



**SAIA**

SOUTH AFRICAN INSURANCE ASSOCIATION

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# BULLETIN

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

September 2022

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# 1 From the Desk of the CEO

Unfortunately, our Bulletin did not go out for the month of August, a month in which South Africa celebrate its significant strides towards achieving gender equality since the 1956 march that saw 20 000 women march to the Union Buildings on 9 August in protest against the extension of Pass Laws to women, and demanding equality. During the month, South Africans recognised and celebrated the achievements and the strides, in the most challenging environments, made by women on many fronts.

This celebration continues to serve as a stark reminder to all, of the importance of recognising and appreciating all genders as equal. While transformation towards gender equity has become more evident over the last decade, there is still much work to be done, specifically at boardroom level, where women remain under-represented. Historically, several barriers stood in the way of women entering the financial sector, and in particular the insurance sector as it was seen as a male-dominated field. According to the World Economic Forum's Global Gender Gap Report (WEF GGGR) 2022, the global gender gap has been closed by 68.1%, and at the current rate of progress, it will take 132 years to reach full parity. This represents a slight four-year improvement compared to the 2021 estimate (136 years to parity).

On a different note, the International Union of Marine Insurance (IUMI) successfully held its well-attended conference in the month of September in Chicago, USA. And SAIA, which is recognised as a national non-life insurance association globally, was also invited. Let me take this opportunity to congratulate the newly appointed President of the IUMI, Mr Frédéric Denèfle and Mr Kosuke Hashimoto of Japan for taking up the position of Vice President, a completely new role within IUMI. Of particular interest to me was the IUMI *Global Marine Insurance Report* which showed that global marine insurance premiums were up 6.4% on 2020, rising to US\$33bn in 2021. The report stated that this was lifted by a combination of increased global trade volumes, a stronger US dollar, increased offshore activity and higher vessel values, premiums for cargo, hull, offshore energy, and marine liability rose in 2021.

Insurers in Europe and Asia in particular saw premium growth, while regionally, global income was split: Europe 47.2%, Asia/Pacific 29.3%, Latin America 10.3%, North America 7.7%, Other 5.5%. By line of business, cargo continued to represent the largest share with 57.4% in 2021, hull 23.5%, offshore energy 11.8% and marine liability (excluding IGP&I) 7.3%. At the conference fires on board large containerships were flagged as incidents that continue to impact hull, cargo and P&I insurance and, sadly, have resulted in tragic loss of life and environmental damage. The main cause appears to be mis-declared or non-declaration of dangerous cargoes. Much work is being done to address the issue and IUMI is at the forefront of lobbying for change.

In conclusion, I would like to express my gratitude to all SAIA Member company CEOs and MDs who made it to our CEO Roundtable on 6 October 2022, and all our stakeholders who made time to attend the first SAIA Cocktail Function since 2019.

**Viviene Pearson**  
**Chief Executive Officer**

## 2 Insurance Risks

### 2.1 SAIA remains at the forefront of grading fire services in SA

SAIA was mandated by its property members in 2020/21 to initiate a programme of action that would look into how the industry could assist South Africa in managing fire and localised flooding risks.

The importance of this initiative for SAIA members cannot be over emphasised. A lack of action and or proactivity by SAIA members against these risks might render them uninsurable going forward, and would negatively impact, in a big way, the sustainability of insuring these risks.

The initiative has two critical streams of work. These are as follows:

1. A SAIA member sponsored a Fire Services Application based on SANS 10090:2018 (standard which sets out the requirements of a fire service to service the communities its assigned to). This application or assessment looks at critical elements such as response time therefore assuring respective communities that if there is a fire, the fire service will be able to respond on time and save lives. The other elements critical for a well-functioning fire services is availability of firefighting gear; equipment; water tankers and functional fire hydrants to make sure that once the fire service responds to a fire, they would be able to fulfil their mandate efficiently.
2. The second stream is a critical view of current fire related standards and codes to ensure that they support the firefighting efforts by fire services. For instance, one of the most critical standards, which is currently 30 years old, has gone through a very gruelling process of review and is at its last stages before it can be published, this is the automatic sprinkler installations for fire-fighting purposes, SANS 10287. If a sprinkler system is not correctly designed for the building to which it is to support to fight fires, insurers have experienced total loss scenarios versus partial losses therefore pushing up the cost of insuring this risk, which is felt by the policyholder.

