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1. TRANSFORMATION & SOCIAL RISKS

1.2 SAIA Consumer Education Initiative 2013/14

Radio Financial Literacy Project

Scripts for episode 26 of the financial radio drama series, have been distributed for translation and drama recording to radio stations: Umhlobo Wenene FM, Ligwalagwala FM and Munghana Lonene FM. The broadcast schedule for the drama series has also been finalised with the SABC, and will be broadcast in April 2014.

The service provider, Bright Media, has met with insurance experts who have volunteered to participate in the live call-in sessions scheduled to take place after the broadcast of each episode. This follows a workshop held in January, arranged by the SAIA and Bright Media to brief the experts on radio interview etiquette, and to allocate slots for participation by the volunteers. However, due to poor attendance, Bright Media will have individual briefing sessions with each volunteer from 25 February to 3 March 2014. A list of experts who will be available to participate will be distributed to all radio project team members.

A production team, consisting of each station's Programme Manager and Education Co-ordinator and who represented Bright Media, Fani Matsebane and Stanley Zitha from SABC Radio (Johannesburg), visited participating radio stations. The visits resulted in two stations committing to two programme slots per week - starting in the first week of April 2014.

Following the successful workshop held for SAIA members in January 2014 that aimed, to leverage marketing opportunities for the radio project, Hollard has committed to sponsoring 30 hampers worth R1000 for listeners who will participate in the live call-in sessions. These hampers will be shared by the three radio stations. Other SAIA members are welcome to participate in this opportunity.

The Edutainment Comedy Series – Next of Next Week

Production of the 52 episodes of the edutainment comedy series 'Next of next week' was completed at the end of January this year. The editing of the episodes that will endeavour to communicate SAIA's messages are currently being done. Broadcast on transit television is expected to start at the end of March 2014.

Soul City Drama Series

The SAIA has received scripts for comment and approval on 'insurance' messaging from the Soul City telenovela writers. Though the process has taken longer than expected, it will be finalised by the end of March 2014. The contract has also been finalised by both the SAIA and Soul City. Filming is expected to commence when all the scripts have been approved.

☞ **Further information: Lelo Ntshalintshali**
✉ Lelo@saia.co.za

2. INSURANCE RISKS

2.1 Green Geyser Replacement Project (GGRP)

Although SAIA is still in discussion with government to secure funding for this important project. SAIA has also approached other possible funding sources. Though it seems unlikely at this stage that funding for the pilot will be obtained from these institutions, further discussions will be held to provide clarity on how support might be provided.

The pilot project's steering committee will be meeting in late February to explore the possibility of proceeding to pilot the project without funding - as suggested by the SAIA Board last year.

👉 **Further information: Ben Webbstock**
✉ Ben@saia.co.za

2.2 Acid Mine Water (AMW) Study

The Council of Geosciences will be presenting an overview of the acid mine water challenges our country is facing at the "kick-off workshop" later this month. Our original date on 13 February was postponed to accommodate more SAIA members.

SAIA in the meanwhile has arranged a meeting with the Department of Mineral Resources (DMR) to better understand the work that is currently being done on their Strategic Water Management Project. It is expected that the research being conducted on the project will have significant overlap with SAIA's own research and we believe that there is appetite for collaboration between the parties.

👉 **Further information: Ben Webbstock**
✉ Ben@saia.co.za

2.3 Agricultural Risk and Crop Insurance (AGRI)

The Department of Agriculture, Forestry and Fisheries (DAFF) and National Treasury met during January this year to discuss the final document that was presented by Andisa Agri last year.

The National Treasury provided input to the document for Andisa to incorporate by the end of February this year before dissemination to SAIA's project team. DAFF has also indicated that they would like to take the time to obtain the views of the Banking Association, as well as to ensure alignment with the proposed support offered to credit providers by public private partnerships for crop insurance.

SAIA now awaits notification from DAFF for the date of the next stakeholder workshop where the final proposal will be presented.

👉 **Further information: Ben Webbstock**
✉ Ben@saia.co.za

2.4 Finance and Insurance Vehicle System (FIVS)

The FIVS data improvement task team met during February and work has begun on defining a minimum vehicle data specification which it hopes insurers will commit to during the underwriting stage.

We foresee that the project task team will propose a data specification before exploring tools available in the market that will assist insurers to capture vehicle data more easily.

SAIA awaits responses from various solution providers with regard to the Terms of Reference (ToR) document for the development of an industry motor salvage database that was referred to in the Code of Motor Salvage on 31 March.

