SAIA SOUTH AFRICAN INSURANCE ASSOCIATION

ANNUAL REVIEW

2019

PULLING TOGETHER TOWARDS A SUSTAINABLE FUTURE FOR ALL
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SAIA VISION

To promote and represent the interests of the non-life insurance industry, while leading and enhancing the efforts of the industry to become recognised and trusted as an important contributor to the South African economy and society.

SAIA MISSION

- Encouraging fair and ethical treatment of consumers of non-life insurance products;
- Representing the non-life insurance industry with all stakeholders and at all levels in such a way that these stakeholders have trust and confidence in the industry;
- Creating an environment in which the members of our industry can share information, debate important and relevant issues, and create a common vision for the non-life insurance industry;
- Creating opportunities for the industry to continue with, and embark on, initiatives that will enhance its image and reputation among all stakeholders;
- Promoting understanding of non-life insurance to all stakeholders;
- Promoting awareness of the industry and its contributions to society and the South African economy.
Great things in business are never done by one person; they’re done by a team of people.

Steve Jobs
Over the past few years, the South African Insurance Association’s values have been embedded in the ethos of collaboration and partnerships. We still believe that the sustainability of the non-life insurance industry is entrenched in building and maintaining positive relationships with our stakeholders. We, therefore, chose Pulling Together Towards a Sustainable Future for All as the theme for this year’s Annual Review. It is through our partnerships and engagements that we achieved milestones as an industry during this year and become increasingly recognised as a meaningful contributor towards a sustainable future for all.
The non-life insurance industry in South Africa remains a vital component of and plays a significant role in the holistic financial sector eco-system, which in turn plays an important role in the broader economy.

While recognising the above, it is also important to recognise that one component cannot make a whole. The theme of this year’s Annual Review is therefore aptly titled “Pulling Together Towards A Sustainable Future for All”.

It is therefore important to collaborate as an industry to attain our primary common goals, whilst always mindful of the broader issues surrounding our industry. Collaboration with stakeholders in the broader environment is also required to contribute to society and a sustainable and inclusive growing economy.

I would like to highlight SAIA’s collaborative efforts, with the guidance of the SAIA Board, for the past year. I believe that the SAIA team harnessed the unique talents and strengths of all its team members in partnering with and effectively collaborating with our stakeholders to produce the results discussed in this Annual Review.

TECHNOLOGY

The dynamic environment within which we operate dictates that our organisations constantly evolve to mirror the external environments that impact current and future business.

The fourth industrial revolution will undoubtedly usher in a new era in technological advancements, especially in the specialised area of artificial intelligence (AI) and machine learning. This technological revolution is set to change the way we all conduct business, as well as our operating models to align and embrace these global shifts. This will place massive demands on business innovation capabilities and process adaptation. It is therefore imperative that the non-life insurance industry remains at the front of this curve, given the magnitude of the risks that we must cater for.

A recent Accenture survey suggests that our local market is ready for increased digital engagement. The report further states that if local players can meet this need, there could be a significant positive impact on the non-life insurance industry’s gross written premiums. However, our success in achieving this is underpinned by five imperatives; being accessible, trusted, responsive, relevant and smart.

REGULATORY ENVIRONMENT

There is little doubt that our sector has been impacted by several regulatory changes in the past decade or so. Fortunately, these legal instruments were collaboratively designed
to ensure that there is a structured framework within which the financial sector must conduct its business in South Africa. As a result this should create certainty within the industry, whilst promoting a financially stable and sustainable industry which serves and treats its customers and potential customers fairly and more inclusively.

One of the key National Treasury priorities remains the creation of a safer, robust and inclusive financial sector. This will be achieved through the enactment of the Financial Sector Regulation Act 2017 (FSRA) which was partly implemented in 2018, resulting in the “Twin Peaks” regulatory system which saw the launch of the Financial Sector Conduct Authority (FSCA) and the Prudential Authority (PA). SAIA has maintained strong relationships with the two financial Authorities resulting in several positive collaborative engagements.

We have worked very hard to build and nurture a good and transparent relationship with our regulators, something that has enabled us to liaise and fully participate and collaborate in the intricate crafting of legislation directed at our sector.

As an industry, we remain committed to participative engagements with the regulators in a bid to carve a non-life insurance industry that delivers appropriate benefits and value to our customers, members and the South African economy.

**ECONOMIC AND SOCIAL TRANSFORMATION**

It is imperative that, as business and industry, we all recognise the fact that transformation can neither be divorced from nor run parallel to our business operations. For it to succeed, it needs to be integrated in how we do business, and therefore we must continue to challenge ourselves and our practices, as well as their overall impact on targeted transformation outcomes.

SAIA has been active on the socio-economic growth and development front through facilitating and encouraging its members to participate in the socio-transformative agenda encapsulated in the spirit of the Financial Sector Code. Although this is still a work in progress, SAIA has committed to the spirit of the Code and actively promotes a transformed, vibrant and globally competitive financial sector reflective of our country’s demographics and the economic agenda. A key area of focus for our industry, and where we are able to make the most impact, is the commitment to increase support to black small businesses within our supply chain. By doing this we cultivate an environment of inclusion, fairness and equity through our business functions such as preferential procurement and enterprise and supplier development.

A further key focus for our industry is the promotion of financial literacy. SAIA has on behalf of the industry spent over R100 million of member contributions in the past 10 years in consumer education initiatives that have reached television and radio audiences, as well as school-going children through our long-standing partnership with the Department of Education. Coupled with this, is our drive through our member businesses to continually explore ways in which convenient, affordable, fair and trusted financial products can be availed to the emerging and low-income markets. For it is only through such endeavours that we may be able to have most South Africans participating meaningfully in our economic growth and in the opportunities that may arise from it.

**CLIMATE CHANGE**

South Africa has been facing an increased frequency of extreme weather events such as droughts, dry spells, heat waves and severe thunderstorms for more than a decade now. These have not only the potential to increase vector-borne diseases, but may also lead to food, energy and water insecurity, which consequently threaten livelihoods and businesses.

Between 2014 and 2016, South Africa reportedly experienced an El Nino-related drought, believed to be one of the worst in many years. SAIA members have experienced significant losses as a result of these changes in weather patterns that bring prolonged droughts, usually followed by heavy rainfalls causing flash floods. These changing weather patterns also negatively impact national infrastructure, as well as commercial, residential and other property and assets, which could have a negative impact on economic growth. This also poses a real risk to the sustainability of the non-life insurance industry.

In addition to changing weather patterns and their impact on infrastructure and property, the increasing deterioration of national and local infrastructure is a concern for the industry, and effective and well-coordinated infrastructure build-and-maintain programmes and frameworks, including their implementation at national and local government level in general need to be a priority. Without strategic intervention initiatives, coordinated and implemented by both government and the private sector, the sustainability of national infrastructure is at risk and may eventually be in a state of disrepair and unfortunately, potentially unsurable. SAIA and its members will continue to engage and work with our local governments in a bid to assist in managing these risks.

**APPRECIATION**

I would like to express my sincere gratitude and appreciation to all our members for their continued efforts, support and commitment to our programmes for the period commencing March 2018 and ending February 2019. I also wish to thank the SAIA team for their commitment and hard work throughout the year.

Lizé Lambrechts
SAIA Chairperson
SAIA’s three-year strategy, effective 2015 to 2018, placed advocacy, collaboration and partnerships as key to achieving our strategic objectives. Over the past three years, SAIA has worked with key industry stakeholders, contributing to sector-specific and national economic discussions, while sharing our industry expertise and experience in the process. An effective tool has been our ability to effectively collaborate and partner with various stakeholders. We have improved our ability to fully engage, coupled with our willingness to listen and find common ground upon which mutually beneficial agreements have been carved. Advocacy also became a tool through which we conveyed our industry standpoint and the value of the non-life insurance industry.

During the year in review, SAIA has been involved in several industry engagements that sought to strengthen the sector and its sustainability. One such successful initiative was our involvement in the Nedlac negotiations, an exercise that gave us an opportunity to stand on an equal footing with our peers, the Banking Association of South Africa (BASA) and the Association for Savings and Investment South Africa (ASISA) in negotiations with organised labour, organised community and government. The full support and commitment from the SAIA Board reaffirmed our position as a key player in the sustainability of the financial sector.

A key task is that of participating in initiatives which could assist with the non-life insurance industry, the financial sector and the broader economy’s continued path of growth. It is only through the timely and effective implementation of initiatives such as our Agricultural Insurance Project, with the objective to assist commercial and smallholder farmers in securing premium subsidies or financial support, to contribute towards the sustainability of the agriculture sector, potentially resulting in its growth and job creation. This project will also promote financial inclusion, index-based insurance as a new product and the sustainability of an important line of business, i.e. Multi-Peril Crop Insurance.

INSURANCE RISKS

There is little doubt that climate change is one of the main factors that has magnified some of the risks the non-life insurance industry is facing today. Climate change incidents, such as the heavy downpours and hailstorms that were experienced in Gauteng at the beginning of November 2018, resulted in a spike in claims as a result of the flash floods that damaged property. The industry has also had to contend with hailstorms that battered Limpopo and the North West province in December 2018, resulting in extensive damages to both residential and commercial property in the two provinces.
Our national and local governments are faced with a great challenge of maintaining infrastructure such as sewerage systems, flood drainage systems and local and national road infrastructure. They are also tasked with ensuring that local building structures in the inner cities and urban areas remain habitable and that building bylaws are effectively enforced. The current condition of our infrastructure and its maintenance plans need to be carefully thought-out or revisited as a matter of urgency. It is worrying that droughts – resulting in prolonged dry spells that give rise to wildfires that have ravaged forests, farmlands and property – have become a common occurrence. It is estimated that the Knysna fires saw a total property damage of around R4.4 billion with insured losses close to R3 billion, while the St Francis fires saw property damage estimated at R300 million. SAIA believes that our strategic relationship with the Fire Protection Association of South Africa (FPASA) will not only benefit our members but, through further meaningful engagements with local municipalities, will also see a potential improvement of local infrastructure and protection of human life.

Motor insurance remains one of the non-life insurance industry’s largest books, accounting for 45% of the industry’s business. Our discussions with government and other relevant stakeholders around Compulsory Third Party Motor Property Insurance remain high on our agenda and could be a catalyst for increased financial inclusion and could contribute to economic growth and potential formalisation of the informal motor body repairers in townships.

Our crime combating initiatives are continuing with our key partners, the Insurance Crime Bureau (ICB) and Business Against Crime South Africa (BACSA). We have witnessed the transfer of the Automatic Number Plate Recognition (ANPR) system to a new Agency housed within the ICB called Licence Plate Recognition for South Africa (LPR4SA) and we wish them well in the complex challenge of bringing criminals to book.

FINANCIAL INCLUSION

The non-life insurance industry remains committed to financial inclusion. We continue to demonstrate this through initiatives which aim to promote access to financial instruments and products that will enable the previously excluded to become economically active citizens. Two examples are, firstly, the Agricultural Insurance Project, which will result in a new insurance product, namely index insurance, to be introduced for smallholder farmers as one of its aims. Secondly, Compulsory Third Party Motor Property Insurance, which we continue to advocate for, is also seen as a possible catalyst for broader financial inclusion if it were to be introduced.

