an audit of all motor body repairers against the agreed standards, after the final sign-off of the standards by all, a database for motor body repairers, agreeing on targets for set aside work for black motor body repairers, especially small black businesses, enterprise and supplier development initiatives, and engagement with the original equipment manufacturers to join in on the initiatives of the MTSF.

**Original Equipment Manufacturer (OEM) issues**

Following the high level meeting between the National
Assessment by Genesis Analytics to support a call for a change in international practice, and in relation to competition legislation. The aftermarket environment in South Africa at the backdrop of warranty legislation in South Africa to similar legislation in the rest of the world is needed to allow for more competition in the aftermarket parts environment, which could greatly reduce the cost of repairs and insurance. In addition, a more inclusive approach should be followed with regards to who can repair a motor vehicle, which aligns with the MTSF initiative.

For this reason, the SAIA commissioned Cliffe Dekker Hofmeyr in 2015 to provide a legal opinion on the practices of OEMs in the aftermarket environment in South Africa at the backdrop of international practice, and in relation to competition legislation. In addition, the SAIA also commissioned an economic impact assessment by Genesis Analytics to support a call for a change in warranty legislation in South Africa. Both these reports were finalised and are currently being used in our engagements with stakeholders on this topic.

The SAIA recognises the contribution of the motor industry to the South African economy and has chosen not to follow the legal options open to us according to the legal opinion obtained at this time, but rather to work with all the relevant parties to find a solution that will be of benefit to all, and ultimately to our joint customers.

The Vehicle Damage Quantification Governing Body of South Africa (VDQGBSA)

The implementation of the Vehicle Damage Quantification Governing Body of South Africa (VDQGBSA), a joint project between the insurance and motor body repairer industries, to address the professionalization and qualifications of assessors and vehicle damage estimators have progressed well during 2015, and SAIA members provided funding for the project to commence with implementation.

Crime combating initiatives

The SAIA continued to support Business Against Crime South Africa (BACSA) during this reporting period, both financially and through participation on BACSA’s Board.

The Automatic Number Plate Recognition Project (ANPR), although in part funded by SAIA in 2015, has failed to deliver a return on investment due to various challenges experienced by Business Against Crime South Africa (BACSA). The SAIA spent a lot of time during 2015 in an attempt to address the issues, and will continue to do so in future.

The implementation of the Salvage Database by the South African Insurance Crime Bureau (SAICB) was initiated and progressed during 2015 and will be in operation soon. This project is important for several reasons, including addressing vehicle cloning.

PROPERTY AND OTHER RISKS

Although SAIA spent a lot of time on motor insurance projects, for reasons already mentioned, during this reporting period, property and other insurance risks still remained high on the priority list for the Insurance Risks department. The sustainability of all insurance business classes is important, but the projects highlighted below were agreed to be the priority projects for this area for 2015.

The SAIA continued to receive good support from the government, especially from National Treasury, the Department of Energy (DoE) and the Department of Agriculture, Forestry and Fisheries (DAFF) in pursuing these important projects.

Green Geyser Replacement Project (GGRP)

The Green Geyser Replacement Project (GGRP) is an initiative to replace electric geyzers with energy-efficient hot water devices (solar water heaters), following valid geyser replacement claims in residential homes, which was initiated in 2011 and gained momentum during 2015. This project is aligned with the NDP goals in the energy field, and could assist in moving to a low carbon environment as well as assist in addressing the energy challenges faced by the country.

The biggest challenge facing the GGRP was the upfront cost differential between a solar water heater and an electric counterpart. A key area of support centred on obtaining certainty around a capital subsidy from government to contribute to this cost, and to make it as easy as possible for insured clients to transition to greener water heating technologies.

The SAIA engaged with the Department of Energy (DoE) during 2015, since it became clear that any funding decisions for the green geyser project would be made in collaboration with the...
DoE. The DoE confirmed that it would commit the funding to SAIA members to subsidise the replacement of electric geysers with solar water heaters, under certain conditions and subject to certain targets to be achieved over a period of three years, provided that a Memorandum of Agreement (MOA) is finalised.

Through the constant interactions between the SAIA and the DoE agreement was reached that each individual insurer will have to sign a separate MOA with the DoE. At that time, 14 SAIA member companies committed to participate in the project and the first round of talks between the DoE and the 14 participating SAIA member companies were finalised during August 2015. The DoE then advised that the Load Reduction Programme should also be accessible to all stakeholders (including the interested SAIA members) seeking to provide co-funding. For that reason it needs to be publicised in order to be consistent with the public procurement principle of transparency. The DoE confirmed that the programme will be undertaken in accordance with the provisions of the Preferential Procurement Policy Framework Act (PPPFA) and the PPPFA regulations, which include a ‘stipulated minimum threshold’ for local content.

