SAIA

SOUTH AFRICAN INSURANCE ASSOCIATION

The SAIA Code of Conduct

The SAIA Code of Conduct - Index

The SAIA Code of Conduct

1. Introduction

The South African Insurance Association (SAIA) represents the short-term insurance industry in South Africa at all levels and with all stakeholders to ensure a sustainable and dynamic short-term insurance industry for the benefit of all involved. The SAIA acts as the spokesperson of the industry seeking to constructively work with all relevant stakeholders including consumers and users of short-term insurance, Government, the media and other relevant entities.

1.1 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 recognized and trusted as an important contributor to the South African economy and society.

1.2 SAIA Mission

- To encourage 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 amongst 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.

1.3 Self-regulation

An industry with effective self-regulation will be perceived as offering fair value and good service to its customers. One of the roles of the SAIA therefore is to achieve, through various mechanisms including this Code of Conduct (hereinafter referred to as the ‘Code’), that the industry is seen as an industry in which high standards apply.

Self-regulation is about SAIA members being committed to self-imposed ethical and professional business practices.

The Code is intended as a mechanism to be used by SAIA members for self-regulation. The onus remains on the SAIA members to strive for compliance with the Code, and to monitor their compliance. The role of the SAIA is to facilitate and assist its members in this regard.

1.4 Purpose of the Code

The purpose of this Code is to:

- Promote high ethical standards and good business practices in the short-term insurance industry by giving specific guidance on acceptable and unacceptable practices in all the phases and relationships of short-term insurance business; and
- Give current and potential customers of short-term insurance products a clear indication of the self-imposed guidelines followed by SAIA members who provide such products to them.
- Although the guidelines in this Code extend to the associates of SAIA members, the purpose of the Code is to regulate the services offered on behalf of SAIA members by their associates, and not to regulate entities outside the SAIA member base.

The Code therefore forms the basis for resolving any conflict which may arise between consumers and insurers and their associates – while acting on behalf of insurers - that relates to the requirements of this Code.

This Code is important, notwithstanding the legislation and regulation that governs the industry and protects consumers, because:

- Legal controls do not necessarily distinguish between insurers and their associates that follow the best ethical and business practices and those who do not. A voluntary Code can assist in ensuring dubious practices exploiting grey areas are eliminated to the ultimate benefit of current and potential customers, and the short-term insurance industry in general.
- The Code sets standards for ethical business and relationships through voluntary self-regulation, which helps ensure that the spirit of the Code is followed, and not only the letter of the law, where it can be difficult to define good, honest business practices and relationships.
- A voluntary Code of Conduct followed by the members of SAIA can greatly assist in building and maintaining a good image and reputation of the industry.
- Industry codes are best practice in terms of the South African Consumer Protection Act.
- The Code is a necessary mechanism for an industry that supports the Treat Customers Fairly initiative adopted in the United Kingdom (UK), and currently being considered by the Financial Services Board (FSB).

1.5 Relationship between insurers and consumers

A relationship of good faith lies at the heart of the insurance contract between insurers and customers. It is with this relationship in mind that SAIA members undertake to comply with the requirements of the SAIA Code of Conduct. At the same time, it is

expected that customers will also conduct themselves within the spirit of honesty and good faith.

2. Definitions

2.1 'Associates'

'Associates' means any individual and/or business appointed by or contracted to an insurer to represent the insurer in any matter relating to short-term insurance business, as well as any sub-contractors of such individuals and/or businesses contracted or appointed to render services ultimately on behalf of the insurer.

Such associates include intermediaries contracted to fulfil any non-independent intermediary services on behalf of the insurer, for example: administration agents, assessors, claims managers, collection agents, investigators, loss-adjusters, service providers (such as builders, plumbers, panel beaters, tow truckers, and others) and underwriting managers. This excludes advice given by independent intermediaries when such intermediaries were appointed to represent the customer.

2.2 'Business day'

'Business day' means a period during which a business is normally open for business, excluding any public holiday, Saturday or Sunday. When a particular number of business days is provided for between the happening of one event and another, the number of days must be calculated by:

- excluding the day on which the first such event occurs;
- including the day on or by which the second event is to occur; and
- excluding any public holiday, Saturday or Sunday that falls on or between the days contemplated in the bullet points above.

2.3 'Insurer'

'Insurer' means a registered short-term insurer which is a member of the SAIA and therefore subject to this Code.

2.4 'Self-regulation'

'Self-regulation' means the adoption by the members of SAIA of self imposed standards and practices that will contribute to fair, transparent and ethical business practices reflected in this Code of Practice, and compliance by SAIA and the members of SAIA with these standards.

2.5 'Short-term insurance'

'Short-term insurance' includes all types of short-term insurance provided by members of the SAIA in terms of the Short-term Insurance Act 1998 as amended.

3. General

3.1 The Code covers all short-term insurance business provided by the members of the SAIA, and sets out the minimum standards for all SAIA members in dealing with current and potential customers, the insurers' associates, and with each other.

3.2 The Code also applies to reinsurers. However, as no direct relationship exists between reinsurers and consumers, the specific clauses in this Code that relate directly to the business relationship between insurers and their customers do not apply to reinsurers.

3.2 This Code exists within the legal and regulatory environment in which SAIA members operate, and in cases of conflict or inconsistency between this Code and the legal and regulatory environment, the relevant legal and regulatory requirements will prevail.

3.3 The objectives of the Code are:

- To commit insurers and their associates to high standards of customer service.
- To assist in improving the image and reputation of the short-term insurance industry, contributing to increased consumer confidence.
- To promote sound, informed relationships between insurers and their customers.
- To ensure affordable, good and quick mechanisms exist for the resolution of complaints and disputes between insurers and their customers.

3.4 The objectives of this Code will be pursued, and all its provisions applied, notwithstanding:

- The need for insurers to comply with all relevant legislation and regulation and meet the prudential requirements set by the regulatory authorities.
- The duty of good faith.
- The contract between the insurer and its customer.
- The need for the development of appropriate products and services for its customers and potential customers.
- The need to keep insurance affordable.
- The need for competition that does not negatively impact the industry's reputation.

