national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

TREASURY CALLS ON THE INSURANCE SECTOR TO BE FAIR TO CAR OWNERS

National Treasury would like to assure the public and motor-car owners that it is engaging with the short-term insurance industry on the implications of the recent Pietermaritzburg High Court judgment (Mr Sherwin Jerrier vs. Outsurance Insurance Company Limited).

Some in the short-term insurance industry have interpreted the judgment to mean that consumers are now obliged to report to their insurers every minor incident or scratch on their cars. According to this interpretation, consumers who fail to do so risk having their claims rejected by their insurers.

Such interpretations seek to shift the onus onto customers away from the short-term insurers, who do need to examine whether these disclosure practices are fair to the consumer and not out of proportion to the risk-based approach that is necessary for the insurance industry to function efficiently. While consumers are responsible for ensuring that they honestly disclose material information to their insurer, the Treasury believes that the industry needs to consider whether it has done enough to inform their customers of the importance of disclosing material risk-related information and to ensure that customers understand any limitation on the cover they are purchasing.

Treasury has previously raised the issue of poor market conduct practices with the industry, including at the Annual Short-term Insurance Conference in 2012. Together with the Financial Services Board ("FSB"), Treasury has been discussing these matters with the industry body, the South African Insurance Association ("SAIA").These discussions have been part of the broader policy objectives aimed at improving conduct by insurers, specifically their treatment of clients.

Treasury has requested an urgent meeting with SAIA to ensure that customers will not be adversely affected by the court judgment and that the industry is taking steps to improve its market conduct practices. Treasury encourages insurers to co-operate by proactively incorporating the Treat Customers Fairly ("TCF") principles in their existing policy contracts and business practices. The implementation of these principles, which already underpin existing regulation, need not be delayed until the new market conduct framework is established or until all aspects of the TCF framework are fully implemented.

Government published its market conduct and consumer protection reforms in February 2011 as part of the shift towards the Twin Peaks system of financial regulation, as noted in the policy paper entitled "*A safer financial sector to serve South Africa Better,*" and 2013 paper on the implementation of Twin Peaks (all available on www.treasury.gov.za). The reforms provide for the separation of roles between a dedicated market conduct regulator and prudential regulator. The enhanced market conduct regulation will introduce higher and tougher market conduct standards for consumer protection in the financial sector, and includes current initiatives like the TCF initiative led by the FSB.

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