



South African Insurance Association

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Chairman's notes: SAIA Annual General Meeting & Cocktail Function 2008

Good evening ladies and gentlemen!

It is a great pleasure to welcome you, our special guests, to the Annual SAIA Cocktail Function. To me this is a special event as this will be the last time I will be addressing you in an official capacity at the SAIA as I will be stepping down as Chairman of the SAIA Board.

As this is my last address in this capacity to this audience, it is especially heart warming to see so many representatives of our member companies, business partners, fellow industry associations, government departments, the regulator, the media and others here tonight. Your presence is extremely valuable to me personally and to the SAIA as it signifies the support that our association enjoys – support without which the SAIA would not have been able to go without in achieving its goals.

It is also my privilege to thank TransUnion for their valuable financial contribution towards making this event special. We see this networking event as the highlight of the short-term insurance calendar, an event that provides us with the opportunity to thank our members and associates for their support, and most importantly as an opportunity to cement valuable existing relationships and establish important new ones.

As is customary, the Annual General Meeting of the SAIA took place earlier tonight. The important matters on the agenda of this meeting included, of course, the election of the new SAIA Board. I would like to take this opportunity to congratulate those Board members who had been re-elected, and extend a special word of welcome to those who



Directors: RS Napier (Chairman), MC Truter (Deputy Chairman), TJ Creamer, MR Durek+, CW Hitchcock, S Isaacs*, K Kennedy, A Khilisia*, IM Kirk++, A Klennert+, NG Kohler, BN Madhav*, V Martindale*, AL Mhlanga, RJ Moletsane, HR Moses*, S Naidoo*, JJ Ngulube, C Nolte*, N Omar, WT Roos, MA Samie, SH Schoeman, B Scott, D Shaw, J Sibanda, S Somers*, L Vermaak*, PG Walters*

*Alternates, + German, ++ Irish

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were elected for the first time. The new Board members are: **To receive the list that evening.**

Congratulations!

The new Chair will be elected by the new Board soon.

The theme of the 2008 SAIA Annual Review is “Reinvention”. This theme was especially chosen to depict an association that is going through a process of renewal. This process was started in 2006 with a strategic review of the SAIA by its Board, and gathered steam during 2007 when the new strategic focus was approved by the Board and SAIA members. The past year saw the implementation of the new strategy. We have attempted to turn SAIA into a more member-focused organisation that is effective in managing national industry issues rather than local operational tasks. This sees a focus on legislation and regulation, image and reputation, and transformation as key areas and a move away from managing entities like SAIA Approved and the like. The SAIA management has been restructured to accommodate this strategy, and Board committees have been created to provide guidance to management. While it is early days yet, initial indications are that the focus on these strategic areas is having the desired outcome with prompter decision making involving a wider range of our membership.

While our association celebrated its centenary during the period under review, the environment in which it operates has changed so much that it became necessary for the SAIA to reinvent itself.

Our operating environment as short-term insurers has become increasingly complex and challenging, and SAIA’s role in facilitating dialogue and joint decision making between all role players is now more crucial than ever before. Some of the issues on the table will undoubtedly change the face and structure of the industry, and I urge all members to actively engage with SAIA, its Board and subcommittees and its staff members to ensure they are kept abreast of the issues and that their unique company requirements are being met. It is in our own best interest that we ensure the effectiveness of SAIA through such active support and technical input.

SAIA 2007 overview

I would like to take this opportunity to give a short overview of the short-term insurance industry in general and of the South African Insurance Association in particular.

The market

In reviewing the latest FSB reports, as well as other material, I believe that the current immediate outlook does not look as positive as in previous years and it seems as if some concern exists about the current trading environment and the underwriting result going forward.

I believe that the personal lines market is showing signs of severe strain. There are several factors driving towards a possible “perfect storm” for personal lines insurers, like:

The Depreciation of the Rand which will have a very negative effect on parts pricing for motor vehicle repairs and will inevitably impact on the costs of motor accident repairs.