3.5 The Code establishes a complaints procedure but does not create any new legal rights for consumers and the procedure will not deal with any complaints which have already been referred to a Court or an Ombud.

3.6 If a SAIA member fails to comply with this Code, and after a facilitation and mediation process followed by the SAIA to resolve the issue failed to address the matter, a complaint will be lodged which will be investigated by the Code Complaints Committee. This Committee may impose sanctions on such a member.

3.7 The Code's compliance procedure will be followed when a complaint has not been resolved through the member's internal processes, and when the complaint does not fall under the jurisdiction of an established Ombudsman or is directly related to non-compliance of this Code.

4. Commitment to the Code

4.1 SAIA members are obliged to:

- Observe and comply with the Code; and
- where possible, create public awareness of their membership of the SAIA; industry self-regulation measures and the Code of Conduct; and the commitment of SAIA members to achieving high ethical standards within the industry.

4.2 SAIA members must confirm their compliance with the SAIA Code of Conduct annually. The Chief Executive/Managing Director of each SAIA member must sign the compliance clause on their membership application and again annually when confirming continued membership of the SAIA for the next year by paying new subscription fees. In addition, annual compliance reports must be submitted to the SAIA by members.

4.3 To foster support for the Code and to actively promote widespread awareness of its principles, ethical practices and obligations, SAIA members should:

- Ensure that their employees and associates are familiar with the Code, its requirements and their employers' commitment to the Code.

5. Monitoring and enforcement of the Code

Compliance with the Code will be monitored in order to ensure that self-regulation takes place as per the requirements of this Code.

5.1 Responsibilities of SAIA

5.1.1 The SAIA will create awareness with regard to the need for compliance with this Code amongst its members.

5.1.2 The SAIA will create awareness about this Code amongst consumers.

5.1.3 The SAIA will monitor compliance with this Code by its members to the benefit of the short-term insurance industry as a whole, as well as consumers, through compliance reports received from members.

5.1.4 The SAIA will compile an annual report on compliance of its members with the Code, after receiving annual compliance reports from its members.

5.1.5 The SAIA will also report in general terms on relevant industry matters to the FSB and other relevant bodies.

5.1.6 The SAIA will:

- Receive allegations/complaints about non-compliance with the Code.
- Attempt to, through facilitation and mediation, address relevant matters with members.
- Refer complaints to the Code Complaints Committee.
- Identify and investigate potential non-compliance with the Code in the absence of a formal complaint, if necessary.
- If not resolved by the SAIA, change the perceived non-compliance into a complaint and refer this to the Code Complaints Committee.
- Assist the Code Complaints Committee in its investigations where necessary.
- Convey decisions of the Code Complaints Committee to members and/or the complainants if required.
- Monitor any required corrective measures.
- Report any failure to correct non-compliance as decided by the Code Complaints Committee to this Committee within 15 business days after the required period allowed for corrective measures had expired.
- Impose sanctions as per the decision of the Code Complaints Committee and/or the appointed individual responsible for the appeal when necessary.

5.2 Responsibilities of SAIA members

SAIA members will:

- Put appropriate procedures and systems in place to comply with the Code including training of staff and contracted associates, monitor compliance with the Code, report on compliance with the Code, and any other required action in this regard.
- Report on compliance with the Code to the SAIA annually.
- Monitor their compliance with the Code and rectify any unintentional non-compliance as soon as possible.
- Accept that they will not be in compliance with this Code if their employees, and/or contracted associates fail to comply with this Code when acting on their behalf.
- Co-operate with the SAIA and/or the Code Complaints Committee when investigating potential non-compliance with the Code, and/or a complaint in this regard.
- Apply corrective measures when required within an agreed timeframe.
- Accept the decisions and/or sanctions of the Code Complaints Committee, the SAIA and/or the appointed individual in cases of appeal.

5.3 Reporting on non-compliance

5.3.1 Alleged non-compliance with this Code can be reported to:

SAIA Chief Executive Officer
SAIA
PO Box 30619
Braamfontein
2017
code@saia.co.za
011 726 5381 (phone)
011 726 5351 (fax)

5.3.2 A complaint regarding the non-compliance with the Code by a SAIA member must be in writing.

5.3.3 The complaint must be lodged within 180 days after the completion of the internal dispute resolution process.

5.3.4 A complaint will be dealt with within a reasonable period of time after all the relevant information has been received.

5.3.5 The final decision and reasons for the decision will be conveyed to the complainant by the SAIA.

5.3.6 In addition to the complaints procedure to be followed in terms of this Code, the following procedure will apply when a complaint relating to alleged contravention of the 'Advertising' section of this Code (Section 13) is being handled:

- Should resolving a complaint relating to this section of the Code fail within a reasonable period of time, the issue will be referred to the Advertising Standards Authority (ASA) as an independent arbiter.

5.4 Code Complaints Committee

5.4.1 A Code Complaints Committee will deal with complaints regarding non-compliance with the Code.

5.4.2 The Code Complaints Committee will consist of a senior representative of the Ombudsman for Short-term Insurance (OSTI), a nominee of the Board of the OSTI, a senior representative of the FSB, and a nominee of the SAIA Board. The Code Complaints Committee can co-opt a specialist in the appropriate field on the Committee, if necessary.

5.4.3 The Code Complaints Committee has the following functions:

- Receive complaints regarding alleged non-compliance with the SAIA Code of Conduct, and investigate such allegations.

- Conduct investigations into alleged breaches using information requested from the insurer in question and supplied by the complainant, as well as any other relevant information.
- Consider any information submitted by the insurer and other relevant parties, before making its decision.
- Make determinations and impose sanctions where a breach has been confirmed by the Code Complaints Committee.
- Notify the Chief Executive Officer of SAIA or his/her appointed representative in writing of its decision within 60 business days after receiving the complaint.

5.4.4 When dealing with complaints regarding non-compliance with the Code, the Code Complaints Committee will consider the following:

- The objectives of the Code;
- The significance of the non-compliance with the Code;
- The potential impact of the non-compliance on the short-term insurance industry;
- The appropriate sanction.

