SAIA

SOUTH AFRICAN INSURANCE ASSOCIATION

BULLETIN

PROMOTING A TRUSTED & SUSTAINABLE NON-LIFE INSURANCE INDUSTRY FOR SOUTH AFRICA

OCTOBER 2020

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1 From the Desk of the CEO

The end of October 2020 saw the Hon. Minister of Finance, Mr Tito Mboweni finally giving the Mid-Term Budget Policy Speech (MTBPS) which had been earlier postponed. In the MTBPS, Minister Mboweni stressed that state-owned entities continue to present significant fiscal risks in the form of contingent liabilities and direct requests for state financial support. The COVID-19 virus was also identified as one pandemic that continues to be a major factor impacting economic and business activity in South Africa. It is therefore evident that we are far from being in an ideal economic position as a nation, and addressing these issues will require both decisive government action and the political will and determination to implement recommended turnaround strategies aimed at promoting economic growth and business activity.

Despite having had one of the toughest years with unprecedented socio-economic challenges - the year is slowly coming to an end – and the much-anticipated end-of-year break is in sight. We embrace this slow climax with a mild sense of normalcy, yet also laced with a deep found desire to return to yesteryear. As much as we must remain positive and optimistic, the impending resurgence of the COVID-19 pandemic figures is a reality which we may, unfortunately, have to face. The Minister of Health, Dr Zweli Mkhize has warned South Africans of a resurgence in the infection numbers, and this is concerning, considering that this could be followed by the reintroduction of restrictive measures that will further subdue business activity, forcing the economy into a death spiral, once again.

Technology in the financial sector has continued to advance during 2020, partly fuelled by the advent of the COVID-19 pandemic. October is cyber security month, and as the financial sector we remain acutely aware of the risks paired with advanced digital ecosystems. For most companies, their sustainability during the challenging 2nd and 3rd quarters of 2020 heavily depended on their ability to quickly shift most functions to digital platforms and allowing their employees to work remotely. However, this approach does not come without challenges. The World Economic Forum (WEF) states that cybercrime has remained one of the greatest threats to global prosperity and cost the global economy US$2.9 million every minute in 2020. In light of all these developments, cybercriminals have proven highly adept at exploiting a crisis or global event, and a digital ecosystem where the risk of getting caught remains very low and the potential returns are very high states the WEF. We continue to collaborate with our peers the Association for Savings and Investments South Africa (ASISA), allowing our members to participate on its Computer Security Incident Response Team (CSIRT) in light of the pending Prudential Authority Cyber Security reporting requirements.

October was declared Transport Month since 2005, with the aim of raising awareness of the role of transport to the economy and civil society. The 2020 theme for Transport month was “Together shaping the future of transport”. Road safety remains one of the challenges that needs to be addressed where thousands of fatalities are reported every year in South Africa. Each year, SAIA increases its efforts towards creating road safety awareness during the December holiday period, where we also discuss driver behaviour as a factor that remains a major contributing factor in road crashes.

The revised SAIA Code of Conduct has finally been approved by the SAIA Board, with a new data collection clause aimed at enhancing the understanding of the industry’s performance in key focus areas such as procurement and supplier development. Be on the lookout for the Code on our website (www.saia.co.za).

Viviene Pearson
SAIA Chief Executive

2 Insurance Risks

2.1 The Future of Insurance Claims

For many people, lodging an insurance claim mean long and winding, tedious paperwork that is followed by numerous stressful phone calls to the insurer and backwards. The industry has however been changing in the last few years, with claims processes being frequently reviewed and improved by numerous insurers. This has been given much more impetus by the advent of artificial intelligence, robotics, and machine learning – giving rise to chatbots with text to speech capabilities. It is therefore a misnomer to discuss the future of insurance separate from the technological drivers.

Rapidly evolving customer expectations, new technologies, and new market entrants require insurers to rethink their current traditional claims journeys. Mega trends and evolving customer expectations continue to change the playing field. Customer expectations have increased, in line with the desire by customers to be recognised as a valued part of the supply chain. This has had a tremendous impact on organisations that have managed to recognise this shift and take advantage of the opportunities that have arisen out of it. The shift in the digital ecosystem in the last few years has been used as an opportunity by some successful organisations to revisit their service quality levels and realign these with their strategic objectives in order to sustain their customer satisfaction and loyalty programmes.

