



SAIA
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 South African Insurance Association
Bulletin

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1.0	LATEST NEWS	2
1.1	How insurers can attract and retain top finance talent	2
1.2	International qualifications and FSB recognition.....	3
2.0	IMAGE AND REPUTATION	5
2.1	SAIA Consumer Education Projects 2012.....	5
2.2	Functions planned for 2012.....	5
3.0	SUSTAINABILITY	6
3.1	Principles for a Sustainable Short-term Insurance Industry	6
3.2	A public private partnership for crop insurance.....	7
3.3	Green Geyser Replacement Project.....	7
4.0	LEGISLATION & REGULATION	8
4.1	Financial Services Laws General Amendment Bill.....	8
4.2	Short-Term Insurance Act (“STIA”)	8
4.3	Treating Customers Fairly	9
4.4	International Association of Insurance Supervisors (“IAIS”).....	9
4.5	Financial Advisory and Intermediary Services Act.....	10
5.0	PROJECTS	10
5.1	Open Road Tolling.....	10
5.2	COSATU – Concerned Business Meeting.....	13
5.3	Towing.....	13
6.0	TRANSFORMATION	15
6.1	The Financial Sector Charter.....	15
7.0	SOLVENCY ASSESSMENT AND MANAGEMENT (SAM) INITIATIVE	17
7.1	The Second South African Quantitative Impact Study (“SA QIS2”).....	17
8.0	PRESS CLIPPINGS	18
8.1	Press Clippings: February 2012.....	18
9.0	CIRCULARS	20
9.1	SAIA General.....	20
9.2	AMUSA.....	21
9.3	SAIA Managing Directors.....	21
9.4	Motor.....	21

1.0 LATEST NEWS

1.1 How insurers can attract and retain top finance talent

Talent management - a major industry issue

The war for talent continues. Findings of PwC's 15th Annual Global CEO Survey show that CEOs recognise their current strategies for managing talent no longer fit:



- 83% of CEOs say that they will make a change to their talent strategy; and

- The majority of CEOs (66%) fear talent shortages will constrain organisational growth.

The situation in the South African insurance industry is no different.

In PwC's South African Insurance Survey, released in June 2012, the two most sought-after executive professional positions identified were specialist underwriters and

actuaries followed by capital management and risk management professionals.

Non-executive directors and audit committee members are also in high demand. Of the 12 different human resource positions included in the survey of 29 companies, 10 scored above three out of a maximum of five, suggesting that talent shortages exist across the industry.

The lack of skilled resources also remains an important challenge for companies expanding into the rest of Africa, ranking third behind regulatory restrictions and cultural issues.

It has been said that the reputation of insurance companies as employers of choice trails behind other sectors and that the industry does not do enough to promote itself as a desirable career destination. For this reason there is a need to focus on the employee value proposition as an industry as much as on an individual organisation basis.

A challenge, particularly for the smaller insurance companies, is creating career paths and on-the-job development opportunities in lean structures and with limited budgets.

Some companies seem to favour external hires into key roles over promoting from within. While the injection of talent from outside has benefits for all, it can also have a negative effect on morale. In addition, developing a pipeline of talent internally is a cost-effective way to engage employees and leverage the experience and knowledge that the organisation has invested in through existing employees.

Another significant challenge, particularly in small organisations, is the need to balance retaining strong performers who do not wish to progress beyond their current role with ensuring that this does not block the progress of emerging talent.

[Back to Index](#)

How insurers can succeed

Every insurance business is different and there is no one solution that fits all when it comes to optimising talent management.

The ability to be differentiated in attracting quality people is more challenging than ever, given the different generational motivations. The success of an employee value proposition rests on being responsive to the various motivations and needs of the changing workforce demographics.

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[Back to Index](#)

1.2 Occupational Qualifications

International qualifications and FSB recognition

There are numerous international qualifications recognised by the FSB for FAIS purposes which are not registered with SAQA on the NQF, or require a SAQA equivalence. There are approximately 30 such qualifications on the FSB's list. Some examples of such qualifications are the:

- Chartered Financial Analyst
- Certificate of the CII and
- Diploma of the CII

The purpose of such recognition is to allow portability of skills from overseas, thereby not hindering the employment of foreign nationals. It is therefore important for businesses to realise that people with such qualifications cannot be denied employment in the industry based on their qualification, or forced to produce SAQA recognition, as this is not an FSB requirement.

These qualifications are recognised by the FSB based on the relevance of the content of the qualification to the industry, and not based on SAQA equivalence.

Employment obstacles

It has been noticed that businesses have been refusing people employment on the basis of job seekers not having 30 or 60 credits. It is necessary to note that the 30/60 credit requirement was only a transitional arrangement for those who we appointed in the industry up until the 31st of December 2009.