On the technology front, the financial sector is facing competition from FinTechs and InsurTechs which are coming up with new seamless ways of executing business tasks. The use of technology to reduce human intervention and streamline back-end processing with greater speed is on the rise, and equally so will be the development of new products distributed through new readily available platforms to the low-income earners. It remains our belief that this technology could eventually make it easy for low-income earners to access financial products and services. As much as we look forward to all the new technologies that will make doing business easy, we must also rigorously interrogate and explore opportunities arising in the development of affordable financial products and services through simple digital platforms accessible by most low-income earners.

There is little doubt that these businesses have moved into the established markets with new customer-friendly solutions. As more customers demand better, more responsive and continuously seamless experiences – regardless of the channel – the sector will continue to see newer players. For the financial sector, remaining relevant and ahead of times is imperative as we not only have to contend with disruption but also with cybercrime.
LEGISLATION

Regulation remained at the top of the agenda for financial regulators as they continued to deploy resources to ensure that the industry fully complies with the provisions of the set financial sector legal framework. The highlight of this reporting period was undoubtedly the launch of the “Twin Peaks” financial system, giving birth to the Financial Sector Conduct Authority (FSCA) and the Prudential Authority (PA) housed at the South African Reserve Bank (SARB). Unlike the FSCA, the PA is a new player and our regular engagements with both Authorities are of paramount importance in the stakeholder relations management calendar. The objectives of this new regulatory framework include streamlining the financial sector regulation from the prudential and market conduct requirements perspective and allowing for joint regulation by these two authorities, where appropriate. We remain committed to nurturing our good working relationships with them for the sustainability of our industry.

In December 2018, the National Treasury (NT) published the outcomes-focused Conduct of Financial Institutions (COFI) Bill, for public comment designed towards the introduction of an effective balance between principles-based and rules-based measures to achieve the desired outcomes. Its provisions will be applicable to all financial sector entities providing financial products and services. The Bill aims to establish a consolidated, comprehensive and consistent regulatory framework for the conduct of financial institutions. It aims to protect financial customers, promote their fair treatment, support fair and efficient financial markets and promote transformation and financial inclusion in the financial sector, among other factors.

Amendments to the Financial Intelligence Centre (FIC) Act have also kept SAIA, the Financial Intermediaries Association (FIA), the Insurance Crime Bureau (ICB) and the South African Underwriting Managers’ Association (SAUMA) busy in the past year. We continue in our positive engagements with the FIC on its proposal to include non-life insurers and intermediaries as Accountable Institutions (AI) in terms of Schedule 1 of the FIC Act. The parties have agreed to do an assessment of money laundering and terrorist funding risks in the non-life insurance industry, and a final decision will be made upon its completion.

With so much on the horizon, it is necessary that the regulators put measures in place so that our legal framework is resilient and strong enough to continue protecting consumers while also offering flexibility to the industry in order to allow for economic growth. The SARB is currently considering possible policy and regulatory implications on specific FinTech and InsurTech innovations.

CLIMATE CHANGE

In a report by the World Economic Forum, the failure of climate adaptation, rising greenhouse gas emissions, extreme weather events, mismanaged urbanisation, and food and water insecurity are listed as some of the most likely and consequential risks facing decision makers today (WEF, 2015). Addressing climate change remains one of the 17 Global Goals of the 2030 Agenda for Sustainable Development and seeks urgent action to combat climate change and its impacts. SAIA is cognisant of the impact of climate change on conducting business in South Africa. These challenges remain central to our business and how the industry structures its products and services. SAIA is also promoting awareness of the Principles for Sustainable Insurance (PSI) guidelines to manage Environmental, Social and Governance (ESG) and encourages members to use these guidelines in their businesses.

The non-life insurance industry continues to engage with the national and local governments to develop strategies to manage the impact of these weather pattern changes, especially on our infrastructure through the adaptation of robust risk management actions designed to reduce vulnerability and enhance resilience for our cities and communities’ infrastructure. On this front, a lot still needs to be done in infrastructure development and maintenance among government, municipal, business and communities to reach our goal of living in sustainable and resource-smart cities.

POLITICAL ENVIRONMENT

With the change in President during this reporting period, we are looking forward to positive changes by President Cyril Ramaphosa and the government.

We hope that all business, social and political parties will work with government for the betterment of South Africa and the future of its children. We also hope that our politics and economy will inspire investor confidence and provide policy certainty which will be instrumental in the future growth of the economy and the creation of much-needed jobs. Should the need arise, SAIA remains a willing partner, committed to working with government in its initiatives, including the Public Private Growth Initiative (PPGI) to benefit both our members and the communities within which our members operate.

APPRECIATION

I would like to convey my sincere gratitude to the Chair of the SAIA Board, Lizé Lambrechts, for her visionary leadership, as well as to the SAIA Board Members for their strategic guidance, wisdom and commitment to the sustainability and resilience of the non-life insurance industry. I would also like to thank the entire SAIA team for their tenacity and for keeping the engines running at SAIA. The team’s hard work and commitment to the industry and its sustainability has been unquestionable and is greatly appreciated.

Viviene Pearson
SAIA Chief Executive Officer
The strength of the team is each individual member. The strength of each member is the team.

Phil Jackson
The extracts on these pages are from The South African Insurance Association NPC’s audited annual financial statements, prepared in accordance with International Financial Reporting Standards, a full copy of which is obtainable from the offices of the Association at Ground Floor, Willowbrook House, Lake Drive, Constantia Office Park, c/o 14th Avenue and Hendrik Potgieter Road, Weltevreden Park, 1709 or email: info@saia.co.za. The annual financial statements were audited by BDO South Africa Incorporated, who expressed an unmodified opinion thereon.
## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

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<th>2018</th>
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<td><strong>ASSETS</strong></td>
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<tr>
<td><strong>Non-Current Assets</strong></td>
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<tr>
<td>Property, plant and equipment</td>
<td>415 535</td>
<td>238 663</td>
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<tr>
<td><strong>CURRENT ASSETS</strong></td>
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<tr>
<td>Trade and other receivables</td>
<td>2 460 677</td>
<td>2 673 134</td>
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<tr>
<td>Cash held on behalf of the SAIA Consumer Education Fund</td>
<td>13 095 373</td>
<td>13 586 815</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>22 530 068</td>
<td>31 620 333</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>38 086 118</td>
<td>47 880 282</td>
</tr>
<tr>
<td><strong>EQUITY AND LIABILITIES</strong></td>
<td></td>
<td></td>
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<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accumulated Actuarial Losses</td>
<td>(314 201)</td>
<td>(255 733)</td>
</tr>
<tr>
<td>Retained income</td>
<td>15 714 256</td>
<td>13 762 488</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>15 400 055</td>
<td>13 506 755</td>
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<tr>
<td><strong>LIABILITIES</strong></td>
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<tr>
<td><strong>Current Liabilities</strong></td>
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<tr>
<td>Trade and other payables</td>
<td>9 348 225</td>
<td>20 369 375</td>
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<tr>
<td>Retirement benefit obligation</td>
<td>658 000</td>
<td>656 000</td>
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<tr>
<td>Funds held for SAIA Consumer Education Fund</td>
<td>13 095 373</td>
<td>13 586 815</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>23 101 598</td>
<td>34 612 190</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>38 086 118</td>
<td>47 880 282</td>
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## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

**Figures in Rand**

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<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
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<tbody>
<tr>
<td>Revenue</td>
<td>32 489 672</td>
<td>29 270 941</td>
</tr>
<tr>
<td>Other operating gains</td>
<td>31 935</td>
<td>90 655</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(31 849 568)</td>
<td>(28 146 063)</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>672 039</td>
<td>1 215 533</td>
</tr>
<tr>
<td>Investment revenue</td>
<td>1 279 729</td>
<td>1 017 481</td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td>1 951 768</td>
<td>2 233 014</td>
</tr>
<tr>
<td><strong>Other comprehensive loss:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remeasurement of retirement benefit obligation</td>
<td>(58 468)</td>
<td>(46 420)</td>
</tr>
<tr>
<td><strong>Other comprehensive loss for the year net of taxation</strong></td>
<td>(58 468)</td>
<td>(46 420)</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year</strong></td>
<td>1 893 300</td>
<td>2 186 594</td>
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STATEMENT OF CASH FLOWS

Figures in Rand

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<thead>
<tr>
<th></th>
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<th>2017</th>
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<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash (used in) generated from operations</td>
<td>(9,946,593)</td>
<td>17,039,563</td>
</tr>
<tr>
<td>Interest revenue</td>
<td>1,279,729</td>
<td>1,017,481</td>
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<tr>
<td><strong>Net cash from operating activities</strong></td>
<td>(8,666,864)</td>
<td>18,057,044</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>(423,401)</td>
<td>(228,254)</td>
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<tr>
<td><strong>Total cash movement for the year</strong></td>
<td>(9,090,265)</td>
<td>17,828,790</td>
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<tr>
<td>Cash at the beginning of the year</td>
<td>31,620,333</td>
<td>13,791,543</td>
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<tr>
<td><strong>Total cash at end of the year</strong></td>
<td>22,530,068</td>
<td>31,620,333</td>
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STATEMENT OF CHANGES IN EQUITY

Figures in Rand

<table>
<thead>
<tr>
<th></th>
<th>Accumulated Actuarial Losses</th>
<th>Retained income</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at 01 January 2017</strong></td>
<td>(209,313)</td>
<td>11,529,474</td>
<td>11,320,161</td>
</tr>
<tr>
<td>Profit for the year</td>
<td></td>
<td>2,233,014</td>
<td>2,233,014</td>
</tr>
<tr>
<td>Remeasurement of retirement benefit obligation</td>
<td>(46,420)</td>
<td>(46,420)</td>
<td>(46,420)</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year</strong></td>
<td>(46,420)</td>
<td>2,233,014</td>
<td>2,186,594</td>
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<tr>
<td><strong>Balance at 01 January 2018</strong></td>
<td>(255,733)</td>
<td>13,762,488</td>
<td>13,506,755</td>
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<tr>
<td>Profit for the year</td>
<td></td>
<td>1,951,768</td>
<td>1,951,768</td>
</tr>
<tr>
<td>Remeasurement of retirement benefit obligation</td>
<td>(58,468)</td>
<td>(58,468)</td>
<td>(58,468)</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year</strong></td>
<td>(58,468)</td>
<td>1,951,768</td>
<td>1,893,300</td>
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<tr>
<td><strong>Balance at 31 December 2018</strong></td>
<td>(314,201)</td>
<td>15,714,256</td>
<td>15,400,055</td>
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PULLING TOGETHER TOWARDS A SUSTAINABLE FUTURE FOR ALL
Coming together is a beginning, staying together is progress, and working together is success.

Henry Ford
SAIA STRATEGIC AREAS

6.1 TRANSFORMATION

Through the mandate of the SAIA Board, the SAIA Transformation Department’s primary responsibility is to provide thought leadership, guidance and support to its members in participating in the promotion of transformation of the non-life insurance industry. SAIA’s role is, therefore, to advocate for the adoption of a transformation agenda as a business imperative among its members and facilitate engagements to promote awareness of the industry’s involvement in transformation to external stakeholders.

This is achieved through SAIA’s participation as an industry representative in relevant transformation fora, coordination of industry studies and reporting on transformation, as well as through identification and implementation of industry transformation initiatives where opportunities allow.

Transformation is recognised as a priority focus area by the industry and also, the promotion of engagements that create opportunities for our members to contribute towards the transformation objectives in a manner that fosters economic growth of our country and development of the society we serve – while ensuring the sustainability of our industry.

