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## **1. IMAGE & REPUTATION**

### **1.1 Consumer Education Projects**

The SAIA Consumer Education Projects for 2011/2012 are in the initiation stage. The proposals from the service providers have been adjusted to meet the required scope and budget allocated for the approved mix of projects. We are currently finalising the contractual agreements with the service providers.

#### **i. Teacher Development Project:**

The teacher development project is linked to the Economic and Management Science (EMS) subject for Grade 9 learners. The project will have the following deliverables:

- Research and develop, and write educational material content for EMS Grade 9 for learners and their teachers.
- 2 day facilitator workshops, train the trainer.
- 32 workshops in the 9 provinces for teachers.
- Detailed lesson plans.
- 6000 printed copies of customised files containing a DVD, posters and 56 pages of full colour learning and teaching resources.
- Audiovisual material ready for distribution on DVD, USB memory sticks and animation versions that can be beamed to training participants on Bluetooth enabled devices.
- Financial Freedom Toasters are self-contained, computer-based “Bring ‘n Burn” Facilities which will be distributed to two venues in urban townships. This will be for further and continuing distribution of content, including printed, audio and audiovisual material.

The research and development of material and teaching methods are in consultation and partnership with the Department of Basic Education.

#### **ii. Community Radio Project**

39 scripts will be produced and aired on Thobela FM in Sepedi, which is the language of this radio station in Limpopo. The final production will include voice actors, sound effects and final dramatic production to final mix. The final radio drama will have the following tasks:

- The presenters will be trained to present and manage the education programme.
- The radio drama will be aired, to an agreed schedule.
- The financial literacy expert will be prepared for Questions and Answers to be the live voice of the industry.
- The experts with the show presenters will host a discussion of the issues raised by the drama, and callers will be encouraged to participate.
- The callers will be directed to a call centre number, for further follow up.
- Statistics will be provided for the callers and reference to other numbers.

The project will commence on the signing of the contract and conclude at the end of July 2012.

This is an extension of the Financial Education Fund Project (FEF).

### iii. Mass Commuter Awareness Project

This project is a joint endeavour with SAIA and the Financial Services Board (FSB). The awareness project is a multi-faceted solution, and the focus is more on densely populated urban areas with specific focus on LSM 4-7.

Below follows the high level media types that will be utilised for this project:

- **Rank TV**  
Large state of the art television screens with audio at specific ranks.
- **Comuta Radio**  
A national digital radio station which broadcasts live directly to selected taxi ranks.
- **Power Hour Radio Segments**  
This contains an hour of educational messages to coincide in part with Rank TV communication. It is telephonic or pre recorded radio interviews with experts through SAIA and the FSB.
- **Outdoor Broadcast Units (OB Units)**  
The OB Units at selected sites with a studio will create a real “vibe” giving the campaign additional excitement and relevance.
- **Star Music CD’s**  
CDs will be produced in-house to capture the essence of commuter communication and will be distributed to be used in taxis.

The content and script development will be a joint ongoing aspect between the FSB, SAIA and the service provider. The implementation of the project will be from September 2011 to November 2011.

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## 1.2 Microinsurance

### National Treasury releases Microinsurance Policy Document

National Treasury released a Policy Document on Microinsurance on 28 July 2011. The microinsurance policy document entitled: “The South African Microinsurance Regulatory Framework” is available on the National Treasury website ([www.treasury.gov.za](http://www.treasury.gov.za)). Also available is a record of stakeholder engagement that has informed the finalised policy position.

It was confirmed that the National Treasury and the Financial Services Board will engage on this policy document to build awareness of the proposed regulatory framework. As this document already considered the submissions received on the 2008 discussion paper, no new comment period is considered necessary. The public will be given the opportunity to comment on the final framework once the legislation has been drafted, before it is formally tabled in parliament. Draft legislation is intended for 2012, for tabling to parliament in 2013. Implementation is likely to follow in 2013/14.

We include the press statement of National Treasury on this topic below:

## Media Release:

The National Treasury today releases a policy document entitled “The South African Microinsurance Regulatory Framework”. The proposed microinsurance framework discussed in this document aims to address the specific challenges of improving access to insurance and consumer protection for lower income families in South Africa. It is an important first step towards providing South Africans with better, more affordable insurance.

Three features of the insurance market in South Africa require policy address: promoting better access for South Africans to affordable insurance products that meet their daily risks; better matching of insurance products to the needs of low-income consumers; and strengthening consumer protection.

Microinsurance refers to insurance that is accessed by the low-income population, provided by a variety of different providers and managed in accordance with generally accepted insurance practice. It forms part of the broader insurance market, distinguished by its particular focus on the low-income market. The dominant insurance product in the lower-income insurance market is funeral cover, which is often provided by unlicensed providers, resulting in significant risks to consumers.

