2017 ANNUAL REVIEW
PARTNERING FOR A SECURE AND INCLUSIVE FUTURE
THEME 2017: PARTNERING FOR A SECURE AND INCLUSIVE FUTURE

In 2016, SAIA’s overarching objective was one of collaboration and strategic partnerships, along with playing a bigger role in South Africa’s economic recovery, together with other financial sector stakeholders. It is in this regard that we have selected “Partnering for a secure and inclusive future” as the theme for the 2016/17 SAIA Annual Review.

This theme remains relevant even in 2017 as we continue to grow, strengthen and build on the foundations of our collaborative endeavours and achievements in 2016. It is through meaningful partnerships and collaboration that South Africa is assured of a secure and inclusive future for all – and SAIA is committed to playing its part.
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SAIA VISION
To promote and represent the interests of the short-term 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 short-term insurance products;
• Representing the short-term 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 short-term 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 short-term insurance to all stakeholders;
• Promoting awareness of the industry and its contributions to society and the South African economy.
PARTNERING FOR A SECURE AND INCLUSIVE FUTURE

MESSAGE FROM THE SAIA CHAIRPERSON

1

Lizé Lambrechts
SAIA Chairperson
“The secret of change is to focus all of your energy not on fighting the old, but on building the new.” Although Socrates penned this quote in the fifth century BC, it remains relevant today – particularly for us in the short-term insurance industry. Things are changing, and changing fast.

The 2016/17 year has seen huge shifts in the industry’s approach to transformation, leadership and collaboration – themes we have discussed at length as a Board and as an organisation. We all agree that issues of transformation in our industry must be urgently and comprehensively addressed. Transformation can and will only be achieved through strong leadership and a collaborative approach within the industry, as well as with our stakeholders. This is all part of a changing mindset and requires a new way of doing things.

The industry is also impacted by a number of external factors. In particular, legislation and technology are playing an ever-increasing role in driving us to change the way we do things.

LEGISLATION

The short-term insurance industry is experiencing increased pressure in the face of new legal requirements. While we support the goals and aims of new legislation, it has a practical impact in that it increases costs, making it more onerous to do business. We see this reflecting in the market, where the number of players is on the decline. Our membership numbers have dropped in recent years for various reasons, including liquidation, mergers and acquisitions, withdrawal from the South African market, increased cost of doing business as well as shifting strategies. We have seen some of our smaller members disappearing altogether, surrendering their insurance licences to pursue other forms of insurance business or moving out of insurance entirely.

But not everything is doom and gloom. Tough environments bring people together and we have seen a definite increase in collaboration within the industry, as well as between the industry and our external stakeholders – government, business and the broader financial services sector. The short-term insurance industry is resilient, solid, innovative, collaborative and committed to making a positive and sustainable difference.

TECHNOLOGY

The introduction of new technology has led, and will undoubtedly continue to lead, to more affordable insurance. Advances help us to provide service that is better and faster, and we should expect this to become the norm in due course.

We know that members are seriously looking into harnessing technology to make insurance work better, both for the industry and for the clients we serve. New competitors are entering the market – small companies with no staff, using Artificial Intelligence (AI) and paying claims in seconds. Our members have to compete with these entrants or collaborate with them. Joining forces with these insurtech start-ups on a large scale will introduce a new dimension to the industry, opening doors for increased market penetration and introducing new skills to the insurance workforce. Now is the time we should be thinking about how to re-skill our workforce to remain relevant in the near future. If we leave it too long, it could be too late.

Technology will not only affect the way we do business, but also the nature of the risks we underwrite. Consider technological advances in the motor industry, for example. Will motor insurance be viable in the future as cars become more and more safe? And if driverless cars eventually take over, where will the industry go from there? Motor insurance is the biggest insurance class, so if it is impacted, the whole industry will be impacted. Germany expects all cars to be driverless by 2030 and while we don’t expect that to be the case in South Africa, it doesn’t mean we shouldn’t be thinking about it. Will liability products become key in our hi-tech future, where cyber risks and hacking of motor cars become more prevalent? These are the types of questions we are starting to ask and the debates we are starting to have.

APPROACHING CHANGE POSITIVELY

Change always brings challenges, and I believe there are many positives that can be extracted from change. The recent changes in the socio-political landscape have seen business and labour from a cross-section of industries starting to play a more significant role in the bigger picture. We all need to play a part. That to me is key. There is massive potential for wins in the changing landscape.

There is one thing that has not changed, and isn’t likely to – I have always been hopeful for the future of South Africa and our insurance industry. By working together we can only go from strength to strength.

APPRECIATION

In conclusion, I’d like to express my sincere appreciation and gratitude to all our members for their contribution and continued support throughout the year. I’d also like to thank the SAIA team for all their hard work and commitment in making the organisation a success.
PARTNERING FOR A SECURE AND INCLUSIVE FUTURE

Viviene Pearson
Chief Executive Officer
SAIA

MESSAGE FROM THE SAIA CHIEF EXECUTIVE OFFICER
PARTNERING FOR A SECURE AND INCLUSIVE FUTURE

After a period of consultation and change from late 2014 to early 2016, the 2016/17 year was one of consolidation and implementation. It was a year in which all the discussions, plans, changes and restructuring that took place as part of our metamorphosis were operationalised and set in motion. And so with our new foundation and game plan we have been able to start looking ahead under the theme “Partnering for a secure and inclusive future”.

SAIA has an important role to play in representing South Africa’s short-term insurance industry, both within the broader financial services sector and in dealings with government. A major focus area for us in the 2016/17 year was collaboration. As such we spent a considerable amount of time and energy on growing and strengthening relationships with all our stakeholders.

Another key focus area for us has been – and continues to be – transformation, which we see as a crucial step towards a secure and inclusive future.

Before addressing our 2016/17 focus areas in more detail, I would like to acknowledge the SAIA staff. There has been a lot of change in the organisation since 2015, which is never easy. In 2016 we launched an internal culture programme to improve morale and create a more positive, productive and happy team.

The results have been positive. Every quarter we hand out awards based on our three values – positive attitude, respect and cooperation. In the first quarter of 2017 the entire team won the award for respect based on comments that we receive from visitors. People who have been visiting us for years have noticed a significant improvement in the atmosphere at the SAIA offices.

Having a team that is more productive means we are able to provide a better service to our members, which at the end of the day is what we strive for as an organisation.

COLLABORATIVE PARTNERSHIPS

The issue of collaborative partnerships is key in the work that we do. We have made real progress on this front by nurturing our relationships with National Treasury, the Financial Services Board (FSB), the South African Reserve Bank (SARB) and various other government departments and agencies, the Association for Savings and Investment South Africa (ASISA), Banking Association of South Africa (BASA), the Insurance Institute of South Africa (IIASA) and the Financial Intermediaries’ Association (FIA). We have also started moving closer to Business Unity South Africa, exploring ways in which we can work with organisations across industries to contribute towards finding solutions for the challenges of our country, thereby contributing towards ensuring a sustainable and inclusive economic environment.

Our relationships with ASISA and BASA remain strong, and we have regular discussions at CEO level around strategy alignment and joint projects. We also discuss and debate ways in which we can work together more closely for the benefit of the financial services industry and its clients.

Another area of focus has been increasing collaboration with government entities, which is very important in ensuring that our members’ interests are represented around matters of legislation and resource distribution for short-term insurance clients. Our relationships with National Treasury and the FSB remain healthy, while new partnerships have been formed, among others, with the SARB in the context of Twin Peaks regulations, and the Department of Agriculture, where we are negotiating new types of insurance for farmers.

In addition, we continue to play an important role in the development of the road map for the short-term insurance industry in collaboration with National Treasury, the FSB, FIA and IIASA.

TRANSFORMATION

At SAIA we believe that the only way to secure a sustainable and inclusive future is through broad-based transformation across all levels of society. Acting on behalf of our members we aim to drive awareness, provide leadership and create opportunities for discussion and debate around issues of transformation within the context of the National Development Plan 2030 (NDP).

During the period under review we took a very close look at the performance of the industry on the issue of transformation. We had some very frank and open discussions with our Board and our members around the issue, with a view to finding new ways of doing things and upping our game in terms of transformation in a broader sense.

The Board has identified six key priorities to address and change the current landscape in keeping with the enabling milestones of the NDP, to be addressed by the SAIA Board work streams.
Procurement and enterprise development for small to medium black enterprises

The Motor Transformation and Sustainability Forum (MTSF) seeks to remove barriers to entry for small, black-owned motor body repairers. We aim to help these businesses meet the standards required by insurance companies to give them access to repair work. Our involvement includes help with skills development, equipment, back office support, premises and facilities.

We have started work on a database of black-owned motor repair businesses that meet the requirements of the industry. The intention is to make this information available to the general public and others so that uninsured people and other entities will also have access to approved workshops.

Ownership

The low levels of black ownership in insurance companies has always been a contentious issue. On average we are sitting at around 18% black ownership across the short-term industry, a lot of which is indirect ownership through pension funds, etc. This Board work stream is currently considering ways to increase direct, broad-based black ownership in the industry.

Financial inclusion

This is another area where we are trying to think laterally to come up with ways to make our products accessible to a wider market.

Involvement in local infrastructure

This is an area where we have already made progress as an industry, although I believe there is still a lot of potential for collaboration between members to help with upscaling where needed, to introduce new projects and to form new partnerships.

The role that the short-term insurance industry plays, and should increasingly be playing, is using its expertise in risk management to mitigate risk factors inherent in existing local infrastructure – for example, assisting municipalities with maintenance to reduce risks for municipalities, insurers, individuals and businesses.

It is encouraging to see how many of these partnerships and projects already exist, from support with traffic pointsmen and emergency services to education around
water scarcity and environmental conservation, our industry is really doing some great work around local infrastructure. Our members see the value in collaborating as an industry for the greater good of society, rather than achieving a competitive edge for individual insurers.

Working together as an industry we are so much more powerful. As such, we are moving towards involving more of our members in projects where we can make a big difference so that we can help create synergies and scale the impact of our efforts.

Skills development and employment

The industry is committed to developing skills and creating jobs, particularly at senior management and board level which does not yet reflect the demographics of South Africa. This is an area which the industry needs to address with some urgency.

Positioning of our industry

Every day I am reminded of the excellent work we do as an industry, notably in the areas of combating crime, road safety, climate change initiatives and potential projects to assist the agricultural sector. However, we are not good at telling our story.

