



SAIA

SOUTH AFRICAN INSURANCE ASSOCIATION

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FROM THE DESK OF THE ACTING CHIEF EXECUTIVE



During the past eighteen months SAIA went through a process of aligning itself with the call for change from our members. The need for renewal and transformation presented an opportunity to strengthen the SAIA value proposition and to re-model as an industry body that will meet the needs of all our members.

On 9 September 2015, the SAIA Board approved a new way forward for SAIA which involves a new fee structure for members, a new model for SAIA and a new relationship of collaboration with the Association for Savings and Investments South Africa (ASISA). We will move from the current executive model to a more participative model that is more collaborative with our members and various stakeholders.

We are currently in the beginning of implementing all approved changes. The new model that needs to be delivered necessitated a fresh look at our structure and resources, and we are currently in the process of restructuring to meet the changed expectations of our members and the decision by the Board. No such process is without its challenges but we are going to great lengths to ensure that we are implementing the changes in a spirit of fairness and within the framework of the law, with the assistance of experts in the field.

While we are on the subject of change, we have recently announced that the Board elected Ms Lizé Lambrechts as the new SAIA Chairperson. Ms Lambrechts is the Chief Executive Officer of Santam Limited and has been a member of the SAIA Board since January 2015. The Board also elected Mr Garikai Dhombo, Managing Director of Alexander Forbes Insurance Company Limited, as the Deputy Chairperson. Mr Dhombo has been a member of the SAIA Board since July 2010. Ms Lambrechts and Mr Dhombo took up their new positions on 26 October 2015.

We congratulate Ms Lambrechts and Mr Dhombo on their new appointments and pledge SAIA's support for them with their task of leading SAIA into the changing future.

In this month's Bulletin we observe the latest regulatory developments including the proposal by National Treasury for a re-organisation of the various financial sector market conduct related workgroups, committees, sub-committees and ad hoc engagements to better align ongoing work with the policy objectives articulated in their policy document entitled "Treating Customers Fairly in the Financial Sector - A draft Market Conduct Policy Framework for South Africa", while simultaneously ensuring consistency across the sector. *Read more about this on page 3.* And for an update on the upcoming Mock Own Risk Solvency Assessment (ORSA) Feedback and FSB SAM Workshops, *read page 4.*

We also examine the SAIA media coverage for September and October which looked at the impact or potential impact the spike in car hijackings may have on consumers in relation to motor insurance and how the weakening rand will impact motor insurance, this in light of October Transport Month. *Read pages 5 and 6.*



Until next month- enjoy reading.

Viviene Pearson

1 TRANSFORMATION AND GOVERNANCE RISKS

1.1 Market Conduct Regulatory Framework

Short-Term Insurance Industry Market Conduct Sub-Committee

The National Treasury (NT) have proposed a re-organisation of the various financial sector market conduct related workgroups, committees, sub-committees and ad hoc engagements to better align ongoing work with the policy objectives articulated in their policy document entitled “Treating Customers Fairly in the Financial Sector - A draft Market Conduct Policy Framework for South Africa”, while simultaneously ensuring consistency across the sector.

As part of the re-organisation proposal, the NT established the Market Conduct Short-term Insurance Industry Sub-Committee. The SAIA was invited to nominate members from the industry to serve on the new sub-committee. The overarching objective of this sub-committee is to identify particular market conduct and strategic risks facing the short-term insurance industry and explore mechanisms for addressing these, both from an industry and regulatory perspective.

The inaugural meeting of the newly established sub-committee took place at the offices of the Financial Services Board (FSB) on 19 October 2015. At the meeting a number market conduct risks and priorities as well as broader strategic opportunities and issues facing the short-term insurance industry were discussed and highlighted. A smaller working group comprising of individuals from NT, FSB and the SAIA was constituted and set the task of developing a first draft document capturing these various market conduct risks and broader industry objectives, in order to identify potential conduct gaps as well as areas of common ground as suggested by the members present at the meeting.

It is anticipated that the sub-committee will meet again before the end of the year to discuss and further refine the draft document with the ultimate intention of designing a workable roadmap setting out agreed objectives, deliverables and outcomes for the sub-committee.

The SAIA welcomes and supports the establishment of the new Market Conduct Short-term Insurance Industry Sub-Committee, as it creates an important platform for the SAIA, NT and FSB to constructively shape and address market conduct and broader strategic challenges facing the short-term insurance industry.



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1.2 Solvency Assessment and Management

Mock ORSA Feedback and FSB SAM Workshops

The deadline for submission for all Mock Own Risk Solvency Assessment (ORSA) reports as part of the Financial Services Board's (FSB) Comprehensive Parallel Run (CPR) exercise was 31 August 2015. The FSB are currently collating and working through the numerous and extensive submissions received.

The FSB are cognisant of the desire and urgency from the short-term insurance industry to receive feedback and further guidance relating to the ORSA submissions as soon as possible, and hence, have indicated that high-level feedback on the Mock ORSA exercise will be provided at the upcoming FSB SAM Workshops. These workshops will be taking place in Cape Town on 3 November 2015 and Pretoria on 6 November 2015 respectively.

