



SAIA

SOUTH AFRICAN INSURANCE ASSOCIATION

BULLETIN

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FROM THE DESK OF THE ACTING CHIEF EXECUTIVE



Having just commemorated Freedom Day and 21 years of democracy has made me realise how far we have come as a nation, rising above our challenges and doing so in unity. This is the spirit that South Africa is known for around the world.

While we celebrate this important milestone and the successes that we have enjoyed as a nation, one has to also acknowledge the socio-economic challenges facing the country and the negative impact of these challenges on both communities and businesses. It has become more evident that as decision makers in our industry, we need to work in unison and to form sustainable partnerships to instil trust in the communities we serve, and to find ways to help address these challenges.

Going over this month's edition of the SAIA Bulletin, it is clear that as an industry body we have a bigger role to play in building a common future for all stakeholder groups. However, the onus is on all role players to take things a step further in committing and contributing to the prosperity of our communities in South Africa and across the entire continent.

SAIA Strategic highlights

This month we delve into the ever evolving regulatory developments as the industry gets into grips with, and adapts to market changes. In the Transformation and Governance Risks section, we take a look at some of the changes to the Treating Customers Fairly (TCF) Sub-committee, which has now become the SAIA Market Conduct Steering Committee. The agenda for this committee has since expanded and will cover all market conduct related projects as well as continue to focus on TCF projects (see page 3).

Also under Transformation and Governance Risks, we highlight the contribution and important role of the SAIA's Consumer Education Initiative in promoting financial literacy in South Africa. One cannot overstate the importance of these projects and their value in developing our communities, especially the low-income market. Please see page 7 for more on these developments.

Road safety remains one of our greatest challenges as a country, and to highlight this important issue, the SAIA ran a mini awareness campaign before the Easter holidays, cautioning motorists to travel safely on our national roads. Sadly, the Easter holiday spirit was dampened by the notably sharp spike in road accidents, indicating the serious challenges we face on our roads. The SAIA continues its commitment to champion road safety awareness and to find ways to address this issue through forming strategic alliances with our partners in both the public and private sector.



Important to note is that the SAIA Code of Conduct on Motor Salvage has been amended and published on the SAIA website (read more on page 9).

More progress updates are featured in the SAIA insurance risks column on pages 9 and 10 with specific reference to the latest developments in the Green Geysers Replacement Project (GGRP) as well as the Earthquake Committee and the Agricultural Risk and Crop Insurance project. We believe these initiatives are significant in its contribution to the sustainability of the industry and society.

Refining our value proposition

As we continue with our member visits for this quarter, we urge all SAIA members not to miss out on the opportunity to participate in the member survey, which was circulated earlier this month. The feedback and suggestions from the survey is extremely valuable and will help us gain a deeper understanding of the needs of our members, while ensuring that our value proposition remains relevant and continues to serve and meet members' expectations. The deadline for the survey is 15 May 2015. We would like to take this opportunity to thank our members who have completed the questionnaire, and to encourage those who have not to do so before the cut-off date.

On the eve of another public holiday, I want to wish everyone a safe and happy Workers Day.

Viviene

1 TRANSFORMATION AND GOVERNANCE RISKS

1.1 SAIA TCF Sub-committee evolves into Market Conduct Steering Committee

To adapt to the significant changes in the Financial Services Board (FSB), the broader financial services sector and in response to the FSB changing its TCF department to the "Market Conduct Regulatory Framework Strategy department", the SAIA TCF Sub-committee members agreed, on 10 March 2015, to revise its Terms of Reference. The committee will now become the new *SAIA Market Conduct Steering Committee*.



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The agenda for this committee will be significantly broader than the current TCF Sub-committee agenda. It will cover TCF, its projects and other current market conduct related projects including for example the RDR. The committee will replace the existing SAIA TCF Sub-committee and will report to the SAIA Board Committee Governance Risks.

