SAIA
SOUTH AFRICAN INSURANCE ASSOCIATION

BULLETIN

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From the desk of the Chief Executive

In his keynote address at the SAIA Cocktail function in July, Deputy Finance Minister Sfiso Buthelezi pledged government's support to the short-term insurance industry. Buthelezi said while government remains committed to seeing an insurance sector that is transformed and supports financial inclusion, it's important that the industry continues to innovate, treat it customers fairly, is well regulated , supports key government initiatives on infrastructure and continues to reduce costs so that customers get value for their money, amongst others.

The deputy minister stressed that while the industry was on the right trajectory, there is still a lot of work that needed to be done. He singled out three key focus areas for the industry, namely improving access to insurance, transforming the insurance sector and partnering with government to address climate change. He acknowledged that although these are challenging times, - thanks to factors such as global economic and political instability, climate change, economic recession and credit rating downgrades - "It is in challenging times that we can unite to find common ground. This is the time when the insurance sector can truly show its added value."

Looking at the issues mentioned by the deputy minister, we can safely say the SAIA and its members are on the same page - and we have a lot of common ground. As an industry, we are fully committed to transformation and we recognise the role that a transformed and inclusive society will play in economic growth and in ensuring a sustainable future for our country; a future in which we can all flourish and thrive.

Viviene

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1 TRANSFORMATION AND GOVERNANCE RISKS

1.1 Concerns raised by the Ombudsman for Short-term Insurance (OSTI)

The SAIA Board, at its meeting on 17 August 2017, requested that the SAIA circulate the concerns raised by the OSTI, Ms Deanne Wood, at the SAIA/OSTI Forum on 14 June 2017.

The SAIA encourages members to take note of the following concerns and to address same:

1. Policy wording

Insurers' policy wording and claims philosophies are not updated and aligned to changes in technology and criminal behaviour. For example, the clause "forcible and violent entry" is strictly interpreted but today, criminals use car jamming devices hence the insured will be unable to demonstrate "forcible and violent entry." Similarly in commercial policies, it is required that there be "forcible and violent entry" into the main building but often thieves break into a storeroom, for example, and the claim is rejected as there was no "forcible and violent entry" into the main building.

The OSTI acknowledges that evidence is important in car jamming claims but some insurers have rejected these claims despite surveillance footage.

The OSTI stated further that insurers are placing a greater emphasis on criminal conduct rather than the basis of the risk and the protection that should be afforded to the insured. Insureds are therefore paying for cover but not receiving the protection at claims stage due to the strict interpretation of policy wording.

The OSTI recommends that insurers amend policy wording to take into account changes in technology and criminal behaviour.

2. Rejection letters

The OSTI advised that some insurers do not include the OSTI's details on rejection letters which insurers are legally required to do in terms of the Policyholder Protection Rules.

For more information contact:
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1.2 SAIA List of Standardised Terminology

The SAIA list of standardised terminology has been published on the SAIA website. The terms were identified by the SAIA Treating Customers Fairly workgroup on Standardised Terminology. The aim of the list is to ensure that policy wording is understood fully by the consumer and that all potentially confusing terms be defined on the list, for the ultimate benefit of the consumer.

SAIA members are encouraged to use the document as a consumer tool, in order to create understanding and to support disclosure in the industry.

Please follow the link for the list of standardised terminology:

http://www.saia.co.za/key-focus-areas/governance/standardised-termino/

For more information contact:
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2 INSURANCE RISKS

2.1 Invitation to submit Proposals for the 2017/18 SAIA Consumer Education Initiatives

SAIA has issued a Request for Proposals (RFP) inviting service providers to develop and implement Consumer Education projects in line with the Financial Sector Code.

The objective of Consumer Education initiatives is to raise awareness of insurance products, increase financial literacy levels in the country, and develop knowledge and skills for consumers to better use financial products, including insurance products. Consumer Education initiatives should result in raised awareness of the insurance products by consumers, resulting in increased demand for insurance products. This year, SAIA has included a focus in risk management skills for our consumers.

The types of projects we are looking to implement include; the revamping of the SAIA Consumer Education website, www.knowyourinsurance.co.za; managing exposures to risks, such as fires, burglaries etc., highlighting the necessity of insurance during various life events and financial decisions (purchasing of assets such as houses, furniture and cars). SAIA will continue with its multi-year partnership on Financial Literacy and Technical Maths. SAIA is proud to have partnered with the Department of Basic Education, through its service provider, to develop content for Technical Mathematics, the first of its kind in South Africa.

