



SAIA

SOUTH AFRICAN INSURANCE ASSOCIATION

BULLETIN

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

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1 From the Desk of the CEO

Let me start by welcoming you all to a new year, 2021. The year 2021 started off somewhat different from 2020, with an acceptance of the new 'normal' of working remotely, juggling a host of virtual meetings and webinars, as well as learning to use the vast array of technological applications to get our jobs done. Overall, there is a sense of preparedness, even though most organisations may have to cope with the challenge of constantly finding new ways of engaging their teams, motivating them, and ensuring that they keep their eyes on the ball.

The Covid-19 pandemic has continued to pound global economies, South Africa included, with millions of job losses suffered across the globe. To date, South Africa has registered over 1.43 million positive cases, with 1.26 million recoveries and close to 43 000 deaths. This is a fraction of the severity of the pandemic in other nations, like the United States, India, Brazil and even the United Kingdom. However, this does not, by any chance, make our position any better as our health system continues to buckle under the immense pressure of the pandemic. Given the unprecedented global demand for vaccine doses, combined with the far greater buying power of wealthier countries, the SA government has opted to directly negotiate with manufacturers to secure enough vaccines to reach the adult population. It is our sincere hope as business, that the government expedites the vaccination programmes with an aim to achieve the recommended herd immunity by the end of 2021.

Extreme weather pattern changes remain a challenge. On the morning of Saturday 23 January 2021, cyclone Eloise hit Mozambique's Sofala coastal province before weakening and heading inland to dump rain on Zimbabwe, Eswatini and SA. The severe winds and heavy rains wrecked thousands of buildings, ruined crops and displaced almost 7,000 people in Mozambique, leaving behind close to 15 people dead. Cyclone Eloise is hailed the strongest cyclone to hit this part of the continent, since cyclone Kenneth in 2019. The frequency of such extreme weather occurrences, including extensive drought periods, costs global economies billions of dollars annually. However, it is too early to quantify the amount of damage caused by cyclone Eloise in the region. SAIA continues to participate in various global platforms and forums, as well as within national, and local government structures aimed at minimising the impact of these weather pattern changes.

The non-life insurance industry continues to settle business interruption claims and would like to reaffirm that the process of assessing and paying claims is ongoing within various SAIA member companies. SAIA members have committed to settle claims as efficiently and speedily as possible, however, it needs to be acknowledged that this process is likely to take some time to complete.

We have also noted the recent media articles around the Vehicle Salvage Database (VSD). The concerns raised by the motor body repairers and various other stakeholders who may be of the view that publishing this database will be the silver bullet to the challenges consumers face in the accident damaged vehicle buying and selling space are also noted. Whilst the VSD only contains 33% of the data while the remaining 67% of vehicles remain uninsured on our national roads, SAIA's philosophy has always been that of collaboration and cooperation, and as such, the concerns and issues raised will be discussed and considered within SAIA structures in the coming months.

Viviene Pearson
SAIA Chief Executive

2 Insurance Risks

2.1 SAIA Continues to Collaborate on Climate Change into 2021

Extreme weather-related events are increasing with each passing year, both in terms of frequency and severity. This has shone a brighter regulatory spotlight on climate related risks for insurers globally. These natural events have been top of mind in the whole financial sector fraternity, but more especially to those dealing with insuring buildings and infrastructure. However, this does not fall within their ambit alone but also falls within the national, provincial, and local government's jurisdiction. Therefore, extensive work and effort is channelled into ensuring that all stakeholders come together and work collaboratively to attain an ideal position that will help cushion the impact of climate change on society.

The South African Insurance Association (SAIA) identified climate change as one of the emerging risks for the insurance industry some years ago, and the industry has been proactively trying to bring together all relevant stakeholders to work together in a bid to find acceptable and safe combative strategies that will protect our society and businesses. These stakeholders have included academics in the built environment, the business fraternity, government departments and agencies.

