SAIA

SOUTH AFRICAN INSURANCE ASSOCIATION

STANDING COMMITTEE ON FINANCE

HEARINGS ON TRANSFORMATION

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SHORT-TERM INSURERS TRANSFORMATION, THE NDP AND THE ECONOMY

- Short-term insurers provide policies of insurance against losses covering a wide range of items including cars, property, personal effects, liability, etc.
- The short-term insurance industry is the grease which ensures that the economy functions successfully: it enables businesses and individuals to manage their risks and cover their losses.
- Because short-term insurance manages, diversifies and absorbs the risks of individuals and companies, insurance is often a precondition for the development of other productive activities, such as buying a home and starting or expanding a business.

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SHORT-TERM INSURANCE AND THE ECONOMY - 2

- The industry contributes +/- 3% to GDP.
- In 2015, local gross written premiums amounted to R108 billion and the industry incurred over R61 billion in claims (56% claims ratio).
  - Of which 87% related to property, transport and motor claims.
- Over the last 10 years 61.6% of premiums earned have been paid out in claims expenses

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INDUSTRY OVERVIEW

- 74 Short-term Insurance Companies
  - 31 companies offer products in only 1 or 2 segments of insurance
  - 36 companies offer products in 3 or more segments of insurance
  - 7 companies offer products across all segments
- 6 insurers are state owned
- 14 companies are captive insurers – they only insure the assets of their holding company
- Top 6 companies = 56% Market Share
- Top 10 companies = 66% Market Share

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TRANSFORMATION

- SAIA and our members are committed to growing an inclusive economy.
- We are committed to enhancing the resilience of communities and society in general, thereby facilitating and supporting sustainable development.
- We are committed to broad-based socio-economic transformation for the benefit of all South Africans and to the vision of the NDP.

INDUSTRY PERFORMANCE AGAINST THE FSC

OWNERSHIP

	Percentage	Target
Black Economic Interest	18.97%	25%
Black Women Economic Interest	8.49%	10%
Black Voting Rights	20.86%	25%
Economic Interest Black Groups	5.10%	3%

- Largest Short-term insurer is 28.33% Black owned
- Highest Black ownership = 63.42% (excluding Black Owned Insurers)
- Figures exclude the 6 state owned insurers Sasria, Landbank, Khula, Densecure, Export Credit Insurance Corporation and Escap
- Figure excludes insurers owned by banks and those that report as part of a group which is a long-term insurer

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MANAGEMENT CONTROL & SKILLS DEVELOPMENT

	Black		Black Female	
	Actual	Target	Actual	Target
Black representation at Board	28.57%	50.00%	13.19%	25.00%
Black Executive Directors	36.36%	50.00%	3.03%	25.00%
Black Top Management	25.00%	40.00%	13.00%	20.00%
Black Senior Management	25.83%	60.00%	10.38%	30.00%
Black Middle Management	42.36%	75.00%	20.63%	37.50%
Black Junior Management	70.14%	80.00%	37.94%	40.00%
Black Skills Spend	2.26%	3.00%	1.30%	1.50%
Black learnerships	7.42%	5.00%	3.01%	2.50%

- In 2016 the industry took on 1,256 learners of which 59.16% were Black females and 39.33% were Black males.
- In 2016, 23 companies had Graduate Recruitment programmes for new Black graduates
- 424 Black youth were given bursaries to study at universities and TVET colleges, of which 52% was awarded to Black women

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ENTERPRISE AND SUPPLIER DEVELOPMENT

	Actual	Target
BEE Spend - All Suppliers	79.72%	70%
BEE Spend - Small suppliers	23.71%	15%
BEE Spend - >50% Black owned	12.52%	12%
BEE Spend - > 30% Black Women	4.41%	8%
Enterprise Development Spend % of NPAT	4.91%	3%

In the last 3 years members have spend in excess of R373 mil developing 1,829 Black suppliers, employing 29,771 people

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MOTOR BODY REPAIR SPEND

TOP 5 MOTOR INSURERS			
PROCUREMENT SPEND:	**2016**	**2015**	**2014**
>51% Black Owned - Rand	**R 1,058,786,148.96**	**R 890,091,030.05**	**R 649,354,804.79**
>51% Black Owned MBR - Percentage Achieved	21.44%	19.37%	15.40%
Procurement Spend (BEE Level 1 -4) - Percentage	82.26%	81.92%	77.39%

FINANCIAL LITERACY

	Actual	Target
Consumer Education Spend - % of NPAT	0.43%	0.40%

- Financial literacy initiatives are done both at an industry level and a company level.
- The SAIA initiative has received international recognition from organisations such as the OECD and the ILO
- Since the start of the SAIA initiative R126 mil has been spend – R60 mil spend on projects in schools in partnership with the DBE
- In addition in 2015 SAIA members spend R13.5 mil

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SOCIO-ECONOMIC DEVELOPMENT

	Actual	Target
Socio-economic development spend as a percentage of NPAT	2.62%	0.60%
Split amongst the following areas:		
Arts and culture	1.71%	
Education & Youth development programmes	64.39%	
Job Creation	7.14%	
Food/ Agricultural livelihoods/ Health / Other	26.75%	

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FINANCIAL INCLUSION

	Target	Achieved
Number of Commercial Line Policies	167,474.00	12,696.75
Number of Personal Line Policies	389,942.00	159,911.00

- A Financial Inclusion Forum was established in 2016 between the SAIA, Financial Services Boar (FSB) and the National Treasury to jointly explore ways increase financial inclusion.
- The number of people with motor insurance increased from 2.1 million in 2004 to 3.2 million in 2014. The number of people with household contents insurance increased from 1.7 million in 2004 to 2.2 million in 2014.

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BROADER SOCIO-ECONOMIC TRANSFORMATION

Projects that contribute to broader socio-economic transformation

- College of Insurance
- Motor Transformation and Sustainability Forum
- Crime Combatting and Reduction
- Partnerships for Risk And Resilience
- Youth employment accelerator
- Business For Road Safety Forum
- Agricultural Insurance Public-Private-Partnership
- Green Geyser Replacement Project

FOCUS AREAS

- Industry is committed to broad-based socio-economic transformation and to contribute to NDP implementation
- Collaboration important
- The demographic representation of staff at all levels
- Increasing procurement spend with black owned businesses, smaller black businesses, and black women owned businesses
- Increase financial inclusion and financial literacy level

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Next steps

- Implement SAIA enterprise and supplier development programmes
- Launch of College of Insurance
- Regular monitoring of insurer procurement spend, especially in MBR environment, including monitoring spend on suppliers that are 75% black owned or more
- Investigate ways to support the establishment of black insurers
- Through Financial Inclusion Forum, investigate ways to increase financial inclusion

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Thank you!