



SAIA - ☎ (011) 726 5381

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1 LATEST NEWS

Insurance industry welcomes consumer credit insurance report

Below is the joint South African Insurance Association (SAIA) and Life Offices' Association (LOA) media release that was sent out after a media conference held at the Protea Hotel Wanderers on 22 April 2008.

The Life Offices' Association (LOA) and the South African Insurance Association (SAIA) welcome the release of the Consumer Credit Insurance Enquiry Report by the independent panel of enquiry jointly appointed by the LOA and the SAIA in July last year to identify problem areas in the consumer credit insurance market.

The panel of enquiry, chaired by Judge Peet Nienaber, retired Ombudsman for long-term insurance, was appointed after some insurance companies active in the consumer credit insurance market were accused of engaging in undesirable practices.

Gerhard Joubert, Chief Executive of the LOA, describes the findings and recommendations contained in the report as far reaching in that they are likely to impact considerably on how the credit life insurance industry functions in future, if accepted and implemented.

"The insurance industry as a whole was very concerned when allegations of non-compliance first surfaced last year. At the time our member companies active in the consumer credit insurance market pledged their full cooperation to help identify problem areas and eradicate undesirable practices with a view to improving consumer protection," says Joubert.

"An independent panel of enquiry was appointed almost immediately with the aim of achieving more appropriate consumer protection in the consumer credit insurance market, which largely services the more vulnerable consumer, and where fair and transparent practices are thus of utmost importance."

Joubert says the recommendations put forward by Judge Nienaber's panel will be discussed by the relevant LOA committees and proposals will then be made to the LOA Board for discussion at the end of May.

"Some of the recommendations, especially on intermediary remuneration, already form part of our discussions with National Treasury and the Financial Services Board (FSB) on changing the way that commission structures work to the benefit of consumers."

Barry Scott, Chief Executive of the SAIA, says the association was pleased that the enquiry to a greater extent found compliance with the relevant legislation, and that where short-term insurers stood accused of non-compliance this was largely due to difficulties experienced with the interpretation of Section 48 of the Short-term Insurance Act.

"The enquiry recommended that no action be taken against insurers, since some of the irregularities regarding remuneration for outsourcing administrative work occurred because the Long-term and Short-term Insurance Acts are unclear and inconsistent on this point and in need of review and revision."

Scott noted that the report also focused on the need for consumer education. "To this end the SAIA has developed, over the last four years, consumer education initiatives with its partners, the FSB and more recently the Life Offices' Association and has to date spent more than R27 million on consumer education."

Both the LOA and the SAIA have expressed gratitude to Judge Nienaber and his panel for the passionate way in which they dedicated their time and expertise to scrutinising the consumer credit insurance industry, both its ills and its good sides.

The Panel and its terms of reference

The members of the panel were Desmond Smith (director of companies and Chairman of the LOA as from the end of last year), Ronnie Napier (former SAIA Chairman and senior partner of law firm Webber Wentzel), Louis Wessels, (former Head of Legal and Policy at the FSB) and Moses Moeletsi (Chairman of the Board of the Ombudsman for short-term insurance and a member of the Long-term Ombudsman's Council).

The panel of enquiry was guided by the following terms of reference:

- Improper and inappropriate marketing and distribution practises.
- The payment of excessive commissions or other improper fees or incentives.
- The fairness of standard terms and conditions.
- The adequacy of the overall value provided to consumers.
- Pre- and post-sale disclosures and information provided to consumers.
- Promoting greater consumer understanding of credit life products, their benefits and the consumer's rights.

The panel requested written submissions from interested parties, including members of the public, and listened to over 20 hours of evidence on practices in the consumer credit insurance market and their impact on the consumer. Evidence was given by life insurers, short-term insurers, credit providers, industry analysts, a member of the public, representatives of the LOA and SAIA, and the Ombudsmen for long- and short-term insurance.

Participation by companies in the enquiry was voluntary and members of the panel as well as the observers were impressed with the level of co-operation received from the LOA and SAIA member offices and the quality of presentations made to the panel. Representatives from National Treasury and the FSB attended the hearings as observers.

The panel indicated that it was particularly impressed with the degree of openness displayed by companies that testified at the hearings. All companies were prepared to give evidence in the public domain and only one part of a submission had to be heard in camera for strategic reasons as cited by the company concerned.

The panel's final report has been submitted to National Treasury, the FSB, the Parliamentary Portfolio Committee on Finance and the National Credit Regulator (NCR) as well as to the boards of the LOA and the SAIA.

Below follows an overview of the panel's findings and recommendations as discussed in the report. The report is some 300 pages long and consists of 15 chapters, covering various problematic aspects of consumer credit insurance in South Africa. Also included is a chapter about comparable problems encountered in the consumer credit insurance industries in the UK, Australia and the USA. The full report can be downloaded from www.loa.co.za or www.saia.co.za.

An overview of the Consumer Credit Insurance Report

The panel of enquiry was appointed by the Life Offices' Association (LOA) and the South African Insurance Association (SAIA) to identify problem areas in the consumer credit insurance market.

