



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



JOINT MEDIA STATEMENT

TREASURY AND SAIA AGREE ON MEASURES TO ENHANCE INSURANCE DISCLOSURES TO PROTECT CAR OWNERS

Major short-term insurers have assured Government that motor car owners need not be concerned with the recent Pietermaritzburg High Court judgment (Mr Sherwin Jerrier vs. Outsurance Insurance Company Limited), as contrary to initial reports, the judgment will not have any new implications for how the insurance industry will assess claims. The industry has committed to significantly improving market conduct practices that are aimed at protecting customers better and also improving transparency and disclosure practices in policy contracts.

This was the outcome of a meeting between National Treasury ("Treasury"), the Financial Services Board ("FSB") and the South African Insurance Association ("SAIA") held on 9 April 2013. The meeting followed a call by the Treasury for the insurance sector to be fair to motor car policy holders when considering insurance claims. The meeting was attended by officials of the Treasury, the FSB and key members of the SAIA.

Insurance companies undertook not to reject motor car claims on the grounds that customers do not report minor incidences (in other words incidents that are not material to the assessment of the insurance risk). Consumers are, however, encouraged to report any material information to their insurers in terms of the policy conditions, even if there is no intention to claim against the policy. Where vehicle damage is concerned, this would generally include damage above the excess or when a third party is involved. The insurance industry will also enhance its efforts to communicate with customers to ensure that customers are aware of their rights and responsibilities.

The SAIA member companies reaffirmed their commitment to embracing the Treating Customers Fairly ("TCF") initiative, led by the FSB which introduces higher and tougher market conduct standards for consumer protection in the financial sector. The TCF principles will also be introduced in existing policy contracts and business practices.

Further positive steps to be taken by the SAIA, include an amendment to the SAIA Code of Conduct that will formalise the insurance practice of regularly and automatically reassessing the value of motor cars, without any prompting from the customer.

Consumers can be assured that the Treasury, FSB and SAIA are also working to ensure that:

- insurance contracts are worded in clear, simple language and limitations on insurance cover are clearly understood;
- consumers are made aware and educated on the different types of material disclosures and any other significant conditions which could affect the insurance contract;

- insurers take reasonable steps to verify information during the sales process, and make regular contact with their customers to determine material changes to their customer risk profile over time, rather than only doing so at claims stage.
- all legitimate insurance claims will be paid by insurers in line with the principles of proportionality and fairness as currently entrenched in the SAIA Code of Conduct. SAIA will ensure that its members will inform customers on the Code and is also open to any comments from the public to improve the Code, to make it more relevant to both the industry and customers; and
- disputes are resolved in line with fair business market conduct practices, including through internal company mechanism in the first instance, and through the office of the Ombud for Short-Term Insurance (“OSTI”) in the second instance, taking account of the need for consumers to be treated fairly.

Complaints about claims that are not paid by insurers can be referred to the office of the OSTI (011 726 8900 or sharecall number 0860 726 5501, fax number 011 726 5501 or e-mail info@osti.co.za). Consumers can also complain against SAIA members in terms of the SAIA Code of Conduct (available on the SAIA website at www.saia.co.za).

The Treasury, FSB and SAIA will continue engaging on further market conduct improvements relating to motor car insurance as well as other forms of personal lines insurance (such as household content and building insurance). In addition, other key areas of focus include the need for more affordable and standardised products for the lower income market and consideration of possible measures to ensure greater insurance coverage.

The positive dialogue between all stakeholders on key consumer protection measures will result in improved customer confidence, appropriate products and enhanced transparency for all insurance consumers.

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