



SAIA

SOUTH AFRICAN INSURANCE ASSOCIATION

The SAIA Code of Conduct

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THE SAIA CODE OF CONDUCT

1. INTRODUCTION

The South African Insurance Association (SAIA) represents the short-term insurance industry in South Africa at all levels and with all stakeholders.

The SAIA and its Members are committed to actively contribute to the principles of sustainable insurance to ensure that the short-term insurance industry remains relevant, inspire confidence in stakeholders and offer products and solutions within the South African market in such a way to promote and not harm the environment or the communities we support.

The SAIA acts as the spokesperson of the industry seeking to constructively work with all relevant stakeholders including consumers and users of short-term insurance, Government, the media and other relevant entities. This Code of Conduct has been drafted in support of the SAIA vision and mission.

1.1 The purpose of this Code is to:

- 1.1.1 Promote high ethical standards and good business practices in the short-term insurance industry by giving specific guidance on acceptable and unacceptable practices in the short-term insurance industry and;
- 1.1.2 Give a clear indication of the self-regulatory guidelines followed by Members who provide short-term insurance products to current and potential clients;
- 1.1.3 Create a mechanism to be used by Members for self-regulation. The onus remains on Members to comply with the Code.

1.2 The Code covers all short-term insurance business provided by Members, and sets out the minimum standards in dealing with clients, the Members' contracted parties, and with each other.

1.3 Who does the Code apply to:

- 1.3.1 The Code applies to all Members. Members are responsible to take all reasonable steps to ensure that that parties contracted by them comply with any delegated responsibility;

- 1.3.2 The Code applies to reinsurers and Sasria, where applicable. Where no direct relationship exists between reinsurers/Sasria and their clients, the specific clauses in this Code that relate directly to the business relationship between Members and their clients do not apply.

1.4 The objectives of the Code are to:

- 1.4.1 Commit Members to high standards of customer service;
- 1.4.2 Assist in improving the image and reputation of the short-term insurance industry and contributing to increased consumer confidence;
- 1.4.3 Promote sound, informed, professional and ethical relationships between Members and between Members and their clients;
- 1.4.4 Ensure effective resolution of complaints and disputes between Members and their clients;
- 1.4.5 Contribute to the sustainability of the insurance industry.

1.5 Benefits of Self-Regulation

- 1.5.1 An industry with effective self-regulation will instill confidence, fair value and good service to its clients;
- 1.5.2 Self-regulation is about Members being committed to self-imposed ethical and professional business practices;
- 1.5.3 This Code is important, notwithstanding the legislation and regulation that governs the industry and protects consumers, because:
- a) Legal controls do not necessarily distinguish between insurers that follow the best ethical and business practices and those who do not;
 - b) A voluntary Code can assist in ensuring dubious practices, exploiting of grey areas is eliminated to the ultimate benefit of clients, and the short-term insurance industry in general;
 - c) This Code sets standards for ethical business practices and relationships through voluntary self-regulation, which helps to ensure that the spirit of the Code is followed, and not only the letter of the law;
 - d) A voluntary Code of Conduct followed by Members will build and maintain a good image and reputation for the industry and contribute to the sustainability of the industry;
 - e) Industry codes are best practice in terms of consumer protection and to treat customers fairly;

- f) The Code will contribute to the on-going development of appropriate products and services for its clients and potential clients.

1.6 Relationship between Members and clients

A relationship of good faith lies at the heart of the insurance contract. It is with this relationship in mind that Members undertake to comply with the requirements of the Code. At the same time, it is required that clients conduct themselves honestly and in good faith.

2. DEFINITIONS

2.1 “Member”

“Member” means a registered short-term insurer that is a member of SAIA (including reinsurers)

2.2 “Client”

“Client” means prospective policyholders; policyholders and former policyholders that are entitled to policy benefits under a short-term insurance policy

3. RESPONSIBILITIES OF THE SAIA

3.1 The SAIA will:

- 3.1.1 Ensure, through various mechanisms including this Code that the industry is an industry in which high standards apply;
- 3.1.2 Create awareness of the need to comply with this Code;
- 3.1.3 Monitor compliance with this Code by its Members to the benefit of all;
- 3.1.4 Compile an annual report on compliance of its Members with the Code, after receiving annual compliance reports from its Members;
- 3.1.5 Deal with complaints in accordance with the Code.

4. RESPONSIBILITIES OF MEMBERS

4.1 Members are required to:

- 4.1.1 Comply with the Code and implement procedures and systems to ensure compliance with the Code;

- 4.1.2 Comply with all relevant legislation and regulations. In the event of conflict or inconsistency between this Code and the legal and regulatory environment, the relevant legal and regulatory requirements will prevail. Members will inform the SAIA of any conflict or inconsistency between legislation and the Code;
- 4.1.3 Have and maintain licences, registrations and approvals required by law;
- 4.1.4 Conduct their business in an honest, fair and transparent manner;
- 4.1.5 Aligning their insurance business with the necessary expertise and infrastructure;
- 4.1.6 Take reasonable steps to informing contracted parties of the Code and ensuring that any contracted party meets the standards set out in the Code;
- 4.1.7 Implement procedures to ensure that contracted parties inform clients of the identity of the Member for whom they are acting and the service they have been instructed to provide;
- 4.1.8 Train staff and inform contracted parties on the requirements of the Code;
- 4.1.9 Create awareness of their SAIA membership, the Code; and the commitment to high ethical standards;
- 4.1.10 Monitor and assess their compliance with the Code and rectify non-compliance as soon as possible;
- 4.1.11 Report to SAIA on compliance with the Code as required from time to time;
- 4.1.12 Co-operate with the SAIA and/or the Code Complaints Committee when investigating any alleged non-compliance with the Code, and/or complaints;
- 4.1.13 Accept the decisions and/or sanctions of the SAIA, the Code Complaints Committee, and/or the appointed individual in cases of appeal;
- 4.1.14 Implement, monitor and assess a procedure regarding non motor salvage, including the control of every person responsible in the value chain;

4.1.15 Implement, monitor and assess a process to confirm that salvage dealers, if applicable, are registered as a current member of an accredited dealers' association and that salvage contractors and recyclers are registered as dealers in terms of the Second Hand Goods Act, 2008.

5. COMMUNICATION

Communication to clients will be channelled via the clients' elected contact method unless legislation prescribes otherwise.

6. ADVERTISING

6.1 Advertising must:

- 6.1.1 Meet the standards of the Advertising Standards Authority ("ASA");
- 6.1.2 Consider the best interest of consumers, and may not be misleading in any way;
- 6.1.3 Be factual, and verifiable;
- 6.1.4 Not be derogatory towards the insurance industry, and/or any part thereof.

7. INSURANCE SALES AND TRANSACTIONS

7.1 The following standards apply to any insurance transaction:

- 7.1.1 The process must be conducted in a fair, honest and transparent manner;
- 7.1.2 Only material information required for assessing an application for insurance cover will be requested by the Member;
- 7.1.3 All material information must be obtained by the Member at the time of underwriting and not at claims stage. An agreement or undertaking to provide additional information/documentation subsequent to the initial underwriting shall be an acceptable practice;
- 7.1.4 Members must inform clients of their legal duty to disclose information;
- 7.1.5 When a Member accepts a full book of business from an intermediary without evaluating each individual risk, the Member accepts all insurance risks associated with the entire book at the time of taking over the business;

- 7.1.6 The Member must assist clients to insure their assets, including motor vehicles, for an appropriate value at inception stage, as well as at renewal stage. (The onus remains on the client to ensure that his/her assets are insured for the correct value, but it is expected that Members will encourage and assist clients to determine the correct sums insured);
- 7.1.7 It is the duty of the Member to make every reasonable attempt to ensure that the client understands the policy documents, the extent of the cover, the key factors that affect premium, the exclusions, the special terms and conditions, and all relevant aspects of the policy including excesses, the relevance of regular and nominated drivers (if applicable) and no claims bonuses;
- 7.1.8 Terminology and language should be clear and not ambiguous;
- 7.1.9 Members will provide copies of any relevant documentation (e.g. reports on structures of buildings, the condition of vehicles) related to their insured assets that they receive at underwriting stage to clients, if available. They should also invite policyholders' response and/or comments if appropriate;
- 7.1.10 If a Member declines to provide the consumer with insurance cover they must provide the reasons for the decision;
- 7.1.11 Client information will only be shared as required by law, as approved by the client, in the public interest or for crime combating purposes. In all other instances, client information will remain entirely confidential;
- 7.1.12 Aspects of insurance that appear to be misunderstood by clients based on enquiries or complaints received, must be communicated as and when necessary.

7.2 Disclosures must include the following:

- 7.2.1 The contact details of the Member and its relevant service departments;
- 7.2.2 The contact details of the Ombudsman for Short-term Insurance ("OSTI");
- 7.2.3 The due dates for premium payments as well as the consequences of non-payment, costs and process involved in re-submitting debit orders;

7.2.4 All relevant information regarding policy conditions of which a client is expected to be aware.

8. INSURANCE CLAIMS

8.1 Claims handling

The following standards apply with regard to insurance claims:

8.1.1 Clients will be advised on how to lodge insurance claims;

8.1.2 Forms (where applicable) will be made available by the Member readily and timeously;

8.1.3 Only relevant information and processes will be taken into account;

8.1.4 The following time standards apply to Members when handling a claim:

- a) Once all the necessary documentation is received by the Member, and no further investigation is needed, the Member must accept, reject or dispute the quantum of any claim, and notify the client of its decision within a reasonable time;
- b) Should further information and/or investigation be needed, the insurer will within 14 days after a claim was lodged notify the client of the information needed, appoint an assessor and/or loss adjuster if necessary and provide an initial estimate of the time required to make a decision on the claim;
- c) The Member will ensure that the client is regularly informed of the progress of the claim, and will do so at least every 14 days;
- d) The Member will respond to routine requests for information in respect of claims lodged within 7 days;
- e) On establishment of the payee a claim will be paid within 14 days once the quantum is agreed, or as contractually agreed;
- f) Where the interest of any other party, apart from the client, are noted on a policy, a Member may settle a claim made by the client by payment to the other party but the Member shall first notify the client of its intention to do so. The client shall be afforded an opportunity to make a representation to the Member on the issue;
- g) Should the client demonstrate a need for urgency based on financial hardship as a result of the event causing the claim, the Member will fast-track the assessment, decision making process or payment of the claim, where possible;
- h) Should any circumstances make the above-mentioned timeframes impractical, the Member must agree a reasonable timeframe with the client.

8.2 Claims rejection

8.2.1 Members will only reject claims in the following circumstances:

- a) Conditions stipulated in the policy contract were not met by the policyholder;
- b) The loss is specifically excluded in the policy contract;
- c) The loss is not covered by the policy contract;
- d) Evidence exists that the claim is fraudulent;
- e) There was non-payment of the premium;
- f) Voiding a policy from inception for non-disclosure and material change in risk;
- g) In any other legally permitted circumstance

8.2.2 Should an insurer make the decision to reject a claim:

- a) Reasons for the decisions will be provided in writing by the insurer to the client;
- b) The insurer will inform the client about its complaints procedure, as well as other recourse avenues available to the client;
- c) Copies of all documents and information that is not subject to legal privilege and that influenced the decision will be provided on request.

8.3 Double insurance

8.3.1 Subject to the principle that insurance is not intended to place a person in a better position than before the claim, when at claims stage a Member finds, within three years of payment of a claim, that the client was also insured by another insurer, the Member will:

- a) Pay the full claim, and arrange with the other insurer to be compensated for its rateable proportion, or arrange with the other insurer to each pay the rateable proportion due by each within a reasonable time;
- b) Refund premiums in accordance with the respective rateable proportion of the risk, where appropriate.

8.4 Extraordinary circumstances

8.4.1 In extraordinary circumstances where a large number of claims are lodged at once, it is possible that the Member might not meet the standards set out in other sections of this Code (examples of such circumstances will include catastrophes and disasters). The following standards will however apply in extraordinary circumstances:

- a) Members will respond in a fast, professional and practical way and in a compassionate manner;
- b) Members will take internal measures to ensure appropriate response to the situation.

