



**SAIA**

SOUTH AFRICAN INSURANCE ASSOCIATION

---

# BULLETIN

---

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

June 2022

---

# CONTENTS

---

<b>1</b>	<b>From the Desk of the CEO</b> .....	<b>3</b>
<b>2</b>	<b>Insurance Risks</b> .....	<b>4</b>
2.1	Financial Intelligence Centre (FIC) Risk Assessment Conducted on the Non-life Insurance Sector .....	4
2.2	Cyber Insurance and Ransomware Update .....	4
<b>3</b>	<b>Governance</b> .....	<b>5</b>
3.1	Conduct of Financial Institutions Bill (COFI Bill).....	5
3.2	Draft Financial Sector and Deposit Insurance Levies Bill.....	5
3.3	Draft Conduct Standard – Requirements relating to third-party cell captive insurance business.....	6
<b>4</b>	<b>Transformation</b> .....	<b>6</b>
4.1	SAIA Consumer Education Strategy.....	6
4.2	Financial Sector Transformation Council – 2018/19 and 2019/20 Amalgamated Annual Report .....	7
4.3	FSCA Transformation Strategy.....	8
<b>5</b>	<b>Industry News</b> .....	<b>9</b>
5.1	Fire Projects Update.....	9
<b>6</b>	<b>SAIA Circulars – June 2022</b> .....	<b>11</b>

# 1 From the Desk of the CEO

South Africa has unfortunately continued to experience load-shedding, with the whole country plunging into the worst power cuts since 2019 in the last week of June. The stage 6 rolling blackouts in the last week have negatively impacted the business fraternity and domestic consumers alike. In my May communique, I spoke about the risk of a total grid failure and how this could impact the business fraternity. I had not envisaged that the whole country would be thrust into stage 6 only a few weeks later, making a stage 7 and 8 potentially even more possible.

The state-owned power utility, Eskom, faced additional challenges to keep the lights on following the heightened levels of industrial action around wage negotiations which collapsed. The risks we still face as a country include a total grid failure, which will have a devastating impact on the economy at large, including the non-life insurance industry. As an industry, we continue to urge and encourage the business fraternity to explore alternative energy sources to continue to power their businesses. Business sustainability and continuity are of paramount importance to insurers as these have a ripple or domino effect on insurers' viability and sustainability.

This brings me to yet another contentious issue, the inadequate risk management processes employed by some state-owned companies and municipalities on infrastructure maintenance (property risks). Over the last decade, South Africans have continued to experience service delivery lapses of varying proportions severely impacting the operations and sustainability of a lot of businesses in their jurisdictions.

A few months ago, we witnessed the dairy processor, Clover, packing up in Lichtenburg's Ditsobotla municipality in the North-West and moving to KwaZulu-Natal (KZN) in a bid to dodge potholed roads, power interruptions unrelated to Eskom's woes and haphazard water supply challenges. In many municipalities, this is further exacerbated by a lack of fire engines and working fire hydrants, something that further increases the risk of a possible total loss of infrastructure or property in case it catches fire.

All these and more continue to be some of the risks that the South African Insurance Association (SAIA), and its member insurers are grappling with through innovative risk management and mitigating initiatives that aim to bring all relevant stakeholders to the table. In the last year, SAIA has partnered with the Fire Protection Association of SA (FPASA) to conduct risk assessments and potential management exercises regarding infrastructure, and the capabilities of the municipalities around SA to effectively respond to potential risks such as fires.

On a more positive note, SAIA welcomes the decision of the Financial Intelligence Centre (FIC) not to include the non-life insurance industry as Accountable Institutions in terms of the Financial Intelligence Centre Act for now, based on the industry risk assessment that was done by Deloitte on behalf of SAIA, the FIA and SAUMA. This is great news for our industry.

**Viviene Pearson**  
**SAIA Chief Executive**

## 2 Insurance Risks

### 2.1 Financial Intelligence Centre (FIC) Risk Assessment Conducted on the Non-life Insurance Sector

The FIC has furnished SAIA with the letter providing its response on the “Risk Assessment of the Non-Life Insurance Sector to Financial Crime” (the Report), dated 01 December 2021, that was submitted as part of the request by the non-life insurance industry not to be included as Accountable Institutions under Schedule 1 to the Financial Intelligence Centre Act, No. 38 of 2001, as amended (FIC Act).

