



SAIA

SOUTH AFRICAN INSURANCE ASSOCIATION

BULLETIN

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

April 2022

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1 From the Desk of the CEO

Following the floods disaster that took place in the coastal province of KwaZulu-Natal during the Easter weekend, most residential houses or properties impacted are yet to be restored as insurers continue to work meticulously to ensure that policyholders get the attention they deserve during this challenging period. Through-out the month of April, Loss Adjustors continued to scour through the debris in a bid to fully ascertain the extent of the damage and quantify it, while relief work continued to filter to those in need.

In the last two weeks, social media has been awash with pictures and videos showing houses and buildings sinking into the ground. While some videos showed some minimal level of ground-creep, others showed clear, graphic movement of the ground on which properties were built, and the instant collapse of buildings into the underground, taking with it all the valuables of property owners. SAIA member companies continue to render convenient claims processes and platforms, as well as relief aid to the affected. We would also like to pass our sincere condolences to the families of those that lost loved ones during this time.

Compounding these challenges has been the immediate loss of power generation by Eskom in the last few weeks. Load shedding costs our economy dearly and causes great frustration among all South Africans, while also creating hardship for households and businesses. South Africa has been experiencing hard power shortages for the past decade, literally being a measure that the national power generator has continued to foist upon the populace and business fraternity. In his April monthly bulletin, South African president Mr. Cyril Ramaphosa alluded to several issues that include policy missteps, and the impact of state capture over many years. The insurance industry remains concerned of these power generation and distribution instabilities, while also hoping that this does not degenerate into a national power grid failure.

We are pleased to announce that we are now in the final stages of seeing our SAIA/INSETA/IISA Retiree Repurpose Programme come to life. SAIA has been allocated five (5) retirees and fifteen (15) junior managers positions for the pilot. In the month of April SAIA held extensive interviews with the nominated candidates and has finalised the list of retirees.

Let me also thank all SAIA members who participated in the industry procurement data exercise. The exercise took a while to complete, but it gives us a better view of what has been transpiring in terms of procurement spend as an industry. With such informative data in its hands, the non-life insurance industry can only strive to be better informed about those areas that need more attention and celebrate those areas where we do well.

Viviene Pearson
Chief Executive Officer

2 Insurance Risks

2.1 ASISA/SAIA Computer Security Incident Response Team (CSIRT) - Cyber Security Status Report Q1 2022

The ASISA/SAIA Computer Security Incident Response Team (CSIRT) has reported that there has been a surge in cyber-attacks in South Africa, ranging from email scams to mobile malware and phishing. Malware incidents in the investment, life and non-life insurance industry increased during the last quarter of 2021 into the first quarter of 2022. This resulted in an industry threat level increase, from green to cyber-yellow.

Despite there being no identified specific threats against ASISA and SAIA members based on the information shared of incidents, including serious risk of Log4j (record of bad web link record events, errors, and routine system operations), as well as some ransomware instances which may have a direct impact on ASISA and SAIA members, the ASISA/SAIA CSIRT agreed to increase the Threat Status to Cyber-Yellow. This decision is in line with what is being advised by the Financial Services Information Sharing and Analysis Centre (FS-ISAC).

For further information kindly see below the ASISA/SAIA CSIRT – Cyber Security Status Report for Quarter 1/2022:

<https://www.dropbox.com/s/9n1gw1ymnjou6dg/ASISA-SAIA%20CSIRT%20-%20Cyber%20Status%20report%20Q1%202022.pdf?dl=0>.

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

2.2 SAIA Insurance Data System (IDS) Version 3 (V3) Go-Live

The Insurance Data System (IDS), a platform developed to assist the non-life insurance industry to manage fraud and underwriting risks, had its upgrade completed during the first week of April 2022.

The IDS contains a central database that hosts information that allows for effective decisions, insofar as the management of claims and avoidance of undue underwriting risks.

The database which is split between claims and underwriting information contains vehicle, driver license and vehicle titleholder information. SAIA initiated the development of the IDS V3 in 2019, the Data Acquisition part of the project was completed in December 2021 and the testing of the Product Fulfilment was finalised on Sunday 3 April 2022, leading to the system going live on Monday 4 April 2022.