5.4.4 The decision of the Code Complaints Committee is binding on SAIA members.

5.4.5 An appeal can be lodged in writing against the decision of the Code Complaints Committee within 15 business days after formal communication of the decision by the Code Complaints Committee.

5.4.6 The Chief Executive Officer of the SAIA, together with the Chair of the SAIA Board or a nominee of the SAIA Board, will appoint an appropriate person to deal with appeals against the decisions of the Code Complaints Committee, when necessary.

5.5 Sanctions

5.5.1 The Code Complaints Committee can impose the following sanctions on SAIA members for non-compliance with the Code:

- Rectifying steps to be undertaken within a specific timeframe.
- A requirement that a compliance audit be undertaken.
- A requirement that corrective advertising be undertaken within a specific timeframe and/or using media types.
- A requirement for publication of non-compliance.
- A fine payable to the SAIA, within the SAIA guidelines in this regard.
- A recommendation with regard to expulsion as SAIA member.
- A recommendation with regard to referral to the FSB.

5.5.2 The sanctions as imposed by the Code Complaints Committee are binding on SAIA members.

5.5.3 Paid fines, as per the finding of the independent Code Complaints Committee, and in line with the principle of consumer restitution, will be contributed to the SAIA Consumer Education Initiatives.

6. Professional standards

6.1 Short-term insurers enter into contractual relations with third party suppliers that provide them with services, which should be properly documented in agreements. In such cases, insurers are in essence transferring obligations to their associates. The following standards therefore apply to the employees of insurers as well as to the associates.

6.2 The SAIA members, their employees and associates are required to:

- Conduct their services in an honest, fair and transparent manner;
- Only perform functions that match their expertise;
- Ensure that all staff receives adequate training to enable them to carry out their functions competently.

6.3 The training of relevant employees will include *inter alia*:

- Principles of short-term insurance and any relevant legislation and regulation.
- Product knowledge.
- Claims handling procedures, where necessary.
- The insurer's complaints handling procedure.
- The requirements of this Code.

6.4 Compliance with the provisions of this Code will be expected from employees, and insurers will assess, monitor and rectify performance in this regard when necessary.

6.5 SAIA members, their employees and associates must have and maintain:

- All licences, registrations and approvals required by law; and
- Membership of a relevant and recognised professional body, or otherwise be able to demonstrate sufficient expertise, where appropriate.

6.6 Associates must be informed of the standards in the Code and be required to comply with these standards while acting on behalf of the insurer. The insurer must have a mechanism to assess, monitor and rectify the performance of the associate. If the performance of the associate fails to respond satisfactorily to the corrective measures, the services of the associate should be terminated.

6.7 Associates must be required to inform insurers of a complaint against them while acting on behalf of the insurer. The insurer will keep a record of relevant complaints in order to monitor and ensure compliance with the Code.

6.8 Associates are required to inform customers of the services they have been asked to provide and the identity of the insurer for whom they are acting.

6.9 The insurer is to deal with complaints received by customers relating to associates in terms of its own complaints handling procedures.

7. Communication

Communication from insurers to policyholders will take place through the relevant channels, i.e. directly and/or through the policyholders' appointed agent. Communication sent to such an appointed agent, if this is the policyholder's preference, will be deemed as communication sent to the policyholder.

8. Information

The following standards apply with regard to providing information to policyholders and/or potential policyholders:

8.1 Insurers must, either directly or through the SAIA, make information readily available regarding:

- General insurance;
- Assisting home and motor insurance policyholders to determine the level of insurance cover they require;
- The key factors that affect premium;
- Aspects of insurance that appear to be misunderstood by policyholders based on enquiries or complaints received , as and when necessary;
- The effects of non-payment of premium via debit orders, the process to be followed when debit orders are returned unpaid, as well as the potential costs involved in re-running debit orders;
- The Code and its requirements.

8.2 Insurers should support industry consumer education initiatives under the auspices of the SAIA to make general information on short-term insurance available to policyholders and potential policyholders.

9. Insurance sales and policy maintenance

9.1 The following standards apply to insurance enquiries, quotes / offers, buying, or the renewal of insurance cover:

- The sales process must be conducted in a fair, honest and transparent manner.
- Only material information required for assessing an application for insurance cover will be requested by the insurer.
- All material information must be obtained by the insurer at the time of underwriting and not at a later or claims stage.

- Insurers and their associates must inform policyholders of their legal duty to disclose information. In addition, the importance of proper disclosure by the policyholder and the consequences of non-disclosure must be explained.
- Disclosure by insurers and their associates must be in plain language and be done at the appropriate time. If disclosures are given verbally, they must be confirmed in writing within 20 business days.

9.2 Disclosures must include the following:

- The contact details of the Ombudsman for Short-term Insurance, and the FAIS Ombud.
- The contact details of the insurer and especially its relevant service departments.
- The name, class and type of insurance policy involved.
- The premium and excesses payable, exclusions and/or special terms and conditions.
- The due dates for premium payments as well as the consequences of non-payment.
- The name and contact details of the compliance officer or department of the insurer.
- The complaints procedure followed by the insurer.

9.3 When an insurer accepts a full book of business from an intermediary, the insurer accepts all risks associated with the entire book at the time of taking over the business (i.e. in essence the underwriting stage).

9.4 All documents used by the insurer and its associates, including the application form, the policy / contract including the schedule and terms and conditions, must be in plain language and understandable by its policyholders.

9.5 It is the duty of the insurer and its associates to make every reasonable attempt to ensure that the policyholder understands the policy documents, the extent of the cover, the exclusions, the special terms and conditions, and all relevant aspects of the policy including excesses, the relevance of regular and nominated drivers, no claims bonuses, etc. Terminology and language should be clear and not ambiguous.

9.6 The insurer and its associates must assist policyholders to insure their assets, including motor vehicles, for an appropriate value at inception stage, as well as at renewal stage. (The onus remains on the policyholder to ensure that his/her assets are insured for the correct value, but it is expected that insurers will encourage and assist policyholders to determine the correct sums insured on a regular basis.)