[Back to Index](#)

All new appointments in the industry, since the 1st of January 2010, need to obtain a full qualification within a maximum of 5 years from date of appointment on the representatives register. There is a list of approximately 900 qualifications, published by the FSB, providing choice as to what qualifications people may study. They can study and gain their experience whilst working under supervision. This raises the important point that the 30/60 credit requirement no longer applies to new entrants.

The only time the 30/60 credits will apply is when recruiting a person who was already appointed on a representative's register prior to 31 December 2009.

Employers with a practice of denying a person employment simply because they do not have 30/60 credits, could face a potential CCMA case for unfair labour practices.

Continuous Professional Development (CPD)

Now that the IISA have officially launched their CPD Programme at Conference this year, how can Companies get involved, and how does this affect you?

There is no reason for Companies not to register their programmes directly with the FSB. Anyone could register their CPD activities directly with the FSB, however there are other implications to consider in making such a decision, such as the FSB's requirement to:

- Have a system which adheres to the specifications of the FSB;
- Upload records directly to the FSB monthly; and
- Pay an annual fee to the FSB for recognition of the activities offered.

The FSB have always stated their intention to work with Professional Bodies on CPD and that where a Professional Body have a CPD programme in place, that the Professional Bodies would carry recognition from the FSB to the extent that if a person maintains their Professional Designation through CPD as determined by the Professional Body, that they person would then have complied with the Fit and Proper requirements.

This is also evidenced in the fact that two of the six honesty and integrity criteria relate to Professional Bodies, in having been found guilty by a professional body, or having membership denied by a professional body.

Therefore the IISA have ensured that all activities and rating would suffice the FSB criteria as a minimum whilst upholding a Professional Standard.

The IISA's approach is to be the core facilitator of CPD for the Short Term Insurance Industry in requesting that companies have their programmes registered with the IISA for CPD purposes, in which case the requirements of systems, monthly uploads and payments, are done by the IISA for the industry.

The IISA can assist in providing monthly FSB uploads for all activities registered, and can also provide Company reports based on activities completed by employees.

So when does CPD officially start? We are awaiting the release of a Board Notice shortly from the FSB for confirmation for compliance purposes, and for professional purposes, only once the professional designations are registered with SAQA.

[Back to Index](#)

So why did the IISA launch 'early'? To ensure that a CPD platform existed for the industry, and to give recognition to the many activities we already do that would carry CPD recognition. There are many activities that many people in the industry already participate in that simply need recognition for them to earn their CPD.

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2.0 IMAGE & REPUTATION

2.1 Consumer Education

Teacher Development Project

The research phase of the Teacher Development Project (iCount) is in its final stages, with service provider Bright Media consolidating the teacher workshops' report. The research includes the impact on the financial literacy of both teachers and learners, while also evaluating the effectiveness of the iCount project on the education system. The final report will be submitted to the SAIA at the end of June.

The Community Radio Project

The education drama series is still running on Thobela FM on Sunday evenings, with audiences showing a great deal of interest on the topics raised. We are thankful to all the insurance experts from our member companies who have volunteered to answer questions from listeners during the live call-ins. The last drama episode will be aired on 5 August 2012.

Project Audit

Grant Thornton has finalised its audit report on the Community Awareness Project, implemented by service provider, Comutanet. The report has been submitted to the SAIA who are currently reviewing it. Grant Thornton will next conduct an audit on Bright Media for the Teacher Development Project.

Consumer Education Initiative 2012/13

Over nine million rand has been pledged by SAIA members for the 2012/13 Consumer Education Initiative. Service providers have also submitted their proposals to the SAIA and after a selection process; the SAIA drafted a proposal to the Consumer Education Committee, making its recommendations on which projects to implement for this campaign. The Committee will meet at the end of June to make a final decision after which contracting of service providers will commence.

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[Back to Index](#)

2.2 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.

- SAIA Annual General Meeting and Cocktail Function - 24 July 2012
- SAIA/FIA Board Liaison Lunch – 15 November 2012

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3.0 SUSTAINABILITY

3.1 Principles for a Sustainable Short-term Insurance Industry

The South African Insurance Association is one of the first associations to sign up to the Principles of Sustainability as adopted this year in June at the United Nations Environmental Program Financial Initiatives (UNEP FI) Rio + 20 Sustainability Conference held in Brazil .

This journey started in 2010 when SAIA members participated as the first country in holding discussions on the sustainable principles of insurance.