8.5 Repairs, workmanship and materials

8.5.1 In the process of repairing, replacing, rebuilding, and/or any other relevant action related to an insurance claim, the following standards will apply where the repair, re-instatement or rectification is fulfilled by a supplier acting on behalf of the Member:

- a) Appropriately skilled, certified or professionally qualified service providers should be used. Where recognised professional bodies exist, the appointment of the members from these bodies will be preferred;
- b) An assessor and/or service provider will be dispatched to address the claim of a client within a reasonable time period, in relation to the urgency of the situation, but at the latest within 14 days;
- c) The Member will make a decision regarding the repair and/or any other action needed within 14 days after receiving the relevant information from the assessor and/or other service provider, in relation to the type and urgency of the event;
- d) Should a contracted party instructed by the Member to do so, authorise a repair or other such action, the Member will honour this authorisation;
- e) The Member may prefer a supplier, but should the client request a specific service provider, the Member should reasonably consider this request;
- f) When the Member elects to repair, reinstate or rectify any loss or damage, the Member must accept responsibility for the quality of the materials and workmanship.

9. CANCELLATION OF INSURANCE

9.1 Should the Member wish to cancel a policy for reasons other than the non-payment of premiums prior to cancelling a policy, the individual aspects of the clients circumstances must be considered in order to ensure that each case is treated on its own merit;

9.2 When giving notice of the cancellation, the client shall be informed of the reasons for the cancellation, and the complaints procedure if the client is not happy with the decision;

9.3 The Member must pay any monies owed to the client within 30 days or 14 days from month-end, whichever is the earliest ;

9.4 The provisions of this section shall not apply to instances where an entire book of business or part thereof is cancelled by a Member.

10. NON-DISCLOSURE AND MISREPRESENTATION

10.1 Should the Member become aware that a misrepresentation or non-disclosure has taken place; the Member must within a reasonable period decide whether it wishes to continue with or void the policy. Should the Member elect to continue with the policy despite the initial misrepresentation or non-disclosure, the Member accepts liability of the policy;

10.2 Where the effect of the misrepresentation or non-disclosure is that the Member calculated the premium incorrectly, the Member shall be entitled to recalculate the premium for the risk assumed or impose other appropriate underwriting measures and, where applicable, to recover any shortfall from the client.

11. FRAUD AND DISHONEST CONDUCT

Members are unequivocally opposed to fraud and dishonest conduct, and will do everything in their power to identify, verify, investigate and prevent such behaviour.

11.1 Member obligations in terms of fraud and dishonest conduct:

11.1.1 All Members are expected to participate in combating fraud and dishonest conduct;

11.1.2 Should a Member cancel a contract due to the fact that the contracting party is found to have acted fraudulently or in an dishonest manner, the following procedure will apply:

The Member will:

- a) Inform affected clients about the cancellation and the options available to the client;
- b) Inform the South African Insurance Crime Bureau ("SAICB") of the cancellation of the contract and the reason for it;
- c) Inform the SAICB of employees dismissed as a result of fraud or a financial related crime;
- d) Should a Member be approached by an intermediary with a book of business, the Member should establish with the SAICB whether another insurer has notified it about the cancellation of a contract with that particular intermediary due to the fact that the intermediary

was found to have acted fraudulently or in an improper manner. Should the Member find out that that intermediary had in fact been referred to the SAICB, the Member should not accept business through that particular intermediary.

11.2 Members' employees and contracted service providers

In dealing with clients, Members and their contracted service providers shall ensure that:

11.2.1 Clients will be treated with respect at all times and they will not be harassed, intimidated, misled or threatened at any time. Members will include this provision in their agreements;

11.2.2 There is a presumption of innocence until the established facts indicate otherwise;

11.2.3 Members will only request access to relevant information when investigating potential dishonesty and fraud, and will treat any personal information in terms of the relevant privacy laws;

11.2.4 Information regarding established insurance fraud, will only be shared for the purpose of combating crime.

12. Motor Insurance

Over and above all above mentioned provisions which apply to all insurance business classes, including motor insurance, the following provisions apply to motor insurance members of the SAIA.

12.1 The regular assessment of the value of motor vehicles

All SAIA members that offer motor insurance will reassess the basis value of all motor vehicles insured regularly without any prompting from the policyholder.

12.1.1 SAIA members must reassess the basis value of motor vehicles at least annually, at renewal or anniversary date.

12.1.2 The limits of indemnity or sums insured of such motor vehicles must be readjusted according to the revised values of the motor vehicles insured, where appropriate.

12.1.3 This revised value must be taken into account when recalculating the premium.

- 12.1.4 SAIA members must take the necessary action/s in terms of their individual business models to ensure that this requirement is met, whether it is an automatic adjustment on their systems, a contractual requirement of their agents (including brokers, underwriting managers, administration agents, or any other relevant third party), or any other relevant requirement.
- 12.1.5 SAIA members and/or their contracted agents may use any appropriate method to determine the value of the vehicle, but must disclose the method used to policyholders at point of sale.
- 12.1.6 Where the value of a motor vehicle is not readily available (for example in the case of older and/or imported vehicles), an agreed value or valuation method must be disclosed to the policyholder on a regular basis, i.e. annually at renewal or anniversary date.
- 12.1.7 This requirement applies to motor vehicles insured in terms of personal lines policies, as well as to motor vehicles insured in terms of commercial policies where vehicles are specified with their own sums insured noted, and where this is practically possible.
- 12.1.8 For the purposes of this provision, motor vehicles include motor cars and light delivery vehicles but exclude other items such as boats, trailers, caravans, etc.
- 12.1.9 SAIA members are encouraged to, together with the communication with regard to the updated total value insured as well as the updated premium, include an explanation of what the contributory factors used in the premium calculation were *in general*, in order to ensure that policyholders understand why the premium may not have decreased if the total value insured decreased. This is encouraged to ensure that policyholders do not have unrealistic expectations in this regard.
- 12.1.10 Policyholders should be advised/requested in this process to inform the insurer should they wish to include additional cover for any additional extras that may have an impact on the total value of the vehicle.
- 12.1.11 SAIA members are encouraged to, in addition to this process, regularly communicate with their policy holders in order to remind

them of the importance of communicating any material changes to the insurer in order to ensure that they are appropriately insured in exchange for an appropriate premium.

12.1.12 In addition, customers may still be able to obtain discounts in some instances on their motor premium should they phone in to cancel cover. This does not mean that the depreciated value was not taken into account at renewal as these retention discounts tend to relate to a deliberate reduction in the target profit margin in order to retain a customer.

13. COMPLAINTS

13.1 Complaints handling

13.1.1 Members are committed to having processes in place to deal with complaints in an impartial and timely manner;

13.1.2 Information about a Member's complaints handling procedure will be readily available, and will be made available to clients;

13.1.3 The Member will only ask for and use relevant information when dealing with a complaint;

13.1.4 Members will inform clients of the information used in the decision-making process. The client shall have the opportunity to rectify any incorrect information;

13.1.5 The Member must implement remedial action without delay;

13.1.6 In their contracts with Service Providers, Members must require Service Providers to inform Members of any complaints against them while acting on behalf of the Member. The Member must keep a record of complaints in order to monitor and ensure compliance with the Code;

13.1.7 The Member shall deal with complaints received from clients relating to service providers in terms of their own complaints handling procedures.

13.2 Internal dispute resolution

13.2.1 The following standards apply to Member companies' internal dispute resolution:

13.2.1.1 Members will respond to complaints within 21 days, provided they have all information required and/or an investigation has been completed;

13.2.1.2 In cases where further information, assessment or investigation is required, the Member will agree with the complainant on a reasonable timeframe not exceeding an additional 30 days. Should it be impossible to reach agreement, the complaint will be dealt with as a dispute and will be referred to a different employee who has the appropriate knowledge, expertise, experience and authority to deal with it;

13.2.1.3 The complainant will be kept informed of the progress of the complaint on a regular basis, and at least every 14 days;

13.2.1.4 When the complainant is notified of the outcome of the complaint, the complainant will also be informed about how such a decision could be reviewed by another employee who has the appropriate knowledge, expertise, experience and authority to deal with a dispute.

13.2.2 Members will handle any complaint by the client regarding the quality or timeliness of the work or conduct of the repairer in terms of the Member's complaints procedure.

13.2.3 If a complainant wishes to have a decision regarding a complaint reviewed, the following standards are applicable:

13.2.3.1 The Member will treat it as a dispute;

13.2.3.2 The Member will notify the complainant of the name and contact details of the person assigned to liaise with the complainant in relation to the dispute;

13.2.3.3 The dispute resolution process will follow the standards set out above;

13.2.3.4 When a decision has been made, the Member will respond to the complainant in writing giving:

i) Reasons for the decision;

- ii) Information about how to access external dispute resolution or client recourse mechanisms;
- iii) Notify the complainant of the timeframe in which an external dispute should be lodged.

13.3 External dispute resolution

- 13.3.1 All Members are obligated to participate in the relevant Ombud schemes, including the OSTI, the Financial Advisory and Intermediary Services (“FAIS”) Ombud, and other relevant schemes, and agree to abide by the Ombud schemes’ rules and decisions;
- 13.3.2 Members will refer clients to OSTI and other relevant Ombud schemes in order to deal with complaints that fall within their mandates;
- 13.3.3 Members will include the details of the OSTI and other relevant Ombud schemes in disclosure documents, and documents regarding rejections of claims;
- 13.3.4 When internal complaints procedures have been unable to resolve complaints and/or disputes, clients must be referred to the OSTI when the complaint and/or dispute relates to a rejected claim within the jurisdiction of the OSTI, or to the SAIA Code of Conduct Complaints Committee if a breach of the Code has occurred;
- 13.3.5 Members must respond to the OSTI in a timeous and comprehensive manner when OSTI is dealing with a complaint.

13.4 SAIA Complaints Procedure

- 13.4.1 If a Member fails to comply with this Code and the facilitation and mediation process followed by the SAIA to resolve the issue fails to address the matter, a complaint may be lodged with the Code Complaints Committee. This Committee may impose sanctions on such a Member;
- 13.4.2 The Code’s complaints procedure will be followed when a complaint has not been resolved through the Member’s internal processes, and when the complaint does not fall under the jurisdiction of an established Ombudsman, voluntary regulatory body or is directly related to non-compliance of this Code;

- 13.4.3 The complaint must be lodged within 180 days after the date on which the complaint occurred or within 180 days after the completion of the internal dispute resolution process;
- 13.4.4 A complaint will be dealt within a reasonable period of time not exceeding 30 days after all the relevant information has been received;
- 13.4.5 The final decision and reasons for the decision will be conveyed without delay in writing to the parties by the SAIA;
- 13.4.6 The Code Complaints Committee may make a recommendation that a complaint relating to the alleged contravention of the 'Advertising' section of this Code (Section 6.1) be referred to the Advertising Standards Authority ("ASA") as an independent arbiter.

13.5 Code Complaints Committee

- 13.5.1 A Code Complaints Committee will deal with complaints which do not fall under the jurisdiction of an established Ombudsman, voluntary regulatory body or which are directly related to non-compliance with the Code.
- 13.5.2 The Code Complaints Committee will consist of a senior representative of the Ombudsman for Short-term Insurance ("OSTI"), a nominee of the Board of the OSTI, a senior representative of the Financial Services Board ("FSB"), and a nominee of the SAIA Board. The Code Complaints Committee can co-opt a specialist in the appropriate field on the Committee, if necessary.
- 13.5.3 The Code Complaints Committee shall:
 - 13.5.3.1 Elect a chairperson, who shall have a casting vote in the event of a deadlock;
 - 13.5.3.2 Make decisions by way of a majority vote;
 - 13.5.3.3 Address the complaint expeditiously, especially where the complainant may continue to suffer prejudice while the complaint is being dealt with; and
 - 13.5.3.4 Notify the Chief Executive Officer of SAIA or his/her appointed representative in writing of its decision and the reasons therefor within 90 days after receiving the complaint;

13.5.4 The Code Complaints Committee has the following powers:

- 13.5.4.1 To receive complaints regarding alleged non-compliance with the Code, and investigate such allegations;
- 13.5.4.2 To decide on its own rules and procedures for dealing with any complaint, including whether the parties may have legal representation and the terms on which the parties can be represented;
- 13.5.4.3 To conduct investigations into alleged breaches using information requested from the Member in question and supplied by the complainant, as well as any other relevant information;
- 13.5.4.4 To consider any information submitted by the Member and other relevant parties, before making its decision;
- 13.5.4.5 To dismiss complaints where the complaint is found to have no merit;
- 13.5.4.6 To make determinations where a Member has been found to have breached the code;
- 13.5.4.7 To impose sanctions should it be deemed appropriate after taking into account all relevant and material factors and the guidelines set out below;
- 13.5.4.8 To receive any requests for leave to appeal against determinations made by the Committee and to consider whether an appeal will be permitted.