9.7 Insurers and their associates will provide copies of any relevant documentation (e.g. reports on structures of buildings, the condition of vehicles, etc) related to

their insured assets that they receive at underwriting stage to policyholders, if available. They should also invite policyholders' response and/or comments if appropriate.

9.8 If an insurer or its associate declines to provide the consumer with insurance cover, they must:
- Provide the reasons for the decision.

9.9 Policyholder information will only be shared as required by law, as approved by the policyholder, or for crime combating purposes. In all other instances, policyholder information will remain entirely confidential.

10. Insurance claims

10.1 Claims handling

Insurers will follow the following standards with regard to insurance claims submitted by their policyholders:

- Claims handling will be conducted in a fair, transparent and timely manner.
- Policyholders will be advised how to lodge insurance claims, and claims forms required from the insured will be provided by the insurer readily and timeously.
- When claims are being considered by the insurer, only relevant information will be taken into account.
- The policyholder will be kept informed about the progress of his/her claim.
- The following time standards apply to SAIA members when handling a claim:
  - Once all the necessary documentation is received by the insurer, and no further investigation is needed, the insurer must accept, reject or dispute the quantum of any claim, and notify the policyholder of its decision within 10 business days.
  - Should further information and/or investigation be needed, the insurer will within 10 business days after a claim was lodged notify the policyholder of the information needed, appoint an assessor and/or loss adjuster if necessary and provide an initial estimate of the time required to make a decision on the claim.
  - The insurer will keep the policyholder regularly informed of the progress of the claim, and will do so at least every 10 business days.
  - The insurer will respond to routine requests for information with regard to claims lodged within 5 business days.
  - A claim will be paid within 10 business days once the quantum is agreed, or as contractually agreed.
  - Should the policyholder satisfactorily demonstrate a need for urgency based on financial hardship as a result of the event causing the claim, the insurer will fast-track the assessment and decision process of the claim where possible.

- Should any circumstances make the above-mentioned timeframes impractical, the insurer must agree a reasonable timeframe with the policyholder.

10.2 Claims rejection

Insurers will only reject claims in the following circumstances:

- If evidence exists that there was material misrepresentation and/or non-disclosure by the policyholder.
- Evidence exists that the claim is fraudulent.
- The loss is specifically excluded in the policy contract.
- The loss is not covered by the policy contract.
- Conditions stipulated in the policy contract were not met by the policyholder.
- There was non-payment of the premium.
- In any other legally permitted circumstances.

Should an insurer make the decision to reject a claim, the following procedure will be followed:

- Reasons for the decisions will be provided by the insurer to the policyholder in writing.
- The insurer will inform the policyholder about its complaints procedure, as well as about other recourse avenues open to the policyholder.
- The insurer will provide the policyholder with copies of all available documents and information from third parties, that influenced the decision on request, that are not subject to legal privilege.

10.3 Double insurance

Subject to the principle that insurance is not intended to place a person in a better position than before, when at claims stage an insurer finds that the policyholder was also insured by another insurer, the insurer will:

- Pay the claim, and arrange with the other insurer to be compensated for its rateable proportion, or arrange with the other insurer to each pay the rateable proportion due by each.
- Include a contribution clause in its policy contracts.
- Refund premiums in accordance with the respective rateable proportion of the risk, where appropriate.

10.4 Extraordinary circumstances

This section applies to extraordinary circumstances in which a large number of claims are lodged at once. Examples of such circumstances will include catastrophes and disasters. The following standards will apply:

- Insurers will respond to disasters and catastrophes in a fast, professional and practical way and in a compassionate manner.
- It is possible that the insurer might not meet the standards set out in other sections of this Code due to a very large number of claims arising from

extraordinary circumstances. In such cases, the insurer will take internal measures to ensure appropriate response to the situation.

10.5 Repairs, workmanship and materials

In the process of repairing, replacing, rebuilding, and/or any other relevant action related to an insurance claim, the following standards will apply:

- An assessor and/or service provider will be dispatched to address the claim of a policyholder within a reasonable time period, in relation to the urgency of the situation, but at the latest within 10 business days.
- The insurer will make a decision regarding the repair and/or any other action needed within 10 business days after receiving the relevant information from the assessor and/or other service provider, in relation to the type and urgency of the event.
- Should an associate contracted by the insurer to do so, authorise a repair or other such action, the insurer will honour this authorisation.
- The insurer may prefer a supplier, but should the policyholder request a specific service provider, the insurer should reasonably consider this request.
- When the insurer elects to repair, reinstate or rectify any loss or damage, the insurer must accept responsibility for the quality of the materials and workmanship.
- The insurer will handle any complaint by the policyholder regarding the quality or timeliness of the work or conduct of the repairer in terms of the insurer's complaints procedure.

11. Fraud and improper conduct

Members of the SAIA are unequivocally opposed to fraud and improper conduct, and will do everything in their power to identify, verify, investigate and prevent such behaviour. SAIA members will follow the following standards in this regard:

11.1 Insurers

11.1.1 All insurers are expected to participate in combating fraud and improper conduct.

11.1.2 Should an insurer cancel a contract with an associate due to the fact that that associate was found to have acted fraudulently or in an improper manner, the following procedure will be followed by the insurer:

- The insurer will inform the customers of the associate about the cancellation of the contract between the insurer and the associate, as well of the options available to the customers including retaining their current policies with the insurer directly or through another associate, or moving their business with the Associate;
- Inform the South African Insurance Crime Bureau (SAICB) of the cancellation of the contract with the associate and the reason for it;

11.1.3 Should an insurer be approached by an associate with a book of business, the insurer will establish with the SAICB whether another insurer has notified it about the cancellation of a contract with that particular associate due to the fact that that associate was found to have acted fraudulently or in an improper manner. Should the insurer find out that that associate had in fact been referred to the SAICB, the insurer should not accept business through that particular associate.