The following are high level IDS, V3 Scope of Changes:

The scope of changes for Version 3 necessitates a complete re-write of the IDS process to achieve 3 main objectives:

1. Incorporation of additional fields to the layout that will better inform users' risk models and to supplement insurance underwriting processes;
2. Enhancing the existing process to enable automation at every step in the acquisition process as well as to enable the automated control of access-based submission/non-submission of claims and policy information; and
3. Enhanced validation and reporting that will allow SAIA to better monitor the following:
 - Non-Submissions;
 - Data Quality;
 - Completeness of information submitted by suppliers; and
 - Timeliness of submissions.

SAIA would like to thank TransUnion on the successful completion of the project and welcomes SAIA members to participate in the IDS.

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

2.3 Skills Development Update

In 2021, the Skills Development Working Group along with the SAIA Board approved the SAIA/INSETA/IISA Retiree Repurpose Programme to be piloted in 2022. The purpose of the programme is to facilitate the transfer of skills and knowledge of experts who have been active within the non-life insurance industry who will retire soon or have already retired within the past one (1) to three (3) years. The pilot has attracted enthusiasm and support from the industry. The number of nominations received along with the passion shown for the non-life insurance industry has demonstrated the strong base of skilled professionals who desire to invest in the sustainability and transformation of the industry.

SAIA has been allocated five (5) retirees and fifteen (15) junior managers positions for the pilot. In the month of April SAIA held extensive interviews with the nominated candidates and has finalised the list of retirees. SAIA is now in the process of finalising the three (3) candidates to be allocated to the selected retirees for the following lines of business:

- Engineering
- Liabilities
- Loss adjustor
- Marine
- General insurance

SAIA would like to thank all the companies that nominated candidates for the programme and encourage those who could not participate in this pilot to continue to engage with SAIA regarding other Skills Development Working Group projects.

The SAIA Skills Development Working Group is working on the following projects that would benefit both retirees and current members of the industry:

- Skills Development Apprenticeship programme with formal insurance qualifications.
- Seasoned professionals to act as guest lecturers at Technical Vocational Education and Training (TVET) Colleges.
- Seasoned professionals to serve as a Community of Experts (CEPs) in reviewing of Occupational Qualifications and Learning Materials.
- Seasoned professionals to serve as CEPs in curriculum development for new qualifications.

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

3 Transformation

3.1 Industry Procurement Exercise Results

SAIA would like to thank members who participated in the industry procurement data exercise. The results are out and are being presented at various SAIA committees.

SAIA invited members that sell Personal Lines insurance to complete five surveys, these being:

