SAIA

Newsletter of the South African Insurance Association

Bulletin

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1 LATEST NEWS

1.1 IASB adopts a practical approach to accounting for short-term insurance contracts

The International Accounting Standards Board (IASB) predominantly discussed matters pertinent to short-term insurers during the February board meeting. Most South African short-term insurers will be satisfied with where the IASB landed in the discussions. Let us unpack the latest developments.

The IASB confirmed its view that the premium allocation approach (PAA) is a proxy for the building block approach and agreed to include a principal to this effect in the standard.

The board also agreed to include a practical expedient to allow the use of the PAA for contracts with a coverage period of one year or less.

For other contracts the following eligibility criteria is applicable in order to use the PAA (applied at initial recognition of a contract):

a) It is unlikely that, during the period before a claim is incurred, that there will be a significant change in the expectation of net cash flows required to fulfill the contract; or
b) Significant judgement is required to allocated premiums to each reporting period. This may be the case if, for example, significant uncertainty exists about:
   i. The premium that would reflect the exposure and risk the insurer has for each reporting period; or
   ii. The length of the coverage period.

The IASB, which views the PAA as a proxy for the building block approach, unanimously agreed in favour of the view that an insurer should be permitted but not required to apply the PAA to contracts that meet the eligibility requirements.

On discounting and accretion of interest the IASB agreed that the time value of money concept should be applied to contracts that have a significant financing component. The following examples explain these requirements:

a) An insurance contract with a coverage period of three years, with premiums paid annually in advance, would be permitted to apply the practical expedient not to discount and accrete interest.
b) However, an insurance contract with a coverage period of three years, with all premiums paid at the beginning of the first year of coverage, would need to be analysed to determine if the financing component is significant, and if so, discounting and accretion of interest would be required.

The board next considered the treatment of acquisition costs in the PAA model at this meeting and agreed to include directly attributable acquisition costs. This is consistent with the decision made under the building blocks approach. However, the board voted in favour of an option to permit expensing all acquisition costs for PAA contracts if the contract coverage period is one year or less (consistent with the revenue recognition exposure draft proposal).

A FASB member suggested a new alternative for presenting acquisition costs, namely as part of the liability for remaining coverage under the PAA (or residual margin under the building blocks approach). A large majority of the IASB members tentatively supported the new alternative to offset acquisition costs against the liability for remaining coverage in the PAA model.

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For contracts that apply the PAA, an onerous contract test should be applied in certain circumstances to the liability for remaining coverage. The IASB supported the staff proposal to include a risk adjustment in identifying and measuring onerous contracts. This is indicative of the number of IASB members that support a risk adjustment.

The outcome of the above discussions is favourable for South African short-term insurers. The practical expedients provided allows for the continued recognition of an unearned premium liability (liability for remaining coverage) on an undiscounted basis for the majority of the typical contracts issued by the industry. However, no contracts would be precluded from applying the building block approach. This might have appeal for groups of companies that have both long- and short-term insurers in the same group.

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1.2 INSETA helps small brokers to open up their workplace to learners

More skilled professionals to enter the insurance sector

A new learnership programme developed by the Insurance Sector Education and Training Authority (INSETA) targeted at the often neglected SMME sector may soon see an encouraging increase in the number of skilled and FAIS compliant professionals in the insurance sector, organisation representatives have said.

The programme, which is aimed at supporting work-based experience and helping the sector grow its own skills, will offer its participants a NQF Level 4 qualification as well as FAIS compliance. Its goal is to boost skills and promote a FAIS compliant industry as well as to give school leavers valuable hands-on work experience, said INSETA CEO, Sandra Dunn.

The programme comes in response to the high unemployment rate and increasing demand for skilled professionals in the insurance sector, and will offer 180 matriculants the opportunity to gain experience in the workplace, with the potential for employment once the 12-month SMME learnership is completed.

A total of 60 organisations across the Free State, Eastern Cape, Gauteng, Western Cape and Kwa-Zulu Natal will be hosting learners, and the in-house training will be run by the African Resources Training Group (ARTG), which helped develop the learnership and has a 90% pass rate with its other programmes.

Speaking at the launch of the SMME learnership in Johannesburg recently, Dunn said that the Department of Higher Education had created an increased sense of urgency for the SETAs to create more direct links with the workplace.

“School leavers are often left with little or no opportunity for higher education, and are forced to take any unskilled employment that is available, with no room for development. This continues to exacerbate the lack of job creation and hinder transformation,” she said.

“This programme circumvents that by offering work experience and an income, while at the same time giving matriculants invaluable sector skills and a qualification that ensures development of both the individual and the sector itself.”

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In developing the programme, INSETA partnered with various organisations with stakes in the programmes' positive outcome, ensuring that the SMME learnerships' effectiveness would be maximised, giving learners every opportunity to complete the year and gain employment at the end of it.

"One of INSETA's aims is to form strategic, long-lasting partnerships that will continue to yield benefits for the wider economy even after the completion of this programme. Hopefully together we will continue to pursue other courses of action that will enable further job creation through these mutually beneficial relationships," said Dunn.

