



SAIA – ☎ (011) 726 5381

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1 LATEST NEWS

SPECIAL GUEST ARTICLE: European Commission recommends removal of insurance exemptions

The European Commission ("EC") published a report which proposes the removal of the immunity from competition law which currently applies to two common practices in the insurance industry, namely standard policy conditions and agreements on security devices.

The report concludes that the exemption afforded to agreements between insurers relating to the joint establishment and distribution of non-binding standard policy conditions for direct insurance and non-binding models on profits, as well as on technical specifications, rules or codes of practice for the installation and maintenance of security devices, should be abolished because these are not specific to the insurance sector. In particular, the EU Guidelines on Horizontal Cooperation Agreements already provide adequate guidance on agreements relating to security devices.

This development is of interest to the South African insurance industry because our Competition Act prohibits horizontal and vertical anticompetitive practices and abuses of dominance which are similar to those prohibited by the EU Treaty. In particular, Section 4(1)(a) of the Act prohibits agreements between competitors which have the effect of substantially preventing or lessening competition in the market, unless the parties to the agreement can show that there is a pro-competitive gain that outweighs the anti-competitive effect (known as the "rule of reason" test). However, unlike the EU Treaty, section 4(1)(b) of the Competition Act imposes an outright prohibition on agreements between competitors which involve the direct or indirect fixing of a purchase or selling price or any other trading condition (generally referred to as "price-fixing"), the division of markets by allocating customers, suppliers, territories or specific types of goods or services ("market allocation") and collusive tendering. In South African competition law, these practices cannot be justified on the basis that they result in pro-competitive or efficiency gains. So, for example, if any form of cooperation by South African insurers results in price fixing or market allocation, this may contravene the Competition Act and could expose competitors to substantial fines of up to 10% of their turnover in the Republic.

The EC report recommends the extension of the exemption in relation to agreements between insurers relating to joint calculations, tables and studies. Calculation of risk is a key issue in pricing all insurance products and access to past statistical data in order to technically price risks is crucial. Accordingly, cooperation in this area is specific to the insurance industry and is necessary in order to price risks. Insurers will still be permitted to enter into agreements which relate to the joint establishment and distribution of calculations of the average cost of covering a specified risk in the past, calculations in connection with insurance involving an element of capitalisation, mortality tables, and tables showing the frequency of illness, accident and invalidity. Insurers may also still carry out and distribute joint studies on the probable impact of general circumstances on either the frequency or scale of future claims for a given risk or risk category, or on the profitability of different types of investment. However, the report notes that the EC may amend the scope of this exemption in future.

The EC report also recommends that the exemption of agreements to set up and cooperate in co-reinsurance pools for the common coverage of new risks, as well as co-reinsurance pools covering certain risks which are not new (subject to certain conditions) be extended, because individual insurance companies are reluctant or unable to insure certain types of risks (such as nuclear, terrorism and environmental risks) alone. This kind of co-operation is therefore crucial.

The EC will hold a series of public consultations before deciding whether to adopt the recommendations set out in the report. If it does, insurers and re-insurers will need to assess in each case whether a particular agreement or practice may potentially give rise to anticompetitive effects which are not outweighed by their pro-competitive or efficiency gains. The legal costs associated with self-assessment are significant and concerns about infringing competition law may discourage the industry from entering into these kinds of agreements in future. This would clearly

have a significant impact on industries which are heavily dependent on insurance, such as aviation, shipping and real estate developments. The insurance industry is likely to argue that discouraging co-operation of this kind would ultimately harm consumers because insurers are less likely to standardise and simplify their products.

Players on all levels of the insurance industry need to take advice on how to maintain effective competition law compliance programmes in order to minimise the risk of the severe administrative penalties for a contravention of competition law, and to avoid the substantial legal costs and business disruptions associated with protracted competition litigation.

For further information, contact Heather Irvine from Deneys Reitz on 011 685 8829.

The views expressed in this article are those of the author and do not necessarily express the views of SAIA

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Special report on the results of the short-term insurance industry

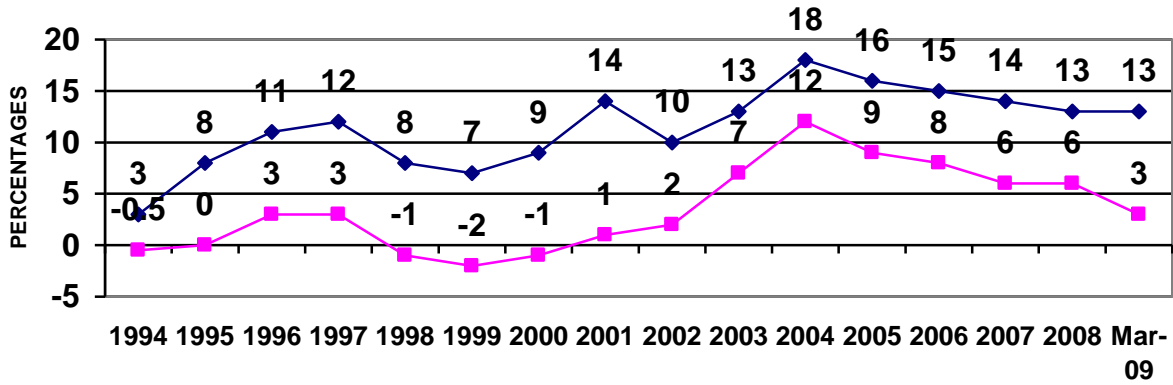
Industry results - Typical insurers (typical insurers, for the purpose of this report, are those insurers who offer most types of policies to, mostly, the general public).