In this Annual Review, we provide an update on transformation projects and engagements that occurred in 2018, which will include positive milestones achieved, together with challenges and learnings experienced in championing the industry’s transformation objectives.

THE NEDLAC 2ND FINANCIAL SECTOR SUMMIT

2018 saw the Nedlac constituencies – Organised Labour, Community, Business and Government enter into a journey of vigorous discussion and negotiations in preparation for the Nedlac 2nd Financial Sector Summit which was scheduled to take place in April 2018. However, a decision was taken to postpone the Summit to a later date in the year and utilise the provisional summit date to conduct the Summit Workshop, which was hosted on the 4th and 5th of April, instead.

The workshop involved constituencies’ engagements on transformation objectives and formulation of key topics that need to be addressed as the driver for accelerating transformation of the Financial Sector and followed by a series of workgroups engagements for the constituencies to draft the agreements and declarations to be signed-off at the Summit.
The Summit was finally scheduled to take place in March 2019 to be presided by the President of the Republic. However, it was later decided that the Summit should be cancelled and that Nedlac should seek alternative avenues for the Agreements and Declaration to be signed off by constituencies and adopted by the Financial Sector for implementation. Constituencies agreed that the workshop and subsequent workgroups had made significant strides in the negotiation processes and believed that the Summit would have served as merely a ceremonial event and not a platform for negotiations.

SAIA and representatives from the industry played a pivotal role during the negotiation process and in the compilation of the recommendations report. Among the highlights during the negotiations was the discussions around the need for the non-life insurance industry to transform its supply chain, with a specific focus on reducing barriers to entry and revising the panel system within the motor supplier base of the insurance industry.

SAIA deemed the process to have been successful and the negotiations to have been very progressive in the interest of promoting a more transformed Financial Sector that contributes significantly to the economic growth of our country and the development of our society.

**PREFERENTIAL PROCUREMENT AND ENTERPRISE & SUPPLIER DEVELOPMENT**

Procurement contributes significantly to the sustainability of our industry and economic growth, thus the decision by the SAIA Board to approach the support and development of the industry’s supplier value chain as among the key transformation priorities for the industry. Therefore, SAIA continues – through various efforts – to engage with suppliers as stakeholders in identifying the industry challenges impeding the transformation of the supply value chain. The industry largely guarantees its promises to the policyholder through the delivery of repair services by reputable service providers, in the event of a repair insurance claim.

It is therefore important for SAIA, as a representative body of the industry, to continue to create platforms for the industry to engage with external stakeholders and collaborate on the delivery of mutual transformative solutions. Challenges are identified in a consultative manner with impacted stakeholders, thereby seeking opportunities that will ensure transformation and sustainability of both industry and those of the industries providing critical services to our members.

To date, transformation objectives have been driven through the use of the Motor Transformation and Sustainability Forum (MTSF) and the Property Transformation and Sustainability Forum (PTSF). Below are the updates on some of the projects currently implemented under the banner of transformation of the supply chain of the industry, highlighting both successes and challenges experienced throughout the year.

**MOTOR TRANSFORMATION AND SUSTAINABILITY FORUM (MTSF)**

The industry continues to drive the transformation objectives impacting motor insurers and their suppliers through this platform, whereby Motor Body Repairer Associations engage the industry on issues impeding transformation in the procurement of claims repair work and collectively identifying corrective opportunities, be it through access to work for the suppliers with appropriate capabilities or through development solutions, where appropriate.

**National Grading Standards for out-of-warranty motor repair work**

The project was in its second year of implementation in 2018 but continued to present challenges as it carries a history longer than 15 years on issues pertaining to access to repair work for Black Motor Body Repairers (MBRs). While members of the MTSF, which include supplier representatives in the form of MBR Associations, agreed with the broader principles of implementing the Grading Standards, MBRs continued to experience challenges as a result of some of the requirements of the Grading Standard being seen as barriers for some MBRs. The industry was also very slow in adopting the Grading Standard as the only technical requirement for an on-boarding service provider by industry. The delays in the adoption of the project impacted the service providers negatively and resulted in the decision by the service provider appointed to terminate the contract.

Through the assistance of representatives from the MTSF in the selection of the new service provider, SAIA is in the process of engaging with the preferred supplier candidates on the way forward and anticipates commencement of the MBR audits before the end of the first half of the year.

SAIA remains committed to seeing the project through successfully as a mechanism to promote inclusion in the procurement space and assisting the industry in meeting its transformation objectives.

**Trainee Inspector Project**

Through its members’ contributions, SAIA successfully supported this programme that was aimed at capacitating the industry in the motor assessing and investigation skills development, a skill set that is currently ageing. The project was launched with 20 learners at the beginning of 2018 and saw 14 of the learners complete the programme. One learner was absorbed by the service provider earlier in the programme. Despite the challenges experienced in launching a pilot programme, 7 of the 14 learners have been offered employment by the service provider, who has also gone through the process of having the programme accredited with MerSETA.

SAIA is in the process of reviewing the programme for potential continuation and is also liaising with other...
partners on possible placement of the candidates that have not been absorbed for permanent employment.

**Industry Capacity Study**

Although the non-life insurance industry has been actively aligning itself with procurement targets, as set out in the revised Financial Sector Code (FSC), engagements at various platforms (such as the Parliamentary Session on Transformation of the Financial Sector in 2017, Nedlac, MTSF, PTSF, etc.) have indicated that there is a need for the industry to consider stretching its procurement targets, specifically with respect to motor repairs.

The aim of the study was to understand if there is enough transformed MBRs in South Africa to absorb a stretched procurement target. Secondly, to ascertain capacity and capabilities of the current black-owned MBRs. This understanding, it is hoped, will inform Enterprise and Supplier Development opportunities in the MBR industry.

Phase I of the study was concluded in 2018, which provided an insight on the number of black-owned MBRs operating in South Africa. The service provider is in the process of conducting Phase 2 of the study, which will look at capacity and capability analysis of the black MBRs.

SAIA also commissioned a report on the industry spend for both the motor and property spend, however, the results were deemed not to be a true reflection of the industry performance due to low participation. The industry continues to work hard at improving its contribution to the transformation agenda, however, data collection has remained a challenge, thereby impacting the reporting on the progress made. The SAIA Board has recognised industry data collection as a key component for reporting on the industry transformation progress and has agreed on the inclusion of a transformation section in the SAIA Code of Conduct which includes a requirement for members to report transformation data to SAIA when requested. SAIA is in the process of identifying and appointing a suitable external service provider.

**PROPERTY TRANSFORMATION AND SUSTAINABILITY FORUM (PTSF)**

The objectives of the Property Transformation and Sustainability Forum (PTSF) is to identify the transformation challenges and formulate industry solutions in order to contribute towards the acceleration of transformation of the Financial Sector. It is SAIA’s view that the property insurance space presents unique transformation challenges, which are not usually of an industry nature, but more member-specific, as the industries within the property repairs spaces are currently regulated. This limits the transformation opportunities at an industry level. However, SAIA remains committed to facilitating transformation at member level through the facilitation of engagement with supplier representatives and by encouraging members to actively entrench transformation as part of business strategic and operational imperatives.

**FINANCIAL INCLUSION**

Promotion of an inclusive society remains high on the priorities of driving transformation within our industry and this is proven by an overwhelming increase of the member contributions into the SAIA Consumer Education Fund, which has almost doubled to a total of R16 million in 2018. SAIA, with the support of its members, has participated in various initiatives and continues to extend projects under the SAIA Consumer Education Fund. As an industry, and based on the mandate from the SAIA Board, our consumer education projects are deliberately aimed at creating consumer awareness around risk management and providing information for consumers when engaging with the industry.

Our projects take a holistic view on the consumer financial life cycle and therefore our decision to deliver projects in these three consumer life stages:

- **Department of Basic Education (DBE) High School Project** – This is the long-standing partnership with the DBE, providing support with curricular content development and teacher training for financial subjects.
- **Tertiary Student Project** – This project is still at its early stages, providing personal financial education for students at institutions of higher learning.
- **Adult Consumer Project** – This project focuses on creating awareness on the importance of risk management in mitigating against financial losses and providing consumers with information that enhances their knowledge about the industry and the products and services it offers.

Also included in our 2019/20 strategy is the inclusion of projects targeting Small, Medium and Micro Enterprise Businesses (SMMEs). Below are some of the highlights from the 2018 initiatives:

**The FSCA’s Money Smart Week SA**

SAIA as a stakeholder in the National Consumer Financial Education Committee, Chaired by National Treasury, participated with other players in the Financial Sector, in the FSCA’s Money Smart Week initiative, which took place early October of 2018. This event was held for a period of a week in four (4) Gauteng Townships. SAIA contributed to the planning of the event and coordinated members to participate in the FSCA’s Money Smart Week initiative during this week.

**FinScope SA 2018**

SAIA participated in the FinScope Study of 2018, as published by FinMark Trust. The study seeks to understand levels of financial inclusion in the South
African adult population. Results show that the non-life insurance industry still has low product penetration and use, therefore challenging the industry to look at more creative opportunities that will promote financial inclusion through the use of the non-life insurance products and services by consumers. The Financial Sector Transformation Council (FSTC) is in the process of reviewing the current Financial Sector Code (FSC). SAIA and its member representatives are playing a key role in ensuring that the revised FSC will provide more suitable frameworks to promote the development of appropriate products for the currently involuntarily excluded consumer market segment.

**Themba Palagangwe**  
General Manager: Governance and Transformation

**Zanele Gigaba**  
Transformation Manager
2018 was largely dominated by the implementation of the Twin Peaks, made up of new Regulatory Authorities, the Prudential Authority (PA) and the Financial Sector Conduct Authority (FSCA). The objective of this new regulatory framework is to streamline the regulation of the Financial Sector from the prudential and market conduct requirements whilst also allowing for joint regulation by these two Authorities, where appropriate.

The implementation of the regulation under the Twin Peak has also been supported by the PA and the FSCA (jointly, the Authorities) publishing their Regulatory Strategies for the period 2018 – 2021. The Strategies include information regarding the Authorities’ approach to regulation and supervision, principles that will guide their regulatory and supervisory decisions, key priorities over the next three years, and the key outcomes that the Authorities intend to achieve.

The Authorities have also concluded a Memoranda of Understanding between themselves and with the Financial Intelligence Centre (FIC), the National Credit Regulator (NCR) and the South African Reserve Bank (SARB).

Governance activities for the year, therefore, focused on the adoption of the enacted legislation and the issuing of revised or new legislation in order to strengthen the regulatory framework under the new regime. SAIA has aligned its internal structures to be supportive of the Twin Peaks framework and to be able to actively support its members in adopting this new approach to regulation of our industry. SAIA continuously engages with the Authorities on regulatory issues impacting our industry and our members.

This report, therefore, provides an update on activities from the regulatory landscape, including the status updates on the legislation that are yet to be gazetted as part of the implementation phase of Twin Peaks.

**PRUDENTIAL REGULATORY FRAMEWORK**

**The Insurance Act**

The implementation of the Insurance Act, 2017 (Act No 18 of 2017), which came into effect on 1 July 2018, dominated the year’s activities – particularly the requirement for the PA to convert the registrations of all insurers to licences under the Insurance Act. The conversion process has taken a phased-in approach which started from 01 July 2018 and is expected to be concluded by 31 July 2020, whereby the PA is approaching entities directly to engage on the conversion process and inviting them to provide the required submissions.