Of late, consumers have gained so much power and influence such that they now have a say in the type of products organisations develop for them. This power has mainly emerged with the advent of social media and the “power in numbers” facilitated by these platforms. The social media is littered with so many eulogies of once great brands brought to their knees through the power of numbers on these platforms. This has pushed a new trend commonly referred to as product co-creation, where the design approach in product development is under transition from the traditional top down to more user-centred designing, as the users of products are more aware, networked and expressive. The insurance industry has not been spared from these digital trends either.

The insurance claims journey — encompassing all the processes from prevention, loss notification, assessment, to handling and settlement — has historically been muddy and never quite explained to the customer, hence the confusion that, at times, cause frustrations. They have paid in advance for an abstract product, a policy to defend against risk, and at the “moment of truth” when they want to recoup a loss, they are faced with a complex, cumbersome, often very time consuming and possibly iterative process. From the insurer’s perspective, claims management is often seen as a cost centre only, as claims expenses and indemnity spend are a major factor for the overall financial success of the company.

Most insurers have finally appreciated that change is the only constant, and these must also be implemented on their claims management processes, in line with customer expectations in the digital age. However, they balance this need with the prohibitive costs associated with abandoning legacy systems and the benefit of the adoption of new agile, responsive systems that can easily communicate with the new discerning customer that is adept at using new technologies. The new customer wants “round-the-clock” access to their insurer, and real-time responses. This makes them feel empowered, as they can talk to their service provider as and when they feel like, and through a channel they desire. As a result, it has become imperative for insurers to also adopt the omnichannel strategy approach to have satisfied customers through all touchpoints.

With the advent of telematics technology in the auto space, future insurance claims are bound to be simpler, quicker, and convenient. Vehicle manufacturers are perpetually coming up with new inventions that will end up enabling the insurer to immediately know when the insured vehicle has been in an accident and even perhaps the amount of damage to the vehicle without the policyholder getting in touch with their insurer. This means that the vehicle will communicate its status to its insurer with little involvement of the vehicle owner.

Looking at the industry at face value, one might be fooled into believing that all is still, yet below the surface most traditional insurance companies are working ferociously to ensure that they become a part of this digital journey, for the repercussions for failing to adopt are epic. There are concerted efforts by both traditional insurers and InsureTechs to provide seamless, hassle-free solutions - from sign-up to claims stage - for the new digitally orientated customer. It is therefore clear that sophisticated digital systems alone, without clear customer-centric policies that drive the care aspect, can never win this battle. Rather than getting pulled into a price war in a stagnant market that has little growth opportunities, insurers know they need to provide a more customer-centric service, which will help them gain and retain customers.

Insurers need to take a step back and re-imagine the new customer journey incorporating these new technologies. This process must investigate how customers want to experience a claims process, and how the insurer's value proposition map to those expectations. The insurers must also be clear about what they want to achieve in the whole process, whether to increase cost effectiveness, to enhance their ability to quickly settle claims, or provide the smoothest and simplest overall customer experience.

This article was written by Pamela Ramagaga, SAIA General Manager: Insurance Risks.
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2.2 Transport Month – October 2020

October was declared Transport Month since 2005, with the aim of raising awareness of the role of transport to the economy and civil society. The 2020 theme for Transport Month is "Together shaping the future of transport".

Road safety remains one of the major challenges that need to be addressed where thousands of fatalities are reported every year in South Africa. In a report issued by the Road Traffic Management Corporation (RTMC), 12 503 road crash fatalities were reported in 2019. The World Health Organization reported that globally approximately 1.35 million lives are lost every year as a result of road traffic crashes.

Human behaviour remains the largest contributory factor to road crashes and this has been analysed and found to be influenced by the following factors, among others:

- Driving at high speed which reduces driver reaction time in controlling the vehicle should a sudden hazardous condition occur.
- Driving while fatigued or under the influence of alcohol.
- Ignoring road signs.
- Inadequate knowledge of road safety laws by pedestrians where many victims were jaywalking, not wearing visible clothing for drivers to notice them, and walking in high traffic areas such as highways.

