SAIA Bulletin
Newsletter of the South African Insurance Association

SAIA - ☎ (011) 726 5381 May 2014 - Issue No. 05/14

Content

1 UPCOMING INDUSTRY EVENTS

1.1 The Insurance Conference Southern Africa

The Insurance Conference South Africa will be held in Sun City on 27- 30 July 2014. Please follow the link below for more information.

☞ **Further information: Pat Hunter**
✉ **pathunter@iisa.co.za**

1.2 InFIReS Seminar 2014

The Fire Protection Association of Southern Africa (FPASA) is pleased to announce the inaugural InFIReS Seminar. The seminar takes place on 24 July 2014, at Emperors Palace Convention Centre in Kempton Park.The event will provide feedback on projects and representation in which the FPASA is involved and address topical issues of concern in the insurance industry.

Content for the seminar include a greater understanding of current fire-related insurance issues such as:

- National Fire Loss Statistics
- Rational Design Review
- Commercial Kitchens
- Modern Developments in Building Construction
- Lightning Protection
- Thatch Risk – Case Study

Seminar Fee:

- FPASA Insurer Stakeholder Members receive free access to the seminar Non-Stakeholder Members pay R1 500-00 + R210-00 VAT = R1 710-00

The seminar includes tea, lunch and a networking session.

Payment details for the seminar:

FPASA Banking Details: FNB
Branch: Park Place East
Branch Code: 252 605
Account No.: 556 300 15458

Don't delay - booking closes on 30 June 2014.
Seating is limited.

Accommodation booking and expenses are the responsibility of the delegate. For enquiries about accommodation at the conference venue contact the Peermont Group on (011) 928 1000 or E-mail: info@emperorspalace.com.

☞ **Further information: Saritha Wolff**
✉ **technical@fpasa.co.za**

---

2 TRANSFORMATION & SOCIAL RISKS

2.1 SAIA Consumer Education Initiative 2013/14

2.1.1 Radio Financial Literacy drama series

The broadcast of the financial literacy drama series on Munghana Lonene FM and Ligwalagwala FM started, with both radio stations airing four episodes in the first two weeks of the broadcast period. The third station, Umhlobo Wenene FM aired the first episode on 27 May. However, all stations are on track to complete the series within the agreed project timeframe. The live radio call-in sessions have also done extremely well, with insurance experts from member companies providing insightful information to callers.

2.1.2 Edutainment Comedy Series – Next of Next Week

The edutainment comedy series, Next of Next Week is currently being broadcast on e.tv. The 13-episode comedy series is aired every Friday, at 18:26. So far, the series has received positive reviews from the channel's audiences.

The filming for the **Soul City drama series** has also started. The series will include storylines on financial literacy and other social issues.It will be broadcast on SABC 1 in August, 2014.

2.2 2014/15 SAIA Consumer Education Initiative

The SAIA is still in the process of receiving pledges from members for the 2014/15 Consumer Education Initiative, which starts in July 2015. We thank the SAIA members for their contributions. The SAIA adheres to a strict project timeline to ensure that the project is finalised according to the Financial Sector Code's agreed timeframe on consumer education projects.

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

---

3 INSURANCE RISKS

3.1 Green Geyser Replacement Project

The Department of Energy (DoE) has informed the SAIA that budget has formally been allocated to support the high consumption market, (as opposed to only the social market). The DOE values insurers' support, given the role the industry can play in assuring quality installations as well as maintained energy saving in the market through future replacements.

The SAIA is awaiting a formal position from the DOE on how it could support the Green Geyser Replacement Project (GGRP) in terms of a rebate. Once the SAIA has this information the Project Steerco will need to consider, along with possible alternative models proposed, whether it is viable to proceed with the project.

3.2 Acid Mine Water Study

The SAIA has engaged with external stakeholders to understand the risks relating to Acid Mine Water (AMW). Three broad risks, namely the amplification of seismic activity, localised flooding and increased sinkhole occurrences were tabled. Ultimately these risks lead to damage and subsequent claims on infrastructure, property, fire, business continuity, health or injury and agriculture insurance classes.

The project is now in the process of sourcing the available reports on whether or not AMW leads to increased seismic activity and sinkholes, and also to understand water quality and seepage patterns. The intent is to confirm if the risks identified are increasing as a result of AMW and if the insurance project should continue its work to better understand these risks.

