



SAIA

SOUTH AFRICAN INSURANCE ASSOCIATION

THE SAIA CODE OF CONDUCT

Index

THE SAIA CODE OF CONDUCT	1
1. FOREWORD AND INTRODUCTION.....	4
2. THE PURPOSE OF THE CODE.....	6
3. BENEFITS OF AN INDUSTRY CODE OF CONDUCT	7
4. THE OBJECTIVES OF THIS CODE	8
5. DEFINITIONS	9
6. APPLICATION OF THIS CODE	10
7. TRANSITIONAL ARRANGEMENTS	11
8. GENERAL MEMBER RESPONSIBILITIES	12
9. INCLUSIVE GROWTH AND TRANSFORMATION.....	14
10. FINANCIAL INCLUSION - CONSUMER EDUCATION AND ACCESS PRODUCTS.....	17
11. COMMUNICATION WITH CURRENT AND POTENTIAL POLICYHOLDERS	19
12. ADVERTISING, MARKETING AND SOLICITING BUSINESS.....	20
13. DEALING WITH POTENTIAL POLICYHOLDERS AT UNDERWRITING STAGE.....	21
14. DEALING WITH POLICYHOLDERS AT CLAIMS STAGE	25
15. DEALING WITH THIRD-PARTY CLAIMS.....	30
16. DEALING WITH REPAIRS AND WORKMANSHIP	35
17. FRAUD AND DISHONEST CONDUCT	36
18. MEMBERS' EMPLOYEES AND AUTHORISED AGENTS	37
19. COMPLAINTS	38
20. MONITORING COMPLIANCE WITH THIS CODE	48
21. REVIEW OF THIS CODE	49
ANNEXURE 1 - THE CODE OF MOTOR SALVAGE	50
1. THE PURPOSE OF THE CODE	51
2. ACRONYMS AND DEFINITIONS	52
2.1 ACRONYMS.....	52
2.2 DEFINITIONS AND EXPLANATIONS	53
3. SALVAGE CODES	54
3.1 CODE 1 – NEW	54
3.2 CODE 2 – USED.....	55
3.3 CODE 3 – BUILT-UP	57
3.4 CODE 3A – SPARE PARTS ONLY	59
3.5 CODE 4 – PERMANENTLY DEMOLISHED.....	62
4. STOLEN AND RECOVERED VEHICLES.....	66
4.4 DETERMINING THE CODE OF A STOLEN AND RECOVERED VEHICLE.....	66
4.1 LEGISLATION AND NATIS REQUIREMENTS.....	67
4.2 FURTHER REQUIREMENTS	68
5. INTERNAL PROCESSES.....	68
5.1 INSURANCE COMPANIES	68
5.2 INSURERS AND ACCIDENT DAMAGED MOTOR VEHICLES	70
5.3 STOLEN MOTOR VEHICLES.....	71
5.4 INSURERS AND CONTRACTORS	71
5.5 UNDERWRITING STAGE	72
5.6 CLAIMS STAGE	73
5.7 REPUDIATIONS	73

5.8	THIRD PARTY SALVAGE.....	74
6	<i>INSURERS CONTROL/PROCESS OVER SALVAGE RECORDS</i>	74
6.1	DOCUMENTS INCLUDE:.....	74
6.2	VEHICLE SALVAGE DATABASE.....	75
7	<i>INSURERS AND POLICYHOLDER</i>	75
7.1	INSURANCE COMPANY ELECTS NOT TO REPAIR A VEHICLE	75
7.2	DISPOSAL OF SALVAGE TO POLICYHOLDER	76
7.3	INTERNAL PROCESSES WHEN SELLING A VEHICLE.....	76
8	<i>INSURERS AND TITLE HOLDERS</i>	77
8.1	REGISTRATION PROCEDURES.....	77
8.2	STATUS CODING.....	78
8.3	PROCEDURE BETWEEN BANKS AND INSURERS	78
9	<i>INSURERS AND SALVAGE AGENTS</i>	78
9.1	PROTOCOLS OF RESPONSIBLE SALVAGE MANAGEMENT	78
9.2	REGISTRATION AND DEREGISTRATION PROCESS.....	79
9.3	SAFEGUARDING.....	79
9.4	PROCESS OF AUDITING SYSTEM	79
9.5	STOLEN DOCUMENTATION.....	80
10	<i>TRAINING AND AWARENESS.....</i>	80
11	<i>ENFORCEMENT</i>	80
12	<i>CONCLUSION</i>	81
13	<i>SIGNATORIES</i>	81
22.	ANNEXURE A – DEFACED DEREGISTRATION DOCUMENT.....	81
23.	ANNEXURE B – EXAMPLE FORFEITURE LETTER.....	82
24.	ANNEXURE C – PRO FORMA LETTERS.....	84

1. FOREWORD AND INTRODUCTION

The South African Insurance Association (“SAIA”) is the representative body of the non-life insurance industry in South Africa, through its members representing approximately ninety percent of the industry in terms of premium income, at all levels and with all stakeholders.