13.5.5 When dealing with complaints, the Code Complaints Committee will consider the following:

- 13.5.5.1 The objectives of the Code;
- 13.5.5.2 The significance of the non-compliance with the Code;
- 13.5.5.3 The potential impact of the non-compliance on the short-term insurance industry;
- 13.5.5.4 The appropriate sanction to be imposed should the Committee deem it necessary to impose a sanction.

13.5.6 The decision of the Code Complaints Committee is binding on SAIA Members.

13.6 Sanctions

13.6.1 The following guidelines are neither exhaustive nor prescriptive. Sanctions imposed should act as a deterrent to such behaviour or actions in the future, and should be appropriate, fit the offence and take into account the following factors:

13.6.1.1 The severity of the offence including whether it was a repeat offence;

13.6.1.2 The impact of the offence on the complainant and any other affected person and any restorative measures that may be appropriate;

13.6.1.3 The quantum of any benefit or gain to the Member arising out of the offence;

13.6.1.4 Whether the offence may be a contravention of legislation or regulation and whether the referral of the outcome to an appropriate authority is required;

13.6.1.5 Whether the sanction should be restricted to the offending conduct or the offending Members business in general;

13.6.1.6 The reputational impact of the offending conduct on the industry;

13.6.1.7 The financial impact of a fine on the Member.

13.6.1.8 The appropriateness of imposing a suspended sanction/s;

13.6.1.9 The timeframe within which to effect corrective measures.

13.6.1.10 The impact / effect of publishing the findings;

13.6.2 The Code Complaints Committee can impose one or more of the following sanctions on Members and must stipulate the timeframe within which any sanction imposed is to be implemented:

13.6.2.1 A written reprimand or warning;

- 13.6.2.2 Rectifying measures to be undertaken;
 - 13.6.2.3 A requirement that a compliance audit be undertaken by an appropriate service provider, with the costs thereof to be borne by the affected Member;
 - 13.6.2.4 In the case of a complaint relating to advertising, that corrective advertising be undertaken using specified media types;
 - 13.6.2.5 A requirement for publication of the non-compliance using specified media;
 - 13.6.2.6 A monetary fine not exceeding an amount of R 500,000 (five hundred thousand Rands);
 - 13.6.2.7 An order relating to the payment of costs incurred in respect of the hearing;
 - 13.6.2.8 A recommendation to SAIA with regard to the suspension or expulsion as a Member.
 - 13.6.2.9 Referral of the matter to the appropriate authority (including a regulator or Ombud).
- 13.6.3 Fines imposed by the Code Complaints Committee must be paid within 30 days after finalisation of the complaint and, in line with the principle of consumer restitution, will be contributed to the funds for the SAIA Consumer Education Initiatives.

13.7 Appeals

- 13.7.1 Any request for leave to appeal against the decision of the Code Complaints Committee must be lodged in writing with the SAIA, who shall notify the Code Complaints Committee without delay, within 21 days after the Committee's decision has been communicated to the parties.
- 13.7.2 The Code Complaints Committee must notify the SAIA in writing within 7 days of the outcome of the request for leave to appeal, who shall notify the parties to the complaint without delay;
- 13.7.3 An appeal must be lodged with the SAIA in writing within 21 days after the decision by the Code Complaints Committee has been communicated to the parties.**

- 13.7.4 The implementation of any sanctions imposed by the Code Complaints Committee shall be suspended pending finalisation of the outcome of the appeal.
- 13.7.5 The Code Complaints Committee will appoint an appropriate person or persons to deal with an appeal.
- 13.7.6 Any appeal should, wherever possible, be disposed of within 90 days of the leave to appeal being granted.
- 13.7.7 The person(s) hearing the appeal may:
 - 13.7.7.1 Decide on the rules and procedures for dealing with any complaint, including the question of legal representation for the parties;
 - 13.7.7.2 Choose to hear the matter “de novo” if they believe that this is in the best interests of the parties;
 - 13.7.7.3 Confirm, vary or reverse any sanction(s) imposed by the Code Complaints Committee, subject to the provisions of 13.6.1 and 13.6.2.

14. THE SAIA INVESTIGATION PROCESS

The SAIA may:

- 14.1 Identify and investigate potential non-compliance with the Code in the absence of a formal complaint, including any liaison with any recognised Ombud Schemes;
- 14.2 Assist the Code Complaints Committee in its investigations where necessary;
- 14.3 Convey decisions of the Code Complaints Committee to Members and/or the complainants;
- 14.4 Monitor any required corrective measures;
- 14.5 Report any failure to correct non-compliance as decided by the Code Complaints Committee to this Committee within 21 days after the required period allowed for corrective measures had expired;
- 14.6 The SAIA must acknowledge receipt of the complaint to both the complainant and the respondent in writing within 7 days of receipt of the complaint and keep the complainant and respondent informed as to the progress of the complaints consideration;

14.7 Complaints in respect of this Code shall be in writing to:

SAIA
PO Box 5098
Weltevredenpark
1715
code@saia.co.za
011 726 5381 (phone)
086 647 2275 (fax)

15. REVIEW OF THE CODE

- 15.1 The SAIA Code of Conduct will be reviewed regularly, and at least every three years, and/or on an ad hoc basis when and if deemed necessary;
- 15.2 The review process will take into account any changes in objectives, needs in the short-term insurance environment and legislation at the time of review;
- 15.3 Any material amendments or a new Code will be approved and adopted by the SAIA Board.

Annexure 1

1. MEMBERSHIP CRITERIA

1.1 Information to SAIA

1.1.1 In order for the SAIA to be proactive in its activities to serve its Members, as well as to represent its Members appropriately in interaction with the media and clients, it is required that Members will share certain information with the SAIA regularly. The following information is required:

- a) Members must provide information according to a SAIA template regarding trends in claims, insurance fraud, and other information, on a quarterly basis;
- b) This information will be used in a responsible and non-company specific manner, with all specific characteristics or individual information removed;
- c) A summary of the industry information will be shared with Members on a quarterly basis;
- d) Any additional relevant information sharing as decided on by specific SAIA committees, or required by the SAIA, as and when required.

1.2 Consumer Education

1.2.1 It is the responsibility of the short-term insurance industry, together with the other industries in the financial services sector, to contribute to financial education of the consumer. In accordance, the following are requirements for all Members, unless exempted by the SAIA Board, in which case exempted Members are strongly encouraged to make a voluntary contribution:

- a) Members must spend the required funds on consumer education, as per the SAIA Consumer Education Strategy;
- b) The required portion of these funds must be contributed to the SAIA industry initiatives, as per the SAIA Consumer Education Strategy;
- c) Should Members choose to spend the remaining portion on their own consumer education programmes, this money must be spent in accordance with the SAIA consumer education guidelines, and/or any other relevant requirements if applicable, as per the SAIA Consumer Education Strategy.
- d) The SAIA and its Members will participate fully, through the SAIA Consumer Education Strategy, in the National Consumer Education Strategy facilitated by the FSB;

- e) Members should support industry consumer education initiatives under the auspices of the SAIA to make general information on short-term insurance available to clients and potential clients.

Addendum 1

SAIA CONSUMER EDUCATION STRATEGY

Introduction

Consumer education can best be described as the means by which knowledge and skills are acquired, which will in turn have a positive impact on an individual's life, improving the state of the economy and the country overall.

Consumer education equips consumers with the knowledge and skills to enable them to make informed decisions about their finances and lifestyles. The overall objective of the consumer education process is to increase the knowledge and understanding of the financial sector and its products and services, including developing consumers' skills and attitudes. In addition, consumer education could assist in an increase in access to financial services in general, and to the products offered by SAIA members in the short-term insurance environment, by assisting in increased uptake and usage of relevant products. This will assist with the goal of financial inclusion.

For SAIA, consumer education has two main objectives, i.e. a long term social and moral imperative as well as an attempt to increase access to the products offered by our industry in the short, medium and long term.

Since 2004, the SAIA has successfully implemented a SAIA Consumer Education Initiative, at first as a voluntary approach and since January 2009 as a SAIA membership requirement. This initiative is based on a collaborative approach and follows a partnership model.

The collaborative industry approach followed by the SAIA is seen to be an example of international best practice. A collaborative approach ensures bigger and more inclusive impact, and a maximization of the effects of the funds available. It assists in a coordinated approach and also assists in preventing overlap, amongst other benefits.

Consumer financial literacy is seen as an increasingly important imperative, both globally and nationally, and forms an important part of the recently published Micro-insurance Policy Statement by National Treasury. A national strategy for consumer financial literacy in South Africa is also imminent, according to sources in National Treasury and the Financial Services Board.

The SAIA Consumer Education Strategy is in place, and is applicable, whether the Financial Sector Charter governs the industry or not. The strategy was approved by the SAIA Board at its meeting of 28 November 2008, to be implemented from January 2009.

The SAIA Consumer Education Strategy

- Participation in consumer education is a requirement of SAIA membership.
- All SAIA members should contribute 0.2% of their after tax profits to consumer education in the low income market.
- All SAIA members should contribute a minimum of 0.1% (half of the 0.2%) to the SAIA collaborative initiative. The funds in this pool will be used by the SAIA for generic consumer education, with an emphasis on short term insurance, together with its partners.
- SAIA members who wish to contribute the full 0.2% to the above initiative may do so.
- The SAIA will spend these funds in such a way that members will receive their points for consumer education on the Charter scorecard, if applicable.
- SAIA members who wish to make in-roads in the low income market by implementing their own branded consumer education projects, preferably in the identified target market and/or at point of sale, should use the remaining 50% of its 0.2% after tax profits on such initiatives.
- SAIA members that are part of a conglomerate group, and wish to spend their 0.2% required spend through the group, may do so.
- All spend should adhere to the SAIA consumer education standards and guidelines.
- Such spend should be reported to the SAIA.
- In order for such spend to qualify for Charter points, these projects will also have to adhere to Charter requirements, if applicable.
- SAIA members that are granted exemption for the Access Pillar in the Financial Sector Charter, may apply for exemption for the SAIA membership requirement to spend 0.2% of after tax profits on consumer education. However, it is recommended that such members consider a voluntary contribution to the SAIA Consumer Education Initiative.
- Consumer education policies and guidelines should be either included in the general SAIA Code of Good Business Practise or a Code for Consumer Education should be drafted.

SAIA Guidelines for Consumer Financial Education Programme (#72716)

In agreement with international best practice, as well as South African authorities' expectations, that all role players in the financial services sector have an important role to play in consumer financial education with regards to financial literacy topics, the SAIA has adopted a strategy that requires all its members to contribute 0.2% of after-tax profits to consumer financial education programmes. In terms of the SAIA policy, at least half of this 0.2% needs to be contributed to the SAIA collaborative pool of funds with the balance of the spend on their own programmes.

The funds should be spent according to Financial Sector Charter requirements, should the Financial Sector Charter (Charter) govern the sector, or according to the guidelines set out in this document should the Charter not govern the financial services sector.

SAIA members will be required to report on this spend on an annual basis. The report on the previous year's spend - based on the financial results of the year prior to the year in which implementation takes place – will be expected by the end of April of a particular year. A simplified reporting format will be made available to members by the SAIA.

Guidelines

1. Definitions

- Following the OECD (Directorate for Financial and Enterprise Affairs in the United States of America) definition of financial education, also used by the Financial Services Board (FSB), financial education is “*the process by which financial consumers/investors improve their understanding of financial products, concepts and risks and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being*”. Financial education therefore includes improving the levels of knowledge, skills, and attitudes that will lead to behaviour change.

2. Guidelines: Principles

- Providing financial education to consumers should form part of a financial institution's good governance and business practice in respect of their relationship with their clients. This would include providing information, appropriate disclosure and appropriate advice at point of sale according to any relevant legislation, regulation and/or good practice, but also creating financially aware and literate clients in the long term.
- Financial education should be provided in a fair and unbiased manner, and be non-discriminatory.
- Programmes should be co-ordinated and fit into a sector and/or national programme. Therefore, programmes should take cognizance of the national consumer financial education framework / strategy as approved by the Financial Services Board (FSB), and should seek to fit into this overall strategy. In addition, programmes should seek to fit into the sector initiative and follow the SAIA guidelines.
- Financial education programmes should provide context. For example, should the target audience be lower income, lower educated people, basic financial principles such as budgeting, saving, etc should provide a starting point. General principles regarding insurance, and specifically short-term insurance should provide the back-drop for product information, etc.
- Financial education should be seen as a long-term commitment, although short-term outcomes may be the starting point of a programme. Financial education should be seen as a continuous, ongoing commitment towards clients and potential clients.