3.3 Agricultural Risk and Crop Insurance

This project has been in a waiting phase since the last SAIA Bulletin update.

Participating insurers submitted their comments to the Department of Agriculture, Forestry and Fisheries (DAFF) on the final draft of Andisa Agri's proposal for a state supported insurance framework.

The SAIA's next engagement with DAFF will be in the form of a stakeholder workshop which will take place in June 2014.

3.4 Finance and Insurance Vehicle System

The Finance and Insurance Vehicle System (FIVS) project data task team has suggested a minimum data specification for vehicles at an underwriting stage, a claims stage and a salvage stage and is currently waiting for outstanding feedback from project members regarding the practicality of committing to capture and subsequently share this data.

The parallel process of selecting a solution provider to develop an industry motor salvage database has seen the project team conduct a round of interviews with companies who submitted the top four ranked proposals. A final request for additional information will be sent to these members before the project is able to motivate a choice to the SAIA Board.

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

3.5 Memorandum of Understanding with the Road Accident Fund

The SAIA met twice with the Road Accident Fund (RAF) on the proposed Memorandum of Understanding (MOU) to discuss concerns and potential needs in view of the concerns raised by the SAIA Board Committee: Insurance Risks and the SAIA Board in recent meetings. The first meeting held on 18 March 2014, and a second meeting took place between the SAIA, the South African Insurance Crime Bureau (SAICB) and the RAF on 14 April 2014.

The following points were agreed to:

- An MOU between all three parties would be more advantageous to all.
- The RAF will draft a second draft MOU for consideration, based on the aforementioned input and discussions.
- The SAICB and the RAF will meet on the technical issues, and potential touch points, which will be added to the second draft MOU as an addendum

3.6 Thatcham Group Rating Scheme

The SAIA has been in communication with the Thatcham Group to address some of the technical questions raised by its members regarding establishing a Group Rating System in South Africa.

On 8 May the SAIA Board Committee: Insurance Risks, agreed to extend an invitation to Thatcham to come to South Africa to present their model directly to its members.

3.7 Salvage Management

Following feedback received from the Code of Salvage Task Team concerning the write off threshold on motor vehicles, it was decided to update Clause 4.2.2 “Written-off motor vehicles” as contained in the Code of Motor Salvage to read as follows:

- Written-off motor vehicles are motor vehicles where the insurance company decided not to repair the motor vehicle (e.g. where the damage exceeds a certain percentage of the value of the motor vehicle which would differ from insurer to insurer in accordance to their internal procedures and in the best interest of policyholders). Currently, clause 4.2.2. Reads as follows: *“Written-off motor vehicles are motor vehicles where the insurance company decided not to repair the motor vehicle (e.g. where the damage exceeds 60% to 70 % of the value of the motor vehicle).*

In the spirit of treating customers fairly, SAIA members should consider requests from customers who do not wish for their vehicles to be written off. This is necessary in light of the fact that the SAIA has received input from the Ombudsman for Short-term Insurance (OSTI) about the number of complaints received from policyholders regarding the writing-off of their vehicles, and the perceived unfair treatment in this regard. The SAIA will be meeting with the OSTI to obtain further input on the implications of lowering the write-off threshold of motor vehicles.

3.8 Automatic Number Plate Recognition Project

The existing contract whereby the SAIA contributed to the Business Against Crime South Africa (BACSA) and South African Police Service (SAPS) Automatic Number Plate Recognition Project (ANPR) by sponsoring five cameras is going ahead. BACSA is in the process of finalising a detailed project plan for the next three years, which will be submitted to the SAIA Board Committee: Insurance Risks, and the SAIA Board for approval.

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

---

4 GOVERNANCE RISKS

4.1 Revised Second Draft Demarcation Regulations Published for Comment

On 30 April 2014, the National Treasury (NT) published its revised second Draft Regulations for public comment by 7 July 2014. The revised Draft Short-term Demarcation Regulations included a drafting error. The correct position in terms of the aggregated policy limits for category 1 and 2 is set out in the explanatory memorandum to the Regulations and are as follows:

- For category 1 "*medical expense shortfall cover*" - R50 000 per individual per annum;
- Category 2 "*lump sum or income replacement policy benefits payable on a health event*" – R3 000 per individual per day.