In its final report, made public this week, the panel reports that structures had been put in place by some insurers for the payment to motor dealerships and furniture retailers of remuneration for outsourcing administrative work that, on the panel's interpretation of the legislation, exceeded the permissible maximum.

However, the panel accepted that these structures were put in place on the basis of legal advice received and accordingly did not find it necessary to recommend that any action be taken against any insurers by the Life Offices' Association (LOA) or the South African Insurance Association (SAIA), save that the matter be taken up with the FSB by the LOA and SAIA and the individual insurers concerned.

The panel noted in its report that both insurance acts are unclear on the point and in need of review and revision. The maximum commission provisions in the two acts result in anomalies when applied to non-typical cover such as consumer credit insurance. "From the submissions received and the evidence given during several days of public hearings it became manifest that there was a lack of clarity and consistency in the manner in which individual insurers understood and applied the commission regulations issued in terms of the two insurance acts."

As for other commission contraventions, the panel found that these had been corrected, especially since the spotlight fell on these practices last year.

Judge Peet Nienaber, Chairman of the panel and retired Ombudsman for long-term insurance, says while some of the insurers who made submission to the panel are mentioned in the report, the aim was not to name and shame, but rather to analyse and explain some of the practices in the consumer credit insurance industry as disclosed in written and oral submissions received.

He says constraints encountered by the panel included the fact that it was dependent on the voluntary co-operation by LOA and SAIA member companies and that it had no powers to investigate and compel companies, especially non-members, to give evidence.

"Nevertheless, the panel was gratified by the number of responses it received from both life insurers and short-term insurers. We were impressed with the co-operation received and the frankness and quality with which participants prepared and presented their submissions."

Is consumer credit insurance worth it?

There are different types of consumer credit insurance products available to the consumer:

- *Credit life insurance can be issued under a long-term or short-term policy and is designed to cover the outstanding balance of the money owed to the credit provider by the person whose life is insured should this person die, become disabled, develop a critical illness or become retrenched. Credit life insurance is available for the following credit transactions: personal loans, overdraft facilities, student loans, credit card facilities, mortgage bonds and asset financing.*
- *An extended warranty is marketed by motor dealerships or retailers on behalf of short-term insurers. This type of cover is designed to indemnify consumers against the risk of mechanical breakdown of the insured vehicles or goods like electronic equipment purchased. It normally comes into effect on the expiry of the manufacturer's warranty.*
- *Top-up or shortfall cover is a short-term policy and is designed to cover the shortfall between the amount still owed and the insurance payout in the event of loss or damage to the vehicle, furniture or appliance.*
- *Minor chips and dents cover is a short-term policy issued under a short-term license and provides cover for minor damage to the bodywork of a vehicle, which usually falls within the excess of a comprehensive motor policy.*
- *Asset insurance is defined by the National Credit Act as part of the term "credit insurance" as "covering loss of or damage to property" and must therefore be considered a type of consumer credit insurance cover.*

The report discusses the question whether these are all true insurance products.

The panel, in its final report, concluded that there can be little doubt that consumer credit insurance is a key and integral element of the credit provision industry since there are many risks in a credit transaction for both the provider and the recipient of the credit, which can only be mitigated through the use of insurance.

"Without such risk mitigation access to credit would simply not be feasible. To this one may add the relative ease with which credit life insurance can be arranged, without medical underwriting or undue delay."

The report lists the following as some of the reasons why consumer credit insurance is valuable to consumers:

- *It enables many consumers to obtain credit which might not otherwise be available to them.*
- *It settles the remainder of the debt in the event of the consumer's death, critical illness, permanent or temporary disability, or retrenchment. In these events it also ensures that consumers or their families do not have to give up on assets purchased which would otherwise be repossessed.*
- *It ensures that the consumer does not remain liable for the debt incurred in purchasing the asset even if the asset has been lost, destroyed or damaged beyond repair.*
- *It provides cover against the sudden and unforeseen mechanical breakdown of vehicles.*
- *It is tailored to consumers' specific needs and benefit options.*
- *It is convenient, easy to obtain and to understand, and automatically accepted and free of medical underwriting.*
- *It is affordable.*

The report lists the benefits for credit providers as being security for a debt which could turn into a bad debt. In addition, the consumer credit insurance business is a profitable one for insurers, credit providers and intermediaries.

Nienaber says despite all these benefits, consumer credit insurance in South Africa has a bad name and is seen by many as a scam or a rip-off. This impression was confirmed by responses to the panel by consumer representatives and by comments in the media.

He says this poor reputation is due to a number of factors:

- *The number of "add-ons" to a credit transaction of which consumer credit insurance forms a major part and which are often only disclosed, if at all, post-sale. Often these are disproportionate to the basic product price and to the risk profiles of consumers.*
- *The significant profit margins which are generally believed to be recovered at the ultimate expense of the consumer.*
- *The perceived low claims ratio on some of these products compared to insurance products generally.*
- *The technical defences on which some insurers sometimes rely to escape liability, and which only become apparent at claims stage.*

He says not all of these perceptions are necessarily valid and it is always necessary to distinguish between different insurers and different insurance products.