Quote by CEO SAIA: Barry Scott

The principles of sustainable insurance make good business sense for our members and our Association. The application of the principles within the South African Insurance Association (SAIA) has added value across all our efforts from planning to implementation as well as the manner in which we engage with our value chain. Essentially the principles of sustainable insurance have become a way of “doing” at SAIA.

For a brochure on the principles please click on www.saia.co.za

The principles for sustainable insurance include:

1. Analysing environmental, social and governance (ESG) risks as part of your company’s strategic planning and building relevant responses into your planning to address these risks
2. Sharing these risks with your supply chain
3. Sharing these risks with stakeholders in the broader society
4. Reporting on the measurement and outcome of your efforts in reducing these risks.

[Back to Index](#)

Members of the SAIA management team were recently invited to a round table discussion held by Etana where they presented 4 scenarios to the future of our country and the industry. These scenarios are the outcome of input obtained from several stakeholders to the industry. In line with the SAIA efforts to build insight and understanding into the short-term insurance industry's ESG Risks these scenarios may be of interest to you.

You can link through to the scenarios at <http://www.etana.co.za/scenarios/details-scenarios/>

3.2 A public private partnership for crop insurance

The SAIA Agricultural Technical Committee has been meeting with several stakeholders to agricultural insurance in understanding their views and contributions to a potential 3 pronged approach being tabled through SAIA:

1. A public private partnership (PPP) with regards crop insurance
2. Agricultural Insurance Law to specifically address a PPP
3. A central mechanism through which this process will be managed.

Meetings have been held with government, formal agriculture and other stakeholders in this regard. National Treasury is investigating the appetite within government to engage formally with SAIA and the stakeholders (particularly the farmers and the Department of Agriculture). The SAIA is designing a terms of reference for consideration by all the parties on a financial study to be conducted for South Africa given the unique South African circumstances we would need to consider in this process.

This initiative together with the other sustainability drivers the SAIA is working on was presented at the Insurance Conference held in Sun City. To access the presentation done by John Melville: Chairman of the Strategic Risk Forum please go to the SAIA website at <http://www.saia.co.za/info-center/media-release/2012/06/11/sustainability-of-th/>

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3.3 Green Geyser Replacement Project

Participating SAIA members have completed company specific impact analyses of the GGRP based on the business model agreed to during Phase 1. This has been an important phase for these insurers, which provide homeowners cover, to earnestly consider the viability of proceeding to prepare for implementing a green geyser replacement programme in their businesses.

[Back to Index](#)

The majority of participating insurers have to date agreed to proceed to phase 3 (preparation for implementation) pending certain key approvals from the SAIA board on the 5th of July – those being:

1. Agreement with the unique government subsidy / rebate proposal tabled by the GGRP project team to support the funding of green replacements.
2. Approval that a “Green Code of Conduct” to guide green replacements in the short-term insurance industry be incorporated in the SAIA code of conduct
3. Approval to support the establishment of regulation to drive green geyser replacements by 2017.

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4.0 LEGISLATION & REGULATION

4.1 Financial Services Laws General Amendment Bill (“FSLGAB”)

The FSLGAB or Omnibus Bill that updates eleven financial sector acts is expected for publication in 2012. The primary objective of the Omnibus Bill is to ensure that during the transition to the twin peaks model of regulation, South Africa has a more sound and better regulated financial services industry that promotes financial stability and enhance 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 Omnibus Bill will in addition include a provision to carve-out insurance legislation (Short-term Insurance Act (“STIA”) and Long-term Insurance Act (“LTIA”)) from the ambit of the Consumer Protection Act (“CPA”), before the October 2012 deadline, provided for in schedule 2 of the CPA.

4.2 Short-Term Insurance Act (“STIA”)

Binder Regulations

The implementation of the Binder Regulations gave rise to a concern of possible undesirable market practices in the insurance industry in respect to the payment of binder fees which are inconsistent with the objectives and broad principles of the Binder Regulations, namely: accountability of the insurer, responsible outsourcing, policyholder protection and avoiding conflict of interest. These challenges led to the constitution of a “*Binder Regulation awareness and readiness*

Task Team” by the FSB in collaboration with the SAIA, Financial Intermediaries Association (“FIA”), The Association for Savings and Investment South Africa (“ASISA”), the South African Underwriting Managers Association (“SAUMA”) and STRIDE.

In addition it is expected that the FSB will circulate an Information letter in respect of the binder fee market practices shortly.

[Back to Index](#)

Third party cell captive insurance

Following the publication of an information letter on 20 October 2011 by the FSB informing third party cell captive insurers that the Registrar would be undertaking a process of aligning and revising the registration conditions of cell captive insurers during 2012, the FSB is expected to submit a discussion document to industry for comment shortly.