The NT confirmed that it would shortly be releasing a frequently asked questions list to provide further clarity to certain aspects of its draft Regulations. The SAIA is in the process of engaging with the NT and the Financial Services Board (FSB) on the Draft Regulations.

The main issues addressed in the NT's revised Demarcation Regulations include:

- Allowing for gap products to continue with an aggregated policy limit of R50 000 per individual per annum;
- Allowing for hospital cash plans with a cap of R3 000 per day;
- Prohibition on health insurance policies from unfairly discriminating based on certain criteria. The intention is to prohibit risk-rating the categories of health policies listed in the revised Draft Regulations;
- Capping the commission on health insurance in line with that on medical scheme products, which was adjusted by the Minister of Health on 15 May 2014 with an implementation date of 1 February 2014 to R71,07 plus VAT per month or 3% plus VAT of the contributions payable whichever is the least;
- Limitation on bundled type health insurance products which replicate medical scheme;
- The "*file and use*" system remains in the second Draft which provides for insurers to file health insurance products with both the FSB and the Council for Medical Schemes.
  The "*file and use*" system gives broad powers to the Regulator for products to be corrected, discontinued, or modified and is used in several jurisdictions such as the US and India.

Once the revised Demarcation Regulations are law, the provision in the current Financial Services Laws General Amendment (Omnibus) Act amending the Medical Schemes Act definition of a "*business of a medical scheme*" will be made effective.

☞ **Further information: Suzette Strydom**
✉ **Suzette@saia.co.za**

4.2 Consumer Credit Insurance

- **National Credit Amendment Act**

  The National Credit Amendment Act was enacted and will come into force on a date still to be determined by the President. Of relevance to the insurance industry is the provision for the capping on Consumer Credit Insurance (CCI) premium as provided for in the amendment to section 106 of the National Credit Act, which reads as follows:

  > "(*8) The Minister may, in consultation with the Minister of Finance, prescribe the limit in respect of the cost of credit insurance that a credit provider may charge a consumer*. "

- **CCI Discussion Document**

  Proposed policy decisions on the regulation of CCI are expected in a Discussion Document to be released for comment shortly.

☞ **Further information: Suzette Strydom**
✉ **Suzette@saia.co.za**

4.3 Alternative Measures to Replace the Insurance Laws Amendment Bill, 2013

South Africa's fourth democratic Parliament had its last sitting in March 2014, which marked the automatic lapse of all Bills that were tabled, but not passed during the fourth democratic Parliament's term in office. South Africa's fifth democratic election took place on 7 May 2014, which has resulted in the formation of the fifth democratic Parliament. All lapsed Bills are required to be revived by a motion of Parliament once the new Parliament convenes after the elections.

The Insurance Laws Amendment Bill, 2013 (ILAB, 2013) was tabled in Parliament on 21 June 2013, but due to challenges within the parliamentary schedule of the Standing Committee on Finance in Parliament, the Bill was not passed, in light of which the Minister of Finance requested that the Bill be withdrawn from the parliamentary schedule prior to the National Elections.

This moved National Treasury (NT) and the Financial Services Board (FSB) to consider alternative measures to replace the ILAB in order to provide for interim regulations to strengthen the governance, risk management and internal controls of insurers and introduce insurance group supervision pending the finalisation of the Solvency Assessment and Management (SAM) project.

Consequentially, National Treasury issued an important media statement on 29 April 2014 concerning alternate measures to replace the provisions in the ILAB.

According to the media statement the proposed amendments initially contained in the ILAB will now be given effect as follows:

- Enhanced governance, risk management and internal controls of insurers will be hosted in a Board Notice to be issued by the Registrar of Insurance under section 12 of the Long-term Insurance Act No. 52 of 1998 ("LTIA") and the Short-term Insurance Act No. 53 of 1998 ("STIA").

The draft Board Notice is set to be released for public comment by **June 2014** and a final Board Notice published by November 2014 for implementation by 1 January 2015.

- The formal framework for the regulation and supervision of insurance groups will be provided for in the revised second draft Financial Sector Regulation Bill, 2013 ("Twin Peaks Bill") which is expected to be published shortly. The effective date of implementation of the group-supervision framework will be announced in the second half of 2014.