The only way we are going to change the perception of the insurance industry is by working together to tell our positive stories. This means it is increasingly important for members to get involved in our industry projects. In this way we will be able to say, honestly, that the entire industry is doing its bit... we are doing well by doing good.

APPRECIATION

At the end of the day, none of these priorities can be addressed without the support of our members. Support on the ground is key in order to deliver a sustainable, inclusive industry that addresses the needs of all South Africans. We call it “partnering for a secure and inclusive future”.

I would also like to thank the Board, and our members for their invaluable support without which SAIA cannot achieve its objectives; and especially for our Chairperson, Lizé Lambrechts, who gives a lot of her valuable time to SAIA and industry business.

“We are only as strong as we are united, as weak as we are divided.”

— J.K. Rowling, Harry Potter and the Goblet of Fire
### Statement of Financial Position as at 31 December 2016

Figures in Rand

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<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
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</thead>
<tbody>
<tr>
<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>
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<td>Intangible assets</td>
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<td>Trade and other receivables</td>
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<td>Cash held on behalf of the SAIA Consumer Education Fund</td>
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<td>9 843 699</td>
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<tr>
<td>Cash and cash equivalents</td>
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<td>10 133 988</td>
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<td><strong>Total Current Assets</strong></td>
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<td>22 339 173</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>25 049 409</td>
<td>22 339 173</td>
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<thead>
<tr>
<th></th>
<th>2016</th>
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<tbody>
<tr>
<td><strong>Equity and Liabilities</strong></td>
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<td><strong>Equity</strong></td>
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<td>Reserves</td>
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<td>(152 425)</td>
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<tr>
<td>Retained income</td>
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<td>8 116 798</td>
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<tr>
<td><strong>Total Equity</strong></td>
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<td>7 964 373</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>Funds held for SAIA Consumer Education Fund</td>
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<tr>
<td>Trade and other payables</td>
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<td>Retirement benefit obligation</td>
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<tr>
<td><strong>Total Current Liabilities</strong></td>
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<td>14 374 800</td>
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<tr>
<td><strong>Total Equity and Liabilities</strong></td>
<td>25 049 409</td>
<td>22 339 173</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>2016</th>
<th>2015</th>
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<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>28 448 319</td>
<td>31 266 584</td>
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<tr>
<td><strong>Operating expenses</strong></td>
<td>(26 254 967)</td>
<td>(27 638 803)</td>
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<td><strong>Operating profit</strong></td>
<td>2 193 352</td>
<td>3 627 781</td>
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<tr>
<td><strong>Investment revenue</strong></td>
<td>1 092 088</td>
<td>766 366</td>
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<tr>
<td><strong>Sundry income</strong></td>
<td>127 236</td>
<td>98 134</td>
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<tr>
<td><strong>Profit for the year</strong></td>
<td>3 412 676</td>
<td>4 492 281</td>
</tr>
<tr>
<td><strong>Other comprehensive income:</strong></td>
<td></td>
<td></td>
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<tr>
<td>Benefit liability will not be reclassified to profit:</td>
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<tr>
<td>Remeasurement of retirement benefit obligation</td>
<td>(56 888)</td>
<td>(50 784)</td>
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<tr>
<td><strong>Other comprehensive income for the year net of taxation</strong></td>
<td>(56 888)</td>
<td>(50 784)</td>
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<tr>
<td><strong>Total comprehensive income for the year</strong></td>
<td>3 355 788</td>
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**Statement of Changes in Equity**

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<th>Retained income</th>
<th>Total equity</th>
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<tr>
<td><strong>Balance at 1 January 2015</strong></td>
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<td>3 522 876</td>
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<tr>
<td>Profit for the year</td>
<td>-</td>
<td>4 492 281</td>
<td>4 492 281</td>
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<tr>
<td>Remeasurement of retirement benefit obligation</td>
<td>(50 784)</td>
<td>-</td>
<td>(50 784)</td>
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<tr>
<td><strong>Total comprehensive income for the year</strong></td>
<td>(50 784)</td>
<td>4 492 281</td>
<td>4 441 497</td>
</tr>
<tr>
<td><strong>Balance at 1 January 2016</strong></td>
<td>(152 425)</td>
<td>8 116 798</td>
<td>7 964 373</td>
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<tr>
<td>Profit for the year</td>
<td>-</td>
<td>3 412 676</td>
<td>3 412 676</td>
</tr>
<tr>
<td>Remeasurement of retirement benefit obligation</td>
<td>(56 888)</td>
<td>-</td>
<td>(56 888)</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year</strong></td>
<td>(56 888)</td>
<td>3 412 676</td>
<td>3 355 788</td>
</tr>
<tr>
<td><strong>Balance at 31 December 2016</strong></td>
<td>(209 313)</td>
<td>11 529 474</td>
<td>11 320 161</td>
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**Statement of Cash Flows**

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<tr>
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<tr>
<td><strong>Cash flows from operating activities</strong></td>
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<td></td>
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<tr>
<td>Cash generated from operations</td>
<td>2 658 935</td>
<td>5 482 485</td>
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<tr>
<td>Interest income</td>
<td>1 092 088</td>
<td>766 366</td>
</tr>
<tr>
<td><strong>Net cash from operating activities</strong></td>
<td>3 751 023</td>
<td>6 248 851</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>(97 473)</td>
<td>(130 002)</td>
</tr>
<tr>
<td>Sale of property, plant and equipment</td>
<td>4 005</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash from investing activities</strong></td>
<td>(93 468)</td>
<td>(130 002)</td>
</tr>
<tr>
<td><strong>Total cash movement for the year</strong></td>
<td>3 657 555</td>
<td>6 118 849</td>
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<tr>
<td>Cash at the beginning of the year</td>
<td>10 133 988</td>
<td>4 015 139</td>
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<tr>
<td><strong>Total cash at end of the year</strong></td>
<td>13 791 543</td>
<td>10 133 988</td>
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</table>
4.1 TRANSFORMATION

FINANCIAL SECTOR CODE (FSC)

Following comments received from the Department of Trade and Industry (DTI) on the Amended FSC, changes were made to the FSC and submitted to the Minister of Finance for his approval. After the change of Finance Ministers, the National Treasury Deputy Director General: Tax and Financial Sector Policy, Mr Ismail Momoniat, met with the officials of the DTI and agreed that further approval of the Minister of Finance would not be necessary and the DTI could go ahead and finalise the FSC.

The SAIA Board has recommended that SAIA members report on FSC targets on a quarterly basis, and as such, SAIA is in the process of developing an FSC reporting tool that will be implemented in due course.

ACCESS STANDARDS

The access standards have been approved and become effective when the amended FSC comes into effect. National Treasury and the FSB are happy with the standards and is not likely to be changed within the next year. However, the FSC Council will review the maximum sums insured each year, which will be in line with CPI increases and/or market research.

CONSUMER EDUCATION

Financial consumer education continues to play a critical role in uplifting our communities, particularly in the low income market. SAIA and its members recognise that an informed community makes better informed financial choices, thus positively contributing to the economic welfare of the society and allowing consumers to use insurance products more appropriately. Since 2004 (with contributions from our members) SAIA has been involved in consumer education projects with great success. These projects have impacted millions of consumers across South Africa directly or indirectly, thus creating a better understanding of insurance and the types of insurance products that the industry offers.

In selecting projects for the 2016/17 consumer education initiative, SAIA proposed projects that would meet the FSC requirements while offering a broader reach and addressing our objectives as well.

For the 2016/17 consumer education campaign, R8,578,099 was contributed by our members. The funds were spent on expanding the current projects, namely Managing My Finances school resources project and Next of Next Week Industrial Theatre. In addition a consumer education website and cell phone application were also developed.

Both the Managing My Finances and Next of Next Week projects are interactive projects and the website is an awareness project.

CONSUMER EDUCATION APPLICATION

The SAIA consumer education app called Insurance101, was launched in January 2017 and is available on the Google Play and the Apple App Store. The app includes information on insurance products and services, relevant contact details and selected videos on consumer education.

ENTERPRISE DEVELOPMENT

The Motor Transformation and Sustainability Forum (MTSF), which is a collaboration between SAIA members who are motor insurers and the motor body repair (MBR) industry, has been looking at ways to reduce barriers to entry into the insurer procurement market for small black-owned MBRS. To-date, the MTSF has managed to create National Grading Standards for MBRS who want to be certified to do work on out-of-warranty motor vehicles. The standard has been implemented and the certification project will run until the end of April 2018.

SAIA, in partnership with our members, has committed to financially support qualifying black-owned MBRS by paying for the cost of the certification process.

The MTSF is also looking at other challenges such as Enterprise and Supplier Development; Preferential Procurement for small black-owned MBRS and access to the warrantied cars market, among other initiatives.

Leila Moonda
General Manager: Transformation and Governance Risks

* On 18 May 2017, Leila Moonda sadly passed away. We have lost a dear friend and valued colleague, who will be dearly missed by the SAIA team and the industry.
4.2 GOVERNANCE RISKS

FINANCIAL ADVISORY AND INTERMEDIARY SERVICES (FAIS) ACT: FAIS COMPETENCY FRAMEWORK

The need to raise the competency levels in the market has been emphasised in the ongoing engagements between the Financial Services Board (FSB) and various stakeholder organisations. This is necessary to ensure that appropriate financial products are offered by representatives who understand the product, are able to conduct a proper needs analysis and ensure that consumers understand what they are purchasing. This was to be accomplished in four phases. The first being qualifications, the second being experience, the third being regulatory exams to understand the legislation and the fourth being regulatory exams on product knowledge and business knowledge.

The first three phases have been completed and the RE2 exam, which is a regulatory exam testing business knowledge and product knowledge, has been discontinued.

The FSB proposed product mapping tiers for financial advisors to differentiate between advisers who provide advice in respect of basic and easy to understand financial products (Tier 2) and persons who provide advice in respect of more complex financial products (Tier 1). The Tier 1 advisors would need to meet higher competency standards than those offering Tier 2 products.

Extensive discussions were held with various stakeholder organisations to provide input on the proposed product mapping, so as to better understand its practical implications.