Early in 2016 the DoE advised that it has partnered with the Government Technical Advisory Centre (GTAC) from National Treasury in delivering the Load Reduction Programme. The two organs of state are currently aligning implementation plans and will engage the industry in due course.

The 14 SAIA members that committed to the programme await confirmation from the two organs of state as to the commencement date of the programme.

This project will make it possible for the industry to replace 120 000 electric geysers with solar water heaters over three years.

Agricultural Risk and Crop Insurance Project
The project was designed to advocate and contribute towards a proposal for an agricultural insurance framework for SA, in which the government is able to support the struggling multi-peril crop insurance (MPCI) sector, with a view to ensuring food security, as well as to develop small holder farmers.

Through the constant interactions between the Department of Agriculture, Forestry and Fisheries (DAFF), its appointed consultants and the short-term insurance industry’s project team, the short-term insurance industry’s project team submitted a final proposal document to the consultants and DAFF during the latter part of 2014. During 2015, SAIA was informed that National Treasury (NT), DAFF and the Land Bank have been working together implementing the recommendations from the proposal document. The National Treasury also commissioned the World Bank to conduct a mission to South Africa, which saw a team of experts work collaboratively with the National Treasury and DAFF to complete an initial diagnostic study on agricultural insurance in South Africa. This study is currently under way.

Following the completion of the mission, the World Bank will share a draft aide memoire with SAIA and its members, covering the primary results, which will include inter alia:

- The policy objectives of the South African Government for an agricultural insurance programme;
- The state of the agricultural insurance market;
- The development of a set of scenarios for scope/scale of the programme, which can then be used to guide initial estimates of the associated fiscal costs.

The SAIA is hopeful that a government-assisted programme pilot will be agreed to and implemented by the end of 2016.

Earthquake Committee
The Earthquake Committee (the committee) was constituted as a consequence of the SAIA Acid Mine Water Project. The initial objective was to gain an overview of the natural seismicity landscape in South Africa before obtaining reports to keep track of the changing seismic environment in relation to mining activity.

The SAIA consulted extensively with the Council of Geoscience (CGS) and the University of Pretoria’s National Hazard Centre. After many deliberations, it was agreed to request the CGS and the University of Pretoria to provide the committee with Probabilistic Seismic Hazard and Risk Assessment reports for Gauteng. The reasoning behind this was that Gauteng was the most dynamic region with the greatest concentration of seismic exposure.

The University of Pretoria and the CGS are in the process of being contracted to complete this project, to be funded by the SAIA members and other related parties who are interested in using this report going forward. We anticipate that the research will be completed by December 2016.

SAIA Mega Infrastructure Project
The SAIA has investigated the perception that the local short-term insurance industry is not given due consideration for insurance business related to mega infrastructure projects, and that much of the insurance business for these projects is often placed offshore. The SAIA continued to participate in the National Treasury Private Sector Infrastructure Finance Task Team during 2015, where we put forward the need for the local short-term insurance industry to be considered for business related to mega infrastructure projects. The National
Treasury and the Department of Energy (DoE) assisted the SAIA in exploring the reasons as to why the local industry does not receive more business related to mega infrastructure spend. Both departments indicated that government would welcome the use of local insurers, and that this could count towards the ‘local content’ clause in all renewable energy and other infrastructure projects.

The SAIA investigated the matter further and had discussions with various stakeholders, which included inter-alia the Financial Intermediaries Association of Southern Africa (FIA) and major banks, to determine how to deal with this matter going forward.

In view of the importance of this matter it was agreed to set-up a SAIA infrastructure task team, to address the issues, with a view to drafting an industry position paper pertaining to the topic. This topic was discussed at a workshop between SAIA members, the relevant banks and intermediaries, to agree on a way forward and implement solutions to address the challenges faced by the industry.

It is believed that a part of the challenge is that insurers cannot obtain a credit rating which is better than the sovereign credit rating of the country, and lenders insist that this is a prerequisite of getting business related to mega infrastructure projects. It is further believed that lenders may not be aware of the capacity and expertise of the local market, and may not realise that they may not be receiving the best cover for local conditions. This project is ongoing and we hope to make more headway during 2016.

OTHER PROJECTS AND COMMITTEES

Other projects and initiatives that were addressed include:

Potential Electrical Grid Failure and its impact on the insurance industry
Following a request by the Financial Sector Contingency Forum (FSCF), a SAIA Report on the Risks for the short-term Insurance industry due to Eskom Electricity Supply Failure was finalised during 2015 and early 2016, and much time was spent during this reporting period on identifying challenges for the insurance industry and finding potential solutions for these challenges. A total electrical grid failure in South Africa is a highly unlikely event, but it is however prudent for the short-term insurance industry to consider the risks and consequences in the unlikely event of a complete national electricity blackout, and to debate an industry approach to such an event as well as for the SAIA members to prepare mitigating actions for such an event.

