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1 From the Desk of the CEO

For the past seventy (70) days, the global village has been experiencing the effects of the COVID-19 pandemic on socio-economic activities. Almost the entire world came to a standstill in the months of March and April 2020 as each country concentrated on ensuring that their citizens survive the deadly virus that was spreading through the world like a wildfire. In the process, the economic standstill has claimed thousands of companies that were economically active during the pre-COVID-19 era, while millions of jobs stand to be lost.

South Africa went into a full national lockdown on 26 March 2020 and, like other countries, suffered immensely because of the need by the government to find that fine balance between continued economic activity and loss of lives. As most of the economy grounded to a halt, including any inter-provincial travel, the government began a painstaking process of understanding the local strain of the pandemic while also mobilising health resources in hospitals in a bid to slow down the rate of infections across our nine provinces. During that period, our economy experienced an unprecedented choke, which has heavily impaired various industries and dented our gross domestic product (GDP).

This balancing act has been a challenge, not only for us as South Africa, but also for other countries in the developing and the developed world. As our country slowly emerges from the clutches of severe lockdown alert levels, it got its first taste of Alert Level 3 on 1 June 2020. This will also mean that the economy is further opened to many more industries and a lot more people will be allowed movement from their homes to their workplaces, and back. We are pleased by this gradual re-opening of our economy, and we hope that South Africans of all walks will continue to observe health protocols introduced by Government to help preserve lives. We must also remember that our State President, Cyril Ramaphosa, emphatically made it clear that the fight against this invisible enemy was now in the hands of all South Africans.

To date, South Africa’s financial services sector has suffered income losses running into billions of rands. While this is so, the sector has remained steadfast in its support for the government’s decision to impose a nation-wide lockdown while also coming up with a myriad of debt and premium relief measures aimed at assisting Government, SMMEs and policyholders through COVID-19 related financial challenges. As the non-life insurance industry, we have remained sympathetic to the financial wellbeing of all our stakeholders, collectively pledging around R1.4 billion in relief funding within six weeks of the declaration of the national disaster. The funding was available for the provision of relief through premium reductions, premium deferrals as well as direct support to insurance industry business partners and Government initiatives.

We would like to further encourage policyholders who continue to experience financial difficulty due to COVID-19, and the national lockdown to speak to their financial intermediary (broker) or insurer, who are prepared to do their utmost to assist customers in good standing, on a case by case basis.

Vivienne Pearson  
SAIA Chief Executive
2 Insurance Risks

2.1 National Treasury (NT) Calls for Public Comment on the Draft Technical Paper on Financing a Sustainable Economy

SAIA participated in a National Treasury led working group of financial sector regulatory agencies and industry associations to develop a national strategic framework document on sustainable finance. The aim of the working group was to set out an overarching vision for sustainable finance in South Africa. Working Group members represented the following organisations:

- National Treasury (Chair)
- South African Reserve Bank
- Prudential Authority
- Financial Sector Conduct Authority
- Banking Association South Africa
- Council of Retirement Funds for South Africa
- Association for Savings and Investment South Africa
- South African Insurance Association
- Johannesburg Stock Exchange

National Treasury has now published for public comment a draft technical paper: “Financing a Sustainable Economy” as a framework for financial institutions to better disclose public information on their green practices and investments. The draft paper aims to enable stakeholders to better understand the extent of the financial sector’s vulnerability to Environmental and Social (E&S) risks posed by climate change, water and air pollution, degradation, and resource depletion.

The draft paper also includes draft recommendations on sustainable finance initiatives to be undertaken in banking, insurance, retirement funds, asset management and capital markets.

Further information is available as below:

- SAIA Circular SG 2020-074 National Treasury Sustainable Finance draft technical paper for comment.

This article was written by Susan Walls, SAIA Insurance Technical Advisor.

For more information, please contact Susan@saia.co.za.
Update: Proposed amendments to Schedule 1 of the FIC ACT

Links to the Deloitte-developed online survey were circulated to the industry on 9 April 2020. This means that in terms of timing, we are half-way into the timeframe of the process. The initial deadline of 29 May 2020 has been extended to 30 June 2020. We encourage insurers to keep to this extended deadline and submit the required information.

SAIA does, however, recognise that we are in extraordinary times, with the COVID-19 pandemic dynamics including manoeuvring business models under current lockdown conditions, we appreciate the challenges that our members have to work under, therefore have already facilitated concessions to the above survey requirements to alleviate some of the remote-working challenges.

