



SAIA
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 South African Insurance Association
Bulletin

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1. LATEST NEWS.....	2
1.1 The Launch of the Financial Sector Code.....	2
2. IMAGE AND REPUTATION.....	3
2.1 SAIA Code of Conduct re-launched.....	3
2.2 SAIA Annual General Meeting.....	3
2.3 AGM/SAIA Cocktail Function.....	4
2.4 Update and Report on the Consumer Education Projects.....	5
2.4 SAIA Consumer Education Contributions.....	6
3. SUSTAINABILITY.....	7
3.1 Climate Change and Its Impact on Insurers.....	7
3.2 Short-term Insurance Human Capital Development	8
3.3 Food Security Alternative Risk Financing through a Public Partnership (PPP).....	9
3.4 Green Geyser Replacement Programme (GGRP).....	9
3.5 Fire Protection of Southern Africa (FPASA): Fire Technology Seminar.....	10
3.6 Finance and Insurance Vehicle Systems (FIVS).....	11
4. LEGISLATION & REGULATION.....	12
4.1 Governance Risk.....	12
4.1.1 Twin Peaks Model of Regulation.....	12
4.1.2 Short-term Insurance Act.....	12
4.2 Insurance Laws Amendment Bill, 2013 ("ILABI").....	13
4.3 Treating Customers Fairly ("TCF").....	13
4.4 Development of standardised Key Information Documents ("KIDs").....	14
4.5 Market Conduct: Standardised Terminology.....	14
5. MOTOR	15
5.1 The Regular Assessment of the Value of Motor Vehicles.....	15
5.2 Department of Trade and Industry (DTI) Motor Body Repairer (MBR) Insurance Forum.....	16
5.3 Propose Amendment of the National Road Traffic Regulations Regarding the use of Second Hand Parts on Code 4 Vehicles.....	17
5.4 Vehicle Damage Quantification Body – Qualification for Motor Assessors and Estimators	18
5.5 Gauteng Provincial Tow Truck Regulations.....	18
6. SOLVENCY ASSESSMENT AND MANAGEMENT (SAM) INITIATIVE.....	19
6.1 Results of a High-Level SAIA SAM Survey on the SA QIS2 Workbook and SA QIS3 Simplifications.....	19
7. PRESS CLIPPINGS.....	21
7.1 Press Clippings: June 2013.....	21
8. CIRCULARS.....	22
8.1 SAIA General.....	22
8.2 AMUSA.....	23
8.3 SAIA Managing Directors	23
8.4 Motor.....	23

1. LATEST NEWS

1.1 The launch of the Financial Sector Code

The Financial Sector Code was launched by the Ministers of Finance and Trade & Industry on 16 July 2013. This follows the gazetting of the Financial Sector Charter as a sector code on 26 November 2012 in terms of the Broad Based Black Economic Empowerment Act.

For the financial sector, this means that companies active in the sector now need to produce their annual BEE scorecards in terms of the sector code rather than the generic DTI Codes.

The Financial Sector Charter Council has trained the BEE verification agencies in order for them to be able to audit company scorecards in terms of the sector code. Guidance notes have also been produced. For further information, and to download copies of relevant documents, please access www.fscharter.co.za.

The SAIA has welcomed the launch of the Financial Sector Code as a further step in the transformation of the insurance sector.

The SAIA will be arranging training courses for members.

2. IMAGE & REPUTATION

2.1 SAIA Code of Conduct re-launched

The SAIA Code of Conduct was re-launched at the SAIA Annual Cocktail Function on 25 July 2013. This was arranged in order to create awareness about the SAIA Code of Conduct, and the commitment of the SAIA and its members to effective self-regulation.

SAIA members also signed the current version of the SAIA Code of Conduct after the SAIA Annual General Meeting on the same day to show their commitment to the SAIA Code of Conduct, as well as to the importance of self-regulation.

The SAIA Code of Conduct will be updated in the next few weeks with the SAIA Board approved wording for the automatic adjustment of the value of motor vehicles, and the amended section on sanctions.

👉 **Further information: Vivienne Pearson**
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2.2 SAIA Annual General Meeting

The SAIA Annual General Meeting (AGM) and the Annual Cocktail function took place on 25 July 2013 at the Johannesburg Country Club in Auckland Park. The occasion also saw the launch of the SAIA Annual Review for 2013, themed 'Reaching Out' in recognition of the number of initiatives that the SAIA is involved with.

Elections were held at the AGM for new SAIA Board members to hold office for the next three years. The following directors were elected to the Board:

Tom Creamer	Auto & General / Telesure
Ian Kirk	Santam
Nic Kohler	Hollard
Willem Roos	OUTsurance
Herman Schoeman	Guardrisk
*Denise Shaw	Standard Insurance
*Raimund Snyders	Mutual & Federal
Nash Omar	Etana
Adam Samie	Lion of Africa
John Sibanda	Lloyd's
Garikai Dhombo	Alexander Forbes Insurance
*Daryl De Vos	African Reinsurance Corporation
Anton Ossip	Discovery Insure
Edwyn O'Neill	Zurich
Terrance Ray	Scor Africa
Anees Vazeer	Nedbank Insurance

* New appointees

👉 **Further information: Lelo Ntshalintshali**
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2.3 SAIA Annual Cocktail Function

The SAIA Annual Cocktail function took place at the Johannesburg Country Club following the AGM. The function was attended by more than 120 guests from members companies as well as other industry stakeholders. The chairman of parliament's Standing Committee on Finance (SCOF), Mr Thaba Mufamadi was the guest of honour and keynote speaker at the function. In his speech, Mufamadi applauded the short-term insurance industry for its role in contributing to South Africa's economy. He however pointed out the need for the industry to do more in educating consumers on financial management, services and products and also to address the issue of transformation in the industry.