The National Treasury intends for the policy framework to achieve the following objectives:

- Extend access to a variety of good-value formal insurance products appropriate to the needs of low-income households, thereby supporting financial inclusion.
- Facilitate formalised insurance provision by currently informal providers, and promote the formation of regulated and well capitalised insurance providers and small business development.
- Lower barriers to entry to encourage broader participation in the market and promote competition amongst providers.
- Enhance consumer protection within this market segment through appropriate prudential and business conduct regulation, improved enforcement of regulations, and consumer education interventions targeted at understanding insurance and its associated risks and benefits.
- Facilitate more effective supervision and enforcement, supporting the integrity of the insurance market as a whole.

This microinsurance policy document builds on the National Treasury’s 2008 discussion paper on the “Future of Microinsurance in South Africa.” Consultation on the 2008 proposals informs the policy positions that underpin the proposed Microinsurance Act, providing a comprehensive framework for improving product delivery and consumer protection in this market.

The National Treasury and Financial Services Board will develop the microinsurance legislation for comment by 2012, and for tabling in Parliament by 2013.

**Issued by: National Treasury, 28 July 2011**

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### 1.3 South African Insurance Association (SAIA) Code of Conduct: Information Sharing Template

The SAIA Code of Conduct Information Sharing Template has been amended for ease of use by members and SAIA alike.

Following on feedback from members who completed the 31 March 2011 or 1<sup>st</sup> quarter template, we have initiated the following changes:

- The columns have been renamed and the current year and last year have been switched around. Formulae have been entered to calculate percentage change and sum ranges.
- The template has been altered to more clearly group amounts being summed under a specific portfolio heading.
- We have removed large losses as a separate heading from the template.
- Units are the incidence / number of claims within the respective classes for the quarter ended 30 June 2011 and the comparative last year quarter ended 30 June 2010.
- We have removed fire, environmental / weather, floods and drought from the template for now.

It is hoped that the above changes will assist in refining the document further.

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### 1.4 Functions planned for 2011

Listed below are the dates for the South African Insurance Association (SAIA) functions that will take place in 2011. This is a standard section in the SAIA Bulletin. Please note that the dates are subject to change. Changes will be marked in colour.

- SAIA Media Lunch (Johannesburg) – 18 August 2011
- SAIA Media Lunch (Cape Town) – 30 August 2011
- SAIA Assistants Lunch – 23 September 2011
- SAIA Consumer Education Report Back Function – 6 October 2011
- SAIA Committee Lunch – 20 October 2011
- SAIA/FIA Board Liaison Meeting & Lunch – 24 November 2011

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### 1.5 The Strategic Risk Forum

The first meeting of the Strategic Risk Forum was held on 15 July 2011. With 23 members of the forum in attendance the meeting was opened with a presentation from National Treasury which covered a macro overview of the insurance sector, an overview of the International regulatory developments, the policy proposals for reforming the financial services regulatory framework, the strategic risks and early warning indicators and the potential role of the Strategic Risk Forum as per National Treasury.

With the input of this presentation and the background reading of the Draft Environmental, Social and Governance (ESG) Risks: South African Short-term Insurance Industry; the

team proceeded to confirm the Terms of Reference for the Forum. The next meeting is scheduled for the 1<sup>st</sup> and 2<sup>nd</sup> September where the forum will confirm the top 10 risks and the priority areas of collaboration.

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## 1.6 The Insurance Conference 2011

The annual Insurance Conference, a joint venture between the SAIA, the FIA and the IISA, took place at Sun City from 24 July to 28 July 2011. This year's conference was the biggest ever with more than 700 delegates, networkers and partners and a total of 43 exhibitors. The theme of the conference, Sustainability, was well addressed through various interesting and topical presentations and talks. The presentations are available on the website of the IISA, [www.iisa.co.za](http://www.iisa.co.za), for those who are interested in finding out more.

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## 2. HELPING YOU UNDERSTAND THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) 4 PHASE II CHALLENGES

During the year the International Accounting Standards Board (IASB) extensively debated the comments received on the exposure draft. This resulted in significant changes to their proposals which will impact the short-term industry, not only reporting but inherently the operational and system requirements.

It is important to understand these changed requirements and the business issues well in advance. SAIA has engaged PricewaterhouseCoopers (PwC) to assist with a programme to ensure the short-term insurance industry is ready for the challenges. The focus will not be on the technical requirements but understanding the impact and the operational challenges. The planned activities are:

- Publication of a “temperature check” to identify the main changes and assess industry readiness.
- Half day practical workshop to debate the main areas of change and the links to the SAM proposals.
- A project team to provide industry specific comments on the re-exposure<sup>1</sup> / staff draft of the standard
- Feedback to the IASB on a continuous basis after IASB Board meetings.