Some of these concessions included facilitating that the questionnaires were sent out in PDF and MS Word formats to enable and enhance the electronic collation of the required data and information. This will also help various business units to easily facilitate the capture of their organisations data onto the online template.

This article was written by Pamela Ramagaga, SAIA Acting General Manager, Insurance Risks.

For more information, please contact: Pamela@saia.co.za

3 Governance

3.1 Prudential Authority invites industry comment on Draft Audit Requirements (Draft Audit Standards)

On 15 May 2020, the PA published the Audit Standards for public consultation. These proposed Audit Standards set out the information that insurers must have audited and provide to the PA for supervisory purposes and have been drafted in consultation with the Independent Regulatory Board for Auditors (IRBA), the audit profession, and the insurance industry to develop these Prudential Standards on Auditing and the audit reports relating to QRTs. Audited information establishes and enhances the credibility of the insurers’ and controlling companies’ information with the PA, policyholders, and other interested stakeholders.

Five Draft Audit Standards have been issued, one for each category of insurance firms, namely solo insurers, insurance groups, branches of foreign reinsurers, micro-insurers, and Lloyd’s South Africa. These Prudential Standards have been referenced to audit reports that will be issued by the IRBA.

SAIA has requested members to submit written comments to Mashudu Mabogo via email to Mashudu@saia.co.za by Friday, 26 June 2020 in order to facilitate the drafting of an industry submission to the PA.

This article was written by Mashudu Mabogo, SAIA Legal Specialist.

For more information, please contact Mashudu@saia.co.za.
3.2 The joint regulatory response to Business Interruption (BI) insurance

The Financial Sector Conduct Authority (FSCA) and the Prudential Authority (PA), jointly referred to as the “Authorities” issued Joint Communications 5 of 2020 (the Communication) on 12 May 2020 which set out their position on certain aspects of Business Interruption (BI) insurance as well as their expectations on non-life insurers and intermediaries as to how they should communicate with policyholders in respect of BI insurance claims related to COVID-19.

In respect of standard BI insurance where a policyholder should prove physical damage to the business premises covered under the policy, the Authorities' expectations are as follows:

1. An insurer would be obliged to indemnify a policyholder for loss of income only if a policyholder can prove physical damage, together with other requirements of the cover being met for a claim in respect of this cover to be honoured by an insurer.
2. In the absence of such physical damage, an insurer is not contractually bound to provide policy benefits to a policyholder.

In respect of BI insurance where the BI policy has an extension for infectious/contagious diseases, the Authorities' expectations are as follows:

1. Clear communication with policyholders regarding the impact of COVID-19 on their coverage should help deepen confidence and trust in the insurance sector and contribute to the longer-term economic recovery efforts. Insurers must communicate this clearly to policyholders, either directly or through their intermediaries.

Expectations regarding endorsements to policies are also outlined in the Communication, but the Authorities do not require insurers to retroactively cover COVID-19 related losses that are specifically excluded in existing insurance contracts.

This article was written by Mashudu Mabogo, SAIA Legal Specialist.

For more information, please contact Mashudu@saia.co.za.

4 Operations

4.1 SAIA Business Continuity during COVID-19

When it was announced on 05 March 2020 that South Africa had its first confirmed COVID-19 case, the organisation immediately started a communication and health campaign on COVID-19. Our office hygiene was adjusted to frequent surface cleaning and air purification. Hand sanitisers were placed at entrances and cleaning materials were changed (70% alcohol-based materials were procured). Staff were educated on social distancing, monitoring their health, sanitising, and washing of hands.

Prior to the country wide lockdown on 27 March 2020, the organisation had already communicated a work from home (WFH) policy which effectively would include all employees including employees with work activities that would not ordinarily fall under such policy. Staff were provided with equipment to work from home, the office landline was diverted to a cell phone and staff contact details were distributed to stakeholders and made available on the SAIA website.
With the lockdown regulations slightly relaxed at level 4, the organisation has resumed office work activities on a staff rotation bases effective 11 May 2020. The first week of May was reserved for risk assessment, deep cleaning, and fog cleaning. Protective gear and essential items were procured and issued to staff when they arrived at the office. Together with daily screening, staff have also been exposed to education on COVID-19 and the importance of all care aspects related to the virus.

The employee work rotation is in keeping with the Disaster Management Act Provisions during lockdown as well as the Occupational Health and Safety Regulations published thereunder, as well as the Ministerial Directives published. The rotation is an alternative to work from home as our WFH policy is still our preferred method of work during this period. Our offices are also closed to unauthorised visitors, authorised visitors are required to wear a mask, sign a declaration of health and indemnity, be screened upon entry and practice social distancing and all other measures put in place.