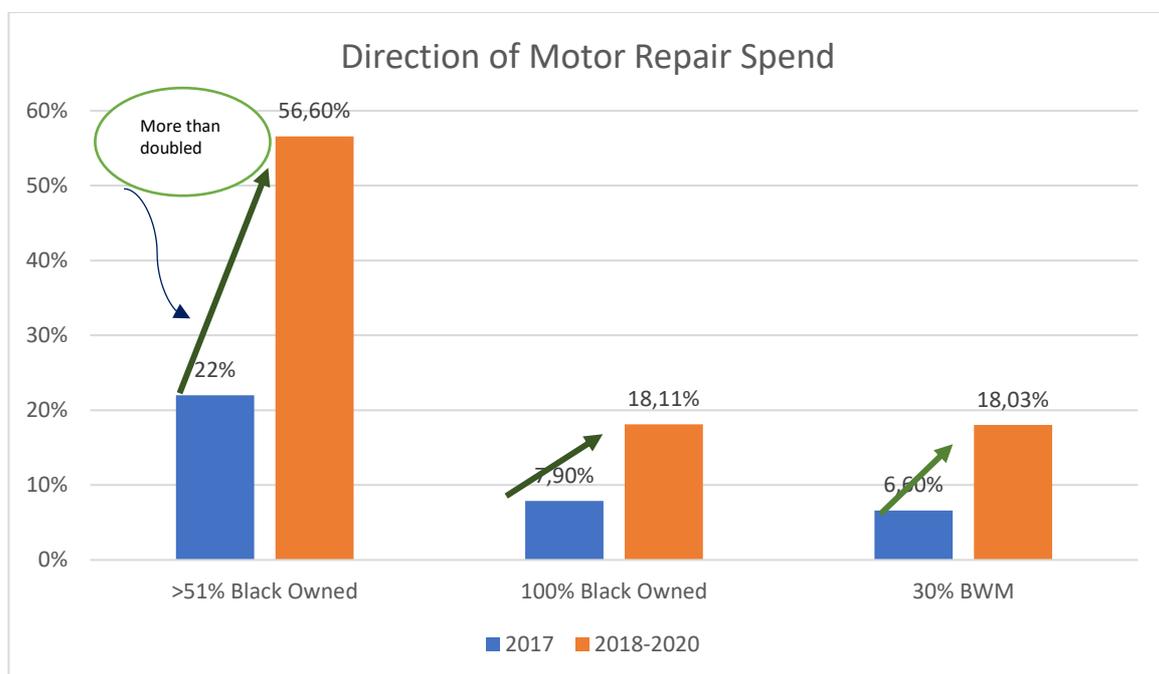
- Total Procurement
- Broker Commission
- Personal Lines Motor
- Personal Lines Building
- Personal Lines Plumbing

The purpose of the surveys was to track progress in the direction of spend, specifically to black-owned and small enterprises, for certain commodity types. The results show that about 75% of industry procurement relates to core procurement. The average broker commission paid between 2018 and 2020 relates to Personal Lines (53%) and Commercial Lines (43%).

3.1.1 Motor Procurement Summary

The gathered data showed that during 2020, the industry increased Personal Lines Motor repair spend by about R900 million, compared with the previous years. Spend directed to Emerging Micro Enterprises (EMEs) increased from 17% in 2017 to an average of 19% between 2018 and 2020, against a target of 12%. Spend directed to QSE's decreased marginally from 41% in 2017 to 39.7% in 2018 – 2020, against a target of 18%.

Only 26% of the spend was directed to Generic enterprises, while about 15% could not be classified. Motor spend directed to 51% or more black-owned enterprises increased from 22% in 2017 to an average of 56.6% between 2018 and 2020. Direction of spend to 100% black owned Motor Body Repairers (MBRs) more than doubled from 7.9% in 2017 to 18.11% in the 2018 – 2020 reporting period, while direction of spend to enterprises that are 30% or more black woman-owned, tripled from 6.6% to 18%.