In April 2015 SAIA issued a circular to all members inviting nominations for representatives from member organisations with appropriate operational and technical expertise to serve on the SAIA Market Conduct Steering Committee. The representatives of the TCF Sub-Committee will remain members of the committee unless a replacement representative is nominated by the member company.

Nominations for the committee close on 4 May 2015. A strategy session will be held at the SAIA's offices on Tuesday, 20 May 2015 to adapt the Terms of Reference and agree to the agenda for the new committee.

☞ **For more information contact Lezanne Botha**

✉ Lezanne@saia.co.za

1.2 The Continuous Professional Development Workshop

The FSB held its second Continuous Professional Development (CPD) workshop on 20 April 2015, where it advised that its goal is to develop a legislative framework for CPD by the end of 2015. A focus group will be formed to work on a more detailed framework taking into account the changes in the current regulatory landscape.

1.3 Draft Marketing and Advertising Information Letter

The FSB advised that it is still considering the Draft Marketing and Advertising Information Letter. The FSB further advised that it has also been assessing the interplay of this measure with that of other regulatory processes such as the Retail Distribution Review (RDR) and the Draft Market Conduct Policy Framework Paper, by the National Treasury (NT). The FSB advised, once ready that it will proceed with this measure, communicate the same to the industry and provide sufficient time for implementation.



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1.4 Microinsurance

The microinsurance framework is outlined in the Draft Insurance Bill, 2015 which was issued for public comment by the NT on 17 April 2015. The SAIA will convene workshops on the Bill to obtain its members comments including comments on the microinsurance framework during this process.

The FSB advised, at its meeting with the SAIA on 20 April 2015, on the Draft Insurance Bill 2015, that the microinsurance update with the recommendations from its internal working group will be published shortly. The NT's memorandum on the objects of the Bill erroneously referred to the update having been published in February 2015 on the FSB's website. The FSB advised further that the microinsurance update will contain similar proposals as outlined in the FSB's microinsurance presentation at the FSB's Insurance Regulatory Seminar held on 14 November 2014.

☞ **For more information contact Easvarie Naidoo**

✉ Easvarie@saia.co.za

1.5 Solvency Assessment and Management (SAM)

Draft Insurance Bill released for Public Comment

On Friday 17 April 2015 the NT and the FSB issued for public comment the draft Insurance Bill, 2015 ("the Bill"), as approved by Cabinet at its meeting of 15 April 2015.

The Bill provides a consolidated legal framework for the prudential supervision of the insurance sector that is consistent with international standards for insurance regulation and supervision. It also seeks to replace and consolidate substantial parts of the Long-term Insurance Act, 1998 (Act No. 52 of 1998) and the Short-term Insurance Act, 1998 (Act No. 53 of 1998) relating to prudential supervision.

The Bill also gives effect to the NT's Micro-insurance Policy Document released in July 2011, supporting the development of an inclusive insurance sector through providing affordable



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insurance, while also having proportionate and appropriate regulation and supervision of micro-insurance.

In addition to the Bill, the NT has also released a memorandum on the objects of the Bill as well as a summary of the SAM Economic Impact study. The media statement issued by the NT makes mention that the FSB will be releasing the “Reinsurance Regulatory Review Discussion Paper” by the end of April 2015.

Public comments on the Bill are due for submission to the NT by 29 May 2015. In the event of no substantive changes arising from the public comment process, it is anticipated that the Bill will be tabled in Parliament by June 2015.

The NT, FSB and a delegation from the SAIA met to discuss the approach taken towards the design of the Framework Legislation. The Framework Legislation contains and addresses enabling matters with further substance to be included in the Subordinate Legislation to be known as Prudential Standards.

These Prudential Standards are expected to be released for public comment in three tranches. The Pillar II requirements are anticipated to be released for public comment first followed by the Pillar I and Pillar III requirements respectively. It is further anticipated that the drafting of the Standards should be complete and in place around November 2015.