SAIA and its Members are actively committed to a growing and sustainable non-life insurance industry which is resilient, contributes positively to the economy, inspires confidence in stakeholders and offers products and services that add real value to the market.

This revised version of the SAIA Code of Conduct (the Code) was launched on 3 September 2020.

The purpose of the Code is to promote ethical standards and good business practices in the non-life insurance industry and to give an indication to its Members of the guidelines to be followed to achieve these standards.

The Code has been enhanced and updated to ensure its continued relevance and that of its objectives in the changing non-life insurance business and regulatory landscape.

The revised Code focuses more on principles and standards rather than rules. The SAIA Board is of the view that this focus will position the outcomes envisaged for Policyholders with more clarity and enable SAIA Members to use the standards as guidelines for achieving the desired outcomes.

Included in this Code is a section on recommendations for Member participation in achieving the non-life insurance industry's transformation objectives. This reflects our industry commitment towards accelerated and meaningful transformation of our industry, contributing to an inclusive economy.

SAIA is tasked with the duty to monitor its Members' compliance with the Code and to exercise certain powers as part of its role to encourage, monitor and report on compliance with the Code.

SAIA recognises the roles played by different stakeholders in the non-life insurance industry and how each contributes to the sustainability of our industry. Accordingly, this Code encourages Members to require its agents and service providers to adopt applicable aspects of the Code.

The Code is a living document, and SAIA with input from its Members, will continue to improve the document so that it accommodates the changing landscape and remains relevant.

2. THE PURPOSE OF THE CODE

2.1 The Code is not intended to be legally binding. It is rather intended to set out principles and standards of desired conduct for all SAIA Members.

2.1.1 The purpose of this Code is to:

2.1.1.1 Promote ethical standards and good business practices in the non-life insurance industry.

2.1.1.2 Give clear and specific conduct guidelines to be followed by Members that provide non-life insurance products to current and potential Policyholders.

2.1.1.3 Promote an awareness and understanding of the non-life insurance industry to all stakeholders.

3. BENEFITS OF AN INDUSTRY CODE OF CONDUCT

- 3.1 An effective code of conduct is important to:
 - 3.1.1 Instil confidence in current and potential Policyholders in the insurance industry and the broader financial sector.
 - 3.1.2 Encourage self-imposed ethical and professional business standards and practices by its Members.
 - 3.1.3 Assist in the elimination of improper practices.
 - 3.1.4 Protect current and potential Policyholders by facilitating the ongoing development of appropriate products and services.
 - 3.1.5 Codify best practice which sets the benchmark for proper conduct by Members.

4. THE OBJECTIVES OF THIS CODE

- 4.1 The objectives of this Code are to:
 - 4.1.1 Commit Members to high standards of conduct.
 - 4.1.2 Enhance the image and reputation of, and promote trust and confidence in, the non-life insurance industry.
 - 4.1.3 Promote sound, informed, professional and ethical relationships between Members, and between Members and current and potential Policyholders.
 - 4.1.4 Provide for the fair and effective resolution of complaints and disputes between Members and Policyholders in relation to compliance with the Code.
 - 4.1.5 Contribute towards a sustainable non-life insurance industry.
 - 4.1.6 Promote transformation and financial inclusion in the non-life insurance industry.
- 4.2 These objectives must be pursued with due regard to current legislation and regulation, acknowledging that an insurance policy is a contract based on good faith.

5. DEFINITIONS

- 5.1 **“ARB”** means the Advertising Regulatory Board.
- 5.2 **“Authorised Agent”** means a person authorised by a Member to provide financial products and services on behalf of the Member (Example: financial intermediary).
- 5.3 **“Co-Insurance Arrangement”** means an insurance arrangement whereby two or more insurers share the same risk.
- 5.4 **“ICB”** means the Insurance Crime Bureau.
- 5.5 **“Member”** means a non-life insurer that is a member of SAIA.
- 5.6 **“Policyholder”** means a person who holds a non-life insurance policy or a person to whom the benefit of a non-life insurance policy extends.
- 5.7 **“Reinsurer”** means a Member of SAIA that conducts reinsurance business.
- 5.8 **“SAIA”** means the South African Insurance Association NPC, the representative industry association for the non-life insurance industry.
- 5.9 **“Service Provider”** means a person authorised by a Member to provide a specific service. Example, an investigator, a motor body repairer, etc.