👉 **Further information: Ben Webstock**

✉ Ben@saia.co.za

2.5 Driver Training (School/ Student Driver Training Project)

The selection process of students to participate in the project has been finalised. The Memorandum of Understanding with Varsity College has also been completed.

The first phase of the project which is, application for learner's licence and driver lessons and testing, will start during early April this year. After completion of the first phase, the driver monitoring and observation processes for a period of approximately six months will commence.

Tracker will be sponsoring the driver monitoring and observation process using advanced cell phone technology and will provide the industry with reports on a regular basis which in turn will be analysed by the SAIA Motor Insurance Committee: Driver.

👉 **Further information: Zakes Sondiyazi**

✉ Zakes@saia.co.za

2.6 Automatic Number Plate Recognition Project (ANPR)

The first three year phase of this project has been successful in increasing recovery of stolen vehicles through the use of the five cameras sponsored by the SAIA motor members and which are installed at designated toll gates on the way to the country's border areas.

The SAIA Board Committee for Insurance Risks, has in principal approved its motor members to continue to be involved with the project for the next three years. This approval is dependent on the outcome of a costing analysis presentation by Business Against Crime South Africa (BACSA), to SAIA and its members.

👉 **Further information: Zakes Sondiyazi**

✉ Zakes@saia.co.za

2.7 Vehicle Damage Quantification Body of South Africa (VDQBSA)

The SAIA Board Committee: Insurance Risks, has approved funding up to a certain level as an interim measure to assist the VDQBSA to take the project to the next level.

A letter of intent has been written to the *South African Quality Authority (SAQA)* to apply to become a professional body and the VDQBSA is in the process of completing a Business Case which will be presented to the Board Committee and the SAIA Board for approval in due course.

👉 **Further information: Zakes Sondiyazi**
✉ Zakes@saia.co.za

2.8 Vehicle Security System Rating List (VSS List)

The monthly meetings between the SAIA Motor Insurance Committee: Vehicle Crime Task Team and VSS Administration Services CC are continuing.

This Task Team together with VSS Administration Services CC is also meeting with the National Association of Automobile Manufacturers of South Africa (NAAMSA) Security Committee Task Team where issues of mutual concern are discussed.

The joint task teams are presently looking at ways to improve the specification of the VSS MIB test going forward, taking into account the improvement in technology over the past few years.

👉 **Further information: Zakes Sondiyazi**
✉ Zakes@saia.co.za

2.9 Fire Strategy Project

The custodian of the Fire Strategy is the Fire Protection Association of South Africa (FPASA). The SAIA is participating in the InFires Steering Committee of the FPASA.

A pilot exercise with a municipality in KwaZulu Natal, where iPads with software will be donated to the municipality to assist with the management of the fire responses in the region. The results of this intervention will hopefully lead to municipalities nationwide adopting the system and using the same tools.

SAIA will be meeting with the Head of FPASA on 25 February 2014 to find out more about progress of the pilot exercise and to agree on the next step.

👉 **Further information: Samuel Koma**
✉ Samuel@saia.co.za

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2.10 Water Project

Consultation with relevant role players from academia, a water resource consultant and government agencies, including the Department of Water Affairs, as well as water resources specialists is ongoing.

The purpose of the engagement is to try and obtain access to data on flood, drought, water quality and other related issues in order for the industry to underwrite correctly, and to assist in influencing sustainable risk management.

👉 **Further information: Samuel Koma**
✉ Samuel@saia.co.za

2.11 National Disaster Management Centre (NDMC) Memorandum of Understanding (MOU)

The purpose of the project is to have a Memorandum of Understanding between the National Disaster Management Centre (NDMC) and the insurance industry. Both parties are able to provide relief during a disaster even though relief provided by the insurance industry may be different in nature to that which is provided in terms of the National Disaster Management Act.

SAIA is engaging with the NDMC to arrange a workshop that will address issues such as the perceived duplication of roles of the two parties.

👉 **Further information: Samuel Koma**
✉ Samuel@saia.co.za

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3. GOVERNANCE RISKS

3.1 Treating Customers Fairly (“TCF”)

TCF BASELINE STUDY: FEEDBACK REPORT

3.1.1 TCF FOR SHORT-TERM INSURANCE 2014 – INFORMATION SESSION

SAIA held a TCF workshop on 13 February 2014 to create awareness on developments in the TCF regulatory and supervisory framework. The workshop was to discuss challenges that the industry is experiencing around the implementation of TCF and to give SAIA members a view of the implications.