11.2 Insurers' employees and associates

11.2.1 In dealing with policyholders, there should be a presumption of innocence until the facts indicate otherwise.

11.2.2 Investigators, loss adjusters and assessors will treat policyholders with respect at all times and will not harass, intimidate or threaten policyholders at any time during an investigation. Insurers will include this provision in their third party supplier agreements.

11.2.3 Insurers will request access to relevant information only when investigating potential insurance fraud, and will treat any personal information in terms of the relevant privacy laws.

11.2.4 When sharing information regarding insurance fraud, such information will only be shared for the purpose of combating crime as it is highly prejudicial.

12. Cancellation of insurance

Should the insurer wish to cancel a policy for reasons other than the non-payment of premiums, the following standards will apply:

12.1 Prior to cancelling a policy, the individual aspects of the policyholder's circumstances must be considered in order to ensure that each case is treated on its own merit.

12.2 Should an insurer make the decision to cancel a policy, the policyholder shall be informed of the reasons for the cancellation, and the complaints procedure if the policyholder is not happy with the decision.

12.3 Should an insurer cancel the policy of a policyholder, the insurer must pay any monies owed to the policyholder within 10 business days, except in exceptional circumstances.

12.4 Should the insurer become aware that a misrepresentation had taken place, the insurer must within a reasonable period of time decide whether it wishes to continue with or cancel the policy. Should the insurer elect to continue with the policy despite the initial misrepresentation, the insurer accepts the liability.

13. Advertising

13.1 Comparisons in advertising will consider the best interest of consumers, and may not be misleading in any way.

13.2 Comparisons in advertising must be factual, and verifiable.

13.3 Comparisons in advertising must be in no way derogatory towards any individual or entity, thus bringing any other party including the insurance industry as a whole into disrepute.

14. Consumer education

It is the responsibility of the short-term insurance industry, together with the other industries in the financial services sector, to contribute to financial education of the consumer. In accordance, the following are requirements for all SAIA members, unless exempted by the SAIA Board, in which case exempted members are strongly encouraged to make a voluntary contribution:

14.1 SAIA members must spend the required funds on consumer education, as per the SAIA Consumer Education Strategy.

14.2 The required portion of these funds must be contributed to the SAIA industry initiatives, as per the SAIA Consumer Education Strategy.

14.3 Should members choose to spend the remaining portion on their own consumer education programmes, this money must be spent in accordance with the SAIA consumer education guidelines, and/or any other relevant requirements if applicable, as per the SAIA Consumer Education Strategy.

14.4 The SAIA and its members will participate fully, through the SAIA Consumer Education Strategy, in the National Consumer Education Strategy as facilitated by the Financial Services Board (FSB).

15. Information sharing

In order for the SAIA to be proactive in its activities to serve it members, as well as to represent its members appropriately in interaction with the media and consumers, it is required that members will share certain information with the SAIA regularly. The following are required:

15.1 SAIA members must provide information according to a SAIA template regarding trends in claims, insurance fraud, and other information, on a quarterly basis.

15.2 This information will be used in a responsible and non-company specific manner, with all specific characteristics or individual information removed.

15.3 A summary of the industry information will be shared with members on a quarterly basis.

15.4 Any additional relevant information sharing as decided on by specific SAIA committees, or required by the SAIA, as and when required.

16. Complaints handling

16.1 Complaints handling procedures

The following standards apply to the complaints handling procedures of members:

- Complaints will be dealt with in a fair, transparent and timely manner.
- Information about an insurer's complaints handling procedure will be readily available, and will be made available to policyholders.
- The insurer will only ask for and use relevant information when dealing with a complaint.
- Insurers will inform policyholders about the information used in the decision-making process involved in the handling of a complaint. The policyholder must have the opportunity to correct any such information, if necessary.
- Should a mistake or an error have been made in assessing the complaint, the insurer must rectify this mistake as soon as is reasonably possible.

16.2 Internal dispute resolution

The following standards apply to our member companies' internal dispute resolution:

- Insurers will respond to complaints within 15 business days, provided they have all information needed and/or an investigation has been completed.

- In cases where further information, assessment or investigation is required, the insurer will agree with the complainant on a reasonable timeframe. Should it be impossible to reach agreement, the complaint will be dealt with as a dispute and will be referred to a different employee who has the appropriate knowledge, expertise, experience and authority to deal with it.

- The complainant will be kept informed of the progress of the complaint on a regular basis, and at least every 10 business days.

- When the complainant is notified of the outcome of the complaint, the complainant will also be informed about how such a decision could be reviewed by another employee who has the appropriate knowledge, expertise, experience and authority to deal with a dispute.

- If a complainant wishes to have a decision regarding a complaint reviewed, the following standards are applicable:
  - The insurer will treat it as a dispute.
  - The insurer will notify the complainant of the name and contact details of the person assigned to liaise with the complainant in relation to the dispute.
  - The dispute resolution process will follow the standards set out above.
  - When a decision has been made, the insurer will respond to the complainant in writing giving:
    - Reasons for the decision;
    - Information about how to access external dispute resolution or policyholder recourse mechanisms;
    - Notify the complainant of the timeframe in which an external dispute should be lodged.

16.3 External dispute resolution

16.3.1 All SAIA members subject to this Code are obligated to participate in the relevant Ombud schemes, including the voluntary Ombudsman for Short-term Insurance (OSTI), The FAIS Ombud, and other relevant schemes, and abide by the Ombud schemes' rules and decisions.

16.3.2 Insurers will refer policyholders to OSTI and other relevant Ombud schemes in order to deal with complaints that fall within their mandates.

16.3.3 SAIA members will include the details of the OSTI and other relevant Ombud schemes in disclosure documents, and documents regarding rejections of claims.

16.3.4 When internal complaints procedures have been unable to resolve complaints and/or disputes, customers must be referred to the OSTI when the complaint and/or dispute relates to a rejected claim within the jurisdiction of the OSTI, or to the SAIA Code of Conduct if a breach of the Code has occurred.

16.3.5 SAIA members must respond to the OSTI in a timeous and comprehensive manner when OSTI is dealing with a complaint.