The table below sets out combined statistics (net after reinsurance) for typical insurers for the calendar years 2004 to 2008 and for the first three months of 2009 as well as comparative figures for the first three months of 2008. The figures are unaudited.

	2004	2005	2006	2007	2008	3 months ended March 2008	3 months ended March 2009
Net premiums R'm	24 211	26 828	31 093	34 351	37 556	9 033	9 577
Underwriting profit/(loss) R'm	2 932	2 542	2 482	2 169	2 327	446	334
Underwriting and investment income R'm	4 303	4 304	4 588	4 851	5 064	1 298	1 278
Claims (as % of earned premiums)	59	63	65	66	66	69	69
As % of net written premiums:							
Management expenses and commission	26	26	25	27	27	26	28
Underwriting profit/(loss)	12	9	8	6	6	5	3
Underwriting and investment income	18	16	15	14	13	14	13
Net premium increase (year to year)	22	11	16	10	9	7	6
Surplus asset ratio (median)	37	40	42	43	40	39	39

The following graph indicates how underwriting and operating (including investment income) results of the typical insurers have fluctuated over the past fifteen years and the first quarter of 2009.

RESULTS AS PERCENTAGES OF NET PREMIUMS



◆ OPERATING ■ UNDERWRITING

Ten of the twenty-five insurance companies classified as typical insurers reported an underwriting loss for the three months ended March 2009 compared with four (of twenty-four) who reported an underwriting loss for the year ended December 2008.

Five of the twenty-five insurance companies reported an operating loss for the three months ended March 2009 compared with three (of twenty-four) for the year ended December 2008.

Statutory surplus asset ratios

The following table indicates the spread of the statutory solvency percentages of the typical insurance companies.

	Number of insurers					
	December 2004	December 2005	December 2006	December 2007	December 2008	March 2009
Below 15%	1	0	0	0	1	0
Between 15% and 20%	0	1	0	1	1	2
Between 20% and 25%	0	1	3	0	1	1
Between 25% and 30%	3	3	3	6	2	2
Between 30% and 40%	8	5	4	2	8	8
Between 40% and 50%	1	2	4	5	4	1
Between 50% and 100%	5	6	4	5	4	8
Above 100%	1	1	3	3	3	3

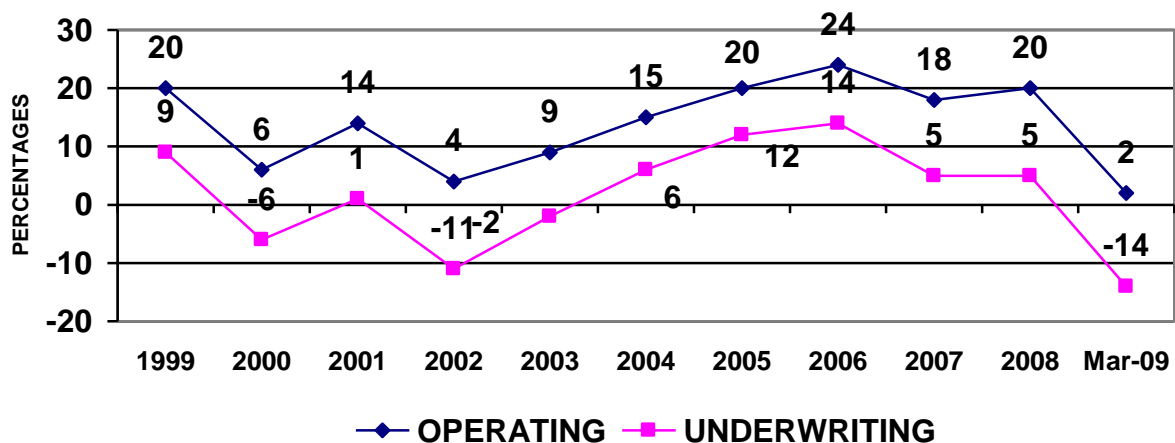
Industry results - Cell captive insurers (cell captive insurers, for the purpose of this report, are those insurers who offer insurance structures on a cell ownership basis for first party and third party cell owners).

The table below sets out combined statistics (net after reinsurance) for cell captive insurers for the calendar years 2004 to 2008 and for the first three months of 2009 as well as comparative figures for the first three months of 2008. The figures are unaudited.

	2004	2005	2006	2007	2008	3 months ended March 2008	3 months ended March 2009
Net premiums R'm	3 486	4 239	4 144	4 511	5 460	1 367	1 372
Underwriting profit/(loss) R'm	220	529	568	224	295	(29)	(191)
Underwriting and investment income R'm	506	857	980	810	1 079	136	34
Claims (as % of earned premiums)	56	52	52	62	67	76	97
As % of net written premiums:							
Management expenses and commission	34	28	31	33	25	21	16
Underwriting profit/(loss)	6	12	14	5	5	(2)	(14)
Underwriting and investment income	15	20	24	18	20	10	2
Surplus asset ratio (median)	46	56	59	60	56	64	57

The following graph indicates how underwriting and operating (including investment income) results of the cell captive insurers have fluctuated over the past ten years and the first quarter of 2009.

RESULTS AS PERCENTAGES OF NET PREMIUMS



Of the eleven operational cell captive insurers, four have reported an underwriting loss and two an operating loss for the three months ended March 2009 compared with three of ten who reported an underwriting loss and none an operating loss for the year ended December 2008.

The following table indicates the spread of the statutory solvency percentages of the cell captive insurance companies.