Environmental sustainability
The SAIA’s activities on this front are ongoing and address both man-made and natural environmental challenges.

The SAIA still actively supports the work of the Fire Protection Association of South Africa (FPASA) and continues to participate in the InFiRes Steering Committee, which is still establishing standards in this area, including new national standards for Sprinkler Leakage Systems.

Non-Motor Transformation and Sustainability Forum
A Non-Motor Transformation and Sustainability Forum was established to address access to procurement opportunities for small black enterprises in the building and civil engineering fields, but this Forum is still in its initial stage.

Insurance Risks Forums
Four SAIA Forums have been, or are in the process of being, established in terms of the new SAIA participative mode. The following Forums will be accountable to the SAIA Board Committee: Insurance Risks:
• SAIA Agricultural Insurance Forum
• SAIA Mega Infrastructure Projects Insurance Forum
• Association of Marine Underwriters in South Africa (AMUSA), a continuation of the current structure. More about AMUSA’s activities during this reporting period can be found in the AMUSA section of this Annual Review.
• South African Machinery Insurance Association (SAMIA), a continuation of the current structure. More can be found about SAMIA’s activities during 2015 in the SAMIA section of this annual review.

A NOTE OF THANKS

The SAIA expresses its sincere gratitude to all individuals who unselfishly gave of their time and served the industry on the SAIA Board Committee: Insurance Risks and the various SAIA committees, task teams and initiatives related to the Insurance Risks department. Without the participation of our members we would not have been able to make the progress reported above.

Nico Esterhuizen
General Manager: Insurance Risks
Zakes Sondiyazi
Manager: Insurance Risks
Dawie Buys
Insurance Technical Advisor
Charles Hitchcock
Chief Operating Officer

SAIA FINANCE
AND OPERATIONS
FOLLOWING ON LAST year’s thorough review of the SAIA value proposition to members that identified required changes to the operating model and the subscription fee calculation, this year will see the implementation of those changes.

The local economy remains depressed, negatively impacting business confidence. The SAIA budget has contracted due to the changed circumstances emanating from the abovementioned review of its value proposition to members and is partly impacted by the state of the economy.

INTERMEDIARIES GUARANTEE FACILITY LIMITED

The last SAIA Annual Review reported that the future of Intermediaries Guarantee Facility Limited was uncertain. Management confirms that following discussions with the regulator it is expected that Intermediaries Guarantee Facility Limited will cease to operate, effective 31 December 2016. An orderly winding down of the business will take place thereafter.

Insurers will in future have to review their respective credit risks and adjust the management thereof to counter the effects of Section 45, Regulation 4 of the Short-term Insurance Act falling away with the promulgation of the new Insurance Bill on 1 January 2017.

THE SOUTH AFRICAN POOL FOR THE INSURANCE OF NUCLEAR RISKS

The South African Pool for the Insurance of Nuclear Risks successfully renewed the Koeberg and Pelindaba risks of ESKOM and NECSA respectively.

The newly revised third-Party heads of damage are still in the process of being ratified and adopted by various member states in Europe and the UK. The process is expected to be completed by the deadline, for ratification of, 1 January 2017.

In further discussions with the South African Nuclear Regulator it has been confirmed that South Africa will follow suit on the increase in limits and other relevant developments overseas. The size of the limits has not yet been confirmed by the Regulator.

INSURANCE DATA SYSTEM

At the time of writing, the Insurance Data System Steering Committee is in the process of being renamed the Strategic Insurance Data Committee and undergoing changes to its Charter with a view to improving the management of industry data – a strategic industry resource.

Rich, quality data is core to an effective and efficient insurance industry and the hallmark of a maturity in underwriting profitability, customer satisfaction, claims processing and fraud management. Claims and policy data represent a significant part of this data pool, crucial in feeding the South African Insurance Crime Bureau (SAICB) with the data that is the foundation of its crime fighting strategy, and supplying some of the most predictive loss detection variables used in modern insurance underwriting.

Managed by SAIA, the Insurance Data System (IDS) committee has steered the collection and management of this crucial data to the point where all contributing members have submitted their historical files and are submitting daily claims updates to the database.

It was recognised in 2015 that the role of this committee had to evolve in order to better coordinate and synchronise IDS with the growing number of industry data initiatives and legislative demands that now exist, in order to remove redundancy and duplication and ensure the most effective alignment between all industry data-driven projects. For example, the committee needed to advance to define a format for data submission that complies with the widely recognised ACORD standard, which meets the demands of current fraud detection techniques and recognises and satisfies the demands of regulatory bodies. As such the Strategic Insurance Data Committee (SIDC) was formed in late 2015 and first convened in early March 2016 to start the process of guiding and managing the many data initiatives affecting the industry.

