We all get scared and want to turn away, but it isn’t always strength that makes you stay. Strength is also making the decision to change your destiny.

- Zoraida Córdova
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01
VISION AND MISSION OF
THE SOUTH AFRICAN INSURANCE ASSOCIATION (SAIA)
SAIA Vision
To promote and represent the interests of the non-life insurance industry while leading and enhancing the efforts of the industry to become recognised and trusted as an important contributor to the South African economy and society.

SAIA Mission
• Encouraging fair and ethical treatment of consumers of non-life insurance products.
• Representing the non-life insurance industry with all stakeholders and at all levels in such a way that these stakeholders have trust and confidence in the industry.
• Creating an environment in which the Members of our industry can share information, debate important and relevant issues, and create a common vision for the non-life insurance industry.
• Creating opportunities for the industry to continue with, and embark on, initiatives that will enhance its image and reputation among all stakeholders.
• Promoting understanding of non-life insurance to all stakeholders.
• Promoting awareness of the industry and its contributions to society and the South African economy.
Even the most watertight plan can be hit by sudden debris. The COVID-19 pandemic knocked the world with force, and its aftershock remains. The year 2020 brought whirlwinds of change that uprooted reality as we knew it. The global village was forced into social distancing. South Africans were told to wait out the storm in their homes. While many businesses didn’t survive the relentless climate, others managed to shape-shift quickly and sidestepped the threat.

The non-life insurance industry remained functional after being deemed an essential service and modified its way of operations. South African Insurance Association (SAIA) Members availed their employees to policyholders in an effort to keep the economy afloat. We’ve had some victories: despite the pandemic, the non-life insurance industry experienced minimal job losses. But we are acutely aware of those hard-working South Africans who were not as lucky.

The challenge of juggling demands from virtually all spheres of business, while balancing those demands with the country’s socio-economic needs, was unbelievable. The pressure to ensure that the companies we represent remained sustainable was incredible.

Despite all the turbulence, the industry managed to resolve most of the challenges as we worked closely with policymakers and the financial Regulators. We collaborated with peers, partners, and policyholders, and chiselled out solutions. We continued to reach out to our stakeholders and the public at large. We saw South Africans coming together in the face of insurmountable odds. As a country, as a nation, as an industry, we’ve proved ourselves worthy of rising to unexpected challenges.
2020 was not a year for the faint-hearted. The COVID-19 pandemic pushed South Africans into an uncertain and sometimes scary new world. Businesses had to adapt – some literally overnight! – or face the real threat of not surviving. Yet, despite the overwhelming uncertainty, we held on tight. The road was only dimly lit, and the compass directions were unclear. But thanks to steadfast leadership, we kept the boat steady. In our hearts, we knew that being challenged in life is inevitable, but being defeated is optional.

Introduction - General Impact of the COVID-19 Pandemic

The year 2020 will forever be emblazoned in the minds of humankind as one that ushered in the most contagious and devastating pandemic of our living years, the Coronavirus, also referred to as COVID-19. South Africa was no exception as it also reported its first confirmed COVID-19 case on 5 March 2020. It then became apparent in the days that followed that South Africa had to implement a national prevention strategy as a protective intervention for its citizenry, while nursing the already infected back to good health.

The prevention strategy included a series of lockdowns that totally shut down some businesses deemed non-essential, and others considered high risk, as well as a ban on local and international travel. PwC’s SA Economic Outlook 2021, which was released in February 2021, stated that, in addition to the millions without jobs in the country at the start of 2020, an additional 2.2 million people were without work during the period April – June 2020. The global consultancy firm estimated that only 900 000 of them returned to a job by year-end, a net loss of 1.3 million jobs.

Non-life Insurers – Rising to the Challenge

Rising to the COVID-19 pandemic demands has been one of the most challenging exercises of our time, especially in the first half of 2020. The series of announcements by President Cyril Ramaphosa, which started on 15 March 2020, declaring a National State of Disaster and the subsequent restrictions announced on 23 March, put a serious strain on South African businesses of all forms, including non-life insurers.

For most Members of the South African Insurance Association (SAIA), this meant that we had to work from home or remotely, while also demanding that we invest heavily in technological infrastructure. Online security had to be strengthened to provide effective communication infrastructure, while also introducing new working processes that allowed business continuity. It also became apparent for most SAIA Member companies that they not only needed to grapple with the new ways of working, but also deal with the psychological challenges experienced by employees working from home. While some employees loved and embraced this, others struggled to find the ideal point of balance. While we empathetically tried to address some of these issues internally, the industry had to also display its full understanding of the socio-economic challenges faced by policyholders as some companies in other industries began to retrench employees, with others having their monthly salaries slashed into half.

This was new territory, even for the most experienced executive. Quite a significant number of companies could not sustain themselves through the hard lockdown, leading to their unfortunate permanent shutdown. However, I am glad to state that as much as SAIA Member companies were impacted heavily by the lockdown, none of them folded because of the pandemic. Instead, they were steadfast in proactively extending olive branches to their policyholders, taking significant strides in trying to minimise the impact of the lockdown without being prompted. The initiatives undertaken by SAIA Members were of great importance, not only for our policyholders but also for the general economy since the non-life insurance industry is a major player in the enablement of economic activities in South Africa.

Some of those strides were based on several SAIA Board resolutions, at an industry level, that discouraged retrenchments in the industry, while encouraging all Members to continue paying employees their salaries and living wages for those whose salaries were dependent on commissions. This was a clear demonstration of empathy, and an undisputable effort by non-life insurers and reinsurers to continue contributing to the revival and the sustainability of the South African economy. The SAIA Board also resolved that SAIA Members were to make every effort to ensure that service providers were promptly paid to ease possible cash flow challenges. This enabled service providers to pay their own employees on time and allow them to continue providing those essential services, like attending to our policyholders’ burst geysers.

SAIA Members also introduced several relief initiatives aimed at assisting policyholders in retaining their policies, including premium holidays, premium
deferrals, and premium discounts over a certain number of months. Our assistance during this period did not only end with policyholders but extended to Government level where Members contributed to the Solidarity Fund with the hope that the funds find their way to those in need. SAIA Members also contributed immensely to the frontline staff through the donation of Protective Personal Equipment (PPEs) and some donations of hospital equipment like beds for some hospitals.

I must state that, despite the challenge of functioning in an economy that was on lockdown, non-life insurers had yet another challenge to face; that of Contingency Business Interruption (CBI) claims. Our relationship with the Regulators provided a platform upon which fair and balanced discussions were held, and an agreement was reached that legal certainty regards CBI claims was required. The waiting period was a very trying time for the industry as it suffered reputational damage. However, our relationship with the Regulators never faltered, and we are grateful for the guidance provided to the industry during that challenging period.

Despite the financial significance of the CBI claims and the settlement figures, the non-life insurance industry remained resilient, standing firm with healthy balance sheets, thanks to our loyal policyholders who continued to pay their premiums in the face of adversity. However, CBI related claims look set to continue into the year 2021.

Solid Leadership

As an industry, finding our feet and quickly gaining the understanding that the South African economy was not going to return to the pre-COVID-19 era, was of paramount importance. A clear demonstration of solid leadership was non-negotiable. We also realised the need for the non-life insurance industry to be a part of that business fraternity that forges this new economy in a changed global reality, and that this will require a social partnership between business, labour, communities, and Government. During the year, SAIA grabbed every opportunity to showcase its capabilities of acting as a catalyst for dialogue, among its Members, Government, and Regulators, while also driving the narrative of the industry as an economic enabler.

Indeed, the pandemic demanded a massive reset of the general business ecosystems, altering many a leader’s assumptions in the process. Given the upheaval experienced, most businesses had parts of, or even their entire strategies rendered irrelevant. The environment forced a rethink of plans and tactics to remain relevant and continue servicing the remaining clientele. The challenge was therefore dumped squarely at the feet of business leadership, testing its ability to think on its feet, and inviting its courage to dare explore unchartered territory.

This required resilient leadership from the industry, and the courage to face the challenges of the industry. These challenges included the expeditious payment of claims, and a complete migration to digital platforms that enabled policyholders to easily lodge their claims from the comfort of their homes. Maintaining the credibility of the industry remained at the core of our operations, while engaging more agile and leaner business processes to continuously improve client experience. As a result of the solid leadership within the non-life insurance space, I am therefore glad to state in this Annual Review 2021, that the industry experienced minimal job losses in the period 2020 to 2021.

Regulatory Framework

The South African regulatory framework has remained, and continues to be solid, thanks to the National Treasury, the SARB’s Prudential Authority (PA) and the Financial Sector Conduct Authority (FSCA). Our collaboration and relationship with Policymakers and Regulators have not only allowed us to create platforms upon which we can dialogue and discuss the challenges that we face as an industry, but also allowed us to share expert opinions and experiences for a better financial sector. The non-life insurance industry continues to operate within a robust and well-regulated financial sector framework, that places great importance on the liquidity and adequate capitalisation of financial institutions.

The declaration of a National State of Disaster in South Africa, coupled with the resultant series of lockdown regulations, was unprecedented, but generally well-implemented within the confines of the National Disaster Management Act, 2002. However, the industry remained functional after being deemed an essential service. Other financial sub-sectors, such as banking, financial markets, pension fund administration and medical schemes administration were also declared essential services.
SAIA would like to convey its gratitude to the PA and the FSCA for having been proactive in rendering assistance to the financial sector in meeting the required statutory requirements while dealing with the national lockdown. We would also like to thank them for encouraging the conversation that enabled us to render limited essential services that were necessary to support the functioning of the financial system and the maintenance of a stable financial environment.

As an industry, we cannot stress enough the need for good financial customer outcomes within the non-life insurance space. We, therefore, remain in support of the National Treasury’s Conduct of Financial Institutions Bill (the Bill), which was released for public comment in September 2020. The Bill is a key pillar in the Government’s Twin Peaks financial sector regulatory reform process launched in 2018, which aims to entrench better financial customer outcomes in the South African financial sector. It is a financial institution-facing law that sets requirements for financial institutions to meet and describes outcomes to deliver.

The proposed amendment of Schedule 1 to the Financial Intelligence Centre (FIC) Act is still a work-in-progress. The proposed amendment seeks to include certain financial institutions (including, but not limited to, non-life insurers as Accountable Institutions) in a bid to reduce money laundering and terrorism financing. The appointed service provider has completed their draft risk assessment report to determine the vulnerabilities across the industry. Once finalised, the risk assessment report will be used to determine the justifiability of the possible inclusion of non-life insurers and intermediaries as Accountable Institutions in terms of Schedule 1 of the FIC Act.

In December 2020, the Competition Commission published the final Guidelines to the South African Automotive Aftermarket Industry. SAIA and its Members welcomed the Guidelines that seek to improve the competitiveness in automotive primary and aftersales markets by promoting service provider inclusivity and encouraging consumer choice. Therefore, SAIA supports the Guidelines principles as it places responsibility on all industry players to employ certain fair practices in conducting their businesses. These fair practices include the disclosure of certain information to consumers to enable them to make informed choices and address consumer safety.

Not everything that is faced can be changed, but nothing can be changed until it is faced.

– James Baldwin
Economic and Social Transformation

Economic and social transformation remained a key focus area for SAIA and its Members in the year 2020/21. In my previous Annual Review 2019/20 article, I lamented our inability to take advantage of the new dawn of data collation and the deployment of that data alongside the development of an industry narrative that demonstrates the non-life insurance’s role as an economic enabler of note. I am glad to report back that the development of the Preferential Procurement Data Portal has been completed. SAIA is now in the process of creating the first survey and intends to provide the industry with an analysis of its performance and identify areas of industry opportunities and improvement.

Transformation in the Enterprise Supplier Development (ESD) space within the non-life insurance industry continued to receive a fair share of attention from various stakeholders within the economy, including Government, Regulators and, above all, various service provider groupings. SAIA has continued to engage diligently with various constituents in this space to ensure that there is fairness in how work is distributed. However, the association remains fully cognisant of its limitations in this space as the full implementation of this initiative is highly dependent on member buy-in.

SAIA has, for the past few years, been focusing on the implementation of the Treating Suppliers Fairly principle which again became a focus point for non-life insurers in 2020. I am pleased to report that, despite the challenges faced by SAIA Members, they still continued to assist their suppliers, and in particular Small, Medium and Micro Enterprises (SMMEs), as best they could. SAIA Members proved their worth by continuing to procure services from them as and when required, depending on the nature of claims received. However, such claims had to be recognised as essential services in the Regulations published by Government. To help ease supplier financial cash-flows and liquidity challenges, SAIA Members also committed to expediting payments for work done by service providers, helping preserve thousands of jobs in the process.

Insurance Risks (Climate Change and Sustainability)

Climate change is a very complex and challenging issue, affecting both humans and the environment. In the last couple of years, it has resulted in the prevalence of extreme weather changes such as heatwaves, cold waves, storms, floods, and droughts. Its effects have been exacerbated by a lack of infrastructure development and maintenance, resulting in the loss of human life and in damage to property. It also had an adverse impact on the non-life insurance industry. Globally, floods, fires and hurricanes cost more than US$150 billion in 2019 alone. As such, the property protection gap continues to be a pain-point for the insurance industry since such natural disasters are set to continue to afflict damages to infrastructure.

Since my last report on the Agricultural Insurance Index Project, SAIA and its Members have been diligently working with various stakeholders, including the PA and the FSCA, to make this a reality. I am glad to announce that the Agricultural Insurance Index Project has moved to a new phase where some of our Members have been approved to proceed with testing the product within a sandbox environment.
This is a major step towards Agricultural Insurance in South Africa.

In the third quarter of 2020, SAIA facilitated a futuristic initiative, the Pandemic and Other Uninsurable Risks Think Tank, with representatives from SAIA, the Financial Intermediaries Association (FIA), the Institute of Risk Management South Africa (IRMSA), the World Bank and the Financial Sector Regulators: Financial Sector Conduct Authority (FSCA) and Prudential Authority (PA). The think tank aimed to explore possible solutions to Non-Damage Business Interruption Insurance, as well as tried to find efficient risk prevention and/or transfer measures. This process is ongoing, and a lot of progress has been made.

The industry has continued to note the acceleration of digitalisation of systems in the financial and related sectors, especially with the advent of the COVID-19 pandemic. Most financial institutions already had digital transformation roadmaps or strategies set to take place over five years but had to hasten their implementation. This has had a significant impact on customer journey experiences in the digital space where claims are now easily lodged through digital, and almost instant channels. However, this has also given more impetus to cybercrime. The New York-based Cybercrime Magazine projected that global damages would be US$6 trillion annually by 2021. The magazine further estimated that global cybersecurity spending had increased to US$1 trillion cumulatively from 2017 to 2021. Ransomware damage costs will escalate to US$20 billion by 2021. This has been real for several financial institutions, which have seen a rapid escalation in technology spend, especially over the last 12 months.

**Appreciation**

In conclusion, I would like to express my sincere gratitude to the SAIA Board and the SAIA Board Advisory Committee for their commitment to the attainment of the organisational objectives as set out in the SAIA Strategy. I would also like to thank all SAIA Members who have stood by the decisions made by the SAIA Board in the last year. Your belief and support were noted and is truly appreciated. Lastly, I would like to thank SAIA Chief Executive Officer, Ms Viviene Pearson, her executive team as well as the entire SAIA team for their hard work. Thank you for your perseverance in ensuring that the wheels of the engine kept turning in the face of adversity. Your tenacity is acknowledged.