The Report was compiled by Deloitte on behalf of SAIA, the Financial Intermediaries Association (FIA) and the South African Underwriting Managers Association (SAUMA) and submitted to the FIC for its consideration.

Attached is the response from FIC which includes the following:

1. Based on the findings of the Risk report, the FIC is of the opinion that, at this stage, there is no need to include non-life insurers and intermediaries as accountable institutions under the FIC Act.
2. The FIC will, however, engage with the role-players in the sector to create awareness within the sector of its current obligations, applicable to all businesses, relating to the reporting of suspicious and unusual transactions under section 29 of the FIC Act and complying with financial sanctions requirements in Part 2A of the FIC Act.

***This article was written by Pamela Ramagaga, SAIA General Manager: Insurance Risks. For more information, contact: [Pamela@saia.co.za](mailto:Pamela@saia.co.za).***

### 2.2 Cyber Insurance and Ransomware Update

Cyber risk is regarded by business leaders as one of the major organisational risks. In addition, there is a growing concern about the systemic nature of cyber risk. The frequency and severity of these attacks could lead to substantial unforeseen losses where for instance a single attack could result in a very large number of policyholders seeking to claim at the same time.

Cyber risk insurance remains a tough sell in certain sectors but where insurers are prepared to partner with the broker and the client, solutions can often be found. Often, the questionnaires insurers require to be completed are extremely onerous. Rates and deductibles have been increasing at an astronomical rate and covers are becoming more restrictive, resulting in many insureds not being able to afford the cover or simply not being prepared to renew their covers in the future.

Ransomware and extortion covers are also increasingly under scrutiny, with an increasing number of countries introducing legislation that makes it illegal to pay any

form of ransom. This is not the case for South Africa yet, however, it is required that ransom payments must not be directly linked to financing terrorism.

The non-life insurance industry requires contract certainty as well as a view on the extent of their exposure. A Cyber Ransomware Sub-committee has been formed to give clarity on the management of ransomware cover and loss. Any member writing business in this space is welcome and encouraged to join.

***This article was written by Kabelo Paile, SAIA Technical Manager: Insurance Risks. For more information, contact: [Kabelo@saia.co.za](mailto:Kabelo@saia.co.za).***

## 3 Governance

### 3.1 Conduct of Financial Institutions Bill (COFI Bill)

The first draft of the Conduct of Financial Institutions (COFI) Bill was published during December 2018. The second draft of the COFI Bill was published during September 2020.

The COFI Bill intends to provide for a regulatory framework for the conduct of financial institutions that will:

- protect financial customers, including by promoting the fair treatment and protection of financial customers by financial institutions;
- support fair, transparent and efficient financial markets;
- promote trust and confidence in the financial sector;
- support innovation and the development of and investment in sustainable;
- innovative technologies, processes and practices;
- support sustainable competition in the provision of financial products and financial services;
- promote financial inclusion;
- promote transformation of the financial sector; and
- assist the South African Reserve Bank in maintaining financial stability; and to provide for matters connected therewith.

There was no movement worth noting on this front in the month of June 2022, but we hope there will be movement soon and as soon as there is movement, SAIA will provide an update through this platform.

### 3.2 Draft Financial Sector and Deposit Insurance Levies Bill

The first draft of the Financial Sector and Deposit Insurance Levies (Levies) Bill was published in February 2021, and the second draft of the Levies Bill was published in January 2022.

The Levies Bill intends to provide for the imposition of financial sector levies on supervised entities; to provide for the imposition of a deposit insurance levy; to provide

for exemption from such levies under certain circumstances; to provide for the allocation of amounts levied to financial sector bodies; and to provide for matters connected therewith.

On 08 June 2022, the National Assembly (NA) at its plenary sitting passed the Levies Bill, which will now be sent off to the National Council of Provinces (NCOP) for concurrence. SAIA will provide updates as it progresses through the approval and enactment stages.