The Insurance Data System Steering Committee objectives are expected to tie in with those of the recently constituted Financial Services Board Insurance Data Task Team, resulting in a complimentary approach in certain areas, thereby avoiding the overlap of work streams.

Charles Hitchcock
Chief Operating Officer
Zain Hoosen
SAMIA Chairman

THE SOUTH AFRICAN MACHINERY INSURERS’ ASSOCIATION

Paul March
AMUSA Chairman

THE ASSOCIATION OF MARINE UNDERWRITERS IN SOUTH AFRICA
THE SOUTH AFRICAN MACHINERY INSURERS’ ASSOCIATION

THE SOUTH AFRICAN Machinery Insurers’ Association (SAMIA) is a division representing the SAIA insurance members specifically within the engineering insurance sector. The standard classes of insurance embraced by this sector are, among others, contractor’s/erection all risks, electronic equipment, machinery breakdown and plant all risks.

EXECUTIVE COMMITTEE

In February 2015, I was elected Chairman of SAMIA and Susan de Wet (of Mutual and Federal) was elected Deputy Chair.

Other elected, alternate and guest members of the executive committee are: Bradley Edwards (Hollard), Dave Waterworth (Mutual and Federal), Dawie Buys (SAIA), Francois Engels (Hollard), Kobus van Niekerk (Consort), Philani Mbatha (Munich Re), Sam McLennan (Mirabilis), and Tau Lethlogonolo (SASRIA). To strive for broader representation, as well as facilitation with expected increased committee workloads, we co-opted Seelan Naidoo (Allianz) and Kevin Petersen (AIG).

Over the past year and in the spirit and context of SAIA’s key objectives to better serve the needs of our members and advance transformation, the Committee re-worked our strategy to ensure alignment with our mandate, aspirations and goals. The strategic vision and mission for SAMIA can be summarised as follows:

To be an effective forum for raising awareness and to develop and promote understanding of the engineering classes of business to the wider insurance market and related stakeholders.

Mission:
• To build a network of international engineering insurance practitioners to share knowledge.
• To provide training to engineering insurance and related practitioners.
• To promote, investigate, develop and enhance technical matters relating to engineering insurance.
• To promote social interaction between members.
• To engage and participate with other stakeholders on matters concerning engineering insurance.

Underlying the above objectives, is a very clear appreciation that to sustain this critically important specialist class of business, all efforts must be made towards continued skills and experience development. We need to proactively serve the insurance industry in raising appropriate awareness of new technologies or building materials, emerging loss trends/events and risk management best practices.

The following key segments provide examples of our activities in so far as they relate to the above strategic outcomes over the past year.

EDUCATION

The provision of technical education and training to engineering insurance members and practitioners remains a key focus area for SAMIA. On 20-21 October, SAMIA proudly hosted a two-day Advanced Engineering Insurance training course: underwriting considerations for road, bridge and trenching projects. The course was not only a huge success and well attended, but also received full accreditation for CPD points through the IISA. Following on from the huge interest expressed by the broker market participants, SAMIA will give consideration to the roll-out of an intermediary course.

SAMIA remains indebted to Kobus van Niekerk and Francois Engels for their time and efforts in not only developing the training materials but also in serving as facilitators to present the courses.

Furthermore, SAMIA’s training programme would not be possible without much practical support provided by Hollard, especially hosting the training programme at their offices.

SAIA BULLETIN

Contributions to the monthly SAIA Bulletin were submitted by Dave Waterworth and Philani Mbatha. Their respective articles focused on power outage/load shedding and safety on construction sites. SAMIA plans to increase its contribution to the SAIA bulletin during 2016.

Topics for 2016 are expected to focus on the effects of currency depreciation on engineering classes of business, cyber risk and terrorism.
TECHNICAL

During August 2015, Kobus van Niekerk published an interesting article on “The effects power outages can have on Electrical Equipment”. The publication was prompted by the increase in load-shedding cycles and the apparent spike in electronic equipment claims these events were causing.

This area of the Association’s work is important and where greater focus is warranted, more especially if we need to proactively serve the Insurance Industry in raising appropriate awareness to new technologies or building materials, emerging loss trends/events and risk management best practices.

Items and issues high on our agenda in this regard, to mention a few, are as follows:

PROJECTS

SAMIA participated on the Earthquake and the Mega Infrastructure Project committees. The latter committee is led by Viviene Pearson (SAIA) to investigate the perception that the local short-term insurance industry is not benefitting sufficiently from local mega infrastructure projects, more so as a result of substantial premium flows to offshore markets. Several meetings have been scheduled with the various stakeholders including National Treasury, underwriters and intermediaries. The investigation is ongoing and further meetings with financiers and banking institutions are planned.

Suffice it to say, much leadership, foresight and pragmatic understanding is required to ensure we strike the correct balance between any foreign direct investment and credit-rating risk concerns, versus much needed local insurance sector growth and development.