The Management of SAIA monitor the external environment and weigh up the possible impact on the organisation daily. We seek to provide a safe environment for our staff and visitors, striving for excellence during this uncertain time has only been made possible by our ongoing leadership efforts and the support of our team.

*This article was written by Nicol Champaud, SAIA Human Resources Manager.*

**For more information, please contact Nicol@saia.co.za.**

### 4.2 SAIA Contribution to the Solidary Fund

With the current state of the nation due to the COVID-19 pandemic, we felt compelled to support the call of South Africa’s President, Mr Cyril Ramaphosa, to support the government’s efforts during this difficult time. SAIA thus contributed R50 000.00 towards the Solidarity Fund.

SAIA’s contribution would not have been possible without the support of our members and the leadership of the SAIA Board and Management.

*This article was written by Nicol Champaud, SAIA Human Resources Manager.*

**For more information, please contact Nicol@saia.co.za.**

## 5 Industry News

### 5.1 IUMI 2020 Sweden Conference to be Held Online

SAIA received the following communication from IUMI:

You will not be surprised to hear that, together with the Stockholm organisers, we have agreed that this year’s IUMI annual conference cannot be held, in person, in Sweden. We know how important the annual gathering is to you and so we are working hard to bring the event to you in an alternative format. This year – and for the first time in IUMI’s long history – we are staging the IUMI Stockholm conference online.
We are committed to continuing the excellent programme of learning, discussion and debate that the IUMI conference has delivered across the globe for so many years and that is why we are inviting you to join this year’s conference virtually. COVID-19 and its consequences for our business will be on the agenda as well as discussions on the impact of sustainability and digitalisation on marine insurance. Many other topical issues will complement this core debate.

The common theme this year is “Navigating changing climates – delivering expertise to shape the future”.

We are planning to hold one workshop each working day over a 90-120-minute session. Each session will run twice a day to ensure all time zones are able to participate. Sessions will comprise a mix of presentations, discussion, and online Q&A.

To ensure all participants can attend all workshops – and to avoid extended time away from the “office” – this year’s conference will be spread over a two-week period: Mon, 14 – Fri, 25 September.

In addition, the conference website http://www.iumi2020.com and conference app will be available allowing you to plan your attendance, view background information and interact with the speakers, panellists, and each other. As you would expect, this year’s conference fee is significantly reduced and without travel and accommodation costs, the event represents excellent value for money.

The fee, which includes access to all ten workshop sessions, is €500 net. Alongside your participation, we are hoping you will also encourage some of your younger colleagues to join us for the first time.

As an additional innovation, we have decided to use the opportunity and to open the online conference this particular year to the whole industry and we are welcoming brokers, lawyers, surveyors, and other stakeholders involved in the maritime business. Every non-IUMI-member is invited to join for a fee of €600 net.

A detailed agenda and registration details shall be available in early June from the conference website.

Of course, we would have preferred to have welcomed you to Stockholm in person, but we do hope you embrace the change to this year’s format. Not only will you continue your relationship with IUMI and learn from the conference sessions, you will also be the first in our (almost) 150-year history to have participated online!

Information provided by IUMI in collaboration with the Stockholm Organising Committee. Please register in early June at iumi2020.com and we look forward to you joining us in September.

5.2 Scenario planning and the COVID-19 crisis

In this time of incredible uncertainty, Nadia Starr, Chief Executive at the Inseta shares tips on how scenario planning has helped her steer and continue to steer the Inseta and provides some key insights, and lessons learnt.
In times of uncertainty, scenario analysis and planning are critical tools. COVID-19 presents an extraordinary level of uncertainty. SETA’s are often tasked with estimating the impact on our organisations and taking action in response to the pandemic. Whether evaluating and projecting financial earnings, estimating cash flow and liquidity, or developing a range of mitigating actions, scenario analysis is not simply a financial planning tool; it is an integrated approach that can assist enterprise-wide efforts in dealing with uncertainty.

That is especially important now. COVID-19 and its impact on organisations of all types is sure to be significant. However, because of its very novelty, the following questions, which will resonate with organisations for years, cannot be answered with high confidence:

- How fast will the virus spread?
- How severe is the virus, including hospitalisation and mortality rates?
- How long will the pandemic last?
- How successful will mitigating strategies be in limiting and containing the impact of the virus?

Scenario analysis provides a structured way to identify a range of potential outcomes and estimated impacts and then identify and evaluate potential actions. It reinforces the presence of uncertainty and increases readiness to deal with a variety of potential outcomes. It also creates a sense of confidence by having a structured way to work through the challenge as it evolves. Scenario planning encourages us to react to the important factors we have identified and to not overreact to extraneous reports or data points.