The SAIA, through the SAIA SAM Project Support Office (PSO), have already set in motion a strategy to generate constructive industry comment and input for the consideration of the NT relating to the draft Insurance Bill.

☞ **For more information contact Gareth van Deventer**

✉ Gareth@saia.co.za



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1.6 Consumer Education

1.6.1 Soul City Drama Series

The SAIA hosted a social mobilisation event in Johannesburg at Maponya Mall in Soweto on 25 April 2015. This allowed further interactive sessions as members had the opportunity to have direct engagement with consumers. Jozi FM broadcasted live from the venue. The information sharing session enlightened the consumer about the benefits of short-term insurance. Members also had the opportunity to market their products. The SAIA members with the Ombudsman for Short-Term Insurance answered questions from the audience regarding the following insurance topics:

- Business Insurance
- Household Insurance
- Motor Insurance and Third Party Insurance
- Legal Expense Insurance

The next event will be held on 23 May 2015 at the East Rand Mall in Johannesburg and all contributing members have been invited.

1.6.2 The Teacher Development (Schools) Project: Managing My Finances

The Managing My Finances Project was launched on 26 March 2015 at the Birchwood Conference Centre. The project supports mathematical literacy through the provision of high quality resources and training for teachers, which aims to equip Grade 10, 11 and 12 learners with the necessary financial knowledge and skills to enable them to make better informed decisions about their finances and lifestyles.

Service provider, Bright Media developed the financial literacy material, "Managing My Finances", in collaboration with the Department of Basic Education, and has already held 32 teacher training workshops in the provinces, reaching schools identified by each province that need the support.

The SAIA is very proud to be part of the initiative.



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1.6.3 The Edutainment Comedy Series – Next of Next Week Season 2

The SAIA and the FSB have finalised scripts for all 26 episodes of season two of the popular comedy series, Next of Next Week. Pre-production has been completed and the edits will be reviewed by 30 April 2015. A baseline study is currently being conducted by Diprente Films, the producers of the series.

☞ For more information contact Nosiphiwo Mandoyi
✉ Nosiphiwo@saia.co.za

2 STAKEHOLDER RELATIONS AND COMMUNICATION

2.1 The 2015 SAIA Member Survey

On 15 April 2015, a survey was put out to all Chief Executives and Managing Directors of the SAIA member companies to obtain relevant feedback on the association's existing model and value proposition. This follows a process of change which the SAIA has been undergoing over the last eighteen months to align it to the changing business environment as well as the needs of its members. Through the survey, the SAIA hopes to gain a deeper understanding of its member's needs, and that the feedback and suggestions from members will help define a value proposition that is relevant to all members, while meeting their needs. The due date for the survey submission from members is 15 May 2015.

☞ For more information contact Lelo Ntshalintshali
✉ Lelo@saia.co.za



3 INSURANCE RISKS

3.1 Salvage Management: Code of Motor Vehicle Salvage

The proposed changes to the SAIA Code of Motor Vehicle Salvage have been approved at the SAIA Board Committee: Insurance Risks on 13 November 2014 and at the SAIA Board meeting on 11 March 2015.

The Code of Motor Vehicle Salvage has been updated to incorporate the TCF principles and ensure that the document is user-friendly. The Code of Salvage Task Team had also reached a consensus on sections in the document related to the threshold for declaring a vehicle uneconomical to repair, as well as the sections relating to the disposal of salvage to a policyholder. The SAIA is liaising with the Banking Association of South Africa (BASA) and the National Motor Finance Association (NMFA) to obtain their buy-in and approval of the Motor Salvage Code.