The human resource consulting SMME, Talent Up, will be acting as project managers in the programme to ensure both learners and SMME's achieve the best possible outcomes.

The CEO of Talent Up, Serena Gopaul, described the programme as a year-long interview. "The programme allows SMMEs to develop and invest in talent, with the opportunity for substantial return on investment. INSETA pays the monthly incomes of the learners, and has done a wonderful job of ensuring that no parties are left wanting for anything. Support to the learners will include an SMS portal, counselling, quarterly visits from Talent Up, and learner engagement through connect sessions," she said.

Vodacom has sponsored each of the learners with their product, the WebBox, a portable device that allows internet access through a television, and a year's worth of free data for the device. This means that learners will be able to obtain all the information needed for their learnership programmes at no expense, while at the same time developing their technological savvy.

Further support will be given to the employers, and Gopaul said all these factors would lead to a programme with a high chance of success.

INSETA has set a high pass rate target of 90%, and Dunn said she believed this could be achieved.

"Despite the high targets, I believe in the programme's potential," she said. "Not everything is about numbers. With this programme we want to be able to say that we have changed lives."

She added: "Even if employment is not gained with the company that the learner is initially placed in, the experience and qualification will be invaluable. Andrew Reinecke of ARTG put it so well when he said 'you can lose a job, but not a qualification'."

Dunn believes that the effects of the learnership programme could be far-reaching. "There is a great need for training of this nature in the insurance sector; small businesses and skilled training are key ingredients for growth and development in South Africa," she said.

"With this programme, we aim to develop skilled employees who can put their organisations on the path of sustainable success, who can innovate and create new products and services, and thus create even more jobs in the long run."

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2. IMAGE & REPUTATION

2.1 Consumer Education

The Consumer Education Project for 2011/2012 is drawing to a close with only a few episodes of the Consumer Radio yet to run on Thobela FM. The initiatives by ComutaNet are complete and the company is preparing a report back document in conjunction with an independent research company, Freshly Ground Insight (FGI). Bright Media has completed the implementation of 38 iCount Accounting workshops successfully in nine (9) provinces. This training was well received and supported by the District Subject Advices and coordinators. Two Knowledge Boxes were unveiled and introduced to the Accounting teachers.

Community Awareness Project

The Community Awareness Project was completed by the Service Provider, ComutaNet, and they are documenting their feedback report regarding the successes, lessons learned and recommended changes for future endeavours. The research company FGI will also report on the effectiveness of the different initiatives by randomly sampling commuters before, during and after the completion of the project. Copies of DVDs, CDs and leaflets forming material created during the project will also be distributed to SAIA Members.

The Community Radio Project

The Financial Freedom radio drama education series is being broadcast by Thobela FM in Limpopo. The broadcastings are doing well, with the supporting staff making the programme vibrant and exciting. Based on questions fielded to the audience, the feedback indicated that the programme content is informative and relevant to the current day's issues. An assessment done revealed that the favourite topic is Car Insurance and the lack of knowledge regarding the Road Accident Fund.

We are in need of Sepedi speaking insurance experts who can assist with the live broadcasts.

The Teacher Development Project

Bright Media facilitating the teacher development project at Voortrekker High School. (19 March, 2012)

The teacher development iCount project was successfully completed during the first school term in order to allow teachers to continue with its further implementation during the second term. SAIA members from the Consumer Education Committee attended a workshop at the Voortrekker High School which was well attended.

All SAIA members and teachers were impressed with the iCount content and material. It was a very active workshop with vibrant activities and a lot of interaction. The Knowledge Box was introduced to the teachers at the workshop who also received training on how to get electronic teaching resources for further use from the box.

The Knowledge Boxes were distributed to the teachers' training centres in Cape Town, and Gauteng where teachers will be able to download consumer education material via blue tooth, CDs and or copy them to a memory stick.

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Bright Media, the service provider will start with the statistic's data capturing and preparing the feedback report while the research team will continue with the evaluation of the project.

iCount, Accounting material will be distributed to All SAIA Members.

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1.4 Functions planned for 2012

Listed below are some of the available dates for the South African Insurance Association (SAIA) events for 2012. This is a standard section in the SAIA Bulletin.

Please note that the dates are subject to change. Changes will be marked in colour.

- Insurance Conference 2012 - 10 – 13 June 2012
- SAIA Annual General Meeting and Cocktail Function - 24 July 2012
- SAIA/FIA Board Liaison Lunch – 15 November 2012

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Debbie Donaldson: SAIA GM, Strategy & Planning

3. SUSTAINABILITY

3.1 Board Committee: Environmental and Social Risks

The first meeting of this Board Committee was held on the 22nd of February 2012.

This Board Committee will be overseeing the strategic initiatives in support of the top 10 Environmental and Social Risks as indicated below.

Information Management is also being tabled under this Board Agenda due to its strong links to other environmental and social initiatives.

