SAIA

SOUTH AFRICAN INSURANCE ASSOCIATION

BULLETIN

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

February 2022

CONTENTS

1 From the Desk of the CEO

Finance Minister Enoch Godongwana's maiden budget tabled on 24 February 2022 offered somewhat of a relief by subduing tax rises and repositioning other personal taxes, especially for ordinary households which have been under extreme pressure over the last few years. The budget, which has been referred to by many economists as a "feel good budget" means that South Africans will have a bit more money in their pockets, not only through an adjustment of the personal tax brackets in line with inflation, but also, because of no increases in the fuel levy – which was a first in more than three decades.

We were pleased that the government has committed to support our national power utility, Eskom. Power generation and supply has been a concern for the insurance industry and other power intensive sectors of industry who have been concerned about the possibility of a grid failure, something that could be devastating not only for the South African businesses, but also for the whole economy.

The need for recapitalising and keeping Sasria going could not be overemphasised, and we are glad that the government as Sasria's only shareholder has supported Sasria in this regard since the devastating July 2021 riots and looting events. Indeed, the final R7.1 billion of the R22 billion provided to Sasria by government to assist with honouring claims and recapitalisation will ensure that Sasria remains an important role player in the industry, as well as the economy at large. Sasria has so far managed to pay out over R17,2bn in just over six months, with R16,6bn still to be paid out, something to be seen as a clear demonstration of commitment and resolve to get the economy back on its feet. The total quantum of all combined claims from the July 2021 riots stands at R33,8bn.

Road safety remains one of SAIA's priorities. The Minister of Transport, Mr Fikile Mbalula, last week announced that during the month of January, 637 fatal crashes were recorded - accounting for 774 fatalities. This represented a 75% increase in crashes from 484, and 78% increase in fatalities from 602, year-on-year. Most of the crashes took place on Saturdays, Sundays and Mondays with human behaviour contributing to 90% of the crashes. SAIA, in collaboration with Business for Road Safety (BRS) continue to work on numerous campaigns to encourage behavioural changes for motorists.

La Niña, a global weather phenomenon, has continued to wreak havoc across the country, bringing higher than expected rainfall – and floods – to Gauteng, Central South Africa, Kwa-Zulu Natal and other parts of the country. This phenomenon is expected to continue bringing disruptive rain for the rest of the summer and into autumn. While it has been cited as a global weather phenomenon, it is happening against the backdrop of climate change. With these rapid changes in weather patterns, we also continue to witness increased levels of drought, increased risk of mudslides and fires. These events continue to also cause great losses for the insurance industry.

It is against this background that SAIA decided to host a climate change webinar on 23 February. The webinar was well-attended by people from across the industry and addressed issues of pertinence around weather patterns and the challenges faced by the fire services in South Africa. SAIA has resolved to continue hosting webinars on issues that are not only important to the insurance industry, but also our economy.

Viviene Pearson
Chief Executive

2 Insurance Risks

2.1 Launch of the Motor Repairer Minimum Standard Guideline Checklist (For Out-of-Warranty Vehicles)

SAIA launched the SAIA Motor Repairer Minimum Standards Guideline Checklist on 1 February 2022. SAIA is currently in the process of distributing the Checklist to the relevant stakeholders, including the Competition Commission and broadly to the public. We hope that this Checklist will offer the necessary guidance in terms of the expected non-life insurer minimum standards to be attained by repairers in their provision of services.

As an industry, SAIA and its motor members are committed to the Automotive Guidelines launched by the Competition Commission on 1 July 2021. This therefore means that motor members are urged to embed the Minimum Standard Guidelines Checklist into their current processes used in onboarding motor body repairer service providers.

SAIA would like to extend its appreciation and gratitude to all the motor committees and task teams that have provided their input and assistance in the creation of the Check List.

Please feel free to visit the SAIA website to view and/or download the Check List document. (https://www.saia.co.za/index.php?id=2275)

2.2 Access to the Vehicle Salvage Database (VSD) by Third Parties

BACKGROUND

Following numerous engagements with industry stakeholders, including SAMBRA/RMI, from the last quarter of 2021 regarding the coding of salvage vehicles and selling of poorly repaired vehicles by some motor dealers to consumers, the meetings culminated in the creation of a Vehicle Salvage Database (VSD) Task Force.