A competency framework was drafted which aims to address product knowledge, product training, line of business knowledge and continuous professional development based on the advice being given and the product being sold. The concerns raised by many short-term insurers during such engagements can be summarised as follows:
- The importance of proportionality in respect of advisor categorisation and competency requirements
- What differentiates levels of advice as contemplated in the model
- Further refinement of the current FAIS product definitions to ensure alignment with revised insurance product classification in the Insurance Bill was to be considered

Following these engagements, a revised competency framework was drafted and incorporated into the second draft of the fit and proper FAIS requirements, thus encapsulating the full competency requirements. Some concerns highlighted in the SAIA’s submission on the second draft were the following:
- Clarity on the rationale for not recognising experience gained outside South Africa with a recommendation that it be recognised
- Honesty, integrity and good standing provisions in Section 8 do not provide sufficient protection to a person subject to a fit and proper enquiry
- Clarity was sought as to why the FSB requires a representative performing execution only to have Grade 12 or equivalent qualification, particularly where they do not need to meet competency requirements but product training requirements. We are of the view that this may pose barriers to entry and have recommended that Grade 10 should suffice

An amendment to the conflict of interest code to allow for the exemption of black broker development has been made.

The proposed amendments for Approval of Compliance Officers

The FSB published Board Notices which provide that compliance officers who have been approved in terms of Phase 1 process of approval as a compliance officer, will no longer have their approval lapse after 24 months. If approved by the Registrar before 31 August 2016, they must pass the applicable regulatory examination by 31 August 2017 and acquire at least one year’s experience in providing the functions set out in paragraph 3 of the 2010 regulations.

With immediate effect, new Phase 2-approved supervisees must pass the applicable regulatory examination within 24 months of approval. Transitional arrangements provide that supervisees granted Phase 2 approval between 1 September 2013 and 31 August 2015 must pass the applicable regulatory examination by 31 August 2017.

The proposed FAIS exemptions

In terms of Section 13(1) (c), SAIA requested that the exemption be revised to read that: “The juristic representative may not at any given time, conduct itself as if it is an authorised Financial Services Provider and therefore contract in its own name with other insurers for the purposes of rendering financial services.”

The SAIA raised concerns regarding the proposed removal of Professional Indemnity (PI) and Intermediaries Guarantee Facility (IGF) cover in the proposed
exemption of particular FSPs as set out in Section 13 of the General Code of Conduct. The recommendation by the FSB to remove the cover may result in an unfair playing field. We have recommended that security be maintained to protect insurers and avoid an unfair playing field.

**The proposed FAIS Conduct of Business Report**

The Registrar of Financial Services Providers (the Registrar) intends to replace the current compliance reports with the proposed FAIS Conduct of Business Report (COBR). The draft FAIS COBR focuses on the providers’ strategy, business model and so forth, thereby enabling the Registrar to better understand the risks, or potential risks posed by a provider or its activities in achieving fair outcomes for customers and compliance with regulatory requirements. This is a move from a tick box compliance report to an outcomes based report, which is welcomed by SAIA.

It has been noted in the industry submission to the FSB that there are various areas of duplication in reporting. A request has been made that, to the extent that the information is duplicated, there should be no obligation for insurer FSPs to submit such in the FAIS COBR.

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“Inclusion works to the advantage of everyone. We all have things to learn and we all have something to teach.”

-- Helen Henderson

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**MARKET CONDUCT REGULATORY FRAMEWORK**

**Update on the Financial Sector Regulation Bill (FSR Bill)**

The FSR Bill is in the final stages of Parliamentary consideration. The Bill was referred to the National Council of Provinces (NCOP) for concurrence and will be voted on by the NCOP Committee on 3 May 2017.

Parliamentary updates indicate that briefing by the National Treasury on the Financial Sector Regulation Bill to Parliament is ongoing. Briefing by the Credit Ombud, Ombudsman for Long-term Insurance, Ombudsman for Short-term Insurance, and the Ombudsman for Banking on various functions of their work and on how the Financial Sector Regulation Bill will impact on their work is also being discussed. It is anticipated that the FSR Bill once passed into law will take effect in June 2017.

**Development of Key Information Documents (KIDs) for motor and household contents products**

The KIDs are a summary of key information about a financial product that a client is considering purchasing. It describes the product, the purpose of the product, what is covered and the related premium, basis of settlement and repair, the excess, exclusions and other key information. The KIDs have been revised and positioned to be point of sale documents, rather than pre-quotation documents and are being streamlined to promote consistency in the insurance industry.

The KIDs will be used for consumer testing to determine its usefulness in comprehension and comparability in the insurance industry. It is envisaged that consumer testing for motor policies and credit life policies are to commence in 2017. The consumer testing on investment policy key information documents for long-term insurance will follow thereafter.

**Complaints and Claims Management Process (CMP)**

The amendments to the Short-term Insurance Regulations and Policyholder Protection Rules (PPRs) will be given effect to in two tranches. The first tranche is intended to give effect to the first set of conduct of business regulatory reforms, which seeks to address the market conduct risks identified by industry in collaboration with the FSB and National Treasury (NT). Tranche 2 will ensure alignment with the Insurance Bill.
The tranche 1 amendments incorporate feedback from the Complaints and Claims Management review, amongst others. These amendments have been promulgated to afford legal certainty to insurers, thereby affording them sufficient time to prepare for implementation. Tranche 1 reforms are planned to take effect in the second quarter of 2017.

The tranche 1 amendments are not intended to constitute a comprehensive review of existing regulations. A further, more comprehensive review will take place in Phase 2 of Twin Peaks and development of the Conduct of Financial Institutions (CoFI) Bill.

The FSB has urged insurers to ensure that they have adequate oversight and governance when their claims are outsourced. An insurer having limited data is a serious governance issue that has been highlighted in the claims review process.

Binder Regulations Thematic Review Key Findings Report

The Binder Regulations Thematic Review conducted by the FSB during 2014/15 gave rise to considerable concerns about the inconsistencies evident across insurers with regard to those requirements that relate to appropriate information technology, continued access to policyholder information, the confidentiality, privacy and security of policyholder data and the maximum intervals at which data must be provided by binder holders.

The FSB has taken steps to address the concerns outlined in the thematic review report, one of which was to work in collaboration with technical experts and industry bodies to finalise a regulatory data framework that must be complied with by all insurers that wish to continue conducting insurance business through outsourcing or binder agreements.

In order to work in collaboration with the FSB, industry associations as well as technical experts, the Binder Data Task Team was constituted. A draft roadmap document has been compiled and is being discussed between the FSB and various Chief Executive Officers of the impacted industry bodies.

Draft Insurance Conduct of Business Returns (CBR)

The FSB has revised the CBRs issued for public comment in 2016, taking into account comments from the industry with regard to the granularity of information requested which is not readily available at the level needed. This necessitated structural changes to the CBR. The key issues being considered by the FSB following an industry submission on the draft CBR are outlined below:

- Timing is being considered by the FSB for system implementation to allow for testing, as this may be a challenge for some insurers with more complex business structures
- The FSB intends to use the CBR to feed information back to insurers; having standardised information will assist in providing public reporting to allow benchmarking across insurers
- The intention is to publish the statistics in future, when there is a stable set of statistics. This is not envisaged to take place before 2018.
- The statistics, which will initially be available from the CBR, will form a basis for discussion between insurers and the FSB and will be considered as “readiness benchmarking”
- The FSB stressed that closer informal engagement with individual insurers is welcome, to discuss how this information is to be enabled, should there be further concerns

The first CBR, containing data for the period January to June 2016, is due to the FSB in electronic format by no later than 30 June 2017. This is on a best effort basis, together with action plans which insurers envisage will ensure compliance with full and complete submission of returns by the end of 2018. Insurers’ progress against the action plans submitted will be monitored by the FSB in subsequent insurance CBR submissions.

Draft Insurance Regulations (The Regulations)

The proposed amendments to the Regulations seek to improve market conduct in the insurance sector by clarifying intermediary services, placing a limitation on remuneration for intermediary services, capping commissions earned and limiting remuneration on outsourced services. The Regulations further seek to address the concerns raised in respect of data exchange as between binder holders, insurers and outsource partners, by providing that insurers should have continuous access to data so as to enable them to underwrite risk appropriately. The amendments also seek to address the duplication of remuneration for services incidental to binder activities. The targeted effective date of the regulatory changes is 1 May 2017, with appropriate transitional arrangements where necessary. An industry submission on the Draft Insurance Regulations was submitted to the NT on 1 March 2017.

Retail Distribution Review (RDR)

Work on the RDR project is ongoing amidst engagement and consultation with the industry. The Phase 1 RDR proposals have been incorporated into existing
regulatory instruments and the proposed amendments have already been issued for public comment and sent to the FSB.

Amendments to the following regulatory instruments were proposed for Phase 1 relating to the short-term insurance industry:

- The General Code of Conduct for Authorised Financial Services Providers and Representatives, issued under the Financial Advisory and Intermediary Services Act 37 of 2002
- Determination of Fit and Proper Requirements for Financial Services Providers, issued under the Financial Advisory and Intermediary Services Act 37 of 2002
- Financial Advisory and Intermediary Services Regulations, issued under the Financial Advisory and Intermediary Services Act 37 of 2002
- Regulations under the Short-term Insurance Act 53 of 1998 (STIA)
- Policyholder Protection Rules under the STIA

The Phase 2 RDR work is currently under way and will continue with the focus of the activity-based analysis which will be issued to the industry for formal comments. Some of the Phase 2 proposals include confirmation of a two-tier adviser categorisation model, a strict approach to “gap-filling”, consideration of applying “equivalence of reward” to the short-term insurance environment and confirmation of premium collection being limited to intermediaries that meet specific qualifying criteria.

- Consumer Credit Insurance (CCI)

The final version of the Department of Trade and Industry’s Credit Life Insurance Regulations have been published in the Government Gazette and will be effective in August 2017. The CCI landscape is still being analysed following the Information Request from the FSB in December 2015.

- Revised Draft Demarcation Regulations between Health Insurance Policies and Medical Schemes

The final Demarcation Regulations (the Regulations) were published in the Government Gazette in December 2016.

The Regulations came into effect on 1 April 2017. All new short-term insurance accident and health policies, written after the Regulations come into operation, must comply with the requirements set out in the Regulations.

The Regulations specify five types of contracts which are regulated under the Short-term Insurance Act, 1998 as accident and health policies, and accordingly excluded from the Medical Schemes Act, No. 131 of 1998 (MSA), despite such contracts meeting the definition of the “business of a medical scheme” in the MSA.

The SAIA is currently engaging with the NT on whether indemnity for medical expenses in Personal Accident policies may still be offered as this product was not included in the Regulations. In the interim, members offering these products will have to apply for an exemption from the Council for Medical Schemes (CMS) in terms of the Demarcation Exemption Framework issued by the CMS in March 2017.