Environmental Risks	Social Risks	Governance Risks
How we manage our impact on the environment ***Resource intensive economy***	**Dual economies** ***Divided communities***	**Information Management**
Lack of investment and maintenance of infrastructure ***Crumbling infrastructure***	**Increased crime and corruption** ***Corruption***	**Image and reputation**
	Lack of transformation ***Too few South Africans are employed***	**Legislation & regulatory capacity**
	No real market growth ***Spatial planning marginalises the poor***	
	Human Capital Skills ***Poor Educational outcomes***	

For your convenience the challenges facing South Africa as highlighted in the Diagnostic Overview (National Planning Commission 2011) have been highlighted in italics in the table where they relate to a particular short-term insurance risk.

3.2 Strategic Risk Forum held in partnership with the Department of Cooperative Governance and Traditional Affairs

The journey to this Think Tank meeting which was held on the 7th of March 2012 began with COP 17 and continues toward the Understanding Risk Forum to be held in South Africa in July 2012.

Guest speakers and presentations:

With the intention of provoking and stimulating content for conversation, six guest speakers presented various examples of relevant initiatives, collaborations, issues and actions pertaining to disaster risk management. Speakers and topics included:

- Mr. Yunus Carrim - Deputy Minister of Cooperative Governance and Traditional Affairs (CoGTA) - Toward greater cooperation of the public and private sectors.

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- Mr. John Melville – Chairman: Strategic Risk Forum -The importance of engagement principles in the success of Public / Private Partnerships (PPP's).
- Mr. Junior Ngulube - CEO Munich Re of Africa -The importance of public support for crop insurance.
- Mr. Dawie Maree - Economist Agri SA - Inputs by Commercial Agriculture and Emerging Business.
- Ms. Matemba Muvhulawa - National Emergence Red Meat Producers Organisation
- Mr. John Lomberg – Manager: Stakeholder Relationships, Santam - Joint presentation on a public private initiative at municipal level.
- Ms. Ntomenhle Skweyiya - SALGA
- Mr. Niels Holm-Nielsen- Regional Coordinator, Disaster Risk Management, Latin America and the Caribbean, The World Bank - Disaster risk management and risk financing – with some examples from Latin America: Columbian Case study.

Marinda Hyland; General Manager at Dial Direct also in attendance on the day shared their experience and learning's from the Pothole Brigade implementation.

The outcomes of the discussion are currently being evaluated by the Strategic Risk Forum (through SAIA and FIA) and the National Disaster Management Centre.

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3.3 SAIA's Role in ClimateWise and the United Nations Environmental Program Financial Initiative (UNEPFI)

The SAIA Board Approved the proposal for SAIA to participate on a one year basis in the above mentioned structures as the climate change advocacy voice on behalf of the short-term insurance industry. More information will be shared through the press over the next few weeks.

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Suzette Strydom: SAIA GM, Technical

4. LEGISLATION & REGULATION

4.1 Governance Risks

On 24 November 2011 the SAIA Board approved the restructuring of the Board Committees with a view to ensuring the overall sustainability and resilience of the short-term insurance industry and to take account of developments in the insurance operating environment including the United Nations Environmental programme: Finance Initiative (UNEP FI) for Sustainable Insurance which addresses Environmental, social and Governance (ESG) Risks.

The SAIA Board agreed to change the Board Committees to reflect the same structure as the sustainability initiative.

The current SAIA Board Committees: Motor and Reinsurers had been retained as the result of the importance of the motor portfolio, and the momentum achieved by the Reinsurers Board Committee.

Going forward the following Board Committees will be operational:

- Environmental and Social Risks;
- Governance Risks
- Motor;
- Reinsurers;
- Executive Committee.

Accordingly the SAIA Board Committee: Legislation and Regulation was absorbed into an overall Governance Risk Board Committee with effect from January 2012.

Going forward the Legislation and Regulation portfolio will draft a bulletin under the heading: Governance Risks.

Herewith a short summary of developments from a Governance Risks perspective:

Financial Services Laws General Amendment Bill ("FSLGAB")

On 9 March 2012 the National Treasury published the draft Financial Services Laws General Amendment Bill ("FSLGAB") for public comment by 13 April 2012.

The primary objective of the draft FSLGAB is to ensure that during the transition to the twin peaks model of regulation, South Africa has a sounder and better regulated financial services industry that promotes financial stability and enhancing the supervisory powers of the regulators as well as the powers of the Minister of Finance in dealing with potential risks to the financial system.

The draft FSLGAB updates eleven financial sector Acts namely:

- Financial Services Board Act, 1990
- Short-term Insurance Act, 1998 ("STIA")
- Inspection of Financial Institutions Act, 1998
- Financial Services Laws General Amendment Act, 2008
- Medical Schemes Act, 1998
- Pension Funds Act, 1956
- South African Reserve Banks Act, 1989

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- Long-term Insurance Act, 1998
- Financial (Protection of Funds Act), 2001
- Collective Investment Services Act, 2002
- Co-operative Banks Act, 2007

Due to the extent of the draft Bill, the SAIA has constituted 3 task teams, with a view to drafting a submission by the due date of 13 April 2012.

The draft FSLGAB will seek to align the financial sector Acts with several pieces of legislation and several international principles such as the Public Finance Management Act, the Companies Act, the Securities Services Act, the International Association of Insurance Supervisors ("IAIS") Insurance Core Principals ("ICP") and the International Organization of Securities Commissions ("IOSCO").