👉 **Further information: Lelo Ntshalintshali**
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2.4 Update and report on the Consumer Education Projects

2012/13 SAIA Consumer Education Initiative



The 2012/13 SAIA Consumer Education Initiative has come to an end with all projects successfully completed. Service provider, Bright Media is currently working on the research and final report for the iCount Teacher Development training workshops as well as the Radio Financial Literacy project, which was broadcast on RSG and Ukhozi FM. Preliminary results show that these two projects were well received by their audiences. Meanwhile the report for the Managing Your Money project, which re-aligned the previous MYM material to the new Curriculum Assessment Policy Statement (CAPS) has been finalised and submitted to the SAIA and the Financial Services Board (FSB) who partnered on the project. This report will be included in the final report of all the 2012/13 Consumer Education projects to be submitted to the SAIA in September.

2013/14 SAIA Consumer Education Initiative

Projects for the 2013/14 SAIA Consumer Education initiative have been selected and approved by the SAIA Consumer Education Committee, with the SAIA Social and Environmental Board Committee giving its endorsement. The projects that were selected are as follows:

- **The Soul City Project:** This project is aimed at promoting financial literacy among the South African public through a primetime weekly series on SABC 1. The 52 episode television series will be accompanied by print, radio, training and social mobilisation activities. It will deal with four interrelated topics namely; Financial Literacy, Maternal and Child Health/Chronic diseases, Drug Free Sport and Violence against Women. These topics will be interwoven seamlessly into a compelling storyline. The SAIA's contribution to the Soul City project follows a request by the National Treasury for financial sector bodies to participate in this initiative.
- **The Radio Financial Literacy Project:** This is based on the successful Financial Education Fund (FEF) project which was implemented in 2010 on four public service radio stations. For this round of the 2013/14 consumer education campaign, the radio project will be extended to the three remaining public service radio stations, Umhlobo Wenene, Ligwalagwala FM and Munghana Lonene FM. This will complete the full roll-out of the radio project to all public service broadcast radio stations across all official languages.
- **An Edutainment Comedy Series:** This 52 episode comedy series, which will be broadcast on a transit television platform, is centred on two characters, Innocent and Kanana in a series titled "Next of next week". The objective of the comedy series is to encourage people to start practicing sound financial practices "today" and not "next of next week" (a colloquial term used in the townships, referring to procrastination).

The FSB has also indicated that it would like to partner with the SAIA once again on the MYM teacher training workshops. The FSB will submit a proposal to the SAIA requesting a contribution.

 **Further information: Lelo Ntshalintshali**
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2.5 SAIA Consumer Education Contributions

In terms of the gazetted Financial Sector Code, the required spend by institutions on consumer education has increased to 0.25% from 0.2%. This contribution as a Code requirement will apply for scoring purposes in 2013 based on profit earned during the 2012 financial year.

For the 2013/14 initiative, the SAIA initially asked its members to contribute 0.2% to the SAIA pool of funds as there was uncertainty with regard to the Consumer Education Standards and from when they would apply. It has now been confirmed that the 0.25% will apply for the 2013/14 initiative based on 2012 figures. SAIA members are therefore encouraged to spend a total of 0.25% on consumer education in order to achieve full points in terms of the Code.

As the SAIA membership requirement still stands at 0.2% until it is reviewed by the SAIA Board, members are invited to voluntarily add the additional 0.05% to the SAIA consumer education pool of funds if they so wish. However, should a member wish to achieve full points for consumer education and choose not to contribute the additional 0.05% to the SAIA consumer education initiative, members will have to spend it on their own initiatives as per the Code requirements. For companies not being scored against Access for their 2012/2013 BEE certificates, the consumer education spend will be counted against the Socio-economic Development target.

Please note that as per the Code, the Consumer Education target increases in 2013 to 0.3% and in 2014 to 0.4%.

👉 **Further information: Lelo Ntshalintshali**
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3. SUSTAINABILITY

3.1 Climate Change and Its Impact on Insurers

The Strategic Risk Forum held on the 10th June 2013 was a think tank designed to address climate change and its relevancy to South Africa. ClimateWise was the collaborative partner to this think tank and we are pleased to feature their input into this month's SAIA Bulletin

Special article from ClimateWise on climate risk relevancy to insurers

Climate change poses a material financial challenge to insurers and threatens both insurability & affordability. If insurers fail to adequately address climate risk it will impact on the sustainability of the sector.