Issues relevant to SAIA that the industry has noted and continues to engage on within the National Treasury (NT) Climate Change Working Group and the TCFD sub-group are:

- a. The physical risk element and South Africa's transition journey to reducing its carbon footprint continue to be a challenge.
- b. The growing nature of climate change as a systemic risk – and that the non-life insurance industry alone cannot carry the risk, meaning that the protection gap will keep increasing, affecting mostly the vulnerable members of society. As a result, SAIA is proactively taking several steps aimed at assisting society and business to deal with climate change.

Some of these initiatives include:

- i. The Pandemic and Other Uninsurable Risks Working Group. Since climate change is one of the systemic risks, the creation of this sub-group that investigates how both industries, represented by SAIA and the government could work together in charting a working solution.
- ii. The SAIA Property Protection Steering Committee (SAIA PPSC) – addressing climate change challenges that have resulted specifically in increased fire and flood risks, e.g., Knysna fires, which started as a veld fire and spread fast and wide due to the drought situation at the time and fuelled by high winds. The SAIA PPSC has appointed the Fire Protection Association of South Africa (FPASA) as a strategic partner because of their knowledge, experience and competence in Fire Risk Management training and the provision of risk management solutions like how to create fire breaks to curb the spread of veld fire events. Under the SAIA PPSC, one of the projects the FPASA will be executing is consumer education on risk mitigation. Through this initiative, FPASA will also explore how municipalities could be supported in their regional fire risk management programmes, including preventing localised flooding risks following heavy rains.

- iii. Other national structures include the National Disaster Management Centre (NDMC), which participates in the National Disaster Resilience RoundTable (NDRR), as do the Western Cape Provincial Disaster Management Centre, the Council for Scientific and Industrial Research (CSIR), the University of Stellenbosch, Landworks, the Western Cape Fire Protection Association, Working on Fire, and Vulcan Fire Management Services.
- iv. As a non-life insurance industry body, SAIA does participate in the National Disaster Management Advisory Forum (NDMAF) quarterly update meetings which addresses:
 - a. Seasonal climate watch – SA Weather Service
 - b. Seasonal risk profile – National Disaster Management Centre
 - c. Status of water in the country – Dept of Water and Sanitation
 - d. Three-month electricity forecast – Eskom
 - e. Update on disaster management plans and a reflection on contingency seasonal plans – NDMC
 - f. Progress on disasters classified and states of disasters declared in the reporting period / Development of a model for disaster funding – NDMC
 - g. Update on the Coordination and Management of COVID-19 Pandemic Response and Recovery Measures – NDMC
- c. The National Treasury created the Climate Change Working Group – specifically for the financial sector – and these include non-life insurers, life insurers and banks.
 - i. The working group is aimed at defining ways of how the financial sector will report on climate change risks, which will give the National Treasury a view of how the financial sector is managing climate change risks and possibly where there's market failure in the broader sense.
 - ii. The working group also tackles SA's transition journey aimed at reducing its carbon footprint and how a scenario where the financial sector no longer finances or invests in stranded assets e.g. Eskom, coal-producing power will be managed. If not properly managed, this has the potential of leaving corporates such as Eskom uninsurable in the coming future. This challenge is already here and is demonstrated, for instance, by AXA no longer investing nor insuring coal-producing assets, including pipelines.
 - iii. In market failures (financial sector not providing insurance or limiting its absorption of the risk due to climate change claim events and/or investment in stranded assets), the National Treasury possibly through the NDRR platform would need to engage on what could be done to mitigate the risk at a municipal level and provincial level, and this will require a collaborative approach with business which includes non-life insurers, consumers, residents, society at large; academics and other institutions which will effectively contribute on strategies aimed at mitigating and managing such a risk.

SAIA will continue to work with and proactively engage all interested stakeholders in this space to assemble the best knowledge and expertise, as well as insights in how climate change impacts business, but more especially to devise ways and strategies of combating the full effects of climate change. As a result, this will not only save businesses but also humanity and our beautiful environment.

This article was written by Susan Walls, SAIA Insurance Technical Advisor. For more information, please contact: Susan@saia.co.za

3 Governance

3.1 Guidelines for Competition in South Africa's Automotive Aftermarkets

In December 2020, the Competition Commission (CompCom) issued Guidelines for Competition in the South African Automotive Aftermarkets (the Guidelines), after extensive consultation with various stakeholders.