Furthermore, the PA published Prudential Standards addressing financial soundness, governance and operational standards under the Insurance Act. It also issued several communications to facilitate the implementation of the Insurance Act, particularly to provide guidelines on the transitional provisions of the Insurance Act.
The conversion process is currently underway as most insurers have commenced engagements with the PA regarding the conversion of their registrations.

- **The Three Level Supervision Framework – Solo, Group and Financial Conglomerate Supervision**

  Through the powers vested in them by the Insurance Act, the PA has also issued a Guidance Note on the designation of insurance groups, controlling companies and financial conglomerates, which provided information regarding the process that will be followed for the designation of insurance groups and controlling companies in respect of previously registered insurers.

  This is in support of the implementation of the three levels of supervision (solo supervision, group supervision and financial conglomerate supervision) legislative framework introduced to strengthen prudential oversight and make enhanced supervision possible.

- **The Financial Sector Regulation Act (FSRA)**

  The FSRA was signed into law in 2017. It introduced the concept of Joint Standards, which are issued by the Authorities jointly (the PA and FSCA).

  Throughout 2018, the Authorities have issued several joint communication and Standards for public consultation. The following are some of the key communication and Standards issued by the Authorities:

  - **Joint Standard on Fit and Proper Person Requirements for Significant Owners**
    The draft Fit and Proper Standard for significant owners was issued for public comment. It aims to establish consistent Fit and Proper requirements for significant owners of eligible financial institutions. The draft Standard is being revised and will be reissued for another round of consultation.

  - **Joint communication on cell captive insurance regulatory framework**
    The Authorities published a joint communication providing an update on regulatory policy proposals mooted in the Third-Party Cell Captive Insurance and Similar Arrangements Discussion Paper of 2013. The FSCA subsequently released a draft Conduct Standard for cell captive insurance business in relation to third-party risks for public comment and hosted an industry workshop on the draft Conduct Standard. SAIA will continue to engage the Authorities on both conduct and prudential aspects of the cell captive insurance regulatory framework.

- **The Resolution Bill**

  The National Treasury (NT) published the Resolution Bill as approved by Cabinet, for public comment. The Resolution Bill gives effect to proposals contained in the discussion document: "Strengthening South Africa's Resolution Framework for Financial Institutions" released in 2015. It seeks to strengthen the ability of the SARB to manage the orderly resolution or winding down of a failing financial institution, with minimum disruption to the broader economy.

  The Bill proposes amending the Insurance Act to exclude an insurer that is a designated institution from the application of the resolution chapter in the Insurance Act. SAIA is monitoring legislative developments in respect of the Resolution Bill.

- **Financial Sector Levies Bill**

  The PA published a draft Prudential Standard on insurance application fees for public comment.

  Chapter 16 of the FSRA provides for a process for the determination of fees for the performance of specific functions by the PA under the FSRA and Financial Sector laws. This chapter will only come into effect once the Financial Sector Levies Bill (Levies Bill) is enacted.

  The enactment of the Levies Bill is dependent on the parliamentary process, which is currently delayed and therefore deeming it unlikely that the Levies Bill will come into operation as was previously anticipated. Accordingly, the PA proposed a draft Prudential Standard, as an interim measure to enable the payment of fees for applications made under the Insurance Act and Insurance Prudential Standards.

**MARKET CONDUCT REGULATORY FRAMEWORK**

- **Conduct of Financial Institutions (COFI) Bill**

  The NT published the COFI Bill, 2018 (the Bill) on 11 December 2018, for public comment. The Bill is outcomes-focused and is also designed towards a more effective balance between principles-based and rules-based measures to achieve desired outcomes. Its provisions will be applicable to all Financial Sector entities providing financial products and services. However, the NT is cognisant of unintended consequences that may arise from this change in regulation on some business entities, therefore the Bill accommodates provisions for exemption where appropriate. Conduct standards will be set by the FSCA.

  The Bill aims to establish a consolidated, comprehensive and consistent regulatory framework for the conduct of financial institutions that will:

  - Protect financial customers;
  - Promote the fair treatment of financial customers by financial institutions;
  - Support fair and efficient financial markets;
  - Promote innovation and the development of investment in innovative technologies, processes and practices;
  - Promote competition;
Promote financial inclusion; and
Promote transformation of the financial services sector.

The NT followed a very consultative approach with SAIA and its members during the drafting process of the Bill which allowed for the industry’s views to be considered before the Bill was published for public comment. SAIA compiled an industry submission to the NT and will await feedback on the outcomes of the Bill post the public commentary submissions.

Retail Distribution Review (RDR)

On 12 June 2018, the FSCA published an RDR Status Update indicating that ongoing technical work will continue on intermediary activity segmentation and that Discussion Papers on Adviser Categorisation and RDR Remuneration for the Low-Income Market will be published. In addition, consumer testing of a RDR communication brochure will occur to test levels of consumer understanding of different terms used to describe different types of advisers of financial products and services. This was followed by the FSCA publishing a status update on RDR Proposal TT (special remuneration dispensation for the low-income market), on 18 December 2018.

Following industry consultation, the FSCA established that a special remuneration dispensation for the low-income market in respect of personal lines non-life insurance was not required. However, the Regulations under the Short-term Insurance Act provide for a remuneration dispensation for policies underwritten by a micro-insurer.

FSCA Update on the Premium Collection Regulatory Framework

On 14 December 2018, the FSCA published an update on the premium collection regulatory framework under the Short-term Insurance Act (STIA) and with the intention of reducing the risk exposure as a result of insurers using external parties to collect insurance premium on their behalf. The following considerations were highlighted by the FSCA in the update:

- Limiting the period within which premiums must be paid over to the insurer from the current 45 days (maximum) period to a lesser period such as 48 hours;
- Limiting “qualifying intermediaries” that collect premiums as mooted in Proposal F of the RDR to intermediaries that are registered with the Payments Association of South Africa (PASA) as Third-Party Payment System Providers; and
- Reclassifying premium collection as outsourcing.

This is one of the significant changes in the regulatory landscape and will have an impact on how the industry operates in future in respect of the collection of insurance premium.

Replacement of the Policyholder Protection Rules (PPRs)

The FSCA published the proposed amendments to the Policyholder Protection Rules (PPRs) under the STIA on 2 March 2018.

The amendments to the PPRs, effective 1 October 2018, incorporate conduct of business requirements for micro-insurance products and align each set of rules with the Insurance Act, 2017. The amendments also provide for certain conduct of business-related requirements under the STIA.

Draft Insurance Regulations

The NT tabled the Draft Amendments to the Regulations (the draft Regulations) in terms of the STIA, in Parliament on 20 June 2018 and a “High-level response to comments received” document was made available with the comments’ matrix, along with the tabled version of the Regulations.

A vast majority of comments received on the draft Regulations were in respect of the legislative requirements pertaining to the collection of premiums by intermediaries and the removal of the Intermediaries Guarantee Facility (IGF) requirement.

The NT’s view is that the IGF requirement has always been in legislation to protect the insurer, thus, relevant risks to the insurer will be managed by the governance and internal framework in the Insurance Act, going forward.

The proposed amendments must be read with the proposed amendments to the PPRs.

Joint Industry Guideline on minimum data requirements

On 11 December 2018, SAIA, the Financial Intermediaries Association (FIA) and the South African Underwriting Managers Association (SAUMA) met with the FSCA on the Joint Industry Guideline on the Minimum Requirements for the Exchange of Data. SAIA, FIA and SAUMA were requested to submit the document to the FSCA for its input.

Thereafter, the FSCA will issue a supervisory guidance notice, with the draft data guidelines attached, wherein it would confirm its support of the initiative and would, in addition, clarify its position to consider these guidelines as the minimum qualifying assessment criteria when supervising the non-life insurance industry’s compliance with the data requirements contained in the applicable data related provisions of the Regulations and PPRs under the STIA.
If you want to go fast, go alone. If you want to go far, go together.

African Proverb
Underwriting at Claims Stage, Misrepresentation and Non-Disclosure

Following the outcomes of the highly publicised Momentum/Ganas claim, the FSCA issued a media statement expressing its concerns regarding the challenges of underwriting at claims stage.

In its statement, the FSCA stated that it will work with the sector in an effort to shift current underwriting practices and promote fair treatment of customers. The engagements will also consider whether the current regulatory framework regarding underwriting and customer information non-disclosures adequately supports fair customer outcomes.

Accordingly, the FSCA advised at its Market Conduct Regulatory Framework Steering Committee, on 3 December 2018, that an industry Working Group would be formed to engage with the FSCA on market conduct issues.

Proposed amendment of Schedule 1 to the Financial Intelligence Centre (FIC) Act

Members of SAIA, the FIA, Insurance Crime Bureau (ICB) and SAUMA continue to engage with the FIC on its proposal to include non-life insurers and intermediaries as Accountable Institutions (AIs) in terms of Schedule 1 of the FIC Act.

The outcome of the engagements has been the temporary suspension of the proposal pending the industry conducting a risk assessment to identify the prevalence of money laundering and terrorist financing risks in the non-life insurance industry. The outcome of the risk assessment will be used to determine whether the industry should be included as AIs.

An independent service provider has been appointed to conduct the risk assessment on behalf of the industry, whilst the industry is also exploring an interim measure with the FIC for insurers to provide customer level information with the FIC, when requested, whilst the risk assessment is being conducted.

Protection of Personal Information Act, 2013: Publication of Regulations relating to the Protection of Personal Information

The Information Regulator published the Regulations relating to the protection of personal information in terms of the POPI Act (the Regulations), on 14 December 2018. The Regulations, *inter alia*, set out the responsibilities of Information Officers and the complaint and conciliation process allowing for the Information Regulator to act as a conciliator during the complaint investigation process.

The Regulations shall commence on a date to be determined by the Information Regulator by proclamation in the Government Gazette. SAIA continues to engage with the Information Regulator’s office on industry trends and legislative developments.

National Health Insurance Bill

The National Health Insurance (NHI) Bill was published in the Government Gazette on 21 June 2018 for comment within three months of publication. SAIA held a workshop and also requested members to submit written comments to facilitate the drafting of an industry submission to the Department of Health by its deadline of 20 September 2018.

FINTECH

The SARB established an internal FinTech programme to consider policy and regulatory implications of specific FinTech innovations, to collect data on the local FinTech industry and to assess the appropriateness of innovation facilitators, including a regulatory sandbox. The developments also include identification for opportunities to facilitate financial inclusion through the FinTech platform.

There is also the Inter-governmental FinTech Working Group (IFWG), comprising of members of the NT, the SARB, the FSCA and the FIC, established to promote engagements between policymakers and the Financial Sector on FinTech developments. The IFWG hosted its first workshop and produced a report on policy recommendations in 2018. In addition, there is a consultation paper on Policy Proposals for Crypto Assets that was published for public comments.

Financial Advisory and Intermediary Services Act (FAIS Act)

The following aspects of the FAIS legislation were published and/or came into effect in 2018.

- The second round of comments on the revised draft FAIS Act Conduct of Business Report (FAIS COBR) ended in July 2018. The new FAIS COBR is aimed at obtaining qualitative information from authorised financial services providers (FSPs) in line with new regulatory requirements. Pending the finalisation of the revised FAIS COBR, the FSCA has published notification that a Request for Information instead of a FAIS COBR will be required from FSPs for 2019.
- Proposed amendments to the FAIS Act General Code of Conduct (FAIS GCOC) were also consulted on during 2018 and SAIA submitted comments. Final amendments to the FAIS GCOC will be published during 2019.
- The new Determination for the Fit and Proper Requirements for FSPs (Competency Framework) came into effect in April 2018. Changes were made to certain aspects of the Competency Framework including, but not limited to, changes to requirements
on honesty, integrity and good standing, competence requirements, operational ability and financial soundness requirements.

