



SAIA

SOUTH AFRICAN INSURANCE ASSOCIATION

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FROM THE DESK OF THE ACTING CHIEF EXECUTIVE



As we come to the end of 2015, we reflect on the year gone by and also look ahead to what is in store for us in the new year. For the SAIA, 2015 brought with it important changes to the association, which saw the redefining of our value proposition and a change to our business model. As we move into 2016, we look forward to successfully implementing these changes and to reposition the SAIA as a strong and relevant industry body. Advocacy, stakeholder engagement and the strengthening of all stakeholder relationships will continue to play a pivotal role in our efforts to address industry issues. While the industry prepares for economic uncertainty in 2016, other challenges remain such as regulatory changes, cost containment and growing the market. However, these challenges also bring about many opportunities for the short-term insurance industry to find solutions and to continue to contribute to the country's economy and society.

As we enter into the holiday season, we often see a rise in road accidents and the number of fatalities on the South African roads. The latest Global Status report on Road Safety for 2015 released by the World Health Organization (WHO) reported that 58% of deaths on South African roads are a result of driving under the influence of alcohol. We therefore encourage motorists to practice good driver behaviour and follow safety measures during this period. An effective measure is the home drive assistance service offered by most insurers, where consumers are driven home safely if they have exceeded the drinking limit or for those who do not have this option, making use of a taxi service. Everyone has the responsibility to encourage friends and family members to act responsibly and to practice good driver behaviour during this season and beyond.

Until next year- have a safe and joyous holiday season.

Vivienne Pearson



1 TRANSFORMATION AND GOVERNANCE RISKS

1.1 Retail Distribution Review

Following the consultation sessions, each of the Financial Services Board's (FSB) six internal workgroups 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", scheduled to be issued before the end of 2015.

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 provides an update on next steps for implementation of the 14 proposals, including proposed changes to some of them. It also shares the FSB's current thinking regarding the adviser categorisation model proposed in the RDR Discussion Document.

The FSB has invited public comments on the Phase 1 Update until 1 February 2016. Accordingly, SAIA invited comments from its members and envisages a workshop to be held in January 2016 before finalising SAIA's submission to the FSB.

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1.2 The Financial Sector Regulation Bill

The revised Financial Sector Regulation Bill was tabled in Parliament on 27 October 2015 and made available for public comment by the Standing Committee on Finance on 6 November 2015, for comments by 16 November 2015.



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Due to the short period allowed for comment, SAIA invited its members to submit comments electronically by 12 November 2015. These comments were timeously received and submitted to the Standing Committee on Finance.

It would appear that our members did not have many material issues with the Bill. SAIA has however, expressed the concern that more time would ideally have been needed to provide comments, in light of the complexity and far reaching consequences of the Bill. SAIA further respectfully reserved our rights to submit further comments at a later stage, should any material concerns be identified in the revised version of the Bill.

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1.3 Solvency Assessment and Management

- **Primary Legislation**

The final draft of the Insurance Bill was approved by the State Law Advisors and has subsequently been accepted by Cabinet on 4 November 2015 to be tabled in Parliament. Further public deliberations on the Insurance Bill will take place once the Financial Sector Regulation Bill (FSR Bill) has been enacted which is anticipated to occur towards the latter half of 2016.

- **Insurance Prudential Standards**

An *informal public consultation* period on the Insurance Prudential Standards is expected by the FSB towards the end of March 2016 or early April 2016. A complete set of the new Insurance Prudential Standards is anticipated to be issued for *formal public consultation*, as part of the consultation process required by the FSR Bill, expected towards the latter half of 2016.

- **Pillar III reporting requirements**

Insurers should take note of the following important information relating to the 2016 regulatory reporting requirements:



- There will be dual reporting requirements during 2016 on both the current basis and Enhanced Comprehensive Parallel Run (CPR) SAM basis;
 - Companies with 2015 year ends will not be required to have their CPR SAM reporting templates audited;
 - The current annual ST Returns will be shorten and revised for the 2015 year ends – a revised ST return is expected to be released by the FSB in November 2015;
 - In respect of all 2016 financial year ends, insurers will be required to submit audited CPR returns to the FSB as well as audited annual ST returns, as required under the Short-term Insurance Act.
- **ORSA**
Further information pertaining to the ORSA requirements for 2016 will be contained in an updated Enhanced CPR Technical Specification Document which is expected to be issued to the industry towards the end of 2015 or early in 2016.

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2 INSURANCE RISKS

2.1 Motor Body Repair Issues

The work done by Motor Transformation and Sustainability Forum (MTSF) at its various meetings in 2015 had the following milestones:

2.1.1 Motor Transformation and Sustainability Forum Memorandum of Understanding

The MTSF Memorandum of Understanding (MOU) between SAIA and Motor Body Repairer (MBR) Associations was signed by all stakeholders at its last meeting held on 20 November 2015.

The purpose of the Motor Transformation and Sustainability Forum (MTSF) is to jointly address the agreed upon objectives and to collaboratively drive and promote the sustainability of both the insurance industry and the motor body repair industry, as well as to prioritise the transformation



objectives. The main focus of the MTSF will be the agreed upon priority objectives as set out in this agreement.