The SAIA liaised with the CMS on queries emanating from the Demarcation Exemption Framework. Some of the queries members sought clarity on, are whether a conditional exemption is granted in Step 1 of the application process whilst collating the information for Step 2 and what recourse members had in the event of an application being declined.

The CMS confirmed that a conditional exemption would be granted in Step 1 and that members could follow the appeal process in the MSA in the event of an application being declined.

The Exemption Framework is an interim measure by the CMS while the Low Cost Benefit Option is being developed.

- Proposed replacement of the Policyholder Protection Rules (PPRs)

In December 2015, the FSB published the proposed replacement of the PPRs to give effect to numerous conduct of business reforms. The FSB advised that the 1 May 2017 implementation date for the PPRs is no longer feasible and will be re-assessed amidst further analysis and consultation.

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

The FIC issued a notice in September 2016 proposing to include certain businesses or institutions that perform certain categories of activities which are currently completely outside the scope of the FIC Act with a view to potentially including them in Schedule 1 to the FIC Act including, but not limited to, short-term insurers. The consultation process with SAIA begins in May 2017 at a meeting with the FIC and other stakeholders such as the FSB and the South African Insurance Crime Bureau.
SOLVENCY ASSESSMENT AND MANAGEMENT (SAM)

- **Insurance Bill**

The Insurance Bill, 2016 was released for public comment in February 2017 by Parliament’s Standing Committee on Finance (SCOF).

Following the public hearings on the Insurance Bill and subsequent public hearings on transformation of the financial services sector, convened by the SCOF, it is likely that changes to the Insurance Bill will be made to include transformation and financial inclusion issues.

The FSB has advised that the estimated implementation date for SAM has been revised to 1 July 2018 in order to accommodate the legislative timeline for the Insurance Bill.

- **Insurance Prudential Standards (SAM Subordinate Legislation)**

The Financial Soundness Standards (FSS) were issued for public comment by the FSB in November 2016. The SAIA did not receive any comments from its members, most likely due to the FSS having gone through scrutiny by SAIA members involved in the FSB SAM structures.

The Governance and Operational standards for insurers were released for comment in April 2017.

- **Reinsurance Regulatory Review (RRR) Position Paper**

The FSB released the RRR Position Paper in September 2016, including a notice on the Determination of Equivalent Foreign Jurisdictions. The Position Paper is the culmination of a review that started in 2012.

A Discussion Document, containing initial proposals, was released in April 2015 to industry for comment. The comments received and subsequent consultations were used to compile the final reforms put forward in the Position Paper. The Position Paper covers the prudential requirements for the conduct of reinsurance business and the treatment of reinsurance in assessing the solvency of insurers. The reforms also cover permitted providers of reinsurance, requirements for reinsurance contracts, and governance and reporting requirements.

Some SAIA members expressed concern with the Position Paper which the SAIA addressed by way of a workshop. The SAIA has drafted a submission to the FSB and will request further engagement on the RRR.

Leila Moonda  
General Manager: Transformation and Governance Risks

Easvarie Naidoo  
Legal Manager

Aatika Kaldine  
Legal Manager

The SAM framework relies, in various aspects, on the concept of equivalence of foreign jurisdictions’ insurance regulatory frameworks. A foreign jurisdiction is deemed equivalent if its laws and supervisory and information sharing frameworks, are determined as meeting the objectives of the Insurance Act. Section 65 of the Insurance Bill proposes that the Prudential Authority will be able to determine an Equivalent Foreign Jurisdiction List. The Notice provides the draft list of foreign jurisdictions that the FSB recommends be deemed equivalent for purposes of the SAM framework.
4.3 STAKEHOLDER RELATIONS AND COMMUNICATION
4.3 STAKEHOLDER RELATIONS AND COMMUNICATION

COLLABORATION AND PARTNERSHIPS

Strong stakeholder relationships remain at the heart of our work as the short-term insurance industry association, ensuring that we represent our members effectively and that we successfully deliver on our mandate. In 2016, one of our priorities was (and continues to be) to embed our collaborative and partnership business model, and to become more involved in the broader discussions in the country to find sustainable solutions to South Africa’s economic challenges.

As a significant player in the financial sector, we believe that the industry is well placed to make a meaningful contribution to grow the country’s economy in a sustainable and inclusive manner. Therefore, in 2016 we embarked on a robust stakeholder engagement drive to not only build and strengthen relationships with various stakeholders but to also seek, where possible, opportunities of collaborating on areas of common interest and mutual benefit.

In this regard, we made significant progress in fostering closer relationships with the Association for Savings and Investment South Africa (ASISA) and the Banking Association of South Africa (BASA), with the three bodies meeting regularly at chief executive level to discuss broader issues and strategic collaboration opportunities, particularly in the context of contributing to a sustainable financial sector and an inclusive economic environment in line with the National Development Plan. We also stepped up our involvement at Business Unity South Africa (BUSA), participating in the organisation’s member structures to find ways to address issues affecting the business sector as well as the country’s economic growth.

Furthermore, SAIA continued to enjoy strong relationships with other industry bodies such as the Financial Intermediaries’ Association (FIA) and the Insurance Institute of South Africa (IISA), partnering with them to host the annual Insurance Conference at Sun City amongst other initiatives, and seeking further opportunities to work together to promote the industry and to ensure its sustainability. We also engaged with other financial sector organisations such as Business Leadership South Africa (BLSA), the Black Management Forum (BMF) and the South African Chamber of Commerce and Industry (SACCI) to establish relationships and to seek areas of common interest for potential partnerships.

GOVERNMENT RELATIONS

Government relations remain healthy and positive, with SAIA engaging regularly with National Treasury and the FSB on legislative and regulatory issues. Discussions to work on a road map for the short-term insurance industry’s sustainability also got underway with National Treasury in 2016 and is progressing well. Quarterly engagements with the South African Reserve Bank (SARB) were also initiated in preparation for the implementation of the Twin Peaks Regulatory Framework, while SAIA also represents the industry on the SARB’s Financial Sector Contingency Forum, established to address systemic risks. Furthermore, SAIA also continues to build on its relationship with the Department of Transport to address issues affecting motor insurance, which remains the largest business class in the industry.

COMMUNICATION

Proactive communication and media relations activities contributed significantly in positioning SAIA as a visible player and a thought leader in the financial sector in 2016. This was in line with our strategy to have a bigger voice and to become more involved in the broader discussions to find solutions with other players with regard to contributing to an inclusive and sustainable economic environment for all South Africans. We issued press releases and conducted interviews on various topics such as the impact of the weakening rand on the industry, transformation, road safety, the importance of insurance and consumer education amongst other topics.

BEYOND OUR BORDERS

SAIA continues to play a major role in representing the South African short-term insurance industry beyond our borders. This is especially important as some of our members embark on expansion strategies outside South Africa. In 2016, we participated in various forums and conferences, including that of the International Network for Financial Education (INFE), the African Insurance Organisation (AIO), the Global Federation of Insurance Associations (GFIA), the International Union of Marine Insurance (IUMI) as well as the Organisation of East and Southern African Insurers (OESAI). Relationships with other trade associations in the continent also remain positive.

Lelo Ntshalintshali
General Manager:
Stakeholder Relations and Communication
4.4 INSURANCE RISKS

The SAIA Insurance Risks department is responsible for overseeing, executing and monitoring various long-term projects as strategic priorities to mitigate against identified risks threatening the sustainability of the South African insurance market. Our stakeholders include a variety of partners and important decision makers including various government departments such as National Treasury and the Department of Transport, service providers within the value-chain of insurance offering such as motor body repairers, insurance brokers, as well as insurance executives and the insurance regulators, namely the Financial Services Board (FSB) and in the near future, the South African Reserve Bank (SARB).

RELATIONSHIPS WITH MAIN STAKEHOLDERS, GOVERNMENT DEPARTMENTS AND REGULATORS.

■ Relationships with National Treasury and the Financial Services Board

In general the relationships between National Treasury and the FSB are positive and regular meetings are held to discuss and iron out matters of concern. These relationships remain vital at SAIA as these two bodies are the major stakeholders of SAIA and the insurance industry. We expect that SAIA and our major stakeholders will have to work even closer in the future to ensure a secure and inclusive future for all.

In 2016 the National Treasury and SAIA agreed on a joint project, the Road Map for Short-term Insurance, which will result in an industry plan for the short-term insurance industry for a period of five years. The Insurance Risks department continues to contribute to this project by drafting papers including information and statistics on the current short-term insurance environment.

The Road Map for Short-term Insurance has the potential to form a critical part of future decisions and therefore we endeavoured to provide, as far as possible, the most recent, relevant and complete information on the broad topic of short-term insurance in South Africa.

The role of Insurance Technology (InsurTech) strongly features in our contribution. SAIA is of the view that innovation brings many new opportunities and could significantly contribute to much more affordable insurance. However, all InsurTech ventures should consider how the development meets the needs of the present without compromising the ability of future generations to meet their own needs, thereby ensuring the legitimacy of the innovator and also the industry.

Our submissions have been shared with National Treasury and we trust that this initiative will provide certainty for the future of short-term insurance in South Africa and also unlock new opportunities to grow the market.

■ Relationships with the South African Reserve Bank

SAIA has experienced positive exchanges with SARB, predominantly with the team of the “yet to be established” prudential authority. We have together created an Insurance work stream, chaired by Deputy Governor and Registrar of Banks, Mr Kuben Naidoo, and we meet on a quarterly basis to address concerns of common interest.

The Insurance Risks department also represents the short-term insurance industry on SARB’s Financial Sector Contingency Forum. This forum, chaired by Deputy Governor, Mr Francois Groepe, meets on a regular basis to discuss matters concerning systemic risk.

■ Relationships with the Department of Transport and related agencies

SAIA continues to build on its relationship with the Department of Transport (DoT). Both the SAIA CEO and the Insurance Risks department had a number of interactions with the department, including the minister and senior directors at the department,

At a meeting in March 2016, then Minister of Transport, Honourable Ms Dipuo Peters, accompanied by a team of high ranking officials from the DoT, Road Traffic Management Corporation (RTMC) and South African Road Agency Limited (SANRAL), requested a partnership with the SAIA and the insurance industry relating to the following:

• Education/awareness campaigns
• Law enforcement
• Specific DoT/RTMC projects

At this event the SAIA CEO also provided the minister and her team with insight to the challenges faced by the short-term insurance industry as well as initiatives to address road safety including the Business for Road Safety (BRS) Forum.