- The new Exemption of Services under Supervision Notice was published on 3 December 2018. The Notice exempts certain FSPs and representatives from provisions of the FAIS Act. The Notice came into effect on 1 February 2019.

SAIA Code of Conduct

SAIA has been in the process of reviewing its Code of Conduct (the Code) in order to strengthen its relationship, as an association, with its members and also update the Code in line with the changes in the new legislation, where appropriate. The process is nearing completion and below are some of the amendment recommendations that have been considered during the revision period:

- The revised Code predominately adopts a principle-based approach and where appropriate, a rules-based approach is applied. The revised Code sets out the minimum standards for service and conduct expected from SAIA members regarding services and products offered.
- Incorporation of the new legislative and regulatory requirements, particularly the new PPRs under the STIA when revising the Code.
- Enhancement of the industry transformation agenda and incorporation of appropriate industry transformation in the Code – inclusion of Education, requirement for enhanced industry reporting and encouragement for member support on industry initiatives.

The final revised Code is expected to be launched in July 2019.

Themba Palagangwe
General Manager: Governance and Transformation

Easvarie Naidoo
Senior Legal Manager

Mashudu Mabogo
Legal Manager
STAKEHOLDER RELATIONS AND COMMUNICATION

COLLABORATION AND PARTNERSHIPS

Most successful and sustainable entities have learnt the technique of embedding the fair treatment of their customers into their business DNA. This fundamental principle held high within the non-life insurance industry drives customer experiences and influence perceptions about entities and the industry. A constant and deliberate management of these perceptions is imperative for any entity or industry for that matter, whose intention is to conduct business and have a sustained presence in society.

It is for this reason that SAIA has deliberate programmes throughout the year that focus on managing these perceptions and further build on the strategic relationships that exists between the non-life insurance industry and all other relevant stakeholders such as government, organised labour, business and the community. A clear direction in the management of the image and reputation of the non-life insurance sector is of paramount importance to its sustainability. We remain aware of the fact that positive perceptions are primarily driven by compounded positive experiences which are also key to driving greater awareness of the non-life insurance industry, and what it stands for.

The development of clearly defined and effective communication platforms that add value to our members and close stakeholders remain our focus. Our members remain our primary stakeholders and, as an industry-representing organisation, our mandate is intimately drawn from their aspirations. Our drive to engage and find alignment with all other stakeholders, including government and its regulatory agencies, is derived from the mandate bestowed upon us by our members. We will continue with the spirit that ensures seamless collaborations and partnerships that aim to find sustainable solutions that will drive the growth of the non-life insurance industry.

Our CEO, Viviene Pearson, embarked on a member visits drive, meeting some of the CEOs of our member companies and discussing some of the key industry issues in a bid to manage our own expectations, as well as those of our members. These annual visits give us an opportunity to engage, one-on-one, with our members to further understand their challenges and concerns. Our strategic stakeholder engagement drive will continue into 2019, not only to build and strengthen relationships with various stakeholders but also to seek, where possible, opportunities of collaboration in meaningful contribution to the sustainable growth of our economy.
Our relationship with our peers, namely the Association for Savings and Investment South Africa (ASISA) and the Banking Association of South Africa (BASA), has continued to be strong and several mutually beneficial discussions have been held over the past 12 months. These include our recent participation, as a single voice, at Nedlac which resulted in several agreements with the broader stakeholders who participated. It can only be through such unity that we can lend further credence to the authenticity of our commitments and intentions as a Financial Sector.

As much as so many inroads have been made on a number of fronts, a lot still needs to be done to ensure that we bring all relevant stakeholders on-board. Several engagements aimed at building relationships and further strengthening existing ones still need to be accomplished by the sector. Our aim is to engage, build and nurture such relationships with a broad base of major stakeholders and industry players such as Business Unity South Africa (BUSA), the Black Management Forum (BMF) and the South African Chamber of Commerce and Industry (SACCI), to mention a few.

Our relationships with the Financial Intermediaries Association (FIA) and the Insurance Institute of South Africa (IISA) continue to be strong as a result of our constant engagements. As in the previous years, we partnered with the two organisations to host the prestigious annual Insurance Conference at Sun City in 2018 and we will continue to partner with them for the next conference to be held at the same venue in July 2019. SAIA will also continue to explore opportunities, as they arise, to further work collaboratively in other initiatives with the two associations for the benefit of our industry. Also, our CEO Round Table was successfully held at the FNB Conference Centre, where we immersed our member company CEOs in the work done by SAIA and engaged them on their concerns.

We are proud to report that SAIA and its marine division, the Association of Marine Underwriters of South Africa (AMUSA), successfully organised and hosted the International Union for Marine Insurers (IUMI) conference in September 2018. The conference, which was held on African soil for the first time in 144 years, was officiated by the Premier of the Western Cape, Hellen Zille. The conference, held at the Cape Town International Convention Centre (CTICC), was attended by hundreds of international delegates who thoroughly enjoyed the content we had packaged for them.

GOVERNMENT RELATIONS

Our ability to effectively engage and communicate industry and economic issues of importance with government departments and/or agencies, as well as the regulators, has remarkably improved over the last five years. It is our wish that we maintain our momentum in this trajectory for as long as possible in order to ensure constant alignment and understanding of issues between ourselves as industry and government. SAIA engages with the National Treasury (NT) and the Financial Services Conduct Authority (FSCA) on a regular basis and with the South African Reserve Bank’s Prudential Authority (PA) quarterly.

PUBLIC RELATIONS & COMMUNICATION

SAIA contracted FTI Consulting as its Public Relations and Communications agency effective June 2018. The agency assists SAIA in several areas including stakeholder engagements and image and reputation management. As we continually try to position the industry as a financial enabler for individuals, entrepreneurs and corporates, it is vital that we maintain media relations. We have remained quite active in the media space with a significant number of published articles and features in print, online and broadcast media. In 2019, we will continue to explore more avenues in a bid to increase our share of voice.

BEYOND OUR BORDERS

SAIA remains a very significant player outside our borders. This is more so as our members continue to invest heavily in new territories outside of South Africa, hence the need to fully engage and participate in other territories beyond our borders. We remain members of the African Insurance Organisation (AIO), the Global Federation of Insurance Associations (GFIA), the International Union of Marine Insurance (IUMI), the Organisation of East and Southern African Insurers (OESAI) and the International Association of Engineering Insurers (IMIA).

Kwanele Sibanda
Corporate Affairs Manager
The SAIA Insurance Risks Department is responsible for providing leadership and delivery of various projects as key priorities to identify and mitigate risks within the South African non-life insurance industry. In our annual feedback, we also provide an update on our relationships with our primary stakeholders and a status update on our key projects.

**Insurance Risks Projects: General Update**

Our projects are all specifically aimed to either contribute to the sustainability of the non-life insurance industry or to assist in unlocking new opportunities for insurers. These projects exist in different forms such as national solutions as mitigating actions against various risks identified and sometimes in the form of committees and workgroups with key stakeholders. The Insurance Risks department divide its responsibilities into three separate focus areas, namely motor insurance, property & other insurance and forums. We discuss each of these focus areas in the following sections:

**MOTOR INSURANCE PROJECTS**

Motor insurance remains the largest of the non-life insurance business classes, accounting approximately for 45% of the non-life insurance business. Therefore, motor insurance remains a focus area for SAIA.

Insurance Risks’ key priority areas did not change since the previous report and aims to ensure the sustainability of the motor insurance industry including the affordability of motor insurance for all South African citizens and effective transformation.

Our key priorities for the reporting year were:

- Compulsory Third-Party Motor Property Insurance (CTPMPI);
- Crime combating initiatives;
- Road safety; and
- Repair process.

**COMPULSORY THIRD-PARTY MOTOR PROPERTY INSURANCE (CTPMPI)**

This project aims to increase the insurance pool of motor vehicle owners, thereby contributing indirectly to more affordable comprehensive motor insurance and to introduce large scale financial access to the many uninsured motor vehicle owners in South Africa.

However, given the significant political challenges in 2017 and 2018, this project did not progress further than the initial feasibility study. SAIA has however been able to obtain support for CTPMPI from various other industry associations, all sharing the view that CTPMPI would significantly benefit ordinary South Africans. During the reporting period, we continued to promote CTPMPI at Government departments and other stakeholders as we believe that this product could be a catalyst for financial inclusion and contribute to economic growth.
However, one consistent message that we often receive is the question of why only a third of South Africans are buying motor insurance and whether more innovative product offerings would increase insurance penetration, hopefully complemented by CTPMPI.

**CRIME COMBATING INITIATIVES**

**Licence Plate Recognition for South Africa (LPR 4 SA)**

During the reporting period, SAIA, the Insurance Crime Bureau (ICB) and Business Against Crime South Africa (BACSA) entered into contractual agreements for the complete transfer of the BACSA automatic number plated recognition (ANPR) system to the ICB. We were also able to secure the future commitment from all the current contracted parties, and furthermore through the contracting of new technology partners, the current ANPR system is also set to grow substantially.

The transfer of the BACSA ANPR system also led to the creation of a new agency named LPR 4 SA, which is short for Licence Plate Recognition for South Africa. This entity will be housed within the ICB, and they will hold operational control. The Board of LPR 4 SA will consist of ICB personnel, SAIA personnel and SAIA members.

For the 2018 calendar year, the LPR 4 SA required further financial support from SAIA members to transfer the system as well as funding towards improving it. The SAIA Board, therefore, agreed that all SAIA motor insurers should contribute to LPR 4 SA for the year. We thank our members for their support, and we strongly encourage all members to make use of this cost-effective tool which has led to millions of Rands of savings over its lifetime.

Automatic Licence Plate Recognition technology has a wide range of applications since the license number is the primary, most widely accepted, humanly readable and mandatory identifier of motor vehicles. LPR 4 SA provides automated access of the content of the number plates, accessible through an online portal at the ICB.

**The Salvage Database Project**

The Vehicle Salvage Database (VSD) system hosted by the ICB, on behalf of SAIA, has made significant contributions towards crime combatting and financial savings. The Salvage Database Governance Committee meetings are held bi-monthly to discuss any arising matters which would assist members to submit salvage records smoothly. The usage of the VSD is also steadily increasing with most motor insurers now contributing salvage records and with assigned users to the database. With the steady increase, we have also noted an equal increase in positive hits. The value of the positive hits, in terms of potential claims, are far in excess of many millions of Rands. Currently, system development is underway to improve our understanding of the value of savings.

**The SAIA Code of Motor Salvage**

At the same time, a SAIA Task Team has also reviewed the SAIA Code of Motor Salvage. The objectives of the review were to mitigate identified risks and to debate proposed enhancements. The review also included input from other stakeholders such as the motor financiers and the Road Traffic Management Corporation (RTMC).

A Technical Guidelines Task Team, a sub-committee of the Task Team which has been formed to review some of the terminologies and interpretations of the Salvage Code identified potential stumbling blocks as noted in the National Road Traffic Act. This led to meetings held between SAIA, the ICB and the Department of Transport to find an amicable way forward. To this end, the Technical Guidelines Task Team drafted new salvage procedures which were shared with all SAIA members.