Cedric Masondo
SAIA Chairman
As the non-life insurance industry’s representative body, the South African Insurance Association (SAIA) is familiar with the many faces of risk management. Indeed, our key priority areas include Transformation & Social Risks, Governance Risk and Insurance Risks. The risks that came with a global pandemic were, however, unchartered territory for the entire world. Businesses were pushed into murky waters and had no choice but to swim. SAIA had to balance the boat between keeping our own people safe while also throwing out ropes to help other stakeholders. Just like everyone else, we had no case study to refer to and no textbook to reference. But we persisted in keeping an open dialogue and collaborative conversation. Together with our stakeholders, we carved a new road to success despite all the unexpected challenges that seemed to keep on coming our way.

Following the initial lockdown announced by the President of South Africa, Mr Cyril Ramaphosa, in March 2020, the South African economy literally shut down. Only a few businesses that were declared essential could continue working, and this included the non-life insurance industry. The SAIA Chairman’s Report has already detailed some of the challenges the South African non-life insurance industry faced during 2020. While most businesses continued to work from home, several other businesses, especially in the hospitality industry, were severely impacted such that they had to eventually close down. This was after the lockdown placed tremendous pressure on their income as well as their ability to meet their operational costs. Consequently, many businesses turned to the non-life insurance industry, lodging business interruption claims with the hope that these will help them shore up their operations, at least for a little while. This was unchartered territory for both the industry, the Regulators as well as the impacted policyholders. The result was that several policies were rejected on the basis that the intention of the cover did not include a pandemic, but rather localised infections. It quickly became apparent that this was not only experienced by South African non-life insurers and policyholders alone but had also become a global challenge.

The difficulty that insurers faced stemmed from the interpretation of policy-wording, which resulted in non-life insurers and reinsurers agreeing with the Regulators that seeking legal guidance through higher courts would provide the best outcome and legal certainty. The divergent policy interpretations made it necessary for a legal determination to be sought, ascertaining what was covered, and whether premiums include such a risk. The legal route carried significantly more risk for the insurers, including the fact that, should the principle of contract certainty be in question, it would pave the way for all other insurance contracts to be open to interpretation in the future. However, insurers and Regulators, as well as other role players, agreed that seeking legal certainty was the best route forward.

I would like to state that many valid business interruption claims were paid even during the period the non-life insurance industry was waiting for legal certainty, where the losses corresponded with the requirements of the policy. Despite this, the industry’s image and reputation suffered extensively at the hands of several stakeholders, including local and global media. However, as soon as legal determinations began emerging (first in the United Kingdom and followed by South Africa), SAIA Members took note and engaged in further discussions with the Regulators, after which our Members started paying claims to affected policyholders on a case-by-case basis.

The loss to the industry was substantial. However, in the face of all this, I am glad to say that the non-life insurance industry braved the storm and immediately embarked on several initiatives aimed at assisting policyholders. As already stated in the SAIA Chairman’s Report, the SAIA Board requested Members to outline the support rendered to various constituencies, including assistance offered to Government, in-house business initiatives such as policyholder assistance, support to businesses and communities in which they operate. From April 2020 to June 2020, SAIA Members contributed R267.8 million in assistance.

Members also contributed R30 million towards the Solidarity Fund, while both personal and commercial lines policyholders received over R145 million in the form of premium deferrals, premium relief/holidays, as well as through proactive and reactive premium discounts. Grant structures that cost Members R7.6 million were provided to essential and non-essential workers, including tow truck operators and Motor Body Repairers (MBRs). These measures included:

1. Suspending volume-based discounts offered by MBRs.
2. Ufront invoicing of initial assessment.
3. Providing sanitising machines to MBRs.
4. Clearing outstanding payments to suppliers.

Other contributions included the supply of masks and food parcels. Employee relief, donations to organisations such as the Gift of the Givers, and other CSI
activities to assist frontline workers were also part and parcel of Members’ support. These contributions amounted to over R88 million. SAIA Members were also committed to speeding up payments to service providers to ease up their cash-flow challenges. Despite all the challenges the industry faced in 2020, Members continued to contribute towards the stability of our society and the economy.

By the end of February 2021, SAIA Members had continued to pay out valid Contingent Business Interruption (CBI) claims, which have run into tens of billions of rands.

**SAIA Key Priority Areas**

The association’s key priority areas were:

1. **Transformation** – There are several projects that fall within this space that are pertinent to the holistic success of the industry. These include:

   - **The Industry Enterprise and Supplier Development (ESD) and Preferential Procurement Project.** This project is aimed at improving the non-life insurance industry supply chain and scorecard in line with the Financial Sector Code (FSC).

   - **The Data Collation Project.** The development of the data portal has been completed. It has taken quite a while, but we hope that this will allow the industry to have a better view of its performance and provide the industry with the data it needs to take charge of its narrative going forward.

   - **Financial Inclusion.** This is another area where SAIA and its Members provide consumers with financial risk management tips and educate them within the financial literacy space. SAIA and its Members also offer risk management strategies for small and medium enterprises.

2. **Insurance Risks** – Projects in this area include several initiatives that have been a challenge for the non-life insurance industry. These include:

   - **Motor.** Over the years, great focus has been placed on crime combating and road safety initiatives which continue to cost the industry billions of rands annually. Therefore, SAIA still believes that this must remain as a key focus area.

   - **Property.** This is one area that has continued to be at the top of the industry’s agenda. Its sustainability is of great importance to some of our Members, especially in relation to fires and floods. The challenges around the maintenance of infrastructure have always been a pain-point for the industry as this involves multiple stakeholders, including local municipalities. The creation of the Pandemics and Other Uninsurable Risks Think Tank in August 2020 was aimed at bracing the Property Protection Strategy, amongst other potential systemic uninsurable risks.

   - **The Agricultural Insurance Project.** This project has been ongoing for years and it relates to both transformation (especially financial inclusion and job creation in the agricultural sector) and insurance risks.

3. **Communications and Public Relations** – The non-life insurance industry received a surge of interest from the media and other relevant stakeholders in 2020. The attention mainly revolved around CBI claims. Therefore, the SAIA Board felt that there was a need for Communications and Public Relations to be elevated to a key strategic level since the industry’s image and reputation was at risk.

   While the above-listed three areas remain the strategic key focus areas for the organisation and the industry, the business-as-usual areas, listed below, also remain strategically significant areas for SAIA and the industry it serves.

   - **Operations**
   - **Governance Risks**
   - **Reinsurance**

**Operations**

The funding gap that arose because of the winding-up of the Intermediaries Guarantee Facility (IGF) administration fee to SAIA remained an issue. Several cost-cutting solutions were tabled and approved by the SAIA Board to be implemented in the year 2020/21. The strategy was to manage expenses downwards where possible while increasing income from current sources and to consider additional sources of income.

The organisation kept employment-related costs at a minimum by allowing for natural attrition and redeployment of staff (if possible) to other areas in need, and
the utilisation of reserves to redress the SAIA budget imbalance. We managed to make further savings by not filling vacancies and putting a moratorium on travelling. The savings achieved narrowed the IGF administrative gap considerably.

The review of the SAIA Code of Conduct and the Motor Salvage Code was completed in 2020 after extensive consultations and input from Members of SAIA. The Code was also sent to the Regulators for their review, further confirming our collaborative approach to the management of business conduct with the Regulators. However, over and above this, the Code carries the spirit of self-regulation and follows a principles-based approach that is supported by standards.

**Insurance Risks**

Insurance risks have always been at the forefront of the non-life insurance industry, not only locally but also globally. There has been a host of new or emerging insurance risks noted by the industry with the potential to have dire effects on the sustainability of the industry. According to the 16th edition of the Global Risks Report 2021, published by the World Economic Forum, the disruptive implications of major risks, including the COVID-19 pandemic, will reshape the world as we know it going forward.

The Global Risks Report 2021 identifies the top four risks that are systemic in nature, with the first being extreme weather events. This point has been at the top of the list since 2017. Second and third remain climate-related, being climate action failure and human environmental damage as respective points of concern. The fourth point is listed as infectious diseases.

There is little doubt these four emerging risks will only see an increase in the protection gap, glaringly becoming more evident, and insurance alone is not enough to mitigate these risks. They are catastrophic in nature and, therefore, impossible for the insurance industry to cover single-handedly without the intervention of Government.

Property Protection has been a critical priority for SAIA Members for several years, especially when it comes to fire and localised flooding risks, which prompted the creation of the SAIA Property Protection Steering Committee. The Committee facilitates and drives expert participation from Members and its critical stakeholders such as the National Disaster Management Centre (NDMC).

The Fire Protection Association of Southern Africa (FPASA) was appointed by SAIA to execute the first two of six priority initiatives in the property insurance space, to address the above-identified risks. The two approved initiatives are the Standards and Codes, which aim to work towards reducing fire and localised flooding risks. This will include increasing the number of competent fire specialists in the insurance ecosystem.

The second is the Fire Brigade Classification initiative that aims to ascertain the condition, and therefore capacity needs, of fire stations in South Africa. This initiative is in collaboration with the NDMC and their provincial disaster management centres (PDMCs), of which the first pilot of the Fire Application was launched in the Western Cape two and a half years ago.

Following the global pandemic, a Pandemic and Other Uninsurable Risks Think Tank was initiated as a special project by the SAIA Board. It brought together experts from the Financial Intermediaries Association (FIA), the Institute of Risk Management South Africa (IRMSA), the World Bank, the Financial Sector Regulators: Financial Sector Conduct Authority (FSCA) and the Prudential Authority (PA).
Together, these participants aimed to proactively find solutions and identify risk-mitigating strategies to manage future pandemics and other uninsurable risks. The think tank has been well-received by all stakeholders involved and is a work-in-progress.

Motor insurance remains the largest non-life insurance industry’s class of business, making up approximately 45% of the non-life insurance business. This, therefore, makes it a strategic pillar for the industry, wherein SAIA has been very active in the crime combating, road safety and repair space. Through its strategic stakeholders, such as Business Against Crime for South Africa (BACSA) and the Insurance Crime Bureau (ICB), SAIA has continued to successfully drive its crime combating initiatives for the sustainability of the insurance industry and the benefit of society at large.

Transformation

Transformation remains one of SAIA’s key priority areas. The non-life insurance industry has defined what is meant by transformation within the broader narrative of the South African financial sector. Over the last year, we have sought to align our transformation activities in accordance with the aspirations of Policymakers and our Regulators, while also considering our capacity and constraints.

As an industry representative body, SAIA has continued to play its role in coordinating industry participation to accelerate the transformation of the non-life insurance industry. The Financial Sector Code (FSC) framework has remained key in driving transformation within the financial sector and the non-life insurance sub-sector. Industry Enterprise and Supplier Development (ESD), including Preferential Procurement, and Access to Financial Products to promote financial inclusion, have all been a part of SAIA’s transformation thrust. While the overall FSC review process has been slow, there was significant progress made by SAIA during the year which included the submission of industry position papers around ESD and Access to Financial Products.

However, the transformation of ESD, including Preferential Procurement in the non-life insurance industry, remains one of the most contentious areas of supply chain development. SAIA and its member companies have continued to engage with various stakeholders, including Government, Regulators as well as various bodies representing service providers. Since SAIA views ESD as one of the industry’s strong contributors to the FSC Scorecard, we continue to work on it with the intention of finally unlocking the industry’s bottlenecks in the supplier development and procurement space.

To have a better view of how the industry progressed in key transformation areas, the SAIA Board Committee: Transformation made recommendations to the SAIA Board to approve the collation of member data into a special portal, out of which industry statistics can be derived. It is envisaged that, once the portal is fully functional, the industry will be capable, among other aspects, of narrating its own story and reflecting on its contributions to the economy of South Africa. I am glad to inform our valued stakeholders that the development of the Preferential Procurement Data Portal is complete. SAIA will now progress into the data collation phase, which will provide the industry with an analysis of its performance and identify areas of industry opportunities and improvement.

During 2020, SAIA collaborated with the Association for Savings and Investment South Africa (ASISA) and the Banking Association South Africa (BASA). Together, the parties conducted a sector analysis on management control and made a submission to the Department of Employment and Labour (DoEL). The submission proposed to set sector-specific Employment Equity (EE) targets. The sector’s proposal carried an intention of meeting the new proposed targets over a five-year period. Items such as stagnant headcount growth, limiting opportunities for new entrants and the impact of technology were identified as contributors. This sector proposal was received and accepted by the DoEL.

Governance and Regulation

SAIA and its Members remained steadfast in ensuring that the industry has kept up to date with the developments in the regulatory space. Our relationship with Policymakers and Regulators ensured that we also contributed to the crafting of the regulations that impacted the industry. The industry regards legislating within the financial sector as paramount to ensure the industry remains robust and vibrant, while also protecting the interests and welfare of the consumers and policyholders. Through our submissions and engagements with the Regulators and Policymakers, SAIA ensured that the voice of its Members was taken into consideration, as a collective, in the final drafting of any regulations.
One of the financial sector’s key regulatory instruments, that have been in the making for some time, is the Conduct of Financial Institutions Bill, generally referred to as the COFI Bill. The COFI Bill is a key pillar in the Twin Peaks financial sector regulatory reform process that launched in 2018. The National Treasury (NT) published a revised version of the Bill for public consultation, and SAIA is awaiting feedback after its industry comments submission. Also in the making is the Retail Distribution Review (RDR), which talks to the categorisation of Financial Advisors. SAIA submitted its comments to the FSCA on the Categorisation of Financial Advisers in March 2020.

The Financial Intelligence Centre (FIC) gave their approval to the industry to conduct a risk assessment to determine the level of exposure to money laundering and terrorism financing across the non-life insurance industry. SAIA, together with the South African Underwriting Managers Association (SAUMA) and Financial Intermediaries Association (FIA), appointed an external service provider to conduct the assessment. SAIA Members were invited to participate in the risk assessment by completing a questionnaire as was compiled by the external service provider. The process was completed in 2020, and a draft risk assessment report has been produced for presentation to and analysis by FIC. In the meantime, the industry has been participating by voluntarily submitting the required information on the FIC’s go-AML reporting tool.

**Technology**

The deployment of sleeker technological platforms and systems that have eased conducting business was hastened in the last twelve months across all business types or categories. COVID-19 has catalysed the rapid positioning of technological systems for several non-life insurance players who remained conscious about business resilience, sustainability, and continuity. This also meant that the interaction dynamics between the policyholder and their broker (and/or insurer) reformed to mostly telephonic and digital platforms. Customer experience became topical in the digital ecosystem in the last year as it became important for insurers to relook their customers’ online journey to give them unequalled experiences.

Over the past year, we have noted a particular focus being placed on the acceleration of the digitisation programmes for the contact centres and the claims functions. These were undoubtedly the two areas that endured a lot of stress due to demand since the advent of the pandemic. A lot of effort also went into improving the use of structured and unstructured data in the provision of improved service excellence and experience. We also witnessed commendable progress in the deployment of claims automation platforms. This reformation allowed policyholders to lodge their claims digitally and improved streamlining of processes, resulting in quick decision-making turn-around times.

The reorientation of business models to cope with the rapid changes thrust upon the global business world by the pandemic required immense agility and willingness. The sudden shift obliged leadership to take calculated risks and explore beyond their comfort zones. Since this was a first for most leaderships, many a set corporate strategy became redundant and no longer applicable to the new world that mostly worked from home. Even though most employees welcomed the working from home policies, it exposed most companies to new and/or increased business risks, such as cybersecurity issues.