Changing the way insurers understand, communicate and act on climate risks can incentivise clients and policy makers to reduce their exposure to these risks and so contribute to mitigation and the promotion of resilient economies. This was the reason behind the establishment of ClimateWise , a global insurance led group, six years ago.

ClimateWise exists to drive insurer action on climate change risk. Now with forty members across Asia, Europe, North America and Southern Africa, ClimateWise is facilitated by the University of Cambridge Programme for Sustainability Leadership.

The ClimateWise Principles are a readymade and tested framework for insurers developing a holistic response to climate change in their business operations:

1. Lead in risk analysis
2. Inform Public Policy Making
3. Support climate awareness amongst customers
4. Incorporate climate change into our investment decisions
5. Reduce the environmental impact of our business
6. Report and be accountable

All members commit to action, individually and collectively against the six principles, and are independently reviewed against these annually. Where co-operation is required ClimateWise creates a platform for members to collaborate. Stakeholders from within the insurance value chain, policy-makers and clients, convene to tackle specific climate-related challenges through a time-bound process of enquiry and change. Topics covered include:

- Product development that can facilitate the take-up of low carbon technologies and risk reduction in both rural and urban contexts
- Increased incorporation of climate change in investment decisions
- More efficient use of energy and resources signalled through the supply chain

As a group we are able to:

- Have collective influence – our global membership and proactive stance have been solid foundations for influencing national and international policy and practice
- Network knowledge – the ClimateWise membership brings together insurance, science and policy experts from around the world to share experience and build capacity
- Collaborate – through our collaborations we are able to focus on a number of issues each year that affect core business and are chosen by members

ClimateWise is delighted to have a number of strategic partnerships with insurance associations, including the Association of British Insurers, The Brazilian Insurance Association (CNSeg), the International Co-operative and Mutual Insurance Federation (ICMIF) and the South African Insurance Association (SAIA).

Through partnership with SAIA ClimateWise members want to be able to:

1. Reflect issues and experiences relevant to SAIA members and the Southern African Insurance market in ClimateWise activities and materials
2. Support action to address climate risk in the Southern African market.

👉 **Further information: Debbie Donaldson**
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3.2 Short-term Insurance Human Capital Development

Research

The Human Capital Development Research data-fields and methodology workshop took place on 16 July 2013. The intent was to understand the industry requirements and confirm the relevant data fields that will be required to create the necessary outcomes, to provide a benchmark of an industry profile (transformation, qualifications and scarce and critical skills).

Transformation

The final strategy planning session has been rescheduled for 6th August 2013. This session aims to produce an Action plan for phase 1.

👉 **Further information: Nosiphiwo Mandoyi**
✉ nosiphiwo@saia.co.za

3.3 Food Security Alternative Risk Financing through a Public Partnership (PPP)

Duncan Pringle of Andisa Agri has been formally appointed by the Department of Agriculture, Forestry and Fisheries (DAFF) as a consultant for the investigation into the agricultural insurance framework.

The Developing Farmer workshop: Financiers and Insurers have been finalised. The workshop was held on 23 July 2013, at the Killarney Country Club. The intent was to specifically address the alignment of a segmentation model for small holder producers and to confirm the potential needs that need to be addressed through the PPP. This workshop included the participation of agricultural financiers, Insurers, South African commodity groups and the Department of Agriculture, Forestry and Fisheries.

👉 **Further information: Nosiphiwo Mandoyi**
✉ nosiphiwo@saia.co.za

3.4 Green Geyser Replacement Programme (GGRP)

Government Proposal

The financial workshop with the relevant government decision makers and SAIA took place on 30 July 2013. This workshop was arranged through the office of the Director General of the Economic Development Department (EDD) following communication from the Director Generals office that “the commitment of EDD and the interest in this project remains intact.”

The Green Plumbing Advisory Centre

The Green Plumbing Advisory Centre which has been started by the Plumbing Industry Registration Board has been piloted by two different insurers under different circumstances. The results of the pilots show positive uptake rates at a claims stage and the client experiences have been good in relation to the product and installation expectations. The streamlining of the rebate process with Eskom has once again been confirmed as a priority area which needs much improvement..

Carbon Development Mechanism

SAIA has received a final proposal from Low E Co regarding the potential integration of the green geyser replacement program into a carbon programme. This is currently being analysed and details will be communicated shortly in this regard.

👉 **Further information: Nosiphiwo Mandoyi**
✉ Nosiphiwo@saia.co.za

3.5 Fire Protection of Southern Africa (FPASA) : Fire Technology Seminar

FPASA will be hosting our annual Fire Technology Seminar from 2 – 3 October 2013 at Emperors Palace Convention Centre. The theme for this year's event is Fire Investigation.

Two international guest speakers will share their experience and expertise. Dr Peter Mansi is the Managing Partner of Fire Investigations UK and Robert Toth is the owner of IRIS Fire Investigations in the United States of America.