	Number of insurers					
	December 2004	December 2005	December 2006	December 2007	December 2008	March 2009
Below 15%	0	0	0	0	1	0
Between 15% and 20%	0	0	0	0	0	1
Between 20% and 25%	0	1	0	2	1	0
Between 25% and 30%	3	0	1	0	1	1
Between 30% and 40%	0	2	1	2	2	1
Between 40% and 50%	4	0	1	1	0	2
Between 50% and 100%	1	6	4	2	3	4
Above 100%	1	0	2	3	2	2

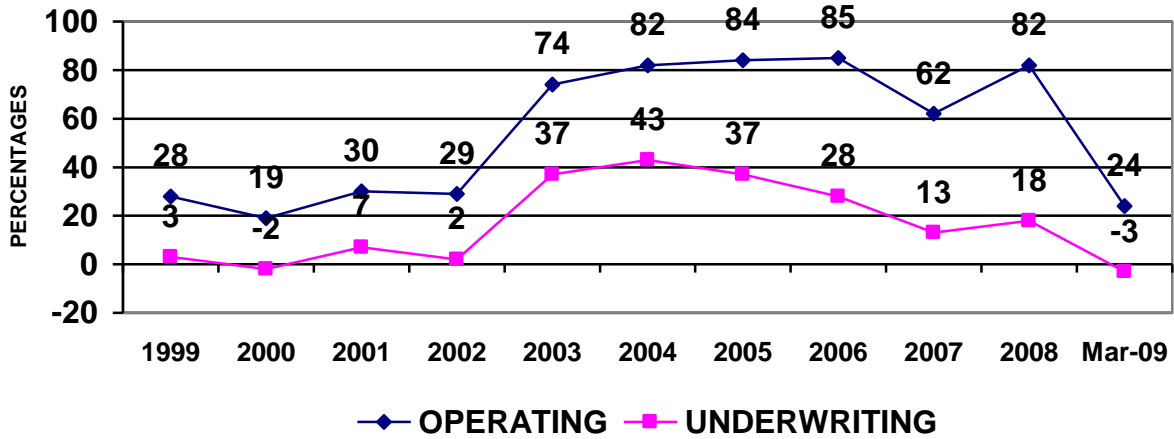
Industry results - Captive insurers (captive insurers, for the purpose of this report, are those insurers who offer cover of the risks of the owners' company or companies only).

The table below sets out combined statistics (net after reinsurance) for captive insurers for the calendar years 2004 to 2008 and for the first three months of 2009 as well as comparative figures for the first three months of 2008. The figures are unaudited.

	2004	2005	2006	2007	2008	3 months ended March 2008	3 months ended March 2009
Net premiums R'm	214	165	144	200	185	74	101
Underwriting profit/(loss) R'm	92	61	40	26	34	(58)	(3)
Underwriting and investment income R'm	176	138	122	125	152	(31)	24
Claims (as % of earned premiums)	52	74	63	84	79	202	98
As % of net written premiums:							
Management expenses and commission	7	-11	11	2	4	16	4
Underwriting profit/(loss)	43	37	28	13	18	(79)	(3)
Underwriting and investment income	82	84	85	62	82	(43)	24
Surplus asset ratio (median)	318	329	437	435	334	401	350

The following graph indicates how underwriting and operating (including investment income) results of the captive insurers have fluctuated over the past ten years and the first quarter of 2009.

RESULTS AS PERCENTAGES OF NET PREMIUMS



Four of the eleven captive insurers have reported underwriting losses and one an operating losses for the three months ended March 2009 compared with four of the eleven captive insurers who reported underwriting losses and two operating losses for the year ended December 2008.

The following table indicates the spread of the statutory solvency percentages of the captive insurance companies.

	Number of insurers					
	December 2004	December 2005	December 2006	December 2007	December 2008	March 2009
Below 15%	0	0	0	0	0	0
Between 15% and 20%	0	0	0	0	0	0
Between 20% and 25%	0	0	0	0	0	0
Between 25% and 30%	0	0	0	0	0	0
Between 30% and 40%	0	0	0	0	0	0
Between 40% and 50%	0	0	0	0	0	0
Between 50% and 100%	0	1	1	0	0	0
Above 100%	12	11	9	10	11	11

Industry results - Niche insurers (niche insurers, for the purpose of this report, are those insurers who offer, mostly, specialised cover only, in certain niche markets).

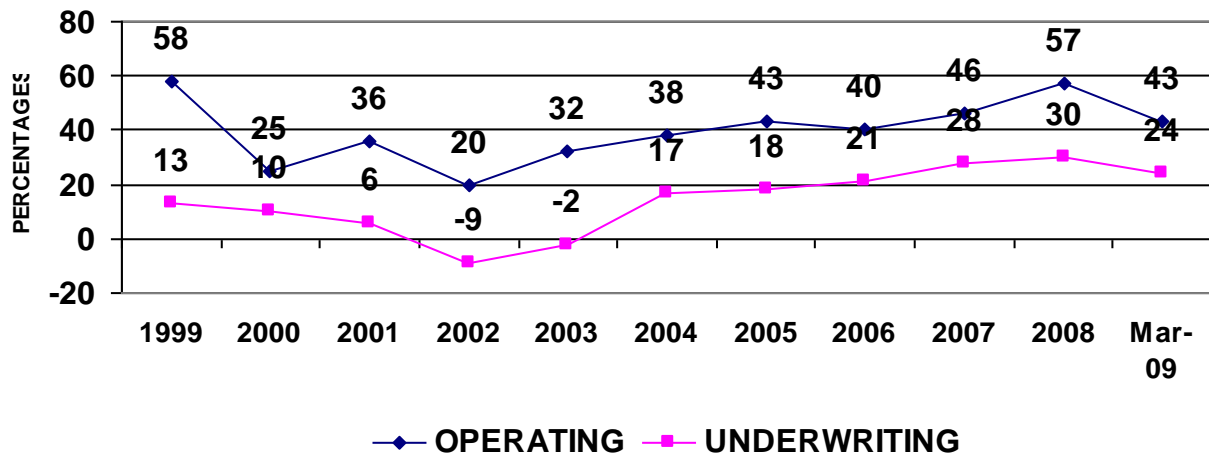
The table below sets out combined statistics (net after reinsurance) for niche insurers for the calendar years 2004 to 2008 and for the first three months of 2009 as well as comparative figures for the first three months of 2008.