- Increased licensing requirements for long- and short-term insurers is also set to be included in the revised second draft Twin Peaks Bill, in the form of amendments to the LTIA and STIA, with the anticipated effective date thereof being 1 January 2015.

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

4.4 The SAM Parallel Run

Background

On 30 April 2014 the Financial Services Board (FSB) released the Solvency Assessment and Management (SAM) 2014 Update Document to the industry. This important document provides much needed information and guidance to the insurance industry relating to crucial developments and timelines within the FSB's SAM Project.

Of particular importance to insurers and reinsurers are the details pertaining to the SAM Light and Comprehensive Parallel Run.

In 2014 the SAM project will officially move from the development phase to the implementation phase with the introduction of the Light Parallel run in the second half of 2014, followed by the Comprehensive Parallel run beginning 1 January 2015.

The table below provides a high-level summary of the fundamentals expected from insurers and reinsurers during both Parallel Run Phases:

Component	Light parallel run	Comprehensive parallel run
Timing	1 July 2014 to 31 December 2014	1 January 2015 to 31 December 2015
Pillar I	• Calculations adapted from the SA QIS3 specifications, with a simplified approach to the calculation of the SCR.	• Calculations of financial soundness position for both quarterly and annual calculations. • IMAP firms expected to use internal models to calculate the SCR in addition to the standard formula calculation.
Pillar II	**No Requirements**	• Compliance with the Governance Board Notice • Mock ORSA exercise: The scope and the requirements of the "Mock ORSA" exercise will be informed by the Pillar II readiness follow-up exercise that is being conducted during 2014. The timing

		of the submission of the Mock ORSA results to the FSB in 2015 should tie in with the intended ORSA cycle of the insurer on a business as usual basis, but should be by **no later** than **31 August 2015** Those insurance groups, who are intending to submit an application under SAM for exemption from the solo ORSAs, will be allowed to only submit a group ORSA in the mock ORSA exercise. However, the FSB would like to stress that the exemption from submitting solo ORSAs under SAM will only be granted upon due consideration of the applications received
Pillar III	• Quarterly reporting based on the summary sheets of the QRTs that have been published for comment. • It is expected that the following templates will be required: *DD91 v6 – OF1: Statement of Solvency Position;* *DD91 v6 – OF2: Statement of Assets, Liabilities and Basic Own Funds;* *DD91 v6 – OF3: Statement of Tiering of Own Funds;* *DD91 v3 – D1: Assets;* *DD91 v5 – TPS1: Non-Life Technical Provisions;* *DD91 v5 – TP1: Life Technical Provisions;* *DD91 v6 – MCR: Minimum Capital Requirement; and* *DD91 v6 – SCR: Solvency Capital Requirement* • No full recalculation of the SCR required. • SA QIS3 segmentation will be used for the light parallel run	• Annual and quarterly QRTs, with some exemptions. • Full qualitative reporting requirements • Once the quantitative reporting templates have been developed in June 2014, a communication document will be released to provide clarity to insurers on what information will need to be reported during the comprehensive parallel run. • This will be followed by a full technical specification, to be released in October 2014

Groups	• Smaller groups: No requirements • Larger groups: One bi-annual group calculation, reported in line with SA QIS3	• Interim requirements for groups • Smaller groups: One annual group calculation, reported in line with final SAM measures • Larger groups: Two bi-annual group calculations, reported in line with final SAM measures

Other noteworthy information also contained within the SAM 2014 Update includes:

Target Operating Model:

The SAM project will also necessitate changes within the FSB (and in future the SARB) to enable effective supervision of the new regime. A key project is underway within the FSB to ensure that systems, processes, and staff are adequate to this end. In scoping and managing this project, full cognizance is taken of the Twin Peaks reforms.

Non-Life Thematic Review:

To ensure that non-life insurers are indeed on track to meet the SAM requirements a thematic review on non-life data is planned for the latter half of 2014. During this phase, insurers will be expected to complete quarterly as well as annual returns on the SAM basis in addition to their normal reporting.

This review will provide a deeper understanding of the key data challenges short-term insurers face and highlight both good and poor industry practices. The insights gained will help inform:

- the FSB of insurers that pose a greater risk and therefore require closer attention; and
- the required enhancements to the existing measures to satisfy the overall SAM objectives through improved data quality in the non-life insurance industry

Transitional arrangements:

Transitional arrangements will be legislated and will be applicable from 1 January 2016. They will involve concessions, with specified applicable time periods, on certain requirements stipulated in the SAM framework.