- Financial education programmes should be designed to meet the needs of the target market, and should take into account the literacy and financial literacy levels of the target market.
- Financial education programmes, and the outcomes of these programmes, should be shared at a general level in terms of the SAIA requirements as well as a national framework or strategy to prevent duplication and encourage learning.

3. Guidelines: Good Practices

- Financial education programmes should be holistic, comprehensive and complementary.
- Financial education could include generic financial literacy concepts, generic short-term insurance financial literacy concepts, as well as general product information.
- Objective information on risks and products and how these relate to the needs of different target audiences should be encouraged.
- A clear distinction should be made between financial information/education and marketing/commercial information. Commercial financial information should be disclosed as such and must fall outside of the consumer education spend required by the SAIA of its members.
- Financial education should be appropriate. The target audience should be identified clearly. The message, content, and delivery mechanisms used should be aligned to the target audience. Information/education provided should be simple and understandable. In South Africa, such education should preferably be provided in the language/s best understood by the target audience.
- Financial education should have specific objectives.
- Financial education should be monitored and assessed to ensure appropriateness and impact.
- Consumer financial education should, if at all possible, attempt to create a link between the consumer financial education and increased access to financial services products.

4. Guidelines: Consumer Financial Education Programmes

In line with the above good practices, the following guidelines relate specifically to financial education programmes/projects:

- **Accessibility**
 - Financial literacy programmes must be free of charge.
 - Financial education programmes should make use of different delivery mechanisms, including the media and all other potential vehicles, in order to attempt to reach as many consumers as possible.
- **Appropriateness**
 - The target audience should include all South Africans, recognizing that the majority of the population are low income individuals.

- The target audience should be clearly identified.
- The objective/s of the programme should be clearly identified.
- The language, message, content, and delivery mechanism must fit the target audience as well as the objective.
- Content must be simple and understandable.
- Content must be in context, i.e. generic financial literacy concepts, and/or generic short-term insurance concepts should be included in product specific consumer education to provide context and promote basic understanding.
- Marketing and/or commercial information will not be seen as financial education and cannot be included in the required SAIA spend.
- Branding is allowed but should not be the main feature of the content. In fact, experience shows that if the content is good and understood, brand recognition will follow almost automatically. On the other hand, heavily branded material often suffers credibility problems.
- Content should not be paternalistic.
- Programmes should consider at least one of the following: reach, frequency, depth of message, as well as follow-up messaging.
- The size of the target audience should be appropriate and linked to the type of programme and the specific delivery mechanism used, i.e. a face-to-face workshop should ideally not include more than twenty to thirty people in the workshop.

- **Quality**

- Content of financial education programmes should be accurate.
- Content should be appropriate to the target audience.
- The message should be reinforced in different ways, including frequency, repetition, etc.
- The quality and appropriateness of service providers used should be of prime concern. Service providers should be able to prove the necessary skills, qualifications and experience in their area of expertise. Trainers/facilitators should be skilled, qualified and/or trained in their fields of expertise, as well as with regards to the specific content of the message. Such skills should be monitored and evaluated throughout the programme in order to ensure that these are appropriate. Care should be taken when appointing service providers and clauses and penalty clauses to ensure delivery should be considered when contracting service providers.
- Should the message be an in-depth message using a face-to-face delivery mechanism, the content should be appropriately in-depth and should ideally not be a once-off intervention.
- Should the message be more about awareness creation, the message should ideally be repeated frequently using different channels to reinforce the message to ensure that the message is internalized.
- Messaging should preferably include information about where consumers can access relevant information when they need to do so.

- **Monitoring and evaluation or measurement**

- Although the terms monitoring and evaluation are used here, it is emphasized that the objective is to ensure that the financial education spend has maximum impact, in order to ascertain whether the funds spent were worthwhile, and to be put in a position to more effectively select projects that would have a positive impact in future.
- Consumer financial education is currently a very new field and very little information exists on what works and what does not work. Therefore, the measurement of the impact of projects is extremely important, as is the sharing of this knowledge with others to build a body of knowledge to the benefit of all role players in this field.
- It is therefore very important that every financial education programme is monitored and assessed/evaluated in order to make sure that the objectives of the project have been met.
- The implementation of the programme should be monitored on an ongoing basis to ensure appropriate impact. Eg the number of people reached, the number of workshops/broadcasts/industrial theatre shows, classroom interventions, the quality of the delivery of the message, the quality and appropriateness of the message, etc.
- Assessment/evaluation or measurement of outcomes should be included in the programme to include transfer of knowledge, skills, attitudes, and behaviour change if possible.
- Assessment should include the assessment of the target audience, or a sample thereof, as well as the facilitators and/or trainers if relevant.
- Some financial education outcomes will be immediate, others will become apparent over time. Assessment/evaluation or measurement should therefore take place before and immediately after an intervention, and – if appropriate – followed up over time from between 3 – 12 months after an intervention, if at all possible.
- In some cases the outcome would be only apparent after time, such as increased uptake of financial services products.
- The assessment/evaluation or measurement should always take the objective of the programme into account.
- Assessment/evaluation or measurement should include quantitative and qualitative methods, if possible and appropriate.
- Evaluation/assessment or measurement could differ from project to project. It might not always be possible to show specific, absolutely true results and/or impact, as we are talking about attitudes and behaviours of people that could differ according to circumstances. In addition, innovative ways of getting the financial education messages across should be encouraged which means that the methods and/or delivery mechanisms used could be very new, very different and very creative. However, this does not mean that evaluation/assessment or measurement should be abandoned. This should still form an important part of the process, albeit

it possibly that an imperfect way to assess/evaluate or measure needs to be followed.

- A balance should be sought between the amount of money spent on the actual financial education programme and the monitoring and evaluation or measurement component. Both aspects are important, but it is important to remember that consumer financial education projects should be about consumer financial education on not about research.

- **Information sharing and collaboration**

- The dissemination of the results of the evaluation/assessment or measurement of a programme and/or projects is important. It is crucial that the results of different types of programmes and/or projects are shared to ensure that they have a positive impact and are pursued by more role players. The sharing of such information is therefore required by the SAIA that will in turn be required to share this with the FSB in order to establish a database of financial education programmes and/or projects that will seek to coordinate and inform financial education programmes and/or projects across South Africa.
- General information sharing with regards to the programme and/or project and the results of the assessment/evaluation or measurement of the programme and/or project will therefore be required from SAIA members as a basic requirement.
- Information sharing on projects that are deemed to give a competitive advantage could be general, but general information about the type of project, type of delivery mechanism, type of content, as well as measurement or impact assessment will be expected.
- SAIA members who wish to share information with the SAIA on projects deemed to give a competitive edge in detail, but do not wish to share this information in detail to a wider audience, could do so as the SAIA could then share the general information with a wider audience and not the detail.
- SAIA members who wish to only share general information as per the points above, should clearly state so when they report to the SAIA.
- When members undertake their own programmes and/or projects in addition to their participation in the SAIA pooled initiative, collaboration with partners is strongly encouraged to ensure wider impact and upliftment of key public bodies. For example, members may wish to collaborate with public/national bodies such as SAIA, FSB, National Consumer Tribunal or the Ombuds amongst others. This will also address any concerns that programmes are pure marketing as these bodies will also ensure scrutiny of the quality of the activities.

Conclusion

The above mentioned guidelines are relatively general and non-specific in order to encourage innovation while at the same time attempting to promote the implementation

of appropriate, quality, coordinated, and meaningful consumer financial education programmes and/or projects by SAIA and its members.

The SAIA Consumer Education Guidelines as documented in this document should be revised periodically, preferably annually, in order to take into account new trends, needs, and expectations.

Sources

The sources used to research the topic of international good practice and guidelines with regards to financial education that resulted in the above guidelines, include:

Good Practices for Consumer Protection and Financial Literacy in Europe and Central Asia: A Diagnostic Tool. (August 2008) The World Bank.

United Nations Guidelines for Consumer Protection. United Nations. (New York, 2003).
Recommendations on Principles and Good Practices for Financial Education and Awareness. OECD. Directorate for Financial and Enterprise Affairs. US Treasury. (July 2005).

OECD Recommendation on Good Practices for Enhanced Risk Awareness and Education on Insurance Issues. US Treasury. Approved by OECD Council on March 2008.

Assessing the Outcomes of Financial Education. Financial Education. From Poverty to Prosperity. J Sebstad, M Cohen, K Stack. Washington D.C. 2006

Financial Literacy Foundation Essential Elements Financial Literacy Assessment. Educational Materials Eligibility and Assessment Guidelines for Materials Developers. Australian Government Financial Literacy Foundation.

Consumer Education Standards and Implementation Guidelines for Consumer Education Standards. Financial Sector Charter Council.

Consumer Financial Education Framework for South Africa. Draft. Financial Services Board (FSB). 2009.

Vivienne Pearson

Updated document on SAIA Consumer Education Strategy

22 August 2011

#87863

Annexure 2

1. REVISION AND APPROVAL OF SAIA CODE OF CONDUCT

Revision History

The table below provides the details of the current and previous revisions of the Code

Date	Document number	Type of amendment
18 November 2010	# 83510	SAIA Code of Conduct : Amended with reinsurance business and code of salvage
December 2009	#76635	SAIA Code of Conduct as approved by SAIA Board with final cosmetic changes
18 July 2011	#103530	SAIA Code of Conduct as approved by SAIA Board with final cosmetic changes and clarification

ANNEXURE 3:

The Code of Motor Salvage

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THE “CODE OF SALVAGE”

Agreed to by
the South African Insurance Association (“SAIA”);
the Banking Association South Africa (“BASA”); and
the National Motor Financing Association (“NMFA”).

Supported by Business Against Crime SA (“BACSA”), the South African Police Service (“SAPS”) and the South African Insurance Crime Bureau (“SAICB”)

When in this Code of Salvage reference is made to banks it includes the members of the NMFA to the extent that it is applicable to the members of the NMFA in terms of their Constitution and any other applicable legislation.

1. THE PURPOSE OF THE CODE

The purpose of the Code on Salvage (“Code”) between the short-term insurance and banking industries, and specifically the SAIA and its members, the BASA and its members as well as the NMFA and its members, is to establish a common approach when dealing with motor salvage with the end goal being to assist in combating motor vehicle crime and specifically the cloning of motor vehicles to the benefit of all role players and ultimately the South African public.

Insurers and banks have a moral duty to the consumers to safeguard them from unscrupulous operators who are selling and or putting back in use unfit and unsafe motor vehicles as code 2 motor vehicles, which should have been deregistered. Should these activities not be addressed, unsafe motor vehicles may be put back onto our roads in this way contributing to the high accident figures on South African roads, while at the same time indirectly contributing to motor vehicle crime.

This Code and compliance to the requirements of this Code is a commitment by the SAIA, BASA and the NMFA and their members to do everything in their power to combat motor vehicle crime and address road safety.

Furthermore, this Code is an undertaking by the short-term insurance industry to continuously seek the desired balance between the various responsibilities insurers have including:

- a) The responsible management of motor vehicle salvage in order to address issues of crime combating and road safety to the benefit of all concerned including the insurers who often end up insuring cloned motor vehicles while already having paid claims for the loss of or damage to insured motor vehicles and their customers whose insurance premiums are adversely affected by the high risk and cost of motor insurance claims;

- b) The sustainability and affordability of motor insurance in South Africa by putting the required procedures and controls in place to manage the motor claims and salvage processes with a view to minimise unnecessary financial leakages and to manage the salvage proceeds in a responsible manner. Poor management of these processes may result in financial losses and/or unwanted increases in premiums;
- c) To ensure that customers are treated fairly and that the service experience during the entire life cycle of motor policies and claims is in line with clients' expectations.

This Code reflects the responsible approach taken by the banking and short-term insurance industries, and specifically the SAIA, BASA and the NMFA and their members, in combating crime in South Africa, recognised by the relevant authorities, and therefore making it unnecessary for the banks and short-term insurers that are governed by this Code to be legislated by the Second Hand Goods Act.