The figures are unaudited.

	2004	2005	2006	2007	2008	3 months ended March 2008	3 months ended March 2009
Net premiums R'm	2 808	2 497	3 293	3 872	4 976	1 087	1 524
Underwriting profit/(loss) R'm	477	444	699	1 078	1 514	100	365
Underwriting and investment income R'm	1 067	1 081	1 308	1 779	2 839	484	651
Claims (as % of earned premiums)	55	51	48	43	40	39	49
As % of net written premiums:							
Management expenses and commission	25	29	28	27	27	24	24
Underwriting profit/(loss)	17	18	21	28	30	9	24
Underwriting and investment income	38	43	40	46	57	45	43
Surplus asset ratio (median)	163	117	120	72	77	80	68

The following graph indicates how underwriting and operating (including investment income) results of the niche insurers have fluctuated over the past ten years and the first quarter of 2009.

RESULTS AS PERCENTAGES OF NET PREMIUMS



Sixteen of the thirty-two operational niche insurers have reported underwriting losses for the three months ended March 2009 and eight have reported operating losses compared with twelve of thirty-three for the year ended December 2008 reporting underwriting losses and three operating losses.

The following table indicates the spread of the statutory solvency percentages of the niche insurance companies.

	Number of insurers					
	December 2004	December 2005	December 2006	December 2007	December 2008	March 2009
Below 15%	0	1	0	0	0	2
Between 15% and 20%	1	0	1	0	1	1
Between 20% and 25%	1	0	0	1	2	2
Between 25% and 30%	0	0	0	1	0	1
Between 30% and 40%	2	0	3	2	4	3
Between 40% and 50%	2	3	3	5	4	2
Between 50% and 100%	5	9	6	10	9	10
Above 100%	17	17	19	14	13	11

Industry results – Re-insurers (re-insurers, for the purpose of this report, are those insurers who offer specialised cover, only to primary insurers).

The table below sets out combined statistics (net after reinsurance) for re-insurers for the calendar years 2007 and 2008 and for the first three months of 2009 as well as comparative figures for the first three months of 2008. The figures are unaudited.

	2007	2008	3 months ended March 2008	3 months ended March 2009
Net premiums R'm	1 899	2 388	569	600
Underwriting profit/(loss) R'm	192	37	21	(46)
Underwriting and investment income R'm	651	492	119	56
Claims (as % of earned premiums)	58	64	67	75
As % of net written premiums:				
Management expenses and commission	30	34	29	31
Underwriting profit/(loss)	10	2	4	(8)
Underwriting and investment income	34	21	21	9
Surplus asset ratio (median)	146	149	138	130

Five of the seven operational re-insurers have reported underwriting losses for the three months ended March 2009 and three have reported operating losses compared with four of seven re-insurers reporting underwriting losses and none operating losses for the year ended December 2008.

The following table indicates the spread of the statutory solvency percentages of the re-insurance companies.

	Number of insurers		
	December 2007	December 2008	March 2009
Below 15%	0	0	0
Between 15% and 20%	0	0	0
Between 20% and 25%	0	0	0
Between 25% and 30%	0	0	0
Between 30% and 40%	0	1	1
Between 40% and 50%	0	0	0
Between 50% and 100%	3	2	2
Above 100%	4	4	4

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2 LEGISLATION

Insurance Laws Amendment Act (ILAA) 2008

Binder regulations

At the Insurance Laws Amendment Act (ILAA) Binder Workgroup meeting held on 13 May 2009, the Workgroup mainly discussed the Association of Savings and Investments (ASISA) Matrix. The SAIA/South African Underwriting Managers Association (SAUMA)/Financial Intermediaries' Association (FIA) Matrix will be discussed in detail at the next meeting. At this stage, no position has been undertaken on the binder agreements.

An information session on the Data Connectivity initiative was held on 27 May 2009. At the session, the SAIA members and the FIA concluded that the industry should proceed with the investigation of a data switch between the industry and the brokers. A technical committee will be formulated accordingly.

Demarcation regulations

The fourth Demarcation Workgroup meeting took place on 28 May 2009. At this meeting, it was agreed that the product typology reports submitted by SAIA and ASISA will be reviewed by the Council for Medical Schemes against the principles outlined in their document submitted to the Demarcation Workgroup.

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Previous reference: Articles on regulation featured in the November 2006, December 2006, January – November 2007, January – November 2008 and January – April 2009 issues of the Bulletin.

Second Hand Goods Act 2008

The process of the drafting of regulations is currently underway and the SAIA is representing the industry in this process as we remain concerned about the broad definition of the words: "dealing in".

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Previous reference: Articles on regulation featured in the November 2006, December 2006, January – November 2007, January – November 2008 and January – April 2009 issues of the Bulletin.

Code of Motor Vehicle Salvage

The effective management of vehicle salvage has been an area of great concern for the SAIA, Business Against Crime South Africa and South African Police Services. At a workshop held on 26 May 2009 the SAIA members agreed that, whilst the existing Code of Conduct agreed to between SAIA members and the Banking Association on how to deal with Motor Vehicle Salvage was not under consideration, the way motor insurers apply the code needs to be consistent and all motor insurers should participate to ensure consistency.

It was agreed that consistency should be established for the classification of vehicles as either a code 2, 3 or 4, and a technical workgroup has been created to draft standard guidelines on the coding for the industry.