By participating on the Fire Technology Seminar, you will gain a greater understanding of fire investigation issues, including:

- Qualifications and competency of fire investigators and expert witnesses – The UK and USA experience
- Professional ethics – Protecting yourself and the innocent
- Fire investigation methodologies – Using the scientific method and road maps to avoid bias
- Modern developments in technology – How advances in technology, when properly used, can enhance investigations
- Managing fire investigations – Cataloguing the investigative data collected and managing multiple facets and the individuals involved in complex investigations
- Arc Mapping – The use of arc mapping as an origin determination tool
- Failure analysis and analytical tools – How analytical tools may add value to investigations
- Report writing and expert testimony – Getting it right! Tools, ideas and aids to improve report quality and expert testimony
- Wildfires – Developing wildfire investigation skills
- The effects of ventilation and flashover on fire patterns – We re-visit the basics
- Case studies – Sharing experiences from the UK, USA and South Africa

The seminar will be followed by the re-launch of the International Association of Arson Investigators Southern Africa Chapter.

👉 **Further information: Saritha Wolff**
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3.6 Finance and Insurance Vehicle Systems (FIVS)

The FIVS Technical Stream has recommended two vendors, Quotemaster and Lightstone, be invited to a further question and answer session with Technical Stream and Steering Committee. At the time of writing this article these workshops were due to take place on the 26th of July. The objective of the workshops are to finalise a recommendation regarding a suitable vendor to move forward with.

Once a vendor recommendation is made this will enable the project to enter an “industry assessment phase” in order to give each of the participants an opportunity to conduct their individual return on investment. Should the participants then believe this is in their interests the next phase of this initiative will move forward.

👉 **Further information: Ben Webstock**

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4. LEGISLATION & REGULATION

4.1 Governance Risk

4.1.1 Twin Peaks Model of Regulation

Following the release of the National Treasury's ("NT") "Twin Peaks" Roadmap titled "*Implementing a twin peaks model of financial regulation in South Africa*" on 1 February 2013, indications are that the process of establishing the Twin Peaks framework continues with the legislative framework that is being developed and further feedback will be communicated to the industry in 2014. The internal Twin Peaks structure will include the constitution of a Twin Peaks Implementation Steering Committee to oversee the integration of the Regulator into the Twin Peaks framework. Six work groups that report into the Steering Committee have been constituted to administer the integration process.

The six work groups are as follows:

- Legislative work group;
- Internal Change Management work group;
- Licensing work group;
- Enforcement work group;
- Supervision of financial markets work group;
- Conduct of Business work group (incorporating TCF).

4.1.2 Short- Term Insurance Act

- **Policyholder Protection Scheme**

The Financial Services Board ("FSB") issued a call for contributions to industry associations soliciting comments on the introduction of a Policyholder Protection Scheme ("PPS") in South Africa by 16 September 2013 and encouraging contributions on the draft issues Paper on PPS issued by the International Association of Insurance Supervisors ("IAIS") by the due date of 20 August 2013.

The aim of a PPS is to protect policyholders against the inability of an insurer to pay claims and forms part of the FSB's objective to reduce the risk of harm to policyholders by assisting to maintain fair, safe and stable insurance markets for the benefit and protection of policyholders. The input requested from the FSB includes several aspects including requesting specific input on the organisation and establishment, governance, functions, funding and contributions, coverage, whether triggers should be limited to an insolvency proceeding of an insurer or also extend to an indicator of an insurer in a distressed financial condition, risks and any other comments or input.

- **Binder Regulations**

The FSB issued Guidance Information Letter 3/2013 together with its response to comments received on the Draft on 1 July 2013 which provides further guidance on activities that constitute binder functions, activities that are incidental to binder functions and remuneration payable as binder fee. The Information Letter provides for activities that constitute incidental activities. Incidental activities are activities that are necessary or expedient for the achievement of the objectives on the binder agreement and the effective and efficient performance of a binder function. The list of incidental activities is not exhaustive and insurers are required to apply their minds as to what other activities constitute additional

incidental activities. In addition, the Information Letter provides for binder holders to sub-outsource incidental activities subject to the Outsourcing Directive. Accordingly, where a binder function is performed, the insurer may not outsource the incidental activities related to that binder activity.

[Back to Index](#)

The issuing of policies, by a binder holder, is not regarded as an intermediary service as defined. The Registrar views this activity when performed by a binder holder as incidental to the activity of concluding policy agreements. Accordingly the Information Letter states when the issuing of policies is performed under a binder agreement, it may not be separately remunerated.

All existing binder agreements are to be aligned with the Information Letter by 29 September 2013. Insurers who are not able to comply must notify the Registrar.


4.2 Insurance Laws Amendment Bill, 2013 (“ILAB”)

In order to facilitate a transition from the current regime to the Solvency Assessment and Management (“SAM”) regime, transitional arrangements will be legislated in the form of the Insurance Laws Amendment Act (when it is promulgated) – it is currently a Bill. The ILAB will deal with the supervision of insurance groups as well as governance and risk management requirements.

The intention is for the ILAB to be applicable with effect from the first quarter of 2014, before the January 2016 implementation date for SAM. The objectives of the ILAB are to address current shortcomings in the Short-term Insurance Act (and Long-term Insurance Act) as highlighted by the IMF/World Bank’s Financial Sector Assessment Program and to assist insurers and reinsurers by introducing a mechanism to adequately prepare for the requirements under SAM.

The NT published the ILAB on 26 June 2013 for public comment by 31 July 2013 following approval by Cabinet at its meeting of 29 May 2013 and the tabling of the Bill in Parliament on 21 June 2013.