### **3.3 Draft Conduct Standard – Requirements relating to third-party cell captive insurance business**

The much-awaited conduct standard: Requirements to third-party cell captive insurance business, together with the Statement of Need and Intended Operation and the Consultation Report were recently tabled at the National Assembly and the National Council of Provinces. This follows the publication of the first and second conduct standard drafts which were published during 2018 and 2020 respectively.

The said conduct standard sets out the requirements applicable to third party cell captive insurance business in terms of Section 106(1)(a) read with Sections 106(2)(b) and 108(1) of the Financial Sector Regulation Act 9 of 2017.

*These articles were written by Ntsoaki Ngwenya, SAIA Legal Specialist. For more information, contact: [Ntsoaki@saia.co.za](mailto:Ntsoaki@saia.co.za).*

## **4 Transformation**

### **4.1 SAIA Consumer Education Strategy**

The revised SAIA Consumer Education Fund Strategy was approved by the SAIA Board in 2020 and is currently in its second year of implementation, with the 2021 report in the process of being finalised. At the same time, some of the consumers' livelihoods have been affected by catastrophic events such as the Covid-19 pandemic, the 2021 violent riots and the recent Easter weekend floods in KwaZulu-Natal, impacting the economy negatively. This is also confirmed by the 2021 FinScope SA Consumer Survey, which measured the levels of financial inclusion in the country, showing that many South African households are under financial constraints, which has a negative impact on the non-life insurance product penetration, due to reduced disposable income.

Nonetheless, there has never been a better time for the industry to provide awareness and creating understanding about its relevance to the economy and the importance of its products and services for financial risk mitigating purposes. Therefore, the SAIA Board has approved that SAIA continues with the implementation of the current strategy which is outlined as follows:

## Project Objectives:

- To empower beneficiaries to identify and manage own risk
- To create awareness of the non-life insurance industry, its products, and services
- To empower beneficiaries to engage with the non-life insurance industry with confidence

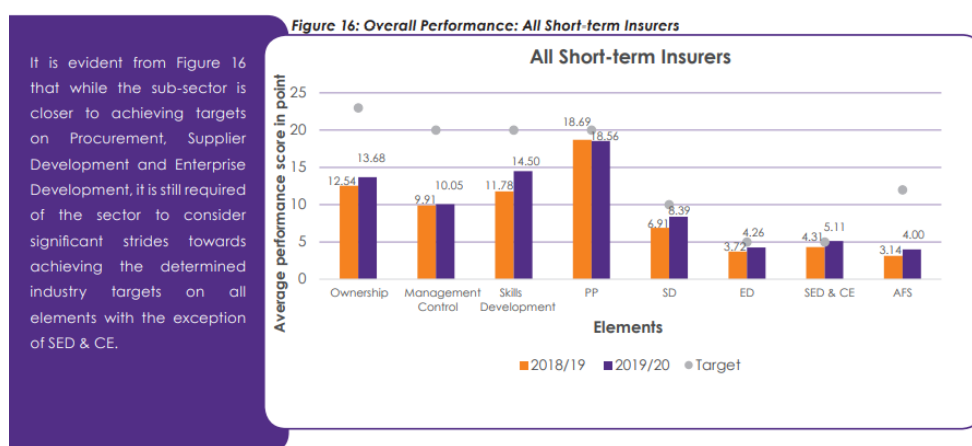
## Project Target Groups:

- Small to Medium and Micro Enterprises (SMMEs)
- South African Households (which include working adults, scholars that live at home and pensioners)
- Young adults (including students and various tertiary institutions and the newly employed)

The strategy also caters for the industry to implement ad hoc awareness programmes in response to industry-related topical issues such as the KZN riots in 2021 and the floods early this year.