The VSD Task Force is comprised of:

- SAMBRA/RMI representatives
- RTMC representatives
- ICB
- Chairpersons and Deputy Chairs of the Motor Steerco and Salvage Database Governance Committee,
- SAIA representatives

The VSD Task Force held its maiden meeting on the 21 November 2021 and it was agreed that a Sub-VSD Task Team be formed. This team's mandate would be brainstorming ideas and producing sustainable proposals which include:

- Finding holistic solutions that will benefit all consumers.
- Looking at other relevant databases, if available, that could be added to enhance the quality and credibility of the database to be shared with consumers.
- Focus on mechanisms that could assist in creating awareness to consumers about the pros and cons of buying a salvage vehicle
- Development of a PR plan to manage consumer expectations

The Sub-VSD Task Team had its meeting on 11 February 2022 to brainstorm the above-mentioned topics and agreed to a few action items which would be tabled for approval at the next SAIA Board meeting to be held on 10 March 2022. The decision made by the SAIA Board will be communicated to all stakeholders, especially with the rest of the motor body community to stress test the proposed way forward and get further input to enhance the proposal.

These articles were written by Zakes Sondiyazi, SAIA Insurance Risks Manager. For more information, contact: Zakes@saia.co.za

2.3 UN Principles for Sustainable Insurance

The insurance industry plays a pivotal role in economic development and social upliftment through risk transfer, risk management and risk mitigation. The insurance industry risk pool is constantly exposed to Environmental, Social and Governance factors (ESG) which could pose a steep financial impact on the industry, thus the perfect alignment for the industry to be at the forefront of initiatives to identify and contribute to a sustainable society. Sustainable insurance practices which ensure that all stakeholders within the value chain interact in a way that manages risk in a future focused and sustainable manner is imperative to the future of the insurance industry.

The United Nations (UN) Principles for Sustainable Insurance (PSI) was launched in June 2012 at the UN conference on sustainable development following research that sought to understand the risks and opportunities presented by ESG factors within the insurance sector. The PSI is administered by the United Nations Environment Programme Finance Initiative (UNEP FI) representing financial institutions, leading to the largest collaborative project between the UN and the insurance industry. The purpose of the PSI initiative is to manage the ESG factors within the industry to ensure that risks and opportunities are identified, managed, mitigated, and subsequently underwritten accordingly.

Participation to the Principles for Sustainable Insurance remain voluntary with no legally binding ramifications for non-compliance. The UNEP FI acknowledges that the principles are a framework and implementing the principles is an ongoing journey for companies and requires concerted effort to consistently work toward achieving the identified goals as well as transparency with the annual reporting requirements. In addition, signatories are free to decide how to implement the principles within their organisations dependent on individual circumstances, varying ESG risk exposures, varying business strategies and respective operational requirements. The principles are embedded in the insurance industry criteria of the Dow Jones Sustainability Indices as well as The Financial Times Stock Exchange (FTSE4Good) for ethical investment stock, thus further incentivising the industry to showcase goodwill with ethical investors.

The four (4) PSI principles are as follows:

- **Principle 1:**

  We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.

- **Principle 2**:

  We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.

- **Principle 3**:

  We will work together with governments, regulators, and other key stakeholders to promote widespread action across society on environmental, social and governance issues.

- **Principle 4**:

  We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the principles."

The benefits of becoming a signatory to the PSI include:

- "Publicly demonstrating your organisation's adoption of sustainable insurance aims and its accountability and transparency to the public in managing ESG issues
- Access to UNEP and UN system expertise and resources on ESG issues, policymaking and science
- Access to UN events to dialogue with governments and other stakeholders on ESG issues, risk management and insurance
- Access to UNEP FI research, networks, events, and capacity building services spanning ESG issues, insurance, investment and banking
- Access to the Annual General Meeting of signatories"

The PSI is at the forefront of various initiatives to spearhead the industry's commitment to a sustainable future through the following:

- **The Net-Zero Insurance Alliance (NZIA)**

The Net-Zero Insurance Alliance (NZIA) members have committed to aligning their insurance and reinsurance portfolios to become a zero-greenhouse gas emissions portfolio by 2050 in line with the Paris Agreement. In addition, the first global standard to measure and disclose insured emissions will be launched in 2022 in collaboration with the Partnership for Carbon Accounting Financials (PCAF). The intention of the global measure is to highlight and measure the risks within insurers' and reinsurers' underwriting portfolios.

- **Adaptation and resilience**

The PSI is also responsible for the management of the Vulnerable Twenty Group of Finance Ministers (V20) Sustainable Insurance Facility (SIF) (V20-SIF). The V20-SIF represents 55 countries which are vulnerable to climate change. The insurance facility's aim is to provide crucial protection to micro, small and medium-sized enterprises (MSMEs) in support of their climate change projects. Support for this key sector assists MSMEs to be able to recover following a setback and continue to grow and contribute positively to the economy.