It is important that these two initiatives support the efforts to manage fire risks going forward. The grading or assessment process provides empirical evidence or proof for the fire service to be able to demonstrate to their respective municipalities what their resource needs are and gives them the ability to better quantify the necessary budgets to cater to those needs.

A well-resourced fire service is an essential service to communities in South Africa, and it is a matter of life or death other than the property that will be lost or damaged. These efforts that SAIA has embarked on therefore have far reaching benefits to the wider society.

Thus far, the SAIA service provider, the Fire Protection Association of Southern Africa (FPASA, [www.fpassa.co.za](http://www.fpassa.co.za)) has applied the Fire Services Application in 81 of the 278 municipalities in South Africa.

The FPASA has worked very closely with the National and Provincial Disaster Management Centres in seven (7) provinces and this collaboration has resulted in very fruitful engagements with respective fire service chiefs in terms of what their resource needs are including quantifying those needs by fire services and collectively by province. The different municipalities have differing needs but in bulk most critical are fire trucks, tankers and pumpers because without water, the fire service cannot fight the fire.

This brings the other critical factor in play which is the condition of fire hydrants. The FPASA has also embarked on an expansion of the fire assessment process to create a mapping of the condition of fire hydrants. The intention of this mapping exercise is to assist the fire service to know which fire hydrant has water, including the right water pressure and flow to enable them to fight fires. This additional element of this initiative will need a collaborative approach with the Department of Water Affairs and Sanitation in addition to the municipal relationship that SAIA and FPASA have built during the assessment processes.

SAIA will continue to advocate and lobby for support for fire services, and we will continue in this critical work. There is a 5-year plan to complete assessing the remaining municipalities and therefore SAIA would like to thank the municipalities that have been working closely with the industry and welcome further collaboration in this journey towards the betterment of fire services.

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

## **2.2 Update on the proposed access to VSD to the public**

SAIA entered into a contract with the Insurance Crime Bureau (ICB) in June 2015 to create and manage a database of all available insured motor salvage. This database was created to meet the conditions of the South African Police Services (SAPS) with reference to the Second-Hand Goods Act 6 of 2009, as well as to assist in combatting various forms of vehicle fraud. Access to this Vehicle Salvage Database (VSD) was designed for SAIA motor members only and is not for public use.

However, SAIA and its motor members are in the process of creating a parallel system that would assist in providing the public, and probably interested commercial entities, access to a version of the VSD.

SAIA remains cognisant of the fact that the provision of access to the VSD platform alone to the public will not solve all the challenges the public and motor dealers face when buying salvage vehicles. SAIA believes that the limited available information of the 35% (insured vehicles) out of twelve million registered vehicles in South Africa will be better than having no information at all.

Such an initiative, whereby a private sector party (non-life insurance industry) considers availing data for public use in an age where data is regarded as currency and an asset is a first in South Africa as SAIA believes it is the right thing to do.

### **Why create access to Vehicle Salvage Database (VSD) Data?**

SAIA has unpacked the areas where insight gained from properly accessed and accurate data could create substantial social and economic benefits:

1. **Public safety:** The information is assumed will help anticipate and possibly prevent bad experiences when buying second-hand vehicles, minimising the opportunities that facilitate criminal behaviour.
2. **National security:** The data is assumed will help prevent conflict and instability through this additional information about vehicle salvage, which have been repaired and sold as second-hand vehicles, and will empower the decision making of consumers, motor dealers, banks, and insurers.
3. **Education:** The information is assumed will also improve and enhance the public's protection and outcomes when handling and buying repaired motor salvage vehicles.

From this point of view, reducing the information asymmetry that currently exists in the system of previously written off cars, which are sold as salvage and then repaired for resale to the public who are at a disadvantage because of this information unevenness, will be a positive contribution.

The big data revolution is about arming society with useful information and insights to facilitate social and economic improvement. It is SAIA's intention to empower enterprises, business entities, innovators, families, and individuals who are the engine of our country's greatness.

### **Limitations of the "Vin Look-Up"**

SAIA believes that the provision of access to the previously insured vehicle salvage records is the right thing to do. Yet, it remains acutely aware that this action is not the silver bullet to solve the issues around the quality of repair work of accident damaged vehicles or related vehicle crime issues.

Therefore, additional mitigating measures and mechanisms must be implemented to minimise any unintended consequences or risks that could result in liabilities to the non-life insurance industry and any other stakeholder with a direct interest in vehicle salvage records.