The final transitional arrangements will be described in the primary and secondary legislation. The final transitional arrangements will be based on industry comments made on previous legislative drafts, suggestions from the SAM Economic Impact Study, as well as key findings observed from the Pillar II Readiness exercise.

Proportionality

Pillar I – It is envisaged that proportionality will primarily be addressed through simplifications in the secondary legislation. Although there are currently simplifications in the text, more work is expected to be done in this area by the various task groups before and after the SA QIS3 exercise.

Pillar II – Current proposals for systems of governance indicate some areas where proportionality may be applied. Furthermore, the Pillar II follow-up exercise may highlight some aspects of how proportionality could be applied in the context of the ORSA.

Pillar III – Proportionality will be addressed through thresholds in the reporting requirements. Proposals in this regard are currently being developed by the FIRe Working Group and the Reporting Task Group.

The FSB is furthermore assessing proportionality from an overall industry perspective in order to assist the effective supervision of solo insurers and insurance groups based on the nature, scale and complexity of the risks faced.

Conclusion

The tangible reality of the SAM project will soon be felt with the advent of the Light Parallel Run. A great number of outstanding issues still require completion within the next six months leading up to the all-important Comprehensive Parallel Run.

All SAM stakeholders are strongly encouraged to actively increase participation in the final six months of SAM's Developmental phase.

☞ **Further information: Gareth Van Deventer**
🖂 **Gareth@saia.co.za**

---

5 INDUSTRY NEWS

5.1 STRIDE Launches New Website

STRIDE SA announced the launch of its new and exciting digital home. The new responsive and interactive website which can be viewed on any device including mobile went live on Friday, 9 May 2014.

The new website will give an all-round presence in the digital sphere and will have a 'members only' area where members can login to download vital documents. It will make it easy to share and distribute data and information to relevant parties should a need to do so arise.

The new website with enhanced resources on stridesa.co.za, include an exciting new look, more relevant information in dedicated sections as well as via a news blog, and a subscription area for those who would want to receive general correspondence from STRIDE from time to time.

Please visit us at www.stridesa.co.za and let us know what you think.

☞ **Further information: Jenny Theunissen**
🖂 **jenny@stridesa.co.za**

5.2 The Motor Vehicle Security Association of South Africa

The role of Vehicle Security Association of South Africa (VESA) in the Telematics Market

Since the early days, the standards of the vehicle tracking industry, managed from within VESA evolved from initially focusing on a statistical standard to a strong technical and business standard.

VESA confirmed the following during its Evaluation Process:

- Product safety testing - physically test the product to ensure that it complies with international specifications and safety standards, safety for both the users and or the vehicles fitted.

- Product functional testing (two weeks performance) - products are put into field tests around the country to ensure that performance test against the representations as per marketing material as well as VESA's minimum standards and requirements.

- Mock Recovery – VESA validates the operational aspects of co-operation between control room and recovery teams and at what point the client will be informed of the process.

- Confirmations of business licenses – many products are pirating mapping data. VESA requires license confirmation.

- Certification of the support services, monitoring, recovery, fitment etc.

- Financial stability and integrity of the business.

- Verify infrastructure to be able to provide the services.

- Verify quality management processes and much more.

Due to the fact that not all vehicle tracking companies are currently audited by VESA, VESA has offered its vehicle tracking standards and specifications to the SABS to be written into a national standard SANS 535 to ensure that the short- term insurance and public at large are protected in terms of the vehicle tracking selection they make. VESA has recognised the need for a national standard to ensure that not only the insurance companies, but that the consumers are protected by minimum standards. With the rapid influx of a large number of organisations purporting to offer tracking products and services it has become imperative that the industry is regulated in a viable way.

The vehicle tracking industry, referring more to consumer vehicle recovery services, started with units that offered positioning in the form of radio frequency technology and satellite communication. With the growth in cellular technology and coverage, much of the telematics market moved towards GSM communications. Since the early 1990's fleet management technology became integrated into the products to make up a stolen vehicle recovery product including fleet management feature capabilities. This means that the communication and positioning methods mostly offered is by means of GSM and GPS. This provides the consumer the ability to track and trace his/her vehicle through cellular or web based applications.