The Bill with furthermore exempt insurance legislation from the ambit of the Consumer Protection Act ("CPA"), remove the provisions relating to the advisory committees and amend the definition of "*business of a medical scheme*" in the Medical Schemes Act.

Short-Term Insurance Act ("STIA")

4.2 Proposed Demarcation Regulations:

On 2 March 2012 the National Treasury ("NT") published the proposed Demarcation Regulations demarcating Health Insurance policies from Medical Schemes in the short-and long-term insurance landscape, for public comment by 23 April 2012.

The proposed Demarcation Regulations provides for certain categories of contracts to be identified as accident and health policies under the definition of accident and health policies in the short-term landscape. These categories are as follows:

- Lump sum or income replacement policy benefits payable on a health event;
- Motor: Third party liability;
- Property: Third party liability;
- HIV and Aids;
- International Travel insurance;
- Domestic Travel Insurance and
- Emergency Evacuation or Transport

The seven product categories will also have to comply with certain criteria. The proposed Demarcation Regulations state that insurers must submit a summary of the benefits, terms and conditions and marketing material for the specific category of accident and health policies to both the Council for Medical Schemes ("CMS") and the Financial Services Board ("FSB"). Thereafter the Registrar of CMS may object to the FSB to any of the benefits, terms and conditions or marketing material who in turn will either prohibit the insurer from introducing/launching the said policy or instruct the insurer to stop offering or terminating the policy or renewing the policy or require the insurer to amend the benefits, terms and conditions and marketing material.

The draft Regulations furthermore provide for certain general criteria including that accident or health policy may not make membership of a medical scheme a condition of eligibility to the insurance contract. Essentially the "top up" or "gap" policies will no longer be able to continue. Hospital cash plans will however be allowed to continue as income protection policies.

The Medical Schemes Act prohibits consumers from belonging to more than one medical scheme.

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The SAIA will submit comments on the proposed Demarcation Regulations by the due date.

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4.3 Treating Customer Fairly (TCF)

On 15 December 2011 the Financial Services Board ("FSB") published its feedback report following an invitation to a sample group of different types of regulated financial services institutions to participate in a draft version of a TCF self-assessment tool.

The FSB confirmed that the final version of the TCF self-assessment will be published during the first quarter of 2012 and will serve as a baseline exercise on TCF readiness.

The FSB will on an on-going basis provide regulatory guidance to the various industry sectors regarding the allocation of TCF responsibility across the value chain, ensuring delivery of TCF in relation to bundled products, loyalty arrangements, "add-on" services, the roles of product suppliers and financial advisors and other intermediaries in delivering TCF outcomes, the regulatory expectations regarding TCF related management information and ensuring that TCF risks are effectively incorporated into their enterprise wide risk management frameworks.

The TCF initiative was explicitly mentioned in Minister Pravin Gordhan's budget speech on the 22 February 2012 namely that TCF will be accelerated to "*protect customers more vigorously".*

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4.4 Consumer Credit Insurance

The FSB published an information request with a deadline of 16 April 2012 to industry confirming a request for information in respect of current consumer credit insurance business with a view to serve as a guideline to inform policy and regulatory practices in the consumer credit insurance landscape.

The National Credit Regulator published a Credit Insurance Circular in January 2012 confirming that all registered short-term insurers and/or registered long-term insurers are required to submit quarterly synoptic reports (Form 45) in terms of section 16 of the National Credit Act, 2005 to the NCR. The synoptic report must reach the NCR within 30 days of quarter end. The reporting requirement is effective from 1 January 2012. If applicable, a nil return must be submitted.

Reinsurers that do not sell policies directly to consumers and/or credit providers, and whereby they indemnify another insurer for all or part of the risk of a policy issued and assumed by that other insurer, will be exempt from completing and submitting the statutory return.

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4.5 Ombudsman for Short Term Insurance ("OSTI")

The SAIA received confirmation that only one of the three special resolutions that had been adopted by the OSTI Board namely the criteria for the selection of consumer representatives and the appointment of independent directors to the OSTI Board had been approved. The other two special resolutions namely the introduction of an appeal mechanism and the criteria the publication of rulings and statistics had been referred back by the Financial Services Ombud Scheme ("FSOS") Council to the OSTI Board for further clarification.

On 24 February 2012 the National Treasury issued a press release confirming the re-appointment of the FSOS Council members from 1 January 2012 to 31 December 2014. The National Treasury furthermore announced that the FSOS Council had been requested to review the governance arrangement in respect of the OSTI Board. It is expected that the findings of the FSOS Council will be completed within 60 days of the press release.

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5. TRANSFORMATION – FINANCIAL SECTOR CHARTER (FSC)

The draft Financial Sector Code document arising from Phase 2 of the Financial Sector Code update process was approved by the constituent members of the Financial Sector Charter Council and submitted to the Minister of Finance towards the end of December 2011.

A letter, dated 13 February 2012, has been received by the Chairperson of the FSC Council from the Minister of Trade and industry confirming that the application for the gazetting of the Financial Sector Code has been approved in terms of section 9(5) of the Broad Based Black Economic Empowerment Act, as requested by the Minister of Finance.