The Guidelines apply to all motor vehicles and are directed at promoting competition in the Automotive Aftermarket, increase transparency and facilitate consumer choice, promote economic access, inclusion, and greater spread of ownership for historically disadvantaged individuals (HDIs).

The Automotive Aftermarkets refers to the after-sale market which includes amongst others, the maintenance and repair services, and related value-added products, mechanical, structural, and non-structural repairs to Motor Vehicles, the sale of motor vehicle spare parts, tools, and components as well as the sale and administration of motor vehicle insurance. Further, the largest portion of the aftermarket is the vehicle servicing, repairs, and parts supply channels, which form approximately 80% of the entire Automotive Aftermarket industry, both in employment and rand value contributions to the economy.

These Guidelines are important for the non-life insurance industry, especially as motor insurance accounts for about 45% of the non-life insurance business. Some of the proactive measures introduced in relation to in-warranty service, maintenance, and repairs include the following:

1. a consumer's choice to seek service, maintenance, and mechanical repair work for their motor vehicles at a service provider of their choice should not be obstructed, regardless of whether that service provider is a dealer approved by the original equipment manufacturer (OEM) or an independent service provider (ISP).
2. during the in-warranty period, the motor body repairs of consumers with insurance shall be undertaken by approved motor body repairers allocated by the insurer.
3. independent service providers must disclose to consumers the risk of damage that could arise from their work, including consequential damage to the motor vehicle, which may potentially void certain obligations of the OEM in terms of the warranty.

The Guidelines also provide measures that address the appointment of service providers and allocation of work by insurers. The measures include the following:

1. Insurers must adopt measures to promote the fair allocation of work to repairers on their panels, with a preference for firms owned by HDIs.
2. To ensure that the panel appointment process is fair, Insurers shall publish the standards used to accredit repairers on their websites and/or other suitable media.

The CompCom has found that most consumers are sometimes unaware that the purchase price of the motor vehicle is bundled with the price of value-added products (VAPs). To give consumers greater choice, the Guidelines provide that maintenance and service plans must be unbundled at the point of sale. This will also allow for more players to provide such VAPs for consumers whose motor vehicles are in-warranty.

The CompCom intends to conduct periodic impact assessments to monitor compliance of adherence to the Guidelines and shall require affected stakeholders to submit information and data in response to information requests issued by the CompCom in the course of monitoring compliance.

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4 Transformation

In support of the transformation objectives as approved by the SAIA Board, SAIA is coordinating the implementation of the priority industry initiatives and facilitating relevant engagements with members.

Below is the update on the SAIA's Transformation focus areas and activities as approved by the SAIA Board.

4.1 SAIA Transformation Focus Areas

The SAIA Board has approved the continuation of the following focus areas to drive the industry transformation strategy:

Industry Data Collation Portal – SAIA is in the process of testing the data portal that has been developed to collate the industry transformation data. The project started with the development of industry procurement data, which is currently being tested before it is rolled out to the industry for data submission. In 2021, the data project will focus on the development of the portal for the collation of management control (Employment Equity) and Skills Development to inform the industry' strategic approach in addressing the increasing industry skills gap.

Industry Skills Gap (Management Control and Skills Development) – The industry has continued to experience a skills shortage, which has also had an impact on its ability to accelerate human capital transformation. As a result, SAIA has partnered with the Insurance Institute of South Africa (IISA) and the Insurance Sector Education and Training Authority (InSeta) in a project that seeks to develop the industry body of knowledge and identified suitable training initiatives for the industry. The year 2020 ended with the launch of the first two volumes of the body of the insurance knowledge textbooks by Wits University in partnership with InSeta. More work will be carried out on this project, which includes the identification and communication of the industry's priority skills.

With regards to management and control, the financial sector presented its position paper on the Department of Employment and Labour's (DoEL) proposal on setting industry specific Employment Equity (EE) Targets. The sector position paper has since been discussed with and approved by the DoEL. In 2021, SAIA will be conducting an industry workshop to present the outcomes of the sector position paper and to establish an industry way forward that will assist members towards achieving the set sector targets, once the new EE Bill is approved by parliament and comes into effect.