In the spirit of availing these records, SAIA has requested affected stakeholders to provide comments on the creation of the suggested "Vin Look-Up" solution. SAIA believes their input will be invaluable as it continues developing the "Vin Look-Up" concept to benefit the unsuspecting public, some of whom have unfortunately spent their last hard-earned money buying poorly repaired salvage vehicles.

The deadline for comments was Friday, 30 September 2022. SAIA is currently busy consolidating received comments into a business case to present to the SAIA Board on 1 December 2022. Key stakeholders who submitted comments include the Banking Association of South Africa (BASA), Independent Dealers Association (IDA), Motor Body Repairer Associations and Road Traffic Management Corporation (RTMC).

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

## **2.3 Position Papers**

SAIA is constantly researching emerging systemic risks that will affect the industry, as such, SAIA is currently involved in three (3) position papers that have been sent to the property members for their guidance and input.

The position papers focus on national and local emerging risks that will in all likelihood impact the sustainability of the industry, in addition, the position papers highlights the priority these risks have in terms of bridging the protection gap. One of the position papers also tracks the industry underwriting changes that have occurred as a result of the steps the market has taken to mitigate these risks, while another position paper interlinks to the important Board mandated fire brigade classification project to ensure sufficient water pressure and availability to the fire services in the event of a fire.

A pertinent point in all the position papers is the drive for contract certainty and risk management measures. The position papers seek to understand what the South African's insurance market exposure is to these emerging risks as well as determine what support/capacity is available in the market.

Some of these are systemic risks such as deficient and intermittent electricity and water supply e.g., the latter referring to enough water pressure and flow for efficient functioning of sprinkler systems and fire hydrants, and the management of cyber risks, especially for small enterprises who might find cyber insurance and ransomware currently unaffordable, given the global mammoth risk insurers and reinsurers are carrying.

SAIA will continue to engage the relevant Private-Public-Partnerships stakeholders to lobby for a shared resilience solution once the position papers have been finalised.

## **2.4 Premium Collection Forum**

The forum has been tasked to ensure the smooth transition from the sunsetting of the Authenticated and Non-Authenticated Early Debit Order (AEDO and NAEDO) to Debicheck. Members have raised concerns regarding the difficulties experienced with the change in premium collection methods used in the government payroll environment. The result of the change in the premium collection method has raised a potential inhibitor to Treating the Customer Fairly (TCF) outcomes as well as possible reputational concerns for the member companies.

With the DebiCheck process, the consumer will confirm the debit order request once, at the start of the contract. This is done to inform the consumer's bank that permission has been granted for the money to be taken from the consumer's account. Due to this new process, the industry is experiencing delays/disruptions in received risk premiums which jeopardise insurance coverage for the policyholder.

SAIA will keep abreast of developments within this space, and thus as part of the consultative process for a possible solution, a representative from the Payments Association of South Africa (PASA) presented at the forum meeting in September 2022 to address the forum member's concerns.

## **2.5 South African Association of Engineering Insurers (SAAEI) Conference 2022**

The South African Association of Engineering Insurers (SAAEI), a division of SAIA, will be hosting its fourth (4th) annual conference on 13-14 October 2022 at the Kloofzicht Lodge and Spa, Krugersdorp, Gauteng. The overall vision and objective of the conference is to raise awareness and to develop and promote collaboration and understanding of the engineering insurance classes of business to the wider insurance market and related stakeholders.

The conference uniquely draws together regional and international experience and participation that will provide an opportunity to focus attention on engineering insurance issues that are relevant to the South African market, and globally. The local and international speakers represent a broad range of disciplines directly involved in the construction and engineering insurance market. This will include underwriters, claims handlers, risk engineers, loss adjustors, audit legal regulatory representatives, brokers, and reinsurers to present a program of wide appeal to all practitioners of the engineering insurance market. This conference will contribute to skills development within the engineering insurance sector.

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# **3 Industry News**

## **3.1 Property and interest on a contract site**

Sometimes, we have the impression that the only property on site is that of the contractor and the contractor is the only responsible entity. This statement is not true and we wish to point out the various stakeholders who could have a stake or interest on the site:

Possible stakeholders and interested parties:



- The principal or owner of the site
- The bondholder of the property
- A servitude holder over the site
- Any tenant of property situated on the site
- The main contractor on site
- All sub-contractors
- The professional team
- Regulatory authorities
- Plant / Equipment owners and hirers

The above list is not complete without mentioning parties who are not necessarily stakeholders but could have an influence on the successful completion of the contract on the site. The various internal and external parties who could have a positive influence and benefit in the completion of the contract and others with a possible negative and destructive influence on the contract are, but not limited to, the following:

- Employees on site
- Labour unions
- Suppliers
- Activists and lobby groups
- Local Residents
- Local business owners
- Legislation

Stakeholders will always be present within the construction industry and on sites. As far as possible, construction contracts should manage all known obstacles with knowledge and due diligence.