- **Life and health insurance**

The PSI recognises that there has been much headway within the non-life insurance sector, more than the life and health insurance sector. In this regard, the PSI have identified the necessity to launch a framework for the life and health insurance sector in 2022 to assist with risk identification and management and identifying sustainability challenges and opportunities specific to life and health insurance.

- **Insurance and the Sustainable Development Goals (SDGs)**

The insurance industry has the opportunity to align strategically to support the UN Insurance and the Sustainable Development Goals (SDGs), and this is a priority for the PSI. The area that the industry can support the achievement of the SDGs is access to market for those who have previously been excluded from the traditional financial sector offerings. This can be achieved by embracing digitisation - the adoption of technology can assist to service a wider portion of the society in addition to providing innovative products. Lastly the commitment to public-private partnerships is essential to achieve the SDGs.

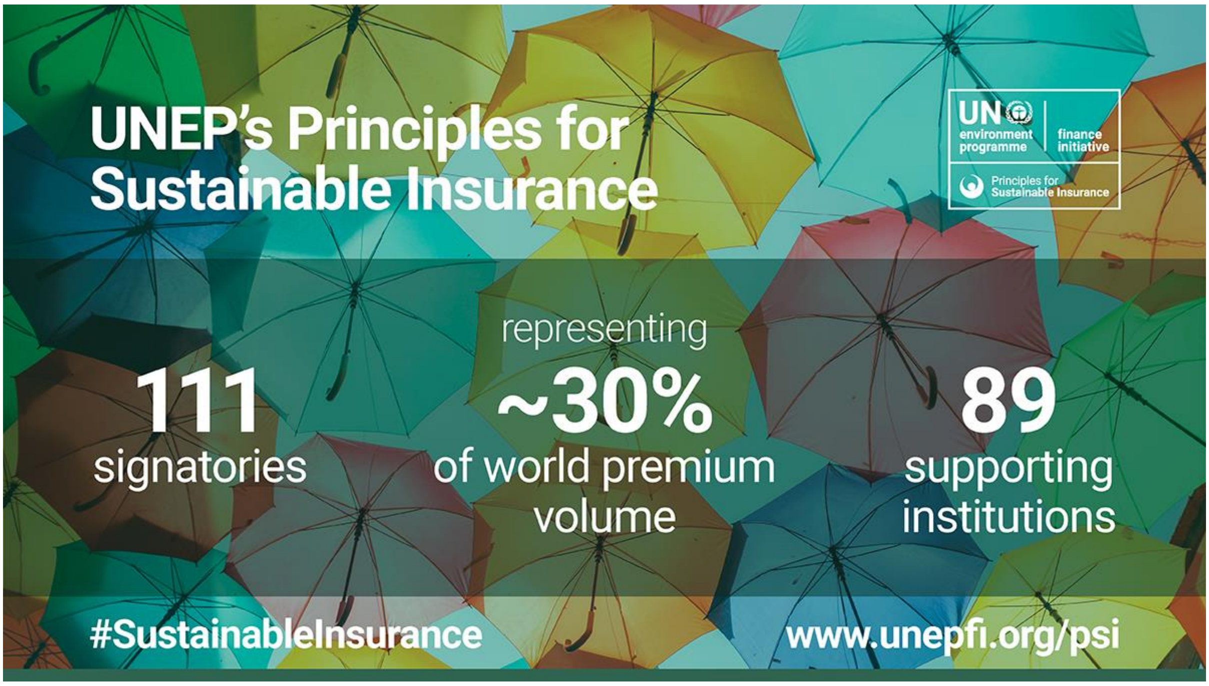
The PSI vision is of a risk aware society that is resilient and future fit. The benefit of many signatories involved in this initiative is the opportunity to streamline effort and have shared knowledge within the industry, as well as the reputational goodwill for signatories reflecting their strategic drive to tackle ESG factors. SAIA is one of the 89 PSI supporting institutions as well as a signatory to The Nairobi Declaration on Sustainable Insurance which is aligned to and supports the PSI and SDGs.

The Nairobi Declaration on Sustainable Insurance brings together insurance leaders within the African continent to shine a spotlight on the UN Decade of Action which seeks to achieve the SDGs by 2030 and support the industry in playing a crucial role to bridge the protection gap in line with the PSI and SGDs vision.

Additionally, SAIA has established a climate change forum seeking to provide industry leadership on climate related best practises and aligning South Africa's climate-related financial disclosure with global standards. Moreover, SAIA is involved with the National Treasury (NT) Climate Change Working Group ensuring seamless knowledge transfer to members on relevant climate change topics as well as assistance with The Task Force on Climate-related Financial Disclosures (TCFD).

