



# SAIA

SOUTH AFRICAN INSURANCE ASSOCIATION

## SAIA BULLETIN

November 2019

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PROMOTING A TRUSTED & SUSTAINABLE  
NON-LIFE INSURANCE INDUSTRY  
FOR SOUTH AFRICA

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# 1 From the Desk of the Chief Executive

The year is finally coming to an end and the South African Insurance Association (SAIA) has tirelessly worked through the challenges faced by the industry, actively collaborating with valued stakeholders within the sector to achieve and maintain a sustainable non-life insurance sector. It has not been easy, but the support of the SAIA Board and its guidance kept us focused on achieving the best we could under trying economic and social circumstances.

## **Update on Recent Key Topics**

The regulatory landscape has constantly been changing. The non-life insurance industry is currently dealing with the Department of Labour's proposed amendment to the Employment Equity Act and the set targets which are in line with the Financial Sector Code's agreed targets. One of the additions is the 100% compliance with all targets that will now be hard coded into law with severe penalties attached to it. A SAIA, ASISA and BASA joint board level engagement is currently being considered to further discuss the potential risks at an industry level. Please do lookout for a SAIA MD Circular with the proposed targets for the financial sector soon.

The industry witnessed an increase in the number of claims as a result of the continued swings in weather patterns (Climate change) that led to flash floods in the KwaZulu Natal province costing the insurance industry hundreds of millions in damaged infrastructure, property and livelihoods. SAIA takes climate change and the adoption and implementation of adaptation strategies by both the provincial and local governments seriously. The development and implementation of infrastructure maintenance plans by the 278 municipalities across South Africa is of paramount importance as this will have a profound effect on incidents caused by flash floods and accidents resulting from poorly maintained road surfaces (potholes).

Our commitment to the transformation of the industry remains unchanged. In fact, the non-life insurance industry recognises that it is imperative to achieve the desired transformation levels through pulling together. This is further demonstrated by the inclusion of the "Transformation Section" in the SAIA Code of Conduct that requires all members to report certain figures at certain intervals, and encouraging members to support industry initiatives. We would like to thank the members who have taken the time to make submissions in line with the new transformation reporting requirements in the Code of Conduct, while also encouraging those members who have not yet made their submissions to do so. We also thank our members for their support for our important industry initiatives, such as the Consumer Education Initiative.

## **Thank You**

In conclusion, I would like to thank the SAIA Board, the relevant SAIA Board Committees, SAIA Divisions and various Forums, SAIA Champions, SAIA executive and staff for their efforts to work towards a non-life insurance sector that remains relevant to all stakeholders, from the regulators to the consumers serviced by our member companies. I would also like to thank all our members for entrusting us with the responsibility of representing them to various stakeholders and contributing to a sustainable industry.

## **Holiday Wishes**

And since this is our last Bulletin for the year, I would personally like to wish each one of you happy December/ January holidays!

Viviene Pearson  
**SAIA Chief Executive**

## 2 Insurance Risks

### 2.1 The Creation of Uninsured Third-Party Liability Vehicle Database

At the request of the SAIA Salvage Database Governance Committee and the SAIA Motor Insurance Steering Committee, the Board Committee: Insurance Risks' members have agreed for SAIA to investigate options for creating the Uninsured Third-Party Liability Vehicle Database. The members unanimously agreed that there is a need for such a database which would assist in vehicle crime fighting and fraud.

The aim of the database is to complement the Vehicle Salvage Database (VSD) which was formed in 2018 and is hosted by the Insurance Crime Bureau on behalf of the industry.

The formation of a Sub-committee which will be tasked to investigate this topic further will be put in place in the first quarter of 2020 and members and stakeholders will be updated on the developments.

*This article was written by Zakes Sondiyazi, SAIA Insurance Risks Manager.*

For more information, please contact [Zakes@saia.co.za](mailto:Zakes@saia.co.za).

### 2.2 Repair More Cars (Save a Car) Programme Workshop

The joint SAIA/NAAMSA Task Team's discussions around industry-specific challenges and finding sustainable solutions that would benefit all parties are still in progress.

It is against this backdrop that the "Repair more Cars" (Save-a-Car) workshop was held on 27 November 2019. The aim of conducting the workshop was to create more awareness about the importance of repairing more accident damaged vehicles, where repair costs are marginally above the threshold set by individual insurers and resulting in the vehicle being uneconomical to repair. Various save-a-car programmes provided by OEMs were also discussed.

Should a need arise, more such workshops will be arranged for other provinces in the new year. The agenda topics included:

1. The benefits and limitations of repair, replace or pay cash to the sustainability of the insurance motor book.
2. When and why – The risks and benefits of declaring a vehicle "uneconomical to repair" to the sustainability of the insurance motor book.
3. When / why and what makes a car a write off and its impact to the sustainability of the insurance motor book.