The parties to the MTSF are as follows:

- Collision Repairers Association South Africa (CRASA)
- Retail Automobile Aftermarket Federation (RAAF)
- South African Auto Repairer and Salvage Association (SAARSA)
- The South African Insurance Association (SAIA)
- South African Motor Body Repairers' Association (SAMBRA)

2.1.2 “Interim Measures”

Following the workshop which was held on 26 October 2015 at Johannesburg Country Club in Auckland Park, the SAIA MBR Task Team is pleased to announce that most insurers have signed the commitment forms on the Interim Measures. These include the following insurers:

- Mutual & Federal Insurance Company Limited
- Santam Limited
- OUTsurance Insurance Company Limited
- RMB Structured Insurance Limited
- Momentum Short-Term Insurance Company Limited
- New National Assurance Company Limited
- Auto & General Insurance Company Limited
- Budget Insurance Company
- Zurich Insurance Company SA Limited
- Dial Direct Insurance Limited
- MiWay Insurance Limited



- Hollard Insurance Company Limited
- ABSA Insurance Company Limited
- First for Women Insurance Company Limited
- Discovery Insure Limited
- Alexander Forbes Insurance Company Limited
- Lion of Africa Insurance Company Limited

We hope that the remaining insurers will sign the commitment forms to the Interim Measurers once SAIA has addressed the few cosmetic concerns raised.

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3 INDUSTRY NEWS

3.1 Holiday Fire Safety

Holiday season increases the risk of fire tragedies, it is therefore important to follow these safety measures to avoid causing an unintended fire.

- **Electricity**
 - Holiday lights and extension cords need to be purchased from reputable retailers;
 - Purchase an extension cord of the correct length or longer- Do not join extension cords;
 - Unroll all extension rolls completely when in operation;
 - Do not place extension cords under mats or carpets;
 - Do not overload electrical plugs;
 - Inspect all strings of lights before putting them on the Christmas trees or around the house;
 - Discard all sets that are damaged, have damaged plugs or are frayed;
 - Do not string more than 3 strands of incandescent lights together;
 - Always turn off decorations when leaving your home or going to bed.



- **Christmas trees**

In South Africa we generally opt for a plastic Christmas tree which we can pack away at the end of the holidays and let it resurface for the next season. However, real trees are gaining popularity and with this the fire risk increases. To avoid the risk of fire, real trees need to be hydrated daily and kept away from flames such as candles. The tree should also be kept away from busy areas such as doorways.

- **Cooking**

- Never leave the braai area or hot stove unattended;
- Ensure that all emergency shut-offs and controls are in working condition;
- Keep trash and other combustibles away from the braai area;
- Do not cook if you have consumed alcohol.

- **What to do when a pan or pot catches fire:**

- Do not use water to put out the flame rather place a tight-fitting lid on the pot or pan and carefully remove it from the heat;
- Switch off the stove;
- Leave the pot or pan in a safe place to cool down;
- Do not open the lid until the pot or pan has cooled down.

- **Camp fires**

- Obey local laws regarding open fires and camp fires;
- Check the weather and fire danger index;
- Keep your fire away from the tent or caravan;
- Carefully dispose of hot coals;
- Ensure all fires are completely out before leaving the campsite;
- Extinguish the fire and hot embers with water before going to bed;

- **Fireworks**

- Obey local laws regarding the use of fireworks;
- Only use fireworks on flat surfaces and in areas with no dry grass and trees;
- Keep a bucket of water ready to douse spent fireworks.



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3.2 The True Value of the Motor Vehicle Security Association of South Africa (VESA) is recognised

The Vehicle Security Association of South Africa (VESA) is celebrating its achievements of the last 28 years. The size of VESA, including all the VESA Members, makes the largest non-profit, regulatory and standards body in South Africa. Since the inception of VESA in 1987, it has dealt with 4000 customer queries and concerns and addressed over 9000 insurance assessor and broker queries. Over 2.5 million VESA Certificates have been issued. VESA Standards include: high quality manufactured, assembled and distributed vehicle security systems, high quality and fitted and monitored vehicle security system installations and VESA Certificates that verifies and proves quality is authenticated. The offer and services includes regular monitoring of standards and annual re-evaluations. Where required; disciplinary action for non-conformance is taken.

The VESA Certificate provides all the information pertaining to the vehicle, from a full vehicle inspection (condition, extras, sound) to the full vehicle details (VIN, Registration, Odometer, Engine Number, vehicle colour, etc.). Once the VESA Certificate has been issued for the installation of an ABS Approved Product, the real benefit to the industry kicks in. The VESA Certificate is captured by the installer on VESA's centralised database. Registered insurance brokers have immediate access to the VESA Certificate after the client's vehicle security system has been installed or inspected, for verification.

When stolen vehicle claims are logged with VESA by registered assessors, VESA draws various statistics from the stolen vehicle claims reports. In this way, VESA is able to ascertain high risk vehicles, non-conformance of installers or poor quality installations (in the event where a VESA Certificate was previously issued for a vehicle), high risk areas (where numbers of theft/hijack incidents have occurred) based upon the information provided to VESA by its registered users.

The vehicle inspection history on a client's vehicle is the strongest evidence in the event of vehicle theft claim fraud. VESA proposes that a client's vehicle is inspected by a VESA Member at least every 2 years. The inspection is to record all changes to the condition and status of security of the vehicle. Should the client have removed or changed any components needed to secure the vehicle,



the inspection will indicate that the vehicle no longer complies with the standards as per its initial certification.

Therefore VESA not only confirms the existence of the vehicle, but also whether a quality installation of a vehicle security system has been performed. VESA installers are regularly monitored to ensure that quality installations are performed.

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IMPORTANT NOTICE

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