4.3 Treating Customers Fairly (“TCF”)

The publication of the TCF self-assessment is close to completion and it is expected that the FSB will publish this self-assessment to industry shortly. The TCF self-assessment will serve as a baseline exercise on TCF readiness to both the FSB and the individual insurer.

The SAIA is actively participating on the FSB’s TCF Regulatory Framework Steering Committee, with a view to making recommendation regarding the TCF Regulatory Framework. In addition the SAIA has established a SAIA sub-committee to address the implementation of TCF and supporting the TCF project.

The FSB’s TCF Steering Committee comprises six work streams per TCF Outcome with a view to identifying gaps and inconsistencies and making recommendations to this Steering Committee. These work streams will review the regulatory analysis collated by the Phase 1 work streams that have been done per industry sector. The work stream representatives include members of industry.

[Back to Index](#)

4.4 International Association of Insurance Supervisors (“IAIS”): SAIA Observer membership and the International Network of Insurance Associations (“INIA”)

On 12 January 2012 the SAIA received confirmation that its application for IAIS Observer membership has been provisionally approved by the IAIS Executive Committee. According to the IAIS by-laws the official approval of the SAIA Observer membership will follow at the IAIS Annual General Meeting scheduled for 10-12 October 2012.

Pending the final approval the SAIA will receive all of the benefits of Observer membership including access to IAIS papers and announcements distributed. The SAIA will be participating in the official consultation procedure for Insurance Core Principals (“ICP’s”) and participate in IAIS seminars and conferences.

The aim of the IAIS is to work with financial sector standard-setting bodies and international organisations to promote financial stability globally. The Financial Services Board is currently a member of the IAIS, together with most international regulators.

The IAIS develops principles that are fundamental to effective insurance supervision. These principles identify areas over which the insurance Supervisor/Regulator should have authority or control and the basis on which standards are developed. These principles are reflected in IAIS Insurance Core Principles (“ICP’s”).

[Back to Index](#)

Observer members have access to the IAIS Working Party and Committee meetings and the opportunity to comment on and give input into draft regulatory standards and guidance material.

The SAIA has also participated, along with other Insurance Associations, in the International Network of Insurance Associations (“INIA”). Collaboration with other international Insurance Associations, including Insurance Europe, facilitates the SAIA in gaining knowledge of international issues and responding accordingly. The INIA represents 42 insurance associations from 68 countries over 5 continents. At the recent meeting of the INIA it was agreed to establish an International Federation of Insurance Associations (“IFIA”).

The INIA has constituted eight working groups with a view to participate on an international level on issues of common concern. The eight working groups are as follows:

- Trade issues
- Accounting standards
- Comframe
- Insurance Regulation and Systemic Risk
- G20
- Natural Catastrophes
- Market Conduct
- Financial Inclusion

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[Back to Index](#)

4.5 Financial Advisory and Intermediary Services Act, 2004 (“FAIS”)

Regulatory Examination Statistics

The FSB published statistics relating to the RE’s during April, May and June 2012. The statistics have differed somewhat in each release due to different variables being considered by the FSB in compiling the statistics.

The latest media release was published on 6 June 2012. It must be noted that the statistics are split into two groups, namely those representatives (“reps”) and key individuals (“KI’s”) who have to write the exam by 30 June 2012 and pass by 30 September 2012, and those reps and KI’s who entered the industry after 1 January 2010 who do not have to comply with the aforementioned dates. The FSB Press release dated 4 June 2012 offers the following tables of statistics:

[Back to Index](#)

Representatives	Numbers Affected
Representatives required to meet the June 30 th deadline	62 835
Representatives that have written the exam	51 790 – (82.42%)
Representatives that have passed the exam	35 646 – (68.82%)
Representatives that must meet the June deadline	11 045 – (18%) ¹
Representatives that are “new entrants” that do not have to meet the June deadline.	44 899 – (41.67%)

Afrikaans Level 1 Regulatory Examinations

At the SAIA/ FSB/ Department of Treasury Liaison meeting held on 23 May 2012, the FSB reported that as at that date a total of 1073 candidates had registered to write the Afrikaans RE, and a total of 293 candidates had attempted the Afrikaans examination.

Customised Level 1 Regulatory Examination

Board Notice 102 to the FAIS Act was published on 6 June 2012 entitled “*Exemption of Certain Persons from the Level 1 Regulatory Examination Requirements*”. In the context of short-term insurance, it provides a customised definition of short-term insurance policies and a corresponding exemption to representatives who provide financial services in respect of such short-term insurance policies as defined. To qualify for the exemption, such a representative would be required to register the exemption with the Registrar by **30 June 2012** (or upon application for authorisation in the case of an unauthorised financial services provider). Such representatives would then later have to successfully complete the customised Level 1 RE by a date to be determined by the Registrar.