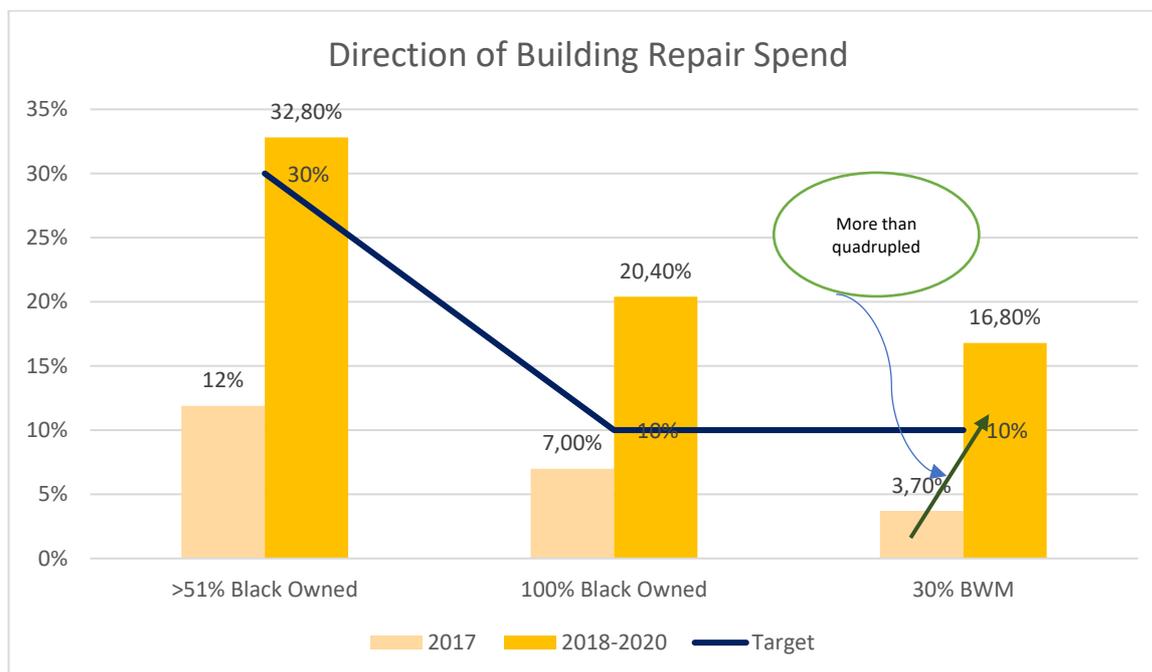


3.1.2 Personal Lines Building Direction of Spend

Homeowners' repairs spend, excluding plumbing, increased by about R430 million from 2019 to 2020. About 38% of these claims were settled cash in lieu, while over 50% were repairs. Direction of spend towards EMEs reduced by 10% from 2017 to the current reporting period, from 46% to 36.65%, which is still well above the target of 12%, while direction of spend to QSE improved from 15.2% in 2017 to 19.5% in the current reporting period, against a target of 18%.

In the 2017 reporting period, the industry did not meet the target of 30% direction of spend towards 51% or more black-owned enterprises, in terms of building spend. The spend amount to about 12% and 7% towards 100% black-owned enterprises. In the current reporting period, the industry has improved direction of spend to 51% or more black-owned enterprises to 32.7% with the bulk of this spend going to 100% black-owned enterprises at 20.5%. Spend towards 30% or more black woman-owned

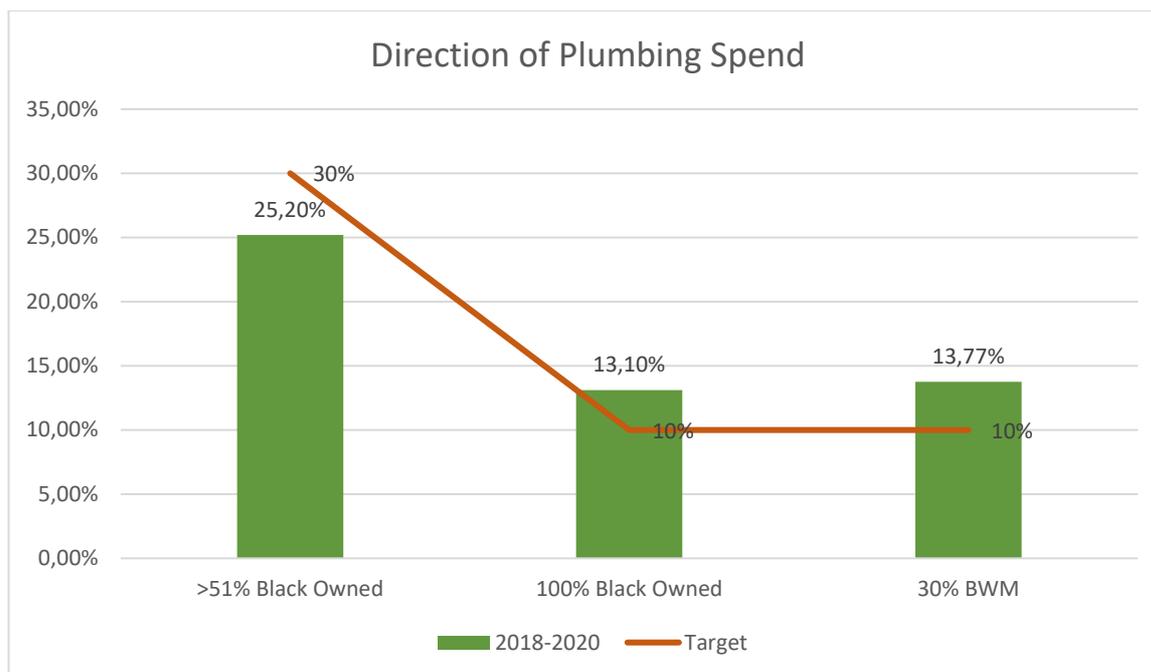
enterprises also grew from about 4% in 2017 to 16.8% in the current reporting period.