17. Review of the Code

The SAIA Code of Practice will be reviewed regularly, and at least every three years, and/or on an *ad hoc* basis when and if deemed necessary. The first review process will take place after a period of one (1) year after the implementation date of this Code.

The review process will take into account any changes in objectives and needs in the short-term insurance environment at the time of review.

Any material amendments or a new Code will be approved and adopted by the SAIA Board.

83510: SAIA Code of Conduct: Amended with reinsurance business and code of salvage
18 November 2010

#77743: SAIA Code of Conduct: Amended version to be launched to members
25 February 2010
5 February 2010

#76635: SAIA Code of Conduct as approved by SAIA Board with final cosmetic changes December 2009
December 2009

#76193: 7th Version Final
4 November 2009

76140: 7th Draft
2 November 2009

#75727: 6th Draft
12 October 2009

5th Draft
8 October 2009

4th Draft
5 October 2009

74766: 3rd Draft
3 September 2009

#74414: 2nd Draft
August 2009

#73451: 1st Draft
June 2009

Addendum A:

CODE OF CONDUCT AGREED TO BETWEEN MEMBERS OF THE SOUTH AFRICAN INSURANCE ASSOCIATION AND THE BANKING ASSOCIATION ON HOW TO DEAL WITH MOTOR VEHICLE SALVAGE

1. INDEX

2. THE PURPOSE OF THE CODE

The purpose of the Code on Motor Salvage between the insurance and banking industries is to resolve the differences in approach between finance houses and insurers in terms of the status codes of vehicles.

Insurers and Vehicle Finance Houses have a moral duty to the general public to safeguard them from unscrupulous operators who are selling and or putting back in use unfit and unsafe vehicles as code 2 vehicles, which should have been deregistered.

3. DEFINITIONS

The following terminology and NaTis Codes will be used in all correspondence between insurers and finance houses.

3.1 NaTis Codes

The four life cycle status codes for a motor vehicle on NaTis are;

a.) Code 1 - New

New vehicles delivered by a dealer to the first owner.

b.) Code 2 – Second Hand

Used vehicles with one or more previous owners.

c.) Code 3 - Permanently Unfit For Use

Code 3 vehicles are Code 1 or 2 vehicles involved in an incident, and subsequently being declared unfit for use as a motor vehicle, such motor vehicle

may be rebuilt however will forever reflect a code 3 allocation and undergo the stringent procedures set out in the legislation. A vehicle is “Permanently unfit for Use”, when the extent of the damage includes structural defects that require substantial rebuilding.

d.) Code 4 - Permanently Demolished

Permanently demolished, means that the chassis of a motor vehicle has been a.)Compacted; b) compressed; c) melted; d) destroyed d; or e) damage to such an extent that the motor vehicle concerned cannot be made roadworthy and the chassis cannot be used to build a motor vehicle”.

3.2 Uneconomical to Repair

A vehicle is “uneconomical to repair” when, cost of parts, the availability of parts, the repair duration and vehicle rental costs are high. The status of the vehicle will not be altered.

Therefore in the insurer’s discretionary opinion the vehicle is uneconomical to repair, but structurally sound.

3.3 Dealer Stock

Where vehicles are declared uneconomical to repair, vehicles are registered in the name of the insurance company as the titleholder of the vehicle.

4. PROCESSES THAT WILL BE FOLLOWED

4.1 Responsibility of the Insurance Company

- Insurers undertake to exercise sound judgement and to take extreme care in making decisions relating to the repair and status of accident-damaged vehicles.
- Insurers and their appointed assessors will make this decision and instruct Finance Houses accordingly.

4.1.1 Damaged Vehicles

An insured vehicle, involved in an accident, is always assessed by an Insurer appointed specialist (the motor vehicle engineer or motor assessor) to determine the extent of the damage. Depending on the extent of the damage, the vehicle will either be repaired, declared uneconomical to repair or unfit for use as a motor vehicle.

Based on the information provided by the specialist report, the insurer will determine whether the vehicle should be permanently demolished, is permanently unfit for use or is declared uneconomical to repair.

Permanently Demolished - If a vehicle is declared "permanently demolished" (Code 4), the vehicle will be demolished. The insurer will request the Finance House to change the status of the vehicle on the NaTis system to a Code 4 on settlement and to deregister the vehicle.

Permanently Unfit For Use - If a vehicle is "declared permanently unfit for use" (Code 3), the vehicle will be written off. The insurer will request the Finance House to change the status of the vehicle on the NaTis system to a Code 3 on settlement.

Declared Uneconomical To Repair - If a vehicle is "declared uneconomical to repair", the status of the vehicle will be or remain that of a Code 2 vehicle. The Insurer warrants that these vehicles are structurally sound and have the capability of being repaired. The vehicle will be ***Dealer stocked*** into the name of the insurer as the titleholder of the vehicle before selling it as salvage.

4.1.2 Control over Motor Engineer/Assessors

It is the responsibility of Insurers to control and issue instructions to their motor engineers or assessors. The Motor Engineers report must be completed and it is required that the reason(s) must be specified to why a vehicle is declared as; uneconomical to repair, permanently unfit or demolished.

The report must contain photos of the vehicle and the Motor Engineer must specify the vehicle status in line with the definitions listed, enabling the claims handler to request a change in status code where required. It is of utmost importance that the motor engineer determines the safety of any possible repair beyond a shadow of doubt, according to the manufacturer and SABS safety standards. No guarantee can be given for repairs, which have been done and do not conform to SABS safety standards.

Insurers are mindful of the fact that in the case of accident-damaged vehicles, Finance Houses are at risk of refinancing vehicles that should have been demolished or changed to the status of "rebuilt". Moreover, that the public might be endangered if the required process is not followed.

4.1.3 Stolen Vehicles

An insured vehicle that is stolen and not recovered is settled once the claims process has been completed. The final step of this process is obtaining confirmation that the vehicle had not been recovered. Post settlement, the Insurer will request the Finance House, as titleholder, to deregister the vehicle as stolen. The licensing authorities will require an additional letter from the Finance House stating the reason for deregistration. The Insurer's instruction to the Finance House will serve as this letter.