This meant that non-life insurers had to spend a lot more resources to protect their online activities. They also needed to ensure that they engaged enhanced technology to remain compliant with financial sector regulation, which was essential to the survival and the sustainability of the financial sector in South Africa.

**Appreciation**

I would like to convey my sincere gratitude to the Chairman of the SAIA Board, Mr Cedric Masondo, for the solid leadership through a challenging period. I would also like to thank the SAIA Board Members for providing direction and resilience to our activities, as well as their commitment to seeing these through. In addition, without the support of all our Members, SAIA would not have been able to survive and thrive. I appreciate all the input received from all our Members which enabled us to remain relevant. In conclusion, I would like to recognise my SAIA team for staying on track. Their determination to see all SAIA Board approved key areas diligently executed, in line with SAIA strategy, is truly commendable. In a time during which most of us had to work from home, sometimes in distracting and difficult circumstances, productivity and positivity levels remained sky-high. Thank you.

**Vivienne Pearson**
SAIA Chief Executive Officer
05
SAIA FINANCIAL EXTRACTS
The Extracts on these pages are from The South African Insurance Association (SAIA) NPC’s audited annual financial statements, prepared in accordance with International Financial Reporting Standards for Small and Medium Enterprises, a full copy of which is obtainable from the offices of the Association at Ground Floor, Willowbrook House, Lake Drive, Constantia Office Park, c/o 14th Avenue and Hendrik Potgieter Street, Weltevreden Park, 1709 or email: info@saia.co.za. The annual financial statements were audited by BDO South Africa Incorporated, who expressed an unmodified opinion thereon.

**Statement of Financial Position as at 31 December 2020**

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
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<td></td>
</tr>
<tr>
<td><strong>Non-Current Assets</strong></td>
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<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>376 129</td>
<td>444 255</td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
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</tr>
<tr>
<td>Trade and other receivables</td>
<td>3 462 556</td>
<td>1 766 916</td>
</tr>
<tr>
<td>Cash held on behalf of the SAIA Consumer Education Fund</td>
<td>12 370 275</td>
<td>15 617 787</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>23 394 631</td>
<td>20 759 311</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>39 227 462</td>
<td>38 144 014</td>
</tr>
<tr>
<td><strong>Equity and Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accumulated actuarial losses</td>
<td>(597 791)</td>
<td>(516 791)</td>
</tr>
<tr>
<td>Retained income</td>
<td>17 512 949</td>
<td>17 282 517</td>
</tr>
<tr>
<td><strong>Total Equity and Liabilities</strong></td>
<td>16 915 158</td>
<td>16 765 726</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>4 613 646</td>
<td>3 586 536</td>
</tr>
<tr>
<td>Project liabilities</td>
<td>4 890 512</td>
<td>390 512</td>
</tr>
<tr>
<td>Retirement benefit obligation</td>
<td>814 000</td>
<td>788 000</td>
</tr>
<tr>
<td>Funds held for SAIA Consumer Education Fund</td>
<td>12 370 275</td>
<td>17 057 495</td>
</tr>
<tr>
<td><strong>Total Equity and Liabilities</strong></td>
<td>22 688 433</td>
<td>21 822 543</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>39 603 591</td>
<td>38 588 269</td>
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</tbody>
</table>
### Statement of Profit or Loss and Other Comprehensive Income

#### Figures in Rand

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>29 501 969</td>
<td>32 921 539</td>
</tr>
<tr>
<td>Other operating gains</td>
<td>124 514</td>
<td>203 212</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(29 901 307)</td>
<td>(32 740 646)</td>
</tr>
<tr>
<td><strong>Operating (loss) profit</strong></td>
<td><strong>(274 824)</strong></td>
<td><strong>384 105</strong></td>
</tr>
<tr>
<td>Investment revenue</td>
<td>505 256</td>
<td>1 184 156</td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td><strong>230 432</strong></td>
<td><strong>1 568 261</strong></td>
</tr>
<tr>
<td><strong>Other comprehensive loss:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that will not be reclassified to profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remeasurement of retirement benefit obligation</td>
<td>(81 000)</td>
<td>(202 590)</td>
</tr>
<tr>
<td><strong>Other comprehensive loss for the year net of taxation</strong></td>
<td>(81 000)</td>
<td>(202 590)</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year</strong></td>
<td>149 432</td>
<td>1 365 671</td>
</tr>
</tbody>
</table>

### Statement of Changes in Equity

#### Figures in Rand

<table>
<thead>
<tr>
<th></th>
<th>Accumulated Actuarial Losses</th>
<th>Retained income</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at 01 January 2019</strong></td>
<td>(314 201)</td>
<td>15 714 256</td>
<td>15 400 055</td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td>-</td>
<td>1 568 261</td>
<td>1 568 261</td>
</tr>
<tr>
<td><strong>Other comprehensive loss</strong></td>
<td>(202 590)</td>
<td>-</td>
<td>(202 590)</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year</strong></td>
<td>(202 590)</td>
<td>1 568 261</td>
<td>1 365 671</td>
</tr>
<tr>
<td><strong>Balance at 01 January 2020</strong></td>
<td>(516 791)</td>
<td>17 282 517</td>
<td>16 765 726</td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td>-</td>
<td>230 432</td>
<td>230 432</td>
</tr>
<tr>
<td><strong>Other comprehensive loss</strong></td>
<td>(81 000)</td>
<td>-</td>
<td>(81 000)</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year</strong></td>
<td>(81 000)</td>
<td>230 432</td>
<td>149 432</td>
</tr>
<tr>
<td><strong>Balance at 31 December 2020</strong></td>
<td>(597 791)</td>
<td>17 512 949</td>
<td>16 915 158</td>
</tr>
</tbody>
</table>
## Statement of Cash Flows

Figures in Rand

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash generated from (used in) operations</td>
<td>2 290 506</td>
<td>(2 718 829)</td>
</tr>
<tr>
<td>Interest revenue</td>
<td>505 256</td>
<td>1 184 156</td>
</tr>
<tr>
<td><strong>Net cash from operating activities</strong></td>
<td>2 795 762</td>
<td>(1 534 673)</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>(150 442)</td>
<td>(236 084)</td>
</tr>
<tr>
<td><strong>Total cash movement for the year</strong></td>
<td>2 635 320</td>
<td>(1 770 757)</td>
</tr>
<tr>
<td>Cash at the beginning of the year</td>
<td>20 759 311</td>
<td>22 530 068</td>
</tr>
<tr>
<td><strong>Total cash at end of the year</strong></td>
<td>23 394 631</td>
<td>20 759 311</td>
</tr>
</tbody>
</table>
6.1 SAIA STRATEGIC AREAS

TRANSFORMATION
The South African Insurance Association (SAIA) Transformation Department offers SAIA Members a hub of thought leadership, guidance, and support on the journey of transformation within the non-life insurance industry. The department promotes awareness of transformation as a business imperative to our external stakeholders on many levels. We synchronise industry studies and coordinate reporting on transformation. We also identify and implement industry transformation initiatives and participate in pertinent transformation fora.

The Financial Sector Code has remained a key framework in driving the transformation of the industry.

The development of the Preferential Procurement data portal, which has been completed, was also a topic on our transformation agenda.

Transformation of the supply chain within the non-life insurance industry continued to receive attention from various external stakeholders and was, therefore, an important point on our radar.

We have identified the growing industry skills gap as an ongoing concern, but we have also worked towards finding solutions.

We have also applied ourselves to prioritise financial inclusion and consumer education. Despite the challenges that were presented because of the COVID-19 outbreak, SAIA is proud to say that we delivered on all Consumer Education Projects for 2020 (with some projects’ delivery modes adapted from face-to-face to digital platforms).

2020 presented unprecedented challenges as governments across the globe announced country-wide lockdowns due to the COVID-19 global pandemic outbreak. This has left many businesses in a state of shock and continue to do so, as many economies are battling through the recovery stages, while the fight against the deadly pandemic remains a challenge.

Failure of many businesses, especially the Small, Medium and Micro Enterprises (SMMEs), to remain operational and the increasing threat of job losses across industries have, among other lessons, demonstrated the importance of transformation in driving sustainable business and the economy at large.

As an industry representative body, SAIA has continued to play its role in coordinating industry participation in efforts to accelerate the transformation of the non-life insurance industry. Therefore, our focus continued to be driven by our priority areas as we agreed to by the SAIA Board.

**Financial Sector Code (FSC) Review**

The Financial Sector Code (FSC) has remained a key framework in driving the transformation of the industry, particularly in areas such as Enterprise and Supplier Development (ESD), including Preferential Procurement, and Access to Financial Products to promote financial inclusion. While the overall FSC review process has been slow, SAIA has made significant progress in its submission of the industry position papers and is optimistic about the implementation of its recommendations once the review process is concluded:

- **Industry Enterprise and Supplier Development (ESD)**

  The industry has made significant recommendations that would push the industry to do more in areas of strength, while contributing positively towards both transformation and the sustainability of the economy. Included in the submission was the separation of the ESD scorecard to be sector-specific, thereby allowing the industry to be able to set industry-specific targets, where appropriate.

- **Access to Financial Products**

  SAIA submitted the industry position paper that recommended the full review of the element as it pertained to the non-life insurance industry. The motivation for the revised scorecard included the need to appropriately align the transformation objectives with activities within the industry, thereby driving
a more meaningful promotion of financial inclusion through consumers accessing appropriate products from the industry. The industry position paper has been reviewed and approved by the Financial Sector Transformation Council (FSTC) Reporting Working Committee who is in the process of determining its final steps before it can be implemented.

Other elements of the industry submissions are Management Control and Skills Development, as well as the Socio-Economic Development and Consumer Education elements. It is envisaged that the review process will be concluded before the end of 2021.

Industry Data Collation

The development of the Preferential Procurement data portal has been completed. SAIA is in the process of creating the first survey form for circulation to Members. The results will be reported on or before the end of Quarter 3 of 2021, to give Members sufficient time to compile and submit the required data. The intention of the survey is to provide the industry with an analysis of its performance and identify areas where industry opportunities and improvement exist.

SAIA will also commence engaging the service provider on the creation of the portal for Management and Control, as well as Skills Development, to collate data relating to industry skills gap challenges.

Industry Enterprise Development and Supplier Development – including Preferential Procurement

Transformation of the supply chain within the non-life insurance industry continues to receive attention from various external stakeholders, including industry service provider groupings, Government, and the Regulators. Therefore, SAIA and its Members view ESD as one of the industry’s strong elements in the FSC scorecard, and has continued to work on initiatives that are aimed at unlocking the industry progress in driving transformation of its supplier chain:

- **Review of Enterprise and Supplier Development (ESD) in the Financial Sector Code (FSC)**

  Recognising that the implementation of meaningful ESD projects lies mainly at member level, for 2020, SAIA focused mostly on coordinating the industry position paper on the review of the FSC as a relevant framework to enable industry participation. Included in the industry submission is the industry-specific targets on Preferential Procurement (PP) and on non-recoverable contributions for the ESD to assist in unlocking access to procurement and recoverable funding by the beneficiaries.

- **Treating Supplier Fairly Framework**

  The industry has concluded the engagement of the principles of the framework, which has since been shared with some of the industry service provider associations and has been approved by the SAIA Board. The next step is to incorporate the framework into the SAIA Code of Conduct for adoption and implementation by Members.
• Industry Transformation and Sustainability Forums

  The Motor Transformation and Sustainability Forum has remained suspended. However, SAIA continues to assist in facilitating engagements with both Members through the PP and the ESD Committee and directly with service provider associations on issues impacting transformation of the motor insurance industry.

  The Property Transformation and Sustainability Forum has remained active but only managed to sign off on the agreed Memorandum of Understanding (MoU) objectives in February 2021.

Industry Skills Gap – Skills Development and Management Control

  The growing industry skills gap remains of concern to SAIA and its Members. The industry is characterised by an ageing skills population and is not attracting enough new entrants. This has a significant impact on the industry’s ability to drive transformation through management control and skills development.

Management Control

  In 2020, the industry collaborated with the Association for Savings and Investment South Africa (ASISA) and the Banking Association South Africa (BASA) in conducting a sector analysis on management control and made a submission to the Department of Employment and Labour (DoEL) on its proposal to set sector-specific Employment Equity (EE) targets. The analysis indicated the following as challenges for the sector:

  • Stagnant headcount growth, which limits opportunities for new entrants.
  • Skills pool that is not matching with the sector needs from the race and gender perspective.
  • Impact of technology (4th Industrial Revolution), as more processes become automated.

  The sector has therefore committed to looking at opportunities that would prioritise the development within the existing headcount, with the intention of meeting the proposed targets over a five-year period. The sector proposal was received and accepted by the DoEL. SAIA coordinated the industry data submission for the analysis and conducted an industry engagement on the submissions to and outcomes from the DoEL, with the targets to be implemented retrospectively from 2020, as soon as the Amendment EE Bill has been gazetted into an Act.

Skills Development

  SAIA is addressing skills development challenges from both the creation of the body of knowledge that would enable access into the industry by new entrants and skills development for candidates already employed in the industry.

  SAIA has partnered with the Insurance Sector Education and Training Authority (INSETA) and the Insurance Institute of South Africa (IISA) on a project that seeks to address the skills shortage from the body of knowledge point of view. In 2020, the efforts of this partnership had resulted in the launch of the first two editions on the insurance body of knowledge textbooks by the University of the Witwatersrand (Wits). SAIA has also established an industry task team that looks at compiling the industry’s critical skills and identifying the required skills development interventions.

Financial Inclusion

  Financial inclusion has, for the past decade, become a policy priority in South Africa, with the objective of addressing the concerns from research showing that financial exclusion is a global challenge that could threaten economic development and growth.

Consumer Education Fund

  In 2020, SAIA and its Members reviewed the SAIA Consumer Education Strategy for alignment with industry consumer-related issues and needs. The outcomes of the strategy review were such that the following were revised:

  • Revised focus areas

    • Securing one’s assets for improved financial well-being – Risk Management.
**Engaging with the non-life insurance industry – Products & Services.**

**Revised target groups**

- **Young Adults (potential consumers)** – Tertiary institutions of learning students and newly employed young adults, with interventions delivered face-to-face, via social media and through radio platforms.
- **Household Adult (current consumer)** – Established adults with families that include children and parents (pensioners), with interventions delivered through radio and television platforms.
- **SMMEs** – Focus on small and medium enterprises, with interventions delivered through SMME expos and face-to-face/virtual seminars.

**Consumer Education Projects for 2020**

SAIA prides itself in employing various platforms that are appropriate and accessible to the identified target markets. Despite the challenges that were presented because of the COVID-19 pandemic, SAIA was able to deliver on all its 2020 projects, with some of the projects’ delivery modes adapted from face-to-face to digital platforms. These presented the fund with opportunities to test new delivery platforms and influencing the implementation of the strategy going forward due to a successful increase in beneficiary reach.

SAIA is happy to report that the initiatives implemented during the project year 2020 reached over 1 million beneficiaries, of which 40% came from rural areas in KwaZulu-Natal, Limpopo, Mpumalanga, North West, and Free State. Below is the summary of the projects delivered:

- **Know Your Cash (KYC) Programme**

  Targeted at youth in tertiary institutions, the programme aims to address the challenges of low financial capabilities by the target group and equip them with the confidence to make sound financial decisions while creating awareness about the financial sectors’ products and services.