The SAIA scheduled two workshops on 5 and 16 July 2013 respectively to facilitate a process of soliciting comments on the Bill by the due date of 31 July 2013. The SAIA will also schedule a meeting with the NT and the FSB on its comments and attend all public sessions open to the public on the Bill.

 **Further information: Suzette Strydom**

 suzette@saia.co.za

4.3 Treating Customers Fairly (“TCF”)

The FSB TCF Business Unit has confirmed that they have received all the responses to the TCF Baseline study that was conducted in the 1st quarter of 2013, and that they are in the process of verifying the information with individual participants, following which the report on the study will be finalised. The TCF Unit mentioned that the results of the TCF Baseline study will be issued in September 2013 together with a TCF Status Update on the FSB’s planned TCF Regulatory Initiatives, which will be made publically available.

👉 **Further information: Lezanne Botha**
✉ lezanne@saia.co.za

[Back to Index](#)

4.4 Development of standardised Key Information Documents (“KIDs”)

SAIA facilitated 3 very constructive workshops on the development of the standardised KIDs for motor and household content personal lines insurance products. The workshops also, in addition to the development of KIDs for motor and household content products, resulted in meaningful debate around the use of the KIDs and challenges that the industry may face when implementing the distribution of these compulsory disclosure documents as part of the TCF regulatory framework.

The next stage of the development will be that once the templates are approved, industry will be approached to provide a sample of actual personal lines products which can be used for the development of specific test KIDs, and these test KIDS will then be used as part of consumer testing.

👉 **Further information: Lezanne Botha**
✉ lezanne@saia.co.za

4.5 Market Conduct: Standardised Terminology

The SAIA workshops on standardised terminology resulted in a draft list of 63 definitions of potentially ambiguous terms that are commonly used in the personal lines industry.

The draft list of definitions will shortly be circulated to all SAIA members for final input, following which the list of definitions will be sent for input from the FSB. The FSB TCF Business Unit is also in the process of setting up a work group on the development of standardised terminology across the various sectors of the financial services industry.

The ultimate aim of this process is to ensure that clear and simple language is used for the benefit of consumers.

👉 **Further information: Lezanne Botha**
✉ lezanne@saia.co.za

5. MOTOR

5.1 The Regular Assessment of the Value of Motor Vehicles

The wording for the regular assessment of the value of motor vehicles to be included in the SAIA Code of Conduct under a new section for Motor Insurance was approved by the SAIA Board during the month of July after it was approved by the SAIA Board Committee: Motor on 1 July 2013. This new section will be added to the SAIA Code of Conduct by the end of July 2013.

Background

The industry, under the leadership of the SAIA Board, agreed with National Treasury that motor values need to be adjusted regularly and the adjusted values used to calculate premiums. This agreement was announced in the media in a joint statement by National Treasury and SAIA. The wording was written to include the requirements of National Treasury on the one hand, and the practicalities of members on the other hand.

The objective of this provision is transparency and disclosure with regard to motor premiums, and the impact of the total value of the vehicle on the premium.

Timelines

Due to input received from our members and other stakeholders, the timelines for implementation are as follows:

- 1 January 2014 for personal lines vehicles.
- 1 January 2015 for commercial vehicles included in the wording.

Perceptions and expectations

The SAIA is aware of the potential image and reputational risks with regards to possible perceptions and expectations that a decrease in total value **will always** result in a decrease in premium, which would be incorrect. This will be included in awareness creation campaigns in future. In addition, the SAIA Board Committee and SAIA Exco have agreed that the SAIA should appoint Towers Watson SA to do an independent study on how motor premiums are calculated, and the impact of the total value on motor premiums. We will be able to use this study in future to assist in managing perceptions in this regard. This study will also be shared with National Treasury (NT), as agreed with NT.

The wording

All SAIA members that offer motor insurance will reassess the basis value of all motor vehicles insured regularly without any prompting from the policyholder. The following are relevant in this regard:

- SAIA members must reassess the basis value of motor vehicles at least annually, at renewal or anniversary date.
- The limits of indemnity or sums insured of such motor vehicles must be readjusted according to the revised values of the motor vehicles insured, where appropriate.
- This revised value must be taken into account when recalculating the premium.
- SAIA members must take the necessary action/s in terms of their individual business models to ensure that this requirement is met, whether it is an automatic adjustment on their systems, a contractual requirement of their agents (including brokers, underwriting

managers, administration agents, or any other relevant third party), or any other relevant requirement.

- SAIA members and/or their contracted agents may use any appropriate method to determine the value of the vehicle, but must disclose the method used to policyholders at point of sale.
- Where the value of a motor vehicle is not readily available (for example in the case of older and/or imported vehicles), an agreed value or valuation method must be disclosed to the policyholder on a regular basis, i.e. annually at renewal or anniversary date.