LUNCH-TIME MARKET TALKS

The Lunch-time market talks are aimed at facilitating improved understanding on any key issues potentially impacting the engineering insurance sector. For example, Richard Baker (specialist adjusters) provided an excellent presentation on the energy generation challenges facing Sub-Saharan Africa.

Future talks are planned to focus on conditions of contract/contractual agreements, especially in the wake of the Sandton M1 bridge collapse, as well as the impacts of an increasingly litigious society.

SAMIA GOLF CHALLENGE/SAMIA LUNCH

The annual SAMIA golf challenge (thanks to Sam McLennan) was held on 9 September 2015 at the Killarney Country Club. The event drew a record number of participants and was once again a huge success. Our sincere thanks are extended to our sponsors and in particular Santam, SHA and Hollard.

The annual ‘end of year’ SAMIA lunch was once again very well attended by reinsurers, insurers, loss adjusters and our respected market ‘veterans’.

IMIA ANNUAL CONFERENCE

It was indeed a privilege to attend the 2015 International Association of Engineering Insurers (IMIA) Annual Conference which was held in Merida, Mexico. Over the four-day period, delegates were involved in a number of presentations on papers produced by industry experts, panel discussions and interactive break-away group sessions. The papers presented covered topics such as the construction of stadiums, best practice claims protocol, combined cycle power plants and strike riot and civil commotion (SRCC).

All papers are available to be read (also in the spirit of Continual Professional Development – CPD) on the IMIA website (www.imia.com). I am pleased to announce that South Africa has once again been included in the Working Group to research and produce a paper on contractor’s plant and equipment.

Allow me at this juncture to extend my sincere thanks to the Management and staff at SAIA and Zurich Insurance Company South Africa for all their assistance in affording me the opportunity to attend this international conference as the representative of the SA insurance market.

INDUSTRY STATISTICS

The International engineering industry statistics of member countries (including South Africa) is provided on the IMIA website. In summary, total international premium from this sector as reported for 2014 from member countries is $9.1 billion. Interestingly, loss ratios for this industry sector range between 5% (Russia) and 93% (Turkey), compared to South Africa’s extraordinary average of 253%, which soared due to a single boiler explosion incident. The global average is less than 63%. The general causes of loss for large engineering claims were mainly attributed to natural hazards, followed by faulty material/workmanship and fires.

The voluntary submission of company statistics remains a challenge and we make a special appeal to member companies to submit same in a timely and accurate manner, and to appreciate the value of such collated market data to industry and to our meaningful global IMIA membership.
The very poor representation of Africa (only South Africa has membership) in international statistics and at IMIA was raised with the IMIA executive. I will seek to ensure in my term of office that, on the basis of South African markets looking for new business opportunities in the rest of Africa, we take special note to facilitate the presence of those markets within IMIA.

The total gross written premium (GWP) for South Africa, as published in various annual reports for the 2014 period, was approximately R3.1 billion, accounting for less than 4% if considered against either the total GWP of the international engineering market segment or the South African short-term insurance industry. The 2014 premium for South Africa represents a 2.6% year-on-year premium income growth and is a realistic barometer of our sluggish economy.

The total Gross Written Premium for South Africa as submitted by member companies for the 2014 period was approximately R3.1bn representing a 2.6% y-o-y premium income growth.

The total GWP for South Africa as submitted by member companies for the 2014 period was approximately R3.1 billion, representing a 2.6% y-o-y premium income growth.

Sadly, the construction industry was marred by the devastating collapse in October 2015 of the temporary formwork erected for the construction of a pedestrian bridge over the M1 highway near Sandton. Two people died and 19 others were injured. There are a number of investigations presently underway to determine the cause of the collapse and we keenly await the conclusions to see what further improvements and enhancements to risk transfer and risk management best practices can evolve out of this.

SAMIA ANNUAL CONFERENCE

Consequently, and in the context of an annual IMIA conference and the benefits accruing from such an event, we at SAMIA have also decided to formally commit and announce our plan to launch and host a regionally inclusive Annual Engineering Insurance Conference.

This task will require plenty of assistance and I look forward to the commitment from member companies and other interested parties to make the event a historic and highly beneficial knowledge-sharing experience.

CHAIRMAN’S AWARD

In my role as Chairman, I have decided to introduce the Chairman’s Award for Excellent service, dedication and contribution to SAMIA. The award is aimed at recognising and appreciating selfless and generous support and service towards the achievement and promotion of the SAMIA objectives. The inaugural award was presented to Kobus van Niekerk for his efforts relating to high meeting attendance, technical publication and the advancement of education and training initiatives.

Especially within the previously disadvantaged South African communities need to be intensified. This competency development is required across the full spectrum of the insurance supply chain to also secure broader economic opportunities and representation in this sector.

The following key segments provide examples of our activities in so far as they relate to the above strategic outcomes over the past year.