Not all stakeholders have an insurable interest in the property, or the contract work but may/could present an insurable exposure to cover actions to be done. Others may only have a judicial interest and should not be prejudiced.

### **Some Contract Works exposures and remedies:**

The contractor has a duty to conduct and perform the contract awarded to them with due diligence and care. Property may be entrusted to them which is not part of the contract works on site but is used by the contractor. Some property is existing property to be preserved for use after completion of the contract. It is possible that a different contractor could complete work on-site, which is then handed over to the main contractor, for the completion of the contract. Work carried out by a pilling contractor and the basement excavator are typical examples.

### **Surrounding Property:**

An uncommon term for the property on site, belonging to or in the care, custody and control of the principal is existing property. It may contractually also become the responsibility of the contractor. Existing Property is usually understood to be owned by the principal and it is located on or immediately adjacent to the site and is usually insured under the principal's annual property insurance program.

## **Property to be incorporated into the subject of the main contract works:**

Such structures and property should be treated as “free issue material” and the value of such property should be added to the contract value. A good example will be the piling previously mentioned.

There are various degrees of exposure to the existing property. One could be the principal’s property near the working area, another, the building in which the works are performed. Further exposure may be the machinery and installations of the principal, that the construction works are intended for, which are held under the care, custody, and control of the contractor.

The risks of surrounding property are alike to the risks of public liability cover. However, most, if not all, public liability policies exclude any liability for claims arising out of or in connection with loss or damage to property belonging to the insured or in its care, custody, or control.

We must now draw your attention to “the insured”, which is wide and normally will include the principal, the contractor and, all sub-contractors and should be carefully interpreted while reading policy wordings.

A remedy to compensate for the loss of or damage to the principal’s property under the care, custody and, control (other than that deemed to be free issue material) of the contractor may be found in adding a Surrounding Property clause to the work section of the policy. The cover will be limited to loss arising directly from work in performing the insured contract. No other fortuitous damage to the surrounding property will be covered in terms of this extension.

## **Public Liability Insurance:**

The insurer will indemnify the insured against all sums not exceeding the limits of indemnity contained in the policy for which the insured becomes legally liable to pay for accidental bodily injury to any person and/or accidental loss of/or damage to property. However, the policy has numerous exclusions and an important one that should be noted in most public liability policies are claims relating to or arising out of or in connection with loss of or damage to property belonging to the insured or in its care, custody or, control and/or which forms or should form part of the subject of insurance under the contract works section of the policy.

In conclusion, it is important to identify the site, the property on the site and, who is responsible for the assets and carry out an insurance assessment to protect the stakeholder’s interests, as contract Works and public liability policies can be structured to protect the interests of the various parties with an interest in the site.

***This article was written by Kobus van Niekerk, FCII Chartered Insurer. For more information, contact [kobus@consort.co.za](mailto:kobus@consort.co.za).***