[Back to Index](#)

- This requirement applies to motor vehicles insured in terms of personal lines policies, as well as to motor vehicles insured in terms of commercial policies where vehicles are specified with their own sums insured noted, and where this is practically possible.
- For the purposes of this provision, motor vehicles include motor cars and light delivery vehicles but exclude other items such as boats, trailers, caravans, etc.
- SAIA members are encouraged to, together with the communication with regard to the updated total value insured as well as the updated premium, include an explanation of what the contributory factors used in the premium calculation were ***in general***, in order to ensure that policyholders understand why the premium may not have decreased if the total value insured decreased. This is encouraged to ensure that policyholders do not have unrealistic expectations in this regard.
- Policyholders should be advised/requested in this process to inform the insurer should they wish to include additional cover for any additional extras that may have an impact on the total value of the vehicle.
- SAIA members are encouraged to, in addition to this process, regularly communicate with their policy holders in order to remind them of the importance of communicating any material changes to the insurer in order to ensure that they are appropriately insured in exchange for an appropriate premium.
- In addition, customers may still be able to obtain discounts in some instances on their motor premium should they phone in to cancel cover. This does not mean that the depreciated value was not taken into account at renewal as these retention discounts tend to relate to a deliberate reduction in the target profit margin in order to retain a customer.

In closing

The SAIA is aware of the fact that a small number of our members, as well as some brokers, may have difficulty in complying fully ***with the timelines*** of this new provision. The SAIA invites all members and/or related parties to some and talk to us about any such challenges.

☞ **Further information: Vivienne Pearson**
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5.2 Department of Trade and Industry (DTI) Motor Body Repairer (MBR) Insurance Forum

The SAIA Board Committee: Motor mandated the SAIA negotiating team to present a proposal to the DTI/MBR/Insurer Forum which could pave the way to a sustainable solution for many of the issues in the motor body repair industry. This proposal was sent to the DTI which in turn forwarded the proposal to the motor body repair industry for their consideration.

The SAIA has requested that this proposal forms the framework of the discussions of the DTI/MBR/Insurer Forum at the next two day meeting on 22 and 23 August 2013.

☞ **Further information: Viviene Pearson**
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[Back to Index](#)

5.3 Proposed Amendment of the National Road Traffic Regulations Regarding the use of Second Hand Parts on Code 4 Vehicles

The SAIA met with the Department of Transport to discuss the concerns of the short-term insurance industry with regards to the proposed amendment of the National Road Traffic Regulations regarding the use of second hand parts on Code 4 vehicles, and to discuss the way forward on this important topic.

The SAIA believes that the proposed regulation that the parts of a Code 4 vehicle may not be used to build or repair other motor vehicles, will have severe unintended consequences to both the insurance industry and its customers.

The Department of Transport (DOT) confirmed that their intention with this regulation was to assist with the fight against vehicle crime, and to contribute to safer roads through making sure that the vehicles that go back onto the roads are safe and roadworthy.

The SAIA and its members support these two goals. However, the SAIA has conveyed our belief to the DOT that since this proposed regulation was considered by the Department of Transport (pre-July 2012), the landscape has changed in the following ways:

Crime fighting area:

1. The SAIA put the Code of Motor Salvage in place. This Code was approved by the SAIA Board at the end of July 2012. This is a joint Code with the banks and the financing houses and seeks to close all the gaps from the insurers' side, as well as the banks and the financing houses.
2. The Second Hand Goods Act came into effect. This Act effectively regulates the salvage dealers/agents, the second hand parts dealers, the scrapyards, etc. All these entities need to comply with this Act and this effectively addresses the possible gaps that may have existed in this environment.

Road safety area:

1. The proposed new regulations include roadworthy testing of older vehicles periodically, which effectively addresses this area.

☞ **Further information: Viviene Pearson**
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5.4 Vehicle Damage Quantification Body– Qualification for Motor Assessors and Estimators

The latest on the above matter is that the Vehicle Damage Quantification Body of South Africa (VDQBSA) has been successfully registered as a Non-Profit Organisation and that the Steering Committee is in the process of preparing a Business Case which will be presented to the relevant stakeholders as financial support has now become essential to continue with the process.

Merseta has accepted the appointment of Assessment Quality Partner (AQP) and a Memorandum of Understanding will be finalised in due course.

The Occupational Profile has been signed off by the Committee and will now be published for general/public comment. A meeting is also being scheduled with Inseta to discuss the designations, Recognition of Prior Learning (RPL) and Continuous Professional Development (CPD) models which will have to be developed together with Inseta and presented to the Quality Council of Trade and Occupations (QCTO).

We will keep our members informed of further developments as they unfold.

☞ **Further information: Dawie Buys**

✉ dawie@saia.co.za

5.5 Gauteng Provincial Tow Truck Regulations

At the last Gauteng Tow Truck Steering Committee meeting the “Tow Truck Services and Regulations” was discussed and the final version will be published for approval by the committee at the next meeting in August 2013. Thereafter the Regulations together with the “Tow Truck Policy” will be published for public comments and then submitted to the MEC for Roads and Transport of the Gauteng Province for sign off.

In the meantime the technical sub-committee has met with the South African Bureau of Standards (SABS) and they are in the process of drafting the Standards and Specifications for the tow truck industry which will be introduced as part of the regulations when this is finalised.

Great progress has been made with this initiative and we will keep our members posted on all future developments.