The principles entrenched in this Code support the Second Hand Goods Act, 2009, the primary function of which is to regulate the business of dealers in second-hand goods and pawnbrokers in order to limit the trade in stolen goods and promote ethical standards in the second-hand goods trade.

Over and above the duties of insurers and banks as well as other relevant role players, this Code also establishes best practice in salvage management which will benefit all participants in this process, but especially insurers and their clients. Insurers will benefit by following these processes in many different ways, including underwriting mainly legitimate/legal motor vehicles. This is not only good for the sustainability, profitability and cost of motor insurance, but also good customer service.

The Code of Salvage is enforced in the following ways:

- a) The Code of Salvage forms part of the SAIA Code of Conduct for SAIA motor insurance members, and as such is a requirement for membership of SAIA motor insurance members. The penalties that are applicable for members that do not comply with the SAIA Code of Conduct therefore also apply to members that do not comply with the Code on Salvage. Details are provided in section 9 of this Code.
- b) The Code of Salvage forms part of the member requirements of the Banking Association South Africa, for its relevant members, and will serve as an attachment to the Code of Banking Practice. The Code of Banking Practice is a voluntary code that sets out the minimum standards for service and conduct the customer can expect from his/her bank with regard to the service and products it offers, and how the banks would like to relate to their customers. The Code of Banking Practice only applies to personal and small business customers. The same dispute resolution in the case of non-compliance to the Code of Banking Practice will apply to this Code of Salvage, and are discussed in section 9 of this Code.

- c) The NMFA will do everything in its power, and in terms of its constitution, to assist with the compliance of this Code by its members.

2. DEFINITIONS

In terms of this Code, all the relevant role players including the banks, insurers, and any third parties contracted by insurers including brokers, underwriting managers, salvage agents and others will use common terms and definitions to ensure a common understanding and implementation of this Code.

In this section of this Code, as in other sections, the following terms will be used:

- a) eNaTIS stands for electronic National Traffic Information System, and is the motor vehicle registration system of the National Department of Transport;
b) SAPVIN means the South African Police Vehicle Identification Number.

The following terminology and eNaTiS codes will be used in all correspondence between insurers and banks.

2.1 eNaTiS Codes

The four life cycle status codes for a motor vehicle on eNaTiS are:

2.1.1 Code 1 - New

New motor vehicles delivered by a dealer to the first owner.

2.1.2 Code 2 – Second Hand

Used motor vehicles with one or more previous owners.

2.1.3 Code 3 - Built up/Permanently unfit for use

Code 3 motor vehicles are Code 1 or 2 motor vehicles involved in an incident, and subsequently being declared unfit for use as a motor vehicle, such motor vehicle may be rebuilt however will forever reflect a code 3 allocation and undergo the stringent procedures set out in the legislation. A motor vehicle is “Built up or Permanently unfit for use”, when the extent of the damage includes structural defects that require substantial rebuilding.

2.1.4 Code 4 - Permanently Demolished

Permanently demolished, means that the chassis of a motor vehicle has been a) Compacted; b) compressed; c) melted; d) destroyed d; or e) damaged to such an extent that the motor vehicle concerned cannot be made roadworthy and the chassis cannot be used to build a motor vehicle”.

2.2 Uneconomical to Repair

A motor vehicle is “uneconomical to repair” when, cost of parts, the availability of parts, the repair duration and motor vehicle rental costs or other costs associated with the repair are high in relation to the value of the vehicle. The status of the motor vehicle will not be altered.

Therefore in the insurer’s discretionary opinion the motor vehicle is uneconomical to repair, but structurally sound, subject to specific agreement between the relevant bank and insurance companies.

2.3 Dealer Stock

This is when motor vehicles are exempt from licencing, and registered in the name of the insurance company, or the salvage agent, as the titleholder of the motor vehicle. Dealer stocking must take place per the indications in the relevant sections of this Code.

The principle of dealer stocking is accepted and agreed. The following is agreed:

- a) The insurance company takes the responsibility for dealer stocking.
- b) The insurance company will implement dealer stocking itself, oversee the process thereof, or will contract another party such as a salvage agent to dealer stock.
- c) The insurance company will decide whether the dealer stocking will take place in the name of the insurance company, or in the name of a third party, i.e. a salvage agent, as per relevant legislation and regulation and contracts in place.
- d) The insurance company will contract the third party (salvage agent) according to the above mentioned decisions.
- e) The insurance company will undertake regular audits to ensure that the actions agreed to in the contract with the third party (salvage agent) are being implemented.
- f) The insurance company will ensure that the correct audit trail exists.

3. STATUS CODES AND LEGISLATION

The Act and the Regulations do not define the “status codes”. The so-called codes 1, 2, 3 and 4, that are widely used by the insurance industry, are in fact eNaTiS lookup table values and have no legal standing.

However, the Regulations do refer to the life cycle status of motor vehicles. Although the life cycle status codes (with the exception for the status “permanently demolished”), are

also not defined, the Regulations provide guidelines to determine the life cycle status of a motor vehicle as implemented on the eNaTiS.

3.1 Motor vehicle life cycle status

The following life cycle status codes are identified:

3.1.1 New (code 1)

A motor vehicle will have a life cycle status of “New” (so called status 1) after it has been registered and is required to be licensed for the first time.

The registration of motor vehicles as dealer stock (exempted from licensing) does not change the status of the motor vehicle.

3.1.2 Used (code 2)

A motor vehicle will have a life cycle status of “Used” (so called status 2) after registering the motor vehicle as “liable for licensing” (not dealer stock) in three instances:

- a) If such motor vehicle was ***previously registered*** as being liable for licensing and the status of the motor vehicle was recorded as “new” or “used”;
- b) If such motor vehicle was deregistered as being stolen and the status of the motor vehicle was recorded as “new” or “used” prior to such de-registration (Regulation 13 (5)); or
- c) If such motor vehicle was de-registered as being exempt from registration and such exemption was withdrawn or no longer applies and the status of the motor vehicle was recorded as “new” or “used” prior to such de-registration (Regulation 13 (5)).

The registration of motor vehicles as dealer stock (exempted from licensing) does not change the status of the motor vehicle.

3.1.3 Built-up (code 3)

According to Regulation 13 (4), a motor vehicle will have the status of “built-up” (so called status 3) after registering the motor vehicle as being liable for licensing in four circumstances:

- a) If such motor vehicle was previously deregistered as permanently unfit for use;
- b) If such motor vehicle was previously registered as “built-up”;

- c) If such motor vehicle is being registered for the first time, and it has been manufactured, built, modified or imported by an unregistered manufacturer, builder or importer (MIB) and a certification of roadworthiness was not issued to it; or
- d) If such motor vehicle is being registered for the first time, and it has been manufactured, built, modified or imported by a registered MIB which was registered subject to the condition that the motor vehicle will have a status of “built-up”.

Regulation 13 is clear when a motor vehicle will have a status of “built-up” after re-registration, but it does not determine when a motor vehicle must be deregistered as “**permanently unfit for use**”. The Act and the Regulations do not define this term and leave this decision to the **title holder** (e.g. bank). If the motor vehicle was previously deregistered as permanently unfit for use, it will have a status of “built-up” (so called status 3) after it is re-registered.

Note: *A motor vehicle will have a life cycle status of “Used” (not “built-up”) after registering the motor vehicle as being liable for licensing, if such motor vehicle was de-registered as being **stolen** and the status of the motor vehicle was recorded as “new” or “used” prior to such deregistration. If the status of the motor vehicle was “built-up”, it will retain this status.*

3.1.4 Permanently Demolished (code 4)

A motor vehicle is recorded as **permanently demolished** (so called status 4) if such motor vehicle was **de-registered** in terms of Regulation 55 as permanently demolished. Thus, **permanently demolished** is not a real life cycle status but a reason for deregistration (it is the same as “permanently unfit for use”).

Regulation 1 provides that “permanently demolished” means that the chassis of a motor vehicle has been:

- a) *compacted;*
- b) *compressed;*
- c) *melted;*
- d) *destroyed; or*
- e) *damaged;*

to such an extent that the motor vehicle concerned cannot be made roadworthy and the chassis cannot be used to build a motor vehicle.

Thus, a motor vehicle is “permanently demolished” if it is not physically possible to repair the motor vehicle to a state where it can be made roadworthy.

Title holders (e.g. banks and insurers) must deregister motor vehicles accordingly if the motor vehicle cannot be repaired to a roadworthy state.

Regulation 13A determines that a motor vehicle which was deregistered in terms of regulation 55 as “permanently demolished” shall not be registered again.

3.1.5 Uneconomical to Repair

This terminology does not form part of the Act or the Regulation and is not provided for on the eNaTiS.

4. RULES FOR DETERMINING THE STATUS CODES OF SALVAGE

The Code of Salvage is used as a basis of informing the principles considered in the formulation of these Rules. This is also to ensure compliance with the requirements of the Act and Regulations, as well as to ensure exemption from the Second Hand Goods Act.

4.1 Stolen recovered motor vehicles

A stolen recovered motor vehicle that was not involved in an accident will have a life cycle status of **“Used”** if the status of the motor vehicle was “new” or “used” prior to the theft of the motor vehicle.

If the status of the motor vehicle was **“Built-up”** before the theft, it will retain this status, i.e. Code 3.

If a recovered motor vehicle was involved in an accident while it was stolen, the requirements for accident-damaged motor vehicles will be used to determine the status of the motor vehicle.

Registration requirements for stolen motor vehicles:

4.1.1 Insurers and all other relevant role players will comply with all relevant legislation.

4.1.2 The insurer must ensure that the titleholder/owner deregister the motor vehicle as stolen on eNaTiS. Insurers must use the agreed terminology as per this Code of Salvage in the instruction to deregister to the titleholder/owner. A pro forma wording for such an instruction is attached to this Code as Addendum B.

4.1.3 When a motor vehicle is stolen and not recovered, the insurer or the salvage agent as per the contract in place must dealer stock the motor vehicle.

- 4.1.4 If a stolen motor vehicle is recovered, after a claim was settled, the insurer must take the responsibility to ensure that the recovered motor vehicle is microdotted before a police clearance will be issued.
- 4.1.5 If a stolen motor vehicle is recovered, after a claim was settled, the insurer must dealer stock the motor vehicle on eNaTiS after a police clearance was issued.
- 4.1.6 Insurers and all other relevant role players must record relevant information as required by the Second Hand Goods Act on an internal register which could take the form of the operational system of the entity. The relevant information will be stipulated in various sections of this Code.
- 4.1.7 The insurer must enter the details of all stolen motor vehicles, whether recovered or not recovered, on its own register.
- 4.1.8 The insurer must enter the details of all stolen motor vehicles on the salvage database, once this is in place.
- 4.1.9 The following details will be recorded by the insurer as soon as possible on both its internal registers, both electronic and physical, as well as the electronic industry salvage database once it is in place, if available:
 - a) Register number
 - b) Registration number
 - c) Chassis number/VIN number
 - d) Engine number
 - e) Odometer reading
 - f) Exterior details of motor vehicle (only if the motor vehicle is recovered)
 - g) Interior details of motor vehicle (only if the motor vehicle is recovered)
 - h) Photograph of motor vehicle (only if the motor vehicle is recovered)
 - i) Any distinguishing marks on motor vehicle, including microdotting
 - j) Details of status of motor vehicle
 - k) Details of owner, including name, address, identity number
 - l) Details of current location.
- 4.1.10 Once the salvage agent is contracted to dispose of the motor vehicle, the insurer must follow the following process:
 - a) Complete change of ownership form and hand to salvage agent with the rest of the documentation and keys.
 - b) Require the salvage agent to dealer stock the motor vehicle in its name, or in the name of the insurer, as per the contract in place.
 - c) Require the salvage agent to complete a 'notification of change of ownership (NCO) with the buyer's detail and identity document at a licensing authority to update eNaTiS with the buyer's detail.
 - d) The insurer must do an audit to ensure that the above mentioned instructions were followed by the salvage agent, as per the contract in place.

4.2 Accident-damaged motor vehicles

The following Rules should be followed:

4.2.1 Economical to Repair (Not written-off)

These motor vehicles are motor vehicles that:

- a) Have no irreparable major structural damage;
- b) Can be repaired to the specifications of the original manufacturer;
- c) Can be repaired to a roadworthy state; and
- d) Have not been declared uneconomical to repair by an assessor (e.g. damage does not exceed 60% to 70% of value of motor vehicle).