*This article was written by Zakes Sondiyazi, SAIA Insurance Risks Manager.*

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## 2.3 Insurance Data System

### What is the Insurance Data System (IDS)?

The Insurance Data System (IDS) is a data repository established by SAIA for the benefit of the wider non-life insurance industry at large. The system is currently aimed at combating fraud and augmenting policy underwriting processes.

Over the years, as the industry has moved towards the integration and utilisation of multiple external data sets, the IDS utilisation and importance has increased. This in turn grew the data repository where the industry has allowed for the submission of limited policy data in addition to the claims data.

### Status Update

SAIA has recently completed an in-depth POPIA review which was steered by Mobius Consulting. The assessment report highlights that there are no significant risks related to the Protection of Personal Information Act (POPIA). However, recommendations on further controls aimed at strengthening governance structures for the system were proposed to the industry.

In addition to the POPIA assessment, SAIA established an IDS Executive Committee with representation from SAIA, the Insurance Crime Bureau (ICB) and TransUnion (TU). The committee has been meeting on a monthly basis to identify all IDS operational and governance issues, implement and monitor progress on remedial plans.

Feedback from the POPIA review and IDS Exco engagements have been incorporated into a long-term IDS project plan. The plan is stretched over a 10-year period aimed at ultimately creating a data ecosystem for the industry. The initial phase of the plan involves the implementation of version 3 of the system. The scope herein covers the advancement of the system's data dictionary for improved data analytics capability. The projected timelines include having an approved document by the end of 2019, and integrate changes into the system by Q2,2020.

*This article was written by Katlego Bolsiek, SAIA Insurance Risks Manager.*

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## 3 Transformation

The Transformation Team at SAIA would like to extend its gratitude to the wide community of colleagues within the industry that have tirelessly participated in the various committees and forums over and above their own responsibilities within their respective companies. Without the invaluable contribution from these individuals, our projects would not take off or have the intended impact. It is therefore important for us to ensure continuity and sustainability of these platforms by inviting more participants on a regular basis. This ensures adequate member representation, and that the interests of different types of insurers are considered during transformation debates.

This article seeks to provide a summary of Committees and Forums within the care of the Transformation Department and the purpose of such Committees and/or Forums. Circulars will be sent out before the end of 2019 with further details on participation requirements.

The SAIA Transformation Department oversees the following Committees and Forums:



### **3.1 The SAIA Transformation Steering Committee**

The purpose of this Committee is to oversee and inform the transformation strategy of SAIA and its members and to guide SAIA in projects and positions it should take as a representative body of the industry. All Transformation Committees and Forums report into the Steering Committee, while the Steering Committee itself consolidates all proposals to be reviewed and approved by the SAIA Board Committee: Transformation and the SAIA Board. Current participation in the Steering Committee is from individuals that are responsible for the transformation strategy at member level.

### **3.2 The SAIA Procurement and Enterprise, Supplier Development (ESD) Committee**

This Committee looks at all challenges to do with transformation within the industry's supply chain, issues tabled by suppliers at the Motor & Property Transformation and Sustainability Forums (MTSF & PTSF) together with requirements and amendments to the Financial Sector Code. Participation in this Committee is from Procurement Managers and other Enterprise and Supplier Development specialists.

### **3.3 The SAIA Financial Inclusion Committee**

This Committee deals with the industry Consumer Education Initiative and Access to financial products elements. The Consumer Education strategy and supplier selection are formulated and carried out from this Committee. During 2019, the Committee has been very instrumental in formulating the industry's position on the Financial Sector Code review.

Please be on the lookout for circulars inviting participation in the above-mentioned Committees, or contact Ms. Zoleka Hlomuka – [zoleka@saia.co.za](mailto:zoleka@saia.co.za) for further information.

*This article was written by Zanele Gigaba, SAIA Transformation Manager.*

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### **3.4 Consumer Education**

The South African Insurance Association continues to provide consumer education programmes that aim to promote consumer awareness and strengthen consumer knowledge about the financial sector and its products and services. In order to promote financial education that relates to the non-life insurance industry, the SAIA Consumer Education initiatives have been strategically designed to focus on building consumer financial resilience through projects addressing the importance of risk management, covering individuals in different life phases and small businesses.

The effectiveness of the Consumer Education Strategy lies in delivering our messaging using diverse platforms. An impact analysis study done on the 2019 projects shows that from the completed projects, the selected platforms have proven to be accessible and appropriate for the identified target market, reflected by the higher possibilities of veritable learning and feasible change of behaviour as the beneficiaries evolve through the identified life stages and the learnings are adopted in their personal lives.