6. SOLVENCY ASSESSMENT AND MANAGEMENT (SAM)

6.1 Results of a High- Level SAIA SAM Survey on the SA QIS2 Workbook and SA QIS3 Simplifications

Background

At the request of the FSB the SAIA SAM Project Support Office (PSO) conducted a brief survey amongst its members regarding specific challenges identified in the Pillar 1 environment of the Solvency Assessment and Management project. An electronic survey was conducted through the use of a well-recognised and reputable online survey tool. The survey was sent to all the SAIA member's SAM Coordinators and produced a couple of interesting and useful responses.

Questions

The following two questions were posed in the survey:

Questions 1:

Please provide a short explanation of the preparation work undertaken by your SA QIS Team in order for them to have completed the "Non-Life Underwriting Risk" (NLUR) workbook used in SA QIS2

Question 2:

Please provide us with your opinion as to where in the SCR (only), excluding the NLUR module, simplifications should be considered. For example: Interest Rate Shock simplifications for Short-term Insurers. (How and Where)

Feedback on Question 1:

The feedback undoubtedly highlighted the fact that insurers and reinsurers devoted a considerable amount of their resources in preparing for the NLUR workbook. Data remains one of the most challenging areas for Pillar 1. Many insurers and reinsurers spent a substantial amount of time in collating and arranging data into the correct format, which for some included manual procedures in preparing for the completion of the workbook. For those respondents that had data available it required adjustments to the data for use in the NLUR workbook. Only a handful of insurers indicated that they could extract the data with relative ease, however all respondents indicated that they spent a significant amount of time on SA QIS2.

Concerns pertaining to the reinsurance section were also raised by the majority of respondents. Comments included amongst others that insurer-specific reinsurance structures were not catered for and hence required simplifications. Insurers also indicated that their reinsurance data was adjusted to "tailor" to the NLUR workbook including reclassifying non-proportional into proportional reinsurance.

Feedback on Question 2:

Surprisingly only a few areas in the SA QIS2 Technical Specifications were mentioned by respondents where simplifications were required or could be considered. Interest rate shocks was the main area highlighted that required simplifications. In general respondents agreed that interest rate risk is sufficiently addressed by an upward and downward shock of the real and nominal rates.

A few insurers made mention that proportionality must be addressed as certain risks for many insurers are relatively minor and therefore a simplified methodology should be suitable.

[Back to Index](#)

Closure

The SAIA SAM Project Support Office is grateful to all those insurers and reinsurers that participated in the survey. The results of the survey were collated and sent to the Financial Services Board (FSB) and the appropriate SAM Task Groups and Work Groups for consideration.

The PSO will continue our contribution towards addressing simplifications by arranging workshops during the month of August 2013. These workshops will consider the draft SA QIS3 Technical Specifications with the intention to comment on and develop proposals pertaining to the Pillar I Simplifications.

👉 **Further information: Nico Esterhuizen**

✉ nico@saia.co.za

7. PRESS CLIPPINGS

7.1 Press Clippings: June 2013

Publication	Person/DN	Subject
Cover June' 2013	# 111002 *Lelo # 111003 *SAIA # 111000	<ul style="list-style-type: none"> ▪ Consumer Education : Financial literacy initiative continues ▪ How we tackled SAM ▪ Micro- insurance
FIA Insight 2nd Quarter'2013	# 110999 *SAIA	Insurer calls for compulsory third party damage insurance
STRIDE by FANEWS June'2013	# 110995 *Barry # 110996	<ul style="list-style-type: none"> ▪ Smart data: SAIA: believing in STRIDE ▪ 13 Things you must know about STRIDE
Risksa June'2013	# 110530 *SAIA	SAM plans pushed back – “Instead of taking place throughout 2014, the parallel run will now start on 1 July 2014 and continue to the end of 2015”
Technology in Architecture 1/6/2013	# 110529 *Nosi	Green Plumbing: The hot water jungle goes green
Insurance Gateway 3/6/2013	# 109354 *SAIA	Binder Legislation: Binder Functions – Interpreting the Regulations
FANEWS 3/6/2013	# 109377	Ombudsman for Short-Term Insurance (OSTI): The devil's in the detail of the Short-term Ombud's statistics
Citizen 6/6/2013	# 109485	Outa needs R1 million: Urgent : Case against e-tolls may be abandoned at 11 th hour
Insurance Gateway 6/6/2013	# 109578 *SAIA	INSETA Welcomes FAIS Exemption for Burial Societies
Insurance Gateway 7/6/2013	# 109453 *Viviene # 109454 *SAIA	<ul style="list-style-type: none"> ▪ SAIA Code of Conduct: SAIA Motor Insurance Update May 2013 ▪ Introducing the South African machinery Insurance Association (SAMIA)
Star 10/6/2013	# 109486	Proposed Road Accident Fund: Road Accident Benefit Scheme (RABS): Victims expected to benefit under streamlined proposals
Moneyweb 10/6/2013	# 109489	New consumer protection ombudsman appointed
Mail & Guardian 21/6/2013	# 110445 *SAIA	State of the insurance market: Inconvenient truth about insurance

