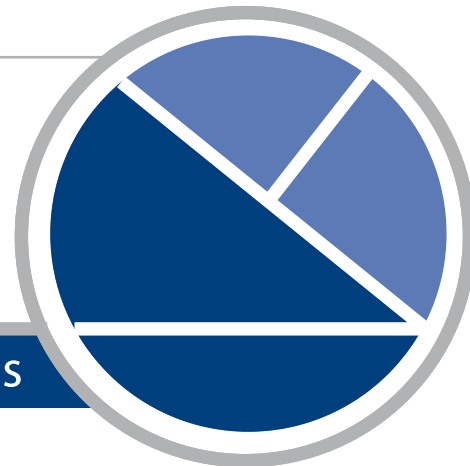


# SAUMAchat

THE VOICE OF THE UMAs



## WELL, IT'S OVER!

After waiting, preparing and listening to the prophets of

**doom about South Africa's ability to host the World Cup, we managed to welcome the world to one of the best ever tournaments in the history of this event.**

Now the work really begins for all South Africans. The time for negativity is over. Those who are wanting to "leave South Africa for the sake of the kids" should do so now, or embrace the massive gift the World Cup will give us.

Many of the tourists who came to South Africa to watch the football will come back again, and when they get home they will tell their friends about what we have to offer.

The biggest task we face now is to get rid of the negativity that prevails in this country. The Americans are as diverse in culture as we are, but one thing they have that we don't have is a fierce sense of loyalty to their country, and that's what we need to start doing.

And it is up to each one of us to get this going. To spread the message of positivity and be proud of this country. Remember, there is unity in diversity. If the Americans can do it surely we can.

**Dave Jack**

## Sustainability under SAUMA spotlight

Whilst the world concerns itself about the sustainability of our planet, and quite rightly with the increasing shortage of natural resources, there are issues closer to home that are of equal concern and that touch the lives of everybody in the insurance industry in South Africa.

Realising that this is a very real problem, the South African Underwriting Managers Association (SAUMA) has organised a morning conference looking at sustainability and how the topics can be applicable to the insurance industry.

Speakers will include Nic Kohler, CEO of Hollard, radio personality Bruce Whitfield, and etv's Jeremy Maggs.

Please see the invitation on the next page.

## Conflict of interest

On Tuesday, 30 August 2010, SAUMA joined the FIA and SAIA as industry representatives in hosting an industry workshop presented by the FSB. The focus was the interpretation of the industry conflict of interest policy, as well as the "treating customers fairly" initiative.

The workshop clarified some concerns surrounding the Code of Conflict and the reasons for its implementation. The Code of Conflict was published in April and came into effect in July 2010.

During the workshop the FSB clearly defined the Code in terms of the FAIS interpretation.

- The intention with amendments was to ensure better management of conflict of interest
- Due to the inherent non-compliance culture in South Africa it was felt necessary to manage conflict of interest and also to prohibit certain financial interests
- The intention is not to interfere with employee-employer relationship of FSPs and their representatives, but to put guidelines in place to ensure conflict of interest management.
- The code focuses on ensuring that companies avoid conflict of interest and to act in the best interest of their clients with due care and diligence.

It is important to note that any FSP should have a conflict of interest policy, which must be approved by management and adopted by all staff. It will be the task of a compliance officer to make sure the organisation complies with the code.

There is definitely a big focus on treating customers fairly, hence the reason for the avoidance of any conflict. We urge all underwriting managers to read and apply the principles of the code.

**The link to the conflict of interest policy is available on the SAUMA website. However, should you have specific queries regarding the act, it can my mailed directly to the SAUMA offices or more direct or company specific queries can be directed directly to the FSB.**

**PLEASE ALSO READ THE FULL ARTICLE ON PAGE 3 OF THIS NEWSLETTER**

## Congratulations to CIA!

SAUMA would like to congratulate CIA on being named Underwriting Manager of the Year 2010 by the Financial Intermediaries Association. Well done!



**FIRST EVER SAUMA CONFERENCE ..... BE THERE.....**

Engage in topics that affect every business owner

- Date : Tuesday, 12 October 2010
- Time : 08.00 for 8.30 to to 13.00 followed by lunch at The Chiefs Boma
- Venue : The Auditorium, Indaba Hotel, Fourways (map attached)
- Cost : SAUMA members & staff R250 Non-members R300
- RSVP : Christine Sounes at sauma@hixnet.co.za by 28 September 2010

**Seats are limited.....book now to avoid disappointment!**



**Sponsored by:**



# Conflict of interest rules

- Stef Theofanidis (Vice Chairman: SAUMA)

**An amendment to the General Code of Conduct for Authorised Financial Services Providers (FSP's) and Representatives (General Code) was published in the Government Gazette on 19 April 2010.**



The amendment mainly dealt with the potential conflict of interest that affected the way FSP's dealt with their clients. The main objective of the amendment was to try and ensure that FSP's would place clients with Product Providers that provided the best products, and not because of any other relationship that may exist between the Product Provider and the FSP.

The legislation seeks to deal with conflict of interest in the following three ways; each one designed to mitigate potential conflict where it cannot be avoided, with first prize clearly being, to completely avoid the conflict:

1) Disclosure of the **nature of the conflict**, so the client can make his or her own mind up as to whether they still want to do business with that FSP. The disclosure should be made at the earliest possible opportunity and this obligation comes into effect on **20 July 2010**.