"The fact remains that consumer credit insurance has huge value to both the provider and the receiver of credit. In effect it creates a platform without which access to credit would be limited – restricted largely to those who have a lesser need for credit. A viable, sustainable consumer credit insurance underpin is therefore essential for a sustainable credit industry which in itself feeds economic growth."

In its report, the panel concludes that consumer credit insurance fulfils a definite insurance need for consumers. But at the same time there are potential deficiencies in the system lending themselves to the exploitation of consumers by practitioners more intent on profit than service.

"Such deficiencies, if not neutralized, will substantially detract from the value proposition of consumer credit insurance. Therefore, what is needed is not an outright and self-righteous condemnation of consumer credit insurance, but the elimination of its potential abuses."

Nienaber says the panel has made recommendations relating to various undesirable practices and potential abuses. If these are left unattended by the industry itself and by the various regulators concerned with it, consumer credit insurance will continue to add to its current unsavoury reputation, and operate in practice to the ultimate detriment of at least some consumers.

He says the short answer to whether consumer credit insurance in South Africa has a sustainable value proposition, is accordingly “yes, but”.

According to Nienaber it is, however, also important that consumers realise that they are not passive parties to consumer credit insurance policies.

“The consumer has a duty to be vigilant as to how the policy affects his or her interests. This includes reading the contract. While consumers must be placed in the position where they can make informed decisions, they must then take responsibility for these decisions.”

Main recommendations in short

Intermediary remuneration:

- The root of the problem is the attempt in the commission regulations to regulate the payment for the outsourcing of administrative work.
- A key recommendation is that the servicing fee should be deregulated completely. This will not be to the detriment of consumers since market forces will ultimately determine the level of the premiums and the amount of remuneration payable to intermediaries.
- As for the introduction fee some members of the panel believe that this should also be deregulated in its entirety. Others believe that the introduction fee should continue to be regulated at the upper income end of the market as the only effective measure to combat improper incentive payments.
- At the lower income end of the market the panel supports the view expressed in National Treasury’s recently issued discussion paper on micro-insurance, namely that there should be no commission capping at all.
- Any deregulation of intermediary remuneration must be accompanied by full and proper disclosure.
- If commission regulations are not scrapped, the present regulations should be thoroughly revised and commission caps under the Long-term Insurance Act and the Short-term Insurance Act should be aligned.

Market conduct

During the hearings numerous manifestations of market misconduct were brought to the panel’s attention, with lack of proper disclosure being the main problem. In the panel’s view, the regulation of market conduct in South Africa compares favourably with similar forms of regulation elsewhere. The real problem is therefore not the regulation as such, but the monitoring and investigation of instances of non-compliance with the regulations.

The panel has made a number of recommendations including:

- Disclosure is the cornerstone of consumer protection. Therefore there must be proper disclosure to consumers of the remuneration and any other payments to the third party, be it the intermediary, retailer, dealer or credit provider.
- Consumer credit insurance is often sold as part of a package when a credit transaction is concluded. Unless consumers’ attention is specifically drawn to the credit insurance transaction, they may not be aware of its existence. The panel therefore recommends that the identity of the insurer be disclosed to the client together with the insurance premium as part of the breakdown of the installment payment. In addition consumers should be advised to inform their families of the existence of the cover and its importance.
- The LOA and SAIA should look into standardising terminology used in consumer credit insurance documentation. In addition consumers must be alerted to exclusion clauses and other limitations in their credit insurance cover. The consequences of the non-payment of premiums must also be spelled out.
- The importance and the consequences of the health declaration that is signed by consumers when applying for consumer credit insurance must be highlighted.
- Insurers should consider sending policyholders a welcome letter together with their policy document, highlighting important issues. These could also be sent out with every monthly statement as a constant reminder.

- *Both the LOA and SAIA need to explore ways of highlighting in an effective way to consumers what is due by them in terms of payments and what is due to the consumer by way of benefits.*
- *The panel believes that the standardisation of waiting periods and exclusion clauses should be explored by insurers as this would introduce greater certainty into the consumer credit insurance industry and pre-empt consumer exploitation.*
- *Single premium payments were definitely a malpractice prevalent in the consumer credit insurance industry, but this has thankfully been outlawed by the National Credit Act.*

Monitoring and control

- *Consumer credit insurance is different from other forms of insurance. It cannot be separated from credit. Its principal beneficiary is often not the consumer but the credit provider. Consumer credit insurance should accordingly be treated as a category separate and distinct from other forms of insurance.*
- *Whoever controls credit should also control consumer credit insurance.*
- *One of the main purposes of the National Credit Act (NCA) is to provide for the general regulation of consumer credit. This act already contains a section that deals specifically with credit insurance with the aim of ensuring consumer protection.*
- *The members of the panel believe that the National Credit Regulator (NCR) should assume control of market conduct of consumer credit insurance as well as of intermediary remuneration where it is regulated.*
- *This will require appropriate amendments not only to the NCA itself but also to the Long- and Short-term Insurance Acts and the FAIS Act. The LOA and SAIA Codes may also require revision.*
- *A key recommendation of the report is accordingly that the principal regulatory control of consumer credit insurance should rest with the NCR. The NCR has the manpower and the means at his disposal to exercise such control.*

