



# SAIA

SOUTH AFRICAN INSURANCE ASSOCIATION

## BULLETIN

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## FROM THE DESK OF THE ACTING CHIEF EXECUTIVE



### WELCOME TO THE SEPTEMBER EDITION OF THE SAIA BULLETIN

As we are moving into the final quarter of 2015, much is still happening in the insurance industry. Having just attended the International Union of Marine Insurance (IUMI) Conference in Berlin in September, I was again reminded of the ever changing risks and exposures the industry faces. In the marine insurance industry, similar changes are being experienced. Cyber threats and digital technology also have a potential impact on shipping leading to new risks for insurers. The exploration of “driverless” ships in the future will add even further to such potential risks. In addition, the trend to build increasingly large container vessels leads to huge exposures for both cargo and hull insurers.

The IUMI conference is attended by between 500 and 700 senior international marine insurance specialists annually, and is currently especially relevant as the South African Insurance Association (SAIA), together with our division the Association of Marine Underwriters in South Africa (AMUSA), will be arranging the IUMI conference in Cape Town in 2018. We look forward to hosting the conference, which will be held for the very first time in Africa.

On a different note, the SAIA Board approved the annual contribution to Business Against Crime South Africa (BACSA) at its meeting of 9 September 2015. The Board also agreed to another contribution to the Automatic Number Plate Recognition (ANPR) Project which is facilitated by BACSA.

This is especially relevant in view of the latest crime statistics that were released by the South African Police Service (SAPS) on 29 September 2015. The alarming increase in carjacking’s (by 14.2%) as well as the increase of robberies certainly has a negative impact on our industry.

Linking this back to marine insurance, the hijackings of trucks and their cargo is also on the increase and of concern to general insurers and marine insurers alike. As an industry, we need to support any initiative that could assist in addressing these problem areas in order to ensure the sustainability of the industry.

Finally, we are also making significant progress with the joint SAIA and motor body repair industry initiative through the recently established Motor Transformation and



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Sustainability Forum (MTSF). This initiative is changing the relationship between the industry and the motor body repairers significantly, but we need to follow through on the progress, through the buy in of all our motor insurance members and their contracted third parties. The commitment to and honouring of the **Interim Measures** (recently updated by the MTSF) is a significant part of changing this historically adversarial environment and a workshop with all stakeholders will be held at the end of October 2015.

Until next month – enjoy reading!

Viviene

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## 1 INSURANCE RISKS

### 1.1 Motor Transformation and Sustainability Forum (MTSF)

Following the two workshops which were held at the SAIA offices, the SAIA Motor Body Repairers (MBR) Task Team has arranged another workshop to be held on 26 October 2015 at the Johannesburg Country Club in Auckland Park. All relevant stakeholders have been invited, including the Financial Intermediaries Association of Southern Africa (FIA) and the South African Underwriting Managers Association (SAUMA).

The intention of the workshops is to create constant awareness of the Interim Measures. At the end of this process, SAIA motor members and affected stakeholders will be asked to commit and sign the Interim Measures. The SAIA is urging all motor members to attend the workshop and to assist in ensuring that their contracted third parties also attend.

Meanwhile, the MTSF Memorandum of Understanding (MOU) between SAIA and the Motor Body Repairers (MBR) Associations has been approved and will be signed by all stakeholders at a meeting scheduled for 20 November 2015.

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## 1.2 SAIA Donation to Business Against Crime South Africa (BACSA)

The SAIA Board has approved the annual donation for BACSA at its meeting on 9 September 2015. The Memorandum of Understanding (MOU) between SAIA and BACSA will be reviewed to include new deliverables and will be signed once both parties have agreed on the mandate.

The SAIA Board has also approved the second payment for the Automatic Number Plate Recognition (ANPR) Project in terms of a three year agreement with BACSA. The ANPR project involves the sponsorship of five cameras by SAIA to fight vehicle crime and vehicle cloning. The project has been operating for over four years with the support of the South African Police Service (SAPS) and the South African Insurance Crime Bureau (SAICB).

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## 1.3 International Union of Marine Insurance (IUMI) 2018 Conference

Preparations for the International Union of Marine Insurance (IUMI) conference which will be held in Cape Town in 2018 are well on track. The conference will be hosted in South Africa for the first time in IUMI's history.