The BRS Forum subsequently met the DoT on a few occasions, where information on strategies and projects were shared including contributing to their strategy. The
relationship with the DoT however could improve, and although SAIA has a formal memorandum of understanding with the department, and meetings occur on an ad hoc basis, not enough interaction, finalisation and joined-initiatives are made to improve road safety.

The status, challenges and successes of our projects

The Insurance Risks department divides its responsibilities into two separate focus areas, namely motor insurance and property & other insurance. We discuss each of these very important focus areas in the following sections below:

MOTOR INSURANCE PROJECTS

Motor insurance remains the largest short-term insurance business class, accounting for approximately 45% of short-term insurance business. Therefore, motor insurance remains a key area for SAIA.

The SAIA Board and SAIA Board Committee: Insurance Risks’ key priority areas have not changed since the previous report. They aim to ensure the sustainability of the motor insurance industry, including the affordability of motor insurance for all South African citizens and inclusive economic transformation. Our key areas remain:

- Relationships with government and any potential market conduct areas that need to be addressed by the industry, as perceived by stakeholders
- Compulsory third party motor property insurance (CTPMPI)
- Road safety
- Repair process
- Crime-combatting initiatives

COMPULSORY THIRD PARTY MOTOR PROPERTY INSURANCE

Compulsory Third Party Motor Property Insurance (CTPMPI) remains a priority on the SAIA agenda, as many positive outcomes could result if successfully implemented. CTPMPI could address the increasing cost of insurance, resulting in more affordable and sustainable comprehensive motor insurance; provide millions of uninsured people with immediate access to insurance; assist with much needed growth in the insured pool; contribute to job creation and positively impact road safety.

The research by PwC on a potential implementation model for CTPMPI in South Africa was also completed in 2016. The study performed by PwC included research into the international experience surrounding CTPMPI, engagement with relevant stakeholders through completion of an electronic survey as well as interviews and actuarial/statistical modelling to assess the potential costs/funding.

Summary of key findings: literature review

A literature review was conducted by researching the regulatory environment in which various countries operate with regard to CTPMPI. The countries considered as part of our research included both developed markets (e.g. the United Kingdom, USA, and Canada), emerging markets (e.g. India) as well as countries across the rest of Africa (e.g. Zimbabwe, Mozambique, and Namibia). PwC also considered the brown- and yellow-card systems in Africa.

Some of the key findings are summarised as follows:

- CTPMPI can assist in meeting and overcoming the challenges associated with implementation of the National Development Plan (NDP). The overarching intentions of this plan are to eliminate poverty and reduce inequality by 2030. The key areas through which CTPMPI may aid implementation of the NDP are as follows:
  - Contributes to employment through increased job opportunities in the motor body repair industry that may arise from increased business directed to this sector
  - Improved safety and security on South Africa’s roads, through better quality

“If everyone helps to hold up the sky, then one person does not become tired.”

— Askhari Johnson Hodari, *Lifelines: The Black Book of Proverbs*
 repairs and hence reducing the number of un-roadworthy vehicles
- Overall improvement in the standard of living/quality of life through peace of mind provided by insurance cover

- Similarly the implementation of CTPMPI may assist in achieving the goals set out in the National Road Strategy relating to improved safety and security and hence reduced fatalities on South Africa’s roads
- Most countries tend to regulate the laws around the compulsion of CTPMPI and allow insurers to price the compulsory insurance freely. However, India fixes their rates and has a risk equalisation fund in place to compensate insurers
- It was found that most developed countries favour a no-fault system. However, developing countries were found to be more likely to favour at-fault systems. There are however exceptions in the developed countries such as the UK and some USA states. This may be linked to affordability/feasibility concerns, specifically where CTPMPI insurance is implemented through strong government/public involvement
- Research conducted in the USA has indicated that CTPMPI insurance has resulted in an increase in moral hazard to the extent that a no-fault system is applied i.e. drivers are less cautious, thus increasing the number of fatal crashes

As part of the research and as a final outcome PwC indicated the probable costs of a CTPMPI national scheme. This information plus further studies such as the economic impact study of CTPMPI will provide all stakeholders with the necessary information to arrive at a sensible outcome.

During 2017, SAIA, with other stakeholders including National Treasury and members of the BRS Forum, will be arranging a conference on the future of CTPMPI. This envisaged conference will provide a platform for dialogue and debate on the merits of CTPMPI. SAIA remains of the view that CTPMPI is a key component to economic progress in South Africa.

ROAD SAFETY

Improved road safety not only speaks to the number of claims to motor insurers but is also a top priority for the DoT and links with the NDP.

- Business for Road Safety Forum

In our previous annual review we noted that defragmented attempts to assist in addressing road safety in South Africa have not been successful in the past and that another approach was needed. This resulted in the establishment of the Business for Road Safety (BRS) Forum. The BRS Forum includes various trade and industry associations from the private sector including the National Association of Automobile Manufacturers of South Africa (NAAMSA), the Southern African Vehicle Rental and Leasing Association (SAVRALA), the Retail Motor Industry Organisation (RMI), the Automobile Association (AA), the Insurance Institute of South Africa (IISA), Business Against Crime South Africa (BACSA), the Road Freight Association (RFA), the South African Petroleum Industry Association (SAPIA), the Financial Intermediaries Association (FIA) and others.

The BRS Forum met with the DoT and its agencies including the Cross-Border Road Transport Agency (CBRTA), the Road Accident Fund (RAF), the Road Traffic Management Corporation (RTMC), Railway Safety Regulator (RSR), South African National Roads Agency SOC Limited (SANRAL) on their adoption of ISO 39001 and other projects that they have undertaken to improve road safety. It was very encouraging to notice the large number of projects under way.

It is the view of the BRS Forum that we must continue with our goal of improving road safety, whilst aligning our efforts with the DoT in order to create synergies and ultimately better results. It is also the opinion of the forum that more visible enforcement is urgently needed on South African roads if we as citizens want to witness a significant reduction in motor vehicles crashes, deaths and injuries to all users of our roads.

SAIA continues to hold the position of chairing the BRS Forum for 2017, and we trust with the support of all the members of the BRS Forum our efforts will result in improved road safety.

- A study on the cost of crashes in South Africa

The number of lives lost or permanently injured, the cost to the economy and the short-term insurance industry however remains at an unacceptable level. During the year SAIA was approached by the Council of Scientific and Industrial Research (CSIR) for motor insurers to share information on motor insurance claims. The CSIR was commissioned to compile a study on behalf of the Road Traffic Management Corporation (RTMC) with the aim to understand the cost to the national economy of motor vehicle crashes and related death and injuries.

The RTMC report was released in October 2016. The report has been circulated to all SAIA members and related committees.
Below are some of the key statistics:

### Number of Road Traffic Crashes (RTCs) for 2015 (adjusted)

<table>
<thead>
<tr>
<th></th>
<th>Fatal</th>
<th>Major</th>
<th>Minor</th>
<th>Damage only</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of RTCs</td>
<td>11,144</td>
<td>40,117</td>
<td>132,609</td>
<td>648,560</td>
<td>832,431</td>
</tr>
<tr>
<td>Death</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Serious</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Slight</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No Injury</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of persons</td>
<td>13,591</td>
<td>62,520</td>
<td>202,509</td>
<td>1,429,794</td>
<td>1,708,414</td>
</tr>
</tbody>
</table>

### Total Cost of RTCs (R million)

<table>
<thead>
<tr>
<th></th>
<th>Fatal</th>
<th>Major</th>
<th>Minor</th>
<th>Damage only</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Casualty Costs</td>
<td>58,332</td>
<td>24,794</td>
<td>14,546</td>
<td>1,358</td>
<td>99,030</td>
<td>69.3%</td>
</tr>
<tr>
<td>Vehicle Repair Costs</td>
<td>218</td>
<td>809</td>
<td>2,902</td>
<td>17,395</td>
<td>21,326</td>
<td>14.9%</td>
</tr>
<tr>
<td>Incident Costs</td>
<td>2,018</td>
<td>5,113</td>
<td>2,740</td>
<td>12,723</td>
<td>22,595</td>
<td>15.8%</td>
</tr>
<tr>
<td>Total Costs</td>
<td>60,569</td>
<td>30,716</td>
<td>20,189</td>
<td>31,477</td>
<td>142,951</td>
<td></td>
</tr>
</tbody>
</table>

The total cost of RTCs on South Africa’s road network for 2015 amounted to an estimated R142.95 billion - equating 3.4% of GDP. Although it is difficult to directly benchmark South Africa’s performance against other countries as costing methodologies differ from country to country, it is clear that South Africa is not performing favourably. The average cost of RTCs in comparable low- and middle-income countries is 2.2% of their GDP while the average for high-income countries is 2.6% of their GDP (varying between 1.0 and 4.6%).

### REPAIR PROCESS

It is estimated that 70% of all motor insurance claims are accident-related and it is therefore crucial to address the ever rising cost of accident related claims. In addition, the impact of the increasing fluctuation of the rand against other major currencies during this reporting period has made this area of activity even more urgent. This is the reason why the Insurance Risks department concentrated on various projects related to the repair process during this reporting period and will continue to do so in future.

- **Original Equipment Manufacturer (OEM) – Motor warranties**

A joint SAIA and NAAMSA Task Team was established in 2014 to discuss areas which could address, at a technical level, the cost of repairs. The common goal of NAAMSA and SAIA is to work towards more affordable vehicle ownership and motor insurance for the benefit of consumers.

In early 2016 NAAMSA approached SAIA with a request for representatives of the Competition Commission to present to the jointed task team research that they have commenced with in terms of the wider automotive aftermarket sector.

The commission provided information on its research based on various complaints received on matters relating to motor warranties practices of OEMs, on certain practices of motor body repairers and on alleged practices of insurers.

The commission explained that all complaints were being kept open while they undertook advocacy research into the motor warranties practices and its consequential practices. The final outcome of their advocacy research is likely to lead to non-binding recommendations issued by the commission. These recommendations will propose changes and improvements to the business practices found not to be operating in the spirit of good competition.

This led to further meetings between the representatives of the commission and the Motor Transformation and Sustainability Forum, which consists of SAIA staff and members along with motor body repair associations, as well as a meeting with the representatives of the commission, SAIA and National Treasury.

The Competition Commission held its first Automotive Aftermarket Workshop in March 2017. The purpose of the workshop was to address access to automotive aftermarket products and services, challenges in the automotive aftermarket sector, competition policy and regulation, as well as measures required in making the automotive aftermarket sector more competitive.