Amendments to the FAIS Act

Many amendments to the FAIS Act have been proposed by the FSLGAB such as:

- Provision for Continuous Professional Development in the context of compliance officers
- Changes to the definition of “*financial product*”
- Changes to “*fit and proper requirements*”
- Changes to the definition of “*product supplier*”
- The inclusion of a definition of “*official website*” and together with this, the insertion of a definition of “*publish*” and a proposal that the publication of information on the FSB website should be given the force of law.
- The raising of the quantum of the potential penalty imposed under Section 36 of the FAIS Act from R1000 000-00 to R10 000 000-00.

[Back to Index](#)

The Department of National treasury has communicated that the Bill is intended to be presented to Parliament by 1 August this year with a view to promulgation by October.

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5.0 PROJECTS

5.1 Open Road Tolling

In the wake of the Gauteng e-tolls debacle both the Minister of Transport, Sibusiso Ndebele, and his Deputy, Jeremy Cronin, were replaced after President Zuma reshuffled his Cabinet on 12 June 2012. Ben Martins, a former ANC MP and a leader in the SACP, was promoted from Public Enterprises Deputy Minister to Minister of Transport and Sindisiwe Chikunga, long-time MP and chairperson of the National Assembly portfolio committee of police, was appointed as his Deputy.

In its reaction Wayne Duvenhage, Chairperson of the Opposition to urban Tolling Alliance (OUTA) stated: “We have no doubt that the interdicted e-Toll matter was a catalyst to these moves. There were times however, when we felt that both ministers were making the right noises and raising concerns about the choice of e-Tolling as the best mechanism to charge its citizens for road upgrades, which were very encouraging to our call for sanity to prevail on the e-Toll saga.”

He further declared that OUTA welcomes the new Minister of Transport, Ben Martins and his Deputy, Sindisiwe Chikunga to their new roles and trust that they will quickly get up to speed with the issues and challenges relating to the e-Tolling matter. It is important that they approach the e-Toll challenge with an open mind and be prepared to question the current e-Toll Government policy in order to resolve the bigger national challenges of road infrastructure, integrated public transport and road safety.

In another development Wayne Duvenhage resigned as CEO of Avis and for the time being will focus all his attention on the interdicted e-toll matter.

Deputy President Kgalema Motlanthe, who chairs the inter-ministerial committee, met with representatives of Business Unity South Africa (BUSA) and reiterated that the Government still believes in the “user pay” principal.

However questions remain about the cost of collection of e-tolls despite a meeting between the inter-ministerial committee on the Gauteng Freeway Improvement Project and the Road Freight Association (RFA) and car rental companies that form part of the SA Vehicle Rental and Leasing Association (SAVRALA). Wayne Duvenhage, Outa chairman, reportedly said that he was encouraged with the willingness of Deputy President Kgalema Motlanthe to listen to their concerns. He indicated that he had heard enough concerns and discussions to show that there is a need for a longer meeting to understand what is going on.

The Constitutional Court will hear arguments in the e-tolling case on 15 August 2012 on why it should grant leave to appeal the High Court judgement. On 28 April, the North Gauteng High Court handed down an order preventing the SA National Roads Agency Ltd (SANRAL) from levying or collecting e-tolls pending the outcome of a judicial review.

[Back to Index](#)

Last month, Finance Minister Pravin Gordhan applied to the Constitutional Court to set aside this court order. Gordhan argued that Judge Bill Prinsloo had ignored the principle of separation of powers. OUTA made it clear that they would vigorously defend this application.

We will keep our members posted of developments as the saga further unfolds.

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5.2 Congress of South African Trade Unions (COSATU) - Concerned Business Meeting

The SAIA as well as several of its individual members together with Government received an invitation from COSATU to a meeting to discuss the lack of transformation in procurement in different areas, including the motor body repair area.

This meeting took place in Cape Town on 19 June 2012. The SAIA represented our members as agreed, although one or two of our members who have not been closely involved in our processes attended as well. A memorandum of grievances/demands was handed to Government, but not to the industry.

The industry emphasized that it would prefer to address the sustainability of motor body repairers, and other related issues including the perceived lack of transformation regarding procurement in this area, through the DTI Forum. Other procurement issues will be dealt with separately.

A follow up meeting is planned in two months' time. The SAIA is awaiting a copy of the memorandum of grievances/demands handed to Government in order to get more details of the issues on the table. Following this, the SAIA will decide on the process to be followed to address these issues and our members will be informed accordingly.

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5.3 Towing

The process to regulate the Tow Truck Industry in Gauteng is proceeding slowly but surely and the SAIA as part of the Gauteng Tow Truck Steering Committee, provided valuable input on behalf of its members as far as the draft "Tow Truck Policy for Gauteng Province" is concerned.