The TCFD aims to assist financial service entities to identify and report on climate change risks, and disclosure will promote informed investment and underwriting decisions if climate related risks are quantifiable. The areas required by TCFD disclosures such as within governance, strategy and risk management are well aligned to where the four (4) PSI principle may be applied within the signatory organisations, reflecting the interconnectedness of the efforts geared toward tackling climate change.

Given the numerous climate change organisations and projects SAIA is involved in, SAIA encourages its members to become PSI signatory companies to join the 118 current organisations to the mutual benefit of the insurance industry. Climate change risks continue to pose a systemic risk to the industry and now, with more urgency, the insurance industry can contribute to a society where sustainable practices are encouraged and adopted by all.



This article was written by Kabelo Paile, SAIA Insurance Risks Technical Manager. For more information, contact: Kabelo@saia.co.za

2.4 Road Safety – A Bid to Reduce Human Factor- Induced Road Fatalities

Road fatalities account for an estimated 3.5% of South Africa's annual Gross Domestic Product (GDP) and are not only a major public health challenge but also the result of various economic and social constraints. In 2020, the Road Traffic Management Corporation (RTMC) stated that there were 12 956 deaths on South African roads in 2019, costing the economy over R176bn.

On 18 January 2022, the Minister of Transport, Mr Fikile Mbalula released the 2021 festive season fatality statistics, reporting a total of 1 685 during December 2021 and January 2022. He also highlighted that the liability of the Road Accident Fund (RAF) was becoming the government's greatest contingency liability as its projected claims are expected to increase to about R500bn by 2024.

The RTMC aims to reduce the number of and the impact of road accidents and fatalities in South Africa. They continue to invest a lot of effort in reducing road traffic crashes and fatalities as demonstrated in their 2020 five (5) year strategic plan, where they advised that the corporation aims to reduce road crash fatalities by 50%, that is 6,984 by 2030 from a 2010 baseline of 13,967 road fatalities. The RMTC's annual implementation plan also includes, among others, implementing educational and awareness campaigns, including increased law enforcement interventions, especially during peak travel seasons.

With regard to legislation that enables road safety management, the Road Traffic Infringement Agency (RTIA) proposed an adjudication system for the management of infringements of the rules of the road under the National Road Traffic Act 93 of 1996, called the Administrative Adjudication of Road Traffic Offences Act (AARTO).

One of the objectives for the implementation of the AARTO Act is to contribute towards changing driver behaviour and conduct that contributes to road fatalities. For this reason, the Department of Transport (DoT) has appealed the recent judgement by the Pretoria High Court declaring the AARTO Act unconstitutional and invalid.

Considering the various risk factors that contribute to road traffic crashes and fatalities, human factors are reported to be the leading cause, resulting in about 80% (percent) of the occurrences of road accidents in South Africa. Human error in judgement occurs at any given time on the roads. However, human factors such as reckless driving, distractions and not obeying the rules of the road need to be curbed, and if not self-managed will necessitate legislation such as the AARTO Act.

Road Safety is a critical strategic pillar of the South African Insurance Association (SAIA) and its approach remains that of administering collaborative projects with other motor ecosystem associations and the government, lobbying and initiating various societal awareness campaigns to encourage good driver behaviour, and to inculcate this "norm" to all road users. As an industry body, SAIA encourages road users to strive for change with regard to behaviour on the roads, adopting good driving behaviour as well as the necessary skills and techniques such as defensive driving, to ensure their safety and that of other road users.

In preparation for the 2022 Easter holiday travelling season, SAIA alongside the non-life insurance industry in partnership with the Business for Road Safety Forum (BRS) – a SAIA facilitated platform that consists of various industry associations within the motor eco-system - will be implementing initiatives to create awareness of road safety risk factors that contribute towards road fatalities.

SAIA's partnership with BRS is currently working towards strengthening its activities in partnership with the Department of Transport, RTMC, RTIA and all other relevant public institutions that advocate for road safety in South Africa.

This article was written by Lebohang Tsotetsi, SAIA Insurance Risks Manager. For more information, contact: Lebohang@saia.co.za

3 Transformation

3.1 SAIA Requests Product Information from Contributing Members

It is not uncommon for SAIA Consumer Education beneficiaries to request for product information at consumer education events. The challenge has been that SAIA does not have member product information, which results in lost opportunity for the industry as well as consumers.

One example is that of a Small, Micro and Medium Enterprises SMME in the agro-processing industry, who wanted to know which insurers provide adequate cover for her trade.