The Competition Commission also issued draft recommendations, including a call for original spare parts to be made available to independent repairers and service centres. They also proposed that OEMs should not restrict the distribution of their spare parts to authorised repairers and dealerships and that customers should be allowed to use any credible repair shop for non-warranty work, even during the warranty period. It is suggested by the commission that OEMs may not make warranty conditional on the repair and servicing of a vehicle within their network or on the use of their branded spare parts.

Authorised and independent repairers or service centres should be allowed to use alternative certified parts in repairing or servicing vehicles under warranty as long as the parts are matching quality parts and that OEMs should disclose and make public the quality criteria in their appointment of service providers.
We trust that the work undertaken by the Competition Commission will have many positive effects including fairness, consistency and transparency with regard to motor warranties and make it significantly easier for black-owned MBRs to repair motor vehicles under warranty. All of these potential changes however must benefit the clients of insurers, MBRs and OEMs, whilst ensuring quality repairs, the sustainability of the industries, and affordability.

■ Original Equipment Manufacturer (OEM) – Save-a-Car

The SAIA and NAAMSA task team also agreed to commence with the Save-a-Car Project. The aim of the project is for Insurers and OEMs to find solutions to reduce the number of motor vehicles that are considered uneconomical to repair and focusing on those motor vehicles that are marginally exceeding the thresholds set by individual insurers. It is envisaged that all suppliers in the supply chain will assist in reducing the cost of parts to fall within the threshold of the insurer, thereby allowing the motor vehicle to be repaired.

NAAMSA and its members have undertaken to discuss and agree internally on principles relating to communication and information-sharing with insurers. It is envisaged that the project will also address other challenges faced by insurers, including parts delayed and return for credit.

SAIA has created a webpage on the SAIA website with the contact details of the various motor vehicle brands and companies, thereby ensuring easy access to important contact details.

■ Original Equipment Manufacturer (OEM) – Future of the motor industry

SAIA has proposed to the joint task team to hold a conference on the “Future of the Motor Industry” and that the invitations be extended to MBR associations, OEMs, insurers, the DTI and other relevant government agencies. Technological enhancements in motor vehicles bring many new and exciting prospects. However, at the same time the impact on the insurance industry still needs to be researched and better understood. The result of these changes might also lead to a shift in the focus of the Insurance Risks department.

■ Motor Transformation and Sustainability Forum (MTSF)

The members of the MTSF have agreed to structural and non-structural repair standards for motor vehicles out of warranty. These national grading standards, together with a systematic project plan, have been approved by the SAIA Board for adoption and implementation.

The standards provide the motor body repair industry with one standard to which they must adhere, for the purposes of assessing their technical capabilities. It is hoped that the standards will give smaller, black-owned MBRs an opportunity to be graded at the same level as their larger counterparts and thus encourage competition within the industry and more procurement allocation to small black-owned MBRs.

A verification and certification process of all existing MBRs will be conducted by Bureau Veritas from 1 May 2017 to 30 April 2018. A database of all certified MBRs will be made available to insurers and the general public. This central database will be updated on a regular basis, with SAIA playing a central role in maintaining the information.

The MTSF continues to debate barriers to entry in order to provide more repair work to small black-owned MBRs. SAIA encourages all members to adopt policies to assist small black-owned MBRs, and also other small black-owned businesses in an effort to contribute to growth.

“When everyone is included, everyone wins.”

- Jesse Jackson
CRIME-COMBATTING INITIATIVES

- The Automatic Number Plate Recognition Project

SAIA continued to support Business Against Crime South Africa (BACSA) during this reporting period, both financially and through participation on BACSA’s Board. The Automatic Number Plate Recognition Project (ANPR), funded in part by SAIA in 2016, contributed to some successes. SAIA spent a lot of time during 2016 addressing reoccurring challenges.

- The Salvage Database Project and relationship with the South African Insurance Crime Bureau

The development of the vehicle salvage database by the SAICB approached its implementation phase at the end of the reporting period with some SAIA members already submitting their data. A number of insurance companies signed the service level agreement with the SAICB forming part of the Salvage Database Governance Committee that oversees various governance issues.

A number of external parties have also approached SAIA for access to the information. However, that phase of the project will only commence once all operational issues have been addressed and consensus has been reached between SAIA, the SAICB and the Governance Committee. SAIA continues to meet with the SAICB on a regular and ad hoc basis to work together to address insurance crime.

PROPERTY AND OTHER RISKS

SAIA continued to receive good support from the government, especially from National Treasury and the Department of Agriculture, Forestry and Fisheries (DAFF) in pursuing these important property and other risks projects. We discuss each of these projects below:

AGRICULTURAL RISK AND CROP INSURANCE PROJECT

SAIA’s Agriculture Insurance Forum and SAIA held several meetings with National Treasury, the World Bank and the Department of Agriculture, Forestry and Fisheries (DAFF) on agricultural crop insurance.

During the reporting period, National Treasury and DAFF, with the assistance of the World Bank issued a study on the status of agricultural insurance in South Africa. The World Bank study was used as a basis for SAIA’s Agriculture Insurance Forum to draft proposals on how to introduce insurance to smallholder farmers and ways to address the crisis experienced with multi-peril crop insurance (MPCI).

Two proposals for MPCI were made, both of which include a government sponsored stop loss reinsurance agreement and premium subsidies. The first proposal is managed by insurers on an individual basis with a central underwriting committee. In the second option a special purpose vehicle is created with a central underwriting committee managed by a dedicated SAIA management company. In terms of proposals for smallholder farmers it was proposed that index insurance be used, and premium subsidies be introduced by government and that any insurer participating in the MPCI arrangement must participate in the smallholders’ farmer index insurance programme.

The models proposed are different for commercial farmers and smallholder farmers (smallholder crop producers and smallholder livestock producers combined). This is to ensure that the best possible outcome in terms of government objectives is achieved while adequately considering and addressing various influencing factors such as risks, maturity and practicality.

SAIA has submitted to National Treasury the final version of the proposed public private partnership on agricultural insurance. The proposal document also contains estimates of the all the cost components in order to deliver on a successful scheme. At the request of National Treasury, SAIA and its members are currently debating launching a pilot project for smallholder crop producers.

SAIA has also commenced with research into Index Insurance and we have also been in discussions with National Treasury and the FSB to introduce a legal framework to allow for Index Insurance.

EARTHQUAKE COMMITTEE

The Council of Geoscience (CGS) and the University of Pretoria (UP) were contracted to conduct research into seismic hazard and risk for Gauteng. The research took seven months to complete and the final project including the detailed maps was shared with those SAIA members that indicated they are willing to financially contribute to the research.

SAIA MEGA INFRASTRUCTURE PROJECT

In 2015 SAIA created the Mega Infrastructure Insurance Forum with the primary objective of promoting the South African short-term insurance industry to local and
international renewable energy and other mega-risks stakeholders. It however remains a challenge for SAIA and members of the forum as the country’s credit rating is used as a reason why financiers of mega projects prefer foreign insurers to place underwriting risks.

SAIA continues to educate and inform stakeholders that the local insurers are well equipped to provide clients with locally made insurance solutions for engineering and construction projects and that the local market also boasts a highly sophisticated network of both local and foreign reinsurers, most of whom more than satisfactorily meet any international credit rating requirement. In addition, clients are serviced and advised by a vast network of skilled non-life insurance brokers, including specialists firms and international brands with offices in South Africa.

NON-MOTOR TRANSFORMATION AND SUSTAINABILITY FORUM (N-MTSF)

The N-MTSF continues to focus on the building and construction associations, and the insurers and the associations are given an opportunity to share their challenges to procurement and enterprise development. The forum is currently focusing on how to reduce red tape experienced by these small businesses in an effort to remove barriers to entry.

SAIA wishes to include more associations to the forum in order to widen the discussion on barriers to entry and procurement.

OTHER INSURANCE RISKS COMMITTEES AND FORUMS

SAIA also represents the industry on various other committees and forums. We promote the importance of the short-term insurance industry, provide input to discussions and how short-term insurance could either play a role or be impacted by the decisions of others. We trust that by doing so we are further contributing to the sustainability of the industry.

NOTE OF APPRECIATION

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.

Without the participation of our members we would not have been able to make such good progress.
4.5 SAIA FINANCE AND OPERATIONS

The local economy remains depressed with a resultant negative impact on the short-term industry. It is hoped that the renewed commitment by the industry to effective transformation of the industry will lead to a more favourable economic outlook for the future.

INTERMEDIARIES GUARANTEE FACILITY LIMITED

There is still uncertainty around the final date when the operations of Intermediaries Guarantee Facility will cease – this date remains subject to the progress of the new Insurance Bill through parliament. Following the promulgation of this bill, standards will be drafted that will see the requirement for a credit intermediary to hold a demand guarantee removed.

SAIA will shortly canvas its members for their views on a post-Regulation 4, Section 45, landscape – taking into account the systemic exposure risk in the industry. This information will be fed into discussions with the regulator to determine future requirements of the industry.

A further step toward winding up the business has been taken with a briefing to the IGF attorneys for an opinion with regard to an orderly winding up of the business, taking into account prescription periods, collateral security held by Intermediaries Guarantee Facility Limited and timelines.

THE SOUTH AFRICAN POOL FOR THE INSURANCE OF NUCLEAR RISKS

The South African Pool for the Insurance of Nuclear Risks successfully concluded on 1 January 2017, foreign inwards risk renewals and recently the 2016/17 local renewals of both the NECSA: Pelindaba and ESKOM: risks, renewal date 1 April 2017.

Following discussions with the National Nuclear Regulator, the South African Pool for the Insurance of Nuclear Risks has been informed that they are in the process of formulating new proposed legislation around the third party liability requirements as has recently been the case in Europe and elsewhere. There was no reference made to quantum. However, should there be a proposed alignment with recent European legislation, albeit a partial alignment, a substantial increase is expected on the third party liability for Koeberg and NECSA.

INSURANCE DATA SYSTEM

With the current initiatives around data in the environment, the Insurance Data System (IDS) is proving to be a strategic tool well placed to deliver value to SAIA members. The increased volume of data being submitted and shared is proof of this. The data quality improvement drive, including a scorecard, that was initiated several years ago to highlight data quality issues and thereby assist participants to improve their data quality, is more relevant now than ever.