Input from all stakeholders were consolidated and at the most recent meeting point 9.2 "Policy Statements" of the "Policy Framework" were discussed and the following "Policy Statements" were agreed upon in principal:

[Back to Index](#)

- Tow trucks will have to comply with specifications provided by the National Road Traffic Regulations (NRTR) and South African National Standards (SANS).
- All tow truck operators must be in possession of a valid tow truck permit.
- All vehicles removed from an accident scene must have pre-authorisation by the owner of the vehicle, driver, operator or a person who may lawfully take possession of such, except when there is a need to sufficiently allow the passage of traffic.
- Publishing of maximum allowable fees for towing, storage and other related activities.
- Support and promotion of emerging tow truck operators in terms of BBBEE.
- Government shall formulate a Code of Conduct.
- Establishment of a consultative forum.

From the debate that followed the following emerged:

- The South African Bureau of Standards (SABS), who had a representative at the meeting, will assist with the drafting of the standards and specifications. This is however a long process and can take up to 2 to 3 years.
- It was suggested that the existing operating card system be used in place of a permit and that a plate be fixed on both sides of the tow truck vehicles with all the relevant information for identification purposes.
- The publishing of maximum fees can be done by Government provided they get an exemption from the Competitions Commission and the representative of the Commission present confirmed that this should not be a problem.

On the way forward it was decided to continue with the process to finalise the regulations irrespective of the challenges which remain with the drafting of the standards. The draft "Tow Truck Policy" will be updated and will be discussed by all stakeholders at the next meeting and the Gauteng Province Department of Roads and Transport will gain clarity on various issues from the National Department of Transport.

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[Back to Index](#)

6.0 TRANSFORMATION

6.1 *The Financial Sector Charter*

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.

The Minister of Trade and Industry confirmed 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,

The Minister of Trade and Industry 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.

On 6 June 2012, the Charter Council received a summary of the public comments on the draft Code from the Chief Director of the BEE Unit at the Department of Trade and Industry. The 11 comments received can be summarised as follows:

- Comments were received from the Trade Associations or their members. These comments were largely in support of the draft Code.
- 1 comment was received from a retail federation seeking to ensure that their businesses are not inadvertently included in the scope of application of the Code.
- 1 comment was received from a small BEE investment holding company requesting further clarity in the Code of the rules applicable to small financial institutions.
- 2 comments were received from policy, research, regulation and financial access/consumer empowerment entities seeking further clarity on certain aspects of the access to financial services provisions in the draft Code.

This leaves 3 submissions which raised 3 primary concerns relating to BEE ownership:

- a) They call into question the use of equity equivalents to achieve a component of the target.
- b) They call into question the provisions crafted in the code which deal with the way in which BEE ownership is measured on exit of empowerment partners.
- c) They assert that the different rules on ownership for the financial sector will create a dangerous precedent which other sectors may follow.

In addition to the above, the three submissions also call into question the advisability of gazetting the final Financial Sector Code, at a time when the revised generic code is about to be released.

[Back to Index](#)

The Trade Association grouping at the FSC Charter Council has responded to the Minister of Trade and Industry, in relation to the concerns raised, and has urged the DTI to continue to engage the Charter Council on the finalisation of the Code in order to:

- a) Expedite the finalisation of this process
- b) Ensure that the final code continues to reflect the consensus agreement reached by all stakeholder groups and
- c) Ensure that the drafting results in a code that can be applied on an equitable and universally understood basis across the sector.

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White Bulletin

[Back to Index](#)

7.0 SOLVENCY ASSESSMENT AND MANAGEMENT (SAM) INITIATIVE

7.1 The SAIA SAM Financial Impact Survey

The Second South African Quantitative Impact Study (“SA QIS2”)

All the relevant Task Groups operating under the Financial Services Board (“FSB”) SAM Governance Structure were asked to provide input for consideration in drafting the SA QIS2 Technical Specifications. The adjusted SA QIS2 timelines as communicated in the FSB SAM Update Newsletter issued on the 12 April 2012 are as follows:

Phases	Date
Publishing of draft SA QIS2 technical specification for comment	31 May 2012
Final date for submission of comments	22 June 2012
Publication of final SA QIS2 technical specification	13 July 2012
Submission of results for solo calculations	15 October 2012
Submission of results for group calculations	5 November 2012
SA QIS2 report published by FSB	31 January 2013

SA QIS2 contains a number of differences when compared to SA QIS1. The FSB therefore released two copies of the SA QIS2 Technical Specifications, one version incorporating track changes and one clean version. This will assist those insurers that participated in SA QIS1 as well as those who have a solid grasp of Solvency II’s QIS5 to obtain a clear understanding of these changes.