Consumer education and awareness

In the view of the panel, adequate market regulation requires commitment and effort on the part of:

- *The regulator with the manpower to supervise the market on an on-going, hands-on basis by means of on-site visits and formal inspections and the authority to act decisively if instances of non-compliance are encountered.*
- *The industry developing a distinct culture of compliance, individually and through its trade associations, thereby serving not only their own interests but also those of their customers.*
- *Consumers themselves. As a result of the current socio-economic developments in South Africa, consumers are increasingly exposed to new and sophisticated financial products and services. Consumers must be educated to understand these products and to appreciate and enforce their rights. There is an urgent need for representative and strong consumer organisations. Consumer activism is an imperative for truly effective market regulation. A separate chapter in the report is devoted to consumer education and awareness.*

☎ **Further information : Barry Scott**
 Tel: 011 726 5381
 ✉ **barry@saia.co.za**

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2 FINANCIAL SECTOR CHARTER

Consumer education initiative for 2008

The institutions within the financial sector realised that there was a need to empower consumers with knowledge to enable them to make informed decisions regarding products and services offered by the sector and thereby improving their lifestyles. This realisation was transferred into the sector charter in the form of: "Access to financial services," with consumer education being a

subset of this chapter. In this respect, companies in the sector committed to investing 0.2% of their net profits after tax (npat) to consumer education, annually.

In order to facilitate the fulfilment of the commitment as stated above, the SAIA formed a Consumer Education Committee to be responsible for all the initiatives that are aimed at creating a general level of understanding of services offered by the sector within the country.

SAIA circulated the following communication to all managing directors of its member companies.

The SAIA 2007 initiative is currently being successfully implemented. An interim report on the initiative has been circulated to contributing members to enable them to claim their Charter points for 2007. A copy of the report is available on the SAIA website.

It is now time to start with the 2008 initiative. The procedure to be followed is:

- 1. Complete and return the questionnaire attached below indicating your participation in the 2008 initiative by 31 May 2008.*
- 2. The SAIA will supply debit notes to participating members as soon as the pledges are received.*
- 3. Participating members are to pay pledged funds as soon as the debit notes are received, and before 30 June 2008.*
- 4. Project selection process and allocation of funds to projects to be followed as per approved procedure.*
- 5. For more information, please contact Thabo Tlaba-Mokoena at SAIA on 011 726 5381 extension 119 at thabo@saia.o.za*

Please note that the amount to be invested in 2008 is based on your company's 2007 financial year end figures.

☞ **Further information : Thabo Tlaba-Mokoena**
✉ thabo@saia.co.za

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Previous reference: Articles on FSC has featured in the June – November 2006, March – November 2007 and January – March 2008 issues of the Bulletin.

3 LEGISLATION

Consumer Protection Bill

The Department of Trade and Industry (DTI) tabled the Bill in Parliament late last year for cabinet approval. Accordingly, the Bill was authorised on 4 December 2008 and referred to state law advisers for certification.

Word has it that the DTI will publish a copy of the certified Bill in the week commencing on 21 April 2008.

The DTI and National Treasury had previously agreed that the financial services sector, excluding the banks, would be excluded from the application of the Bill subject to Treasury reviewing all laws applicable to the sector within two years from the date of implementation of the Act. Once the Bill is published one would be in a position to gauge whether or not the industry has been excluded from the application of the Bill.

☞ **Further information : Oupa Skosana**
✉ oupa@saia.co.za

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Previous reference: Articles on regulation featured in the November 2006, December 2006, January – November 2007, and January – March 2008 issues of the Bulletin.

Second Hand Goods Bill

Following the request for comments from the industry, the SAIA made written submission to the Portfolio Committee on Safety and Security proposing that, albeit the definition of *dealer* in terms of the Bill appear to exclude short-term insurers from application of the Act, the definitions of *dealing in* and *disposing of* poses challenges in that they are very broad and include acquiring and disposing of goods.

To this end, SAIA proposed that although the intention is to make the Bill applicable to persons who are in the business of acquiring and disposing goods, when interpreting the definition of *dealer* one may arrive at the different conclusion. Accordingly, SAIA suggested that the industry be expressly excluded from the application of the act. Alternatively the application of the act could be limited to persons whose core business is acquiring and disposing goods.

☞ **Further information : Oupa Skosana**
✉ oupa@saia.co.za

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Previous reference: Articles on regulation featured in the November 2006, December 2006, January – November 2007, and January – March 2008 issues of the Bulletin.

Companies Bill

Following the request from SAIA to the industry to complete the soft costs analysis form for submission to the Department of Trade and Industry (DTI), the industry failed to provide the completed forms. The widow for submission to the DTI therefore closed on us.