Your participation and input in this process will be fundamental to ensure the industry concerns are heard by the IASB and to facilitate implementation planning.

<sup>1</sup> The IASB has not indicated whether the standard will be re-exposed with question to commentators on the main areas of change.

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### 3. LEGISLATION & REGULATION

#### 3.1 Short-Term Insurance Act (STIA): Proposed Binder Regulations published

The Financial Services Board (FSB) published the proposed Binder Regulations on Friday, 22 August 2011 for public comment.

The explanatory memorandum to the Binder Regulations confirms the broad principles that informed the proposed Binder Regulations namely:

- Accountability of the insurer
- Responsible outsourcing
- Policyholder protection
- Managing conflict of interest

Although the Binder Regulations confirm that all agreements concluded on/before the date on which the Binder Regulations will come into operation must be aligned within one year of the Binder Regulations coming into operation, all new binder arrangements must comply with the Binder Regulations from the promulgated effective date.

In terms of the proposed Binder Regulations, an underwriting manager may act on behalf of more than one insurer in respect of the same class of business, if the insurers agree thereto in writing. Underwriting managers will not be able to directly market, solicit or sell policies to the public, but will be able to render other intermediary services, such as premium collection and receipt of claims.

Members are invited to review the proposed Binder Regulations and the impact of these Regulations on their business processes.

In order to allow an industry submission to the FSB, SAIA members are invited to submit their comments on/before close of business Friday, 29 August 2011.

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#### 3.2 Information letter: Requirements of the STIA in respect of insurance offered by couriers and transporters / insurance related activities of couriers and transporters for comments

The Financial Services Board (FSB) issued a draft information letter to provide guidance on the requirements of the STIA in respect of insurance offered by couriers and transporters to their clients insurance related activities of couriers and transporters. The draft information letter follows awareness by the FSB of certain practices of insurers, couriers and transporters that are not compliant to the STIA. The draft information letter confirms that only a registered insurer may conduct insurance business as stated in section 7 of the STIA, the circumstances under which a courier/transporter may offer to insure the goods of its clients, a courier or transporter may insure the goods of a client as a bailee and a courier/transporter may act as an independent intermediary. The draft information letter also confirms the enforcement measures that can be taken as a result of the non-compliance thereof.

SAIA members were invited to send their comments on this letter by close of business on 3 August 2011.

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### 3.3 Financial Advisory and Intermediary Services Act (FAIS): Regulatory Examinations (RE)

It had been previously reported that the SAIA set up an industry forum that met with the Financial Services Board (FSB) on 29 June 2011 regarding the Regulatory Examinations (RE). The FSB subsequently issued circular 7/2011 confirming extensions of the deadline for the level 1 RE and other related matters.

The details of the extensions of the deadline are as follows:

Level 1 RE	New Deadline	Deadline for Rewrite
RE1 (key individual for category I, II, IIA, III and IV)	30 June 2012	30 September 2012
RE3 (key Individual for Category II and IIA)	30 September 2012	31 December 2012
RE4 (key individual for Category III)	30 September 2012	31 December 2012
RE5 (representatives of Categories I, II, IIA, III and IV excluding representatives for subcategories 1.1 and 1.19)	30 June 2012	30 September 2012

\* The deadline for the RE2 level 1 regulatory examination for sole proprietors and key individuals for subcategories 1.1 and 1.19 is 31 December 2013. Representatives for subcategories 1.1 and 1.19 are not required to write the level 1 regulatory examination.

(Acknowledgement of FAIS Circular 7/2011 dated 12 July 2011)

It is however imperative to note that there has been no extension for Representatives appointed from 2010 onwards and the deadline for Representatives appointed from January 2010 remains unchanged namely they have to complete the level 1 RE within 2 years of the date of appointment as Representative while working under supervision. As such, Representatives appointed in January 2010 will have to successfully complete the level 1 RE before the end of December 2011. It is therefore advisable for Representatives registered in the first quarter of 2010 to start preparing in all earnest for the level 1 RE.

The SAIA wishes to thank all members that have contributed information regarding their experience on the regulatory exams, and encourages its members to continue supplying feedback on [REfeedback@saia.co.za](mailto:REfeedback@saia.co.za). The information received on the REfeedback line will continue to form a valuable part in the ongoing engagement with the FSB.

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### 3.4 FSB circular regarding the late notifications of debarments

The FSB issued a circular on the late notification on section 14 of the FAIS Act regarding debarment by Financial Service Providers (FSPs). The FAIS Circular confirms the enforcement measures that the FSB will follow against defaulting FSPs confirming a penalty of R300 per day that can be imposed in this regard.