Noting the above, the Business for Road Safety (BRS) Forum, a SAIA initiative, in collaboration with other motor-industry-related associations, identified driver awareness programmes as the core of road safety projects to be implemented. The projects are aimed at actively involving the South African business community in integrating road safety within their organisations, and engaging with the public to better educate and improve their awareness about how to improve road users behaviour for the driver, passenger and the pedestrian.

These projects will also be aligned with the South African Road Safety Strategy 2016 -2030, in complement with the South African National Development Plan (NDP). This will entail extensive collaboration with the Government at national, provincial and municipal levels to allow for a holistic approach to road safety for all South Africans. The BRS Forum has already met with the RTMC and is in the process of developing a Memorandum of Understanding (MoU) to formalise this collaboration.

***This article was written by Katlego Bolsiek, SAIA Insurance Risks Manager.* For more information, please contact Katlego@saia.co.za**

2.3 Cyber-Crime Awareness Month

For the longest time, cyber security has been viewed as a challenge left for the IT department to control. As a result of the COVID-19 pandemic, the world experienced a shift where business meetings, shopping, schooling, etc. all moved to conducting their businesses to the online space. This had some domino effect, which increased cyber-attacks at a global level, prompting companies to not only tighten their IT security controls but to also embark on employee cyber-crime and risks awareness campaigns. However, cyber security awareness normally poses a number of cultural challenges as it must talk to employee behavioural change. This means people should not only act once they have been compromised but should rather be proactive and utilise available security software that minimises cyber vulnerabilities at all times.

What is a Cyber-Attack?

A cyber-attack is an attempt to disable computers, steal data, or use a breached computer system to launch additional attacks. Cyber criminals can use a variety of methods to launch a cyber-attack including malware, phishing, ransomware, and other methods.

Top cyber-attacks to look out for in 2020

1. Phishing: occurs when fraudulent communications that appear to come from a reputable source are sent out. Emails are normally used as a mode for this kind of attack. These emails will often request money or eavesdrop on credit card details.

2. Malware: used to describe malicious software, including spyware, ransomware, viruses, and worms. These breaches normally occur when a user clicks on a link or opens an email, thereby installing the malware. Once installed, malware can do the following:

    a. Restricts access to components of the network i.e. work documents, systems, etc. Often the cyber criminals will request a ransom to be paid to re-open the network.
    b. Installs malware or additional harmful software.
    c. Covertly obtains information by transmitting data from the hard drive (spyware).

d. Disrupts certain components and renders the system inoperable.

3. Database exposure occurs when cybercriminals use employees to access information stolen through malware granting them access to the company's databases with information such as finances, contact details, etc.

4. Remote Worker Endpoint Security: occurs when a remote worker does not have any network perimeter security thus making them vulnerable to cyber-attacks. Even greater exposure as many users are opting to access their business data on their cellphones, mobile malware software is designed to target cell phone operating systems, therefore, accessing confidential information.

SAIA on Cyber-Risk

In preparation for the pending Prudential Authority Cyber Security reporting requirements regulation, SAIA created a special project for the non-life insurance industry whereby:

1. SAIA collaborated with the Association for Savings and Investments South Africa (ASISA), thus allowing SAIA members to participate in the ASISA Computer Security Incident Response Team (CSIRT). This committee is mandated to assist the financial services industry in combating cyber-crime and to improve cyber security; engage with the Regulators and other industry participants on issues relating to cyber security; and contribute towards the improvement of skills in SA to combat cyber-crime and to improve on cyber security standards.

2. SAIA participates in the South African Reserve Bank (SARB) Cyber Resilience Forum, where the SARB engages the financial sector on cyber resilience issues.

3. SAIA created a collective SAIA member contract with the Financial Services Information Sharing and Analysis Center (FS-ISAC) which allows SAIA members access to international trending cyber intelligence. The FS-ISAC is the only global cyber intelligence sharing community solely focused on financial services. Serving financial institutions and in turn their customers, the organisation leverages its intelligence platform, resiliency resources, and a trusted peer-to-peer network of experts to anticipate, mitigate, and respond to cyber threats.