  The KYC programme reached 2,666 students in 2020 through face-to-face interventions, targeting the University of Limpopo and the ORBIT TVET College in Rustenburg. A further reach of over 100,000 beneficiaries nationally was achieved through digital initiatives.

- **The SAIA Consumer Financial Education (CFE) Radio Programme**

  The Consumer Financial Education (CFE) Radio Programme was delivered through community and regional radio stations, targeting South African households on awareness about the non-life insurance industry, its product offerings and policy management. It further focuses on creating awareness of the effectiveness of risk management and using insurance products as a risk mitigation tool to protect personal assets against unforeseen events.

  In 2020, the CFE Radio Programme reached over 800,000 listeners across three radio stations that cover parts of Gauteng, KwaZulu-Natal, Limpopo, and Mpumalanga. As a result of its success, the programme was extended to carry on beyond its agreed timelines on some of the radio stations.

- **Building Resilient Businesses (BRB) Programme**

  The Building Resilient Businesses (BRB) Programme aspires to contribute towards the growth and sustainability of SMMEs in building resilient businesses by increasing their confidence and capabilities in managing business risks, creating awareness of risk transfer by buying appropriate business insurance products and improving the financial literacy levels through basic business management interventions.

  The BRB Programme reached over 500 SMMEs from various sectors through expos as well as through access to the Small Enterprise Development Agency (SEDA). SEDA helped us to identify beneficiaries who participated in virtual seminars necessitated by social contact restrictions that were imposed by the Government as a result of the COVID-19 pandemic.

**Collaboration with the Financial Sector**

As part of expanding the consumer education reach and impact, SAIA participated in an industry collaborative initiative with the Banking Association of South Africa (BASA), whereby the two entities shared a platform to disseminate crucial consumer
content and create consumer awareness about the industries and possible financial scams to which the consumers could be exposed. Other sector collaborations included participating in the Money Smart Week, which had to be postponed due to COVID-19, and SAIA being invited to present on an online initiative organised by the Government Communications & Information System (GCIS) on motor insurance during the lockdown. The online initiative reached over 10 000 participants on the first day and subsequently led to additional radio interviews.

Therefore, SAIA will continue to engage with other sector stakeholders on collaboration opportunities in order to expand the programme reach and impact realisation.

**Going forward**

2020 is the year that has not only tested the stability of most economies globally, but also the sustainability of industries within the economies. Transformation plays a critical role in fostering sustainable industries and safeguarding the future of many economies. Therefore, SAIA remains committed to driving non-life insurance industry transformation objectives and assisting its Members in contributing positively towards the broader national economic development agenda.

**Themba Palagangwe**
General Manager: Governance and Transformation

**Zanele Gigaba**
Transformation Manager

“It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change.”

- Charles Darwin
6.2
SAIA STRATEGIC AREAS
GOVERNANCE
2020 was an extraordinarily challenging time globally due to the COVID-19 pandemic, leading several governments to call for countrywide lockdowns that resulted in significant disruptions to economic activities.

The non-life insurance industry was uniquely impacted by the effects of the lockdowns, as the industry was not only affected by the possibility of losing business as its consumers became financially stressed, but also the emergence of unexpected insurance claims because of the pandemic. This required that the industry and its Regulators engage in an unprecedented manner that resolved to establish amicable outcomes that would protect the interests of both the consumers and the insurance industry.

From March 2020, when President Cyril Ramaphosa declared the COVID-19 pandemic a national disaster, the country was put under its first lockdown restriction. It quickly became clear that the pandemic would cause widespread social and economic challenges that would lead to economic hardship for both business and society. Like many other governments globally, South Africa had to consider a structured recovery plan to bring the economy back to its feet while continuing with the search for a medical solution that will fight the deadly pandemic.

SAIA served its role as an industry representative body by constantly keeping its Members informed about the fast-changing regulatory restrictions that emanated from the different lockdown alert levels and by seeking regulatory consideration and clarification on restrictions that could impact our industry negatively. SAIA’s engagements with Members, led by the SAIA Board, included soliciting industry views on issues directly impacting the industry and encouraging its Members to participate in the COVID-19 relief programmes as best as possible. Engagements with the Regulators focused on regulatory complexities and seeking clarity on the ambiguity that arose on certain insurance claims as a result of the pandemic.

**Regulatory Responses by the Prudential Authority (PA) and the Financial Sector Conduct Authority (FSCA) (Jointly, the Authorities) to Address Challenges Presented by the Pandemic**

Several communications and regulatory instruments were published to provide the industry with clarity on the Authorities’ expectations during the difficult time and provided the industry with regulatory requirement relief where appropriate. Below are some of the provisions that were afforded to the industry by the Authorities:

- Directive to financial institutions regarding appropriate precautionary measures when performing essential financial services.
- Relaxation of several regulatory requirements, such as extensions on the submission of annual financial statements, Insurance Conduct of Business Returns, and fit and proper related deadlines were also published.
- Exemption of the non-life insurers providing premium relief from certain provisions in the regulations under the Short-term Insurance Act.
- Communication regarding the Authorities’ expectations on financial institutions on exposures to additional conduct risk as a result of the pandemic outbreak, which required prompt review of business continuity measures and requirements for the industry to endeavour to avoid delays in settling any valid claims.
- Communication on the Authorities’ responses to the pandemic, which included their observation of the impact the pandemic is likely to have on the non-life insurance industry on prudential and market conduct matters such as the retention of the solvency capital requirement, increases in claims, and the payment of dividends and bonuses to staff. The insurers were advised that they should continue to ensure that their disclosures to policyholders are clear and in line with the Policyholder Protection Rules.

The Ombudsman for Short-Term Insurance (OSTI) also expected a surge in COVID-19 complaints around business interruption and travel insurance and geared itself operationally for these complaints. SAIA is appreciative of the relationships established with the Regulators, which fostered a collaborative approach to resolving issues that impact our industry.

**Non-Life Insurance Industry Responses to Challenges Presented by the Pandemic**

As a result of the pandemic, the South Africa economy experienced an unprecedented choke, which has heavily impaired various industries and dented our gross domestic product (GDP). SAIA Members, like all other sectors of the economy, suffered losses of income, running into billions of rands as a result of the pandemic. However, the industry and SAIA Members remained committed to making contributions aimed at assisting the Government in alleviating the impact of the pandemic on policyholders and Small, Medium and Micro Enterprises (SMMEs), among many others.
During 2020, the non-life insurance industry contributed over R1.6 billion by providing relief through premium reductions, premium deferrals as well as direct support to insurance industry business partners and Government initiatives, which included the following:

- Various relief efforts in the form of reduced or deferred premium payments to lessen the financial burden on policyholders.
- Review of certain risk exposures and offering of premium discounts where appropriate.
- Certain grant structures and/or revised payments arrangements were provided to service providers such as tow truck operators and Motor Body Repairers (MBRs) to assist in reducing their financial burden in servicing the industry.
- Contributions to the Solidarity Fund were made, and some insurers set up employee voluntary contribution funds to contribute additionally to the Solidarity Fund.
- Insurers contributed in other ways towards finding solutions to challenges presented by the pandemic. Examples include partnerships with hotels for quarantine, providing employee relief and supplying masks and food parcels. They also contributed through other corporate social investment contributions, mainly by assisting frontline workers with personal protective equipment and by supporting vulnerable communities with sanitation, water, and food requirements.

The Business Interruption (BI) Insurance Claims and its Impact on the Non-Life Insurance Industry

The COVID-19 global pandemic and the subsequent country lockdowns resulted in the emergence of unprecedented Business Interruption (BI) insurance claims. The volume of BI insurance claims birthed uncharted territories for the industry globally, due to the lack of clarity that prevailed in terms of treatment of such claims and their potential impact on the industry and the consumer as a result of some of their BI insurance claims being repudiated due to varied interpretations of policy wordings and therefore the validity of certain claims.

The ambiguity exists in terms of some policy wordings, especially in contracts that included Contingent Business Interruption (CBI) cover, and therefore the intentions of both the insurers and the policyholders, at the time of entering into an insurance contract, created uncertainty in so far as to the treatment of certain BI claims relating to losses as a consequence of the pandemic and the subsequent countrywide lockdowns. This led to the lodging of lawsuits both locally and internationally that could set precedence with regards to the treatment of BI insurance claims, especially CBI related claims, while the outcomes could potentially threaten the sustainability of some of the impacted non-life insurers and the industry at large from both a financial and reputational risk point of view. Two cases have been lodged against two local insurers.

Our industry and the Authorities followed the test case that was brought by the Financial Conduct Authority (FCA) in the United Kingdom (UK) very closely, with the hope that it would provide the necessary legal certainty that would inform the outcomes of the local cases and clarity in terms of the treatment of claims relating to the pandemic and the subsequent lockdowns. The test case was not intended to cover all possible disputes, but to resolve some key contractual uncertainties and causation issues by providing clarity for policyholders and insurers. In addition, two local court cases, Guardrisk Insurance Company Limited v Cafe Chameleon CC and Ma-Afrika Hotels (Pty) Ltd and Another v Santam Limited further provided much needed legal certainty in the South African context.

SAIA is appreciative of the facilitation of engagements between the Authorities and its Members on possible industry solutions to resolve the BI insurance matters, which included encouraging the industry to assist impacted business through special funds, while awaiting the outcomes of the related cases to provide legal certainty and guidance in terms of the regulatory stances on the matter.

Key Prudential Regulatory Developments

Key Draft Regulatory Instruments Published for Public Consultation

In 2020, the Prudential Authority (PA) / South African Reserve Bank (SARB) published several draft regulatory instruments for public consultation, including:

- The draft Prudential Standards for Financial Conglomerates were published for a second round of public consultation. The PA published both technical and principle-based capital standards due to the complexities of calculating regulatory capital for financial conglomerates.
• The proposed Audit Standards, which set out the information that insurers must have audited within a specified period, were also published for consultation. The audited information establishes and enhances the credibility of the insurers’ and controlling companies’ information with the PA, policyholders, and other interested stakeholders.
• The SARB published an invitation to comment on a proposed methodology to determine which insurers are systemically important within the South African context. The published document set out the indicators, sub-indicators, and possible judgement considerations that must be considered when determining the systemic significance of both life and non-life insurers, prior to designating an insurer as a systemically important financial institution.

Joint Standard for Significant Owners

Chapter 11 of the Financial Sector Regulation Act (FSRA) makes provision for the regulation of significant owners of financial institutions and, more specifically, section 159 of the FSRA makes provision for the financial sector regulator to develop standards on the fit and proper requirements for significant owners of financial institutions. Accordingly, in June 2020, the Authorities published the Joint Standard for Significant Owners, which came into effect in December 2020.

Draft Financial Sector Levies Bill (Draft Levies Bill)

In 2016, the first Draft Financial Sector Levies Bill (Draft Levies Bill) was published for public consultation. It sought to provide for the imposition and collection of levies for the benefit of the Authorities, the Financial Services Tribunal, and the Ombud Council, amongst others. The Draft Levies Bill has not yet been promulgated, and financial institutions continue to be levied on the same basis as the current approach in terms of the Financial Services Board Act.

In February 2021, National Treasury (NT) published the latest version of the Draft Levies Bill for public consultation. After receipt of written comments, NT normally engages with stakeholders through public workshops to discuss the written comments. However, due to the national lockdown regulations as a result of the pandemic, further information will be provided on the manner and platform of public engagement for purposes of discussing the written comments. The Standing Committee on Finance (SCoF) and the Select Committee on Finance (SeCoF) in Parliament are expected to make a similar call later this year for public comment and convene public hearings on the draft bills before their formal introduction in Parliament. Thereafter, a response document on the comments received will be presented at the Parliamentary Committee meetings. After this, the draft bills will be revised, considering public comments and recommendations made during Committee hearings before they are tabled formally in Parliament for its consideration.

Zooming into Climate Change

Policymakers have an interest in ensuring that the financial system is resilient to all forms of risk. In April 2015, the Group of Twenty (G20) asked the Financial Stability Board (FSB) to consider climate risk. In December 2015, the FSB launched the industry-led Task Force on Climate-related Financial Disclosures (TCFD) to develop recommendations on climate-related financial disclosures. The TCFD published its final recommendations in June 2017.

The Sustainable Insurance Forum (SIF) was subsequently requested to develop an issues paper on the implementation of the TCFD recommendations in the insurance sector. As input into this issues paper, each of the Members of SIF, which included the PA, were requested to survey the insurers in their respective jurisdictions to obtain more information on the implementation of the TCFD recommendations.

The PA distributed a survey to the South African insurance sector during February 2019 and published the results of that survey in March 2020.

Anticipated Regulatory Developments

SAIA anticipates the development of the Joint Standard (Corporate Governance), the Joint Standard: Outsourcing, and the Joint Standard on IT Risk Management Framework for financial institutions. It is envisaged that these Joint Standards will be published for public consultation during 2021.

SAIA Work Group: Operational Loss Reporting

To play an effective regulatory and supervisory role, the PA is leveraging the SAIA platform to engage the non-life insurance industry on practices in respect of operational loss reporting.
Key Conduct Regulatory Developments

Conduct of Financial Institutions Bill (the Bill)

NT published a revised version of the Conduct of Financial Institutions Bill (the Bill) for public consultation.

The Bill is a key pillar in the Government’s Twin Peaks financial sector regulatory reform process that aims to entrench better financial customer outcomes in the South African financial sector. It is a financial institution-facing law that sets requirements for financial institutions to meet and prescribes outcomes to deliver. SAIA has submitted the industry comments and is awaiting feedback from NT.

Retail Distribution Review (RDR)

The Categorisation of Financial Advisers Discussion Document (DD) provided an update on the FSCA’s thinking on various practical implications of the two-tier adviser categorisation and requested inputs on six aspects of the adviser categorisation model, which include terminology to designate advisor categories, implications of the two-tier adviser categorisation, and product supplier responsibility. SAIA submitted its comments to the FSCA on the Categorisation of Financial Advisers DD in March 2020.

The FSCA also published a proposed amendment to the General Code of Conduct (GcoC) in order to offer additional protection to financial customers, and align requirements relating to premium collection across short and long-term insurance, to give effect to the Retail Distribution Review (RDR) proposal with regards to the charging of advice fees from customers and to limit the need for a further exemption notice.

Premium Collection Regulatory Framework

The FSCA published an exemption notice aimed at facilitating the payment of remuneration to an independent intermediary where premiums are collected directly into the account of an insurer, and the technological systems of the independent intermediary enable the direct collection method.

Draft Conduct Standard – Requirements Relating to Third Party Cell Captive Insurance Business

The FSCA is currently considering all public comments received on the Draft Conduct Standard. The Draft Conduct Standard seeks to address specific risks that have been identified in the third-party cell captive insurance industry.

If no significant changes are required to the Draft Conduct Standard following the comments received, the next step will be to table the Draft Conduct Standard for parliamentary scrutiny.

Ombud Schemes Commencement

The chapter in the FSRA, which provides for Ombud schemes, came into effect on 1 November 2020. The appointment of the Ombud Council is in progress and has not yet been finalised.