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## 4 MOTOR

### 4.1 Vehicle Security Rating System (VSS) List

The management/administration of the Vehicle Security Systems List (VSS) is currently still being managed by Liquid8 / VSS Administration until such time as the current tendering process has been completed.

The request for proposal was sent out to six vendors which were identified by the SAIA in cooperation with the National Association of Automobile Manufacturers of South Africa (NAAMSA) and the deadline for response is 10 August 2011.

The evaluation process and down-selection will commence shortly after that and the process will hopefully be completed by the middle of September 2011 when the successful service provider will be identified.

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### 4.2 Compulsory Third Party Motor Property Insurance

The SAIA attended a joint workshop facilitated by National Treasury (NT) which was attended by senior officials of the NT, Department of Transport (DoT) and the Financial Services Board (FSB) where the SAIA Motivational Document on "Compulsory Third Party Motor Property Insurance in South Africa", previously submitted to the Road Traffic Management Corporation (RTMC), was tabled and discussed in depth.

Both the NT and the DoT undertook to put this issue on their agenda as they both seemed very keen to address this topic.

At the last NT/ FSB/ SAIA Quarterly Liaison Meeting, which was held in June, it was confirmed that both the NT and DoT are in the process of setting up an interdepartmental Task Group which will be meeting in the near future.

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### 4.3 The Decade of Action for Road Safety

The United Nations proclaimed 2011-2020 the Decade of Action for Road Safety. The guiding principles underlying the Global Plan for the Decade of Action are those included in the “Safe System” approach. This approach aims to develop a road transport system that is better able to accommodate human error and take into consideration the vulnerability of the human body.

The South African Road Federation (SARF) and the Road Traffic Management Corporation (RTMC) hosted a Conference on Road Safety Initiatives towards a Decade of Action on 7 and 8 June 2011 in Pretoria.

The speakers of the Conference addressed a wide variety of issues under the five pillars of the Global Plan for the Decade of Action, namely:

- Pillar 1            Road safety management
- Pillar 2            Safer roads and mobility
- Pillar 3            Safer vehicles
- Pillar 4            Safer road users
- Pillar 5            Post crash responses

The conference delegates called for measures and actions to be implemented to ensure that the issues raised at the conference are addressed in an integrated manner. The deliberations and discussion demonstrated a high level of commitment from those in attendance to deliver key actions.

The conference delegates formulated the following recommendations.

General Resolutions:

1. That the Conference be held on an annual basis to track and facilitate implementation of recommendations
2. A road safety advisory council consisting of representatives from government, business, civil society and the non-governmental sector be established to monitor progress and provide advise on the implementation on the road safety programmes.

The SAIA will hopefully be invited to play a role in this initiative and we will keep our members informed of developments.

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## 5. TRANSFORMATION

### Update on the Financial Sector Charter (FSC)

Following a meeting of the Ministers of Finance and Trade & Industry and the Financial Sector Charter (FSC) Council board on 30 July 2010 it was agreed to gazette the Financial Sector Charter as a three phase process.

**Phase 1:** Phase 1 specifically excluded Access to Financial Services, Empowerment Financing, Enterprise Development and some aspects of the measurement of Black ownership (primarily the concept of “Once Empowered Always Empowered”). Agreement has been reached on a Phase 1 Draft Financial Sector Code document and this was submitted to Treasury on 18 October 2010 and gazetted for public comment under section 9(1) of the DTI Generic Codes on 10 December 2010.

The period for public comment ended on 26 February 2011 and the DTI, in participation with a technical sub-committee of the FSC Gazetting committee, have collated and considering the comments received.

**Phase 2:** Phase 2 aims to achieve consensus on all remaining issues after which a final version of the Draft Financial Sector Code will be published for public comment.

The major matters to be discussed and agreed during this phase comprise:

- Access to financial products (incorporating Consumer Education)
- Empowerment financing and enterprise development
- Ownership – the issue of “Once empowered always empowered”
- Establishment of revised levels for Designated Investments to be applied to Empowerment financing
- Targets

After consideration of public comments, the Minister of Trade and Industry will be asked to gazette the Draft Financial Sector Code under Section 9(1) of the CoGP as a binding Code on the Financial Sector.

**Phase 3:** It is currently anticipated that gazetting of the final FSC code will take place during the second half of 2011, assuming that agreement on the current areas of discussion under Phase 2 can be achieved.

### **Current Position**

The timetable for completion of phase 2 of the gazetting process has been revised and aims to reach finalisation of the process and submission of a draft Financial Sector Charter document to the Minister during August 2011.