To streamline the process, SAIA has sent out a request to members that contribute to the SAIA Consumer Education Fund, to provide high level product information, contact details and sectors that the insurer has products for.

Beneficiaries of these consumer education interventions are both private individuals and SMMEs. Often, these beneficiaries are referred to the SAIA members page on the SAIA website for more information and contact details. However, SAIA sees the above as an opportunity for members that are contributors to the SAIA Consumer Education Fund to make use of the branding guidelines provided by the Financial Sector Code Guidance Note – GN500 – to be more visible to current and potential consumers.

The GN500 branding guidelines stipulate that educational material could have promotional content limited to the following restrictions:

(a) Booklets: The logo and the pay-off line on the cover for branding and limited to a maximum of 10% of the education material.
(b) Posters and other aids not in booklet format: The logo and pay-off line in the footer limited to 5% of the area of the material.
(c) Radio/Television: Less than 5% of airtime.

Beneficiaries will be at liberty to choose from a list of insurers provided. To adhere to the GN500 guidelines, member data will be divided into data for private individuals and for SMMEs use, depending on what products a member offers.

This article was written by Zanele Gigaba, SAIA Manager: Transformation. For more information, contact: Zanele@saia.co.za

3.2 Update on the Industry Procurement Data Collation Exercise - 2021

SAIA would like to recognise all industry colleagues that participated in the SAIA procurement data collation exercise of 2021. The exercise, which ran from 15 November 2021 to 21 February 2022, focussed mainly on procurement data for selected Personal Lines classes of business and broker commission.

The purpose of the exercise was to measure industry progress with respect to transformation in the procurement element. For the first time, also, SAIA used an internally developed tool to collect the data, moving away from the use of spreadsheets which resulted in compromised data integrity.

Out of the 26 members that were eligible to participate, in terms of product line, 22 participated and 17 made the final submission deadline. This number accounts for close to 70% of the industry market share.

Some of the challenges encountered during the process were:

- Delays caused by December holidays, as colleagues were on leave; and
- Differing interpretations of the data required.

The final industry report will be presented to SAIA members in due course. Please be on the lookout for an invitation from the Transformation team or contact Mrs. Tessa McQuire – tessa@saia.co.za for more information.

This article was written by Zanele Gigaba, SAIA Manager: Transformation. For more information, contact: Zanele@saia.co.za

4 Governance

4.1 Practice Note on Conducting Insurance Business Outside South Africa

The various engagements with the Prudential Authority (PA) yielded positive results in that the PA published a Practice Note to clarify the application process in terms of section 5(5) of the Insurance Act for insurers to conduct insurance business outside South Africa.

The Note also confirmed the process of adding foreign jurisdiction to an insurer's license conditions with the license to conduct insurance business in terms of Schedule 2 of the Insurance Act, moreover, provide prior approval for Section 5(5). Members are encouraged to read a circular SG2022-023 published by SAIA on 23 February 2022.

This article was written by Ntsoaki Ngwenya, SAIA Legal Specialist. For more information, contact: Ntsoaki@saia.co.za

4.2 Demarcation Exemption Renewal Framework

The Demarcation Regulations provide that certain insurance policies have elements of the business of a medical scheme and are classified as "health policies" and/or "accident and health policies" whilst excluding primary healthcare products and hospital indemnity products.

Demarcation Regulations became effective on 1 April 2017. As a result, any provider of primary healthcare products and hospital indemnity products is deemed to be conducting the business of a medical scheme, as defined in section 1 of the Medical Schemes Act (131 of 1998) (MSA).

Providers of the above-mentioned products were required to obtain an exemption to continue providing these products from the Council of Medical Schemes (CMS) for a certain period. This exemption has, however, been extended. As a result, the providers of indemnity products that conduct the business of a medical scheme, and who were granted exemption during 2019 are required to submit renewal applications.

The CMS has approved the extension of the current exemption period by another year. The extension will be valid for a further two years, from 1 April 2022 to 31 March 2024. Members are encouraged to read a circular SG2022-005 published by SAIA on 31 January 2022.

This article was written by Ntsoaki Ngwenya, SAIA Legal Specialist. For more information, contact: Ntsoaki@saia.co.za

4.3 Financial Sector and Deposit Insurance Levies (Administration)

The National Treasury has revised the Bill published as the Financial Sector Levies Bill in February 2021, taking account of comments received in the process. The Financial Sector Laws Amendment Bill provides for the establishment of the Deposit Insurance Fund ("the Fund") and the Corporation for Deposit Insurance ("the Corporation") to administer the Fund.