Consumer protection – the right to know

Currently the consumer has a tough time establishing the quality and reliability of a tracking product and the related services rendered if the tracking suppliers are not monitored through a non-profit consumer watchdog association such as VESA. This can result in huge costs to the consumer down the line in damage to vehicle, insurance losses and poor services, or the collapse of the tracking supplier.

A consumer (business or individual) is advised to confirm the following when making tracking selection:

- Can successful recovery statistics be provided - is this independently audited by a 3rd party?
- Are providers vehicle tracking products tested for compliance against accepted international standards?
- Are the installation methods used, safe, correct and in line with the VESA installation standards as far as people and vehicle integrity and security are concerned?
- Does the unit have the ability to do a health check, where the consumer is notified when the system is no longer operational?
- If the consumer phones the tracking company, can he with the right authorization, request and obtain the position of the vehicle, or alternatively can the consumer do it?

VESA verifies and audits the above, ensuring that the consumer can be assured of a quality and reliable service. The consumer will not know these answers unless independent proof is provided.

The consumer needs to know their rights to quality products and services. Non-profit associations' roles are underestimated. They act as consumer watchdogs to fulfil the need to verify that industry role players comply with a minimum standard that *protects the consumer.*

Should products that were approved by VESA fail during an annual or random re-test conducted by VESA, the Manufacturer, or service provider has to implement corrective actions, and may have to recall installed products and risk having the product de-listed entirely by VESA. This is one of the ways how VESA protect the end user. However, in the case of other proposed specialists bodies "approving" products without adherence to any verifiable standard, also they often perform no re-test and no possibility of a recall exist, or corrective action and no risk of the product being de-listed. If the manufacturer or importer has paid the "test" fee the product is "approved" for life?

If the core competency of an Insurance Underwriter is to limit or to reduce their risk or exposure, it is suggested they don't risk listing products that may not comply with any formal or recognized standard? If this practice continues, the future of SVR will be total chaos as more and more products can be produced or imported from unknown sources, (such as China) without meeting any test or standard.

VESA Members Recovery Performance:

The cumulative Recovery Rate measured on an on-going basis will ultimately prove to be the "acid" test with regard to determining the effectiveness of a particular product and its service.

A Recovery Rate Calculator has been devised whereby the various VESA members that has systems classified in Telematics Category 1 and Telematics Category 3 are required to submit monthly recovery statistics which are checked and evaluated to produce a Recovery Rate. This rate is disseminated to the market place and in particular the insurance industry as an indication of the effectiveness of the service being rendered.

VESA / ABS Category Descriptions:

Category 1 (Stolen Vehicle Recovery)
Category 2 (Fleet Management)
Category 3 (Stolen Vehicle Recovery & Fleet Management)

VESA Members in the Vehicle Security - Telematics Category 1 and 3 are as follows:

Aristopix Fleet Management (Pty) Ltd
EiTracker (Pty) Ltd
Geotab (Pty) Ltd
PFK Electronics (Pty) Ltd
Raptor Vehicle Tracking (Pty) Ltd
SmartSurv Wireless (Pty) Ltd
Cell stop South Africa (Pty) Ltd
Fleetmatics Vehicle Management Solutions (Pty) Ltd
Global Telematics (S.A) (Pty) Ltd
Pulsit Electronics (Pty) Ltd
Selftrack Asset Tracking (Pty) Ltd

VESA Members in the Vehicle Security - Telematics Category 2 are as follows:

VSc Solutions
Skygistics (Pty) Ltd

Please view Product Suppliers / Products under:
http://www.vesa.co.za/ProductsAndManufacturers.aspx as changes occur to the lists on a regular basis.

Further information: Adri Smit
✉ **adris@vesa.co.za**

5.3 Skills and Innovation Needed to Fuel Green Growth

"The sustainability of the insurance sector is adversely affected by the risk of climate change, with over R 2 billion worth of claims paid out as a result of damage caused by severe weather conditions in 2013."

South Africa has begun the process of adjusting our training provision to meet the new demands of the green economy. Developing green skills is the key to unlocking the employment and entrepreneurial potential of green growth. Green growth is a powerful weapon with which we can tackle youth unemployment as we transition from fossil fuel industries to renewable energy industries. Green growth requires structural change and adaptation of existing jobs, and a few new occupations are also created.