The Minister of Trade and Industry has stipulated that the gazetted draft code would be open for public comment for a period of 60 days from the gazetting date.

The draft Financial Sector Code was published in the Government Gazette on 2 March 2012.

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6. MOTOR

6.1 Open Road Tolling

A court application was filed on Friday 23 March 2012 to stop tolling in Gauteng, the Opposition to Urban Tolling Alliance (Outa) said. Outa is composed largely of motoring industry associations, including the Retail Motor Industry (RMI) and the SA Vehicle Rental and Leasing Association (SAVRALA). The SA National Consumers' Union (Sancu) and the Quadpara Association of SA are also supporting the application, their representatives said.

"It is a sad day when a nation's government develops a tense and threatening relationship with its people, when trying to force an unjust and unpopular decision into being," group spokesman Wayne Duvenage said.

The fuel levy could be used to pay for the Gauteng Freeway Improvement Project at an additional cost of between eight and ten cents per litre of fuel, he argued. If tolling of major roads in Gauteng went ahead, other provinces could expect the SA National Roads Agency Limited (Sanral) to finance their roads in the same way.

Duvenage said between 25% and 30% of Gauteng's four-million vehicles used the proposed toll routes daily.

Sanral itself estimated there would be 2.5-million transactions every day. Around 10% of number plates were incorrect, which would

Gauteng Tolls

result in some vehicle owners being liable for charges they did not incur, said Duvenage.

Sancu spokesman Cliff Johnson said the union believed the public participation process that led to the decision to toll Gauteng's roads had been inadequate. It objected to the "agreement" between consumers and Sanral, which placed the onus on consumers to prove they were not liable for fees Sanral charged

Tolling is scheduled to start on April 30, according to the court papers. Outa's application is scheduled to be heard on April 24. The alliance also wants the court to set aside the decision to toll.
Court papers were being served on Sanral, as well as Transport Minister Sbu Ndebele, Water and Environment Affairs Minister Edna Molewa and her director general, Gauteng transport MEC Ismail Vadi, and the National Consumer Commission.

Source: Sapa

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7. SOLVENCY ASSESSMENT AND MANAGEMENT (SAM) INITIATIVE

SAM Timeline

By now everyone should know that the **final date** for full implementation of the SAM framework has been **changed from 1 January 2014 to 1 January 2015**. This means that all insurers and reinsurers are required to fully implement the SAM framework by 1 January 2015. The FSB indicated in their "Solvency Assessment and Management 2012 update" that the SAM framework and the existing regime should run in parallel during 2014. Final specifications on the "parallel run" has not been finalised and will be communicated at a later stage.

Although the final implementation date has been revised, insurers and reinsurers are kindly encouraged not to interpret this as an opportunity to relax their implementation efforts in anyway. The 2015 implementation deadline remains onerous, as there is still a lot of effort required in relation to the development and implementation of the framework.

Interim Measures

Interim measures regarding the prescribed requirements for the calculation of the value of the assets, liabilities and capital adequacy requirements of short-term insurers (Board Notice 169 of 2011) have been issued by the FSB. Further interim measures pertaining to insurance groups, governance, risk management and internal controls for short-term and long-term insurers are expected **to take effect from 1 January 2013**. It should be noted that this timeline will be subject to the timing of the key stages involved in the promulgation of the Amendment Bill.

FSB Pillar II Readiness Assessment

The FSB has indicated that they will be conducting a Pillar II readiness assessment during the course of 2012. The exact detail of the exercise is still being developed, but it is envisaged that the exercise will consist of a survey, followed up by targeted interviews at the insurers and reinsurers to understand what developments are taking place and how they are preparing themselves for Pillar II. The results of the survey will be confidential and a report on the findings of the Pillar II Readiness exercise will be released by the FSB towards the end of 2012.

SAIA also want to remind all insurers and reinsurers that the final Pillar II requirements are likely to be more challenging than the other pillars. This area will require adequate planning, preparation and review.

❖ Pillar II consists of the following:

- Governance
  - Corporate Governance
  - Risk Management frameworks
  - Internal Control frameworks
  - Remuneration policies and practices
  - System of governance (the four control functions)
  - Outsourcing
  - Governance specifics for insurance and reinsurers planning to use an internal/partial model for regulatory capital purposes
- Regulatory stress-testing and scenario-analysis
- Own Risk and Solvency Assessment (on Insurance Group and licenced level)
- Internal Model use-test requirements