A change of ownership will not take place (i.e. motor vehicles will not be registered into the name of insurance company) and will not be deregistered by the title holder as “permanently unfit for use” or “demolished”.

These motor vehicles will keep its original status code (e.g. “New” (code 1) or “Used” (code 2)).

4.2.2 Written-off motor vehicles

Written-off motor vehicles are motor vehicles where the insurance company decided not to repair the motor vehicle (e.g. where the damage exceeds 60% to 70% of the value of the motor vehicle). These motor vehicles are classified into a number of status codes ranging from code 2 (where the motor vehicle is uneconomical to repair, but can be safely repaired) to code 4 (where it is “permanently demolished”). This section proposes *minimum standards* to classify motor vehicles.

4.2.2.1 Code 4 (Permanently Demolished)

4.2.2.1.1 General rules

Motor vehicles that, according to the assessor:

- a) Have irreparable major structural damage; and
- b) Cannot be repaired to the specifications of the original manufacturer; and
- c) Cannot be repaired to a safe and roadworthy state, must be declared a code 4.

4.2.2.1.2 Definition of irreparable major structural damage

The following should be considered to determine when a motor vehicle has **irreparable major structural damage**. Motor vehicles have major structural damage when:

- a) In the case of a monoshell motor vehicle, when:
 - i. The monoshell is twisted in its entirety;
 - ii. The dome is crushed from overturning and, in the process, the roof pillars are crushed
 - o which in turn crushed the firewall or rear cab panel, and the monoshell panels round
 - o the motor vehicle were damaged.
- b) In the case of a ladder chassis motor vehicle, when:
 - i. The body as well as the chassis are severely damaged;
 - ii. The chassis is damaged beyond repair, and the A pillars or firewall are damaged.
- c) The motor vehicle has **irreparable** damage to the safety shell.
- d) The motor vehicle was totally **burned** out.
- e) A stolen recovered motor vehicle has been completely stripped for interior and exterior body parts, panels and components, or if the motor vehicle identification numbers have been removed.

4.2.2.1.3 Legislation and eNaTiS requirements

- a) These motor vehicles should be registered (dealer stocked in the name of the insurer or the salvage agent as per the contract in place)
- b) These motor vehicles should be deregistered as “demolished” as determined by regulation 55. Regulation 13A determines that a motor vehicle which was deregistered in terms of regulation 55 as “permanently demolished” shall not be registered again.

4.2.2.1.4 Further requirements

- a) It is the responsibility of the insurance company, through the motor assessor, to determine when a motor vehicle should be coded as permanently demolished.
- b) Insurers should apply the legal and eNaTiS requirements, as well as the requirements of this Code of Salvage strictly in order to restrict incorrect coding of motor vehicles that should fall into this category.
- c) Insurers shall ensure that the motor assessors they employ and/or contract will be trained to such an extent that they would be able to do their duties in this regard. This training will include training about relevant legislative and other requirements, the requirements of this Code, as well as the structural and mechanical knowledge of motor vehicles necessary to perform their duties.

- d) Motor assessors should take photographs of the motor vehicle.
- e) Code 4 motor vehicles are in such a condition that they cannot be re-used, although undamaged parts of such a vehicle may be re-used. Therefore, the important part is to deal with the documents for Code 4 motor vehicles in such a way that they cannot be used in any illegal manner. The following should be followed:
 - i. The insurer will keep all documents related to Code 4 motor vehicles, i.e. they will not hand over the documents to any third party including the salvage agent.
 - ii. The insurer will either destroy such documents immediately through the act of shredding, or keep the documents only until such time as they are included in a final audit after which they will be destroyed through the act of shredding.
 - iii. While a document relating to a Code 4 motor vehicle is still in the possession of an insurer, this document will be defaced until it can be destroyed as per the above.
- f) Should the insurance company instruct a salvage agent to destroy a motor vehicle, the insurance company will ask for proof of such destruction. In addition, the documents relating to such motor vehicles will be dealt with as per the above mentioned process.
- g) The insurer must ensure that the motor vehicle is deregistered on eNaTiS as permanently demolished by the titleholder (bank/owner), i.e. the chassis number must be cancelled. Insurers must use the agreed terminology as per this Code of Salvage in the instruction to the titleholder/owner. A pro forma wording for such an instruction is attached to this Code as Addendum B.
- h) The insurer must note the code 4 status of the motor vehicle, as well as the fact and manner of the chassis on all other (apart from eNaTiS) appropriate records, i.e. the electronic and physical registers/operational systems of the insurer.
- i) The insurer must note the details of the motor vehicle, including its status code, onto the electronic industry salvage database, once this is in place.
- j) The insurer must inform all other relevant role players, such as salvage agents, of the status of the motor vehicle.

4.2.2.4 Code 3 (Built-up)

4.2.2.4.1 General rules

Motor vehicles that, according to the assessor:

- a) Only have **repairable structural damage**; and
- b) **Can** be repaired to a **safe and roadworthy** state; and
- c) Can **not necessarily** be repaired to the specifications of the original manufacturer, must be declared a code 3.

4.2.2.4.2 Definition of repairable structural damage

The following should be considered by the assessor to determine when a motor vehicle has **repairable** structural damage. **Repairable** structural damage is:

- a) Where the motor vehicle can only be repaired by means of joining two or more body shells together;
- b) When the complete chassis needs to be replaced, including and especially in the case of light delivery motor vehicles;
- c) When the entire load bearing sections (cab) of the main rails need to be cut and welded, including and especially in the case of light delivery motor vehicle cabs;
- d) When the motor vehicle has sustained severe structural damage requiring extensive repairs needed to the chassis, frame and mono.

4.2.2.4.3 Legislation and eNaTiS requirements

- a) The insurer should ensure that these motor vehicles are deregistered as **“permanently unfit for use”** and/or if unfit to be registered as a used motor vehicle should be deregistered as a ‘built up’ motor vehicle (Code 3).
- b) These motor vehicles should be registered (dealer stocked in the name of the insurer or the salvage agent as per the contract in place) by the insurer or the salvage agent as per the contract in place.

4.2.2.4.4. Other requirements:

The following details will be recorded by the insurer as soon as possible, and if available, on:

- a) The electronic and physical registers/operational systems of the insurer;
- b) The industry electronic salvage database.
 - i. Register number
 - ii. Registration number
 - iii. Chassis/VIN number
 - iv. Engine number
 - v. Odometer reading
 - vi. Exterior details of motor vehicle
 - vii. Interior details of motor vehicle
 - viii. Photograph of motor vehicle
 - ix. Any distinguishing marks on motor vehicle, including micro dotting
 - x. Details of status of motor vehicle
 - xi. Details of owner, including identity number, date of birth, address
 - xii. Details of current location.

The information recorded on the electronic industry salvage database will be shared with the South African Insurance Crime Bureau.

4.2.2.5 Used (code 2), but uneconomical to repair

4.2.2.5.1 General rules

Motor vehicles that, according to the assessor, are uneconomical to repair (e.g. damage exceeds 60% to 70% of the value of the motor vehicle) and the insurance company decides not to repair the motor vehicle, and:

- a) Have structural damage that is not severe;
- b) **Can** be repaired to a **safe and roadworthy** state; and
- c) *Can be repaired to the specifications of the original manufacturer,*

can be declared a code 2. In such cases, the insurer should update the HPI register with a note to confirm that this vehicle was involved in an accident and was uneconomical to repair, if possible. The parties agree to collaborate to establish a workable process in this regard, if possible and financially viable.

4.2.2.5.2 Definition of minor structural damage

Motor vehicles that were not classified as code 3 or code 4 motor vehicles can be classified as code 2 motor vehicles. Motor vehicles:

- a) That can be repaired:
 - i. Without joining two body shells together;
 - ii. Without replacing the entire chassis;
 - iii. Without cutting and welding the entire chassis or main rails;
- b) Have not sustained major structural damage requiring extensive repairs to the chassis, frame and mono.

4.2.2.5.3 Registration requirements:

- a) These motor vehicles should be registered (dealer stocked in the name of the insurer or the salvage agent as per the contract in place) as code 2.
- b) It is the responsibility of the insurance company to complete a 'notification of change of ownership' (NCO) with the buyer's detail and to request a copy of the identity document before the motor vehicle is sold.

4.2.2.5.4 Other requirements:

The following details will be recorded by the insurer as soon as possible, and if available, on:

- a) The electronic and physical registers of the insurer;
- b) The industry electronic salvage database.
 - i. Register number
 - ii. Registration number
 - iii. Chassis/VIN number
 - iv. Engine number
 - v. Odometer reading
 - vi. Exterior details of motor vehicle
 - vii. Interior details of motor vehicle
 - viii. Photograph of motor vehicle
 - ix. Any distinguishing marks on motor vehicle, including microdotting
 - x. Details of status of motor vehicle
 - xi. Details of owner, including identity number, date of birth, address.
 - xii. Details of current location.

The information on the industry electronic salvage database will be shared with the South African Insurance Crime Bureau.

5. INTERNAL PROCESSES

5.1 Insurance Companies

- 5.1.1 Insurers undertake to exercise sound judgement and to take extreme care in making decisions relating to the repair and status of accident damaged motor vehicles. Insurers and their appointed assessors will make this decision and instruct banks accordingly.
- 5.1.2 In terms of the SAIA Code of Conduct, as well as this Code of Salvage, the insurer is responsible for the actions of all contracted parties and third parties should be contracted as such. All parties contracted by the insurer to carry out any duties and/or actions on behalf of the insurer with regard to any aspect of the management of salvage should be expected by insurers to follow this Code of Salvage.
- 5.1.3 Registration, deregistration and dealer stocking will be dealt with according to this Code of Salvage, as well as any other legal requirements.
- 5.1.4 In addition, insurers will always act within the ambit of the laws of South Africa, and will not use any illegal means to streamline processes in the registration, de-registration, dealer stocking, clearance by the South African Police Services (“SAPS”), or any other relevant processes.
- 5.1.5 It is recommended that at underwriting stage, the insurer will endeavour to obtain and capture the details of the motor vehicle, and the titleholder/owner. The insurer will also, if appropriate and possible, verify such information against available databases, or through inspections and/or any other appropriate methods.
- 5.1.6 At claims stage, the insurer must obtain and verify the details of the motor vehicle, and the titleholder/owner.

- 5.1.7 At claims stage, the motor vehicle and all the required details, as well as its status code, place of safekeeping, physical condition through pictures etc. must be recorded onto an electronic and physical register/operational systems.
- 5.1.8 In addition, at claims stage, all the required details need to be entered onto the electronic industry salvage database, when in place.
- 5.1.9 The handing over of documents from one party to another in the salvage management process will be dealt with as per the requirements of this Code of Salvage.
- 5.1.10 Safeguarding of relevant documents and keys will be dealt with according to this Code of Salvage.
- 5.1.11 Personnel will be carefully selected and monitored, and reasonable security restrictions and measures will be implemented by the insurer to minimise the risk of personnel being part of or exploited/used by criminals to assist in the perpetrating of crime/illegal activities.
- 5.1.12 Appropriate audit procedures will be put in place by insurers for all salvage management activities, including electronic audit trails on electronic registers/operational systems.
- 5.1.13 If an insurer becomes aware of any illegal activities linked to the salvage management process including illegal actions by staff members, it will inform the South African Insurance Crime Bureau (SAICB), and/or any relevant authorities as required.
- 5.1.14 Insurers will have an appropriate governance framework in respect of outsourcing in place to ensure that effective management of risks is addressed and regulatory obligations are met.
- 5.1.15 Insurers will report the following to the SAICB:
 - a) When motor vehicles are identified as clones.
 - b) When motor vehicles are deregistered as Codes 4.
 - c) When the licensing authorities are not complying with regulations.
 - d) When the salvage agent does not comply with the Code.
 - e) Info sharing should happen between the electronic industry salvage database, and the SAICB.

5.2 Insurers and accident damaged motor vehicles

An insured motor vehicle, involved in an accident, is always assessed by an insurer appointed specialist (the motor vehicle engineer or motor assessor) to determine the extent of the damage. Depending on the extent of the damage, the motor vehicle will either be repaired, declared uneconomical to repair or unfit for use as a motor vehicle.