☞ **Further information : Oupa Skosana**
✉ oupa@saia.co.za

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Previous reference: Articles on regulation featured in the November 2006, December 2006, January – November 2007, and January – March 2008 issues of the Bulletin.

National Credit Act

The SAIA, once again, is still waiting to hear from the Credit Regulator with regards to the completed guideline- and explanatory notes to Form 45.

☞ **Further information : Oupa Skosana**
✉ oupa@saia.co.za

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Previous reference: Articles on regulation featured in the November 2006, December 2006, January – November 2007, and January – March 2008 issues of the Bulletin.

Natural Scientific Profession Act

Following concerns raised by the SAIA Legal and Compliance Committee regarding the impact of the act in the industry, the committee engaged with various stakeholders and resolved that the act will become applicable once the Council for the Natural Scientists Professions had convened a meeting to identify the type of work to be carried out by forensic scientists.

The SAIA shall monitor the progress in this regard and approach the Council with a view to get a seat in a meeting to be convened by the council.

☞ **Further information : Oupa Skosana**
✉ oupa@saia.co.za

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Previous reference: Articles on regulation featured in the November 2006, December 2006, January – November 2007, and January – March 2008 issues of the Bulletin.

Time barring

During February 2008, the Financial Services Board (FSB) issued a notice of the intention to vary Rule 7.4 of the Policyholders Protection Rules. The amendment came as a result of specific comments made by some of the constitutional court judges in the matter of Barkhuizen vs Napier. SAIA had previously warned the industry in the respect of such comments.

Briefly, the amendment seeks to increase the 90 days in terms of the policy holders' protection rules (PPR) within which clients may challenge the insurers' decisions for rejecting claims to 180 days.

☞ Further information : Oupa Skosana
✉ oupa@saia.co.za

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Previous reference: Articles on regulation featured in the November 2006, December 2006, January – November 2007, and January – March 2008 issues of the Bulletin.

4 OTHER SAIA ISSUES

SAIA Annual General Meeting (AGM) and cocktail function

The SAIA Annual General Meeting and cocktail function will be taking place at the Johannesburg Country Club in Auckland Park on 12 June 2008.

☞ Further information : Adèle Joubert
✉ adele@saia.co.za

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Financial Condition Reporting (FCR)

Introduction

At a recent Financial Services Board (FSB) Workgroup meeting, the FSB advised the Workgroup that the proposed changes to the prescribed model have been approved internally and a paper containing the proposed terms of reference for the intended changes and re-calibration of the prescribed model was tabled.

The changes attempt to:

- Firstly, simplify the method by making it more user friendly and understandable, and
- Secondly, to make changes to fit the risk profiles of more insurers – encouraging wider use of the model.

Proposed changes

The changes as proposed in the terms of reference are briefly as follows:

Data used

The dataset used for the previous calibration will be expanded to include data from 2005 through to 2007. The statutory returns data for reinsurers, cell captives and cell insurers will be removed from this dataset – therefore the calibration will be performed on data pertaining to a “typical” insurer in South Africa.

Reinsurers and cells

- From the above, different approaches will need to be determined to calculate the capital requirements of reinsurers, cell captives and cell insurers. A separate process involving the reinsurers will be initiated by the FSB. An adjustment to the prescribed method is envisaged for reinsurers not constructing their own internal models.
- The process to determine the capital requirements for cells will be driven by Mr Chris Kemp.

General

International regulatory practice is moving towards having more than one level of capital.

According to the International Association of Insurance Supervisors (IAIS), communications this translates to a minimum capital requirement (MCR) as a lower bound as well as a prescribed capital requirement (PCR) as an upper bound, with regulatory control levels in between.

The recalibration proposed above should therefore be robust enough to allow for more than one level of capital requirements.

Liabilities and prescribed margins

No changes are proposed to the calculation of the OCR and premium liabilities (UPP and URP). The parameters of the IBNR must be re-calibrated to take account of the proposed data changes.

Fitting a straight line to the stand-alone insurance capital requirement

It is suggested that instead of using curvilinear lines, a straight line should be used to fit the data for each class of business. The insurance capital charge will therefore be a percentage of one (or more) risk measures – the risk measures including premiums, claims and reserves.

Non - proportional reinsurance

To take into account non-proportional reinsurance, other extreme risks and concentrations that are very sensitive to an insurer's actual exposures and risk management / mitigation strategies, the sub-committee of the FSB Workgroup suggests the introduction of a maximum event retention (MER) for each insurer. This method is currently being used in Australian regulation.

Details regarding the calculation of the MER in South Africa will need to be discussed. A separate sub-group of the Working Group is to be formed for this purpose.

Correlation and diversification

The sub-committee further suggests that the current complex methodology used to allow for diversification and correlation should be removed from the prescribed method completely.

Impact on the current ICC calculation

A simplified table containing the business classes and the insurance capital charge (ICC) at either a 75% level of sufficiency or a 99.5% level of sufficiency, net of proportional reinsurance, is described in place of the complex formulae and large tables for each business class.