Financing for the Fund (in addition to other mechanisms) will be provided by its members through the imposition of a deposit insurance premium in terms of the Draft Financial Sector

and Deposit Insurance Levies (Administration) and Deposit Insurance Premiums Bill, 2022.

SAIA published circular SG2022 - 008 on 01 February 2022 and subsequently held a workshop to allow SAIA members to compile the additional comments. The concerns centred around the high costs involved. Comments were submitted by SAIA to National Treasury timeously.

This article was written by Ntsoaki Ngwenya, SAIA Legal Specialist. For more information, contact: Ntsoaki@saia.co.za

4.4 The Draft Joint Standard: Cyber Security and Cyber Resilience Requirements

On 15 December 2021, the Authorities issued Joint Communication 6 of 2021 – Draft Joint Standard: Cyber Security and Cyber Resilience Requirements for public consultation.

The draft Joint Standard sets out the minimum standards for sound practices and processes of cybersecurity and cyber resilience for categories of specified financial institutions. The draft Joint Standard seeks to ensure that these financial institutions implement processes and have tools and technology which will prepare them for cyber-attacks as well as respond to and recover from such attacks.

SAIA held a workshop for members with an intention to collate comments. The workshop was a success, with significant input from the industry. The industry comment submission included:

- the requested inter alia transitional period of 12 months
- the inclusion of 3rd party service providers as participants for compliance and clarity on some sections with regards to the intentions of the regulator
- misalignment of reporting obligation
- conflicts of laws as well as the consideration on cost implications.

SAIA submitted comments to National Treasury timeously.

This article was written by Ntsoaki Ngwenya, SAIA Legal Specialist. For more information, contact: Ntsoaki@saia.co.za

4.5 Authorities jointly issue Extension of Joint Standards

The Financial Sector Conduct Authority (FSCA) and the Prudential Authority (PA) has issued a joint statement of extension under section 279(1) of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017), effectively extending the periods referred to in paragraphs 4.2(3) and 5(3)(b) of the Joint Standard 2 of 2020 as set out in the Schedule.

Extension

1) Section 279(1) of the Act empowers the Authorities to, for a valid reason, extend any period for compliance with, or a period prescribed by, a provision of a financial sector law.
2) The definition of financial sector law in the Act includes a regulatory instrument made in terms of the Act or made in terms of a law referred to in Schedule 1 of the Act.
3) The Joint Standard is a regulatory instrument made in terms of the Act, and paragraphs 4.2(3) and 5(3)(b) of Joint Standard 2 of 2020 are, therefore, provisions of a financial sector law.

4) The periods prescribed in paragraphs 4.2(3) and 5(3)(b) of the Joint Standard are accordingly, for the reason set out in paragraph 3 of this Joint Notice, extended for a period of 12 months as follows: (a) the period of 1 September 2022 to 31 August 2023 prescribed in paragraph 4.2(3) is extended to 1 September 2023 to 31 August 2024;
    a) the period of March, April and May 2022 prescribed by paragraphs 4.2(3) is extended to March, April and May of 2023, and
    b) the period of 16 February 2022, prescribed in paragraph 5(3)(b) read with Joint Notice 1 of 2021, is extended to 16 February 2023.

Reason for extension

1) The Authorities have been approached by providers and other market participants requesting more time to finalise and operationalise certain requirements related to the implementation of the Joint Standard.
2) In the interest of continued financial stability, and to allow further time for providers to comply with the Joint Standard, the Authorities have jointly agreed to extend the periods referred to in paragraph 4.2(3) in relation to the exchange of initial margin by another 12 months. Similarly, and to ensure coherence in the implementation of the Joint Standard, it was agreed to extend the 6-month period prescribed in paragraph 5(3)(b) of the Joint Standard in relation to the exchange of variation margin by another 12 months.
3) The Authorities are therefore satisfied that a valid reason exists for granting an extension of the periods prescribed in paragraphs 4.2(3) and 5(3)(b) of the Joint Standard in terms of section 279(1) of the Act.

The Authorities said that they had been approached by providers and other market participants requesting more time to finalise and operationalise certain requirements related to the implementation of the Joint Standard. In the interest of continued financial stability, the Authorities said it had to allow further time for providers to comply with the Joint Standard, hence the joint agreement to extend the periods referred to in paragraph 4.2(3) in relation to the exchange of initial margin by another 12 months.

Similarly, the extension was to ensure coherence in the implementation of the Joint Standard, and it was agreed to extend the 6-month period prescribed in paragraph 5(3)(b) of the Joint Standard in relation to the exchange of variation margin by another 12 months.