The number of lines of business falling under segmentation has been significantly reduced and excluding a few exceptions is similar to the current authorisation classes in the Short-term Insurance Act. Insurers will notice that Accident and Health policies are not included under the Non-Life sections. It is the intention of the FSB to value and assess these policies in SA QIS2 using life-insurance techniques due to the nature of these policies having similar features to that of life products.

The capital charge for participations has been removed from the equity sub-module within the market risk module, and is now without any diversification benefit to the total Solvency Capital Requirements (“SCR”).

The parameters used in the premium and reserve risk calculation have been updated to be in line with the latest developments in Europe. The parameters however are still based on European data, therefore a data collection exercise is planned in order to collect specific data required for a South African calibration. The capital requirement for catastrophe risk, based on the standard scenario approach has been updated for both man-made and natural catastrophic events.

The SAIA and the Non-life Underwriting Risk working group operating within the SAM governance structure have collaborated to address this concern and will be hosting a data collection workshop in due course. The Champion of the Non-life Underwriting Risk working group will provide guidance and assistance as to the FSB’s data collection exercise, with specific focus on what is required by the short-term insurance industry at the proposed workshop. The SAIA will communicate further details to our members pertaining to this workshop as soon as more information becomes available.

[Back to Index](#)

SA QIS2 will require additional “operational ring-fenced funds” information. This additional information will apply to all cell-captive arrangements, including contingency policies and discretionary participating funds. “Operational ring-fenced funds” require insurers to calculate the Solvency Capital Requirements (“SCR”) for each of the different funds and to determine if each fund has sufficient “own” capital resources to cover the individual SCR’s.

☞ **Further information : Nico Esterhuizen**

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8.0 PRESS CLIPPINGS

8.1 Press Clippings: May 2012

Publication	Person/DN	Subject
Insurance gateway 1/5/2012	# 103057 *SAIA # 103061 # 103062	<ul style="list-style-type: none"> ▪ Operational Risks: Is the standard approach under the <u>Solvency Assessment Management (SAM)</u> regime too penal? ▪ FIA expresses dismay at draft <u>Health Insurance</u> demarcation regulation ▪ Motorists warned about <u>car pooling insurance</u> implications ahead of petrol price increase
Wealthwise Magazine 2/5/2012	# 103071 *Dawie	Compulsory <u>third party motor</u> property insurance
Insurance Gateway 2/5/2012	# 103072	<u>Health Insurance:</u> Alexander Forbes proposed inclusion of gap cover in amendments to Short-term Insurance Act
Springs Advertiser 4/5/2012	# 103209 *SAIA	<u>Compulsory Third Party Insurance:</u> Motor insurance costs increasing
Cover 5/5/2012	# 103184	<u>Medshield Distribution Services</u> to offer Short-Term Insurance
Star 7/6/2012	# 104066	<u>Protection of State Information Bill:</u> State rejects more info legislation changes
The New Age 7/5/2012	# 103257 # 103258 # 103259 # 103260 # 103622	<p><u>The New Age: Special Report:</u></p> <ul style="list-style-type: none"> ▪ <u>Cross-border</u> : SA’s porous, lawless border ▪ Barbaric border activity during the ‘hell run’ ▪ Welcome to Musina, the crime town ▪ Unmasking the border’s notorious guma guma gang ▪ The green, green grass of South Africa – With no border fence left, it is now literally a walk in the park for smugglers and illegal immigrants
Hi-tech Security	# 103293	<u>Motor Vehicle Security Association (VESA)</u> –

Solutions 7/5/2012		assisting the insurers in motor theft claims
FAnews 9/5/2012	# 103320 *Suzette/Barry	Industry Body (SAIA) comments on impact of health insurance proposals on consumers
Itinews 9/5/2012	# 103318 *Suzette/Barry	SAIA comments on impact of health insurance proposals on consumers – Severely limiting consumer choice and are susceptible to a constitutional challenges
Beeld 9/5/2012	# 103292	SA National Road Agency (SANRAL) : E-tol dalk finaal geskrap
Business Report 10/5/2012	# 103363	Motor industry exports beaten by import rise
Mail & Guardian 10 -17' 2012	# 103367	Protection of State Information Bill : Right to know still in the balance
Business Day 14/5/2012	# 103387	Basel 3 'to force banks to review funding'
Business Day 14/5/2012	# 103388	Business Law & Tax Review: ▪ National Consumer Act : Consumer committees to assist act's effectiveness
Cover 14/5/2012	# 103521 *SAIA	Stride delivers industry solution
Beeld Sakenuus 15/5/2012	# 103579	Vehicle Tracking Industry : Opsporingbedryf: Meedingkommissie wil reuse in hoogste hof pak
RiskSA Magazine 16/5/2012	# 103542	Vodacom to enter insurance market
FAnews 17/5/2012	# 103584 *SAIA	STRIDE delivers industry solution
Looklocal 30/5/20112	# 103723	Motor Industry : Car-remote jamming proves to be an expensive crime
FAnews 30/5/2012	# 103720	Adjudication of Road Traffic Offences (Aarto) : Unlawful drivers not only face licence suspension but severe insurance consequences too
Sabinet Law 30/5/2012	# 103719	Financial Services Bill in Parliament soon