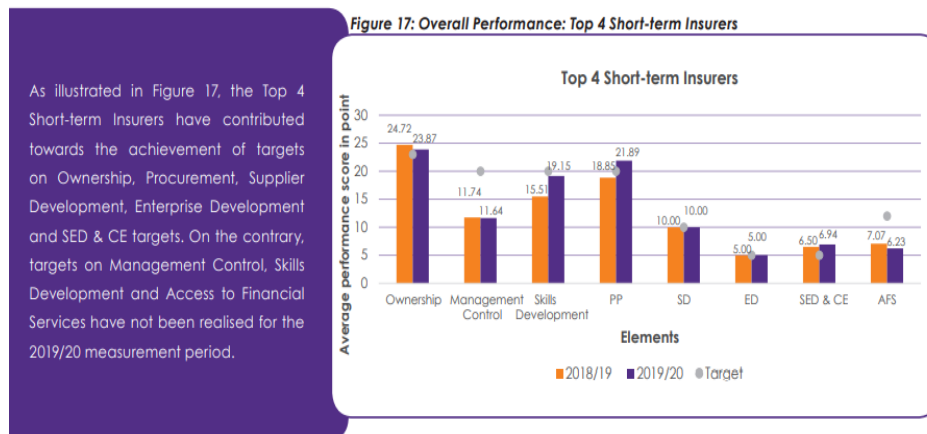
## 4.2 Financial Sector Transformation Council – 2018/19 and 2019/20 Amalgamated Annual Report

The Financial Sector Transformation Council (FSTC) has released its Amalgamated 2018/19 and 2019/20 Annual Review Report. Included in the Report is the industry analysis for the two years which is depicted as follows:



The report shows improvement on the industry performance year-on-year, with performance for all elements being higher for 2019/20 when compared to 2018/19 review, with the Access to Financial Services element achieving the worst performance against the targets, followed by the Management Control and Ownership

elements.



The report also provided the analysis of the Top 4 industry market leaders, which has displayed significantly better performances when compared to the industry averages, except for Management Control which seems to have stagnated. Performance on Access to Financial Services is also significantly low compared to the target.

While the report shows positive progress, there are areas that remains a challenge for the non-life insurance industry such as Management Control and Access to Financial Services. The full report can be accessed on the FSTC website (<https://fstc.org.za/>).

### 4.3 FSCA Transformation Strategy

The FSCA released its strategy document for public comments in February 2022. The document provided direction in terms of the approach that the FSCA intends to take in improving the regulator’s role in promoting transformation of the Financial Sector, including the following key strategic objectives:

- Improve its relationship and collaboration between the FSCA, FSTC and the BEE Commission on matters of common interest – e.g., access to data;
- Proposal on the approach to measuring compliance and therefore the supervision of Transformation Plans;
- Consideration of deploying an enforcement mechanism by the regulator.

SAIA conducted an industry workshop and received comments from members, which have been consolidated for the industry and submitted to the FSCA. Included in the SAIA submission were the following recommendations:

- The FSCA to remain mindful that its responsibility is to promote participation and that the B-BBEE regulation remains self-regulatory, and enforcement thereof remains the responsibility of the dtic. This will also ensure that the compliance with
- the B-BBEE regulation is incorporated appropriately in the licensing processes



- (e.g., compliance with the Financial Sector Code (FSC) could be applied similarly to the principles as contained in the Preferential Procurement Policy Framework Act (PPPFA).
- The FSCA to ensure that the relationships with key stakeholders also include regulators such as the Competition Commission.
- The FSCA to be mindful of the impact of cost of over-regulation (both time and financial) on entities and as a potential barrier of entry for new entrants, including favourable consideration on appropriate penalties, if required.

***These articles were written by Themba Palagangwe, SAIA General Manager: Governance and Transformation. For more information, contact: [Themba@saia.co.za](mailto:Themba@saia.co.za).***

## 5 Industry News

### 5.1 Fire Projects Update

In 2020/2021, the SAIA Board requested SAIA to focus on Fire and Localised Flooding Risks, primarily stemming from the number of losses caused by these perils.

SAIA put forward a business case that was approved by the SAIA Board in 2021 and funding was approved. The two (2) fire-related projects identified were: Fire Brigade Classification and Expedition/creation of Fire-related Codes or Standards e.g., SANS 10287 (automatic sprinkler installations for firefighting). The Fire Protection Association of Southern Africa (FPASA) was appointed as the project manager for these two (2) projects.