The Authorities stated that they are therefore satisfied that a valid reason exists for granting an extension of the periods prescribed in paragraphs 4.2(3) and 5(3)(b) of the Joint Standard in terms of section 279(1) of the Act.

This article was written by Ntsoaki Ngwenya, SAIA Legal Specialist. For more information, contact: Ntsoaki@saia.co.za

4.6 Standard for Capital Requirements for Financial Conglomerates

The Prudential Authority (PA) published the Prudential Standard: FC01 – Capital Requirements for Financial Conglomerates at the beginning of February 2022. The PA stated that the Draft Capital Standard and Return will be field-tested with designated financial conglomerates and volunteers with effect from 1 February 2022.

The regulator has said that volunteers will consist of companies that are not designated financial conglomerates but wish to participate in the field testing and will use the field testing as an opportunity to gather information on the impact of the Draft Capital standard on financial conglomerates, and such will be used to amend or refine the Draft Capital Standard.

The information from the field testing will also be used to formulate the “statement of need for intended operation and expected impact” that will be published when the Draft Capital Standard is released for consultation.

The Return must be completed for the reporting periods:

- December 2021 – Submission due: End of May 2022; and
- June 2022 – Submission due: End of November 2022.

Submission dates remain provisional and may be subject to change. The submission dates will be communicated to the holding companies of financial conglomerates and volunteers during the latter half of 2022.

This article was written by Ntsoaki Ngwenya, SAIA Legal Specialist. For more information, contact: Ntsoaki@saia.co.za

5 Operations

5.1 Intermediaries Guarantee Facility Limited

A big year lies ahead for Intermediaries Guarantee Facility Limited (IGF). It is a year that will see the last of the Section 45, Regulation 4 guarantees, under the old Short Term Insurance Act (STIA), that were active and cancelled on 31 March 2019, prescribing on 31 March 2022 – three years later - in line with the statutory wording on the face of the guarantees.

The above means that post 31 March 2022, IGF will begin with the process of finalising the return of all collateral security and preparing the entity for a voluntary liquidation process that, it is believed, could take up to six months or more to complete.

It is the end of an era so to speak. IGF, in effect a special purpose vehicle, set up between the industry and the Regulator to issue S45, Reg 4, guarantees to address the many claims that were experienced at the time where intermediaries, more the smaller ones in size, failed to pay over the premiums due to insurers for whatever reason. Insurers would have been at risk according to the law, and out of pocket for not having received the premiums for the risk.

Overall, IGF assisted in raising the level of strength of intermediary balance sheets over time and claims therefore became much fewer and far between. It did become evident that the maximum guarantee amounts were not aligned with industry developments, and one wonders if it would not have been wise to call it a day at that point.

Unfortunately, the last few years, just before the cessation of operations of IGF on 31 March 2019, were marred by the Insure Group Managers Limited (IGM) challenges at great cost to the industry.

At this point one can only ask – what was the lesson learnt?

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

6 Industry News

6.1 SAIA and FPASA Fire and Localised Flooding Risk Management Initiatives

SAIA and the Fire Protection Association of Southern Africa (FPASA) in 2020/21 embarked on an ambitious journey looking at fire and localised flooding risk management initiatives, which included assessing all Fire Services in South Africa.

With regards to the assessing of Fire Services specifically, the intention of this is to classify Fire Services based on four key factors or indicators:

1. Vehicle availability and Maintenance,
2. Attendance times,
3. Sources of water; hydrant functionality, spacing and flows; and fire flows,
4. Bylaws, Systems, and Fire Safety Functions.

The above is a high-level overview of the aspects being investigated. This classification is grounded on the most important aspects discussed in SANS 10090: 2018 which is the national code for Community Protection Against Fire.

Based on the performance of a Fire Service measured against the designated criteria, the Fire Service will be classified as either a Category 1 (best case), 2, 3, 4, or 5 (worst case). This code was selected for use in the classification of the Fire Services since it is the only guidance document in South Africa of its nature for a Fire Service classification, but more importantly, it was designed specifically for the Fire Services to enable optimal performance, and to enable a benchmark against which the Fire Services could standardise performance nationally. Though this code exists, it is considered a voluntary code, therefore, compliance is not guaranteed.

In an ideal world, this code (SANS 10090) would be made mandatory for the Fire Services. Discussions are underway with the Presidential Management Office (PMO), through the Public Private Growth Initiative reporting into the PMO for the benchmarking of all Fire Services by making the code mandatory. The Presidential Advisory Committee, national, and provincial disaster management teams are also in the process of looking for better alignment with the Fire Brigade Services Act, 1987, which is to provide for the establishment, maintenance, employment, coordination, and standardisation of fire brigade services, and the Fire Services White Paper.