The workshop included presentations by Leanne Jackson of the FSB who explained the Regulator’s view on TCF for 2014. Mark Dankwerts from KPMG highlighted the TCF difficulties currently being faced particularly with regard to management information.

Approximately a 100 SAIA member representatives attended the very informative workshop.

3.1.2 TCF ALIGNED CUSTOMER COMPLAINT MANAGEMENT BY REGULATED FIRMS

Following the work done in 2013 by the FSB’s TCF Outcome 6 Workgroup on the development of complaint categories under TCF for the purpose of non-public reporting by regulated firms, the FSB at its recent TCF Steering Committee meeting tabled the 3rd version of the draft proposed framework for TCF aligned customer complaint management by regulated firms, as well as a detailed feedback document on the previous submissions by industry stakeholders on the previous versions.

The newest version of the document is currently being considered by members of the FSB TCF Steering Committee and the Outcome 6 Workgroup.

The SAIA Outcome 6 workgroup will submit its final comments by 28 February 2014, after which the FSB will issue the draft framework document for broader comment by the financial services industry.

👉 **Further information: Lezanne Botha**

✉ Lezanne@saia.co.za

3.2 Financial Services Laws General Amendment Act (“Omnibus Act”)

National Treasury issued a Government Notice on 19 February 2014, detailing the various dates for commencement of certain sections of the Financial Services Laws General Amendment Act, 2013 (“Omnibus Act”).

The Minister of Finance has approved 28 February 2014 as the commencement date for the Omnibus Act. Most provisions in the Omnibus Act will commence on 28 February 2014. The Minister, however, can determine different dates of commencement for certain provisions of the Omnibus Act in terms of its Section 266(2).

Specific reference is made to the following provisions relevant to the short-term insurance industry, which have been delayed:

1. Provision effective: 30 May 2014

Section 186 (d) of the Omnibus Act amends Section 13 (1) of the Financial Advisory and Intermediary Services Act 37 of 2002 (“FAIS Act”).

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

“A person may not-

- (a) carry on business by rendering financial services to clients for or on behalf of any person who-*
 - (i) is not authorised as a financial services provider; and*
 - (ii) is not exempted from the application of this Act relating to the rendering of a financial service; or*
- (b) act as a representative of an authorised financial services provider, unless such person-*
 - (i) is able to provide confirmation, certified by the provider, to clients-*
 - (aa) that a service contract or other mandatory agreement, to represent the provider, exists; and*
 - (bb) that the provider accepts responsibility for those activities of the representative performed within the scope of, or in the course of implementing, any such contract or agreement; and*
 - (ii) if debarred as contemplated in section 14, complies with the requirements determined by the registrar, after consultation with the Advisory Committee, by notice in the Gazette, for the reappointment of a debarred person as a representative.”*

Section 13 (1) of the FAIS Act, as amended by the Omnibus Act, will state as follows:

“A person may not-

- (a) carry on business by rendering financial services to clients for or on behalf of any person who-*
 - (i) is not authorised as a financial services provider; and*
 - (ii) is not exempted from the application of this Act relating to the rendering of a financial service;*
- (b) act as a representative of an authorised financial services provider, unless such person-*
 - (i) is able to provide confirmation, certified by the provider, to clients-*
 - (aa) that a service contract or other mandatory agreement, to represent the provider, exists; and*

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(bb) that the provider accepts responsibility for those activities of the representative performed within the scope of, or in the course of implementing, any such contract or agreement; and

(ii) if debarred as contemplated in section 14, complies with the requirements determined by the registrar, after consultation with the Advisory Committee, by notice in the Gazette, for the reappointment of a debarred person as a representative; or

(c) render financial services or contract in respect of financial services other than in the name of the financial services provider of which such person is a representative.”

2. Delayed provisions which shall come into operation on a date to be determined by the Minister in a notice published in the Government Gazette:

2.1 Section 61 of the Omnibus Act: Section 18(3) of the Financial Services Board Act, 1990 will state as follows:

“Consultation

(3) The Minister must prescribe a code of norms and standards for consultation for the board and Registrars as referred to in Financial Services Board legislation, which must-

(a) incorporate the following principles, namely that the-

(i) appropriate stakeholders to be consulted must be identified;

(ii) the purpose and scope of consultation must be clear;

(iii) the timing, medium and process of consultation must be appropriate, proportional and transparent;

(iv) consultation material must be clear; and

(v) stakeholder input must be considered and feedback provided; and

(b) stipulate requirements and standards relating to publication.”