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[Back to Index](#)

9.0 CIRCULARS

CIRCULARS

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

9.1 SAIA

- SG 2012/047 SAIA Submission on the Proposed Demarcation Regulations between Health Insurance Policies and Medical Schemes Published for Public Comment (2/5/2012)
Contact: Suzette Strydom
- SG 2012/048 Regulation 4, Section 45 of the Short-term Insurance (Act 53 of 1998) Register to the Status of the Credit Intermediaries (10/5/2012)
Contact: Princess Mlambo
- SG 2012/049 FINAL Draft Commentary on Draft Class Ruling for comment (9/5/2012)
Contact: Charles Hitchcock
- SG 2012/050 Third Party Claims and Third Party Recoveries (10/5/2012)
Contact: Dawie Buys
- SG 2012/051 Notification of SAIA Office Move (21/5/2012)
Contact: Charles Hitchcock
- SG 2012/052 Financial Services Board (FSB) Solvency Assessment and Management (SAM) Reinsurance Project Draft Research Document Outline (21/5/2012)
Contact: Suzette Strydom
- SG 2012/053 Requirements of the Short-Term Insurance Act No.53 of 1998 in Respect of Insurance Offered by Persons Acting in the Capacity of a Bailee (such as Couriers and Transporters) (23/5/2012)
Contact: Denzil Ohlson
- SG 2012/054 FAIS Information Circular 7/2012 Registration for Regulatory Examinations (23/5/2012)
Contact: Denzil Ohlson
- SG 2012/055 Invitation to Submit Comments: Draft SAIA Code of Conduct (29/5/2012)
Contact: Suzette Strydom
- SG 2012/056 Timeous Lodging of Section 8 (2)(d) Application (30/5/2012)
Contact: Charles Hitchcock
- SG 2012/057 Understanding Risk Forum 2012, Forum Mapping Global Risk 2 – 6 July 2012, Cape Town (30/5/2012)
Contact: Debbie Donaldson

[Back to Index](#)

9.2 AMUSA

- AM 2012/025 Casualty Advice: "AL-MAHMONA" (2/5/2012)
Contact : Elsebe Vetten
- AM 2012/026 Casualty Advice: "REINA CHRISTINA" (2/5/2012)
Contact : Elsebe Vetten
- AM 2012/027 Casualty Advice : "GERD MAERSK" (2/5/2012)
Contact : Elsebe Vetten
- AM 2012/028 Casualty Advice : "BW RHINE" (2/5/2012)
Contact : Elsebe Vetten
- AM 2012/029 Piracy Report : "SMYRNI" (14/5/2012)
Contact : Elsebe Vetten
- AM 2012/030 Updated Casualty Report : "REINA CHRISTINA"(28/5/2012)
Contact : Elsebe Vetten
- AM 2012/031 Casualty Advice : "MARFRET MEJEAN" (30/5/2012)
Contact : Elsebe Vetten
- AM 2012/032 MARLU-PAC Mission Yokohama (31/5/2012)
Contact : Elsebe Vetten

9.3 SAIA MANAGING DIRECTORS

- MD 2012/010 Invitation to Submit Comments : Draft SAIA Code of Conduct (24/5/2012)
Contact : Suzette Strydom
- MD 2012/011 SAIA Code of Conduct: Request to Submit Certificate of Compliance (22/5/2012)
Contact: Charles Hitchcock

9.4 MOTOR

- MT 2012/009 Cancelled
- MT 2012/010 Tshole – Unicode (29/5/2012)
Contact: Dawie Buys
- MT 2012/011 Retail Motor Industry Organisation (RMI) Presidents letter to RMI Members and Open Letter to the South African Motor Body Repairers Association (SAMBRA) Members (7/5/2010)
Contact: Dawie Buys

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[Back to Index](#)

IMPORTANT NOTICE

Should you know someone, who is not a SAIA member, who might be interested in receiving the SAIA Bulletin let them contact Kwanele Sibanda at SAIA.

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