There is a convergence of initiatives to improve data quality that will result in an enhanced value of the IDS databases, ultimately benefitting the participants on those databases. These initiatives include the Data Binder initiative by the regulator where standards are being drafted that will determine the minimum data insurers will be required to have at their disposal to properly assess the individual risks they write, thereby improving their service to the insureds, and accurately calculate the risk profile of their respective companies in terms of SAM requirements.

REVIEW OF 2016

The IDS has progressed from strength to strength. These are some of the highlights that reflect value to members:

• Several insurers have integrated IDS into their business processes by inclusion into their respective rating scorecards
• There has been positive feedback from the SAICB regarding value add.
• There is a strong shift towards consumption of explicit data at underwriting and not only at claims stage
• Active discussions are underway to create a commercial vehicle data repository.
• There are discussions under way with regard to additional claim sources e.g. Astute STI switch and car rental industry claims
• The above all translates to enhanced value to the industry through improved analytics
• Utilisation of this data has increased by 200% in 2016 compared to 2015

E-NATIS

The eNatis access has been affected by recent connectivity problems. Discussions with the RTMC, including the signing of a relevant SLA, will hopefully solve these problems in the long term.
IDS CODE OF CONDUCT

The IDS has implemented a code of conduct as approved by the IDS steering committee that will govern access and usage of IDS data.

IDS 2017 STRATEGIC PRIORITIES

• Driving the implemented data quality initiatives – to achieve a world class data base
• Development of policy and claims submission of commercial data
• To deliver a data format that is aligned to the regulators standards
• To workshop a solution around banks’ exposure around uninsured financed vehicles
• To encourage thought leadership around the use of IDS data in analytics to achieve maximum enterprise of the asset
• Continuous identification and pursuit of additional sources of data that can be used to augment the IDS data to improve pricing, risk selection and fair treatment of customers

CONCLUSION

The improvement in data quality will no doubt have a positive impact on the prevention and detection of fraud. SAIA is committed to create industry awareness around the value of policy and claims data and participation on the respective IDS databases. Data is a strategic resource that the industry has at its disposal with which to embrace the future and we believe that it should be managed for maximum benefit to the industry going forward.

Charles Hitchcock
Chief Operations Officer
“Inclusion is not a strategy to help people fit into the systems and structures which exist in our societies; it is about transforming those systems and structures to make it better for everyone.

- Diane Richler, President, Inclusion International

“If you want to go fast, go alone. If you want to go far, go together.

- African Proverb
5.1 THE SOUTH AFRICAN MACHINERY INSURERS’ ASSOCIATION
5.1 THE SOUTH AFRICAN MACHINERY INSURERS’ ASSOCIATION

The South African Machinery Insurers’ Association (SAMIA) 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 Contractor’s/Erection All Risks, Electronic Equipment, Machinery Breakdown and Plant All Risks.

EXECUTIVE COMMITTEE

The Executive Committee members are as follows:
Chairman: Zain Hoosen (Bryte)
Deputy Chair: Susan de Wet (Mutual and Federal)
Members: Dave Waterworth (Mutual and Federal), Dawie Buys (SAIA), Frank Harpur (Firedart), Keith Barlow-Jones (C&G), Kobus van Niekerk (Consort), Krushayev Moodley (Hollard), Philani Mbatha (Munich Re), Sam McLennan (Mirabilis), and Tau Lethlogonolo (SASRIA).

Regrettably, the committee accepted resignations for business commitment reasons from Seelan Naidoo (Allianz) and Kevin Petersen (AIG). For similar reasons and after serving the committee for many years, Bradley Edwards (Hollard) volunteered to take on an alternate membership role to Krushayev Moodley.

As my term in office comes to an end and after another busy twelve months of much activity, I am happy to report that SAMIA remains on track to fulfil 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”.

Personally, I am delighted that we have achieved so much over the past years. Going forward it is important that we build on the momentum to serve the interest of our industry and members if we are to remain relevant in an environment which is subject to volatile financial and soft market conditions, skills deficiency, increasing technical complexity, mounting competition, growing regulatory burdens, and disruptive and modern technologies.

It is essential that as specialists and professionals in our industry we remain at the forefront of the knowledge frontier and pro-actively appreciate and adjust for contemporary development which could materially impact our risk-transfer sector. This is certainly one area where the work of SAMIA is so fundamentally crucial. In the context of the importance of knowledge, experience and humanity, it is with great sadness that we acknowledge the passing of two members who played a pivotal role in engineering insurance over the years, namely Mr Fred Wilke (ex-chairman) and Mr Garth Sueltz. Our sincere condolences are extended to their family and friends.

NAME CHANGE AND LOGO DESIGN

During October 2016, the Executive Committee voted to change the name of the association to the South African Association of Engineering Insurers (SAAEI) as well as to design an original logo. This was deemed a necessary development to align with the more descriptive by-line of the associated international body (International Machinery Insurance Association/International Association of Engineering Insurers – IMIA). From a historical perspective it is worth noting that these evolutionary changes have been ongoing since the mid-1980’s when a founding group of engineering-insurance underwriters decided to create a fraternity dedicated to promote, develop and enhance this specialist class of insurance business. They decided on the rather descriptive name of the “CLEAR” club (Construction Liability Engineering All Risks).

Post 1994, and with South Africa’s re-entry into the international world the members opted to formally apply to IMIA for membership and the CLEAR club became SAMIA. Later, the organisation was incorporated under SAIA and the South African Machinery Insurers’ Association (SAMIA) was formalised.

This year’s name-change also helps to highlight and reflect the important and prevailing voice of engineering insurance in the economy. It becomes increasingly important to entrench and communicate a definitive identity that clearly states our purpose. The proposed name change (and logo design) will be submitted for approval by special resolution at the SAIA AGM in July 2017.

1ST SOUTH AFRICAN ENGINEERING INSURANCE CONFERENCE (SAEIC 2017)

In the previous annual review we announced our commitment to host an inaugural engineering conference. We can proudly announce the recent opening of the registration process for the 1st South African Engineering Insurance Conference (SAEIC 2017). The conference will be held at the Kloofzicht Lodge & Spa, Muldersdrift, Gauteng on 19 and 20 October 2017.
The conference is the first national engineering insurance conference to be organised by SAMIA in South Africa and uniquely draws together regional and international experience. The conference is supported by the International Machinery Insurance Association (IMIA) through the attendance of its General Secretary, Dr Hans Mahrla, who will deliver the keynote address. The theme of the conference focuses on “collaboration, learning and growth”.

The organising committee is currently putting together a diverse programme that will incorporate a broad range of disciplines directly involved in the construction and engineering insurance sector.

Allow me to make this special appeal to the insurance market for us to strive towards making SAEIC 2017 a collaborative and learning experience and a legacy for future generations to benefit, develop and sustain.

MARKET REVIEW

The international engineering industry statistics as volunteered and submitted by member countries (including South Africa) is provided on the IMIA website – www.imia.com. In summary, total international premium from this sector as reported for 2015 from member countries was USD 8.9bn. Interestingly, loss ratios for this industry sector range between 24% (Mexico) and 108% (Turkey). The global average is less than 52%. The general causes of loss for engineering large claims were mainly attributed to faulty operation, faulty material/workmanship and fire.

The Gross Written Premium (GWP) for engineering business in South Africa as reported in various annual reports for the 2015 period is R3.46bn, representing 3.1% of the total GWP of the South African Short-term Insurance Industry. This represents a negligible year-on-year premium income growth of 3.63% compared to 2014 (5.57%) and hence a realistic indicator of a struggling economy. Contractors’ All Risk business remains the largest contributor to GWP.

The overall engineering loss ratio increased from 50% (2014) to 54% (2015). The trend shows a marginal worsening of the loss ratio over this period. A total of five large losses were reported, all of which related to EAR/CAR projects with flood/inundation damage being the major cause of loss, followed by a single fire incident at a construction site. Overall, engineering insurance with a reported Net Underwriting Profit of R1.1bn (2014: R189m) remains a profitable business segment in the market. However, given the trend of reducing year-on-year premium growth and the unpredictable threat of natural hazards, insurers need to act more prudently and skilfully when underwriting and selecting risks.

EDUCATION

SAMIA strives to promote professional training, qualifications and development of members to ensure that our practitioners maintain the highest standards and to nurture the talent of the future. In this regard SAMIA plans to present an introductory engineering insurance course on Contract Works and Third party liability insurance during 2017. The course is currently in development and will be accredited for CPD hours.

SAIA BULLETIN

SAMIA contributed to the bi-monthly SAIA Bulletin. Articles submitted by Dave Waterworth, Brad Edwards and Kobus van Niekerk focused on:
- Contract agreements,
- Currency exchange influence on plant insurance, and
- Annual Contract works insurance and cancellation, respectively.

LUNCH-TIME MARKET TALKS

SAMIA hosted an interesting lunch-time market event at the Hollard Insurance Company. The talk on the Retail Distribution Review (RDR), concerning the looming transformation of the relationship between the client, the intermediary and the product provider was presented by Danny Joffe of Hollard. I am especially grateful to Danny for volunteering his time and expertise to ensure that we are cognisant and ready to face the challenges of our changing industry. Due to the huge interest in the subject, a repeat presentation is being planned for 2017.

SAMIA GOLF CHALLENGE

The annual SAMIA Golf Challenge was once again played at the prestigious Killarney Country Club. The event drew a record number of participants and was another huge success. Our sincere thanks are extended to our sponsors. SAMIA is thankful to all golfers who helped to raise a total of R8,500 in support of Hospice. Your generous support helps to foster awareness and continue the fight against cancer.

SAMIA ANNUAL LUNCHEON/CHAIRMAN’S AWARD

The SAMIA Annual Luncheon affords an apt time to celebrate the year’s efforts as well as to network with colleagues in a relaxed and entertaining setting. It also provides an ideal opportunity to invite and devote time with retired engineering
insurance practitioners as a gesture of appreciation for their service to the industry. Jack White, John Halcrow, Lucas Barnard and Melvyn Bull kindly attended the function this year.

The event also presents an opportunity to recognise and reward selfless support and service by individuals or organisations, often over many years, towards the achievement and promotion of the SAMIA objectives. The Chairman’s Award 2016, for excellent service, dedication and contribution to SAMIA, was presented in abstentia to Mr Derrick Werner.

**IMIA CONFERENCE**

It was once again a huge privilege and honour to represent the SA insurance market at the 49th IMIA conference 2016 in Doha, Qatar, a first for the region. 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 Qatar National Stadium project. In his opening address, the Chairman highlighted the value the institution provides to the community of engineering underwriters by offering a networking platform, access to a broad knowledge repository and training opportunities.