Review of the Financial Sector Code (FSC) – The review of the FSC has remained a key priority focus for the industry, which is anticipated to be concluded in the first half of 2021. SAIA submitted the industry position paper for the review of Statement FS 400 (Preferential Procurement and ESD) and is in the process of revising the Access Standard according to the approved changes to the Access element.

Enterprise and Supplier Development “ESD” (incl. Preferential Procurement) Initiatives

– In line with the proposed changes in the FSC for the industry and contributing to the transformation of the financial sector, SAIA continues to seek opportunities and initiatives for the advancement of the industry’s supplier chain and contributing meaningfully to the economy. This will include the conversion of the Treating Suppliers Fairly (TSF) Framework into a Code of Conduct guideline to be adopted by SAIA members. Other initiatives will include industry engagements on the effective implementation of the Competition Commission’s Guidelines for Competition in the South African Automotive Aftermarket and identification of suitable industry ESD initiatives for both the motor and non-motor segments that support industry procurement.

4.2 Consumer Education

The SAIA Consumer Education Fund remains the industry’s flagship transformation initiative, which underwent a strategy review process in 2020, and was approved by the SAIA Board. For 2021, four projects have been approved, which will focus on young adults, adults and small businesses. 2021 has started with the implementation of two of the projects already.

Next of Next Week Season 3 – A six-episode television comedy-drama programme started airing on SABC every Saturday at 14h00 from 9 January 2021. This is to be followed by a repeat of season 1 from 20 February, and Season 2 from 27 March 2021. The two seasons are also currently airing on Netflix. The show integrates the non-life insurance principles into real-life experiences through a television edutainment programme.

Know you Cash – The project targeting young adults will be participating in a radio insert hosted by DJ Sabby – Afternoon Drive Show, on YFM at 15:40 every Tuesday from 9 February. The radio station targets young adults between the ages of 18 to 35, with its listenership predominantly being university students and young graduates. The show will include interviews with financial literacy experts on content that is aimed at promoting financial independence within the young adult population.

4.3 Money Smart Week SA – 2021 Edition

The National Consumer Financial Education Committee (NCFEC) chaired by National Treasury decided to suspend the roll out of the Money Smart Week South Africa (MSWSA) 2020 edition due to lockdowns which were implemented just before the initiative began.

We are happy to advise that the initiative is back on track and will be taking place between 22 – 28 March 2021.

To sign up for participation, please log onto the MSWSA website – www.mswsa.co.za/participation/. The event will be held virtually, and a variety of platforms have been sourced by our partners which will be communicated during February.

This article was written by Themba Palangwe, SAIA GM Governance and Transformation. For more information, please contact: themba@saia.co.za or Zanele Gigaba, Transformation Manager at zanele@saia.co.za.

5 SAIA Circulars – January 2021

MD Circulars – January 2021		
*Zero MD circulars were circulated in January 2021.		
SG Circulars – January 2021		
SG-2021-001	International Labour Organisation – Rapid Skills Assessment of Reskilling and Upskilling Needs in Response to the Covid-19 Crisis in South Africa.	14.01.21
SG-2021-002	Inseta Request for Participation in Research.	15.01.21
SG-2021-003	SARS IT3 BRS - Third Party Data Submission.	20.01.21
SG-2021-004	FSCA - Request for Information on Personal Lines Claims Reported in the 2020 Calendar Year.	20.01.21
SG-2021-005	Notice of Planned SAIA Downtime on Thursday, 28 January 2021, From 12h00-13h00.	26.01.21
SG-2021-006	SARS Web Browser.	26.01.21
SG-2021-007	Clarification Regarding the Bureau Veritas Certificate – Motor Body Repairer (MBR) Grading Standards.	29.01.21
SG-2021-008	FSCA Exemption for Direct Collection of Premiums – Substitution of Notices.	29.01.21

IMPORTANT NOTICE

For information on the SAIA bulletin or content published herein

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