***This article was written by Katlego Bolsiek, SAIA Insurance Risks Manager.* For more information, please contact Katlego@saia.co.za**

2.4 Climate Change and The Climate Change Financial Disclosures (TCFD)

Climate change is already a measurable reality and, along with other developing countries, South Africa is especially vulnerable to its impacts. The AXA global sourced top 10 emerging risks 2019 survey shows Climate Change Risk as the No.1 risk and Pollution as the No.7 risk.

Over the last decade or so a growing number of countries, through financial sector regulators and industry associations, are developing policies, guidelines and voluntary standards to promote better environmental, social and governance (ESG) risk management by financial institutions and to encourage investment in "green" sectors, namely those with positive environmental and social impact.

In response to these developments, South Africa's National Treasury (NT), convened a South African Working Group of financial sector regulatory agencies and industry associations to develop a national strategic framework document on sustainable finance.

Following the initial framework, which was drafted in 2017, the NT identified that the framework required extensive consultation and in May 2020 the NT released the Financing a Sustainable Economy Technical Paper for comment. SAIA released the paper to members and collated feedback and submitted member's comments to the NT.

In response to the comments on the Financing a Sustainable Economy Technical Paper, the National Treasury has set up a climate change financial sector working group to engage on how the sector will collectively respond to climate change, including how the sector will be expected to report or disclose on its measures to manage and mitigate against climate change risks.

SAIA participates in the technical working group addressing The Climate Financial Disclosures (TCFD) recommendations in the Treasury Technical Paper. The working group is structured according to the four themes of the TCFD: Governance, Strategy, Risk Management, and Reporting.

On 22 October 2020 SAIA hosted a virtual workshop to engage with members on how, as a collective, the non-life industry could address climate-related issues.

The objectives of the workshop were to:

1. Utilise the platforms that SAIA is engaged on to share climate change information both from a local and international perspective.

2. As SAIA, we need to have an industry position on climate change therefore the intention is to resuscitate the SAIA Climate Change Forum formed many years ago but became dormant.

3. From this platform, we can then as SAIA receive the necessary directive from member climate change experts to inform the platforms that SAIA engages on climate change issues.

Through the Climate Change Forum, SAIA will be able to inform and engage the NT facilitated TCFD Working Group and any other relevant platforms.

Below is a summary of the strategic climate change or climate risk-related platforms that SAIA engages on:

1. SAIA is part of the Global Federation of Insurance Associations (GFIA). The GFIA has created a Climate Change working group. Through the GFIA we also have sight of the climate change activities from the International Association of Insurance Supervisors (IAIS).

   The GFIA is made up of 40 member associations, it represents the interests of insurers and reinsurers in 60 countries. These companies account for around 87% of total insurance premiums worldwide.

   The IAIS is a voluntary membership organisation of insurance supervisors (regulators) from over 190 jurisdictions, constituting 97% of the world's insurance premiums. It is the international standards-setting body for the insurance sector. The IAIS was established in 1994 and operates as a verein, a type of non-profit organisation under Swiss Civil Law.

The IAIS's purpose is to promote effective and globally consistent supervision (regulation) of the insurance industry in order to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders and to contribute to global financial stability.

2. SAIA is part of the NT driven financial sector Climate Change Forum and participates specifically on the TCFD working group.

   The NT Financial Sector Climate Change Forum is aligned to the mandate of the National Treasury, which is to ensure transparency, accountability, and sound financial controls in the management of public finances. This includes financial stability to protect the South African economy and its citizens from major external shocks to the financial system, building resilience through solvency and effective risk management.

   Financial stability requires building a greater understanding of the environmental, social, and governance risk exposure – and in particular, the risk posed by climate change – facing the financial sector. Environmental risk management seeks to encourage the reallocation of capital to have a more positive impact and the raising of new and dedicated funds to finance the transition to a less carbon-intense economy.

3. SAIA receives continuous communication and invitations on engagements on climate change issues from the United Nations Environment Programme (UNEP) Finance Initiative – Principles for Sustainable Insurance (PSI).