INDUSTRY OUTLOOK

2015 failed to provide the economic recovery for which we are all yearning. The construction industry continues to take strain from falling revenue and profits triggered by labour unrest, reduction in government infrastructure spend, the slump in commodity prices, a constrained energy grid, rising interest rates, a declining building confidence index, drought and the negative impact of the global recession on emerging markets. Some construction companies and insurers are already pursuing growth opportunities in a number of African states in an attempt to diversify and grow their revenue streams.

The ongoing currency devaluation and uneasiness of a possible credit ratings downgrade will seriously impact business and consumer confidence, and result in a reduction of consumption and investment. Interest rates on government and municipal bonds may well increase, thereby reducing infrastructure spending.

The overall growth outlook is not favourable, with government forecasting the economy to expand 0.8% in 2016. On a constructive note, the Treasury announced an R870 billion budget provision over the next three years for the public sector infrastructure programme.

Finally, I would like to thank all SAMIA members, the executive committee and the team at SAIA (especially Candy Lucas) for their unwavering support and dedication to the Association. I remain steadfast and look forward to continuing the commitment to enhance the progressive objectives of SAMIA together with all of you.

Zain Hoosen
SAMIA Chairman
THE AMUSA EXECUTIVE committee meets regularly throughout the year. The current committee consists of the following members:

- Paul March (Chairman)
- Mike Brews (Vice-Chairman)
- Hilton Adams
- Elesh Biela
- Russell Duvenhage
- Petra Fordyce
- Ian Parkerson
- Delia Wood
- Dawie Buys

I would like to acknowledge the active participation from Dawie Buys from SAIA. He continues to bring enthusiasm and useful insight from the insurance environment outside the marine world to our meetings. And this despite a serious injury, which meant since Christmas we have only spoken with Dawie via telephone conference calls.

Steve Forcey and Frank Ponnen have stepped down from the committee during the period under review. Their input and involvement has been invaluable and they will be sorely missed.

REPORTS FROM COASTAL COMMITTEES

To ensure AMUSA has a national footprint, as there are active marine markets in the major coastal centres, we have various correspondent committees chaired as follows:

- Mark Strybis - Cape Town
- Sonitha Mahadasen / Bonita Weeks /
- Anand Deepanard - Durban
- Lee Clark - Port Elizabeth

The committees report in to AMUSA on a quarterly basis and their contributions are extremely useful in keeping us informed of developments in these areas.

Surveyors, Financial Intermediaries Association of Southern Africa (FIA) and AMUSA Liaison Meetings

These meetings are held every two months and allow the Johannesburg marine surveying community, along with claims personnel, to feed back to AMUSA about the current claims trends. Surveyors from other cities feedback via our correspondent committees. In addition, Transnet representatives attend these meetings, providing not only details of future plans but also changes and improvements to their existing operations.

This shared information means the market is fully informed of issues that are current and relevant to the marine underwriting community. The numbers when totalled are startling and I would advise you to take a look at the minutes as they are circulated.

MARINE EDUCATION

Following a lengthy internal debate, AMUSA came to the conclusion that it should offer its knowledge, in the form of training, to the entire market, on the basis that if brokers are properly educated it will assist our cause in the future. In the period under review we put together two basic claims courses that were extremely well attended. They are IISA-accredited and therefore collect CPD hours.

I would like to take this opportunity to thank all the speakers who volunteer their time and knowledge at no cost and also thank Santam for allowing AMUSA to use its superb training facilities.

In April 2016 we ran a basic underwriting course, which had a total of 56 delegates, a new record!

TECHNICAL ISSUES

Maritime Law Act

This is a work in progress and is mainly being driven by the Maritime Law Association (MLA) but AMUSA is liaising with the MLA on this issue and assists when required.

International Union of Marine Insurance (IUMI)

The 2015 IUMI conference was held in Berlin, Germany. The theme was Technical, Financial and Human Factors - Is there a new normal? The Berlin conference was well attended with more than 600 delegates, including ten delegates from South Africa. Berlin is a city transforming itself into a modern hub for start-up companies. At the same time there is an incredible history to the city and the famous wall that divided Germany for so many years.

The 2016 conference will be held in the historic port of Genoa, Italy.

IUMI 2018 – Cape Town

Plans for the IUMI conference are on track. It will be the first time in the 148-year history of IUMI that the conference will be held in Africa.
The organising committee includes participation from SAIA’s Viviene Pearson, which we sincerely appreciate. We intend for the South African IUMI conference to be a highlight in the IUMI conference line-up.

Many thanks and appreciation goes to my fellow committee members for their active participation in all aspects of AMUSA’s activities.

Mike Brews will be taking over as Chairman at the next AGM and I wish him all the best for his forthcoming term.