At the time of writing this update, the final SAIA Code of Motor Salvage was expected in July 2019.

**Business Against Crime South Africa (BACSA)**

The monthly progress meetings between SAIA and the BACSA management were held to ensure that the items agreed upon in the Memorandum of Understanding (MOU), made progress. The MOU sets out all SAIA’s expectations from BACSA, including regular feedback by the BACSA management to the Board Committee: Insurance Risks. SAIA continues to support BACSA as a vehicle to prevent crime. BACSA has sound relationships with relevant Government departments and continues to contribute to national policies related to crime combating – not only for motor insurance, but also for property insurance.

**ROAD SAFETY**

Improved road safety is not only speaking of the number of claims to motor insurers, but it is also a top priority for the Department of Transport.

**Business for Road Safety Forum**

The Business for Road Safety (BRS) Forum is a grouping of different trade associations and other similar bodies that represent sectors that are impacted by road usage. The Forum acts as a voice for the private sector on road safety. The current strategy of the BRS forum is to create further awareness of the importance of driver behaviour. The strategy is annually updated and shared on relevant social media sites.

**REPAIR PROCESS**

Most of motor insurance claims are accident-related, and it is, therefore, crucial to address the ever-rising cost of accident-related claims. Below is our update on matters relevant to the repair process.
The Competition Commission’s advocacy work made progress in 2018 with the publication of a second Draft Code of Conduct for Competition in the Automotive Industry.

SAIA met with the Competition Commission in December 2017 and again in July 2018 to discuss the Code and SAIA’s comments. At the date of writing this update, the Code remained voluntary.

As part of the SAIA second submission, we engaged the services of Genesis Analytics to provide SAIA and the Commission with an expert opinion on the proposals made in the Code. Our final comments submitted to the Commission were guided by input received from SAIA members.

SAIA supports the objectives of the Code and the associated principles. However, we requested more explicit wording in the draft Code to avoid any unintended consequences and to ensure that the intention of the Code would lead to the intended outcomes.

PROPERTY AND OTHER RISKS

Constantly changing weather patterns continue to have a significant impact in South Africa. The devastation caused and the challenges created by these changing weather patterns highlight the impact climate change has on the country. SAIA’s projects are increasingly shifting to property and related risks due to climate change. We discuss some of our important projects under the section of “property and other risks”.

FIRE RISKS

With members’ input, SAIA has identified vital action points for the Fire Risk Project. Below is an update on actions which have been implemented.

The Role of the Fire Protection Association of South Africa (FPASA)

SAIA believes that FPASA needs to be strengthened and capacitated to fulfil its role as a capable insurance industry agency. SAIA and FPASA are therefore working together on the key focus areas; envisioned is a stronger FPASA with a broader mandate of property protection that would include fire, flooding and other natural disaster risks.

Consumer education

Consumer education is a cornerstone for the success of the Fire Risk Project. Variations on this topic have been executed during this year and can be found under the Transformation section.

Analysis of fire-loss data

SAIA and individual members agreed to consolidate fire loss data to identify trends and hotspots. With the use of subject matter experts, the data submitted was enriched with fire events as identified by FPASA supplemented with geographical data. From the analysis of data, we observed the following:

1. There were several market-wide ‘events’ that impacted many insurers, including:
   • Large catastrophe events, such as Knysna, impacting the 2017 incident year;
   • Increased fire claims in the Western and Southern Cape, arising from droughts and catastrophe events; and
   • Substantial increases in claim numbers from areas with significant population and exposure growth.

2. After allowing for market-wide events, other trends which appear to have an impact include:
   • A large increase in the number of claims and claim sizes in the mid to large commercial market (risk sums insured of R100 million to R500 million) and risks with large premium amounts.
   • The increase in the number of claims in historically lower hazard industry groups, such as financial services, services and hospitality.

Engineering Council of South Africa (ECSA) registration of Fire Protection System Practitioners

ECSA has introduced new registration categories for Fire Protection System Practitioners. We trust that this process will address several concerns that we have noticed in terms of the ability to assess competence in this field. We have also contracted the services of FPASA to create a database of competent fire experts that will be introduced in 2019 as a supplement to ECSA.

Building regulations: Adherence to SANS 10400 and implications of non-compliance

The current sprinkler-system standards in South Africa is estimated to be 28 years old. This standard is no longer adequate given the number of fire losses reported. SAIA and FPASA are working together with other industry bodies and the SABS for a revised standard. We trust that the work we are doing will result in the delivery of a new sprinkler standard in 2019.

Partner with the Department of Cooperative Governance and Traditional Affairs (CoGTA) to build resilient cities and communities

FPASA, in partnership with the National Disaster Management Centre (NDMC), embarked on promotional visits to municipalities throughout South Africa. The visits entailed educating Emergency Management Services (EMS) in completing accurate data submission and
Collaboration
Trust
Exchange
Support
Teamwork
Share
on the importance of the data submission. Due to the lack of Fire Risk Assessment and Prevention Strategies within municipalities, FPASA has provided free training to 25 EMS employees from each province (225 employees nationally in 2018). NDMC is sponsoring FPASA’s travel expenses. FPASA conducted Workplace Firefighter training and First Aid training to 25 municipal managers in Namakwa, Northern Cape.

**Agricultural Risk and Crop Insurance Project**

The objectives of the SAIA Agricultural Insurance Project are to seek a way to contribute to the sustainability of the commercial farming industry and to find ways to unlock the potential in emerging farmers. The SAIA Agricultural Insurance Project continued to gain momentum at an increased pace in the last year. It remains our aim to secure insurance premium subsidy support and/or support for farmers, which remained part of our discussions during the reporting period. The Agricultural Insurance Proposal was delivered to the National Treasury and the Department of Agriculture, Forestry and Fisheries end of May 2019. We await feedback from the National Treasury on the outcome of this proposal.

**Index Insurance regulatory framework**

We appointed a subject matter expert to draft a technical paper on index insurance, which included highlighting potential market conduct and prudential risks, as input for the Prudential Authority (PA) and the Financial Services Conduct Authority (FSCA) to consider. This document was also scrutinised by SAIA members and forms part of SAIA’s larger submission for agricultural insurance premium subsidy support.

Furthermore, as part of ongoing engagements with agricultural financiers and banks, we also aimed to ensure that the principles of index insurance meet their requirements and could act as collateral for the smallholder farmers to access finance.

**Index insurance training**

At the request of the FSCA, SAIA approached the World Bank to facilitate index insurance training. An index insurance specialist from the IFC (a division of the World Bank) provided training at the FSCA’s offices to 50 attendees from the FSCA, PA, DAFF and NT. SAIA is engaging further with the World Bank regarding additional training and advisory services as they have been involved in index-based insurance projects throughout the world, particularly in Africa.

**Profile of Emerging Farmers in South Africa**

SAIA and Sasria appointed consultants to undertake a demand analysis for index insurance among emerging farmers and also to provide SAIA members with a profile of emerging farmers in South Africa. The report provides in-depth details of emerging farmers in South Africa and includes information on leading agricultural index insurance practices in other African countries.

The work by the consultants also included information on the types of Public-Private Partnerships, and critical success factors were highlighted, and emphasis was placed on the importance of establishing the correct type of partnership when developing an initiative of this nature.

**Other work**

In order to submit our final proposal document, SAIA also appointed several other business partners, including experts in the monitoring and evaluation of Agricultural-insurance projects, to guide us in terms of the final proposal. GrainSA is also playing a critical role by providing SAIA with input in terms of the agricultural economics. Furthermore, SAIA also appointed a Swiss-based company to provide SAIA and our members with information in terms of premiums and related costs in insuring emerging farmers, using index insurance.

**SAIA FORUMS**

SAIA’s Forums are a mechanism created by SAIA whereby members can meet to discuss specialised lines and related matters with other relevant members – without the constant involvement or support of SAIA management. SAIA, however, supports these Forums in terms of administrative and secretarial services. Members also have the option to nominate a representative from an Underwriting Manager to represent them at these Forums. Although the Forums continue to develop in their roles, more active participation from members or representatives could significantly contribute to the success of the objectives of the Forums.

**RELATIONSHIPS WITH OUR VARIOUS KEY STAKEHOLDERS**

Our stakeholders include a variety of role players including various Government departments, trade and professional associations representing various service providers and stakeholders, insurance executives, practitioners, professionals, as well as the insurance regulators, namely the Prudential Authority (PA) and the Financial Services Conduct Authority (FSCA).

It is imperative for SAIA to maintain and build on our relationships with all our stakeholders.

**OTHER INDUSTRY RELATED BOARDS, COMMITTEES AND FORUMS**

SAIA staff also represents the industry on various other industry related Boards, Committees and Forums. These include, as examples, the Insurance Crime Bureau, Business Against Crime South Africa, the Fire Protection Association of Southern Africa, the SARB’s Financial
Sector Contingency Forum, the NAAMSA Vehicle Crime and Prevention Committee, SABS committees and the Plumbing Industry Registration Board.

We continue to promote the importance of the non-life insurance industry, provide input to various discussions on how the industry could either play a role or be impacted by the decisions of others.

We trust that by doing this, we are further contributing to the sustainability and profitability of the industry.

**A NOTE OF THANKS**

SAIA expresses its sincere gratitude to all individuals who unselfishly gave of their time and served the industry on the SAIA Board Committee: Insurance Risks and the various SAIA Committees, Forums, Task Teams, Work Streams and initiatives related to the Insurance Risks department.

Our projects are driven by the many volunteers from the non-life insurance industry who have given us their time, wisdom and expertise to ensure that the non-life insurance industry remains sustainable and to the benefit of all our stakeholders.

Without the participation of our members, we would not have been able to make progress as reported above.

**Nico Esterhuizen**  
General Manager: Insurance Risks

**Zakes Sondiyazi**  
Manager: Insurance Risks

**Katlego Bolsiek**  
Manager: Insurance Risks

**Susan Walls**  
Insurance Technical Advisor

**Promise Mhlanga**  
Senior Forums Secretariat
2018 was an equally busy year for reinsurers. The adoption of the Insurance Act, 2017 (Act No 18 of 2017), introduced a new legislative and regulatory framework for reinsurers. In particular, the Prudential Standards addressing governance, operational standards and financial soundness for branches of foreign reinsurers also came into effect.

The Insurance Act provided for transitional requirements which included the conversion of registrations of insurers only conducting reinsurance business was planned to commence between January 2019 and October 2019. The process for the conversion of registrations is currently underway.

The Prudential Authority (PA) also issued a notice titled “Determination of Equivalent Foreign Jurisdictions” (Notice). The Notice informed the application of the Insurance Act in respect of the requirements for licensing of a branch of a foreign reinsurer and listed the foreign jurisdictions whose laws, and supervisory and information sharing frameworks were determined by the PA as meeting the objectives of the Insurance Act and therefore as equivalent to the regulatory framework established under the Insurance Act.

Nico Esterhuizen
General Manager: Insurance Risks

Mashudu Mabogo
Legal Manager
With the amendments to the Regulations under the Short-term Insurance Act 1998, that were published on 28 September 2018, removing the requirement for a credit intermediary to hold financial security in the form of a guarantee, the Regulatory Authorities expect the market itself to manage credit risk relating to premium collection.