Furthermore, the SAIA members agreed that the industry should draft a Best Business Practice Document regarding the de-registration process and the safe-keeping of records.

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Previous reference: Articles on regulation featured in the November 2006, December 2006, January – November 2007, January – November 2008 and January – April 2009 issues of the Bulletin.

Agricultural Technical Committee

A SAIA Agricultural Technical Committee has been formed to deal with matters affecting the crop insurance industry. Matters currently on the table for discussion include best practices, sustainability, legislation, and training and development within this sector.

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Previous reference: Articles on regulation featured in the November 2006, December 2006, January – November 2007, January – November 2008 and January – April 2009 issues of the Bulletin.

3 OTHER SAIA ISSUES

SAIA Ad Hoc Task Team: Code of Good Business Practice

The SAIA received nominations for the Ad Hoc Task Team which will draft a new Code for Good Business Practice for the SAIA and its members. The Task Team will start its activities in a few weeks' time.

Should any SAIA member wish to nominate additional members for this Task Team, they are welcome to contact Vivienne Pearson at the SAIA.

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Collaboration: A natural thing

In the 2009 SAIA Annual Review, which will be available for the first time at our SAIA Annual General Meeting (AGM) and Cocktail function on 22 July 2009, we use examples from nature on how working together brings mutual benefits to all parties involved and generally lead to success stories rather than failures.

SAIA has always approached all issues and topics of importance to the industry in a collaborative, cooperative and constructive manner. It is with this in mind that the theme of the 2009 Annual Review is 'Collaboration'.

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SAIA donates over R1.5 million to improve road safety and combat crime

The following media release was distributed on 14 May 2009.

“Motor vehicle crashes have replaced theft as the primary point of concern for insurers. In addition, the unacceptable levels of crime in South Africa remain of great concern to the South African Insurance Association (SAIA), its members and the country at large. This is why the SAIA Board approved an 8th annual contribution towards Business Against Crime South Africa (BACSA),” said Ronnie Napier, Chairman of the SAIA Board, at a cheque handover media event in Illovo on 14 May 2009.

The SAIA donated R1 535 000 to BACSA on behalf of its members. These funds will be used to contribute to a road safety initiative in co-operation with BACSA and the Johannesburg Metro Police Department (JMPD), as well as for BACSA’s Violent and Organised Crime Initiative which seeks to reduce the incidence of the trio crimes, including aggravated vehicle crimes, business and household robberies.

“SAIA has over the years been an effective anti-crime partner. Their continued support has helped to achieve progress on a number of important anti-crime initiatives. BACSA is deeply appreciative of the donation from SAIA. The money is being directed towards delivering anti-crime projects on a sustainable level as well as putting in place, in conjunction with the JMPD, preventative safety measures on Gauteng roads. BACSA looks forward to making further inroads in the fight against crime through such partnerships, as the fight against crime is reliant on the contribution of all stakeholders. BACSA thanks SAIA for their tangible support,” says Siphwe Nzimande, CEO of BACSA.

“SAIA members have, since 2002, contributed annually towards Business Against Crime South Africa with a view to supporting crime-combating measures which specifically address the high rate of vehicle theft and hijackings. We are proud to say that motor theft has reduced by around 50% (measured per thousand vehicles), and is no longer the primary cause of concern for motor insurers. We would like to thank BACSA and the South African Police Services (SAPS) for their efforts in this regard,” says Mr Napier.

“Road safety was identified as a high priority area in our industry, specifically because road accidents have a huge impact on motor claims, with about 70% of claims being road accident related. The ever-increasing frequency of vehicle accidents and the cost of repairs could be partly attributed to the vehicle population in South Africa, estimated at over 9.5 million, as well as the inability of the road infrastructure to cope with the increase in traffic density,” says Mr Napier.

Road safety is a global challenge. The World Health Organisation in its review of “The Global Burden of Disease” projects changes in the ranking of the 15 leading causes of death and disease

worldwide. In this review, the rating of road accidents as a cause of death is projected to move from the ranking of 9 in 1990 to 3 in 2020.

“It is because of these and other concerning statistics that we are proud to contribute as an industry to improve the safety on our roads to the benefit of everyone in South Africa, while still supporting crime initiatives to make sure that the successes are sustained,” says Mr Napier.

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Insurance industry gives new hope to students in a time of career crisis

The following media release was distributed on 14 May 2009.

While many school leavers are justifiably concerned about the lack of career opportunities available to them in the current economic environment, they will be pleased to know there is at least one industry that is eager to attract young South Africans into its ageing ranks.

According to Michael Kaufmann, marketing director of publishing house COSA Communications, the local insurance industry is desperately looking for new blood, with the average age of brokers in South Africa at a ripe old 54. “If we continue only to churn available qualified talent between our businesses without adding to the talent pool, there will be no fresh ideas being generated and our industry will become outdated and irrelevant.”

Kaufmann says the insurance industry has not done a particularly good job of marketing itself to the younger generation. “The industry is often ignored by career advisers and perceived as boring by thrill seeking learners. Many people simply don’t realise that the insurance industry offers many lucrative and interesting career options.

“Being in insurance isn’t only about being a broker. For example, many people don’t realize that a career in insurance can serve as a means of staying close to other passions in life. Insurance experts that specialize in art insurance, aviation insurance or risk management for extreme sport participants are good examples of this.”

One way the industry is tackling the misconceptions is through INmag, an annual publication that seeks to redress the lack of industry information and showcase the many varied jobs available in the sector.

The INmag publication is a high-quality book written specifically for teenagers, introducing insurance in a way never seen before in South Africa. Distributed to Life Orientation teachers and headmasters at secondary schools across the country, this annual provides profiles of all classes of the industry, highlighting the rewards and career benefits of the diverse financial services landscape.