Paul March
AMUSA Chairman

IT WILL BE THE FIRST TIME IN THE 148-YEAR HISTORY OF IUMI THAT THE CONFERENCE WILL BE HELD IN AFRICA.
SAIA embraces global best practice in adherence to ethics and governance. The SAIA Members annually commit to the Code of Conduct at the Annual General Meeting (AGM). Last year 60 members signed the SAIA Code of Conduct.

The SAIA CEO Round Table was held on 12 August 2015, where the SAIA’s mandate as an industry body was supported by its members. This led to the SAIA Board approving a new business model, a new fee structure, collaboration with ASISA and a more inclusive approach with all key stakeholders.
As part of the SAIA Consumer Education Initiative, the SAIA hosted social mobilisation events at malls in Johannesburg in 2015. SAIA members had the opportunity to engage with consumers and enlighten them about the benefits of short-term insurance.
Malamulele Onward on Mandela Day

The SAIA staff visited Malamulele Onward on Mandela Day and spent time offering their hands for the day. Mandela Day is about implementing small changes that have the potential to spur large changes in people’s lives and in society. Malamulele Onward invests in children severely disabled by Cerebral Palsy, by meeting their basic rehabilitation needs by offering hands on therapy, equipment and assistive devices and training.

The Teacher Development (Schools) Project: Managing My Finances

The Managing My Finances Project was launched on 26 March 2015 at the Birchwood Conference Centre. The project supports mathematical literacy through the provision of high quality resources and training for teachers, which aims to equip Grade 10, 11 and 12 learners with the necessary financial knowledge and skills to enable them to make better informed decisions about their finances and lifestyles.
SAIA MEMBERSHIP
**Resignations from Board 2015:**
- Themba Gamedze (SAIA Chairman)
- Adam Samie (Lion of Africa Insurance Company Ltd)
- Denise Shaw (Standard Insurance Ltd)
- René Otto (MiWay Insurance Ltd)
- Terrance Ray (SCOR Africa Ltd)
- Junior John Ngulube (Munich Reinsurance Company of Africa Ltd)

**Chairperson SAIA Board:**
Lizé Lambrechts
Santam Ltd

**Deputy Chairman SAIA Board:**
Garikai Dhombo
Alexander Forbes Insurance Company Ltd

**SAIA BOARD MEMBERS AS AT THE END OF FEBRUARY 2016**

- **Chairperson SAIA Board:**
  Lizé Lambrechts
  Santam Ltd

- **Deputy Chairman SAIA Board:**
  Garikai Dhombo
  Alexander Forbes Insurance Company Ltd

- **Anton Ossip**
  Discovery Insure Ltd

- **Brad Hogan**
  Oakhurst Insurance Company Ltd

- **Charles Hitchcock**
  The South African Insurance Association

- **Daryl de Vos**
  African Reinsurance Corporation (SA) Ltd

- **Edwyn O’Neill**
  Zurich Insurance Company Ltd

- **Gary Jack**
  Ace Insurance Ltd

- **Herman Schoeman**
  Guardrisk Insurance Company Ltd

- **Johan van Greuning**
  Standard Insurance Ltd

- **John Sibanda**
  Lloyd’s South Africa (Pty) Ltd

- **Nico Conradie**
  Munich Reinsurance Company of Africa Ltd

- **Nic Kohler**
  Hollard Insurance Company Ltd

- **Raimund Snyders**
  Mutual & Federal Insurance Company Ltd

- **Tom Creamer**
  Telesure Short-term Insurance

- **Wayne Abraham**
  AIG South Africa Ltd

- **Willem Roos**
  OUTsurance Insurance Company Ltd

- **Viviene Pearson**
  The South African Insurance Association
THE SAIA MEMBERS

Absa Insurance Company Limited
Ace Insurance Limited
African Reinsurance Corporation (South Africa) Limited
AG South Africa Limited
Alexander Forbes Insurance Company Limited
Allianz Global Corporate & Specialty South Africa Limited
Auto & General Insurance Company Limited
Bidvest Insurance Company Limited
Budget Insurance Company Limited
Coface South Africa Insurance Company Limited
Compass Insurance Company Limited
Constantia Insurance Company Limited
Corporate Guarantee (South Africa) Limited
Credit Guarantee Insurance Corporation of Africa Limited
Dial Direct Insurance Limited
Discovery Insure Limited
Emeritus Reinsurance Company (SA) Limited
Enpet Africa Insurance Limited
Escap SOC Limited
First for Women Insurance Company (RF) Limited
GenRe Company Limited (General Reinsurance Africa)
GIC Re South Africa Limited
Guardrisk Insurance Company Limited
Hannover Reinsurance Africa Limited
HDI Gerling Insurance of South Africa Limited
Hollard Insurance Company Limited
Indequity Specialised Insurance Limited
Infiniti Insurance Limited
Intermediaries Guarantee Facility Limited
JDG Micro Insurance Limited
King Price Insurance Company Limited
Land Bank Insurance Company Limited
Legal Expenses Insurance Southern Africa Limited (Legalwise)
Lion of Africa Insurance Company Limited
Lloyd’s South Africa (PTY) Limited
Lombard Insurance Company Limited
MiWay Insurance Limited
Momentum Short-term Insurance Company Limited
Monarch Insurance Company Limited
Munich Reinsurance Company of Africa Limited
Mutual & Federal Insurance Company Limited
Nedgroup Insurance Company Limited
New National Assurance Company Limited
Oakhurst Insurance Company Limited
 OUTsurance Insurance Company Limited
Regent Insurance Company Limited
Remsa Insurance Company Limited
RMB Structured Insurance Limited
SAFIRE Insurance Company Limited
Santam Limited
Sasria SOC Limited
SaXum Insurance Limited
SCOR Africa Limited
Shoprite Insurance Company Limited
Standard Insurance Limited
Unitrans Insurance Limited
Western National Insurance Company Limited
Workerslife Insurance Limited
Zurich Insurance Company SA Limited