**The major outstanding issues remain:**

i. **Access to financial services and consumer education**

The SAIA position paper on the subjects of Access to Financial Services and Consumer Education which seeks to assess progress made during the implementation of the Financial Sector Charter to date and incorporates the recommendations arising from Eighty20 research report and the input of SAIA members, has been circulated to the Financial Sector Charter Council participants and discussion continues on these issues.

ii. **Access:**

It is proposed that each industry sector adopts access principles that are best suited to the particular sector. For the short-term insurance sector the following has been proposed and has received approval in principle by the FSC Gazetting committee:

- The target market be expanded to encompass LSM 1 to 7 segments,
- The target market will be identified and targets set based on a maximum insured amount for each identified short-term insurance type,

- The sector target for access will be established based on a percentage market penetration for each short-term insurance type.

**iii. Consumer education:**

- The target for Consumer Education spend has been increased from 0.2% to 0.4% of post tax profit,
- The definition of permissible Consumer Education has been extended to include education that supports the general aims of the Charter and thus will be expanded to include specific (non branded) product education beyond homeowners and householders insurance,
- The current 80:20 restriction in favour of consumer education spend in the form of community workshops will be reviewed as part of the product standards exercise that will follow the gazetting of the FSC.
- The National Treasury Policy Statement on Microinsurance has been released.

**iv. Enterprise Development and Empowerment Financing**

The original Financial Sector Charter included Enterprise Development as part of Procurement with Empowerment Financing as a separate section of the Charter. In order to achieve its Empowerment Financing targets the short-term insurance industry was largely dependent on the banking and investment sectors originating investment structures into which the short-term insurance companies could invest.

In the revised Code, it is recommended that Enterprise Development and Empowerment Financing be combined and that the short-term insurance industry be given the choice of meeting its target requirements in this section through a combination Enterprise Development and / or Empowerment Financing. This position has gained support from the trade association grouping within the Charter Council.

The research report of Naledi (National Labour and Economic Development Institute) re-emphasised the dependence of the short-term insurance sector on the banking sector in attaining its current Empowerment Financing targets.

Discussion continues in this regard.

**v. Ownership – “Once Empowered Always Empowered”**

The Ownership concept of “Once Empowered Always Empowered” formed a cornerstone of the original Financial Sector Charter. The Banking Association wished to retain this concept in the Code while the Labour and Community constituencies originally required this provision to be omitted from the Code.

Discussion continues on those areas where agreement has yet to be reached.

**vi. Designated investments**

The level of Designated Investments applied to each participant subject to the Financial Sector Code requires to be updated and research in this regard has been completed and a proposal has been tabled for agreement of the FSC Gazetting committee.

## **vii. Targets**

Revised targets for each section of the Code are currently under discussion as part of the phase 2 discussions.

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## **6. SOLVENCY ASSESSMENT AND MANAGEMENT (SAM) INITIATIVE**

### **SAM Timeout**

There are currently a number of important SAM deadlines looming and fast approaching fruition. SAM activity is currently rather boisterous and we thought it prudent to pause for a moment to highlight a few of the important aspects within the SAM process that we believe insurers should be concentrating on at this stage.

### **Discussion Documents**

There are currently 13 Discussion Documents that have been approved for public comment by the FSB SAM Steering Committee. The submission deadline for public comment regarding these Discussion Documents has been set for the end of July 2011. These Discussion Documents are in essence technical papers that will be used in the design of the Secondary Legislation. Further Discussion Documents are expected to be submitted to the FSB SAM Steering Committee for approval for public comment within the next couple of weeks.

### **1st Draft of Primary Legislation**

All the task groups operating under the SAM Governance Structure have been asked to provide comments on the first draft of the Primary Legislation. It is expected that the Primary Legislation will undergo a number of changes before the final draft is sent to Parliament for approval. Currently this draft of the Primary Legislation does not address group supervision. The second draft of Primary Legislation is expected to be released by September 2011.

### **1st Draft of Secondary Legislation**

According to the FSB the first draft of the Secondary Legislation is expected to be available to industry for comment in September 2011. As mentioned the Discussion Documents produced by the various task groups will have a significant influence on the design of the Secondary Legislation.

### **South African Quantitative Impact Study (SA QIS1)**

The deadline for submission of the SA QIS 1 is 16 September 2011. We are less than two months away from this extremely important deadline which will not be extended or delayed. Insurers who intend to use an Internal Model to calculate their Solvency Capital Requirement (SCR) are reminded that completion of the SA QIS is a mandatory requirement.