Four key drivers of change to a greener economy and labour market demands:

- **Environmental degradation** including climate change, biodiversity loss and diminishing water resources;
- **Heightened consumer awareness** and behaviours around the conservation of energy and our natural resources. We have seen an increase in demand for environmentally friendly and energy efficient products;
- **Government Policy and regulation** which was initially propelled by environmental degradation and global shifts towards a greener economy. Regulation can be instrumental in reshaping consumer behaviours and providing the technology and funding to incentivize the transition to a greener economy; and
- **Financial investment** by government into green projects allows for job creation and tax incentives reduce the initial start-up costs for entrepreneurs and consumers who adopt green technologies.

Emerging green skills and jobs

The biggest changes are occurring to existing occupations. These changes are happening at all levels of qualifications and spread across all sectors. Action is needed to ensure that training is relevant to the labour market needs which are fuelled by green growth. There are job losses in carbon- intensive industries and the displacement of low – skilled workers must be managed.

The green restructuring in South Africa has seen the decreasing demand for some occupations and skills sets and an increase in demand for others in the following industries:

- **Renewable energy industry -** SA is poised to become one of the key producers of renewable energy and has implemented the Renewable Energy Power Producer Programme. The programme has a goal of a production of a clean and sustainable power supply using our natural resources of solar and wind energy. Government recently updated the Integrated Resource Plan (IRP) 2010 – 2030 and one of the key decisions was to delay the decision of building new nuclear power stations after 2025. The focus will be on developing renewable energy capacity from wind; solar photovoltaic (PV) and concentrated solar power. Targets have been set of 10 000 Gwh for renewable energy supply; 20 000 new jobs and a GDP contribution of R1.071 billion rand. Opportunities exist for Solar PV installers, qualified electrical engineers, turbine technicians and project managers.

- **Building industry** – Residential and commercial buildings contribute 7.9% of the GHG emissions globally. New buildings provide an opportunity to implement energy- efficient practices in heating systems, renewable energy sources and building insulation. Retrofitting of existing buildings is a market that is not fully exploited by entrepreneurs due to the shortage of skilled technicians to consult in this area and to implement the retrofitting. Government needs to also provide start up subsidies for entrepreneurs and incentivize the consumer as part of the green job creation initiative.

- **Automotive industry** – workers need to be trained to adjust to new technologies that are fuel efficient.

- **Farming**– South Africa is self-sufficient in all the major agricultural products and also exports food ensuring our food security. Farmers need to be skilled in new methods of sustainable farming and in severe climate changes, skilled to adapt to new crop growth. The organic farming market is also being fuelled by heightened consumer awareness.

- **Management and protection of the environment** which includes recycling; biodiversity and eco- tourism management.

Identifying Green Skills Shortages across sectors

Utilisation of our natural resources requires skilled people. South Africa was identified in the *ILO report: Skills for Green Jobs – A Global View*, as one of the countries that has a very structured system to assess skills shortages, as opposed to the ad hoc methods adopted by other countries. There is no central green skills planning system, as the view is that green skills affect all sectors and green skills planning should be embodied within each sector skills plans developed by the SETAs. Each sectoral scarce skills list is then combined into the National Scarce Skills list. The challenge is then to implement a well-coordinated national response plan to take advantage of the opportunities and mitigate the threats we face in the green restructuring of the economy.

The Insurance Sector Training Authority (INSETA) has identified that the core skills that are affected in the sector include entrepreneurship, risk assessment, risk surveying, underwriting and investment management. The sustainability of the insurance sector is adversely affected by the risk of climate change, with over R 2 billion worth of claims paid out as a result of damage caused by severe weather conditions in 2013. The insurance industry also faces a challenge which drives higher insurance payout costs in motor accident claims. This is due to a lack of skilled technicians to conduct specialised repairs on accident damaged motor vehicles. The automotive repair industry mostly buys and fits new parts instead of repairing same where possible to do so. This is not a sustainable and environmentally friendly practice and needs attention. Buildings which are energy efficient are much safer and can obtain discounted insurance premiums. A challenge in SA for underwriters is that building inspectors and plan approvers are not highly skilled in dealing with new green technologies and it poses a risk for insurers who rely on their approval. The short term insurers also play a crucial role in green geyser replacement and hopefully we see increased incentives by government for this initiative.