Owing to resultant administrative and operational difficulties facing the market with the above amendments, and to facilitate a smooth transition to the new premium collection regime, the Authorities granted the Intermediaries Guarantee Facility Limited an exemption to operate for a further 6 months with effect from 1 October 2018 to 31 March 2019, provided that all existing and extended guarantees are cancelled at 31 March 2019, with no run-off period. The common law prescription period of three years on each guarantee will still follow by operation of law. However, the Intermediaries Guarantee Facility Limited is in discussions with its attorneys and the Authorities to shorten this period, after confirming with insurers that all premiums have been paid up at 31 March 2019, by their respective credit intermediaries.

The Intermediaries Guarantee Facility Limited resolved that for all year-ends of 30 September 2018 and prior, a normal renewal will take place. This may result in a refund being due to relevant credit intermediaries after 31 March 2019. For year-ends after 30 September 2018, an extension of time to 31 March 2019 will be granted at a pro-rated premium for the number of months for which the extension was granted, based on the previous full year’s premium, and subject to certain terms and conditions.

At the close of business on 31 March 2019, all IGF guarantees will be cancelled and the applicable premiums subsequently paid out to guarantee holders.

All collateral security and bank guarantees will, however, be retained after 31 March 2019, for the duration of the three-year common law prescription period referred to above, in the event that a claim may be made against Intermediaries Guarantee Facility Limited during this three-year prescription period, for a date of loss falling within the time the guarantee was effective. We reiterate that we are in discussions with our attorneys and the Authorities on an acceptable plan to shorten the prescription period – if the law allows for it.
THE SOUTH AFRICAN POOL FOR THE INSURANCE OF NUCLEAR RISKS

The South African Pool for the Insurance of Nuclear Risks successfully concluded the foreign inwards risk renewals effective 1 January 2019. Work has started on the 2019/2020 local renewals, of both NECSA: Pelindaba and ESKOM: Koeberg risks, effective 1 April 2019. Third Party Liability cover is also provided by the Nuclear Pools, including the South African Nuclear Pool for the Insurance of Nuclear Risks, but is limited to a 10-year claims reporting period. The Nuclear ACT requires that the license holder must provide a 30-year period. The 10-year versus 30-year reporting period has again been raised, with the Regulator requiring a 30-year reporting period to attach to the financial security to be provided by the nuclear site license holder in the form of an insurance policy. The international nuclear pooling system, including the South African Pool for the Insurance of Nuclear Risk, is only able to provide a 10-year reporting period. Discussions are ongoing and will hopefully be resolved in the near future.

There has been a slow but steady progress on the South African Nuclear Pools Third Party Liability Claims Management system, following meetings between the Nuclear Regulator, ESKOM Koeberg, Nuclear Risk Insurers Limited, the lead insurer, and Crawford assessors. The system will allow for the effective management of claims, throughout the claims cycle, should an event occur. It is planned to implement the system for use on both nuclear risk sites situated in South Africa. A request for a proposal, by a relevant service provider, will be called for early in 2019.

Following a Government Notice for public comment in August 2017, on increasing the financial security limits, there has been no further communication from the National Nuclear Regulator. Although South Africa is not a signatory to the overseas conventions, our legislation tends to follow these conventions. Initial indications from the proposed amendments to the ACT point to a fair increase to ESKOM’s limits and a steep increase in the limits for NECSA. The amendments to the ACT will probably not happen this year.

INSURANCE DATA SYSTEM (IDS)

Developments around the Insurance Data System (IDS) were slow to progress due to the time taken to review the contract between the South African Insurance Association NPC and TransUnion. We have now progressed to the point where the contract has been updated for comments by participants and TransUnion. However, we are awaiting finalisation of the National Traffic Information System (NaTIS) contracts – provisions relating to access to NaTIS have been removed from the contract between the South African Insurance Association NPC and TransUnion and will in future be contained in two separate contracts. One contract will be concluded between the South African Insurance Association NPC and NaTIS and the other between SAIA and the individual participating SAIA members requiring access to NaTIS.

SAIA has been informed by the Road Traffic Management Corporation (RTMC) that they intend to audit the non-life insurance sector from March 2019, the South African Insurance Association NPC and TransUnion, to establish who has access to NaTIS, what the information is used for and to establish what controls are in place for the protection of data by those entities who have access to NaTIS. Unfortunately, it seems as though the respective NaTIS contracts may be delayed until the finalisation of the above audit.

The improvements to the governance of the system that were implemented in a previous year are working well i.e. the strategic management of the system now resides with the SAIA Board Committee: Insurance Risks. Operationally, the quarterly Steering Committee Pack has been updated and standardised. Looking towards the future for the definitions of input data around the TransUnion tables and what is to be input will be reviewed for accuracy and validity. A dispute resolution process is on the cards, to facilitate access to and review of data affecting insureds, by insureds.

Charles Hitchcock
Chief Operations Officer

PULLING TOGETHER TOWARDS A SUSTAINABLE FUTURE FOR ALL
The South African Association of Engineering Insurers (SAAEI) is a division of SAIA, representing the insurance underwriting members specifically within the engineering insurance sector of the industry. The standard classes of insurance embraced by this sector are, amongst others, Construction/Erection All Risks, Electronic Equipment, Machinery Breakdown and Plant All Risks.

EXECUTIVE COMMITTEE

The Executive Committee members are as follows:

Chairperson
• Susan de Wet (Old Mutual Insure)

Deputy Chair
• Sam McLennan (Mirabilis)

Members
• Dave Waterworth (Old Mutual Insure),
• Keith Barlow-Jones (C&G),
• Kobus van Niekerk (Consort),
• Krushayev Moodley (Hollard),
• Philani Mbatha (Munich Re),
• Susan Walls (SAIA), and
• Zain Hoosen (Bryte).

To assist with the increasing workloads of the committee, Chris Charlton (Consort) and Xolile Kahla (HDI Global) were co-opted onto the committee.

Regrettably, the committee accepted the resignation for business reasons from Lethlogonolo Tau (Sasria).

This report begins with some general remarks and thereafter focuses on the specific work that the Committee was able to undertake during the year.

The Association remains on path to realise its mission and vision: “To be an effective forum for raising awareness and to develop and promote understanding of the engineering classes of business to the wider insurance market and related stakeholders”.

On a sad note, we mourn the passing of Mr Mike Lamb (Willis Towers Watson) in 2018, who played a pivotal role in Engineering insurance over the years. Our sincere condolences are extended to his family, friends and colleagues.
2ND SOUTH AFRICAN ENGINEERING INSURANCE CONFERENCE (SAEIC 2018)

The conference took place on 25 – 26 October 2018 at Misty Hills Country Hotel, Conference & Spa in Muldersdrift, and was attended by some 80 delegates from across the insurance pipeline. Invitations were extended to a few Southern African regions but, unfortunately, no delegates attended. The committee will continue to strive to broaden the regional representation of the conference by inviting delegates from the neighbouring Southern African region. One of the highlights of the conference was certainly the break-away sessions wherein delegates vigorously debated several burning issues facing the industry. A panel discussion consisting of representatives from the Institute of Loss Adjusters of Southern Africa, Insurers, Reinsurers and the Broking fraternity deliberated on the challenges facing Loss Adjusting and its impact on engineering Insurance. The working group paper on Open-cast mining was presented by Mr Kobus van Niekerk. A paper on Support risks was selected for presentation and publication at the next conference. The 2019 event is already in planning, so please look out for further pronouncements in the local insurance magazines or SAIA circular.

EDUCATION

The conference highlighted the need for engineering product training at various levels in the industry to ensure continuity of knowledge and expertise within the sector. SAAEI is investigating the establishment of a sub-committee to drive this very important initiative.

SAIA BULLETIN

SAAEI contributed to the SAIA Monthly Bulletin. Articles as submitted by Zain Hoosen, Philani Mbatha, David Waterworth and Krushayev Moodley respectively, focused on:

• South African Association of Engineering Insurers (SAAEI): Looking back as we plan the year ahead;
• Is there a cycle in SA Engineering Insurance?;
• Removal of Support; and
• Risk management – an essential enabler of the role of the Broker in South Africa.

LUNCH-TIME MARKET TALKS

At the lunchtime talks, interesting topics were presented by engineering experts in the market and well-attended by the engineering industry. We are thankful to the presenters for volunteering their knowledge and time, the Hollard Insurance Company for hosting the events and the industry participants. The following talks were presented:

• Smelter Losses – Jonty Kirkman;
• Complex claims – Martin Vass;
• Construction contracts – David Vicek; and
• The committee is planning to arrange two interesting events in 2019.

SAAEI GOLF CHALLENGE/YEAR-END LUNCHEON

The SAAEI organises two exciting social events to entertain its members and clients. The annual golf challenge which caters for both beginners and skilled competitors, was yet again hosted at the Killarney Country Club with over 40 four-ball competitors. Our sincere gratitude is extended to our sponsors, and to the participating golfers for their kind-hearted donations in support of Hospice care.

The year-end luncheon provided an ideal opportunity for SAAEI members to socialise together with invited retired engineering insurance underwriters (as a gesture of appreciation for their service to the industry). The event was held at the 1920 Portuguese restaurant in Randburg and was well attended.

IMIA CONFERENCE

It was a huge privilege and learning opportunity to represent the SA insurance market at the 51st IMIA conference 2018 in Singapore. The four-day event attracted over 100 delegates who participated in research paper presentations, panel discussions, interactive breakaway sessions, and a site visit to the Changri Integrated bus and train depot project.

The following technical papers were presented at the conference:

• Construction in Mountainous Regions;
• Offshore Oil and Gas platforms;
• Construction and operation of scientific instruments/ infrastructure; and
• Electrical Failures not related to Weather and Ageing Plant and Maintenance.

These papers have been published on the IMIA website and are available for download.

The Working Group Paper topics for 2019 are:

• Battery Storage;
• Cover for existing property;
• Underground exposures for Hydroelectric Plants;
• Construction to Operational Insurance; and
• Tailing facilities and Best practice in presentation of engineering risks to Underwriters.

Any interested persons wishing to contribute towards the compilation of the research papers are encouraged to search the IMIA website for further details.

Ongoing discussions to host the 2020 IMIA conference in South Africa is presently underway and a decision is expected to be confirmed by the end of June 2019.
INDUSTRY OUTLOOK

The lack of new projects and the ongoing softening premium rate trend, together with the recent application for business rescue by major construction companies in South Africa, is a concern.

I would like to thank the Executive Committee, SAAEI members, John Nienaber and Samantha Boyd (Old Mutual Insure), Viviene Pearson (SAIA) and the team at SAIA (especially Promise Mhlanga) for all the support they have given me over this time.

Susan De Wet
SAAEI Chairperson
Alone we can do so little; together we can do so much.

Helen Keller
And then it was over! After 9 years in the making and months of intense preparation and planning, the annual IUMI International Conference has come and gone. For those who do not know, this prestigious conference is held annually in September in various cities all over the world and brings together marine underwriters from all corners of the globe. AMUSA, representing SAIA, were the proud hosts of this event for the first time in 144 years on African soil, in the beautiful city of Cape Town.