The following technical papers were presented at the conference:
- Contractors Plant and Equipment
- Cost overrun in project insurance
- Cyber risk
- Excavations support
- NatCat modelling

The papers have been published on the IMIA website and are available for download. Once again, South Africa contributed through its participation on the Contractors Plant and Equipment paper.

The paper on cyber risk attracted huge interest given its direct yet underestimated impact on the engineering risk landscape. The paper challenged the perception that cyber events do not cause physical damage. Loss scenarios based on cyber interconnectivity is a reality and is an issue for all lines of engineering insurance. The Working Group Paper topics for 2017 are: Waste to energy, Rolling stock, Diesel engines, Inconsistent insurance/reinsurance and Adequacy of sum insured. Any interested person wishing to contribute towards the compilation of the research papers is encouraged to search the IMIA website for further details.

**INDUSTRY OUTLOOK**

The mainstream economic outlook paints a bleak picture for the South African economy in 2017. The forecasts expect South Africa to experience the slowest growth out of all the major economies in the region. The projection is largely in consequence of the downgrade of South Africa’s sovereign rating from investment grade to junk status by two credit ratings agencies as at time of writing. Both the ensuing heightened political risk and the credit rating downgrades will dissuade much needed foreign direct investment and inflate borrowing costs, which in turn will reduce infrastructure spending (big construction projects are ultimately tied to government spending). Although first quarter data continues to suggest a GDP contraction, economist expects real GDP growth to pick up to an optimistic 1.1% from 0.3% in 2016. GDP from the construction industry showed a percentage change year-on-year of 0.7% in 2016 (1.7% in 2015) with increased activity reported for construction works and residential/non-residential buildings.

The ongoing softening rate trend, shortage of projects, market over-capacity and dim global economic outlook is likely to persist thereby negating any likely change in the competitive environment over the short term. This scenario has already prompted some construction companies and insurers to pursue growth opportunities in other countries.

However, a recent and increasing trend in claims/losses may lead to the necessary corrective measures to stimulate an upward impact on the rates.

**END OF TENURE**

I would like to thank the Executive Committee, SAMIA members, JP Holmes (Bryte Insurance), Viviene Pearson (SAIA) and the team at SAIA (especially Promise Mhlanga) for all the support they have given me over this time. It has been a pleasure and an honour to serve as your Chairman.

Zain Hoosen
SAMIA Chairperson
Another busy year down for the Association of Marine Underwriters in South Africa (AMUSA). There has been a number of happenings over the past year to keep us on our toes.

EXECUTIVE COMMITTEE

The AMUSA executive committee meets regularly throughout the year. The current executive committee consists of the following members:

- Mike Brews (Chairperson)
- Delia Wood (Vice Chair)
- Hilton Adams
- Elesh Bisla
- Ian Parkerson
- Paul March
- Petra Fordyce
- Cynthia Nanthallall

I would like to thank SAIA for its active participation in our activities, specifically Viviene Pearson, Dawie Buys and Promise Mhlanga. They bring both enthusiasm and useful insight from the insurance environment outside the marine world and add immense value to our meetings.

Our national footprint allows us to report back to our members on anything affecting our market. To assist us in this regard, Anand Deependan (Durban), Chris Pyke (Port Elizabeth) and Mark Strybis (Cape Town) hold regular regional meetings with the market and submit their reports to the committee on a quarterly basis. In addition to this, we host a local meeting with the FIA and local surveyors to gain market feedback on trends in our industry six times a year. This shared information means the market is fully informed of issues that are current and relevant to marine underwriters.

BRAND

AMUSA has been in existence for over 160 years. With the hosting of the IUMI conference in 2018 and the spotlight of the marine world on
us, we undertook to refresh and update our logo. The committee is very happy
with the result and hope that it becomes as well known as the previous version.

MARINE EDUCATION

The committee has spent a substantial amount of time over the past few years
developing training courses for the marine industry. To date, we have offered a
number of Introduction to Marine Insurance courses as well as basic marine claims
courses. This has been extremely well received by the market and attended by
underwriters, surveyors and brokers alike.

The course has been offered free of charge with companies on our committee
pledging to host the training venues free of charge. I would like to take this
opportunity to thank the committee and their companies for their dedication, time
and effort in putting these together.

Our next step is to offer a more advanced, two-day workshop, where students
who have participated in the previous courses can apply their knowledge on certain
risks from information gathering, policy issuing, and claims handling in a case study.

INTERNATIONAL UNION OF MARINE INSURANCE (IUMI)

The 2016 conference was held in Genoa, Italy in September 2016 and was attended
by seven South African delegates. This year’s theme was “Effective Underwriting in
a Changing Environment.”

As usual, the conference was very well attended by delegates from all over the
globe. The local organising committee did a fantastic job of making everything
run as smooth as clockwork and everyone was suitably impressed. The topics of
discussion ranged from world merchant fleets and offshore energy to unmanned
vessels and cyber risks.

The 2017 conference will be held in Tokyo, Japan. As you may be aware, the 2018
IUMI conference is to be hosted by South Africa in Cape Town.

AMUSA has formed a sub-committee for managing the organisation of this event
and meet on a monthly basis to ensure that we maintain the high standards set by
our predecessors. This will be the first time in IUMI’s 148-year history that they
have hosted a conference on the African continent, so we have to ensure it will be
a conference to be remembered.

The committee is currently generating support in the form of sponsorship and
has booked the function and conference venues well in advance. For further
information, please contact the writer on mike@horizonmarine.co.za.

IUMI COMMITTEES

In addition to the privilege of hosting the above event, we are also honoured to
be asked to be represented on working committees within the IUMI organisation.
Hilton Adams currently represents us on the Inland Hull, Fishing Vessels and
Yachting (IFY) Committee and we are applying for the chairperson of AMUSA to
be representative on the Cargo Committee from September 2017. This gives an
indication of how the AMUSA committee and South African delegates are held in
high regard internationally.

APPRECIATION

None of the work that this committee has achieved would have been possible
without the hard work and support of the team. I would like to thank everyone
on the committee for giving up their time and effort to further educate and
develop our market. In addition, I would like to thank the companies that this team
represents for allowing the members the time and resources to strive towards all
our goals. Thank you.

Mike Brews
AMUSA Chairperson
In October 2016, the SAIA sponsored an event for delegates attending a workshop of the World Bank Group’s Global Index Insurance Facility (GIIF) to visit a commercial farm near Delmas, in the Mpumalanga Province. At the farm, known as “Buiteplaas”, delegates were afforded the opportunity to harvest fresh peas and taught how complex and precise the harvesting process is.

SAIA remains committed to the development of insurance solutions and mechanisms that are sustainable for the short-term insurance industry, and affordable and valuable to commercial farmers, especially multi-peril crop insurance and developing (smallholder) farmers. This will contribute considerably to national food stability, financial inclusion and economic transformation, including job creation.
SAIA 2016 AGM AND COCKTAIL FUNCTION

The Annual SAIA Cocktail function provides an opportunity for our members to engage with colleagues and stakeholders. In July 2016, the Cocktail Function was attended by various important stakeholders including the Deputy Governor and Registrar of Banks of the Reserve Bank, DG Kuben Naidoo, the Deputy Registrar of Banks (SARB), Mr Denzel Bostander, and others from SARB, several representatives of the Financial Services Board, the CEO of the Financial Sector Charter Council, Mr Isaac Ramputa, the CEO of NAAMSA, Nico Vermeulen, and other NAAMSA delegates, the President of the FIA, Mr Jay Ramsunder, the CEO of SABRIC, Ms Kalyani Pillay, and various other relevant stakeholders.

CEO ROUNDTABLE

For the second year running, the SAIA hosted a Roundtable for all member company Chief Executives to give an update on progress made by the SAIA in implementing its new business model and playing a role in the broader environment in which it operates. Other issues affecting the industry was also discussed such as economic transformation and how the industry can contribute to growing the economy in alignment with the National Development Plan. The Roundtable took place in September 2016.
SAIA BOARD MEMBERS AS AT THE END OF FEBRUARY 2017

Lizé Lambrechts
Chairperson: SAIA Board, Santam Limited

Edwyn O’Neill
Bryte Insurance Company Limited

Nico Conradie
Munich Reinsurance Company of Africa 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
Corporate Guarantee (South Africa) Limited
Credit Guarantee Insurance Corporation of Africa Limited
Dial Direct Insurance Limited
Discovery Insure Limited
Emeritus Reinsurance Company (SA) Limited
Enpet Africa Insurance Limited
Escap SOC Limited
First for Women Insurance Company (RF) Limited
GenRe Company Limited (General Reinsurance Africa Limited)
GIC Re South Africa Limited
Guardrisk Insurance Company Limited
Hannover Reinsurance Africa Limited
HDI Gerling Insurance of South Africa 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 Proprietary 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
Renasa Insurance Company Limited
SAFIRE Insurance Company Limited
Santam Limited
Santam Structured Insurance Limited
Sasria SOC Limited
SaXum Insurance Limited
SCOR Africa Limited
Shoprite Insurance Company Limited
Standard Bank Insurance Limited
Unitrans Insurance Limited
Western National Insurance Company Limited
Workerslife Insurance 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 Machinery Insurers’ Association (SAMIA) 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 Risks
- SAIA Consumer Education Committee
- SAIA Access and Microinsurance Committee
- SAIA Enterprise Development Workgroup
- SAIA Transformation Steering Committee
- SAIA Human Capital Development Committee

Governance Risks
- SAIA Legal and Compliance Committee
- SAIA Market Conduct Steering Committee

Insurance Risks
- SAIA Motor Insurance Steering Committee
- SAIA Non-Motor Insurance Steering Committee
- SAIA Agricultural Risk and Crop Insurance Committee
- SAIA Green Geyser Replacement Project Steering Committee
- SAIA Earthquake Committee
- SAIA Technical Committee

Operations
- SAIA Insurance Data System Steering Committee
- SAIA Taxation Committee

SAIA FORUMS

The Motor Transformation and Sustainability Forum
Non-Motor 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
SAIA EMPLOYEES

Aatika Kaldine
Legal Manager

Lebohang Tsotetsi
Intermediaries Guarantee Facility Consultant

Nicol Champaud
Human Resources Manager

Tiyani Baloyi
Driver
Unity is strength, division is weakness.

- Swahili Proverb