Asset capital charge (ACC)

No principal changes are suggested to the ACC, however some minor changes may be considered after the re-calibration.

Credit risk should also be allowed for in the ACC calculation.

Calculating the final capital charge

The final calculation is to stay the same, except for the MER that will be added to the result of the square root formula.

Implementation

The sub-committee feels that the work should be done by Deloitte as they already have the necessary data and programs.

It is envisaged that the work (as proposed above) will be completed by July/August 2008. The costs are uncertain at this point.

Once the final terms of reference are agreed the work can commence.

The results of the above will have to be analysed and further refinement (additional work) may then be required. It is hoped that a new version of the issues paper will be available for comment towards the end of 2008.

 **Further information : Charles Hitchcock**
 charles@saia.co.za

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<p>Previous reference: Articles on Financial Condition Reporting have featured in the May 2004, January – April 2005, July 2005, August 2005, November 2005, December 2005, January 2006, April – December 2006, January – September 2007 and the February – March 2008 issues of the Bulletin.</p>
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Specialist list of insurers

Due to the enormous amount of interest and input SAIA received when compiling the specialist list of insurers for 2007, it was decided to review the list and how it is compiled to ensure that the maximum benefit can be achieved for SAIA members.

To this end, key individuals were identified within member companies to assist in compiling the new list, to ensure that the SAIA receive the correct information from one source rather than duplication of the same information from many sources in one company. A SAIA memorandum was sent to the relevant people requesting their assistance with the compilation of the list and we have received a very positive response.

The specialist list and its categories are currently under review by the SAIA Commercial Technical Committee. The current list has been sent to the representatives identified in SAIA member companies, for input. The input will be reviewed by the SAIA Commercial Technical Committee before the final list is sent to the identified individuals for final approval.

 **Further information : Melanie Pillay**
 melanie@saia.co.za

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Statistics, who cares anyway?

It is a worrying statistic that only 10% of all drivers have attended defensive driving or related courses that can help improve their survival skills on our roads. Unfortunately, most people believe: “a serious collision or crash won't happen to me.”

Shayela Approved has experienced that about 90% of the drivers that take the time to invest in their own safety by doing a course, need guidance to improve certain aspects of their driving, especially with regards to bad habits and tolerance towards other road users' mistakes.

Below are some extracts from the official Department of Transport (DOT) traffic records for 2006:

- Fatalities 15 393
- Serious injuries 230 895
- Licensed drivers per annum 9 068 000
- Learners licenses 1 110 620
- Registered motorized vehicles 8 100 000
- Registered trucks 286 000
- Registered heavy trailers 133 000
- Registered light trailers 675 000
- Cost to country R 54 Billion

Medical research representatives conducted an unofficial study and they found that the accurate figure for fatalities on the roads in 2006 would probably be closer to 18 430. These statistics were supplied by Mr Gary Roland from the Automobile Association (AA).

In South Africa, deaths that occur 7 days after a crash do not count as a fatality as a result of the crash but are recorded as a death by natural causes. In the rest of the world, a fatality as a result of a crash is recorded up to 30 days after the incident. The 2007 statistics are not yet released, but all indications are that the carnage will be up by about 20% and sadly, it is anticipated that 2008 will be even worse.

You can make a difference, and we can assist. Think about the future and help create a safer driving environment for our generations to follow! For more information, visit www.shayela.co.za.

✉ **Further information : Basil Mann**
 ✉ basil@shayela.co.za

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5 INSURANCE FRAUDLINE

Insurance Fraudline Report Summary					November 2002 - March 2008		
Month	Calls	Clutter	Tests	Reports	Short Term	Brokers	Life
Jan-07	213	199	0	14	2	11	1
Feb-07	190	177	0	13	11	0	2
Mar-07	220	211	0	9	2	1	1
Apr-07	194	182	0	12	6	1	2
May-07	211	204	0	7	7	0	0
Jun-07	218	209	0	9	4	0	2
Jul-07	226	211	0	15	9	2	4
Aug-07	194	181	0	13	8	0	2
Sep-07	171	164	1	7	3	2	0
Oct-07	224	207	0	17	9	0	1
Nov-07	262	249	1	16	6	0	2
Dec-07	177	165	0	13	9	0	2
Jan-08	261	249	0	15	8	1	0
Feb-08	258	242	0	18	15	0	3
Mar-08	197	186	0	12	7	0	0
Total	3216	3036	2	190	106	18	22
Total since Nov 2002	19879	18956	13	944	475	118	188

Please note that the attached table's first total is a record of calls from January 2007 to March 2008. The second total reflected is from the period of inception of the Fraudline which is November 2002 to March 2008.

If you wish to see the full list, please contact Adèle Joubert.

✉ **Further information : Adèle Joubert**
 ✉ adele@saia.co.za

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Previous reference: Articles on Insurance Fraudline have featured in the April, July, August, November 2001, February – April, September – December 2002, February – December 2003, January – December 2004 and the January – December 2005, January – December 2006, January - November 2007 and January – March 2008 issues of the Bulletin.