The second issue of INmag, launched in May, focuses on the various interesting insurance segments that aspiring insurance brokers can explore. This issue looks at the various specialist insurance niches, each chapter highlighting the different fields available and companies in each sector.

INmag profiles companies and associations involved in the industry, their vision and successes. INmag and its supporting website will include a comprehensive database of bursaries, learnerships and study assistance offered to students.

With the participation of the likes of Old Mutual, Santam, Zurich, Sanlam, Mutual & Federal and Hollard, amongst others, as well as relevant industry associations last year, the new INmag is set to entertain and inform readers about company histories and success stories, and provide the inside skinny on characters or celebrities that have worked in the industry over the years.

For more information, contact Michael Kaufmann, marketing director for COSA Communications on email (michaelk@comms.co.za) or phone (0861 555 COSA).

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4 GUEST ARTICLES

TransUnion: Asset monitoring to protect against uninsured losses

As vehicle sales across South Africa continue to decline, a ripple effect is keenly felt across all vehicle-related and support industries. This includes the South African motor and insurance industries, which report a remarkable increase in insurance policy cancellations as consumers cut back on fixed expenses to keep up with the necessities of everyday life.

While insurance is obligatory and therefore instituted at the time of vehicle financing, coverage is often cancelled after a few installments, increasing the risk to the credit provider. It is estimated that only about 35% of the 6 to 7 million vehicles on the road is insured; for the vehicle and asset finance sector, this results in losses of up to R100 million annually.

To help mitigate this risk, TransUnion, working with the vehicle and asset finance and insurance industries, has developed the Asset Monitoring Solution, which compares vehicle finance data with insurance information. Using integrated data files, TransUnion's Asset Monitoring Solution compares and monitors changes to insurance policies, helping the finance industry effectively manage changes to existing policies and track cancelled ones. Vehicle and asset finance houses will now have the advantage of knowing when a policy has been cancelled, upgraded from third-party to comprehensive insurance or reduced from comprehensive to third-party insurance.

"This is a powerful solution that will help to streamline processes on vehicle insurance defaulting in an increasingly dynamic environment. Vehicle and asset finance houses will be afforded more control over the process, faster responses and reduced losses over the long-term," says Chris van Rensburg, TransUnion Executive: Direct to Consumer.

With all the major vehicle and asset finance houses now fully committed to the implementation of the solution, TransUnion is focused on a data procurement drive to not only obtain all vehicle finance agreements but also increase the policy data held on the Insurance Data System.

The Asset Monitoring Solution draws on the Insurance Data System, a database managed by TransUnion in collaboration with the insurance industry of all personal lines claims, policy and vehicle information. Developed under the auspices of the South African Insurance Association, this database pools information on over 4,9 million claim records and 1,4 million policies from participating members of the short-term insurance industry to facilitate the monitoring of financed vehicles. When the insurance information associated with a financed vehicle changes participants are alerted, enabling them to take the appropriate corrective action. Alerts can be issued on a monthly basis, allowing participants to react quickly and more efficiently when a finance contract has been breached.

For more information contact Jenny Theunissen on 011 214 6183.

The views expressed in this article are those of the author and do not necessarily express the views of SAIA

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Business Against Crime South Africa (BACSA): Live vehicle explosion proves resilience of the microdot technology

Business Against Crime South Africa distributed the following media release on 20 May 2009.

With crime being one of the top five priorities of Government, criminals have been warned that they will start to feel the heat of a much stronger approach to crime. On 20 May 2009 in Kroonstad, on the South African National Defence Force (SANDF) Military Base, a once-off live vehicle explosion was conducted by Business Against Crime South Africa (BACSA) in conjunction with stakeholders including the South African Police Service (SAPS), the Department of Transport (DoT), the South African Bureau of Standards (SABS), the Vehicle Security Association of South Africa (VESA), Nissan South Africa (Nissan SA), four Microdot suppliers in South Africa (Datadot, Holomatrix, Impimpi and Recoveri) and others.

A SAPS boarded vehicle was loaded by the bomb disposal unit with 20 kg of high explosives and detonated at 7 800 metres per second with a resultant heat of 3 000 degrees Celsius. The purpose of this test in front of a number of select media, business representatives and service providers was to prove the resilience of the microdot technology as a form of durable whole-vehicle marking and vehicle identification.

Fouché Burgers, BACSA Project Manager within the Violent Organised Crime (VOC) workgroup which focuses on vehicle crimes and vehicle robberies in particular, explains the benefits of the technology as an effective component within a comprehensive strategy to reduce the unacceptably high level of vehicle theft and hijacking in the country.

“Traditionally, a vehicle is identified through its Vehicle Identification Number (VIN) and/or chassis number. However, given the illicit market for stolen vehicles and parts, the original number can easily be filed off and changed. This allows stolen or hijacked vehicles to be re-licensed under a new identity, the parts to be sold illicitly, or the vehicle to be exported. Currently 50% of stolen or hijacked vehicles are re-licensed in the country and back on our roads, 30% are chopped up and sold for parts and 20% are exported to neighbouring countries. Of great concern is that more than 12 000 recovered but unidentified vehicles, worth more than R1 billion, are annually destroyed by the SAPS. These vehicles could have been returned to the legal owners,” says Fouché.

“At BACSA, we strongly believe that the widespread application of the microdot technology on vehicles can assist to change this picture significantly, recover stolen vehicles and parts and close down the market for these. The test has served to prove the resilience of the technology through extreme conditions,” says Fouche.