2) The drafting by the FSP, of a comprehensive **conflict of interest policy**, which needs to be made accessible to clients and which sets out the following in detail:

- the various conflicts that exist,
- what has been done to mitigate such conflicts,
- how the staff in the FSP's office are trained and obligated to comply.

*(Disclosure to the client could take many forms; probably simplest of all, would be for the FSP to utilise its own website or any other form of media at its disposal)*

3) What constitutes, "**Financial Interest**" received by an FSP or its representatives.

a) Prohibited Financial Interest is defined widely in the act and includes any:

- cash, or cash equivalent,
- voucher,
- gift,
- service,
- advantage,
- benefit,
- discount,
- domestic or foreign travel,
- hospitality,

- accommodation,
  - sponsorship,
  - other incentive or valuable consideration,
  - with the only exception being, '**training**' that is not made exclusive to a certain group of FSP's.
- b) Permissible Financial Interest a FSP may receive or offer is:
- **commission** legislated in terms of the appropriate legislation,
  - **fees** where services are being provided which warrant the fees being paid, or where fair value commensurate to the value of the financial interest is given in return, and
  - an **Immaterial Financial Interest**, which is a Financial Interest with a determinable value of not more than R1,000.00 aggregated over a calendar year. Where a FSP has more than one representative, then each representative can receive this Financial Interest of up to R1,000.00 per annum. *(For example an Insurer cannot buy say, a general gift for a Brokerage, exceeding R1,000.00 per year, but they can buy each representative of such Brokerage a gift separately, for R1,000.00 per year. It is important to note that although this example is Brokerage related, the amendments apply equally to any FSP or its representatives, hence it includes a UMA who itself is an FSP or who may be a representative of an Insurer who is a FSP)*

The above become effective six months from the effective date of the legislation. This legislation, as already mentioned, was passed on 19 April 2010 and so the amendment with respect to **offering or receiving a Financial Interest** will come into effect on **20 October 2010**, but, if such interest is offered or received prior to this date, but after 20 July 2010, that would have to be disclosed to clients in terms of the disclosure rules that come into play on 20 July 2010.

In conclusion and in essence, the authorities are not saying that one cannot have relationships with service providers as it is important to understand that the industry is to a very large degree based on relationships, what they are saying, is that where these relationships are enhanced or cultivated, the parties must pay their own way, or it creates an unacceptable conflict of interest. The provider should be placing its business with the best product provider with the best products and services *(hence training is an exemption so the insurer can ensure their product is well understood)* and not with an Insurer or affected party, providing the best trips and gifts.



# RAF: FREQUENTLY ASKED QUESTIONS ANSWERED

- Leigh Friend (Regional Manager: Gauteng, MUA Insurance Acceptances)

## Q Do changes to the RAF make drivers more liable in the event of an accident?

I don't believe drivers are more liable if a passenger is injured in their motor vehicle. The changes to the RAF legislation, which came into effect in August 2008; restrict injured parties by removing their common law right to claim against the driver, as they can only claim up to the maximum amount allowed by the RAF against the fund.

Prior to this, passengers were only allowed to claim up to R25 000 from the RAF, but still had the common law right to claim the balance against the negligent driver, hence the need for Passenger Liability insurance cover. With a few exceptions where the RAF is unable to pay compensation, this is no longer the case.

The possibility of a claim made by a secondary victim for emotional shock who observes an accident or is notified about an accident where another person has suffered injury is a case in point. For this reason there is still a need for passenger liability insurance, however the likelihood of a claim being lodged is greatly reduced.



## Q Why were these changes introduced?

Cases involving foreigners being paid vast amounts are probably one of the reasons these changes were brought into place. It was perceived that wealthy victims could avail themselves of much larger awards than "ordinary" people who were not able to afford proper legal representation.

There were also a number of alleged cases of unscrupulous lawyers retaining the bulk of the award as a contingency fee, so essentially these new changes are a way of levelling the playing field for all and providing equitable, fair and transparent compensation.

There is always a remote possibility that a foreigner could obtain a substantial award overseas against a local negligent driver. Although he would only be able to claim up to the RAF limits in South Africa, it could prevent the driver from travelling, or having assets owned in that jurisdiction seized. Most liability contracts these days exclude any claim that falls within the scope of any compulsory motor vehicle insurance enactment.

## Q What can clients claim for and are there any restrictions?

Clients can claim from the RAF but the limit is capped at R160 000 per year with loss of income / support, subject to a quarterly inflation adjustment. Future medical expenses are also limited to tariffs for health services provided by public health service establishments. General damage claims resulting from an injury are subject to an assessment to determine the severity while a serious injury is defined as one which results in 30% or more body impairment.

What all this means is that where the right to claim for more than the restricted cover provided by the RAF is concerned, the responsibility to look for other avenues to obtain adequate personal accident, disability, health and life insurance covers now lies with the consumer.

## Q Are there particular products that address the shortfall from the RAF?

These changes have enabled enterprising product providers to take advantage of this gap and to develop new and innovative solutions to take care of the challenges faced by consumers. There are many product offerings available, so it is advisable that consumers consult their financial services provider to ascertain the best fit for their particular circumstances.