4.2 Responsibility of the Finance House

- In all circumstances, the Finance House will notify TransUnion HPI of the reason for the settlement. Hence, even in the case of vehicles that are settled as uneconomical to repair, the Finance House will notify TransUnion HPI who will record this information against the vehicle history.

- The Finance Houses will; notify the insurer concerned immediately should it come to their attention that;
  a.) Any vehicle which should, upon reasonable inspection, have been declared permanently unfit for use, have actually been declared uneconomical to repair.
  b.) An insurer has failed to register vehicles that have been declared uneconomical to repair into their own name prior to selling such vehicles.

It is agreed that the;

- Finance Houses are entitled to view/audit the assessor's report in terms of any vehicle in which they have an interest.
- Disposal by the insurer then places the requirement for a roadworthy test to be passed on to the subsequent owner prior to re-registration.
- South African Insurance Association will publish this Code together with the signatories thereto on the SAIA webpage – www.saia.co.za

DATE OF INCEPTION OF ORIGINAL AGREEMENT : As per each signatory

TERMINATION: This Agreement is subject to one month's notice unless otherwise determined.

NAME OF COMPANY:_____

SIGNED:_____

DATE:_____

GUIDELINES FOR THE "SAIA CODE OF SALVAGE"

1.INTRODUCTION

The motor vehicle status codes (i.e. code 1, 2, 3 and 4) have been contentious and the subject of extensive discussion for many years. The SAIA Code of Salvage workgroup has done a great deal of work in an attempt to address this matter and specifically to determine guidelines to follow when "coding" accident-damaged vehicles.

2.OBJECTIVE OF THIS DOCUMENT

The objective of this document is to:

- Give a better understanding of the motor vehicle life cycle statuses, as determined in the National Road Traffic Act (Act 93 of 96) (Act) and the National Road Traffic Regulations, 2000 (Regulations) and enforced by the National Traffic Information System (eNaTIS); and

- To propose guidelines that must be attached as an Addendum to the "SAIA Code of Salvage" and to encourage consistency in the Insurance Industry.

3.CURRENT STATUS CODES AND LEGISLATION

3.1 Status codes are not defined in the Act and Regulations

The Act and the Regulations do not define the "status codes". The so-called codes 1, 2, 3 and 4, that are widely used by the insurance industry, are in fact eNaTIS lookup table values and have no legal standing.

However, the Regulations do refer to the life cycle status of motor vehicles. Although the life cycle statuses (with the exception for the status "permanently demolished"), are also not defined, the Regulations provide guidelines to determine the ***life cycle status*** of a motor vehicle as implemented on the eNaTIS.

3.2 Motor vehicle life cycle status

The following life cycle statuses are identified:

3.2.1 New (code 1)

A motor vehicle will have a life cycle status of "New" (so called status 1) after it has

been registered and is required to be licensed for the first time.

The registration of motor vehicles as dealer stock (exempted from licensing) does not change the status of the motor vehicle.

3.2.2 Used (code 2)

A motor vehicle will have a life cycle status of “Used” (so called status 2) after registering the motor vehicle as “liable for licensing” (not dealer stock) in three instances:

- If such vehicle was ***previously registered*** as being liable for licensing and the status of the vehicle was recorded as “new” or “used”;

- If such vehicle was deregistered as being ***stolen*** and the status of the vehicle was recorded as “new” or “used” prior to such de-registration (Regulation 13 (5)); or

- If such vehicle was de-registered as being ***exempt from registration*** and such exemption was withdrawn or no longer applies and the status of the vehicle was recorded as “new” or “used” prior to such de-registration (Regulation 13 (5)).

The registration of motor vehicles as dealer stock (exempted from licensing) does not change the status of the motor vehicle.

3.2.3 Built-up (code 3)

According to Regulation 13 (4), a motor vehicle will have the status of “built-up” (so called status 3) after registering the motor vehicle as being liable for licensing in four circumstances:

- If such vehicle was previously deregistered as ***permanently unfit for use***;

- If such motor vehicle was previously registered as ***“built-up”***;

- If such motor vehicle is being registered for the first time, and it has been manufactured, built, modified or imported by an ***unregistered*** manufacturer, builder or importer (MIB) and a certification of roadworthiness was not issued to it; or

- If such motor vehicle is being registered for the first time, and it has been manufactured, built, modified or imported by a registered MIB which was registered subject to the ***condition*** that the motor vehicle will have a status of “built-up”.

Regulation 13 is clear when a vehicle will have a status of “built-up” after re-registration, but it does not determine when a motor vehicle must be deregistered as “***permanently unfit for use***”. The Act and the Regulations do not define this term and leave this decision to the ***title holder*** (e.g. bank). If the vehicle was previously deregistered as permanently unfit for use, it will have a status of “built-up” (so called status 3) after it is re-registered.

***Note**: A motor vehicle will have a life cycle status of "Used" (**not "built-up"**) after registering the motor vehicle as being liable for licensing, if such vehicle was de-registered as being **stolen** and the status of the vehicle was recorded as "new" or "used" prior to such deregistration. If the status of the vehicle was "built-up", it will retain this status.*

3.2.4 Permanently Demolished (code 4)

A motor vehicle is recorded as **permanently demolished** (so called status 4) if such vehicle was **de-registered** in terms of Regulation 55 as permanently demolished. Thus, **permanently demolished** is not a real life cycle status but a reason for deregistration (it is the same as "permanently unfit for use").

Regulation 1 provides that "permanently demolished" means that the chassis of a motor vehicle has been:

(a) compacted;
(b) compressed;
(c) melted;
(d) destroyed; or
(e) damaged;

to such an extent that the motor vehicle concerned cannot be made roadworthy and the chassis cannot be used to build a motor vehicle.

Thus, a motor vehicle is "permanently demolished" if it is not physically possible to repair the motor vehicle to a state where it can be made roadworthy.

Title Holders (e.g. banks and insurers) must deregister vehicles accordingly if the vehicle cannot be repaired to a roadworthy state.

Regulation 13A determines that a motor vehicle which was deregistered in terms of regulation 55 as "permanently demolished" shall not be registered again.