## **Board Notice (Interim Measures)**

Short-term Insurance Board Notice: Prescribed requirements for the calculation of the value of the assets, liabilities and capital adequacy requirement of short-term insurers, was sent out on 19 July 2011 to all short-term insurance companies Public Officers. This Board Notice is based on Position Paper 6: Interim Measures relating to Technical Provisions and Capital Requirements for short-term insurers. Members are requested to provide their comments regarding this Board Notice by the 16 September 2011. This Board Notice forms part of the Interim Measures intended for implementation in 2012.

## **IMAP and PAQC**

The Internal Model Approval Process (IMAP) guide along with the Pre-Application Qualifying Criteria (PAQC) template was issued to the insurance industry on 20 April 2011. The IMAP guide provides a detailed summary of the internal model approval process as well as the important criteria and requirements that insurers will need to comply with, in order to apply for the use of an internal model to calculate the solvency capital requirement (SCR). Further documentation is expected to be issued in due course.

## **Solvency II proposed new implementation date**

The European Union has recently proposed that the implementation date for Solvency II be extended by a further year to 1 January 2014. Due to the number of jurisdictions that make up the EU, various legislative and supervisory issues had facilitated the requirement to push back the Solvency II implementation date by another year.

Subsequently, the FSB has received a number of enquiries regarding the possibility of delaying the implementation date for SAM. This topic has been discussed and debated within the internal structures of the FSB as well as at the SAM Steering Committee. The general consensus reached is that the SAM implementation date of 1 January 2014 is to remain as such. Therefore the momentum generated thus far in the SAM project should be maintained.

## **Where should the focus be**

Participation in the Discussion Document process by as many insurers as possible is crucial as Secondary Legislation will be drafted based on the input received from these Discussion Documents.

For those insurers intending to use an internal model to calculate their solvency capital requirement completion of the SA QIS 1 and the PAQC Template should be a high priority at this stage in their SAM preparations. The results of the SA QIS 1 will provide important input into the Economic Impact Study hence the urgency of participation from as many insurers as possible in order to capture and include the various diversified business models.

Further attention should be directed to the new Board Notice that will repeal Board Notice 27 of 2010 and comments should be submitted as a matter of urgency, as this Board Notice will take effect from 1 January 2012, as part of the Interim Measures process.

## **Conclusion**

The proposed new SAM legislation is an unavoidable certainty that must be taken seriously as the FSB has signalled their intention to continue driving the process with vigour. It is important to be cognisant of where we find ourselves in the SAM project at this stage. Particular consideration should be given to some of the areas as mentioned, as these

require immediate attention and positioning by insurers in order to avoid falling significantly behind within the SAM process.

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## 7. SHORT-TERM INSURANCE DATA EXCHANGE (STRIDE)

The STRIDE project will be delivered in 2 phases:

**Phase 1:** The first phase will enable the sharing of information as per the legislative requirements. This is focussed on enabling binder holders to provide copies of policy, claims and bordereaux information to insurers underwriting the specific risk. The delivery date is 20 April 2012.

**Phase 2:** The second phase is the most extensive phase and will enable bidirectional messaging based on the ACORD model to provide straight through processing capabilities for all business processes in the short-term insurance industry. This includes requests for quotations from one or more insurers, acceptance of the quotation and issuing of the policy, policy amendments and policy cancellation. While the roll-out of the centralised switching infrastructure to support these messages is relatively short, the success of this phase is largely dependent on the speed with which brokers and insurers can modify existing systems to operate within this business paradigm.

In order to facilitate the secure and efficient transfer of data via the STRIDE switch, the following solution components are being developed:

The **ACORD Messaging Standard** will enable a universal language and data structure across the short-term insurance industry.

A **Directory Service** will manage the security and data sharing relationships in the switch.

A **Batch** delivery mechanism will enable participants to share information based on a daily, weekly or monthly load.

The **Switch** will enable real-time, bi-directional communication between participants to facilitate both data and process exchange.

A **Centralised Agent and Carrier Module** will enable validation of the exchanged data as specified in individual agreements with the participants.

A **De-centralised Agent and Carrier Module** will enable participants to implement validation rules at their own site.

The STRIDE Switch will have the ability to integrate with external platforms and switches and is therefore not prohibitive in any way. STRIDE will also be developed, in totality, on the industry created and accepted data standards namely ACORD. Support structures are in place with ACORD, and Astute and STRIDE are to ensure efficient assistance with any implementation challenges experienced.

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## **8. INSETA INTERNSHIPS PROGRAMMES RESPOND TO INSURANCE SECTOR EMPLOYMENT NEEDS**

In 2009 an article posted in The Insurance Junction stated that “statistics show that the South African insurance industry rates third in the overall number of industries in terms of skills shortage.” The Sector Skills Plan, released in the same year, revealed that despite higher graduation rates in recent years, the quality and appropriate qualifications of graduates entering the industry remains poor.