6 PRESS CLIPPINGS

Publication	Person / Document nr.	Subject
Cover March 2008	# 66828 * Thabo	Financial Sector Charter (FSC): Transformation in the Financial Services Sector
FSB Bulletin 4 th Quarter 2007	# 66041 * SAIA	When looking back at 2007, it is easy for the South African Insurance Association (SAIA) to mention several highlights
Oxford Business Group 2008	# 66373 * Barry	Insurance interview: Challenges and opportunities
Oxford Business Group 2008	# 66372	Insurance survey: <ul style="list-style-type: none"> ▪ Industry to target low-income groups ▪ Long-term insurance recovering after controversy ▪ Fresh challenges for insurance brokers ▪ New insurance act aims to rebuild consumer confidence
Beeld 1/03/08	# 65905	Life Offices' Association (LOA): Dekking vir lae-inkomstegroepe kom gou
Beeld 3/03/08	# 65904 * SAIA	Business Against Crime South Africa donation: SAIA steun geveg teen motor-misdaad
Citizen 3/03/08	# 65906	Santam: Santam may look at joint ventures
Business Day 3/03/08	# 65902	International accounting standards: Law revision 'important to acquisitions'
Star 4/03/08	# 65921 * SAIA	Business Against Crime South Africa donation: Insurance firms pay out big in bid to curb more serious payouts
Cape Argus 4/03/08	# 65931 *SAIA	Business Against Crime South Africa donation: Insurance body shells out R1,4m to fight crime
Mercury 5/03/08	# 65927 * SAIA	Business Against Crime South Africa donation: Large pledge for crime fight
Beeld 6/03/08	# 65967	Road Accident Fund (RAF): Padslagoffers eis dalk van mekaar oor fonds sukkel
Business Day 6/03/08	# 65968	Road Accident Fund (RAF): Road Accident Fund warns MPs of cash crunch
Business Day 10/03/08	# 66013	Road Accident Fund (RAF): Injury ruling could knock accident fund
Citizen 10/03/08	# 66023	Stolen vehicle recovery: Car trafficking targeted inside Mozambique

Sowetan 10/03/08	# 66024	Santam: Santam to train 500 black brokers by 2012
Sowetan 11/03/08	# 66029	New entrant MiWay: This insurance repays clients
Citizen 12/03/08	# 66043	Mutual & Federal (M&F): Price scuttles Royal Bafokeng's sale of Mutual & Federal (M&F)
Business Report 12/03/08	# 66042	Mutual & Federal (M&F): Price killed Bafokeng's M&F bid
Business Day 13/03/08	# 66052	Second-Hand Goods Bill: New look for bill on used goods
Business Day 13/03/08	# 66053	Financial Sector Charter (FSC): Charter row 'may hurt bid to extend banking'
Business Day 13/03/08	# 66054	Medical aid schemes: Bill to regulate private medicine in two months
Burger (Kaaop Stedelik) 17/03/08	# 66085 * Barry	Blackouts: Kragonderbrekings kan alarms beïnvloed
Burger (Oos Kaap) 17/03/08	# 66086 * Barry	Blackouts: Mense 'onbeskermd' oor krag
Volksblad 17/03/08	# 66108 * Barry	Blackouts: Beurtkrag kan alarmstelsels buite werking sterk
Beeld 18/03/08	# 66137 * Barry	Blackouts: Kragbeurte kan mense weerloos laat teen misdaad
Business Day 18/03/08	# 66114	Companies Bill: Bill will ease start-up pains for companies
Business Report 19/03/08	# 66166	Road Accident Fund (RAF): Road Accident Fund is bankrupt, MPs told
Business Day 19/03/08	# 66167	Road Accident Fund (RAF): Treasury adopts 'holding approach' to ailing Road Accident Fund
Business Day 27/03/08	# 66268	Short-term insurance Ombudsman: Short-term Insurance Ombudsman recovers R84m from insurers
FinWeek 27/03/08	# 66391	Consumer issues: The sleeping watchdog
FinWeek 27/03/08	# 66392	Focus on short-term insurance: <ul style="list-style-type: none"> ▪ Mounting challenges : Insurers kept on their toes ▪ Old laws ambiguous for new companies ▪ Taking the smash out of vehicle insurance ▪ Choking on regulation – Survey says industry is over-regulated

☞ Further information on all of the above-mentioned press clippings : **Sonja Etsebeth**
☒ sonja@saia.co.za

7 RADIO AND TELEVISION COVERAGE

Talk Radio 702/Cape Talk Simulcast (English)

A word on ... Anchored by Leigh Bennie

27 February 2008

19:05:05

Personal Finance - New

Discussion about the impact of Eskom's power outages on short-term insurance policies.

(Int.) Danny Joffe - Senior Legal Advisor: Hollard Insurance Company

(Int:) Paul Roelofse - Resident Financial Expert: Talk Radio 702
OPEN LINES

Talk Radio 702/Cape Talk Simulcast (English)

The world at six with Bruce Whitfield

2 April 2008

18:39:42

Short-term insurance - New

The Supreme Court has ruled that short-term insurers will be able to create and sell health insurance products.