In 2019, SAIA implemented six projects, 70% of which are interactive, while 30% are for awareness creation purposes. Three of the six projects have been completed, reaching a total of 822,332 beneficiaries with an estimated additional 1 000 000 still to be reached at completion of the remaining three projects. For monitoring and evaluation purposes, a qualitative survey was conducted with 932 individuals among the three completed projects, and the findings will be reported on in the final SAIA Consumer Education Fund Report in the beginning of 2020.

SAIA would like to thank all its members for the overwhelming support towards the 2019 project year.

The association is now in the process of reviewing the 2019/20 proposals and making recommendations for renewal to the SAIA Board Committee: Transformation and the SAIA Board.

SAIA members are encouraged to continue to support the SAIA Consumer Education Fund by pledging their contributions to the 2019/20 financial year. The deadline is 28 February 2020.

*This article was written by Lebohang Tsotetsi SAIA Projects Coordinator: Transformation.*

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## 4 Governance

### 4.1 Draft guidelines to develop Codes of Conduct in terms of Chapter 7 of the Protection of Personal Information Act 2013

The Information Regulator (the Regulator) is currently engaged with guidelines to assist public and private entities to develop Codes of Conduct in terms of Chapter 7 of the Protection of Personal Information Act 2013. Section 10(1)(f)(ii) and Section 65 of the Protection of Personal Information Act, No. 4 of 2013 requires that the Regulator develops guidelines to assist public and private bodies to develop or to apply for approved Codes of Conduct.

Stakeholders were invited by the Regulator to participate in a workshop held on 6 November 2019 in order to provide input and comments on the circulated draft Guidelines to Develop Codes of Conduct. Following the workshop, the Regulator advised that an updated draft Guidelines to develop Codes of Conduct will be published, and stakeholders will be given 14 days to submit additional comments (this has not been issued by the regulator). This has been received as a progressive move from the regulator to promote engagement with business prior to issuing recommendation for amendments or introduction of new legislative frameworks.

It is not clear in terms of the sectors that will be impacted by these guidelines as the Act currently allows for voluntary application for sector/industry specific code of conduct, however, the industry should be mindful of the potential shift to compulsory participation, should the voluntary approach not bear the desired fruit from the regulator's perspective.

SAIA hosted a workshop on 3 December 2019 at the SAIA offices with an aim of collating industry comments on the proposed guideline and for submission to the Regulator. These will be used to inform the draft Bill to be presentation to parliament by the regulator, before issuing it in the government gazette for public comment.

*This article was written by Themba Palagangwe, SAIA GM: Transformation & Governance.*

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## 5 Operations

### 5.1 The Printed Tax Clearance Certificate will no longer be available

SAIA has been informed by the South African Revenue Service (SARS) that the printed Tax Clearance Certificate (TCC) will be terminated after 25 October 2019. SARS have further advised that they will be implementing a more secure electronic Tax Compliance Status (TCS) system.

The TCS PIN will have to be used by taxpayers to share their tax compliance status electronically with third parties. All active TCC's that are currently in circulation will be cancelled and taxpayers will no longer be able to verify or print these TCC's.

SAIA members are encouraged to familiarise themselves with the electronic TCS system and the use of the TCS PIN, in preparation for the termination of the printed TCC process.

The secure and convenient electronic TCS system provides members with a way to authorise any third party to view their tax compliance status online via eFiling by providing them with a PIN. To protect the confidentiality of taxpayer information, no other information will be accessible to a third party through this process.

For more information on how to use the TCS PIN, please refer to the "Guide to the Tax Compliance Status Functionality on eFiling".

*This article was written by Charles Hitchcock, SAIA Chief Operations Officer.*

For more information, please contact [Charles@saia.co.za](mailto:Charles@saia.co.za).

## 6 Forums

### 6.1 Cessation of works a significant project and underwriting risk in the South African Construction Sector

Cessation of work has recently been identified as a risk concern for the construction industry and construction Insurers. It is critical for every stakeholder to appreciate the risk exposures which might impact them, irrespective of whether the project is currently in progress or the works have temporarily or permanently ceased.

Typically, the major areas of concern for the Construction Industry and Construction Insurers include loss or damage due to natural disasters and changing weather phenomenon/climate change, war and political risks, and catastrophe events.

#### **Non- traditional risks including:**

- Reduced government spending.
- Socio-economic and political failures and uncertainty.
- Business failure and liquidations, business rescue seen with major players in the Construction arena.
- Increasing competition in a shrinking market with pressures of price competition have turned the focus onto the exposures resulting from the Cessation of Works. Whether Cessation of works itself is a risk driver, risk or side-effect is a debateable topic.



Cessation is not specifically defined in the insurance policy or the construction agreement. Most Policies refer to the “stoppage of the Works”, which would normally be a temporary cessation of the Works, whilst the Joint Building Contracts Committee (JBCC) Agreement deals with the Suspension and Termination of a Contract, and the GCC Conditions of Contract refer to the Cancellation of a Contract, by either the Contractor or the Employer, (including due to a state of emergency, riot/commotion, and politically motivated sabotage).