The general consensus is that often graduates do not perform to expectation, or are unable to meet skill requirements.

In response to this lack of skilled professionals in the sector, INSETA has taken a proactive step by developing a far-reaching internship programme aimed at supporting work-based experience and helping the sector to “grow its own skills”.

INSETA provides grants to businesses to enable unemployed graduates to gain one year’s workplace experience, or an opportunity to practice the work skills that they have studied and will practice in the future, in their chosen occupations.

These are structured work-based programmes designed by employers in conjunction with INSETA, aimed at giving unemployed graduates and those who completed National Diplomas, work experience and industry specific skill in companies in the insurance sector. “Graduates leave tertiary institutions with technical training but no experience, and therefore struggle to find employment. These internships help them gain experience and a real opportunity for employment. Further to this, the insurance industry gains the skilled professionals that, especially as it becomes more formalised, it is in such desperate need of,” said Sharon Snell, COO of INSETA.

Insurance brokers and financial service providers Indwe Risk is one of the companies that has run the internship programme, and says that it has proven immensely successful in the five years that it has been part of it. “It is one of our most successful developmental programmes and gives us the opportunity to grow our own talent. To date we have only lost two graduates due to resignations and have managed to employ 95% of the graduates,” said Vivienne Delaney, senior manager of Internships/Training and Development at Indwe Risk.

While employment following completion of the internship is not an obligation for either the graduate or the company involved, Snell says that more often than not it is the case. “This year, 17 of the 19 original interns in Indwe’s programme have gone on to employment within the organisation; the remaining two were head-hunted earlier in the programme,” she said.

One of the key factors in the success of the programme is the pre-selection scanning of graduates that ensures only the right people are chosen. All participants must sit an aptitude test to confirm compatibility with the insurance industry. This maximises the efficiency of the programmes, ensuring that the experience and training gained during the internship year is directed at graduates who are more likely to stay within the insurance industry. Participating companies say that this helps enormously in that the graduates are not poached as soon as they gain some experience, thereby leaving the insurance sector without a future generation of skills to replenish it.

“Even if they don’t end up at the same company they interned with, the industry-specific skills training means that the insurance sector gains a solid foundation of skilled experienced professionals. We aren’t looking for ‘fly-by-nights’, the completion of the internship is the start of the journey with us in the industry, and benefits us all. We give them an opportunity to accelerate their career, and at the same time provide the country with a desperately needed skilled workforce,” said Snell.

Delaney said that the internship process can be a daunting one, but the rewards for those patient and ambitious enough to see it through are immense, “In the last couple of years we’ve noticed that the interns have realised they need to learn to crawl before they walk. As an added incentive to stay, after the first year with us, Indwe offers these employees study loans in order to sit the FAIS compliance exams. We also run mentorships for the interns, as we’ve realised the positive effect this has - we’re growing new talent, and laying the foundation for amazing careers in financial services.”

The success of the programme also leads by example says Delaney. “It’s shown other companies that developing and maintaining a successful learnership and internship programme is a highly rewarding task, with long-term benefits. Furthermore the quota requirement of the programme provides the companies taking part with increased BEE status, helping to encourage diversity within the industry.”

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## 9. PRESS CLIPPINGS

### 9.1 Press Clippings: June 2011

Publication	Person/DN	Subject
Cover June ‘2011	# 86921	<b>Consumer Protection Act:</b> Farewell to small print – unfair contract terms and reasonable cancellation penalties
	# 86922 *SAIA	<b>Road Accident Fund (RAF):</b> Insurers and consumers to make financial provision
	# 86923 *SAIA	<b>Sustainability:</b> A new era dawns for global insurance industry
	# 86925 *Barry	<b>Sustainability:</b> Profound changes coming to insurance industry
	# 86934 *Elsebe	<b>Agriculture:</b> Feeding the nation – sustainably...
Insurance Times & Investments 2011	# 87203 *Suzette	Consumer Affairs: Outcomes on the way – <b>Treating Customers Fairly</b>
	# 87206	The <b>FAIS Regulatory Examinations</b> - The short and the long of it....
RiskSA ‘2011	# 87199 *SAIA	<b>Public Liability Insurance:</b> Slippery slide of shopping centre insurance
Mail & Guardian, 10 June 2011	# 86510	Row over <b>Koeberg</b> contract
Beeld, 13 June 2011	# 86558	<b>Motor Repair Industry:</b> Motorherstelwerkbedryf kry hupstoot vir opleiding
Citizen, 13 June 2011	# 86557	<b>Drunk driving:</b> Drager Breathalyser cases withdrawn – for now
BuisnessLive, 14 June 2011	# 86595	<b>Discovery Insure:</b> Insurance markets enter new era
Business Day, 15 June 2011	# 86598 *Barry	<b>Insights: The South African Insurance Association (SAIA):</b> Vital to cover catastrophes
	#86599 *Barry	Digging down to boost the customer base