Based on the information provided by the specialist report, the insurer will determine whether the motor vehicle should be permanently demolished, is permanently unfit for use or is declared uneconomical to repair.

Insurers will follow the classification and registration, deregistration and other relevant procedures as prescribed in this Code.

- a) Insurers will notify the bank of the status of the claim relating to the motor vehicle finance account using pro forma letters – see Addendum B. They will also notify the bank of the decision not to repair the motor vehicle based on the assessor's findings and the status code of the motor vehicle.
- b) Any expected action and/or documentation will be requested from the bank in writing by the insurer using the pro forma letters in Addendum B after which the bank should forward the original documentation to the insurer within 10 working days, or as per the requirements agreed to in a service level agreement.
- c) Insurers may pay the outstanding finance amount after receipt of a copy of and/or the original documentation as per the agreement between the bank and the insurer, and settle the claim.
- d) Should the insurer be required to implement any actions, i.e. deregistration or dealer stocking, the insurer will implement this action as soon as possible.

The insurer will enable the registration processes to take place when contracting third parties to deal with any step of the salvage by completing its part of the relevant forms and include in the contract with the contracted party the requirements for registration actions to be taken by the contracted party.

Insurers will amend the pro forma letters attached to this Code as and when applicable, and according to contracts and agreements in place.

It is the responsibility of insurers to control and issue instructions to their motor engineers or assessors. The motor engineers report must be completed and it is required that the reason(s) must be specified to why a motor vehicle is declared as; uneconomical to repair, permanently unfit or demolished.

The report must contain photographs of the motor vehicle and the motor engineer must specify the motor vehicle status in line with the definitions listed, enabling the claims handler to request a change in status code where required. It is of utmost importance that the motor engineer determines the safety of any possible repair beyond a shadow of doubt, according to the manufacturer and SABS safety standards.

Banks are entitled to view/audit the assessor's report in terms of any motor vehicle in which they have an interest. Insurers must make these available to the relevant finance house/bank, when requested.

Insurers are mindful of the fact that in the case of accident damaged motor vehicles, banks are at risk of refinancing motor vehicles that should have been

demolished or changed to the status of “rebuilt”. Moreover, that the public might be endangered if the required process is not followed.

Insurers must ensure that motor assessors/engineers are properly equipped to do their jobs according to the requirements of this Code, and have the necessary knowledge and training regarding structural and mechanical damage, the legal requirements, and the requirements of this Code of Salvage.

Accident damaged salvage not sold after five years should be deregistered as permanently unfit for use, and compacted. Documents related to such a motor vehicle should be destroyed.

5.3 Stolen Motor Vehicles

An insured motor vehicle that is stolen and not recovered is settled once the claims process has been completed. The final step of this process is obtaining confirmation that the motor vehicle had not been recovered. When the decision is made by the insurer to settle the claim, the insurer will request the bank, as titleholder, to deregister the motor vehicle as stolen. The licensing authorities will require an additional letter from the finance house stating the reason for deregistration. The insurer’s instruction to the finance house will serve as this letter. This instruction will use the terminology in this Code of Salvage. A pro forma letter is attached to Addendum B.

The insurer must dealer stock the stolen not recovered motor vehicle.

5.4 Insurers and contractors/third parties

In terms of the SAIA Code of Conduct, as well as this Code of Salvage, the insurer is responsible for the actions of all contracted parties/third parties and contractors should be contracted as such. Third parties include brokers, underwriting managers, salvage agents, auction houses and any other relevant parties in the salvage management process.

Insurers should always have formal agreements/contracts in place with contractors.

Insurers should include the following in their agreements with contractors:

- a) The requirement that the procedures and requirements of the Code of Salvage shall be adhered to.
- b) Specific requirements regarding registration, deregistration, and dealer stocking.
- c) Requirements, as per the Code of Salvage, regarding uploading information onto the electronic industry salvage database, once this is up and running.

- d) A requirement for salvage agents to be registered as a second hand goods dealer, in terms of the Second Hand Goods Act.
- e) A requirement to keep electronic and physical records of all salvage.
- f) A requirement to safeguard documents and keys as per the Code of Salvage.
- g) A requirement to keep audit trails, as per the Code of Salvage.
- h) The requirement that the relevant staff members of the contractors will be made aware of the content of the Code of Salvage.
- i) The requirement that the relevant staff members will be trained to perform their duties according to the Code of Salvage.
- j) Insurers shall create awareness about this Code with its contracted parties through:
 - i. Workshops
 - ii. Letters/mandates/contracts
 - iii. Audits by insurers with penalties for non-compliance
 - iv. Should insurers find consistent non-compliance, it should be taken up with FIA
 - v. Should constant non-compliance occur, the insurer should cancel the contract with the third party.

5.5 Underwriting stage

It is recommended that at underwriting stage, the insurer will endeavour to obtain and capture the details of the motor vehicle, and the titleholder/owner.

In addition, it is recommended that the insurer endeavours to verify any details against any possible databases, and through motor vehicle inspections and any other methods available, if possible and appropriate at underwriting stage. The following guidelines regarding the details to be obtained, captured and – if possible – verified are provided in order to encourage a uniform approach:

Documents related to the **motor vehicle**

- a) Copy of registration document
- b) Copy of license disc

Information related to the motor vehicle:

- a) Register number
- b) Registration number
- c) Chassis/VIN number
- d) Engine number
- e) Make
- f) Model
- g) Colour
- h) Photograph of motor vehicle
- i) Odometer reading

Information related to **owner**:

Personal lines:

- a) Identity number and type
- b) Date of birth
- c) Address and contact number/s

Commercial lines:

- a) Name of business
- b) Address and contact number/s

The details should be verified against copies of registration and license, and identity documents, and any database that could be used to verify the authenticity of these. These may include but are not limited to the Insurance Data System (IDS), the Department of Home Affairs database, and eNaTiS.

5.6 Claims stage

At claims stage, the insurer must obtain and verify the details of the motor vehicle, and the titleholder/owner.

The details of the motor vehicle will be verified by the assessor through physically checking the identifying details of the motor vehicle, including the following:

- a) Register number
- b) Registration number
- c) Chassis/VIN number
- d) Engine number
- e) Make
- f) Model
- g) Colour
- h) Photograph of motor vehicle

The insurer will require the titleholder/owner to complete deregistration and any other relevant licencing procedures before settling the claim.

5.7 Insurers' control and processes regarding salvage records, registration documents, keys, and other relevant items of Salvage

Insurers have the responsibility to exercise strict controls over the physical and electronic records, registration documents, keys and other aspects of motor vehicle salvage. Documents include:

- a) Notice of change of ownership forms
- b) Deregistration and registration certificates (eNatis documents)
- c) Letters and identification details of proxy

Documents and keys must be kept in a safe room or safe. Access to this safe room or safe must be restricted. Personnel who have access should be carefully

vetted and monitored and processes should be in place to audit any activities related to the documents and other items related to salvage.

Insurers will keep a register of physical documents and/or items, with procedures that will facilitate an audit trail.

Insurers will keep an electronic register of salvage, with electronic versions (scanned documents) of the original documents in order to minimise the use of original documents. This register could be a part of the insurer's operational system. Access controls as well as security restrictions will be in place for the electronic register. Only limited, vetted, personnel will be allowed to work on this register. Audit trails will be in place and will be monitored from time to time to minimise the possibility for any negligence and/or illegal activity to take place using the insurer's electronic register of salvage.

Any documents related to accident damaged salvage that is not sold should be destroyed after 5 years, as should be the salvage which should be deregistered and compacted.

Documents related to stolen unrecovered motor vehicles should be kept safe for an unlimited period of time to enable police and prosecution processes to be followed successfully should a motor vehicle be recovered at any time in the future.

5.7 Electronic industry motor salvage database

The SAIA is currently considering setting up an electronic industry motor salvage database. Should this project be implemented, and once the database is in place, insurers are required to participate in and enter the details of motor vehicles as well as its ownership/registration details onto this database per the required format once this is finalised.

The information on this database will be shared with the South African Insurance Crime Bureau.

5.8 Banks

Banks have the responsibility to exercise strict controls over the physical and electronic records, registration documents, and other aspects of motor vehicles salvage.

5.8.1 Documents and registers

Documents include:

- a) Notice of change of ownership forms
- b) Deregistration and registration certificates (eNaTiS documents)

- c) Photographs of motor vehicles
- d) Certified copies of identity documents
- e) Certified copies of any relevant agreements

Documents must be kept in a safe room or safe. Access to this safe room or safe must be restricted. Personnel who have access should be carefully vetted and monitored and processes should be in place to audit any activities related to the documents and other items related to salvage.

Banks will keep a register of physical documents and/or items, with procedures that will facilitate an audit trail. This may form part of the bank's operational system in place.

Banks will keep an electronic register of salvage, with electronic versions (scanned documents) of the original documents, where possible, in order to minimise the use of original documents. This register could form part of the bank's operational system. Access controls as well as security restrictions will be in place for the electronic register. Only limited, vetted, personnel will be allowed to work on this register. Audit trails will be in place and will be monitored from time to time to minimise the possibility for any negligence and/or illegal activity to take place using the insurer's electronic register of salvage.

Documents that need to be handed over to insurers when a claim is settled will follow the rules set out by this Code in Section 5 below.

Documents to be handed over to motor vehicle owners when the loan is settled, should follow the following procedure:

- a) When motor vehicle owners collect the documents personally, they need to show proof of ownership and sign for the documents.
- b) When owners request documents to be mailed to them, this should be done using registered mail to ensure that the correct owner collects the documents from the Post Office with appropriate identification, or documents should be couriered to them requiring the actual owner with proof of identity to receive the documents.
- c) Documents should include the already completed change of ownership forms with the details of the bank/financing house, as well as a letter from the bank stating full settlement of the account.

5.8.2 Registration procedures

Banks will follow registration and deregistration procedures as per legal requirements, as well as per the request of the insurers which will be following the rules of this Code of Salvage.

Banks will deregister motor vehicles as per the instruction of the insurer. Original documents will be provided to the insurer within 10 working days, or as per an agreed

service level agreement in place, from receipt of the written instruction from the insurer.

5.8.3 Status coding

Status coding of motor vehicles should be the responsibility of the insurer, and the insurer's instruction in this regard should be accepted.

Banks are entitled to view/audit the assessor's report in terms of any motor vehicle in which they have an interest.

Should the banks become involved at any stage with the status coding of a motor vehicle, however, they will follow the procedures and rules in this Code of Salvage.

An informal committee/register of volunteers will be established in order to provide assistance when disputes and/or disagreements occur regarding the status coding of motor vehicles. In addition, this committee/register of volunteers could also be asked for advice and/or input when status coding motor vehicles, if and when all other mechanisms have not provided a clear answer regarding the status coding of a motor vehicle.

5.8.4 Other responsibilities:

- a) The banks will notify the insurer concerned immediately should it come to their attention that;
 - i. Any motor vehicle which should, upon reasonable inspection, have been declared permanently unfit for use, have actually been declared uneconomical to repair.
 - ii. An insurer has failed to register motor vehicles that have been declared uneconomical to repair into their own name prior to selling such motor vehicles.

The above information will also be updated to the industry motor vehicle database, once in place.

6 PROCEDURES TO BE FOLLOWED BETWEEN BANKS AND INSURERS

Best practice regarding the moving of physical records and/or registration documents between banks and insurers should be followed, including:

- a) Insurers should inform the banks of the authorised personnel to accept such documents on its behalf, and supply the bank with sufficient identification details of the personnel involved to enable a responsible handing over process.

- b) Insurance personnel should show proof of identity, together with an instruction from the insurer, in order to be able to receive the relevant documentation.
- c) The insurer must take possession of the relevant documents before settling a claim, and after the bank has completed the required registration/deregistration processes as per the instruction of the insurer.
- d) The bank and insurer will both do their utmost to complete the handing over process of original documentation within 10 working days after receipt of the written instruction from the insurer, or as per a service level agreement in place.
- e) The personnel authorised by the insurer to receive the documentation from the bank, must keep the documents in his/her possession until it is safely secured in the safe room or safe of the insurer.
- f) The documentation (or scanned/photocopied versions of it) must be entered into the physical and electronic registers/operational systems of the insurer as soon as possible.

7 PROCESSES/PROTOCOLS TO BE FOLLOWED BY OTHER ROLE PLAYERS IN THE SALVAGE MANAGEMENT PROCESS

Refer to section 5.1.3 and specifically the requirements regarding contracted parties in the salvage management process.