Further topics that will be covered at the FSB SAM Workshops include:

- Taking stock of where we are in the SAM process
- Comprehensive Parallel Run feedback
- Mock Own Risk and Solvency Assessments (ORSA) feedback
- Prudential Standards and Auditing requirements
- Reinsurance Regulatory Review
- 2016 Implementation:
 - Re-licensing process
 - Reporting requirements
 - Transitional arrangements

The proposed content for discussion at the FSB SAM workshops is expected to provide valuable guidance relating to a number of important SAM implementation aspects facing the industry. Most notably would be the expected feedback on the FSB's Reinsurance Regulatory Review proposals which hold a number of significant implications for insurers and reinsurers alike.

The overwhelming majority of the SAM technical developmental and design work has been completed. All efforts are being made by the FSB to ensure that the focus now shifts firmly towards concerted SAM implementation and preparation aspects.

The SAIA SAM Project Support Office (PSO) will monitor SAM implementation developments closely and continue to constructively engage with the FSB, in anticipation of the all-important 2016 SAM implementation year.



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2 STAKEHOLDER RELATIONS AND COMMUNICATION

2.1 SAIA Board Announced New Chairperson and Deputy Chairperson

The SAIA has announced the appointment of Ms Lizé Lambrechts as the new Chairperson of the SAIA Board. Ms Lambrechts, Chief Executive Officer (CEO) of Santam Limited, has been a member of the SAIA Board of Directors since January 2015 and took up her new position as Chairperson on 26 October 2015.

Ms Lambrechts became the CEO of Santam Limited on 1 January 2015, after serving as Chief Executive of Sanlam Personal Finance for twelve years.

The SAIA board also announced the appointment of Mr Garikai Dhombo, Managing Director of Alexander Forbes Insurance Company Limited, as the Deputy Chairperson. Mr Dhombo has been a member of the SAIA Board since July 2010.

We congratulate them both on their appointments and wish them success going forward.

We also wish to take this opportunity to express our gratitude for the invaluable contributions made by the outgoing Chairperson and Deputy Chairperson of the SAIA Board, Mr Themba Gamedze and Mr Terry Ray respectively.

2.2 SAIA Media Cover for September and October Update

The release of the Crime Statistics by the South African Police Service (SAPS) in September 2015, allowed SAIA the opportunity to issue a media release that focused on the spike in car hijackings and the impact or potential impact it may have on consumers in relation to motor insurance. The media release has generated a lot of publicity for SAIA on various media channels and provided an opportunity to highlight the extreme financial risks that consumers are exposed to if they do not have comprehensive motor insurance cover in place.

In light of October Transport Month, SAIA issued a media release that focused on the impact that the weakening rand has on motor insurance and how this could impact consumers and South African businesses, specifically the motor insurance segment. We looked at how the cost of motor insurance can be more effectively managed, despite the challenges encountered as a result of currency risk and increasing levels of crime, such as several industry projects and initiatives that



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are underway to address the issue, including a call for compulsory third party motor property insurance, supply chain initiatives, the possible introduction of an insurance group rating system and the cost of vehicle parts.

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3 INDUSTRY NEWS

3.1 Vehicle Tracking and Fleet Management- History and Growth

Telematics in South Africa started from the early nineties and have evolved in many cases to be fully world leading. The initial focus and product offers were towards the recovery and protection of vehicles. The biggest users of such technologies then were transporters and fleet companies, needing to protect their vehicles and assets. Early in development the first solution providers, realised that telematics combined with GPS positioning and distance information gained, can very effectively be used for the calculating and management of the costs and operating expenses. From this the technologies termed Fleet Management Solutions developed.

Most of the biggest providers of vehicle tracking solutions also offer fleet management solutions. Fleet Management technologies uses GPS positioning and communicating of the onboard data gathered in the vehicle, via GSM, certain radio frequency (RF) networks or Satellite Communication. Each communication network with its own costs and coverage advantages; where GSM (Cellular) is based on the earth surface, with lower costs, but some dead spots with no network coverage and Satellite, with a more global coverage, but normally at slower speeds and at a higher cost.

Fleet Management technologies can also additionally collect other vehicle information, including cargo door opening, load weights, fuel usage and other relevant information, the operator may require and have specific equipment installed on the vehicle to collect that, that then also can be relayed by this communication.

The evolvment in technologies also have given rise to the development of extensive fleet management software solutions, that can integrate, combine and be used to manage and optimally use and capitalise on this loads of date.

Vehicle Fleet Management solutions in most cases are also offered and supplied as integrated system with the standard Stolen Vehicle Recovery (SVR) technologies, to additionally be of value to the vehicle and fleet owner, to protect, help monitor and serve as support system in case of vehicle recovery.



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The Motor Vehicle Security Association of South Africa (VESA) also assist the industry in working with suppliers in approving Fleet Management Solution products, to agreed standards and specifications and independently auditing these services.

To view VESA Installers click on the link below: <http://www.vesa.co.za/LocateDealer.aspx> or for Product Suppliers / Products: <http://www.vesa.co.za/ProductsAndManufacturers.aspx>

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