3.2.5 Uneconomical to Repair

This terminology does not form part of the Act or the Regulation and is not provided for on the eNaTIS.

4.PROPOSED GUIDELINES FOR THE "SAIA CODE OF SALVAGE"

The SAIA Code of Salvage was used as a basis of informing the principles considered in the formulation of the Guidelines; this is also to ensure compliance with the requirements of the Act and Regulations.

4.1 Stolen recovered vehicles

A stolen recovered motor vehicle that was not involved in an accident will have a life cycle status of ***"Used"*** if the status of the vehicle was "new" or "used" prior to the theft of the vehicle.

If the status of the vehicle was **"Built-up"** before the theft, it will retain this status.

If a recovered vehicle was involved in an accident while it was stolen, the requirements for accident-damaged vehicles will be used to determine the status of the vehicle.

4.2 Accident-damaged vehicles

The following guidelines are proposed.

4.2.1 Economical to Repair (Not written-off)

These vehicles are vehicles that:

- Have no major structural damage;
- Can be repaired to the specifications of the original manufacturer;
- Can be repaired to a roadworthy state; and
- Have not been declared uneconomical to repair by an assessor (e.g. damage does not exceed 60% to 70% of value of vehicle).

A change of ownership will not take place (i.e. vehicles will not be registered into the name of insurance company) and will not be deregistered by the title holder as "permanently unfit for use" or "demolished".

These vehicles will keep its original status code (e.g. "New" (code 1) or "Used" (code 2)).

4.2.2 Written-off vehicles

Written-off vehicles are vehicles where the insurance company decided not to repair the vehicle (e.g. where the damage exceeds 60% to 70% of the value of the vehicle). These vehicles are classified into a number of status codes ranging from code 2 (where the vehicle is uneconomical to repair, but can be safely repaired) to code 4 (where it is "permanently demolished"). This paragraph proposes guidelines to determine the status of a vehicle. Please note that these guidelines can be seen as *"minimum standards"* and that the insurance company can decide to be strict in classifying vehicles. It is recommended that prudent consideration is given to those status codes in line with the spirit of the SAIA Code of Salvage.

4.2.2.1 Code 4 (Permanently Demolished)

4.2.1.1 General guidelines

Vehicles that, according to the assessor:

- Have **unrepairable major structural damage**; and
- *Can **not** be repaired to the specifications of the original manufacturer; and*
- Can **not** be repaired to a **safe and roadworthy** state,

must be declared a code 4.

4.2.2.1.2 Definition of unrepairable major structural damage

The following is guidelines to the insurer to determine when a vehicle has **unrepairable major structural damage**. Vehicles have major structural damage when:

- In the case of a monoshell vehicle, when:
    - The Monoshell is twisted in its entirety;
    - The dome is crushed from overturning and, in the process, the roof pillars are crushed which in turn crushed the firewall or rear cab panel; and
    - The monoshell panels round the vehicle were damaged.
- In the case of a ladder chassis vehicle, when:
    - The body as well as the chassis are severely damaged;
    - The chassis is damaged beyond repair; and
    - The A pillars or firewall is damaged;
- The vehicle has **unrepairable** damage to the safety shell; and
- The vehicle was **burned** out.

4.2.1.3 Legislation and eNaTIS requirements

These vehicles should be registered (dealer stocked in the name of the insurer) and then deregistered as “demolished” as determined by regulation 55. Regulation 13A determines that a motor vehicle which was deregistered in terms of regulation 55 as “permanently demolished” shall not be registered again.

4.2.2.2 Code 3 (Built-up)

4.2.2.2.1 General guidelines

Vehicles that, according to the assessor:

- Only have **repairable structural damage**; and
- **Can** be repaired to a **safe and roadworthy** state; and
- *Can **not necessarily** be repaired to the specifications of the original manufacturer,*

must be declared a code 3.

4.2.2.2.2 Definition of repairable structural damage

The following are guidelines to assist the assessor to determine when a vehicle has **repairable** structural damage. **Repairable** structural damage is:

- Where the vehicle can only be repaired by means of joining two or more body shells together;
- When the chassis needs to be replaced;
- When the load bearing sections of the main rails needs to be cut and welded;
- When the vehicle has sustained major structural damage requiring extensive repairs needed to the chassis, frame and mono;
- Where the vehicle was submersed in saltwater up to the sill panels.

4.2.2.2.3 Legislation and eNaTIS requirements

These vehicles should be registered (dealer stocked in the name of the insurer) and then deregistered as "**permanently unfit for use**" as determined by regulation 55.

4.2.2.3 Used (code 2), but uneconomical to repair

4.2.2.3.1 General guidelines

Vehicles that, according to the assessor, are uneconomical to repair (e.g. damage exceeds 60% to 70% of the value of the vehicle) and the insurance company decides not to repair the vehicle, and:

- Only have minor structural damage;
- **Can** be repaired to a **safe and roadworthy** state; and
- *Can be repaired to the specifications of the original manufacturer,*

can be declared a code 2.

4.2.2.3.2 Definition of minor structural damage

Vehicles that were not classified as code 3 or code 4 vehicles can be classified as code 2 vehicles. Thus, vehicles that **do not have any major structural damage** are vehicles:

- That can be repaired:
    - Without joining two body shells together;
    - Without replacing the chassis;
    - Without cutting and welding the chassis or main rails;
- Have not sustained major structural damage requiring extensive repairs to the chassis, frame and mono;
- Have not been submersed in saltwater up to the sill panels; and
- Have been submersed in fresh water up to the dash and engine.

These vehicles should be registered (dealer stocked in the name of the Insurer) as code 2

5.CONCLUSION

It is imperative that the SAIA ensure the interest of the consumers and the finance houses is protected by adhering to the Guidelines as the de-registration of motor vehicles (as permanently unfit for use, permanently demolished, stolen or exempted from registration) is an important measure to fight motor vehicle-related crime and to improve road safety. Furthermore, the Guidelines should be used as a Training Guide for the training on motor vehicle life cycle statuses