	# 86600 *Barry	Dire lack of resources is adding fuel to the fire
	# 86601 *Viviene	Fight against fraud
	# 86602 *Viviene	Moves to combat consumers' ignorance
	# 86603 *Viviene	High cost of original vehicle parts at issue
	# 86604 *Dawie	Bad drivers on bad roads
	# 86605 *Barry	Crime is costly
	# 86606 *Suzette	Ensuring fair treatment for consumers
Itinews, 14 June 2011	# 86607	<b>Motor Insurance:</b> Should compulsory third party insurance encompass personal injury?
Sowetan, 20 June 2011	# 86690 *Viviene	<b>Fraudulent</b> claims push up premiums – 'Blow whistle on insurance cheaters'
Star Motoring, 23 June 2011	# 86707	<b>Drunk driving:</b> Drager breathalyser ban 'won't let motorists off the hook
Business Report, 24 June 2011	# 86753 *SAIA	Insure for <b>acid mine water</b> risk
Citizen, 28 June 2011	# 86791 *Viviene	<b>Motor Insurance Industry:</b> Does have a dirty secret?
Business Day, 29 June 2011	# 89617	Insurers worry over flood of regulations



**Further information on all of the above-mentioned press clippings : Sonja Etsebeth**



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## 10. CIRCULARS

The following circulars were issued during the month of June 2011: (Number of circular, title, date issued and contact person)

### 10.1 SAIA

- SG 2011/042 Regulation 4, Section 45 of the Short-term Insurance (Act 53 of 1998) Register to the Status of the Credit Intermediaries (1/6/2011)  
Contact: Itumeleng Tabane
- SG 2011/043 Directive 149.A.III (ST): Placement of Short-term Insurance Business with Entities not Registered in South Africa to Conduct Insurance Business (6/6/2011)  
Contact: Suzette Strydom
- SG 2011/044 Invitation to Comment: National Treasury Policy Document: A Safer Financial Sector to Serve South Africa Better (7/6/2011)  
Contact: Suzette Strydom
- SG 2011/045 SAIA Telephones not Operational (21/6/2011)  
Contact: Sonja Etsebeth
- SG 2011/046 Invitation to Comment: Introduction of a New Category for Financial Services Providers (FSP) Conducting Financial Services Business to Professional clients (23/6/2011)  
Contact: Suzette Strydom
- SG 2011/047 The South African Insurance Association: New Board Members (24/6/2011)

- Contact: Barry Scott  
 SG 2011/048 Information regarding Crime Statistics (27/6/2011)  
 Contact: Vivienne Pearson  
 SG 2011/049 FSB Financial Literacy Report (27/6/2011)  
 Contact: Barry Scott  
 SG 2011/050 Business Against Crime South Africa Newsletter June 2011 (29/6/2011)  
 Contact: Barry Scott

## 10.2 AMUSA

- AM 2011/052 Casualty Advice Update: "CMA CGM LIBRA" (2/6/2011)  
 Contact: Elsebe Vetten  
 AM 2011/053 Casualty Advice Update: "CMA CGM LIBRA" (3/6/2011)  
 Contact : Elsebe Vetten  
 AM 2011/054 Casualty Advice: "GRANDE GHANA" (8/6/2011)  
 Contact : Elsebe Vetten  
 AM 2011/055 Weather Related Risks (9/6/2011)  
 Contact : Elsebe Vetten  
 AM 2011/056 Casualty Advice : "UAL ANTWERP" (28/6/2011)  
 Contact : Elsebe Vetten  
 AM 2011/057 Update Casualty Advice : "UAL ANTWERP" (28/6/2011)  
 Contact : Elsebe Vetten  
 AM 2011/058 Piracy – The Ever Changing "New Normal" Presentation at the Joint  
 Cargo Committee Forum (29/6/2011)  
 Contact : Elsebe Vetten  
 AM 2011/059 Second Update Casualty Advice : "UAL ANTWERP" (30/6/2011)  
 Contact : Elsebe Vetten

## 10.3 SAIA Managing Directors

- MD 2011/027 SARS VAT 421 : Draft Guide for Short-Term Insurance for Members'  
 Comments (20/6/2011)  
 Contact : Charles Hitchcock  
 MD 2011/028 SAIA Board Minute 1/2011 : 10 March 2011 (22/6/2011)  
 Contact : Charles Hitchcock

☞ **Further information on all of the above-mentioned circulars : Sonja Etsebeth**  
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### IMPORTANT NOTICE

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

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