The NT indicated that the reason for delaying this provision is to allow for Code of Conduct process to be finalised which process will include consultation with industry.

2.2 Sections 109 (e), (k) and (l) of the Omnibus Act amends Section 1 of the Short-term Insurance Act, 1998:

Section 109 (e) - Section 1 of the Short-term Insurance Act, 1998 (in this Part referred to as the principal Act), is hereby **amended**— (e) by the deletion in subsection (1) of the definition of “*independent Intermediary*,”

Section 109 (k) –Section 1 of the Short-term Insurance Act, 1998 (in this Part referred to as the principal Act), is hereby **amended**— (k) by the deletion in subsection (1) of the definition of “*representative*.”

Section 109 (l) - Section 1 of the Short-term Insurance Act, 1998 (in this Part referred to as the principal Act), is hereby **amended**— (l) by the deletion in subsection (1) of the definition of “*services as intermediary*.”

These provisions will be implemented following the Retail Distribution Review.

2.3 Section 114 (d) of the Omnibus Act amends Section 8 of the Short-term Insurance Act, 1998:

Section 8. “*Prohibition on use of certain words, or performance of certain acts, by certain persons* –

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Section 8 (5): An independent intermediary shall not charge, in addition to any remuneration contemplated in section 48, any fee which is payable by a policyholder, unless the amount thereof is disclosed expressly and separately to the policyholder by the intermediary.”

Section 8 of the Short-term Insurance Act, 1998 is hereby **amended**— (d) by the deletion of subsection (5).

This deletion will be implemented following the Retail Distribution Review.

2.4 **Section 135 of the Omnibus Act substitutes Section 48 of the Short-term Insurance Act, 1998:**

Section 48 of the Short term insurance Act currently states as follows:

“Independent intermediaries: remuneration

No consideration shall be offered or provided by a short-term insurer or a Lloyd’s broker or a representative of such insurer or broker or any person on behalf of such insurer or broker, or accepted by any independent intermediary, other than commission or remuneration contemplated in the regulations and for rendering services as intermediary otherwise than in accordance with the regulations.”

Section 48 of the Short term insurance Act , as amended by Section 135 of the Omnibus Act, will state as follows:

“Limitation of remuneration

*No consideration shall be offered or provided by **or on behalf of** a short-term insurer, a Lloyd’s broker, **a policyholder or any other person**, or accepted by any independent intermediary **or any other person, for rendering services referred to in the regulations**, other than commission or remuneration contemplated in the regulations and otherwise than in accordance with the regulations.”*

2.5 **Section 264 of the Omnibus Act amends Section 1 of the Medical Schemes Act, 1998:**

Section 1 of the Medical Schemes Act, 1998 currently states as follows:

1. Definitions:

“business of a medical scheme” means the business of undertaking liability in return for a premium or contribution—

- (a) *to make provision for the obtaining of any relevant health service;*
- (b) *to grant assistance in defraying expenditure incurred in connection with the rendering of any relevant health service; and*
- (c) *where applicable, to render a relevant health service, either by the medical scheme itself, or by any supplier or group of suppliers of a relevant health service or by any person, in association with or in terms of an agreement with a medical scheme.”*

Section 1 of the Medical Schemes Act, 1998 as amended by Section 264 of the Omnibus Act, will state as follows:

1. *“business of a medical scheme” means the business of undertaking, in return for a premium or contribution, **the liability associated with one or more of the following activities:***

- (a) ***providing*** for the obtaining of any relevant health service;
- (b) ***granting*** assistance in defraying expenditure incurred in connection with the rendering of any relevant health service; or

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- (c) **rendering** a relevant health service, either by the medical scheme itself, or by any supplier or group of suppliers of a relevant health service or by any person, in association with or in terms of an agreement with a medical scheme.”

Section 264 of the Omnibus Act has been delayed to allow for the Demarcation Regulations to be finalised. It is envisaged that the revised second draft of the Demarcation Regulations will be released for a further 60 day period of public comment by the end of March 2014. The final Demarcation Regulations are then expected to be published in the third quarter of 2014.

The SAIA will circulate the commencement dates of the aforesaid provisions as and when same are published in the Government Gazette.