Inflation rates being higher than Government’s target range and the increase in interest rates causing a reduction in disposable income in most South African households. We are all acutely aware that for most families short-term insurance is not seen as an essential expenditure, so I am worried that we may see a withdrawal of our customers.

Motor vehicle accidents are another area for concern. South Africans’ inability to drive sensibly means that we will see more and more people being killed on our roads every year. There is also an inevitable increase in insured vehicles requiring repair. As the number of vehicles on the road increases faster than our capacity as a country to increase the road infrastructure, congestion will increase, and I fear too that the rate of vehicle accidents will follow suit. Ten years ago the cost of accidents amounted to less than 50% of the cost of vehicle claims, with crime being the more significant factor. Now, the cost of crashes exceeds 75% of the cost of claims, and this has become a far bigger focus for insurers.

For many of the niche players, the market has become more challenging. We are seeing the impact of the National Credit Act reducing the rate at which credit is granted, with the resultant drop in the sale of motor vehicles and white goods. This has the inevitable effect of reducing the products sold by consumer credit insurance providers. Coupled with this, the National Credit Regulator has started scrutinising the practices of insurers active in this market, and that office has promised closer scrutiny in the years to come and has even threatened a certain amount of product regulation.

This industry's own enquiry into consumer credit insurance practices has come at an interesting time, as it coincides with the start of the National Treasury investigation into the market practices within the short-term insurance industry. This investigation will have far-reaching implications for all stakeholders. We all need to work hard this year to ensure that our industry position is carefully articulated and effectively communicated to stakeholders.

Legislation and legislation

This is an area of activity that is currently quite hectic at the SAIA, and I am sure also in our companies.

The areas which might lead to fundamental changes in the way insurers and other role players go about their business in future include:

- the Insurance Laws Amendment Bill,
- the Consumer Credit Insurance issue,
- the issues surrounding the National Treasury Discussion Paper on Contractual Savings
- the National Treasury Discussion Paper on Micro-insurance

Transformation

SAIA was one of the founder organisations that drafted the Financial Sector Charter. SAIA's members and the organisation itself have embraced the Charter, not only in applying the so-called letter of the law, but its spirit as well.

SAIA has been at the forefront of consumer education, and with its partners – the FSB and more recently the Life Offices' Association – has to date spent more than R27 million on consumer education.

It therefore came as a huge disappointment to see the lack of progress made in gazetting the Charter, despite considerable effort expended by the many constituents of the Charter Council. The unique elements of the Charter, such as empowerment financing, access to financial services, and consumer education, are not covered by the DTI Codes of Good Practice. It is vital that all constituents understand this and that we work together to ensure the FSC takes its rightful place through enabling legislation that will lead to meaningful reform in our society.

Fortunately, it seems as if a positive outcome might be forthcoming due to some recent positive developments in this space. Let us hope that the Charter will be gazetted soon.

Image and reputation

One of the SAIA initiatives that should have a very positive impact on the image and reputation of the industry, as well as on the bottom lines of the participating companies, is the establishment of the Insurance Crime Bureau. Ten of our members companies, including Lion of Africa I am proud to say, are currently as founder members of the ICB quite far along the way of establishing this very valuable new company.

Appreciation

I thank the former SAIA Board members for their dedication, time, and effort. We have seen many changes to our Board over the last few years as industry CEOs have moved on. To each one of those former Board members, I also extend my thanks.

Our committee members also play an invaluable role to ensure SAIA's continued success. Their role often goes unappreciated by their peers, yet it is essential for the proper functioning of the organisation. I thank them all.

At this point I would like to thank Barry Scott and his team who serve our needs as an industry often under extremely trying and difficult conditions. My appreciation to all of you for your efforts is sincerely acknowledged.

Lastly, thanks to our members without whom we would not be able to deliver any functions. Your unwavering support, input and guidance are invaluable.

In closing

SAIA has served the insurance industry with diligence and dedication for more than 100 years, and the organisation has become one of which all members can be justifiably proud. It has been my privilege to again serve our industry as its Chairman in this centenary year.