Other Developments

The Non-Life Insurance Industry Risk Assessment in Response to the Proposed Amendment of Schedule 1 to the Financial Intelligence Centre (FIC) Act
Following the approval by the Financial Intelligence Centre (FIC) for the industry to conduct a risk assessment to determine the level of exposure to money laundering and terrorism financing across the non-life insurance industry, SAIA, together with the South African Underwriting Managers Association (SAUMA) and the Financial Intermediaries Association (FIA), appointed an external service provider to conduct the risk assessment.

SAIA Members were invited to participate in the risk assessment by completing a questionnaire as was compiled by the external service provider. The process was completed in 2020, and a draft risk assessment report has been produced for presentation to and analysis by FIC. In the meantime, the industry has been participating by voluntarily submitting the required information on the FIC’s go-AML reporting tool.

It is envisaged that the outcomes of the risk assessment report will be used to determine whether the risks identified justify the proposal to include non-life insurers and intermediaries as Accountable Institutions in terms of Schedule 1 of the FIC Act or not.

**Partial Commencement of the Protection of Personal Information (POPI) Act**

Certain sections of the POPI Act came into effect on 1 July 2020 and 30 June 2021, respectively. The sections which commenced were essential parts of the Partial Commencement of the Protection of Personal Information (POPI) Act and comprised sections that pertain to, among others, the conditions for the lawful processing of personal information, the regulation of the processing of special personal information, Codes of Conduct issued by the Information Regulator, procedures for dealing with complaints, provisions regulating direct marketing by means of unsolicited electronic communication, and general enforcement of the POPI Act.

**Guidelines for Competition in the SA Automotive Aftermarkets (the Guidelines)**

In December 2020, the Competition Commission published the final Guidelines for Competition in the SA Automotive Aftermarkets (the Guidelines). The Guidelines seek to improve the competitiveness in automotive primary and aftersales markets by promoting service provider inclusivity and encouraging consumer choice. Therefore, the Guidelines place responsibility on all relevant industry players to employ certain fair practices in conducting their businesses. These fair practices include the disclosure of certain information to consumers to enable them to make informed choices and address consumer safety.

**Fintech**

The Intergovernmental Fintech Working Group (IFWG) was established in 2016 and has made significant progress in understanding the growing role of Fintech and innovation in the South African financial sector. In April 2020, the IFWG launched the Innovation Hub, which is intended to support the sector in introducing innovations that complement the core mandates of Regulators, including financial stability and soundness, consumer protection, financial inclusion, and fair lending practices.

SAIA applied and was approved to participate in a Regulatory Sandbox to test agricultural index insurance, a class of insurance that is globally used to insure small-scale farmers because it is more affordable, and pay-out is automatically made to the policyholders. Index insurance uses a proxy that acts as a trigger for a pay-out. The Sandbox is a platform that provides market innovators with an opportunity to test new products and services under the responsible supervision of relevant Regulators.

**SAIA Code of Conduct (the Code)**

SAIA completed the process of reviewing the SAIA Code of Conduct (the Code) and launched the revised Code in January 2020. The revised Code meaningfully accommodates the changing non-life insurance industry and regulatory landscapes. It focuses more on principles and standards rather than a rules-based approach. SAIA believes that this approach will position the outcomes envisaged for policyholders with more clarity and enable SAIA Members to use the standards as guidelines for achieving the desired outcomes.

SAIA is committed to an accelerated and meaningful transformation of the non-life insurance industry and an inclusive economy and has made a significant change in the revised Code by including specific recommendations for member participation towards achieving the non-life insurance industry’s transformation objectives.

**Themba Palagangwe**
General Manager: Governance and Transformation

**Mashudu Mabogo**
Legal Specialist
The concept of living in a global village has never been more pronounced to all global citizens than what we have been subjected to since the advent of the COVID-19 pandemic. The pandemic has shown us how vulnerable we are as a human species and taught us to quickly understand and appreciate that we live in an interconnected world made up of nations, communities and the business fraternity that is extremely nomadic, making the confinement of a pandemic to one geographical area virtually impossible.

After the first suspected COVID-19 test in South Africa turned out to be positive, everything seemed to have moved with greater speed. The National Institute of Communicable Diseases (NICD) went into overdrive as people scrambled for more information while the Government of South Africa also grappled with the alarmingly growing figures that eventually led to the declaration of a National State of Disaster on 15 March 2020, followed by a stringent lockdown announcement a week later. In line with the Disaster Management Act of 2002, the lockdown regulations required the shutdown of all schools and tertiary institutions as well as businesses whose activities were not deemed essential and encouraged those with the technological capability to work remotely.

As a result of the type of services offered by the non-life insurance industry, it was deemed an essential service provider, thereby ensuring that items such as policyholder geysers and buildings were expeditiously replaced or serviced in case of need – even during the lockdown period. By this time, most SAIA Members had already deployed their remote working capabilities, which ensured that even call centres and their claims departments had seamless interactions with policyholders. Thus, the provision of services continued with minimal interruption.

During 2020, the non-life insurance industry proactively contributed over R1.6 billion by providing relief through premium reductions, premium deferrals, as well as by offering direct support to insurance industry business partners and Government initiatives. SAIA Members resolved to expedite invoice payments to service providers during the pandemic to help them with liquidity issues. However, the industry began to receive Contingency Business Interruption (CBI) claims which it disputed because of the policy wordings. This rejection of the policies, happening globally, led to policyholders taking insurers to court so they could offer legal certainty.

“So powerful is the light of unity that it can illuminate the whole earth.”

– Baha’u’llah
Public Relations and Communications

SAIA began receiving a flurry of enquiries from the media around the impact of the COVID-19 pandemic and the rapidly increasing numbers of rejected Business Interruption (BI) Insurance Claims towards the end of April 2020. It became evident that this would be a challenge bigger than any we had seen before as more queries emerged. As an industry body, we noted that uncertainty might exist among policyholders who took out BI Insurance cover, especially regarding whether their policies will respond to losses suffered due to COVID-19 and/or the resultant lockdown.

As the industry deliberated and engaged with the Regulators on how best to resolve the Business Interruption claims issue, those policyholders whose claims had already been rejected launched a scathing media campaign against the industry. Understandably so, most policyholders whose claims were being rejected were in the hospitality industry, a sector of the economy that was being pummelled from all angles. Entry and exit ports were also shut off to tourists, literally indefinitely starving them of any source of income, while their fixed costs steamed on ahead.

As much as the industry was willing to make those payments, they had to be based on a universal legal opinion, and without that legal certainty or guidance, the industry’s hands were tied. While the industry waited, the intense and sustained assault on its image and reputation ensued and lasted through the second and third quarter of 2020. This resulted in the SAIA Board approving the contracting of FTI Consulting as our strategic communications partner. We immediately began issuing out industry position papers in close collaboration with the Financial Sector Conduct Authority (FSCA).

The protracted media offensive was broken by an understanding reached between some SAIA Members, the FSCA, and the Prudential Authority (PA) on interim relief with respect to claims for BI cover on policies that have a Contagious and Infectious Disease extension in 2020 Q4. This agreement helped to mitigate the risks to the image and reputation of the industry to a large extent, and the days that followed this agreement were characterised by minimal negative news coverage of the industry.

Legal certainty arrived when the United Kingdom’s Supreme Court and the South African Supreme Court of Appeal handed down their judgements, providing legal certainty on the CBI matter in December 2020. SAIA Members had already begun to meticulously pay all claims on a case-by-case basis, in line with the legal determination of the courts and the Treating Customers Fairly (TCF) guidelines, as provided for by the FSCA.

Throughout the January 2021 period, SAIA also sustained yet another campaign, driven by motor body repairers, which aimed to force SAIA Members to agree to open the Vehicle Salvage Database (VSD) to the public. In response, SAIA resolved to adopt the educational route and try to educate the motor body repairers, as well as the consumers and policyholders, of the dangers of opening the database to the public. This included insurance fraud, which eventually leads to higher monthly premiums across all policies, and the possibility of crime syndicates cloning vehicles that have never been in an accident. However, motor body repairers have remained adamant through media outlets that the database must be open. SAIA has resolved to revisit the issues within its own structures, as well as with related Government and non-government stakeholders with a view to improving the database where required, and/or to establish whether our reasons for not opening the database are still valid.

As part of our media and publicity drive in the fourth quarter of 2020 and early 2021, we continued to focus our attention on actively collaborating with Members and cultivating an industry position that collaboratively identifies industry potential risks and the development of a crisis communication plan. We continued to seek to learn from our Members on how they communicate crises and how these learnings could be leveraged for the industry going forward.

Members, Government and Peers Relationship

Our 2019-21 Strategy is centred around partnerships, collaboration, and effective communication with our Members, Government, industry peers and many other relevant stakeholders. As a progressive association funded by its Members, we place great value in their commitment to continue supporting SAIA in its bid to find solutions to the issues and challenges faced by the non-life insurance industry. This has also allowed SAIA to engage fully in the socio-economic discourse and be a part of a broader financial sector discussion with other stakeholders.

Our relationship with our Members remains a priority for SAIA. This is clearly demonstrated by our drive through the SAIA Chief Executive’s office to visit all SAIA
Members’ CEOs at least once annually to get to understand their issues, with the SAIA Chief Executive Officer also taking them through the challenges and triumphs the industry has experienced. Unfortunately, this has not been the case in the year 2020/21 because of the pandemic. Ms Pearson had to schedule some virtual meetings in some instances to reach out to our valued stakeholders.

We have maintained a collaborative, productive and cordial relationship with the National Treasury, the PA, and the FSCA. This relationship has allowed SAIA and its Members to openly discuss issues of pertinence around the financial regulatory space through a quarterly-held platform, and also to be able to collate and make submissions to the policymakers on Draft Bills of importance to our Members. Despite all the technological challenges that were faced, our forum remained extremely vibrant with senior-level participation from all sides, including SAIA Board Members. It, therefore, remains our wish that this commitment and momentum along this trajectory is maintained to ensure constant alignment of issues among Government, Regulators, and industry. In addition, a weekly COVID-19 Forum was established between SAIA, National Treasury and the Regulators (PA and FSCA) to discuss any trends, risks and concerns related to the COVID-19 pandemic. This was a very useful forum that included senior representatives of all parties where many issues of mutual interest and concerns were discussed. As time went on, the meetings became less regular and now take place on an ad hoc basis, and also includes non-COVID-19 related trends and issues.

Our relationships with our peers – the Banking Association of South Africa (BASA), the Association of Savings and Investments in South Africa (ASISA) and the Financial Intermediaries Association (FIA) – have never been better. We have continued to work together in the virtual ecosystem, with a common goal of ensuring that South Africa’s financial sector remains a robust and vibrant sector, while also tackling the challenges faced by the sector in unison.

**Beyond our Borders**

Despite the restrictions placed on travel, SAIA remains a significant player outside of our borders through digital interactions with our fellow African and international peers. We remain Members of the African Insurance Organisation (AIO), the Global Federation of Insurance Associations (GFIA), the International Union of Marine Insurance (IUMI), the Organisation of East and Southern African Insurers (OESAI) and the International Association of Engineering Insurers (IMIA).

**Thank You Note**

We would like to pass our sincere gratitude to Ms Carolle Sinnye, who worked with the Corporate Affairs team for years before she moved on to work with Mr Charles Hitchcock in Operations. Ms Carolle resigned at the end of November 2020. We truly appreciate the contribution she made to our department, operations and to the rest of SAIA, and we wish her well with her new business venture.

**Kwanele Sibanda**
SAIA Manager: Corporate Affairs

**Tessa Kerspuy**
Communications Administrator
6.4
SAIA STRATEGIC AREAS
INSURANCE RISKS
The SAIA Insurance Risks (IR) Department is responsible for providing thought leadership and driving the SAIA Board approved strategic priority areas for the benefit and towards the sustainability of the non-life insurance industry. In this Annual Review, the IR Department showcases what the priority areas are, and the progress made in initiatives created to support them.

**Property Insurance**

The year 2020 was a very difficult year for the world, with COVID-19 complications and respective related costs which, in most cases, were unbudgeted for in addition to the added financial load on insurers related to Business Interruption (BI) claims due to the national lockdown.

It is critical that insurers risk-manage their undertaken or to-be undertaken risks to best manage their organisations but, most importantly, to reduce the underlying risks on risks that are already insured. This requires SAIA to undertake initiatives that meet these overall objectives towards the sustainability of the non-life insurance industry.

In addition to managing known risks that are relatively sustainably insured, there are emerging catastrophic or systemic risks that are or are becoming uninsurable. The 16th edition of the Global Risks Report 2021, published by the World Economic Forum (WEF), highlights the disruptive implications of major risks, including the COVID-19 pandemic, which will reshape the world as we know it going forward.

The top four risks identified are systemic in nature: number one is extreme weather events and has been since 2017. Number two and three remain climate-related, referencing climate action failure and human environmental damage, respectively. Fourth on the list is infectious diseases.

These top four emerging risks will only see an increase in the protection gap, glaringly becoming more evident that insurance alone is not enough to mitigate these risks. They are catastrophic in nature and, therefore, impossible for the insurance industry to manage alone as a solution going forward. This, then, calls on governments across the globe in their respective jurisdictions to manage these catastrophe risks in collaboration with the private sector, as well as the insurance industry, to manage them effectively going forward.

**Property Protection – Fire and Localised Flooding Initiatives**

Property Protection is a critical priority for SAIA Members, and thus the creation of the SAIA Property Protection Steering Committee (PPSC) to drive and facilitate strategic expert participation from SAIA Members, including critical stakeholders such as the National Disaster Management Centre (NDMC) and their respective provincial centres. Therefore, in collaboration with SAIA, the NDMC and the Provincial Disaster Management Centres (PDMCs) are piloting projects that will assist the industry and society at large to manage fire and localised flooding risks.

Fire and localised flooding risks have been identified due to the loss history experienced by the non-life insurance industry in recent years. If not risk-managed going forward, which requires participation from Municipalities, they will likely not be sustainably insured going forward.

The Fire Protection Association of Southern Africa (FPASA) has been appointed by SAIA to execute six priority initiatives, of which two have been approved, to address the above-identified risks. The two approved initiatives are:

- Standards and Codes that work towards reducing Fire and Localised Flooding risks. This includes increasing the number of competent fire specialists in the insurance ecosystem.

  Currently, there is a critical shortage of competent skills with the right experience to fulfill the necessary mandates towards reducing fire risks. Therefore, through the FPASA, the non-life insurance industry has the opportunity to engage and support institutions such as the Engineering Council of South Africa (ECSA) to increase the number of competent fire specialists and enact the necessary standards to manage fire risks.

  Most recent is the launch of the Rational Design (fire engineers for sprinkler system designs). This is a milestone win for the industry, given some of the costly claim experiences from deficient or incorrect installation of sprinkler systems. Malfunctioning sprinkler systems do not fulfill their intended purpose. Thus, instead of a building sustaining partial damage due to fire, there have been cases of total damage.
Fire Brigade Classification is to ascertain the condition and, therefore, capacity needs of fire stations in South Africa. This initiative is in collaboration with the NDMC and their provincial centres. The pilot had started in the Western Cape, two and a half years ago. The necessary Fire Application has been completed and is owned by the Western Cape Provincial Government as that is where the application was created in collaboration with one of SAIA’s Members.

Fire Protection Association of Southern Africa (FPASA)

The FPASA was established in 1973 to provide a specialised fire safety management technical and training service to industry, commerce, and society at large.