In addition, the following are relevant to salvage agents and/or auction houses and as such should be included by the insurer in its agreement/contract with the salvage agent:

- a) Salvage agents shall comply fully with the Second Hand Goods Act, 2009. They will therefore be required to register as second hand goods dealers as per the Act, as well as to comply with any further requirements set by the Act that apply to them and/or to their activities.
- b) In addition, salvage agents should comply with all other relevant legislation in South Africa.
- c) It is recommended that salvage agents belong to an appropriate and recognised trade association.
- d) Salvage agents should:
 - i. Follow good business practices.
 - ii. Follow the requirements of this Code.
 - iii. Ensure that all their relevant personnel are aware of and trained according to the requirements of the Code.
 - iv. Notify the insurer when it does not agree with a decision made by the insurer in order to assist the insurer in making the correct decision if and when required.
 - v. Notify the SAIA should regular non-compliance with the Code of Salvage become apparent for whatever reason, in order for the SAIA to investigate the problem and to address it in whatever way necessary.
 - vi. Register, de-register, and/or dealer stock motor vehicles as per the requirements of the law, the requirements of this Code and as per the instruction in line with these from the insurer within a set period of time.

- e) Salvage agents will enable the registration and/or change of ownership notification as per the requirements of the law when selling salvage, including:
- i. Complete the change of ownership form with their own details and hand this over with the correct documentation to the new owner.
 - ii. The buyer must complete an NCO and hand a copy of this and the identity document to the salvage agent before the salvage is handed to the buyer.
 - iii. It is the responsibility of the salvage agent to hand the NCO and copy of the buyer's identity document to the licensing authority to update their record as sale pending with buyer's detail. The buyer is then forced to register the salvage in his/her name before he/she can resell the motor vehicle.
 - iv. Instruct the new owner to register the motor vehicle before handing over the motor vehicle.
 - v. Keep proof of new ownership, and enter this into the physical, electronic and/or industry database.
 - vi. If ii and iii above cannot be implemented, notify the registering authority of the change of ownership.
 - vii. Disposal by the insurer through the salvage agent/auction house places the requirement for a roadworthy test to be passed on to the subsequent owner prior to re-registration.
 - viii. Salvage agents should:
 - o Safeguard documentation and other relevant items such as keys as per the requirements expanded on below.
 - o Keep registers, physical and electronic, of salvage under their control.
 - o Keep audit trails regarding salvage under their control.
 - o Vet and monitor staff with a view to minimise the risk of staff members acting in a negligent or illegal manner.
 - o Enter the details of the salvage under their control, other than that already uploaded to this database by the insurer, into the electronic industry salvage database, once this is up and running, and as per the requirements set for this at the time of implementation. This would include the information about the buyer of the salvage, the proof of destruction of salvage, and all salvage duties under the control of the salvage agent after receiving the salvage from the insurer.

7.1 Document control

Salvage agents have the responsibility to exercise strict controls over the physical and electronic records, registration documents, keys and other aspects of motor vehicle salvage. Documents include:

- a) Notice of change of ownership forms
- b) Deregistration and registration certificates (eNaTiS documents)

Documents and keys must be kept in a safe room or safe. Access to this safe room or safe must be restricted. Personnel who have access should be carefully vetted and monitored and processes should be in place to audit any activities related to the documents and other items related to salvage.

Salvage agents will keep a register of physical documents and/or items, with procedures that will facilitate an audit trail.

Salvage agents will keep an electronic register of salvage, with electronic versions (scanned documents) of the original documents in order to minimise the use of original documents. Access control as well as security restrictions will be in place for the electronic register. Only limited, vetted, personnel will be allowed to work on this register. Audit trails will be in place and will be monitored from time to time to minimise the possibility for any negligence and/or illegal activity to take place using the insurer's electronic register of salvage.

Documents related to stolen unrecovered motor vehicles should be kept safe for an unlimited period of time to enable police and prosecution processes to be followed successfully should a motor vehicle be recovered at any time in the future.

8 TRAINING AND AWARENESS

8.1 SAIA and BASA

The SAIA and the Banking Association South Africa will:

- a) Create awareness regarding the Code of Salvage amongst its relevant members, as well as other relevant role players including the public at large;
- b) Enforce the Code on Salvage on its relevant members;
- c) Take reasonable steps to ensure compliance of its relevant members with the Code of Salvage;
- d) Impose the relevant penalties on members that do not comply with the Code of Salvage.

8.2 NMFA

- a) Create awareness regarding the Code of Salvage amongst its relevant members, as well as other relevant role players including the public at large;
- b) Will take reasonable steps within the ambit of its constitution to ensure compliance of its members with the Code of Salvage.

8.3 Insurers and banks

- a) Insurers and banks have the responsibility to create awareness regarding the Code of Salvage and its contents. The insurers and banks should keep record of activities in this regard, and report on these activities.
- b) Insurers and banks will ensure that all relevant staff members, including motor engineers and assessors and all other relevant personnel, are aware of and receive regular training on the Code of Salvage and its contents. This Code

should be included in training activities and material, in a companies' internal code of conduct if appropriate, key performance areas of relevant staff members, standard operational procedures and/or any other relevant areas an insurer may deem appropriate.

- c) Insurers will ensure that motor engineers and assessors are aware of and trained on the Code of Salvage and its contents, especially with regards to status coding, and follow these rules strictly.
- d) Insurers will ensure that third parties who are contracted to manage any aspect of the salvage management process, including brokers and salvage agents, are aware of and trained on the Code of Salvage and its contents and requirements.
- e) Insurers will ensure that their own personnel, such as motor assessors, as well as the relevant personnel at contracted parties are trained appropriately in order to be able to implement best practices in salvage management.

9 ENFORCEMENT

Both the SAIA and the BASA are committed to do everything in their power to facilitate compliance with this Code of Salvage by their members. The following actions will be taken to assist with the above:

- a) Awareness creation
- b) Compliance reporting required by members
- c) Disciplinary actions taken if and when necessary.

The NMFA is likewise committed to do everything in its power, within the ambit of its constitution, to facilitate compliance with this Code of Salvage by its members.

9.1 SAIA and its relevant insurance members

The Code of Salvage forms part of the SAIA Code of Conduct for the motor insurance members, and as such compliance with this 'Code' is a member requirement. The same processes regarding compliance by members and compliance reporting, complaints regarding alleged non-compliance, the procedures to deal with complaints, as well as the sanctions/penalties applicable when members are found guilty of non-compliance are applicable to the Code of Salvage as are applicable to the SAIA Code of Conduct. The SAIA Code of Conduct is attached to this Code of Conduct as Addendum A. Please refer to section 12 for the details in this regard.

9.2 BASA and its relevant members

BASA requires of its relevant members to comply with the Code of Salvage as part of its Code of Banking Practice.

The same rules that apply to compliance and complaints that apply to the Code of Banking Practice will apply to this Code of Salvage. The Code of Banking Practice is attached to this Code as Addendum C, and Section 10 of Code on Banking Practice also applies to this Code.

9.3 NMFA and its members

The NMFA will promote compliance with the Code of Salvage within the ambit of its constitution.

10 CONCLUSION

Both the banking and insurance industries, and specifically the SAIA, BASA and NMFA and their members, are committed to deal with motor vehicle salvage in a responsible manner, to the benefit of all parties involved including the banks and the insurers and their clients/customers. In addition, responsible salvage management will assist in combating motor vehicle crime and unacceptable road safety levels in South Africa.

The banks and insurers that are members of the SAIA and BASA, through this Code of Salvage and its strict implementation, honour their duties in the above mentioned regard.

The SAIA, BASA and the NMFA, as well as their members, urge all other relevant role players in the crime combating and road safety arenas to also do their utmost to assist in these regards, including the Department of Transport and especially eNaTiS, the motor vehicle manufacturers and NAAMSA, the South African Police Services and any other relevant role player.

South African Insurance Association will publish this Code on the SAIA webpage on www.saia.co.za.

The Banking Association of South Africa will publish this Code on their website on www.basa.co.za.

The National Motor Financing Association will publish this Code on their website on www.nmfa.co.za.

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Communication between insurer and bank Recommended wording – Code 3 Accidents

To: The Manager

From:

Date:

Your reference: VIN number: / Engine number:

Register number:

Account number:

Vehicle Registration:

Make and Model:

We are currently in the process of finalising a claim for the above-mentioned vehicle.

The vehicle in question is **permanently unfit** for use as a motor vehicle as contemplated in section 55 of Part III of the National Road Traffic Regulations in terms of the National Road Traffic Act, 1996 and **should accordingly be deregistered**. You are requested to change the vehicle status to a **code 3** on the eNaTis system as specified in the Code of Motor Salvage between members of SAIA and Banking Association.

The accident occurred on [date]

- The accident was NOT reported to the SAPS, **OR**
- The accident was reported to the SAPS[Station] under case number[case number, AR number].

Payment will be made electronically within 48 hours once we have received all of the following:

- A copy of the vehicle **deregistration** papers;
- **Please urgently** send the original deregistration papers for my attention, in an agreed secure manner;
- Settlement amount without penalties for early settlement, or as otherwise agreed (**Please** forward this to me upon receipt of this communication);
- Signed Notification of Change of Ownership form.

Please note: Payment cannot be made without the original or a copy of the deregistration papers. If payment is made upon receipt of a copy, the original

documents must be sent to me as soon as possible. Should you have any queries in this regard, please do not hesitate to contact the writer.

Kind regards,

.....[Insurer authorised incumbent]

Communication between insurer and bank Recommended Wording – Stolen Vehicles

To: The Manager

From:

Date:

Your reference: VIN: / Engine nr:

Register number:

Account number:

Vehicle Registration:

Make and Model:

We are currently in the process of finalising a claim for the above-mentioned vehicle.

The vehicle in question is **stolen** and the vehicle as contemplated in section 55 of Part III of the National Road Traffic Regulations in terms of the National Road Traffic Act, 1996 and **should accordingly be deregistered as stolen / hijacked** and as specified in the Code of Motor Salvage between members of SAIA and The Banking Association.

The theft occurred on

The theft was reported to the **SAPS**[Station], under case number
[case number].

Payment will be made electronically within 48 hours once we have settled the claim and have received all of the following:

- A copy of the vehicle **registration** papers;
- **Please urgently** send the original deregistration papers for my attention, in an agreed secure manner;

unless otherwise agreed between parties. The request to deregister the vehicle as code 4 will be processed as soon as possible by us.

The accident occurred on[**date**].

- The accident was NOT reported to the **SAPS, OR**
- The accident was reported to the SAPS [Station] under case number[case number, AR number]

Kindly forward the following to us in an agreed secure manner:

- The original vehicle **registration** papers;
- Signed Notification of Change of Ownership form.

Should you have any queries in this regard, please do not hesitate to contact the writer.

Kind regards,

.....[**Insurer authorised incumbent**]

Communication between insurer and bank Recommended wording – Code 2 Accidents

To: The Manager

From:

Date:

Your reference: VIN number: Engine number:

Register number:

Account number:

Vehicle Registration:

Make and Model:

We are currently in the process of finalising a claim for the above-mentioned vehicle.

The vehicle in question is declared **uneconomical to repair** but **not** permanently unfit for use as a motor vehicle as contemplated in section 55 of Part III of the National Road Traffic Regulations in terms of the National Road Traffic Act, 1996. The vehicle status will be a **code 2**.[**Insurance company name**] will therefore **dealer stock** the

vehicle as specified in the Code of Motor Salvage between members of SAIA and Banking Association.

The accident occurred on[date].

- The accident was not reported to the SAPS, **OR**
- The accident was reported to the SAPS [Station] under case number[case number, AR number]

Payment will be made electronically within 48 hours once we have received all of the following:

- A copy of the vehicle registration papers;
- **Please urgently** send the original papers for my attention in an agreed secure manner;
- Settlement amount without penalties for early settlement, or as otherwise agreed (**Please** forward this to me upon receipt of this communication);
- Signed Notification of Change of Ownership form.

Please note: Payment cannot be made without the original or a copy of the eNatis documentation. If payment is made upon receipt of a copy, the original documents must be sent to me as soon as possible. Should you have any queries in this regard, please do not hesitate to contact the writer.

Kind regards,

.....**[Insurer authorised incumbent]**

Code of Motor Salvage Addendum B_+101866