Louise Taljaard, General Manager of the Vehicle Security Association of South Africa (VESA), says: “The future of preventing vehicle crime through a much fuller take-up of this technology is promising and VESA looks forward with its members and industry participation to preventing and combating vehicle crimes in the country.”

Mike Witfield, Managing Director of Nissan South Africa, says that Nissan SA is committed to fighting crime and that this has been demonstrated through the application of the microdot technology in Nissan vehicles.

“The technology is reliant on the fitment or application of approximately 10 000 small, polyester or metal dots which are laser-etched at a microscopic level to contain multiple lines of the Vehicle Identification Number (VIN), for new vehicles, or a Personal Identification Number (PIN), for used vehicles. The dots are applied to at least 88 different positions on the vehicle for full coverage. This form of whole-vehicle marking assists to infuse every part of the car with its own unique identity or DNA. As the dots cannot be seen or read with the naked eye, an appropriate low-tech magnifier can be used by police performing an investigation, officials at the licensing department, parts dealers and others, to reveal the dots and confirm the information etched into the dots.”

“What today’s test has confirmed is that once a vehicle is wholly marked with the microdot technology, the unique identity of the vehicle is practically unchangeable. Criminals and organised crime syndicates wanting to change the identity of a microdotted stolen or hijacked vehicle would literally have to go to such extremes in the attempt to change the identity of that vehicle that they would, in the process, destroy the value of the vehicle and all its parts. Without this profit, the very motive for the crime is disrupted and illicit markets closed down. As an indelible fingerprint for a vehicle and all its parts, the microdotting of vehicles helps to close down the loopholes which previously allowed criminals and syndicates to conceal a vehicle’s identity.”

“Given that legal compliance becomes very much the only option for a microdotted vehicle, a broader take-up of the technology by manufacturers, consumers, insurance companies and others has the potential to make the country’s licensing systems, vehicle crime strategy and investigations and handling of road accidents more robust. We hope that the test has helped to draw attention to the potential of this technology in enabling citizens and businesses to keep one step ahead of criminals,” says Fouché.

An investigations officer from the SAPS, dealing with vehicle crimes, had the following to say with regard to the microdotting technology: “The criminals have to remove 10 000 dots, but I only have to find one, so to us this technology is a major breakthrough.”

The following stakeholders have assisted and contributed towards proving the resilience of the microdot technology today:

- SANDF – Kroonstad Military Base (special thanks to Major Venter)
- SAPS and the bomb disposal unit (special thanks to Captain Neethling and the SAPS for the explosives)
- The Department of Transport (DoT)
- South African Bureau of Standards (SABS)
- The Vehicle Security Association VESA
- Nissan SA for leadership in microdotting all their vehicles since October 2006
- Avis and Nissan for transportation for the media from Johannesburg to Kroonstad
- DataDot
- Impimpi
- Recoveri
- Holomatrix
- Melrose Arch for sponsored parking for the media in Johannesburg

To view the pictures, click on this link:

<http://www.bac.org.za/galleryview.asp?folder=Business+Against+Crime%5C%2DResilience+of+the+Microdot+Technology+Tested+and+Proven>.

The views expressed in this article are those of the author and do not necessarily express the views of SAIA

 **Further information : Fouché Burgers**
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5 PRESS CLIPPINGS

Publication	Number	Subject
Cover 1/04/09	# 72602	Financial Sector Charter (FSC): The short-term insurance industry has been committed to consumer education
	# 72603	Vehicle crime industry: Bolstering the fight against crime
FIA Insight 1 st Quarter ‘2009	# 72574	SAIA & Business Against Crime SA (BACSA) fight crime: 500 Detectives trained through anti-crime partnership
Enterprise Risk March 2009	# 72452	SASRIA offers riot cover during elections

Business Day 1/04/2009	# 72369	<u>Financial Sector Charter (FSC):</u> Mzansi accounts fail to bring cheer as banks incur losses
Business Day 1/04/09	# 72370	<u>Financial Sector Charter (FSC):</u> Financial charter comes under fire
Business Day 1/04/09	# 72371	<u>Companies Bill:</u> Bill makes directors litigators' targets
Sake24 2/04/09	# 72384	<u>Financial Sector Charter (FSC):</u> Nou druk SEB geldgroepe
Business Day 2/04/09	# 72386	<u>Hannover Re</u> still profitable
Business Day 3/04/09	# 72400	<u>Financial Sector Charter</u> (FSC) in force. (DTI Codes)
Business Day 3/04/09	# 72402	<u>Koeberg</u> station shut down
Sake24 3/04/09	# 72443	<u>Financial Sector Charter (FSC):</u> DTI Codes: Tesourie veg vir handves vir finansiële dienssektor
Sake24 3/04/09	# 72444	<u>Competition Act:</u> Voorgestelde Meedingwet nog nie afgerond, maan kundiges
Business Day 6/04/09	# 72453	<u>Financial Sector Charter (FSC):</u> Charter's collapse blamed on financial sector partners
Business Day 7/04/09	# 72481	Eskom says <u>Koeberg</u> unit is at full output
Business Day 7/04/09	# 72482	<u>Koeberg</u> awards contracts
Sowetan 7/04/09	# 72496	<u>Ombudsman for Short-term Insurance:</u> Essential to read policy fine print
Citizen 8/04/09	# 72499	<u>Swiss Re</u> to close office
Business Day 9/04/09	# 72541	<u>Mutual & Federal (M&F)</u> selling stocks to limit investment losses
Saturday Star 11/04/09	# 72608	<u>Ombudsman for Short-term Insurance:</u> Insurers turning the screws when you claim
Beeld 14/04/09	# 72554	<u>Second Hand Goods Bill:</u> Kabel diewe se dae getel. President teken wet
Star 16/04/09	# 72594	<u>Hollard</u> Insurance company offers own sleuthing
Business Report 17/04/09	# 72606	Re-election of <u>Mutual & Federal (M&F)</u> directors lacks legal support
Business Report 17/04/09	# 72607	<u>Mutual & Federal (M&F)</u> tries to pass off old ideas as shareholder chic
Business Day 17/04/09	# 72609	<u>Codes of Good Business Practice:</u> Highest BEE rating for firm with no black ownership
Rapport 19/04/09	# 72613	<u>Methods to identify fraudulent claims:</u> Ombud looi breker-assessors
Business Report 20/04/09	# 72656	<u>Financial Sector Charter (FSC):</u> BEE scorers must be approved by the state
Business Day 21/04/09	# 72673	<u>Life insurance industry:</u> Confidence in life insurance drops
Business Day 23/04/09	# 72685	<u>Credit Guarantee:</u> Credit insurance to combat bad debt
Business Day 30/04/09	# 72763	<u>Corporate Governance:</u> 'Apply or explain' lies at heart of King code
Business Day 30/04/09	# 72767 # 72768	<u>State of the short-term insurance market:</u> <ul style="list-style-type: none"> • Critical time – Severe threat to industry • Industry suffers as claims grow