3.1.3 Personal Lines Plumbing Direction of Spend

Data showed that the industry has some way to go to meet minimum procurement targets when it comes to plumbing spend. Although the industry exceeded its target of 12% towards EMEs at 35% spend for the current reporting period, this has reduced from 42.6% in 2017. Spend towards QSE has remained the same at 11%, which is below the target of 18%. Spend towards Generic companies is at 44% for the current reporting period.

Fifty-two percent of plumbing spend was directed to white-owned enterprises, versus 25.2% towards 51% or more black-owned plumbing companies. This spend is below the target of 30%. Direction of spend towards 100% black-owned and black woman - owned plumbing companies is at 13% and 13.8% respectively, for the current reporting period.



The industry has an opportunity to grow black-owned plumbing enterprises and to look into how pass-through principles are applied in terms of plumbing and motor repair spend. Over 40% of plumbing spend comes from the Western Cape Province, versus over 40% of building and motor spend coming from Gauteng.

The industry has done well in focussing on direction of spend towards 100% black - owned and 30% black woman-owned enterprises across the three commodities. Depending on the definition of core procurement and what's included and excluded from it, the industry should succeed in meeting the proposed 10% target for 100% Black owned enterprises.

The final report will be made available during the second week of June 2022. Please contact Ms. Zanele Gigaba – zanele@saia.co.za to receive a copy.

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

3.2 Results from the FinScope SA Consumer Survey of 2021

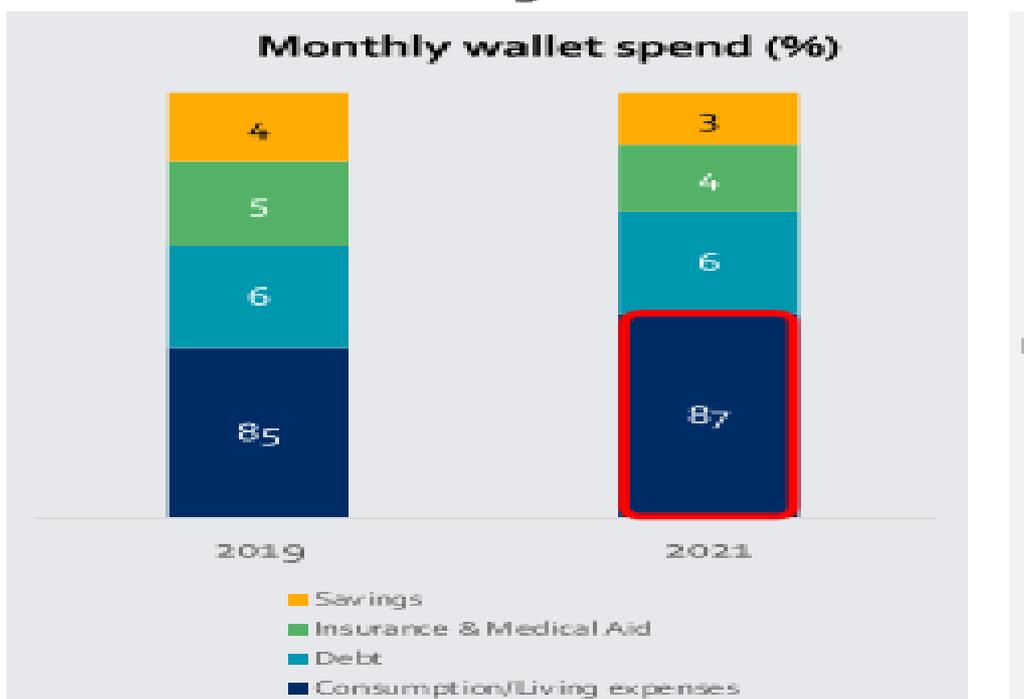
South African consumers and small businesses alike have experienced various economic shocks over the past two years, due to the Covid-19 pandemic, the 2021 unrests in KwaZulu-Natal and parts of Gauteng and the most recent devastating floods in KwaZulu-Natal and parts of Eastern Cape. These shocks resulted in consumers losing their jobs and small businesses losing revenue and/or assets.