The conference was a huge success and the many compliments received make me extremely proud of the organising committee. The many hours of planning and hard work have truly paid off to the extent that we are now considered the conference to strive toward for all future organising committees. For more information on the conference and IUMI as an organisation, please visit the following websites:

- www.iumi2018.com
- www.iumi.com

I would like to thank the SAIA Board for their continued support throughout the process. Your leadership and motivation gave us the boost we needed to achieve this success.
AMUSA COMMITTEE

While the conference was a major milestone in the committee’s achievements for the year, we have not lost sight of our other commitments to our industry. In that, I am ably assisted on the Executive committee by the following members:

- Petra Fordyce (Vice-Chairperson)
- Hilton Adams
- Ian Parkerson
- Elesh Bisla
- Paul March
- Cynthia Nanthalall
- Granville La Vita
- Mervyn Naidoo

As always, we get regular feedback from our coastal representatives, namely:

- Anand Deepanand
- Chris Pyke
- Estelle Bond

EDUCATION

Education has always been and will always be a huge focus for our committee. As in most sectors of the insurance industry, lack of skills is constantly a huge concern for the marine insurance market. Throughout the year, we have hosted very interesting lunchtime talks which have been extremely well-attended and well-received. We have also revived our one-day seminars which give an introduction into marine insurance from quoting to claims stages. These have been attended by brokers and underwriters alike and it is great to see a keen interest in our field of expertise.

To ensure we are actually accomplishing something, we conduct a pre- and post-course test to understand the level of competence our delegates are obtaining throughout the course of the day. I am very pleased to see a huge improvement in the skill levels obtained.

THANKS

Finally, I would like to thank my committee, and their respective companies, for taking their valuable time to contribute to our industry and aiding in the sustainability and professionalism of our market. Without you, we would not be able to accomplish so much.

Mike Brews
AMUSA Chairperson

PULLING TOGETHER TOWARDS A SUSTAINABLE FUTURE FOR ALL
CORPORATE SOCIAL INVESTMENT

As part of the Mandela Day initiative, SAIA employees visited Oliver’s House east of Johannesburg which was founded in April 2001. Their focus is on early childhood development, education, skills development and community development. Situated on 11 acres of property in Putfontein, next to Zenzele informal settlement, the facility manages four social projects. We selected two of their projects to donate to.

**The Oliver’s Village for Early Childhood Development Centre**

At the centre children from the community are taught to read, write and have the opportunity to play in a safe environment. The children also receive nutritious meals provided by the sustainable farming plantation and cooking school on the premises.

Many children in South Africa are left unattended or in the care of other minors when parents leave for work. Oliver’s House has changed this scenario for many children in the Zenzele informal settlement.

SAIA purchased learning materials for the class of 2019 embarking on their first year of primary school.

**Computer Learning Centre**

The centre was established to offer grade 11 and 12 learners, the unemployed and disadvantaged people an opportunity to gain computer skills. The training is MICT SETA approved, meaning that the learner will attain a level and quality of training recognised throughout South Africa.

SAIA donated computer equipment, office furniture and stationery to the centre.

Oliver’s house is a community-owned initiative and, although it is a non-profit organisation, the management of the facility has worked diligently over the years to be self-sustaining through energy generating, water purification and entrepreneurship initiatives.

Visit their website www.olivershouse.co.za.
STAFF DEVELOPMENT AND TRAINING

Mr Zakes Sondiyazi
Mr Sondiyazi embarked on a Management Development Programme at WITS Business School. His hard work was recognised through an invitation to attend a 10-day leadership programme at the Pearson Institute of London. We wish him well for the final leg of the race.

Mr Kwanilele Sibanda
Mr Sibanda was handpicked by the London-based Commonwealth Communicators Organisation as one of the 253 founding Fellow Members in 53 Commonwealth nations to help with input into the annual campaigns’ strategy into the Commonwealth nations’ Key Strategic Initiatives

Ms Lebohang Tsotetsi
Ms Tsotetsi successfully completed the WITS Specialised Project Management Programme.

Ms Tessa Kerspuy
Ms Kerspuy successfully completed a Professional Development Programme in Public Relations Practice at PRISA.

Ms Thembinkosi Mokoena
Ms Mokoena successfully completed the CIMA Advanced Diploma in Management Accounting.

Congratulations to our colleagues and all the best to those studying in 2019!

We would like to give special thanks to the INSETA for their support and funding initiatives. Without it, our training and development plans would not be possible.

SAIA ORGANOGRAM AS AT DECEMBER 2018

In 2018 we welcomed the following new employees to the SAIA Team:

- Ms Katlego Bolsiek joined the team in July as the Insurance Risks Manager and Ms Pamela Ramagaga joined the team in September as the Executive Manager. Both these positions were newly formed roles, each with key strategic purposes.

As at the end of December 2018, the organisation Employment Equity Stats were captured as follows:

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IUMI 2018 CONFERENCE IN CAPE TOWN

The International Union of Marine Insurance (IUMI) 2018 Conference was successfully held in Cape Town on 16 to 19 September 2018. SAIA and AMUSA, were the proud hosts of the conference which was held on African soil for the first time in 144 years and drew senior executives in the global marine insurance world. The theme of the conference was “Managing Emerging Risks and Exposures – Think the Unthinkable”.

SAIA AGM, ANNUAL COCKTAIL FUNCTION AND ANNUAL REVIEW

We successfully held our Annual General Meeting and launched our Annual Review at the SAIA AGM event followed by the Cocktail Function at the end of July 2018.

Our guest speaker, Mr Ismail Momoniat (National Treasury) delivered the keynote address that will be a constant reminder that there is more we can do as individuals and an industry to better our economy and society.
Welcome address by former IUMI President Dieter Berg at the First Timers Reception

Mr Ismail Momoniat (National Treasury) delivered the keynote address at SAIA Cocktail Function 2018

Keynote address by Helen Zille former Western Cape prime minister, at IUMI 2018

IUMI Conference 2018 planning Committee members with IUMI Executive members

IUMI 2018 Organisers

IUMI Conference 2018 planning Committee members at at the South Africa Night – Grand Finale Dinner

SAIA Cocktail Function 2018
Unity is strength... when there is teamwork and collaboration, wonderful things can be achieved.

Mattie Stepanek
SAIA BOARD MEMBERS AS AT THE END OF FEBRUARY 2019

LIZÉ LAMBERCHTS
(SAIA Board Chairperson)
Santam Limited

CEDRIC MASONDO
(SAIA Board Deputy Chairman)
Sasria

ANDY TENNICK
African Reinsurance Corporation (SA) Limited
BOARD ALTERNATES

- **Burton Naicker**
  Outsurance Insurance Company Limited
- **Refilwe Moletsane**
  AIG South Africa Limited

RESIGNATIONS FROM BOARD 2017

- **Daryl de Vos**
  African Reinsurance Corporation (SA) Limited
- **Hannes Wilken**
  Old Mutual Insure Limited
- **John Sibanda**
  Lloyd’s South Africa (Pty) Limited
- **Nash Omar**
  Hollard Insurance Company Limited
- **Tom Creamer**
  Telesure Short-term Insurance
- **Themba Baloyi** (Board Alternate)
  Discovery Insure Limited
SAIA MEMBERS

ABACUS Insurance Limited
Absa Insurance Company Limited
African Reinsurance Corporation (South Africa) Limited
AIG South Africa Limited
Alexander Forbes Insurance Company Limited
Allianz Global Corporate & Specialty South Africa Limited
Auto & General Insurance Company Limited
Bidvest Insurance Company Limited
Bryte Insurance Company Limited
Budget Insurance Company Limited
Chubb Insurance South Africa Limited
Coface South Africa Insurance Company Limited
Compass Insurance Company Limited
Constantia Insurance Company Limited
Credit Guarantee Insurance Corporation of Africa Limited
Dial Direct Insurance Limited
Discovery Insure Limited
Escap SOC Limited
The Federated Employer’s Mutual Assurance Company (RF) Proprietary Limited (FEM)
First for Women Insurance Company (RF) Limited
FirstRand Short-Term Insurance Limited
GenRe Company Limited (General Reinsurance Africa)
GIC Re South Africa Limited
Guardrisk Insurance Company Limited
Hannover Reinsurance Africa Limited
HDI Global SA Limited
Hollard Insurance Company Limited
Infiniti Insurance Limited
Intermediaries Guarantee Facility Limited

King Price Insurance Company Limited
Land Bank Insurance Company
Legal Expenses Insurance Southern Africa Limited (Legalwise)
Lion of Africa Insurance Company Limited
Lloyd’s South Africa (PTY) Limited
Lombard Insurance Company Limited
MiWay Insurance Limited
Momentum Short-term Insurance Company Limited
Monarch Insurance Company Limited
Munich Reinsurance Company of Africa Limited
Nedgroup Insurance Company Limited
New National Assurance Company Limited
Oakhurst Insurance Company Limited
Old Mutual Insure Limited
OUTsurance Insurance Company Limited
Professional Provident Society (PPS) Short-term Insurance Company Limited
Regent Insurance Company Limited
Renasas Insurance Company Limited
SAFIRE Insurance Company Limited
Santam Limited
Santam Structured Insurance Limited
Sasria SOC Limited
SCOR Africa Limited
Shoprite Insurance Company Limited
Standard Bank Insurance Company Limited
Swiss Re Africa Limited
Unitrans Insurance Limited
Western National Insurance Company Limited
Workerslife Insurance Limited

Member Resignation 2018:
Corporate Guarantee (South Africa) Limited
SAIA COMMITTEES WITH ELECTED MEMBERS

South African Insurance Association (SAIA) Board of Directors
SAIA Board Committee: Transformation
SAIA Board Committee: Insurance Risks
SAIA Board Committee: Governance Risks
SAIA Board Committee: Reinsurance
SAIA Board Committee: Executive Committee
SAIA Board Committee: Remuneration Committee
SAIA Board Committee: Nominations Committee
SAIA Audit Committee
Intermediaries Guarantee Facility Limited (IGF) Board of Directors
IGF Audit Committee
IGF Underwriting Committee
IGF Claims Committee
The Association for Marine Underwriters in South Africa (AMUSA) Executive Committee
The South African Association of Engineering Insurers (SAAEI) Executive Committee
South African Nuclear Pool Administrators (Pty) Ltd (SANPA) Board of Directors
SANPA Audit Committee
The South African Pool for the Insurance of Nuclear Risks (SANP) Management Committee

SAIA COMMITTEES

TRANSFORMATION
SAIA Financial Inclusion Committee
SAIA Procurement and Enterprise Supplier Development Workgroup
SAIA Transformation Steering Committee

GOVERNANCE RISKS
SAIA Prudential Steering Committee
SAIA Conduct of Business Committee

INSURANCE RISKS
SAIA Motor Insurance Steering Committee
SAIA Property and Related Insurance Steering Committee
SAIA Agricultural Risk and Crop Insurance Committee
SAIA Technical Committee

OPERATIONS
SAIA Strategic Insurance Data Committee
SAIA Taxation Committee
SAIA Code of Conduct Review Task Team
SAIA VAT Task Team

SAIA FORUMS
The SAIA Motor Transformation and Sustainability Forum
The SAIA Property Transformation and Sustainability Forum
SAIA Agricultural Risk and Crop Insurance Forum
SAIA Cell Captives Insurance Forum
SAIA Consumer Credit Insurance Forum
SAIA Health Insurance Forum
SAIA Legal Expense Insurance Forum
SAIA Mega Infrastructure Projects Forum
SAIA Ombudsman for Short-term Insurance (OSTI) Forum
SAIA Premium Collections Forum
SAIA Sasria Forum
Solvency Assessment and Management Forum
SAIA Travel Insurance Forum
Talent wins games, but teamwork and intelligence win championships.

Michael Jordan