The deadline for proposals is 22 September 2017, at 12h00.

For further information, please visit the SAIA website: http://www.saia.co.za/key-focus-areas/environmental-and-so/consumer-education.html.

SAIA also thanks its Consumer Education partners for their generous contribution towards the 2017/18 Consumer Education projects. A total of R10 500 000 was contributed by SAIA members.

For more information contact:
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2.2 Save a Car Project

The Save-a-Car project is an initiative by the SAIA and its members, together with other stakeholders including the National Association of Automobile Manufacturers of South Africa (NAAMSA) and Original Equipment Manufacturers (OEMs). The pilot project has been established as a mechanism to reduce the cost of repairing damaged motor vehicles deemed to be uneconomical to repair. This pilot project has the potential to positively contribute to employment as more vehicles could be repaired and it can also assist in reducing vehicle crime. Over time more OEMs will participate in the project thereby increasing its potential success.

The process is regularly reviewed by the participants of the Save-a-Car and a new form is available on the SAIA website for insurers to complete and email to the respective OEM.

Participants are also assisted with a step-by-step infographic on how to save a car.

Below is the URL to the webpage:

http://www.saia.co.za/key-focus-areas/insurance-risks/save-a-car.html

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3 INDUSTRY NEWS

3.1 Continuity of Contractors' All Risks Annually Renewable Covers

Just as important as it is to ensure that Contractors All Risks ("CAR") cover is adequate and aligns with the insurance requirements of the underlying construction contract, it is important for the purposes of ongoing insured projects to ensure that such cover remains in place and is continuous in the event that a decision is made not to renew annually renewable CAR policies, or to cancel such policies, and to substitute one insurer for another.

Decisions not to renew such policies, or to cancel such policies, and to substitute insurers, are often made on the assumption that ongoing insured projects will automatically remain covered under a substituted policy, or that the prospective insurer will agree, albeit on terms to be agreed, to include ongoing projects under the substituted cover. No such assumptions should be made, as this can result in a no cover situation for ongoing projects.

There is no one standard wording for annually renewable CAR cover. That applies equally to how the policies provide for both run-off and run-on cover. Each insurer will have its own wording. The requirements for run-off and run-on cover are most often found in the policy schedule.

How do the policies deal with this aspect?

- No run-off cover for ongoing projects – all cover expires at renewal date or date of policy cancellation.

- Run-off cover is contemplated, but cover will lapse automatically if certain policy requirements and conditions are not met or complied with.

- No run-on cover for ongoing projects – the substituted policy excludes projects which commenced prior to inception of the substituted policy.

- Run-off cover is automatic but either inclusive or not inclusive of maintenance cover provided that the project is awarded or put out for tender prior to renewal date, or/and the project commences within a period of anything between 30 and 90 days after renewal date and also, provided that a detailed list of ongoing projects is submitted before the renewal date, or within a prescribed period after renewal date.

- Run-off and run-on cover (but either inclusive or not inclusive of maintenance cover) will be accommodated on disclosure of a detailed list of ongoing projects, but on new terms to be agreed.

Continuity of cover requires careful consideration when a decision is made to change insurers. Such decisions cannot be based solely on price. An insured must take into consideration whether the existing policy makes provision for run-off cover and/or whether the replacement policy accommodates run-on cover (and whether such respective covers are inclusive or exclusive of the maintenance period).

Where these options are available, an insured must ensure that all requirements, as provided for in the policy, are complied with. These requirements are generally clearly articulated in the respective policy wordings/schedules, but as a precaution should always be specifically raised with the insurers.

Where the prospective insurer is prepared to entertain run-on/run-off cover, the insured will generally be required to provide a detailed schedule of all ongoing projects.

We continue to see gaps in cover where an insured has failed to provide a complete schedule of all ongoing projects. Substituting one policy for another ought to be a straight forward process, as a schedule of all ongoing projects ought at all times to be kept updated. This necessarily follows from an insured's obligation, most often found under a premium adjustment clause in the policy, to declare to the insurer an annual contracting expenditure at renewal.

The trend in the construction insurance market is to combine into the annual CAR policy an insured's usual/standard type projects having a shorter contract period, and to insure larger non-standard projects having a longer construction period under a once off/specific policy, so as to ensure that run-off cover in respect of such risks, does not become problematic in due course.

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IMPORTANT NOTICE

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