Non-life insurance is an important tool which consumers and businesses can use to reduce the impact of shocks on their livelihoods. The FinScope SA survey, conducted by FinMark Trust, seeks to establish levels of financial inclusion in the South

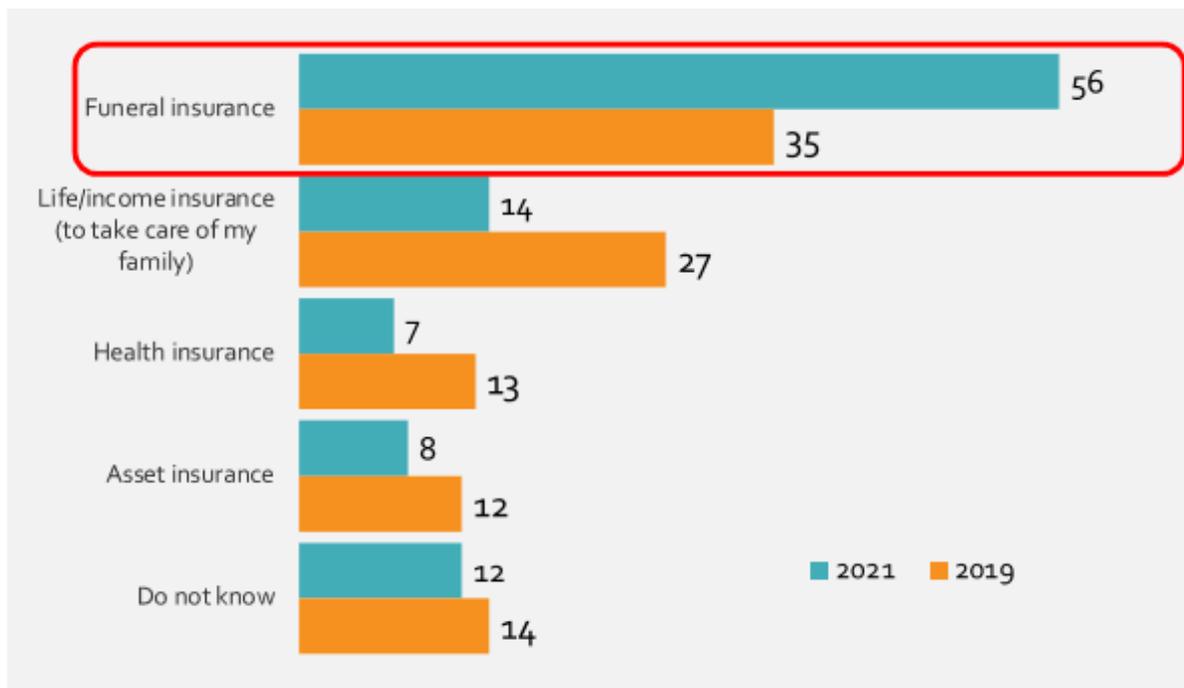
African adult population and perceptions consumers have about the Financial Sector.

Results from the 2021 FinScope SA consumer survey show that consumer budgets are under pressure, resulting in most of the disposable income being directed towards living expenses, while budget for costs such as insurance and medical aid have shrunk marginally.