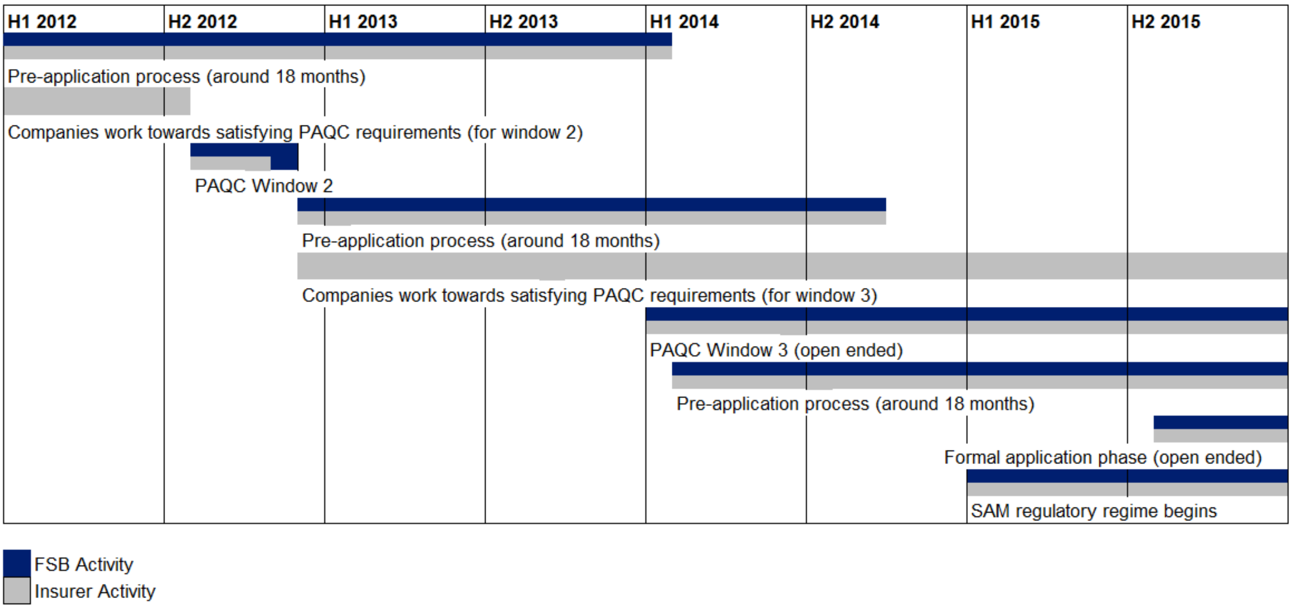
The assessment will be a compulsory assessment and will also be used to guide transitional arrangements.

Internal Model Approval Process (IMAP)

❖ Window Two:

Due to the final SAM implementation date being revised to 1 January 2015, the timeline for the approval of internal models has also been revised. The second window where insurers and reinsurers have the opportunity to submit their Pre-Application Qualifying Criteria (PAQC) to the FSB will be open from 1 August 2012 to 31 October 2012. Once all PAQCs have been received, the FSB will communicate decisions back to the insurers and reinsurers by 30 November 2012.

The open-ended PAQC window 3 will start 1 January 2014. The figure below illustrates the various changes to the SAM roll-out timeline.



Quantitative Impact Studies (QIS)

SA QIS 2 will be conducted during 2012, with the FSB releasing the technical specification for SA QIS 2 by the end of May 2012. Insurers and reinsurers who elect to participate in the exercise will be required to submit their QIS returns to the FSB in September 2012. It is anticipated that participation in SA QIS 2 will be larger and more challenging than that of SA QIS 1. A report on the results and findings of SA QIS 2 will be released by the end of 2012.

SA QIS 3 will be conducted during 2013, and insurer and reinsurers participation in the exercise **will be compulsory**. The FSB will issue the technical specification by the end of May 2013, and all participants will be required to submit their SA QIS 3 returns in September 2013. A report on the results and findings of SA QIS 3 will be issued by the end of 2013.

Discussion Documents and Position Papers

❖ Final Position Papers

At the FSB's SAM Steering Committee meeting held on 29 February 2011 the following Position Papers were adopted and considered as final Position Papers. These papers are now closed to further comment and will be considered by the FSB as part of the Subordinate Legislation.

Final Position Paper	Task Group
Position Paper 12: **Title** High-Level principles of information to be received by the supervisory authority	Reporting & Disclosure
Position Paper 22: **Title:** Considerations of mandating an external audit	Reporting & Disclosure
Position Paper 23: **Title:** Supervisory enquiries	Reporting & Disclosure
Position Paper 24: **Title:** Information on contracts and from external experts	Reporting & Disclosure

❖ Position Papers

Discussion Documents that have been in the public domain for comment will eventually take the form of a Position Paper before becoming legislation. At the FSB's SAM Steering Committee meetings held on 05 December 2011 and 29 February 2011 the following Discussion Documents were approved for adoption as Position Papers:

Position Paper	Task Group
Position Paper 16: **Title:** Single group-wide Regulatory Return	Reporting & Disclosure
Position Paper 21: **Title:** Process of Reporting and Disclosure	Reporting & Disclosure
Position Paper 33: **Title:** Regulatory Balance Sheet: Detailed content of SFCR and RTS	Reporting & Disclosure
Position Paper 34: **Title:** Own Risk and Solvency Assessment	ORSA & Use Test
Position Paper 35: **Title:** Use Test	ORSA & Use Test
Position Paper 36: **Title:** Detail Contents of SFCR and RSR: Capital Management	Reporting & Disclosure
Position Paper 43: **Title:** Internal Models: Validation	Internal Models
Position Paper 49: **Title:** SFCR and RSR: Executive Summary, Business and Performance	Reporting & Disclosure
Position Paper 51: **Title:** Detailed contents of SFCR and RSR: System of Governance	Reporting & Disclosure
Position Paper 52: **Title:** Solvency Financial Condition Report (SFCR) and Report to Supervisor (RSR) Detailed Requirements - Risk Profile	Reporting & Disclosure
Position Paper 54: **Title:** Internal Models: Model Governance	Internal Models
Position Paper 55: **Title:** Internal Models: Statistical Quality and Calibration	Internal Models
Position Paper 56: **Title:** Internal Models: Documentation and Data Requirements	Internal Models
Position Paper 57: **Title:** Partial Internal Models	Internal Models