At the 2015 IUMI Conference recently held in Berlin, delegates from the SAIA and its division, the Association of Marine Underwriters in South Africa (AMUSA), attended a meeting with the IUMI Secretariat as well as the organisers of the 2015 (Germany), 2016 (Italy) and 2017 (Japan) conferences, where they presented their progress report which was well received. In addition, the SAIA also attended the Secretaries meeting and dinner at the conference, which gave the delegates the opportunity to share experiences with other insurance associations from all over the world.

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## 2 GOVERNANCE RISKS

### 2.1 FAIS Circular 4 of 2015

#### **Application of Sections 7(3) and 13(1)(c) of the Financial Advisory and Intermediary Services (“FAIS”) Act, 2002**

The Registrar of Financial Services Providers (“FSPs”) published FAIS Information Circular 4 of 2015 on 7 September 2015 on the Financial Services Board’s website.

The purpose of this Information Circular is to:

- (a) reflect the manner in which the Registrar of FSPs will apply section 13(1)(c) of the FAIS Act on agreements in which representatives are cited; and
- (b) clarify that section 13(1)(c) does not impact on the requirement in section 7(3) of the Act that provides that a financial services provider may only conduct financial services related business with a person rendering financial services if that person is authorised to render those services or is a representative.

Section 13 (1) (c) of the FAIS Act states as follows:

*“A person may not render financial services or contract in respect of financial services other than in the name of the financial services provider of which such person is a representative.”*

The Information Circular clarifies the following:

- (a) Any agreement with a third party that confers upon a representative any rights or obligations as a contracting party will constitute a contravention of Section 13(1)(c) of the FAIS Act;
- (b) Section 13(1)(c) does not impact on the requirement in Section 7(3) of the FAIS Act for a FSP when interacting with a representative in respect of financial services business to ensure that such representative is appointed



as a representative of an authorised FSP to render that particular financial advice; and

- (c) Section 7(3) does not impact the responsibility of a FSP to ensure its representatives comply with the Act. It merely creates an additional duty on other FSPs conducting financial services related business with persons who are rendering financial services to ensure that such persons render financial services in compliance with Sections 7(1) and 13(1) of the FAIS Act.

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## 3 INDUSTRY NEWS

### 3.1 Safety at Construction Sites

The construction industry is one of the major industries in the world. It is a labour-intensive industry, employing from 9% to 15% of a country's working population.

While it is such an important player, it has been reported as the sector that exhibits the poorest record in health and safety (H&S) statistics with huge financial and human costs. Owing to the worldwide problem, H&S has long been the focus of attention of many industry stakeholders and role players in South Africa. It is acknowledged that many industry associations, contracting and governmental organisations and others have made significant efforts to improve H&S within the construction industry. Amidst the overall focus, the construction H&S statistics is not improving at a desirable rate. Notably, construction continues to contribute to a large number of fatalities and injuries relative to other industrial sectors. The industry continues to display high levels of non-compliance with H&S legislation and regulations.

At the organisational and site level, poor construction H&S performance is attributable to a lack of commitment, inadequate supervision and inadequate



H&S training. A lack of worker involvement, personal risk appreciation and work pressures (tight deadlines) also contribute to poor H&S. These contributory factors are further compounded by the lack of complete and reliable data on reported accidents and fatalities. Research data and information shows a remarkable disparity of accident rates in the world. South Africa has a fatality rate of 20 per 100,000 workers and an accident rate of 14,626 per 100,000 workers, while developed countries show a rate of 4,2 fatalities and 3,240 accidents per 100,000 workers.

The above factors (fatality rate) depict a bleak picture in respect of the adequacy of the risk management process in place and a cause for concern to the insurance industry. The salient point from the insurer's point of view is the non-compliance to H&S as was noted in some losses suffered by the industry as per the following;

- Excavation works carried out in the vicinity of underground electrical cables without the necessary Way leave (granted by the electricity provider) to carry such works, as a result, the excavator hacks the underground cable resulting in a short circuit and fire at the substation leading to widespread power surge, electricity outage, loss and damage.
- Fire arising out of hot works (inadequate risk assessment) and exacerbated by inferior building insulating material other than what was specified in the design following lessons ought to have been learnt from other fires in the same sector.

In an effort to reduce the accidents, H&S considerations ought to be included, implemented and upheld in the entire life cycle of the construction project process (including design, procurement, testing, commissioning, maintenance, demolition, etc.) and not confined to a specific construction phase. In addition, safety and health implementation should include an endeavour towards the creation of tasks adapted to workers' functional capacity, and regulated according to the highest labour standards. In summary, collaboration between the stakeholders (business owners, contractor's, industry associations, government and the insurance industry) can help to curb the accidents on construction sites.



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**IMPORTANT NOTICE**

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