NEW SAIA MEMBERS
Professional Provident Society (PPS) Short-Term Insurance Company Limited

RESIGNATIONS
Relyant Insurance Company Limited and Sunderland Marine (Africa) Limited resigned as member companies from the SAIA.
**THE SAIA COMMITTEES WITH ELECTED MEMBERS**

South African Insurance Association (SAIA) Board of Directors
SAIA Board Committee: Transformation and Social Risks
SAIA Board Committee: Insurance Risks
SAIA Board Committee: Governance Risks
SAIA Board Committee: Reinsurance
SAIA Board Committee: Executive Committee
SAIA Board Committee: Remuneration Committee
SAIA Board Committee: Nominations Committee
SAIA Audit Committee

Intermediaries Guarantee Facility Limited (IGF) Board of Directors
IGF: Audit Committee
IGF: Underwriting Committee
IGF: Claims Committee

The Association for Marine Underwriters in South Africa (AMUSA) Executive Committee

The South African Machinery Insurers’ Association (SAMIA) Executive Committee

South African Nuclear Pool Administrators (Pty) Ltd (SANPA) Board of Directors
SANPA: Audit Committee
The South African Pool for the Insurance of Nuclear Risks (SANP) Management Committee

**THE SAIA COMMITTEES**

**Transformation**
SAIA Consumer Education Committee
SAIA Access and Microinsurance Committee
SAIA Enterprise Development Workgroup
SAIA Transformation Steering Committee
SAIA Human Capital Development Committee

**Governance Risks**
SAIA SAM Internal Steering Committee
SAIA Legal and Compliance Committee
SAIA Market Conduct Steering Committee
SAIA Sasria Forum
SAIA Ombudsman for Short-term Insurance (OSTI) Forum
SAIA Legal Expense Insurance Forum

**Insurance Risks**
SAIA Motor Insurance Steering Committee
SAIA Non-Motor Steering Committee
SAIA Agricultural Risk and Crop Insurance Committee
SAIA Green Geyser Replacement Project (GGRP) Steering Committee
SAIA Earthquake Committee
SAIA Technical Committee

**Stakeholder Relations and Communication**
Communication Committee

**Operations**
SAIA Strategic Insurance Data Committee
SAIA Taxation Committee

**SAIA FORUMS**

The Motor Transformation and Sustainability Forum (MTSF)
Non-Motor Transformation and Sustainability Forum
SAIA Agricultural Risk and Crop Insurance Forum
SAIA Cell Captives Insurance Forum
SAIA Consumer Credit Insurance Forum
SAIA Health Insurance Forum
SAIA Legal Expenses Insurance Forum
SAIA Mega Infrastructure Projects Forum
SAIA Premium Collections Forum
Solvency Assessment and Management Forum
SAIA Travel Insurance Forum
Aatika Kaldine
Manager: Legal

Candy Lucas
Personal Assistant to Chief
Operations Officer

Carolle Sinnye
Personal Assistant:
Stakeholder Relations and
Communication

Charles Hitchcock
Chief Operations Officer

Godfrey Nyangwa
Office Assistant

Jack Smit
Nuclear Consultant

Lebohang Tsotetsi
Intermediaries Guarantee
Facility Consultant

Leila Moonda
General Manager:
Governance and
Transformation

Naomi du Toit
Intermediaries Guarantee
Facility: Supervisor

Nico Esterhuizen
General Manager:
Insurance Risks

Nicol Champaud
Human Resources
Manager

Promise Mhlanga
Senior Forums Secretariat

Thembeka Mokoena
Junior Accountant

Tilly Welgemoed
Accountant

Tiyani Baloyi
Driver/Messenger

Trevor Mhlongo
IT Administrator
Just when the caterpillar thought the world was over, it became a butterfly...