An updated version has been incorporated in the SAIA Code of Conduct and is available on the SAIA website: <http://www.saia.co.za/info-center/saia-documents/code-of-conduct/>

☞ **For more information contact Zakes Sondiyazi**
✉ Zakes@saia.co.za

3.2 The Green Geyser Replacement Project

Although the project Steering Committee initially agreed to define a target of green geyser replacements per annum, which the industry could drive on its own accord in terms of an “industry green fund”, discussions with the Government changed after an impromptu meeting, late January 2015, where the Department of Energy (DOE) confirmed their support for the Green Geyser Replacement Project (GGRP).

The DOE indicated that they saw this project as the best demand side investment, relative to other projects and that they could unlock R2bn worth of funding for the project. These funds need to be attributed to the project in the current financial year.

The SAIA Board Committee: Insurance Risks, at its last meeting supported the establishment of a Memorandum of Agreement (MOA) between SAIA and the DOE. It approved the MOA which was



drafted by the GGRP Steering Committee. On 11 March 2015 the SAIA Board approved the MOA in principle and directed that all SAIA members be urged to participate in the project.

The DOE advised that the updated document is still with its legal department and that it would be in order if the MOA is signed formally in April 2015. They have confirmed that they are committed to continue with the programme.

3.3 The Earthquake Committee

The Earthquake Committee met during February 2015 to evaluate the proposal received from the Council of Geoscience (CGS), which inter alia, included a Hazard and Damage Assessment, Routine Assessments, Analysis of Frequency vs. Magnitude Distribution and annual reports to understand the seismic environment of a given area i.e. mining areas. The receipt of this periodic information will allow insurers to more accurately model risks related to the changing seismic environment and in particular around mining areas. It was agreed that SAIA's primary role would be to assist in gathering this information and that insurers would take responsibility to use this information to inform their own risk modelling.

Although the committee was largely happy with the proposal and especially with a report entitled "Seismic Hazard in South Africa" which provides a comprehensive example of what the CGS can offer in terms of cluster ("hot spots") analyses and hazard assessments, the committee had various comments regarding the other reports, and a request for clarity and a formal quote to conduct research was submitted to the CGS at the end of February 2015.

At this stage the matter is still pending as the CGS asked that SAIA allow more time to compile the revised proposal. As soon as the final proposal is submitted, the Earthquake Committee will reconvene to evaluate the new proposals in order to make recommendations on the way forward.

3.4 Agriculture Risk and Crop Insurance

The Agriculture Risk and Crop Insurance project was designed to advocate and contribute to the proposal of an agricultural insurance framework for South Africa in which the government is able to support the struggling Multi-Peril Crop Insurance (MPCI) sector to ensure food security, as well as to assist developing small holder farmers.

Through the constant interactions between the Department of Agriculture Forestry and Fisheries (DAFF), their appointed consultants and the short term insurance industry's project team, a final proposal document has been developed and submitted to the consultants and DAFF with the



comments by the insurance industry late last year. At the time the SAIA was informed that DAFF was in communication with NT and that they intended to publish the document for public comment. After the SAIA followed up on the status of this project with DAFF and NT, the SAIA was informed that NT, DAFF and the Land Bank have been working together on an on-going basis on how the recommendations from the study can be implemented. They furthermore confirmed that Government is still committed to find a solution for the farming community and informed the SAIA that they are currently in the process of designing a potential pilot which will then be presented to the industry and other stakeholders. This design phase is estimated to take two months.

☞ **For more information contact Dawie Buys**
✉ Dawie@saia.co.za

4 SAIA NEWS

4.1 The SAIA Internship Programme

In last month's Bulletin, the SAIA featured the profiles of the SAIA Graduates who have successfully completed their internships as part of the SAIA Internship Programme. This month we decided to republish their profiles in the hope that they find suitable placements and are retained within our vibrant industry.