Author: Sharon Snell is COO and CSO of the Insurance Sector Training Authority

☞ **Further information: Tshepo Mabika**
✉ **TshepoM@inseta.org.za**

6 CIRCULARS: MAY 2014

SAIA General

SG2014/060 Revised Demarcation Regulations Publish For Comments
Contact: Runata Joseph

SG2014/061 Proposed Declaration of Undesirable or Irregular Business Practice
Contact: Runata Joseph

SG2014/062 Consumer Education Financial Literacy Series on ETV and SABC Radio
Contact: Amanda Oosthuis

SG2014/063 Solvency Assessment And Management (SAM) 2014 Update and Alternate Insurance Law Amendment Bill (ILAB) Measures
Contact: Tamara Jansen

SG2014/064 Intermediary Guarantee Facility (IGF) Credit Intermediaries List and Cancellation List As At 30 April 2014
Contact: Thembi Mokoena

SG2014/065 South African Revenue Serveries (SARS) VAT Reinsurance Draft Ruling Application
Contact: Candy Lucas

SG2014/066 The Strategic Risk Forum – Insurance Institute of South Africa (IISA) Breakfast session on "HAIL" 30 May 2014
Contact: Candy Lucas

SG2014/067 Financial Advisory and Intermediary Services (FAIS) Information Circular 5/2014 Electronic Update of Representative Register
Contact: Carolle Sinnye

SG2014/068 National Treasury on Register Revised Second Draft Demarcation Regulation
Contact: Carolle Sinnye

SG2014/069 Invitation to Comment on the Proposed Exemption of Section 13 (1) (C) Of Financial Advisory and Intermediary Services (FAIS) Act
Contact: Carolle Sinnye

SG2014/070 Fire Protection Association of South Africa (FPASA)
Contact: Sandy Nkosi

AMUSA

AM2014/005 Initial Notification of The Association of Marine Underwriters In South Africa (AMUSA) Annual General Meeting (AGM) on Wednesday 25 June 2014
Contact: Candy Lucas

SAIA Managing Directors

MD2014/004 Financial Services Board (FSB): Levy for Short – Term Insurers
Contact: Elaine Johns

MD2014/005	Initial Notification of The South African Insurance African (SAIA) and Related Bodies Annual General Meeting (AGM) on Wednesday, 25 June 2014
Contact:	Candy Lucas
MD2014/006	Financial Services Board (FSB) Financial Advisory and Intermediary Services (FAIS) Division 2014-2015 Levy for Financial Services Providers Short Term Insurers
Contact:	Runata Joseph
MD2014/007	Revised Demarcation Regulations Published For Comment
Contact:	Runata Joseph
MD2014/008	Proposed Declaration of Undesirable or Irregular Business Practice
Contact:	Runata Joseph
MD2014/009	Solvency Assessment And Management (SAM) 2014 Update And Alternate Insurance Laws Amendment Bill (ILAB) Measures
Contact:	Tamara Jansen
MD2014/010	Invitation For Comments On Call Centre Integration Of Treating Customers Fairly (TCF) Principles
Contact:	Tamara Jansen
MD2014/011	Information Request Revised Demarcation Regulations Of Health Insurance and Medical Schemes
Contact:	Easvarie Naidoo
MD2014/012	National Treasury on Revised Second Draft Demarcation Regulations
Contact:	Carolle Sinnye

Motor

MT2014/007	Postponement Of Industry Meeting To Consider Industry Response of the Issues Raised By SAARSA KZN
Contact:	Marina Adonis
MT2014/008	Government Gazette: Road Accident Fund Scheme Bill 2014
Contact:	Sandy Nkosi
MT2014/009	Discount On Outstanding E-Toll Fees And 58% Increase On National Toll
Contact:	Sandy Nkosi
MT2014/010	South African Insurance Crime Bureau (SAICB): High Value Vehicles Are Being Targeted At Vehicle Dealerships And Auto Body Repair Companies
Contact:	Sandy Nkosi

☞ **Further information: Itumeleng Tabane**
✉ **Itumeleng@saia.co.za**

IMPORTANT NOTICE

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

✉ E-mail: tessa@saia.co.za ☎ Tel: (011) 726 5381
🖶 Fax: 086 647 2275
www.saia.co.za