👉 **Further information: Easvarie Naidoo**

✉ Easvarie@saia.co.za

3.3 Solvency Assessment and Management (SAM)

Insurance Laws Amendment Bill (ILAB) Update

The proposed Financial Services Board's (FSB) Solvency Assessment and Management (SAM) Light Parallel Run Phase is four months away. The SAM Light Parallel Run, is scheduled to take place from 1 July 2014 to 31 December 2014 and it will test a number of set components - spanning all three Pillars of the FSB's SAM Governance Structure.

One of the suggested components that the Light Parallel Run will expect of insurers and reinsurers is the compliance with the requirements of the Insurance Laws Amendment Bill (ILAB) which was anticipated to be in place by 1 January 2014.

The main objective of the ILAB is to act as a mechanism whereby insurers and reinsurers are able to build towards compliance with the final SAM requirements following a phased-in approach as well as to improve current shortcomings identified in the Short-term Insurance Act (Act No. 53 of 1998).

In a communication issued by the FSB on the 17 December 2013 mention was made that the ILAB process had fallen behind schedule and that the aforementioned implementation date would not materialise.

The National Treasury (NT) is, according to information, pursuing processes to have the ILAB enacted by Parliament by July 2014.

However, should the above not take place as desired, the FSB and NT will consider alternative methods of implementing these ILAB requirements in time for the Light Parallel Run.

Comments received from the industry and that had been submitted to the NT on the ILAB are receiving the necessary attention and responses from the NT will be released to the industry for consideration once the NT has completed its review.

The SAIA strongly encourages members to continue with their preparations in order to comply with the ILAB requirements until further clarity has been obtained.

The SAIA SAM Project Support Office (PSO) will monitor developments surrounding the ILAB Project closely and report progress and challenges encountered, to members.

👉 **Further information: Gareth van Deventer**

✉ Gareth@saia.co.za

4 CIRCULARS

4.1 Circulars: February 2014

SAIA General

- SG 2014/013 Financial Advisory Intermediary Services (FAIS) Update On Regulatory Examination For Foreign Financial Services Providers
Contact: Promise Mhlanga
- SG 2014/014 Draft Specimen Ruling Application For Marine And International Travel
Contact: Candy Lucas
- SG 2014/015 Comments On Proposed Quarterly Conduct Of Business Return
Contact: Tamara Jansen
- SG 2014/016 IGF Credit Intermediaries And Cancellation List Status 31 January 2014
Contact: Thembi Mokoena
- SG 2014/017 An Invitation To Nominate Candidates For The SAIA Communication Committee
Contact: Amanda Oosthuis
- SG 2014/018 South African Revenue Services (SARS) VAT BRG14 And Draft Ruling
Contact: Candy Lucas
- SG 2014/019 South African Revenue Services (SARS) VAT BRG14 And Draft Ruling Update
Contact: Candy Lucas
- SG 2014/020 South African Police Services (SAPS) Request For Data On Vehicle Crime Fraud And Other Crime Activities Within The Short Term Insurance
Contact: Marina Adonis
- SG 2014/021 SAIA Request For Information: South African Revenue Services (SARS) VAT BRG14 Individual Insurer Ruling Application
Contact: Candy Lucas
- SG 2014/022 South African Revenue Services (SARS) Response On The Draft Ruling And On The Implementation Of Binding General Ruling BGR14
Contact: Elaine Johns
- SG 2014/023 Financial Services Board (FSB) Information Request On Personal Lines Claims Reported In The 2013 Calendar Year
Contact: Prisca Masuku
- SG 2014/024 Commencement Date Of The Financial Services Laws General Amendment Act 45 Of 2013
Contact: Prisca Masuku
- SG 2014/025 Reminder And Final Draft Specimen Ruling Application For Marine And International Travel
Contact: Candy Lucas
- SG 2014/026 Final Reminder Individual Ruling Applications
Contact: Candy Lucas

AMUSA

- AM 2014/003 Casualty Advice Line Galaxy and FEI HE
Contact: Modiehi Rakhatoe
- AM 2014/004 AMUSA Basic Marine Education Day 11 March 2014
Contact: Modiehi Rakhatoe

SAIA Managing directors

MD 2014/001 Urgent Invitation To Review Participation On SAIA Legal And Compliance Committee

Contact: Promise Mhlanga

MD 2014/002 Invitation To Join The SAIA Transformation And Steeling Committee

Contact: Gail De Almeida

Motor

MT 2014/001 SAARSA

Contact: Marina Adonis

👉 Further information: Itumeleng Tabane

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IMPORTANT NOTICE

For more information about this Bulletin and its content contact Tessa Kerspuy, SAIA Graduate: Communications and Stakeholder Relations.

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