(Int:) Neil Kirby - Director - Health, Pharmaceutical and Life Sciences Law: Werksmans Attorneys

Mentions: Mutual and Federal, Santam, Discovery

Summit TV (English)

Business and insurance

10 April 2008

20:40:18

Short-term insurance - New

A discussion about the excess structures nominees in the short-term insurance industry.

Mention: AA Autobay, Financial Services Board

(Int:) Hendrik Viljoen - Deputy Ombudsman: The Ombudsman, short-term insurance

SABC Africa (English) - Medium

180 Degrees live in Africa

16 April 2008

06:21:18

Ombudsman for the short-term insurance - New

The South African Ombudsman for the short-term insurance said that complaints from consumers declined last year, for the first time in several years.

Kaya FM (English)

What's your take

22 April 2008

20:34:15

Consumer credit insurance - New

Discussion on consumer credit insurance.

(Int:) Refilwe Moletsane - Deputy Executive Officer: South African Insurance Association

Mention: Life Offices' Association, motor industry, life insurance, Financial Services Board

Kaya FM (English)

What's your take

22 April 2008

20:44:41

Consumer credit insurance - Continue

Discussion on consumer credit insurance.

(Int:) Refilwe Moletsane - Deputy Executive Officer: South African Insurance Association

Mention: Financial Services Board

Radio Sonder Grense (Afrikaans)

Praat saam

24 April 2008

08:06:25

Short-term insurance industry fraud - New

A discussion with Vivian Pearson of the South African Insurance Association regarding the short-term insurance industry. This industry sees fraud to the value of R1 billion per year.

Mentioned: Eskom

(Int:) Vivian Pearson - South African Insurance Association

OPEN LINES

SAfm (English)

Weekend am live

26 April 2008

07:20:42

Consumer credit enquiry report - New

A consumer credit enquiry report has been welcomed by the Life Offices' Association and the South African Insurance Association. The report was commissioned after some insurance companies engaged in undesirable practices.

(Int:) Refilwe Moletsane - Deputy Executive Officer: South African Insurance Association

☞ **Further information on all of the above-mentioned radio and television coverage: Adèle Joubert**
✉ **adele@saia.co.za**

8 CIRCULARS

The following circulars were issued during the month of March 2008: (Number of circular, title, date issued and contact person)

SAIA

- SG 2008/009 FSB Directive 97.A.ii – Motor vehicle warranty and extended motor vehicle warranty cover (5/03/08)
Contact: Refilwe Moletsane
- SG 2008/010 Renault updated list of approved body shops (14/03/08)
Contact: Refilwe Moletsane
- SG 2008/011 Hyundai updated list of approved body shops (18/03/08)
Contact: Refilwe Moletsane
- SG 2008/012 2007 Annual Transformation Reporting (20/03/08)
Contact: Thabo Tlaba-Mokoena
- SG 2008/013 Alexander Forbes Insurance Company – SAIA membership (25/03/08)
Contact: Sonja Etsebeth
- SG 2008/014 Postponing the FSCC Conference (25/03/08)
Contact: Thabo Tlaba –Mokeona
- SG 2008/015 Invitation to a briefing on the report of the Commission of Enquiry on consumer credit insurance (28/03/08)
Contact: Refilwe Moletsane
- SG 2008/016 Regulation 4, Section 45 of the Short-term Insurance (Act 53 of 1998) register of the status of credit intermediaries (31/03/08)
Contact: Melanie Pillay

AMUSA

- AM 2008/009 Casualty advice – “SEALINK MAJESTY “(10/03/08)
Contact: Barry Scott
- AM 2008/010 Casualty advice – “SOPHIA” (11/03/08)
Contact: Barry Scott
- AM 2008/011 IUMI website statistics (26/03/08)
Contact: Barry Scott

SAIA MD (Managing Directors)

MD 2008/006 SAIA FSC consumer education initiative 2008 (18/03/08)
Contact: Thabo Tlaba-Mokoena

MD 2008/007 The South African Insurance Crime Bureau (7/03/08)
Contact: Barry Scott

MD 2008/008 Conversion of electric geyser to solar powered geysers (19/03/08)
Contact: Refilwe Moletsane

MD 2008/009 SAIA Board minute (18/03/08)
Contact: Refilwe Moletsane

MD 2008/010 VSS list management (25/03/08)
Contact: Refilwe Moletsane

MD 2008/011 Invitation to a briefing on the report of the Commission of Enquiry on consumer credit insurance (28/03/08)
Contact: Refilwe Moletsane

✉ **Further information on all of the above-mentioned press clippings : Sonja Etsebeth**
✉ sonja@saia.co.za

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IMPORTANT NOTICE

Should you know someone who might be interested to receive the SAIA Bulletin, and other interesting short-term insurance related SAIA communication, let them contact Adèle Joubert at SAIA, ✉ E-mail: adele@saia.co.za ☎ Tel: (011) 726 5381, 📠 Fax: (011) 726 5352, for more information.



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