Cessation is defined in dictionaries as “*the act or process of ending or being brought to an end.*”

Increasingly, projects are becoming more prone to disruptions. The causes are diverse and frequently beyond the control of the individual stakeholder in any project.

**The more common causes include:**

- Interruption of/or late delivery or shortage of construction materials.
- Labour disputes, strike, community action.
- Possible dispute over awarding of tender or any rights (corruption).
- Evolving economic environment which might make the project unviable.
- Investors not able to fulfil their obligations.

The South African Construction sector has seen more frequent interruptions of project works by the unusually named ‘Construction Mafia’ and Local Community forums. Third parties are invading construction sites and demanding access to benefits and stakeholder rights in deciding subcontractors, recruitment of labour, or simply a pay-off.

**Effects of cessation include:**

- Escalation of risk when sites are deserted.
- Withdrawal of insurance covers.
- Failure of Service delivery as contracts for the construction of hospitals, schools, low cost housing, water supply, or power plants projects, remain unfinished.
- Increased duration of exposure for insurers carrying the insurable risks.
- Uninsured exposures with insurers limiting cover during cessation.
- Collapse of Construction Companies subcontractors and supply chain network beneficiaries.
- Disruption of labour with engineers and other special skills even resorting to emigrating due to safety concerns and/or the bleak outlook.
- Abandonment of the project.
- Contractor disengagement before completion of project leaving Principal to secure another party to complete the unfinished job.
- Construction companies mitigating the construction mafia/community forum driven Cessation risk by giving in to their demands, forcing contractors to have to compromise in the selection of sub-contractors and suppliers they employ, which adversely affects quality assurance, giving rise to an increase in claims.

**Possible ways forward for all stakeholders?**

Construction Companies and contractors should consider having an integrated project risk management plan in the event of cessation of the Works, incorporating:

- Effective due diligence at project plan stage, including research to identify and prepare for possible social driven Cessation risks.
- Community relationship management.

- Solid legal contract conditions that safeguard interests.
- An effective supply chain risk management framework.
- Business continuity management strategy in place.
- Alternative risk financing options, contingent business interruption cover, trade credit insurance.

A collaboration between industry bodies representing the legal fraternity, business forums, insurance and civil engineering groups, and government is needed, in order to promote and secure best practice for the minimisation and management of risks associated with the Cessation of Works. The Insurance Industry should engage with all relevant stakeholders in pursuit of a solution broader than the policy and its terms.

Insurance presents major challenges for the buyer (Construction Company) and providers and advisors (Insurers and the Brokers) particularly when it comes to the scope and extent of the cover available, structuring, pricing as well as application of the cover following an event.

In the event of cessation of work, the cover can be retracted, restricted or reviewed and the continuation of the policy will depend on the underwriter's view of the risk.

Most, if not all current Construction Risks Policies, will include a condition/clause, to the effect that cover is suspended in the event of a stoppage of work of three consecutive months, unless Insurers agree to its continuance in writing.

The way the policy is worded is critical in ensuring clarity on the Insurer's intentions in the event of the Cessation of the Works. The Policy wording should clearly define what Cessation is, as well as the position of the insurer, and the rights and obligations of all parties once this occurs.

The actual cause of the cessation would need to be addressed as this could influence the Insurers' decision regarding cover. Cessation due to the construction mafias attacking various sites around the country springs to mind, particularly as in terms of the Contract Agreement, the contractor is at risk until handover to the Employer. What position does the insurer wish to take concerning the extent of cover they may offer, or would they exclude cover altogether? SASRIA has already been eliminated as an option, given there is no trigger for such cover in the absence of material damage.

Insurers may find it necessary to provide more Clarity on the scope of cover provided in respect of stoppage, Cessation and/or abandonment, as well as notification by the Insured, particularly as Legal experts have expressed reservations regarding the clause and how it may fall short of covering all eventualities.

*This article was written by Krushayev Moodley, Head of Distribution, Hollard-Scintilla Engineering, and is of particular relevance to members of the South African Association of Engineering Insurers (SAAEI).*

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## 7 SAIA Circulars

<b>SAIA MD Circulars- November 2019</b>		
MD2019-040	Invitation to the Inseta AGM - 6 November 2019	4-11-2019
<b>SAIA SG Circulars- November 2019</b>		
SG2019-062	SARS Tax Clearance Certificate Discontinuation Notification	14-11-2019
SG2019-063	Guidelines to develop Codes of Conduct	21-11-2019
SG2019-064	FSCA FAIS Notice 88 of 2019	27-11-2019
SG2019-065	FSCA FAIS Notice 89 of 2019	27-11-2019



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SOUTH AFRICAN INSURANCE ASSOCIATION

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**IMPORTANT NOTICE**

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