FAnews 28/6/2013	# 109973 *Dawie	Amendment to the National Road Traffic Management Act : Moonstone: Proposed Ban on Sale of Used Car Parts
Risksa 28/6/2013	# 109974	Motor Insurance Industry : Short-term Insurance Santam , Hollard Implement Premium increases

[Back to Index](#)

8. CIRCULARS

The following circulars were issued during the month of June 2013: (Number of circular, title, date issued and contact person)

8.1 SAIA

- SG 2013/045 Regulation 4, Section 45 of the Short- Term Insurance (Act 53 of 1998) Register of the Status of Credit Intermediaries (3/6/2013)
Contact: Princess Mlambo
- SG 2013/046 Financial Advisory and Intermediary Services (“FAIS”) Act
Information Circular 04/2013 – Representative Registers and Debarments (3/6/2013)
Contact: Lezanne Botha
- SG 2013/047 Financial Advisory and Intermediary Services Act, 2002 (“FAIS Act”)
FAIS Circular 05/2013 – Submission of Compliance Reports 2013 (5/6/2013)
Contact: Prisca Masuku
- SG 2013/048 Letter to SARS BGR 14 Extension Date Provision for Transitional Rules and the Industry’s Plea (5/6/2013)
Contact: Charles Hitchcock
- SG 2013/049 Financial Advisory and Intermediary Services Act, 2002
General Exemption from Second Level Regulatory Examination Requirements, 2013 (11/6/2013)
Contact: Prisca Masuku
- SG 2013/050 Financial Services Board (FSB) Review of Third-Party Cell Captive Insurance and similar arrangements: Invitation to comment (12/6/2013)
Contact: Charles Hitchcock
- SG 2013/051 Invitation to participate in workshop
FSB Review of Third Party-Party Cell Captive Insurance and similar arrangements (12/6/2013)
Contact: Lezanne Botha
- SG 2013/052 Financial Advisory and Intermediary Services Act, 2002
FAIS Information Circular 06/2013: Level 2 Regulatory Examination Exemption (19/6/2013)
Contact: Lezanne Botha
- SG 2013/053 Invitation to Participate in Workshops:
TCF Disclosure: Key Information Documents (KID’S) (20/6/2013)

Contact: Lezanne Botha

SG 2013/054 International Financial Reporting Standards (“IFRS”) 4: IASB Publication of Revised Exposure Draft for the Accounting for Insurance Contracts (20/6/2013)
Contact: Suzette Strydom

SG 2013/055 Financial Services Board (FSB) Special Quarterly Report for Short-Term Insurance Period ended March 2013 (24/6/2013)
Contact: Barry Scott

SG 2013/056 SARS Binding General Ruling 14: Implementation Extension (28/6/2013)
Contact: Charles Hitchcock

[Back to Index](#)

8.2 AMUSA

AM 2013/008 The National Regulator for Compulsory Specifications (NRCS) (6/6/2013)
Contact: Candy Lucas

8.3 SAIA Managing Directors

MD 2013/009 Solvency Assessment and Management (“SAM”) : Notice of the Publication of the Insurance Laws Amendment Bill, 2013 also known as the “SAM Interim Measures” (6/6/2013)
Contact : Nico Esterhuizen

MD 2013/010 Position of Sasria SOC Ltd under the Binder Regulations (4/6/2013)
Contact : Suzette Strydom

MD 2013/011 Invitation to Participate in Workshops
FSB Review of Third -Party Cell Captive Insurance and Similar arrangement (13/6/2013)
Contact: Lezanne Botha

MD 2013/012 Financial Services Board (“FSB”)
Board Notice 121 of 2013: Levies on Financial Institutions (14/6/2013)
Contact: Charles Hitchcock

MD 2013/013 Solvency Assessment and Management (“SAM”): Notice of the Publication of The Insurance Laws Amendment Bill, 2013 also known as the “SAM Interim Measures” Workshop (25/6/2013)
Contact: Nico Esterhuizen

MD 2103/014 Solvency Assessment and Management Update (26/6/2013)
Contact: Nico Esterhuizen

8.4 MOTOR

MT 2013/012 Urgent Invitation to Comment :
SAIA Code of Conduct Proposed Wording for Regular Assessment of The Value of Motor Vehicles (3/6/2013)
Contact: Vivienne Pearson

MT 2013/013 Calls for comments : Draft Publication of Tolls for the Gauteng Freeway Improvement Project (GFIP) (10/6/2013)
Contact : Dawie Buys

MT 2013/014 Basic Computer Literacy : South African Police, Detective Service (11/6/2013)
Contact : Dawie Buys

- MT 2013/015 SAIA Code of Conduct Final Proposed Wording for Regular Assessment of the Value of Motor Vehicles (21/6/2013)
Contact : Vivienne Pearson
- MT 2013/016 SAIA Code of Conduct Final Proposed Wording for Regular Assessment of the Value of Motor Vehicles (24/6/2013)
Contact : Vivienne Pearson

☞ **Further information: Nicol Champaud**
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[Back to Index](#)

IMPORTANT NOTICE

Should you know someone, who is not a SAIA member, who might be interested in receiving the SAIA Bulletin let them contact Tessa Kerspuy, SAIA Graduate: Communications and Stakeholder Relations.

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