	# 72769 # 72770 # 72771	<ul style="list-style-type: none"> • Crucial to provide sound advice • Assess insurance carefully and accurately • Security complexes often not so secure
Citizen 30/04/09	# 72772	Consumer Protection Bill: SA 'must prepare for 2010 personal claims'
Business Report 30/04/09	# 72774	Mutual & Federal (M&F) delisting takes back seat for the moment

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

6 RADIO AND TELEVISION COVERAGE

Talk Radio 702 (English)

The John Robbie Show

6 May 2009 06:26:23, 7 May 2009 06:24:40

The traffic report is brought to you by ABSA iDirect. Giving you huge savings on your motor and household insurance

Bush Radio (English)

The Morning Cruise

6 May 2009 09:13:58

Gilian Snel talks about the necessity of insurance. She also provides tips when taking out long and short-term insurance

(Int:)Gilian Snel

RSG (Afrikaans)

RSG Landbou

18 May 2009 12:42:02

A discussion with Pierre Rossouw, of Santam Agri, regarding insurance cover in regards to fires.

(Int:) Pierre Rossouw - Santam Agri

Summit TV (English)

You & Your Money

18 May 2009 20:32:17

A discussion about short-term insurance

(Int:) Brian Martin - Deputy Ombudsman: Short -Term Insurance

(Int:) Craig Pogir - Director: Pogir Bastion

Summit TV (English)

World Business

20 May 2009 18:40:43

Discussion on how to make sure your car and household insurance claims get paid.

(Int:) Brian Martin – Ombudsman: Short-term Insurance

(Int:) Craig Pogir - Director: Pogir Bastion

CNBC Africa (English)

Power Lunch

27 May 2009 12:01:43

South Africa's biggest short-term insurer, Santam's underwriting business remains pressure because of slowing economic growth and volatile equity markets.

Summit TV (English)

Business Q & A

27 May 2009 22:42:00

Arnold van der Linde from the Financial Intermediaries Association talks about the 2009 annual FIA awards that recognise the performance by product providers in the long and short term insurance and investment industry

(Int:) Arnold van der Linde - President: Financial Intermediaries Association

Mention: Santam, Discovery, Momentum, Liberty

Summit TV (English)

New Retirement Thinking

27 May 2009 20:29:19

A look at the Insurance Law Amendment Act and how it impact consumers

(Int:) Jay Ramsunder - Certified Financial Planner

(Int:) Gavin Came - CEO: Sasfin

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

7 CIRCULARS

The following circulars were issued during the month of April 2009: (Number of circular, title, date issued and contact person)

SAIA

SG 2009/023 Short -term insurance industry data sharing initiative and workshop (1/04/09)
Contact: Vivienne Pearson

SG 2009/024 Formation of new SAIA committees (3/04/09)
Contact: Refilwe Moletsane

SG 2009/025 IISA Continuous Professional Development (7/04/09)
Contact: Thabo Tlaba-Mokoena

SG 2009/026 Application for membership of the SAIA – JDG Micro Insurance Limited (9/04/09)
Contact: Sonja Etsebeth

SG 2009/027 Companies Act 71 of 2008 (15/04/09)
Contact: Refilwe Moletsane

SG 2009/028 Contribution towards the 2009 SAIA Consumer Education Projects (16/04/09)
Contact: Adèle Joubert

SG 2009/029 Personal accident policies and passenger liability policies (16/04/09)
Contact: Refilwe Moletsane

SG 2009/030 The Short - term insurance industry data connectivity information session rescheduled (17/04/09)
Contact: Refilwe Moletsane

AMUSA

AM 2009/023 Casualty Report: "HANSA STAVANGER" (6/04/09)
Contact: Barry Scott

AM 2009/024 Casualty Report: "SEA HORSE" (15/04/09)
Contact: Barry Scott

AM 2009/025 Casualty Report: "POMPEI" (20/04/09)
Contact: Barry Scott

IGF

IG 2009/002 IGF Premium & Expense Bordereau 1st Quarter 2009 (9/04/09)
Contact: Tilly Welgemoed

SAIA MD (Managing Directors)

MD 2009/005 Short-term insurance industry data sharing initiative & workshop (1/04/09)
Contact: Vivienne Pearson

MD 2009/006 Contribution towards the 2009 SAIA Consumer Education Projects (17/04/09)
Contact: Adèle Joubert

✉ **Further information on all of the above-mentioned circulars : Sonja Etsebeth**
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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 to become a SAIA communiqué member.

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