The Importance of SANS 10090

SANS 10090 is a critical document as it levels the playing field for the Fire Services. This code enables standardisation so that all Fire Services have a metric against which to be evaluated. Without a standardised format, it is not possible to compare the same risk category of fire service (e.g., a highly industrial municipal Fire Service etc.) to the same category in another geographical location in South Africa. Thus, standardisation is critical. An equivalent example for standardisation would be matriculants who sit for the national matriculation exams. The same principle applicable in determining the best performing students, schools, municipalities, and provinces may be extended to the Fire Services using a standardised code for assessment.

The Non-life Insurance Industry Work

The non-life insurance industry created a Fire Services Application (App) in collaboration with the Western Cape Provincial Disaster Management Centre and launched it in November 2020. The basis upon which the App is applied or assessments, entails auditing the National Fire Services using the code SANS 10090: 2018 as a basis. The preliminary audit is executed either in person, or virtually. Ideally, at least one physical audit should be conducted for verification purposes. However, with the advent of Covid-19, this was not possible in the past.

Thus, data collection and visits were virtual. This will change in 2022 and in the years to come as there should ideally be a combination of the two for optimal data collection. Thus far, thirty-eight (38) Fire Services have been assessed. The majority of the assessed Fire Services were classed as a Category 5; however, it is believed that with improved and more strategic public-private partnerships we will be able to improve this going forward. The caveat here is that targeted action and focus is to be applied to the Municipal Fire Services to ensure an improvement in rankings from Category 5 to Category 1's.

This article was written by Renay Sewpersad, FPASA Executive Director. For more information, contact: Renay@fpasa.co.za

7 SAIA Circulars – February 2022

MD Circulars - February 2022		
MD-2022-001	SAIA and Industry Funding Assistance to Government for the XTND Portal to Assist Uninsured Businesses Impacted by the July 2021 Riots and Looting	02.02.22
MD-2022-002	Reminder: SAIA Industry Procurement Data Collation Exercise Deadline	09.02.22
MD-2022-003	INSETA CEO Webinar Drone Technology	14.02.22
SG Circulars - February 2022		
SG-2022-007	Regulation Relating to the Banks Act 94 of 1990 Supervisory Framework for Measuring and Controlling Large Exposures; and Total Loss-Absorbing Capacity Holding Standard	01.02.22
SG-2022-008	Financial Sector Conduct Authority (FSCA) Notice of Intention to Table Bill: Financial Sector and Deposit Insurance Levies (Administration)	01.02.22
SG-2022-009	Financial Sector Conduct Authority (FSCA) FSCA INS Notices 1 and 2 OF 2022 and FSCA Communication 1 OF 2022 (INS)	02.02.22
SG-2022-010	Prudential Authority (PA) Prudential Communication 3 of 2022 Draft Standard FC01	04.02.22
SG-2022-011	Request for Contributing Members to Provide Product and Contact Information for the SAIA Consumer Education Fund Initiative	04.02.22
SG-2022-012	SAIA_INSETA_IISA Retiree Repurpose Programme - Update	08.02.22
SG-2021-013	Vehicle Damage Quantification (VDQ) Annual Chairman's Report - November 2021	09.02.22
SG-2022-014	Prudential Authority (PA) Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) and Insurance Act, 2017 (Act no. 18 of 2017)	09.02.22
SG-2022-015	Invitation to INSETA Small Business Management Programme	10.02.22
SG-2022-016	Reportable Arrangements	14.02.22
SG-2022-017	Financial Sector Conduct Authority (FSCA) and The Prudential Authority (PA) – "Jointly the Authorities" Notice of Intention of Periods Referred to in Paragraph 4.2(3) and 5(3)(b) of Joint Standard 2 of 2020 – Margin Requirements for Non-Centrally Cleared Over the Counter Derivative Transactions	16.02.22
SG-2022-018	SAIA Climate Change Webinar: Update	16.02.22
SS-2022-019	Prudential Authority (PA) Conduct Insurance Business in Foreign Jurisdiction	17.02.22
SG-2022-020	Financial Sector Conduct Authority (FSCA) Amendment of FSCA INS Notice 4 of 2020 and Notice 5 of 2020	17.02.22
SG-2022-021	IFRS 17 and Related Taxation Matters	22.02.22
SG-2022-022	VAT Binding General Ruling Update (BGR14)	24.02.22

IMPORTANT NOTICE
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