   The purpose of the PSI Initiative is to better understand, prevent and reduce environmental, social and governance risks, and better manage opportunities to provide quality and reliable risk protection.

(Source:https://www-axa-com.cdn.axa-contento-118412.eu/www-axa-com%2F744a1c88-b1a7-4103-a831-a84f72578a0f_1910-15+future+risks+report+final.pdf)

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3 Operations

3.1 SAIA Code of Conduct and Motor Salvage Code update

The reviews of the SAIA Code of Conduct and the SAIA Motor Salvage Code were undertaken separately, by separate teams, and the much-anticipated circulation to members is finally due to take place by the end of October 2020.

At the recent SAIA Board meeting held on 3 September 2020, the SAIA Code of Conduct and the SAIA Motor Salvage Code were approved for immediate implementation by SAIA members.

Although the review took longer than initially anticipated to complete, this was not only due to the updates for alignment with the latest legislative developments required but also to facilitate the debate around whether a Code of Conduct remains a valid requirement for membership of SAIA, given the myriad of new laws around policyholder protection and market conduct.

Following numerous meetings, requests for input by members, stakeholders and discussions with the Financial Sector Conduct Authority, we confirm that the Code is considered relevant and supplementary to the relevant legislation.

SAIA acknowledges that it is not a regulator and that in the interests of the non-life industry it must communicate and relate industry requirements to all stakeholders, highlighting the value to be derived from adhering to the above Code, for the industry, in the long run.

***This article was written by Charles Hitchcock SAIA Chief Operations Officer*. For more information, please contact: Charles@saia.co.za.**

3.2 Intermediaries Guarantee Facility Limited (IGF) Status Update

The Regulators confirmed in a letter addressed to the Intermediaries Guarantee Facility Limited (IGF), dated 24 August, that they have withdrawn the IGF non-life insurance license.

The following outstanding additional conditions with regard to the withdrawal of the above license include:

The removal of any derivative thereof or use of the word insurance from all IGF documentation is required so as not to be seen by the public as an operational non-life insurer. Actions taken relating to the exercise must be confirmed to the Regulator within three months of the above date.

A reporting format as received from the Regulator must be completed and submitted to the Regulator on a bi-annual basis. The report requires the reporting of any claims incurred during the reporting period, the claims process followed to date thereon, and the assets on hand at the respective reporting dates. The first reporting date is for the six months period ended 31 December 2020, due on 31 January 2021.

An IGF Board Sub-Committee: Claims Committee has been re-constituted, to manage the claims process, consisting of IGF Board members, and a Claims Committee Charter including a relevant Terms of Reference.

***This article was written by Charles Hitchcock SAIA Chief Operations Officer*. For more information, please contact: Charles@saia.co.za.**

4 SAIA Circular – October 2020

MD Circulars – October 2020		
MD-2020-045	Request for Member Declaration of Market Share Information for Invoicing Purposes.	14-10-2020
SG Circulars – October 2020		
SG--2020-135	Proposed Amendments to the Preferential Procurement and ESD Scorecard – FS400.	02-10-2020
SG-2020-136	COVID-19 PAYE Deferral Relief – Payment of Deferred Amounts.	06-10-2020
SG-2020-137	Invitation to workshop on 2nd round comments on the COFI Bill.	08-10-2020
SG-2020-138	Invitation to comment on proposed methodology to determine which insurers are systemically important within the South African context for your attention with the following attachments.	08-10-2020
SG-2020-139	Call for Applications Insurance Innovation Challenge Pilot Project.	14-10-2020
SG-2020-140	FSTC – Revised Maximum Sum Insured 2020.	14-10-2020
SG-2020-141	Invitation for comments on Draft Prudential Standards for financial conglomerates.	20-10-2020
SG-2020-142	FSCA Information Request 4 of 2020.	21-10-2020
SG-2020-143	Letter to FSTC on Application for Special Dispensation on Transformation Budget Towards Covid-19 Relief.	22-10-2020
SG-2020-144	Application for license to conduct Microinsurance Business in SA.	23-10-2020
SG-2020-145	Extended Deadlines due to the impact of COVID-19.	26-10-2020

IMPORTANT NOTICE
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