❖ Discussion Documents

At the FSB's SAM Steering Committee meetings held on 05 December 2011 and 29 February 2011 the following Discussion Documents were approved for industry comments.

Discussion Document	Task Group
Discussion Document 32: **Title:** Methods and Approaches to best estimate liabilities	Technical Provisions
Discussion Document 37: **Title:** Risk Margin	Technical Provisions
Discussion Document 39: **Title:** Assets and liabilities other than technical provisions	Assets and Other Liabilities
Discussion Document 41: **Title:** Contract Boundaries	Technical Provisions
Discussion Document 42:	Technical Provisions

Discussion Document	Task Group
Title: Calculation of technical provisions as a whole	
Discussion Document 47: **Title:** Equity Risk	Capital Requirements
Discussion Document 71: **Title:** System of Governance	Governance
Discussion Document 73: **Title:** Treatment of new business in SCR	Capital Requirements
Discussion Document 75: **Title:** Treatment of risk-mitigation techniques in the SCR	Capital Requirements
Discussion Document 77: **Title:** Removal of Health SCR Module in SAM – Draft outline	Capital Requirements

☞ **Further information: Nico Esterhuizen**
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8. SHORT-TERM INSURANCE DATA EXCHANGE (STRIDE)

STRIDE update

The STRIDE team is focussed on assisting the industry to implement the ACORD standards and to interact through STRIDE. Below is a high level engagement model to give you an idea of the level and frequency of interaction required to ensure its successful integration.

Please contact us today to start this process in your organisation and put you at the forefront of this new industry development.

Type of Engagement	Format	Your resource	Desired Outcome
Introductory meeting	Informal meeting to introduce the team and determine way forward	Business & IT representative	Contact details for project manager/support office. Internal communication and prioritisation.
Project initiation	Informal meeting to discuss resource requirements, process going forward and specific requirements	Project manager/ Office	The creation of a project team, co-ordination of future meetings
Technical workshop	Formal workshop regarding development, testing and implementation requirements and time lines	Project team	Development commence
Project progress meetings	Formal project progress meetings to obtain an update on progress and issues	Project team	On-going development

	experienced		
Business feedback meetings	Informal meetings with management to report on progress and other STRIDE related issues	Business & IT representative	On-going internal prioritisation and buy-in
ACORD Mapping	Identify a suitable way forward for mapping to take place (in-house/outsourced)	Business/data analyst	Mapping of client data to ACORD proceed
Testing	Formal meeting with test team to finalise testing process	Project team	Successful completion of testing
Acceptance	Formal acceptance of client development and mapping according to scope	Project team	Move to implementation
Implementation	Formal meeting with business and IT regarding implementation	Project team	Successful implementation
Follow-up	Informal meetings with management to determine overall success of the process and value of the solution	Business & IT representative	Identify future requirements

We are ready to talk to you about your implementation; are you? Contact us today to start the process.

If you want to participate in this project, please contact me or visit our website at www.stridesa.co.za.

☞ **Further information : Jenny Theunissen**
✉ **jenny@stridesa.co.za**

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9. PRESS CLIPPINGS

9.1 Press Clippings: February 2012

Publication	Person/DN	Subject
Cover' February 2012	# 101625 # 101626	▪ Short-term : The effects of the 2011 catastrophes and the effect on the 2012 **reinsurance** renewal ▪ Short-term **: Climate Change** –the insurance industry post - 2011
Riksa February' 2012	# 101769 *SAIA	**South African Special Risks Insurance Association (SASRIA):** Strike!