Property Technical Initiatives

The SAIA Property Technical Committee continues to address various industry challenges and opportunities relating to the underwriting, claims, procurement and other relevant strategic areas in property and related insurance. Thereby, the Committee contributes to the sustainability of property insurance. The critical focus areas addressed by this Insurance Risks structure are:

• **Electrical Conformance Board of South Africa (ECB)**

  The Electrical Conformance Board of South Africa (ECB) engaged with Members on the role which the ECB plays in the safety and compliance in the South African electrical sector. A crucial role of the ECB is to unite all entities representing industry sectors, products, manufacturers, importers, designers, installers, financial services, academia, the public and Regulators. They aim to ensure clear industry-wide communication, promoting conformance, co-operation, and support.

• **Plumbing Industry Registration Board (PIRB)**

  Members engaged with the Plumbing Industry Registration Board (PIRB) on various plumbing issues, including applicable standards and regulations, the installation process and issuing of certificates of compliance.

• **Standards and the Implication of Non-Compliance**

  There was a presentation made to the Committee, presented by PPC, to caution on the impact of using substandard cement. Highlighted was that there are substandard cement products in the market that are threatening the building environment industry and placing South African lives at risk. The use of substandard cement has various implications leading to increased repair or maintenance costs, injuries, and fatalities because of structural failures. Members were offered the opportunity to include relevant service providers in the training that is conducted with builders that produce bricks in different regions, irrespective of what cement they use. Awareness to consumers was raised, and technical support provided to ensure that insurers are equipped with technical knowledge relating to the cement used in various structures.

• **Off the Grid: Risk and Mitigation Presentation**

  SAIA Members identified significant issues relating to off-grid installations and the impact it has on policies. A specialist in the field of solar installation addressed the Committee on the following:

  - Solar language – phrases and references.
  - System components.
  - Three main types of solar power systems.
  - Possible valid/invalid claims and mitigation thereof.
  - The future of solar power in South Africa.

  Members acknowledged the importance of ensuring that policy wordings are adequately updated to ensure appropriate cover is in place, and that pricing is adequate.

• **The Valuation of Insured Buildings – The Banking Association of South Africa (BASA)**

  The technical Committee is collaborating with the Banking Association of South Africa (BASA) on ways to raise awareness of the different values of properties. These valuations include bond value, insured value, market value, etc. A working group has been created to address this matter.
• **SAIA Representation at the South African Bureau of Standards (SABS)**

The South African Bureau of Standards (SABS) has invited SAIA to the SANS 1815 Working Group: SA National Standard for the servicing, repair and reconditioning of safes, strongroom doors, vault doors and fire-resistant equipment. The standard was last updated in 2006, and a proposal has been received to update this standard.

• **Automatic Sprinkler Installations**

SAIA has kept Members of this Committee abreast of the progress reports from the FPASA and the PPSC.

• **Catastrophe Losses**

1. SAIA participates in the National Disaster Management Advisory Forum’s (NDMAF) quarterly update meetings hosted by the Department of Cooperative Governance and Traditional Affairs (CoGTA). Included in the updates are the following:

   • Seasonal climate watch – SA Weather Service
   • Seasonal risk profile – NDMC
   • Status of water in the country – Department of Water and Sanitation (DWS)
   • Three-month electricity forecast – The Electricity Supply Commission (Eskom)
   • Update on disaster management plans and a reflection on contingency seasonal plans – NDMC
   • Progress on disasters classified and states of disasters declared in the reporting period / Development of a model for disaster funding – NDMC
   • Update on the Coordination and Management of COVID-19 Pandemic Response and Recovery Measures – NDMC

2. Emanating from the Knysna Fires Learning Forum, the National Disaster Resilience Round Table (NDRR) has developed into a significant think tank on climate and disaster-related matters. Besides SAIA, participants of the NDRR include the FPASA, the NMDC, the Western Cape Provincial Disaster Management Centre (WCDMC), the Council for Scientific and Industrial Research (CSIR), the University of Stellenbosch, LANDWORKS™, the Western Cape Umbrella Fire Protection Association, Working on Fire (WOF), and Vulcan Wildfire Management Services.

3. SAIA’s Think Tank on Potential Future Solutions for Pandemics was initiated as a special project by the SAIA Board. The project is well-represented by member companies, and discussions towards finding possible solutions, in collaboration with Government and industry Regulators, were held. We await confirmation of a firm date to engage with National Treasury to receive pivotal feedback in terms of their appetite for collaboration with the insurance industry in solving broadly for Systemic Risks and specifically Pandemic Risks.
Motor Insurance

Motor insurance remains the largest non-life insurance industry’s class of business, accounting for approximately 45% of the non-life insurance business. Therefore, motor insurance remains a strategic pillar for the non-life insurance industry.

The SAIA IR Department’s key priorities for the reporting year are crime combating, road safety and the repair process.

Crime Combating Initiatives

SAIA, through and with its strategic stakeholders such as Business Against Crime for South Africa (BACSA) and the Insurance Crime Bureau (ICB), continues to drive its crime combating initiatives for the sustainability of the insurance industry and to the benefit of society at large.

- Licence Plate Recognition for South Africa (LPR4SA)

Licence Plate Recognition for South Africa (LPR4SA) NPC has been created and is administrated by the ICB as an Automatic Number Plate Recognition (ANPR) technology solution to the non-life insurance industry. The current LPR4SA Board consists of personnel from SAIA and ICB. The LPR4SA partnership model, with its suppliers, remains strong and provides access to around 6 000 cameras through different interfaces.

- The Vehicle Salvage Database (VSD)

The Vehicle Salvage Database (VSD) system is hosted and managed by the ICB on behalf of SAIA motor Members. The usage of the VSD by motor Members has been improving since inception and even during 2020, despite the lockdown and pandemic-related challenges that forced all motor Members to work remotely.

At the end of December 2020, the VSD had 1195 users, which are from the 25 participating motor insurance companies, as well as over 840 000 vehicle salvage records.

A new development in 2020 was the agreement to create a separate database for Uninsured Third-Party Liability. Unfortunately, this topic could not receive full attention during 2020 because of the other urgent matters within the respective motor member companies, but it will receive more attention in 2021.

The number of VSD enquiries from month to month in 2020 were as follows:

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<th>Month</th>
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April 2020
**The SAIA Code of Motor Salvage**

SAIA formulated the Code of Motor Salvage in 2013. The purpose of the Code of Motor Salvage (the Code) is to establish a common approach when dealing with motor salvage, with the end goal being to assist in combating motor vehicle crime. Specifically, the Code speaks to the cloning of motor vehicles and wants to benefit all role players and ultimately the South African public.

The most recent revision of the Code was completed in 2020 and was launched in October 2020. It has already been circulated to all Members and to the relevant stakeholders.

The Code is an undertaking by the non-life insurance industry to continuously seek the desired balance between the various responsibilities of insurers. These responsibilities include the responsible management of motor vehicle salvage to address issues of crime combating. It also includes road safety to the benefit of all concerned, including the insurers and consumers.

The Code reflects the responsible approach taken by the non-life insurance industry in combating crime in South Africa. The Code is recognised by the relevant Government authorities, therefore making it unnecessary for non-life insurers that are governed by the Code of Motor Salvage to be legislated by the Second-Hand Goods Act, 2009.

The principles entrenched in the Code also incorporate the Treating Customers Fairly (TCF) guidelines.

The Code forms part of the SAIA Code of Conduct for SAIA motor insurance Members, and as such, is compulsory for the membership of SAIA motor insurance Members.

Material changes in the revised Code of Motor Salvage in 2020 included the removal of the reference to BASA and to the National Motor Financing Association (NMFA).

To address the non-alignment by the non-life insurance industry with Regulation 13A of the National Road-Traffic Act (Act 93 of 1996), SAIA formulated the inclusion of Code 3A through its Technical Guidelines Task Team.

Code 3A (Spare parts only) motor vehicles are Code 1, 2 or 3 motor vehicles involved in an incident and subsequently being declared unfit for use as a motor vehicle. Such motor vehicles cannot achieve roadworthy status due to the impaired structural integrity of the motor vehicle but can be stripped for spares only. The Certificate of Registration in Respect of Motor Vehicle will forever reflect Permanently Unfit for Use (code 3A). The records must be reported to the Insurance Crime Bureau (ICB).

The Code is agreed to by SAIA and its motor Members and is and supported by BACSA, the South African Police Service (SAPS) and ICB.

**Business Against Crime South Africa (BACSA)**

SAIA has renewed its Memorandum of Understanding (MOU) with BACSA for 2021. The MOU sets out all SAIA’s expectations from BACSA, which is reported on quarterly to the SAIA Board Committee: Insurance Risks. In 2019, BACSA operations were merged into the Business Leadership South Africa (BLSA) operations but keeping the BACSA brand as a going concern. This strategic integration into BLSA is to augment the BACSA strategic reach with strategic stakeholders, therefore assisting BACSA in fulfilling its mandate to SAIA Members.

**The Insurance Data System (IDS)**

The Insurance Data System (IDS) was created to combat insurance crime. IDS has adapted with advancements in data analytics to assist the quality of information submitted into the IDS system in the creation of a new data dictionary, Version 3 Template (V3). The V3 platform also includes new nominal information fields to capture third party information. The V3 Template was initially envisioned to be launched in mid-March 2021, but the project has been extended by TransUnion for another 40 weeks. Therefore, the launch date might only be in Q1 to Q2 2022.

**Road Safety Initiative**

Road safety remains a pivotal strategic priority area for SAIA. The improvement of road safety from the different road safety initiatives, in collaboration with strategic stakeholders such as the Department of Transport (DoT), is critical.
• Business for Road Safety (BRS) Forum

The Business for Road Safety (BRS) forum is a coalition of nine associations in the motor ecosystem, including and led by SAIA. The forum allows for the different associations to find commonality in their different projects and develop synergies, therefore streamlining respective efforts in road safety. The current strategy of the BRS is to create further awareness of the importance of driver behaviour.

Repair Process Initiatives

South Africa has one of the highest numbers of motor accidents in the world: approximately 1 million road accidents are reported annually. It is therefore critical for SAIA to address the level of competency in the skills necessary to assess or estimate repair costs in motor claims lodged with the motor insurers.

Most recently, on Thursday, 10 December 2020, the Competition Commission issued the final Guidelines for Competition in the South African Automotive Aftermarket and will be effective on 1 July 2021. SAIA supports the Guidelines and the intentions of the Guidelines, one of which speaks to the Transformation objective to promote greater participation of small businesses as well as historically disadvantaged individuals (HDIs) in the market. This talks to the motor body repair space and, therefore, the quality of repair. A SAIA Task Team is looking deeper into the issue around motor repair standard(s) in South Africa.

• Vehicle Damage Quantification Governance Body of SA (VDQGBSA)

The Vehicle Damage Quantification Governance Body of SA (VDQGBSA) is a non-profit organisation registered with the South African Qualifications Authority (SAQA) as a professional body and a representative body of the vehicle damage quantification qualification in South Africa.

The loss adjuster occupation is a critical occupation and skill for the non-life insurance industry, and thus forms part of the Insurance Sector Education and Training Authority (INSETA) Top 10 Sectorial Priority Occupations for 2019/2020 list.

VDQGBSA is critical to the skills development strategy of SAIA. Therefore, its sustainability is equally important. In recent months there have been more insurers joining the professional body and the strategy to continue supporting the VDQGBSA.

• Joint SAIA and The National Association of Automobile Manufacturers of South Africa (NAAMSA) Task Team

SAIA and the National Association of Automobile Manufacturers of South Africa (NAAMSA) created a joint task team, formed in December 2014, to continuously work at finding sustainable ways to address concerns raised by motor insurers with regards to the cost of motor parts, part delays and the timely availability of parts.

Unfortunately, not much progress was made in 2020 with regards to the Repair More Cars Programme (Save a Car), as the uptake was very low from both insurers and Original Equipment Manufacturers (OEMs). The lack of quick and seamless process flows between insurers and some OEMs also made the request for discounts to Save a Car too slow and frustrating. However, Executives from SAIA and NAAMSA are busy reviewing the whole stakeholder agenda for 2021 and beyond.

Compulsory Third-Party Motor Property Insurance (CTPMPI) Initiative

The most recent new development relating to the SAIA Compulsory Third-Party Motor Property Insurance (CTPMPI) initiative was an engagement with the Road Traffic Management Corporation (RTMC) in February 2021. SAIA is currently investigating with the RTMC if the proposal made to the National Treasury in 2016/2017 will still be pursued by SAIA. There is in-principle support from the SAIA Board to engage the RTMC further, but once all the information has been clarified with the RTMC, the matter will be tabled again with the SAIA Board for further direction.

Stakeholder Relationship Management

SAIA’s strategic stakeholders include a variety of role players, including various Government departments, trade and professional associations representing various service providers and stakeholders, insurance executives, practitioners,
professionals, as well as the insurance Regulators, namely the South African Reserve Bank (SARB), the Prudential Authority (PA) and the Financial Services Conduct Authority (FSCA).

SAIA ensures that it continues to maintain and build on all its strategic relationships as they are key to the successful delivery of SAIA initiatives.

**Other Industry Related Boards, Committees, and Forums**

**SAIA Forums**

SAIA’s Forums are created to provide the opportunity for specialist lines of business to have industry level engagements on issues about them of which are not catered for specifically within the current structures of SAIA.

To highlight but a few issues managed by the Forums:

- The Council for Medical Schemes (CMS) via Circular 80 and 82 in 2020 advised health insurers and other funders operating under an exemption from the Medical Schemes Act that, from the end of March 2021 (extended by another year to 2022), current exemptions will be removed, and the proposed low-cost benefit options will not be pursued as there is a perception that the industry is not adequately providing the necessary cover for the respective target market.

- SAIA has been involved extensively through the PSSF (Payment System Stakeholder Forum) in discussions regarding the Authenticated Collections (DebiCheck) and Debit Order Abuse Projects.

DebiCheck is a secure debit order payment system that allows you to approve your debit order details electronically. This will prevent fraudulent debit orders from being processed, giving you more control over your finances. DebiCheck provides consumers with security, control, convenience, and peace of mind with respect to their debit orders.

Certain challenges regarding the DebiCheck Project have been noted. With the sunsetting of Non-Authenticated Early Debit Orders (NAEDO) and Authenticated Early Debit Orders (AEDO), the cooperation and collaboration between different stakeholders – and in our cases specifically between SAIA Members and their sponsoring banks – has become key to a smoother transition into the dispensation.

**SAIA Personnel Board Representations**

SAIA Executives and Key Management staff represent the industry on various industry-related Boards, Committees, and Forums. These include, for example, ICB, FPASA, VDQGBSA, the SARB’s Financial Sector Contingency Forum (FSCF), the NAAMSA Vehicle Crime Prevention Committee, SABS Committees, and the Plumbing Industry Registration Board (PIRB).

We continue to promote the importance of the sustainability of the non-life insurance industry. We do this by providing input to strategic and operational discussions on how the non-life insurance industry could either play an active role or could be impacted by certain decisions in policy in fulfilment of SAIA’s mandate from its Members.

**A Note of Thanks**

SAIA takes this opportunity to express its sincerest gratitude to all individuals who unselfishly gave of their time and continue to serve the non-life insurance industry by serving on the respective Insurance Risks Committees. These include the SAIA Board Committee: Insurance Risks, Forums, Focused Technical Task Teams, Workstreams and initiatives in support of SAIA and, therefore, assuring that the Insurance Risks department fulfils its mandate.