**Why is scenario analysis so critical now?**

In general, most operational plans and financial projections are based on a single course or scenario, often not explicitly identified. Single point projections and scenarios have serious shortcomings.

First, they ignore the presence of uncertainty and limit consideration of contrarian points of view. Second, they contain dozens of assumptions, and many of these are critical and implicit — buried in the mechanics of our models. As such, some of these assumptions have not even risen to conscious consideration. They also provide a false sense of security, implying that we have a clear view of future events, and ignore a key truth: The future will be different than we anticipate.

Utilising scenario analysis addresses those shortcomings and has several important benefits. It reinforces an organisation’s awareness of uncertainty and provides a range of possible outcomes (scenarios). It also encourages developing deeper insight into critical drivers and assumptions and increases our readiness for a range of potential outcomes. This insight will be increasingly important moving forward.

**Identify potential scenarios**

Given the level of uncertainty, we need to identify and contemplate a variety of potential outcomes. In areas where the virus is in early phases (eg, in many regions of the country), there are several possible scenarios:

1. The initial actions taken by local, provincial, and national government and related behavioural changes (social distancing and sanitation) result in curtailment in the near term, allowing a return to staggered working hours.
2. Precision measures scenario: The initial actions taken by local, provincial, and national government and related behavioural changes (social distancing and sanitation) result in significant curtailment in the near term, allowing a modified approach to target specific activities, regions, population segments, etc.

3. The initial actions taken by local, provincial, and national government and related behavioural changes (social distancing and sanitation) result in midterm curtailment, allowing a return to near normal within the levels identified by government.

4. Other variations: Medical testing and treatments (including pharmaceuticals) significantly mitigate the virus’s impact.

5. Worst-case scenarios: The pandemic cannot be controlled over the next several months.

Identify critical assumptions

Each scenario requires dozens of assumptions, including health and economic/business. Nearly all these assumptions are based on experience with similar contagious diseases or crises, but each has a high degree of uncertainty since this is a new and unique virus. A few examples:

**Economic and business assumptions**

- What effect will this have on employment?
- How will this impact our customers and our revenues and collection periods?
- How will this impact our supply chain?

After identifying scenarios and assumptions, we can create a script of how each scenario would play out. We can then model various scenarios, identifying leading indicators, critical decision points, and potential responses.

Create a robust model

Whether we are projecting the impact on revenues, earnings, GDP, or cash flow, scenario planning requires a robust model to estimate the outcomes under different scenarios. Infectious disease specialists employ models to estimate the spread of the virus, required hospitalisations, and mortality. Finance professionals need a robust model to estimate the outcome on revenues, earnings, cash flow, and liquidity.

- Assumptions must be explicitly identified so they can be evaluated and flexed.
- The model must be robust, facilitating sensitivity and scenario analyses.
- Outcomes on key measures (e.g., cash flow) must be auto generated by the model to facilitate impact analysis and presentation.

Identify indicated actions under each scenario

The purpose of scenario planning goes well beyond simply estimating the impact of each potential scenario. The real benefit is realised when leaders identify and evaluate potential actions indicated in each case. In some cases, the actions are indicated under all scenarios. For example, the decision to encourage social distancing and hygiene practices has little downside or cost and will help under any scenario. These actions, called “no-brainer” or “no regrets” by scenario planners, have little downside. Another example would be to facilitate employees’ ability to work remotely from home.
Prepare to pivot to normalcy

In dealing with a crisis like COVID-19, our thinking and planning become dominated by “recency bias”. We are so focused on the current news cycle and our response to the crisis that we are not thinking about the inevitable return to a state of normal activity. What event(s) will trigger the restart? How will we reopen? What measures must be taken to sanitise facilities? How will our customers restart? When and how will we bring back employees?

What critical supplies do we need to reopen? What cash is required to accomplish this? While it may be difficult to focus on this future event now, doing so will allow us to identify critical issues and actions that facilitate the restart.

Even before the outbreak of COVID-19, we were living in a period of rapid change and great uncertainty, including economic cycles, election outcomes, trade wars, and disruptive technologies. Our sectors should identify lessons learned from this crisis, including the adoption of scenario planning as part of ongoing efforts in developing plans and projections.

*This article was written by Nadia Starr, Inseta Chief Executive Officer.*

For more information, please contact [ceo@inseta.org.za](mailto:ceo@inseta.org.za).
# SAIA Circulars

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