A Fire Services Application was created, following SANS 10090 outlining a system of determining the requirements for the operational and fire safety functions of emergency services rendered to communities. Applying the app to a Fire Service provides a view of what condition the Fire Service is in and highlights the shortcomings. For instance, a category five (5) is the lowest rating and indicates non-compliance to SANS 10090, whilst category one (1) is the highest/best rating and shows compliance which means the Fire Service has all the elements necessary to respond timeously and effectively to a fire.

The state of municipalities and the Fire Services in South Africa is a concern and is constantly under media review. It is therefore of great importance for the non-life insurance industry to take stock of where exposures lie. The SAIA Board has requested that the app data be used to map the risks and to highlight where the industry is most exposed. The outcome of this will indicate where members are most exposed and assist in costing those identified Fire Services to move them to a category one (1) in those geographic areas. Identifying where members are exposed is a critical next step for the SAIA Board.

SAIA will require assistance from its member CEOs to assist with the provision of asset fire risk exposures by sum insured, by geographic area, and top three (3) to four (4)

fire losses by geographic area in the past 3 (three) years. A circular has been sent to SAIA members in this regard with a request that assigned personnel complete the template provided in the circular and send the data directly to the FPASA, to Ms. Renay Sewpersad, at [renay@fpasa.co.za](mailto:renay@fpasa.co.za) by end of July 2022.

***This article was written Renay Sewpersad, FPASA Executive Director. For more information, contact: [renay@fpasa.co.za](mailto:renay@fpasa.co.za)***

## 6 SAIA Circulars – June 2022

<b>MD Circulars June 2022</b>		
MD-2022-007	Initial Notification of the Virtual SAIA and Related Bodies' Annual General Meetings to be held on Thursday, 21 July 2022, from 15:30 to 16:30	08.06.22
MD-2022-008	Financial Intelligence Centre (FIC) Response to Risk Assessment Conducted on the Non-Life Insurance Sector	09.06.22
MD-2022-009	SAIA Request for Fire Sum Insured and Fire Loss Data	09.06.22
MD-2022-010	Appointment of the South African Insurance Association (SAIA) Acting Chair June 2022	10.06.22
MD-2022-011	Consultation with SAIA Members Re Proposed Change to the MOI of SASRIA Ltd (SOC) in Terms of Section 6 of the Conversion of SASRIA Act, 1998	10.06.22
<b>SG Circulars – June 2022</b>		
SG-2022-056	Insurance Sector Education and Training Authority (INSETA) Management Information System (MIS) Quick Guide	07.06.22
.SG-2022-057	Insurance Sector Education and Training Authority (INSETA) Invitation to CEO Stakeholder Engagements	07.06.22
SG-2022-058	Financial Intelligence Centre (FIC) - Risk Assessment Conducted on the Non-Life Insurance Sector	09.06.22
SG-2022-059	Financial Sector Conduct Authority (FSCA) - FSCA Communication 16 of 2022 (General) Publication of Roadmap for Roll-Out and Implementation of Cross-Sectoral Conduct of Business Return (OMNI-CBR)	10.06.22
SG-2022-060	Communique 104 - SASRIA SOC Limited 10-Days Terms on Outstanding Claims	13.06.22
SG-2022-061	University of KwaZulu-Natal (UKZN) and Insurance Sector Education & Training Authority (INSETA) Business Rescue Turnaround and Sustainability Short-Course	22.06.22
SG-2022-062	Invitation to submit written Comments to the Parliamentary Finance Standing Committee: Financial Sector and Deposit Insurance Levies Bill (Administration) and Deposit Insurance Premiums Bill	27.06.22
SG-2022-063	COVID-19: Code of Practice Managing Exposure to SARS-CoV-2 in the Workplace	29.06.22
SG-2022-064	SAIA: For Information Purposes: Past Circulation of Old Multimark Policy Wordings and Similar Industry Policy Wordings	29.06.22

### IMPORTANT NOTICE

For information on the SAIA bulletin or content published herein  
Contact Livhuwani Mutheiwana, Corporate Affairs Administrator

✉ E-mail: [Livhuwani@saia.co.za](mailto:Livhuwani@saia.co.za) ☎ Tel: (011) 726 5381

☎ Fax: 086 647 2275

[www.saia.co.za](http://www.saia.co.za)