**Pamela Ramagaga**
General Manager: Insurance Risks

**Zakes Sondiyazi**
Manager: Insurance Risks

**Katlego Bolsiek**
Manager: Insurance Risks

**Susan Walls**
Insurance Technical Advisor

**Promise Mhlanga**
Senior Forums Secretariat
6.5
SAIA STRATEGIC AREAS
REINSURANCE
SAIA Application for a Reinsurance VAT Binding Class Ruling on Behalf of its Members

SAIA received a letter from the South African Revenue Service (SARS) containing an issued VAT ruling, dated 21 January 2021, in response to our application for a Reinsurance Binding Class Ruling on behalf of all SAIA Members.

The ruling effectively speaks to:

• Documentation required to substantiate the application of VAT at the zero rate to foreign reinsurance inwards premium income.
• Permission to allow reinsurers not to issue zero-rated tax invoices to foreign cedants in respect of reinsurance inwards transactions.
• Permission to extend the period within which SAIA Members are required to obtain proof of payment to six months.

Following a thorough review of the document, kindly performed by Mr Rob Ansell and Ms Riana Slabbert, it was decided to forward the document to Mr Gerhard Badenhorst, a consultant, for his comments. There were five or six points where seemingly the application wording could be improved and an additional summary on why SAIA requires the s20(7) request to be reconsidered. SAIA, therefore, addressed a response to SARS that was sent on 8 February 2021 with the following requests:

• Comments to the ruling issued with suggested minor changes to the wording for SARS consideration.
• A brief summary as to why SAIA requests SARS to reconsider the s20(7) request that SAIA Members are not required to issue zero-rated tax invoices to foreign cedants on reinsurance inwards transactions.

SAIA has been informed that an updated ruling is in the review stage at SARS. On receipt of a formal response from SARS, Members will be informed of the outcome, and the ruling will be circulated to Members.

Charles Hitchcock
Chief Operations Officer

“"All great changes
are preceded
by chaos."

- Deepak Chopra“
6.6
SAIA STRATEGIC AREAS
SAIA FINANCE AND OPERATIONS
SAIA Finance

During the 2020 financial year, the strategy of the SAIA Board of Directors to manage the risks posed by the expected SAIA budget imbalance in 2020 through 2022, due to the loss of administration fee income from Intermediaries Guarantee Facility Limited, was implemented, and relevant savings were achieved.

The strategy is to manage expenses downwards where possible, increase income from current sources, consider additional sources of income, reduce staff costs by attrition and redeployment if possible, and utilisation of reserves to redress the SAIA budget imbalance.

The savings achieved were mostly by way of the non-employment of staff where vacancies exist, where possible, and savings to the expenditure on projects as well as travel expenditure. The savings achieved have, in effect, narrowed the administration fee gap referred to above.

We confirm, however, that, should the current level of uncertainty and depressed economic climate improve, the above is not sustainable.

Intermediaries Guarantee Facility (IGF) Limited

Current Status

During the 2020 year, Intermediaries Guarantee Facility (IGF) was informed by the Regulators that the non-life insurance license would be withdrawn, effective 24 August 2020, subject to certain conditions being fulfilled.

These conditions, amongst others, included the submission of a bi-annual report to the Regulators containing the latest claims information and the status of IGF assets. The first report was submitted on 31 January 2021 for the six months ended on 31 December 2020.

Other requirements necessitated a review of all company documentation to identify any references to the words “assure”, “insurer”, “underwrite”, or any derivative thereof for removal and/or change, with a view to avoiding IGF being seen as an operational insurer in the eyes of the public.

We cannot be separated in interest or divided in purpose. We stand together until the end.

– Woodrow T. Wilson
To achieve the above outcomes, changes were made to the following documents:

- **Memorandum of Incorporation (MOI)**

  The review of the above document revealed that Clause 2.1(2), “Main object”, required an amendment to the wording to reflect that IGF “is a company in winding-up”. A special resolution of shareholders, by round-robin, was accordingly effected on 21 November 2020 to amend the main object clause of IGF’s Memorandum of Incorporation (MOI). We have received confirmation from the Companies and Intellectual Property Commission (CIPC) that the above changes were registered on 06 January 2021.

- **Combined Registers**

  A review of the above registers, both electronic at CIPC and in hard copy at IGF’s registered office, revealed the relevant details required to be changed in line with the updated main object clause of the MOI outlined above. This will now be actioned by separate notification to the CIPC following the registration of the special resolution on 06 January 2021, outlined above, and manually at the registered office of IGF.

- **Annual Income Tax Returns**

  The nature of the company’s business was to be updated in the South African Revenue Services’ (SARS) records, in line with the amendment to the MOI outlined in the first bullet above. The necessary changes have been effected in the SARS records.

- **Annual Financial Statements (AFS)**

  The reference to “short-term insurer”, as reflected on the general information page of IGF’s Annual Financial Statements (AFS), has been amended in the set of AFS for the financial year ending on 31 December 2020. The amendment was effected when drafting the AFS, following the recent audit that commenced in late February 2021. Accordingly, any reference to the words “assure”, “insurer”, “underwrite”, or any derivative thereof in the accounting policies and notes to the AFS were simultaneously amended. The annual statutory audit began in late February 2021.
• Companies and Intellectual Property Commission (CIPC) Documentation on File

All the latest CIPC information will be amended in line with the amendment to the main object clause of IGF’s MOI outlined in the first bullet. We have on file more than one COR21.1, COR 39 and COR44, that reflect the company’s main business/main object as “Financial Intermediation, Insurance, Real Estate and Business Services”. The change to the relevant CIPC records will now be actioned following the registration of the special resolution outlined in the first bullet above.

South African Pool for the Insurance of Nuclear Risks (SANP)

The South African Pool for the Insurance of Nuclear Risks (SANP) successfully concluded the foreign inwards risk renewals effective 1 January 2021. Work has begun on the 2021/2022 local renewals of both the Nuclear Energy Corporation of South Africa (NECSA): Pelindaba and the Electricity Supply Commission (Eskom): Koeberg risks, effective 1 April 2021. No major changes in terms or conditions are expected on the 2021/2022 renewals.

There are ongoing discussions around the question of co-insurance vs reinsurance, with Spain being the latest international pool to indicate to the South African Pool that it may no longer participate on a co-insurance basis due to applicable legislation in that country. Nuclear Risk Insurers (NRI) have agreed to incorporate the Spanish pool as a reinsurer on the NRI share of the risk.

The matter of the 10 vs 30 year reporting period as provided by the Pools and required by the Nuclear Act, respectively, has not yet been resolved. It is imperative that a solution is found, and we are hopeful that Government will be approached for assistance in resolving this matter.

SANP has achieved good gains on the previously lagging Claims Management System project. A project manager was appointed in March 2020 and has progressed the project to the point where we are on the verge of signing a contract with Crawford South Africa for the provision of a suitable system for use by the SANP and others. Crawford South Africa is an established loss adjusting partner for companies who require loss adjustment solutions and claims support.

Charles Hitchcock
Chief Operations Officer
The South African Association of Engineering Insurers (SAAEI) is a division of SAIA representing the engineering underwriters in the insurance sector. The standard classes of insurance embraced by this sector are, amongst others, Construction/Erection All Risks, Electronic Equipment, Machinery Breakdown and Plant All Risks.

**Executive Committee**

The Executive Committee Members are as follows:

- **Chairman:** Philani Mbatha (Munich Re)
- **Deputy Chair:** Chris Charlton (Consort Technical Underwriters)

Members:

- Keith Barlow-Jones (C&G)
- Kobus van Niekerk (Consort Technical Underwriters)
- Krushayev Moodley (Hollard)
- Mark Barrow (Mirabilis)
- Susan de Wet (Old Mutual Insure)
- Susan Walls (SAIA)
- Xolile Kahla (HDI Global Insurance)
- Zain Hoosen (Bryte Insurance)

My report begins with some general remarks and thereafter focuses on the specific work that the Executive Committee was able to undertake during the year. I was elected as the new chairman of SAAEI at the SAIA Annual General Meeting (AGM) 2020. SAAEI and its Members would like to thank the outgoing chairperson, Mrs Susan de Wet, for her leadership and contribution during her reign. Mr Chris Charlton was elected as deputy chair.

The Association remains on path to realise its mission and vision - “To be an effective forum for raising awareness and to develop and promote understanding of the engineering classes of business to the wider insurance market and related stakeholders”.

7.1 ASSOCIATED DIVISIONS

**THE SOUTH AFRICAN ASSOCIATION OF ENGINEERING INSURERS (SAAEI)**
The 4th South African Engineering Insurance Conference (SAEIC 2020)

The Executive Committee took a decision to cancel the conference in 2020 due to the health concerns and restrictions associated with the COVID-19 pandemic.

Education

In recognition of the need for training in engineering insurance products, the Executive Committee has decided to set up an Engineering Academy as a centre of learning for SAAEI Members. The launch of the initial training product was planned for the second half of 2020. However, the project was delayed due to COVID-19, with a revised launch date of end 2021.

SAIA Bulletin

SAAEI contributed to the monthly SAIA Bulletin as per the following articles:

- Impact of coronavirus on engineering insurance in South Africa – Philani Mbatha (Munich Re)
- Changes in engineering insurance – Chris Charlton (Consort)
- What about cover for completed infrastructure projects – Xolile Kahla (HDI)

Lunchtime Market Talks

The lunch-time talks were conducted virtually with some interesting topics presented by engineering experts in the market. The online sessions were well attended by a wide group of practitioners across the engineering insurance industry. We are thankful to the presenters for volunteering their knowledge and time. The following talks were presented:

- Construction contracts – David Vlcek (Cox Yeats)
- Opportunities for intercepting and preventing catastrophic mechanical and electrical equipment failures by means of continuous condition monitoring – Albert de Bondt (Lloyd Warwick)
- Infrastructure projects in Southern Africa – Dedasaniya Mahendra (Deloitte)

The Committee will continue with lunchtime talks in 2021.

The South African Association of Engineering Insurers (SAAEI) Golf Challenge/Year-End Luncheon

The Executive Committee took a decision to not have the usual celebratory events in 2020 due to COVID-19.

The International Association of Engineering Insurers (IMIA) Conference

Due to COVID-19, the traditional International Association of Engineering Insurers (IMIA) Conference, which was due to be held in Dublin, was substituted with a one-day virtual event. The 2020 IMIA conference was the 53rd edition of the event. The conference was scheduled for one day on Tuesday, 15 September 2020. One session took place in the morning, with a follow-up session in the afternoon. The organisers considered the optimum time zones to accommodate the global spread of delegates. The streamlined agenda covered, amongst others, the following topics:

- IMIA Country Statistics
- IMIA Index/IMIA Stat Project – Large Losses & Loss Ratio Index/Perils
- What Happened in the Engineering Market?
- WGP Improving Trends in Construction Risk Management – Where Next?

Industry Outlook

The COVID-19 pandemic continues to impact the lives and livelihoods of many around the world. The disease and the ensuing lockdown have exacerbated the global economy and the construction sector, which was already in decline for the past few years. The construction market remains in distress, with a lack of investment in large engineering projects and a tough playing field for engineering underwriters who are competing for fewer projects.

As the new chairman, I pledge my dedication to support, sustain and develop the goals and ambitions of SAAEI. I would like to thank the Executive Committee, SAAEI Members, Munich Re (Africa), Viviene Pearson (SAIA) and the team at SAIA (especially Promise Mhlanga) for all the support.

Philani Mbatha
SAAEI Chairman
Our Executive Committee, for most of the 2020/2021 period, consisted of the following Members:

- Chairperson – CIB/Guardrisk: Petra Fordyce
- Vice Chairperson – Hollard: Cynthia Nanthalall
- Senior Forums Secretariat – SAIA: Promise Mhlanga
- Granville La Vita – Savannah
- Hilton Adams – Munich Re
- Ian Parkerson – Santam
- Mervyn Naidoo – OMI
- Mike Brews – Horizon/Lombard
- Paul March – Horizon/Lombard
- Susan Walls – SAIA

An additional member, Kennedy Ntenjwa, has been temporarily co-opted from March 2021. Mr Ntenjwa is the new Santam Marine Head. He will be put forward for official election at the July 2021 AGM.

The Coastal Sub-Committees are facilitated by:

- KZN Region: Anand Deepanand – OMI
- Port Elizabeth/EC Region: Chris Pike – Santam
- WC/NC Region: Estelle Bond – Hollard

The Executive Committee continues to meet (online) monthly to discuss market trends, large casualties, legislative changes, and related issues that impact our industry. Physical meetings will resume as soon as the SAIA Exco gives its blessings.

To get a broader perspective of the developments in the market, we rely on the coastal Committees for quarterly reports. Regrettfully, these reports were not as regular or timeous as in the past due to constraints caused by the pandemic and lockdown regimes. However, we are confident that these Committees will be adding their full value going forward. The Executive Committee suggested that these Committees open their doors to include more Coastal Surveyors, who would no doubt be a valuable additional source of information.
Further to the above, we also continued with our Association of Marine Underwriters in South Africa (AMUSA)/Financial Intermediaries Association (FIA)/Coastal Surveyors quarterly meeting online, which is open to all players in the marine market to likewise discuss concerns, related market trends and to keep our market informed. We are also continuing to encourage representatives of the South African Special Risk Insurance Association (Sasria) to join us or to provide us with written updates at least quarterly.

The International Union of Marine Insurance (IUMI)

We are grateful that the International Union of Marine Insurance (IUMI) SA conference in 2018 did not have to face this pandemic! For the first time in its 146-year existence, the IUMI conference was held online by means of various sessions scattered over about a two-week period in September 2020. Although it had valuable presentations and was deemed a success, it was, however, not quite the same. The interpersonal, direct contact was missing. The 2021 IUMI conference is again going to be online, and registrations will be open for interested parties soon.

Mike Brews continues to present AMUSA on the IUMI Cargo Technical Subcommittee. Hilton Adams is now the Chairperson of the IUMI Fishing & Yachts Subcommittee.

Education

Skills development remains a crucial focal point. The ongoing pandemic has placed a proverbial spanner in the wheels for our full-day training sessions. However, it will be resumed as soon as permitted and provided that the spreading of COVID-19 is no longer a major concern.

We are still committed to providing periodic online short presentations to the market on hot topics such as the Fire & Oil presentation in November 2020, in collaboration with Norton Rose Fulbright, a global law firm. This session had about 35 participants, whereas our live session usually had near to, or more than, 50 participants. The market was, however, saturated with numerous online events in the 2nd half of 2020. It is believed that not only so-called “COVID-19 fatigue” but also “online fatigue” took its toll.

We have another online session on the Impact of The Communicable Diseases and Cyber Exclusions in collaboration with the law firm COX YEATS, scheduled for 30 March 2021. As we are nearing the Continuous Professional Development (CPD) cycle close and considering the roll-out of compulsory disease exclusion clauses cascading down from international Reinsurance Markets, we believe that it will attract a larger audience. We also endeavour to have at least one session per quarter.

Lastly, IUMI webinar learning opportunities are also made available to the South African market through the AMUSA/SAIA Membership, which we believe is also of great importance to uplift skill levels.