Name	Qualifications and Career Experience
Ms Tessa Kerspuy	Stakeholder Relations and Communication
D.O.B	1989/11/25
Qualifications	Bachelor of Arts Degree Corporate Communications Diploma in Digital Marketing

Name	Qualifications and Career Experience
Ms Malentsoe Alice Khala	Projects
D.O.B	1988/01/07



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Qualifications:	Bachelor of Arts Degree with Honours in Business Studies *Project Management
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Name	Qualifications and Career Experience
Mr Kulani Makaringi- Motor insurance	Motor insurance
D.O.B	1984/02/09
Qualifications:	Bachelor of Commerce Degree *Insurance and Risk Management *Investment and Corporate Finance

Name	Qualifications and Career Experience
Mr Trevor Mhlongo	Information Technology
D.O.B	1984/05/12
Qualification	National Diploma (3years) Information and Communication Technology *Information Systems 3 incl. hardware and peripherals *Development Software 3 *Commercial Programming1 *Internet Programming (HTML, CSS, Dreamweaver)

Name	Qualifications and Career Experience
Ms Nonkululeko Mngomezulu	Human Resources
D.O.B	1988/03/22
Qualifications	Bachelor of Science Degree Management and Business *Human Resources Development



	*Human Resources Management
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☞ For more information contact Nicol Champaud
✉ Nicol@saia.co.za

5 INDUSTRY NEWS

5.1 VESA® Telematics Scope for Vehicle Telemetry

Telematics is the provisioning of information and other services into and out of a motor vehicle by means of telecommunications. Activities are recorded by electronic hardware modules attached to each vehicle, and movement is tracked wirelessly in the defined coverage areas. The data is transmitted to a central computer or web service where it is stored. Data can then be analysed and reports can be downloaded in real-time to any computer using either the Internet Web Browser tools or specialised proprietary customised software.

Telematics can be classified into two major groups, Stolen Vehicle Recovery and Fleet Management.

Stolen Vehicle Recovery information is primarily used for the real-time location and in the recovery of an asset after theft or loss. The underlying technology is primarily serviced by information gathered in real-time form from the electronic hardware module attached to the motor vehicle. This information is fed into a mainframe computer system and monitored by a 24 hour Secure Operation Centre (SOC). The SOC is further interlinked to a 24-hour armed reaction unit, whose primary purpose is to perform the physical recovery of the asset.

Fleet Management solutions can be used on all forms of motor vehicles, including cargo containers, railway carriages, forklifts and trailers, the exchange of information data between the vehicle and SOC or base station. Information relayed can include vehicle positioning, traveling speeds, operational times, driver identification, system and engine performance for maintenance alerts, refrigeration unit performance, forklift battery condition, driver oversight (excessive speed/engine revs), driver performance such as hours worked, routes travelled, toll expenses etc.



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The aim of Fleet Management is the collecting and managing all relevant data on Fleet Use, in order to manage the related costs and enhance security. There are many benefits to be gained from deploying a Fleet Management System to monitor refrigerated cargo and monitor driver behaviour, speed and hours, obtain records on fuel consumption, monitor brake wear, detect ABS brake faults, access electronic logs of vehicle servicing and importantly download information/data to reconstruct accidents to avoid load claims.

Telematics Systems are primarily installed aftermarket and as such requires that the hardware meet the same conformance requirements of the Motor Manufacturers. The installation of the said systems must also adhere to the same requirements from the Motor Manufacturers. All such systems are wireless and would require legislative licenses.

The systems are effective because of its information handling capabilities and the use of such information /data in managing and reducing risk for both the consumer and asset owner. Since the initial criteria was established in 1996, it has appealed to Insurers, where the benefits are easier to justify and where such systems have been tailored to be included in insurance policies. Financial Institutions are the other benefactors of such systems.

To view the VESA Installers visit: <http://www.vesa.co.za/LocateDealer.aspx>.

To view the latest installers list visit: <http://www.vesa.co.za/ProductsAndManufacturers.aspx>

Please note that the lists are updated on a regular basis.

☞ **For more information contact Adri Smit**
✉ adris@vesa.co.za



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IMPORTANT NOTICE

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

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



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