FAnews 7/2/2012	# 101100 *Debbie	**Strategy Risk Forum:** A different take on short-term insurance risk
Business Day 9/2/2012	# 101124	**Insurance Brokers** see growth in insurance sector, says survey
Citizen 9/2/2012	# 101125	**State of the market:** Big insurance players losing share – Direct Writers: Increasing
IOL 9/2/2012	# 101138 *SAIA	**Vehicle Security Industry**: Toyota beefs up anti-theft security
Business Day 13/2/2012	# 101171	**Consumer Protection Bill:** New insurance regulations affect free choice
Business Day 14/2/2012	# 101180	'More work needed' on **mortgage default insurance**
Business Live 14/2/2012	# 101292 *SAIA	**Motor Insurance Industry:** Fraudulent claims rise due to 'remote jamming'
Beeld Sakenuus 15/2/2012	# 101293	**Floods & Storms:** Thaise vloed-eise is tot $20 miljard – Skade is van die duurste nog – Lloyds
Business Day 15/2/2012	# 101294	**Santam** stock jumps despite update on decline in earnings
FAnews 16/2/2012	# 101334 *SAIA	**Binder Regulations:** Getting to grip s with new binder regulations
Business Report 20/2/2012	# 101387	Pensioners ' likely to benefit most from **National Health Insurance (NHI)'**
Business Day 21/2/2012	# 101409	**State of the market:** Insurers urged to 'created their own future'
Star 21/2/2012	# 101411	**Motor Insurance Industry:** Insurers not obliged to pay in jamming cases
Business Day 22/2/2012	# 101422	**Santam** seeking 'small deals 'to stay under regulatory radar
Business Day 22/2/2012	# 101423	**Mutual & Federal** targets growing African market
Beeld Sake24 22/2/2012	# 101421	**Wet op die Administratiewe Beregting van Padverkeersmisdrywe (Aarto) :** Minder ongelukke in stede gemaak
FAnews 22/2/2012	# 101427	**Ombudsman for Short-term Insurance (OSTI):** New short-term ombudsman will meet challenges head on
Citizen 23/2/2012	# 101530	Cabinet has approved the **Financial Services Laws General Amendment Bill,** intended to make the financial sector 'safer'
Business Live 24/2/2012	# 101481	Finance Minister reappoints members of **Financial Services Ombud Schemes (FSOS)** Council
Business Day 27/2/2012	# 101484	**Infrastructure** spin-offs for insurers
FAnews 28/2/2012	# 101484 *SAIA	**State of the Market:** Short-term insurers must innovate to maintain underwriting margins
Business Report 29/2/2012	 # 101512 *Barry # 101513 *Viviene # 101514 *Suzette # 101515	**Special Projects**: ▪ South African Insurance Association (SAIA) sets high standards and fair deals ▪ Motor insurance import to industry and public ▪ Fair treatment for customer a priority ▪ Industry vital to ensuring sustainability

	*Debbie	
Business Day 29/2/2012	# 101519	**Santam** shares jump on fifth special dividend

☞ **Further information : Sonja Etsebeth**
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10. CIRCULARS

The following circulars were issued during the month of February 2012: (Number of circular, title, date issued and contact person)

10.1 SAIA General

SG 2012/011 Plain Language drafting in light of the Consumer Protection Act, Act 68 of 2008 (2/2/2012)
Contact: Denzil Ohlson

SG 2012/012 Regulation 4, Section 45 of the Short-term Insurance (Act 53 of 1998) Register to the Status of the Credit Intermediaries (16/1/2012)
Contact: Princess Mlambo

SG 2012/013 Circular on Afrikaans Level 1 Regulatory Examinations (RE) 10/2/2012)
Contact: Denzil Ohlson

SG 2012/014 SAIA Consumer Education Initiative 2012: Member Contribution (17/2/2012)
Contact: Lelo Ntshalintshali

SG 2012/015 Afrikaans Regulatory Examination (RE) Level 1: Venues (14/2/2012)
Contact: Denzil Ohlson

SG 2012/016 FAIS Circular 2/2012 on Regulatory Examination ("RE") Level 1 Roll out notice: RE 3 (Key Individual: Category II and IIA) (24/2/2012)
Contact: Denzil Ohlson

SG 2012/017 Financial Services Board Special Report on the Results of the Short-term Insurance Industry: December 2011 (27/2/2012)
Contact: Sonja Etsebeth

SG 2012/018 Invitation to Provide Nominations to the SAIA Fire Services Investigation Committee (29/2/2012)
Contact: Debbie Donaldson

10.2 AMUSA

AM 2012/006 Casualty Advice: "CHEMICAL PROGRESS" (3/2/2012)
Contact: Elsebe Vetten

AM 2012/007 Casualty Advice Update: ''LE SHAN'' (3/2/2012)
Contact : Elsebe Vetten

AM 2012/008 Piracy Advice : ''FREE GODDESS'' (11/2/2012)

Contact : Elsebe Vetten

AM 2012/009 Casualty Advice: "NINA P" (15/2/2012)
Contact : Elsebe Vetten

AM 2012/010 Casualty Advice: "PHANTOM" (17/2/2012)
Contact : Elsebe Vetten

AM 2012/011 Piracy Advice : "FOURSEAS SW" (17/2/2012)
Contact : Elsebe Vetten

AM 2012/012 Casualty Advice Update : "LE SHAN" (17/2/2012)
Contact : Elsebe Vetten
AM 2012/013 Piracy Advice : "LEILA" (21/2/2012)
Contact : Elsebe Vetten

AM 2012/014 Update Casualty Advice : "LE SHAN" (23/2/2012)
Contact : Elsebe Vetten

10.3 Motor

MT 2012/001 Draft Tow Truck Policy (Green Paper) As prepared by the Gauteng Department of Roads and Transport (21/2/2012)
Contact : Dawie Buys

10.4 SAIA Managing Directors

MD 2012/003 The South African Insurance Association (SAIA) Business Report Corporate Profile (2/2/2012)
Contact : Lelo Ntshalintshali

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