COVID-19

We are facing continuous perilous times, which continues to have a major impact globally and on the marine market, especially as the third wave in some countries are once again causing stricter lockdowns. Concerns are still:

- Loss of life and rolling out feasible vaccinations timeously, worldwide.
- Accumulations at ports, on vessels/aircraft and in storage facilities, as well as extended storage periods.
- Fluctuations in insured values for commodities and related exposures.
- Increased crime-related losses brought on by increased unemployment.
- Inefficiencies caused by and opportunities for crime due to reduced workforces under stricter lockdowns.
- Changes in flight patterns/sea voyages, unscheduled transhipments, and new, unknown/alternative service providers/role plays.
- Delays and related impact on temperature-sensitive cargoes.

A Word of Thanks

In closing, a whole-hearted ‘Thank you!’ to each Executive and Subcommittee Member, and their respective companies, for their valuable time and their contributions to not only assist in educating but also to keep our industry informed – especially through these unprecedented times. Last but not least, thanks to Viviene, Promise and Susan for their continuous guidance and assistance.

I leave you with the saying, “This too shall pass.”

Petra Fordyce
AMUSA Chairperson
A sudden change is never easy, and the global coronavirus pandemic shoved the world into changing its entire structure. There is no doubt that 2020 was the year of unexpected change. Change in daily routines, change in how business is managed and change in our perceptions. There was no way of assessing the impact that the global COVID-19 phenomenon would have on the economy or how long it would take us to emerge from strict lockdown regulations. Alvin Toffler, the author of the book Future Shock, turned out to be right about too much change in too short a period.

Before COVID-19 hit the world, we were already living in a highly malleable and ever-changing environment. The pandemic accelerated that change, and in some cases, brought changes that we could have never imagined. Toffler warned that too much change, too suddenly and unexpectedly, can overwhelm people.

However, against all odds, humanity had hope – and it paid off. We extracted the positive out of the change with which we were confronted. Our leaders took the bull by the horns and led the SAIA team into the new world of work. Our core values of positivity, respect and cooperation remained our guiding light on the unknown path. The organisation’s occupational health and safety officers took all visiting stakeholders’ wellbeing to heart and prepared our workspace to ensure that the SAIA team stays in good health. Learning and development continued, mostly remotely, and the SAIA team remained connected via technology.

In some way, the change propelled us into the 4th Industrial Revolution sooner. A change to the external environment forced us to re-think, re-imagine and reconsider how we conduct business and manage teams in a technologically savvy world.

Our Leaders

A special thanks to the SAIA leaders for taking centre stage in managing this new world of work. When the very first COVID-19 case was confirmed in South Africa, the Executive Team developed a business continuity plan to prepare us for the unknown. As events unfolded, the continuity plan was augmented according to new regulations. This strategic response formed the blueprint which managed the organisation through a very challenging and uncertain year.

Our Corporate Social Investment (CSI) efforts in 2020 included contributing R50 000 towards the COVID-19 Solidarity Fund. We would like to thank our leadership for supporting this important initiative.

Company Culture

The organisation’s core values of respect, cooperation and a positive attitude have always been a critical driver of our company culture. During uncertain times, these core values remained central in managing remote working teams and became the context for decision making and work ethic.

Central to maintaining our culture was the reframing of our internal communications and meetings. Operating systems such as Zoom, MS Teams and Skype for Business have also been central to formal meetings both internally and externally. These platforms became vital in how we would deliver on our objectives. In addition, SharePoint and ZETA SAIA Human Resources Information Systems were optimised in managing and sharing data and information.

Against all odds, a seed rises from darkness and beautifies the universe.

– Matshona Dhliwayo
With teams working remotely, weekly team meetings were an absolute necessity, together with HR and CEO weekly email communications. Through robust, consistent, and intentional internal communication, we maintained our service commitment to our Members, and we thank our Members for entrusting us with the same.

**Occupational Health and Safety**

The organisation is committed to the health, safety and wellbeing of our staff, Members, and visitors. Meetings at the SAIA offices are still prohibited. In line with the regulations outlined in the Disaster Management Act, all employees and third parties are required to undertake a temperature screening on arrival, sign a health declaration, and wear a cloth or disposable mask. Certain personal information is required on entry and will be stored safely for contact tracing.

At the core of preparing the workplace are the organisation’s occupational health and safety officers, who diligently pursue management of the strict COVID-19 protocols in place.

The organisation thanks state Departments Labour and Health and Return2WorkSA for their consistent information and support.

**Managing Performance Remotely**

Although partially practised within the organisation, the discipline of working from home was most undoubtedly arbitrary to our Management of People philosophy – the process of moving from managing time and attendance to managing productivity remotely. Even with performance systems already in place, skills such as managing virtual teams and emotional intelligence were suddenly more relevant and required an immediate take-up. Programmes were successfully delivered throughout the organisation and had an immediate impact on the team’s performance.

**Learning and Development**

The organisation congratulates Mr Kwanelo Sibanda, SAIA Manager: Corporate Affairs Manager, for obtaining his master’s degree in Management, specialising in Strategic Marketing, and to all the SAIA employees pursuing further studies. We wish you all the best.

**Employee Support Services**

As the dynamics of working from home unfolded, the team experienced peaks and valleys in performance. The beginning of lockdown has been described as the honeymoon stage, almost euphoric and exciting. Then came the settling-in phase, getting comfortable in your new workspace. Soon, fatigue settled in, which resulted in feelings of isolation and loneliness. To support our employees through these challenges, the organisation appointed the professional services of a primary care provider focusing on physical health and mental well-being.

**Organisation Development**

Pre-COVID-19, the organisation appointed Ms Mashudu Mabogo as SAIA’s Legal Specialist as well as Ms Tshidi Hlatshwayo as the organisation Front Line Administrator.

Ms Pamela Ramagaga, former SAIA Executive Manager, has been appointed as General Manager Insurance Risks effective 1 May 2020.

Ms Carolee Sinnye, Personal Assistant to the Chief Operations Officer, resigned at the end of November 2020 to pursue a new business venture.

It was the simple activities that brought us together this year. We celebrated birthdays, academic successes, and pizza love Fridays. The highlight, of course, being our team participation in the internationally recognised #jerusalemadancechallenge.

**Nicol Champaud**
Manager: Human Resources
SAIA Organisational Structure and Staff Profile

CEO
V. PEARSON

EXEC MANAGER
P. RAMAGAGA

HR MANAGER
N. CHAMPAUD

PA
C. LUCAS

GM: INSURANCE RISKS
P. RAMAGAGA

PA
R. MATHOSA

INSURANCE RISKS MANAGER
M. SONDIYAZI

INSURANCE RISKS MANAGER
K. BOLSIEK

GM: GOVERNANCE & TRANSFORMATION
T. PALAGANGWE

PA
Z. HLOMUKA

TRANSFORMATION MANAGER
Z. GIGABA

PROJECTS COORDINATOR
L. TSOTETSI

LEGAL SPECIALIST
M. MABOGO

LEGAL PA
T. MOLOTO

MANAGER CORPORATE AFFAIRS
K. SIBANDA

COMMUNICATIONS ADMINISTRATOR
T. KERSPUY

MANAGER
CORPORATE AFFAIRS
K. SIBANDA

COO
C. HITCHCOCK

PA
C. SINNYE

ACCOUNTANT
T. MOLOTO

ACCOUNTS ADMINISTRATOR
N. DU TOIT

RECEPTION
T. HLATSWAYO

2 X OFFICE SUPPORT
G. NGWENYA
T. BALOYI

IT SUPPORT
T. MHLONGO

SAIA HIGHLIGHTS 59
SAIA Board Members as at the end of February 2021

Cedric Masondo
Sasria (SOC) Limited
(SAIA Board Chairman)

Herman Schoeman
Guardrisk Insurance Company Limited
(SAIA Board Deputy Chairman)

Anton Ossip
Discovery Insure Limited

Beat Strebel
Swiss Re Africa Limited

Charles Hitchcock
South African Insurance Association

Charles Nortje
Credit Guarantee Insurance Corporation of Africa Limited

Danie Matthee
OUTsurance Insurance Company Limited

Easvarie Naidoo
Lloyd’s Underwriters South Africa Limited
SAIA Annual Review 2021 – Rising to Unexpected Challenges
Board Alternates:

- Johanna Refilwe Moletsane – AIG South Africa Limited
- Rajendran Naicker – OUTsurance Insurance Company Limited

Resignations from Board:

- Andy Tennick – African Reinsurance Corporation (South Africa) Limited
- Charles Asirvatham – GIC Re South Africa Limited
## SAIA Members

<table>
<thead>
<tr>
<th>Company Name</th>
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<tbody>
<tr>
<td>Abacus Insurance Limited</td>
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<tr>
<td>Absa Insurance Company Limited</td>
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<tr>
<td>African Reinsurance Corporation (South Africa) Limited</td>
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<tr>
<td>AIG South Africa Limited</td>
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<tr>
<td>Allianz Global Corporate &amp; Specialty South Africa Limited</td>
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<tr>
<td>Auto &amp; General Insurance Company Limited</td>
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<tr>
<td>Bidvest Insurance Company Limited</td>
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<td>Bryte Insurance Company Limited</td>
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<td>Budget Insurance Company Limited</td>
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<td>Centriq Insurance Company Limited</td>
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<tr>
<td>CFAO Motors Insurance Limited</td>
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<tr>
<td>Chubb Insurance South Africa Limited</td>
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<td>Coface South Africa Insurance Company Limited</td>
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<td>Compass Insurance Company Limited</td>
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<tr>
<td>Constantia Insurance Company Limited</td>
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<td>Credit Guarantee Insurance Corporation of Africa Limited</td>
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<td>Dial Direct Insurance Limited</td>
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<td>Discovery Insure Limited</td>
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<td>Dotsure Limited</td>
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<tr>
<td>Escap (SOC) Limited</td>
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<tr>
<td>First for Women Insurance Company (RF) Limited</td>
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<tr>
<td>FirstRand Short-Term Insurance Limited</td>
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<tr>
<td>Gen Re Company Limited (General Reinsurance Africa)</td>
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<td>GIC Re South Africa Limited</td>
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<tr>
<td>Guardrisk Insurance Company Limited</td>
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<tr>
<td>Hannover Reinsurance South Africa Limited</td>
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<tr>
<td>HDI Global South Africa Limited</td>
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<td>Hollard Insurance Company Limited</td>
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<td>Infiniti Insurance Limited</td>
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<tr>
<td>King Price Insurance Company Limited</td>
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<tr>
<td>Land Bank (SOC) Insurance Company</td>
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<tr>
<td>Legal Expenses Insurance Southern Africa Limited (Legalwise)</td>
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<tr>
<td>Lloyd’s Underwriters (Represented by Lloyd’s South Africa (Pty) Limited)</td>
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<tr>
<td>Lombard Insurance Company Limited</td>
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<td>MiWay Insurance Limited</td>
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<tr>
<td>Momentum Short-term Insurance Company Limited</td>
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<td>Monarch Insurance Company Limited</td>
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<tr>
<td>Munich Reinsurance Company of Africa Limited</td>
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<tr>
<td>Mutual and Federal Risk Financing Limited</td>
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<tr>
<td>Nedgroup Insurance Company Limited</td>
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<tr>
<td>New National Assurance Company Limited</td>
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<tr>
<td>Old Mutual Insure Limited</td>
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<tr>
<td>OUTsurance Insurance Company Limited</td>
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<tr>
<td>Professional Provident Society (PPS) Short-term Insurance Company Limited</td>
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<td>Renasa Insurance Company Limited</td>
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<td>SAFIRE Insurance Company Limited</td>
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<tr>
<td>Santam Limited</td>
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<tr>
<td>Santam Structured Insurance Limited</td>
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<tr>
<td>Sasria (SOC) Limited</td>
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<td>SCOR SE Africa Branch</td>
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<td>Shoprite Insurance Company Limited</td>
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<tr>
<th>Standard Insurance Limited</th>
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<tr>
<td>Swiss Re Africa Limited</td>
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<tr>
<td>The Federated Employer’s Mutual Assurance Company (RF) Proprietary Limited (FEM)</td>
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<tr>
<td>Western National Insurance Company Limited</td>
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<tr>
<td>Workslife Insurance Limited</td>
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<td>Yard Insurance Limited</td>
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</table>

**Member Resignation 2020:**

- Alexander Forbes Insurance Company Limited
- Intermediaries Guarantee Facility Limited
SAIA Committees with Elected Members

- SAIA Board Committee: SAIA Advisory Committee
- SAIA Board Committee: SAIA Audit and Risk Committee
- SAIA Board Committee: Governance Risks
- SAIA Board Committee: Insurance Risks
- SAIA Board Committee: Reinsurers
- SAIA Board Committee: Remuneration and Nomination Committee
- SAIA Board Committee: Transformation
- SANPA Audit Committee
- Association for Marine Underwriters in South Africa (AMUSA) Executive Committee
- South African Association of Engineering Insurers (SAAEI) Executive Committee
- South African Insurance Association (SAIA) Board of Directors
- South African Nuclear Pool Administrators (Pty) Limited (SANPA) Board of Directors
- South African Pool for the Insurance of Nuclear Risks (SANP) Management Committee
## SAIA Committees

<table>
<thead>
<tr>
<th>Governance Risks</th>
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<tbody>
<tr>
<td>SAIA Conduct of Business Committee</td>
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<td>SAIA Prudential Committee</td>
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<thead>
<tr>
<th>Insurance Risks</th>
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<tbody>
<tr>
<td>Review of the Code of Motor Salvage Task Team</td>
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<tr>
<td>SAIA Motor Insurance Steering Committee</td>
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<tr>
<td>SAIA Motor Repair Standards Task Team</td>
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<tr>
<td>SAIA Property Protection Steering Committee</td>
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<tr>
<td>SAIA Property Technical Committee</td>
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<tr>
<td>Salvage Database Governance Committee</td>
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<thead>
<tr>
<th>Operations</th>
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<tbody>
<tr>
<td>SAIA Code of Conduct Review Task Team</td>
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<tr>
<td>SAIA Strategic Insurance Data System (IDS) Committee</td>
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<tr>
<td>SAIA Taxation Committee</td>
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<td>SAIA VAT Workgroup</td>
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<tr>
<th>Transformation</th>
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<tbody>
<tr>
<td>SAIA Financial Inclusion Committee</td>
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<tr>
<td>SAIA Procurement and Enterprise Supplier Development Committee</td>
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<tr>
<td>SAIA Transformation Steering Committee</td>
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### SAIA Forums

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<tbody>
<tr>
<td>SAIA Agricultural Risk and Crop Insurance Forum</td>
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<tr>
<td>SAIA Business for Road Safety Forum</td>
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<tr>
<td>SAIA Cell Captives Insurance Forum</td>
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<tr>
<td>SAIA Consumer Credit Insurance Forum</td>
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<tr>
<td>SAIA Fire Property Protection Liaison Forum</td>
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<tr>
<td>SAIA Health Insurance Forum</td>
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<tr>
<td>SAIA Legal Expense Insurance Forum</td>
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<td>SAIA Liability Insurance Forum</td>
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<tr>
<td>SAIA Mega Infrastructure Projects Forum</td>
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<tr>
<td>SAIA Ombudsman for Short-term Insurance (OSTI) Forum</td>
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<td>SAIA Premium Collections Forum</td>
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<td>SAIA Sasria Forum</td>
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<td>SAIA Travel Insurance Forum</td>
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SAIA STAFF
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