## 4 SAIA Circulars – August/September 2022

<b>MD Circulars - August 2022</b>		
MD-2022-014	Invitation by the Automotive Business Council (NAAMSA) to Collaborate on South African Auto Week	02.08.22
MD-2022-015	Letter to SAIA Re Provisional Curatorship of Constantia Insurance Company Limited (CICL)	08.08.22
MD-2022-016	Reminder of the Notice that the Insurance Data System (IDS) Version 2 (V2) Will Terminate on 30 September 2022	11.08.22
MD-2022-017	The South African Reserve Bank (SARB) Informs Stakeholders of a Cybersecurity Incident on 12 August 2022	17.08.22
<b>SG Circulars - August 2022</b>		
SG-2022-072	Insurance Sector Education and Training Authority (INSETA) Invitation - Level-Up Foundation Digital Project Launch	02.08.22
SG-2022-073	Alert on Alleged Hit and Run Incident Involving a White BMW 1 Series Hatchback	02.08.22
SG-2022-074	Extension of the 40 Business Days	03.08.22
SG-2022-075	Invitation to Comment on the 2022 Draft Tax Bills	04.08.22
SG-2022-076	SAIA Consumer Education Fund Initiative – Annual Report 2020/21	05.08.22
SG-2022-077	Draft Amendment of the Exemption by the Financial Sector Conduct Authority of Certain Persons from Joint Standard 1 of 2020 as Published in FSCA General Notice 3 of 2022	12.08.22
SG-2022-078	IFRS 17 and the Regulatory Changes (Also related to QRTs)	12.08.22
SG-2022-079	Dangerous Goods: HCA Compliance - GHS Virtual Training 2022	18.08.22
SG-2022-080	Insurance Sector Education and Training Authority (INSETA) Recognition for Prior Learning (RPL) Support for Listed Occupational Qualifications	19.08.22
SG-2022-081	National Economic Development and Labour Council (Nedlac) Section 77 Notice to Strike Across All 9 Provinces By Congress of South African Trade Unions (COSATU)	19.08.22
SG-2022-082	Referencing an Article Titled “FIC Rejects Exclusions to Proposed Broader List of Accountable Institutions” and the Clarity Received from the FIC	22.08.22
SG-2022-083	Report: Ukraine - A Conflict that Changed the World	26.08.22
SG-2022-084	Update to VAT Ruling Issued to South Africa Insurance Association ("SAIA") 2020/131 (28/3/43)	26.08.22
SG-2022-085	SAIA Comments on the Draft Taxation Laws Amendment Bill (DTLAB) 2022	30.08.22
SG-2022-086	Financial Sector Conduct Authority (FSCA) & Prudential Authority (PA) Jointly: General Notice 1258 of 2022 – Levies on Financial Institutions	30.08.22
SG-2022-087	SAIA Consumer Education Guidance Notice 01 of 2022 - Extension of Dispensation on: Guidance Notice GN500, Measurement of the Consumer Education Element of Broad-based Black Economic Empowerment and Temporary Amendments in Respect of the Disaster Management Act	30.08.22
SG-2022-088	Financial Sector Conduct Authority (FSCA) & Prudential Authority (PA) Jointly - Proposed Amendments to Rules for the Conduct of Proceedings before the Commission for Conciliation Mediation and Arbitration	30.08.22
SG-2022-089	Financial Sector Conduct Authority (FSCA) & Prudential Authority (PA) jointly - FIC Powers Expanded for Combating Money Laundering and Financing of Terrorism	30.08.22

<b>MD Circulars – September 2022</b>		
MD-2022-018	Engagement Between BUSA and President Cyril Ramaphosa at BUSA AGM 31 August 2022	01.09.22
SG-2022-019	Financial Sector Conduct Authority (FSCA) - FSCA Communication 24 of 2022 (FAIS): Financial Soundness Workshops and Surveys for Financial Services Providers	01.09.22
SG-2022-020	Update on Employment Equity (EE) Amendment Bill	15.09.22
SG-2022-021	Election of SAIA Chairperson and Deputy Chairperson of the SAIA Board of Directors	15.09.22
SG-2022-022	Co-Opted SAIA Board Member	15.09.22
<b>SG Circulars – September 2022</b>		
SG-2022-090	Corporate Income Tax (CIT): Removal of the Supplementary Declaration for Companies or Close Corporations (IT14SD) Form: 16 September 2022	01.09.22
SG-2022-091	Financial Sector Conduct Authority (FSCA) - FSCA Communication 24 of 2022 (FAIS): Financial Soundness Workshops and Surveys for Financial Services Providers	01.09.22
SG-2022-092	Urgent SAIA Request for Insurance and Reinsurance Receivables and Payables on Transition to IFRS 17	01.09.22
SG-2022-093	National Treasury Virtual Public Workshops: 8, 9 & 12 September 2022 – 2022 Draft Tax Bills	05.09.22
SG-2022-094	Business Against Crime SA Newsletter Edition 2	09.09.22
SG-2022-095	Prudential Authority (PA) & Financial Sector Conduct Authority (FSCA) Jointly - Anti-Money Laundering and Combating Terrorism Financing	09.09.22
SG-2022-096	Amendment of the Exemption by the Financial Sector Conduct Authority of Certain Persons from Joint Standard 1 Of 2020 as Published in FSCA General Notice 3 of 2022	16.09.22
SG-2022-097	SAIA Team Updates	21.09.22
SG-2022-098	Financial Sector Conduct Authority (FSCA) - Discussion Paper on Unclaimed Assets in South Africa's Financial Sector	22.09.22
SG-2022-099	SAIA Member Invitation to Participate in the SAIA Consumer Education Fund Initiative	23.09.22

**IMPORTANT NOTICE**

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