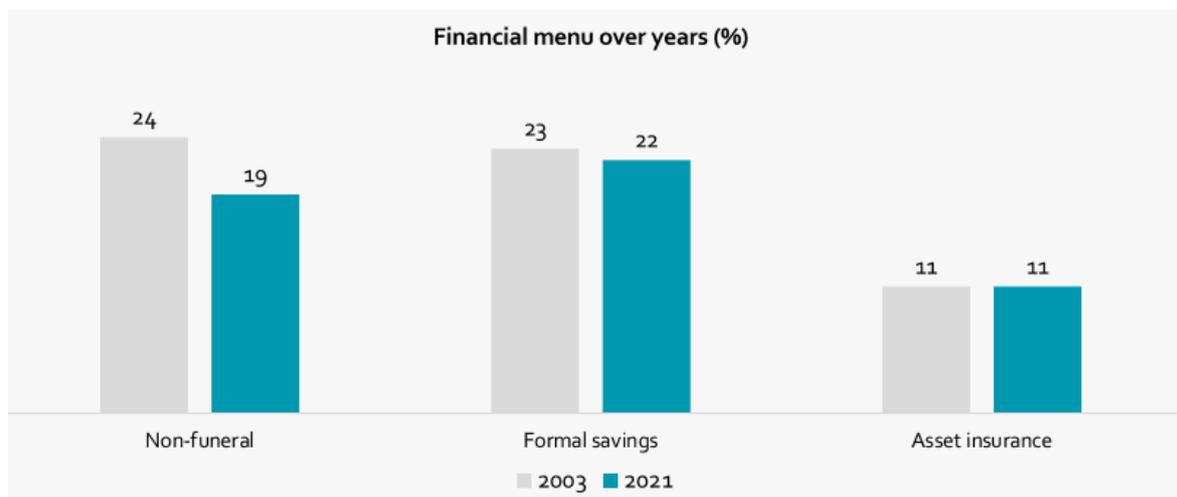
More allocation to living expenses, less spent building assets



All-in-all, uptake of insurance products has decreased by 4% in 2021, compared to 2019, the bulk of this reduction being driven by a drop in funeral cover uptake. Uptake in asset insurance reduced by 4% between 2019 and 2021, from 12% to 8%.



Over the last 20 years, South Africa has had a good story to tell regarding Financial Inclusion at large. More and more South Africans have access to banking facilities and formal credit, and the financially excluded adults have been reduced from 34% in 2003 to 6% in 2021. However, when one looks at asset insurance, there has been no growth since 2003 with an overall penetration rate of 11% over the 20 years.



Attached herewith, please find the full report as compiled by FinMark Trust: [FinScope Survey](#).

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

4 SAIA Circulars – April 2022

MD Circulars – April 2022		
MD-2022-005	South African Insurance Association (SAIA) Annual General Meeting (AGM)	05.04.22
SG Circulars – April 2022		
SG-2022-036	National Treasury – Media Statement Demarcation Regulations: 2022 Escalation of Policy Benefits	01.04.22
SG-2022-037	B-BBBEE Workshop Invitation	11.04.22
SG-2022-038	Invitation: International Deals and Risk of Goods Webinar	14.04.22
SG-2022-039	Kwazulu-Natal Flood Claims	14.04.22
SG-2022-040	IFRS 17 and Related Taxation Matters	14.04.22
SG-2022-041	Financial Sector Conduct Authority (FSCA) Warning Against Fraudulent E-mail Purporting to come from FSCA	14.04.22
SG-2022-042	Invitation to submit written Comments to the Parliamentary Finance Standing Committee: Financial Sector and Deposit Insurance Levies Bill (Administration) and Deposit Insurance Premiums Bill	19.04.22
SG-2022-043	Invitation: Financial Sector Consultative Forum on the Presidential Climate Commission's Just Transition Framework	20.04.22
SG-2022-044	The South African Revenue Service (SARS) Notice to Employer - Changes to the PAYE Admin Penalties and Dispute Process	21.04.22
SG-2022-045	Invitation to the SAIA Industry Procurement Data Results Workshop	22.04.22

IMPORTANT NOTICE

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