6. APPLICATION OF THIS CODE

- 6.1 This Code applies to all SAIA Members.
- 6.2 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.
- 6.3 Where there is a conflict or inconsistency between this Code and any applicable law, the law always prevails. Members must inform SAIA immediately they become aware of any conflict or inconsistency between any legislation and this Code.
- 6.4 Under a Co-Insurance Arrangement where one or more insurers in that arrangement is not a SAIA Member, this Code will apply to the extent that is practicable having due regard to the nature of the co-insurance arrangement.
- 6.5 Where this Code imposes an obligation on Members in addition to obligations under any law, the Member must comply with this Code except where doing so could lead to a breach of the law concerned.

7. TRANSITIONAL ARRANGEMENTS

- 7.1 Members must formally adopt this Code for compliance within their own companies within six months from the date this Code takes effect.
- 7.2 A Member may submit a request for an extension to comply with the Code and SAIA will consider the request for an extension based on the merits presented in the request.

8. GENERAL MEMBER RESPONSIBILITIES

- 8.1 A Member must:
 - 8.1.1 Comply with the Code and implement procedures and systems to ensure compliance.
 - 8.1.2 Comply with all applicable laws and regulation.
 - 8.1.3 Hold and maintain all licences, registrations and approvals required by law.
 - 8.1.4 Conduct its business in an honest, fair and transparent manner.
 - 8.1.5 Ensure that it has the necessary expertise, skills and infrastructure to conduct its business.
 - 8.1.6 Train its employees on the provisions of this Code.
 - 8.1.7 Take reasonable steps to inform its Authorised Agents and Service Providers of and ensure that they adopt applicable elements of this Code.
 - 8.1.8 Implement procedures to ensure that Authorised Agents and Service Providers inform current and potential Policyholders of the identity of the Member for whom they are acting and the service they have been instructed to provide.
 - 8.1.9 Create awareness of its SAIA Membership and its commitment to this Code.
 - 8.1.10 Monitor and assess its compliance with this Code and rectify non-compliance as soon as possible.
 - 8.1.11 Report compliance with this Code to SAIA as required from time to time.
 - 8.1.12 Cooperate with SAIA and/or the SAIA Code of Conduct Complaints Committee when investigating any alleged non-compliance with the Code, and / or complaints.

- 8.1.13 Accept the decisions and/or sanctions of SAIA, the Complaints Committee, and/or the appointed person in the case of appeals.
- 8.1.14 Actively commit to the realisation of transformation in and financial inclusion for the non-life insurance industry.
- 8.1.15 Actively support SAIA's consumer education programme in addition to their own consumer education programmes.
- 8.1.16 Comply with the SAIA Code of Motor Salvage as contained in this Code, if it is applicable to the Member's business.
- 8.1.17 Preserve the confidentiality of Policyholder information. Such information must only be disclosed as required or permitted by law, as approved by the Policyholder, where it is in the public interest or for crime combating purposes, as requested by SAIA or the Regulators.

9. INCLUSIVE GROWTH AND TRANSFORMATION

Principle

As the representative of its member non-life insurers, SAIA is committed to the transformation of the South African economy and believes that accelerated growth is best achieved in an economy conducive of inclusive growth. To achieve this, SAIA has adopted a proactive approach by developing and adopting an industry transformation strategy. Industry priorities are identified and approved by the SAIA Board and subsequently, serve as a guide for member alignment with own transformation objectives.

Standards

9.1 To deliver on transformation objectives for the non-life insurance industry, Members shall:

9.1.1 Take accountability by driving transformation, by:

9.1.1.1 Adopting the Financial Sector Code (FSC) as a compulsory reporting framework for the non-life insurance industry participants.

9.1.1.2 Adopting the industry transformation strategy set by SAIA, as a guideline when developing member transformation strategies and aligning opportunities with the industry objectives where appropriate.

9.1.1.3 Supporting the provision of credible industry transformation data by improving member internal data collecting and storing for the purpose of reporting to SAIA and the Financial Sector Transformation Council (FSTC).

9.1.1.4 Adopting and adhering to the SAIA transformation reporting requirements as approved by the SAIA Board.

9.1.1.5 Collating and submitting the required annual verified

transformation data to SAIA and the FSTC.

9.1.1.6 Collating and submitting periodic transformation data to SAIA on a regular or ad-hoc basis as may be required for the purpose of measuring, monitoring and reporting on the industry transformation progress. The frequency of the submissions will be determined on an ad-hoc basis and communicated through SAIA MD Circulars.

9.1.1.7 Collaborating and participating in industry initiatives by contributing to the required financial and non-financial resources where possible.

9.1.2 Support the improvement of Black representation at all Management and Control sub-elements, by:

9.1.2.1 Identifying opportunities and implementing strategies to advance transformation of member Board and executive management teams.

9.1.2.2 Aligning internal employment equity strategies in line with the FSC targets, including improvement of representation of African and Black women in totality at all levels of management.

9.1.2.3 Aligning skills development strategies to respond to industry skills gaps and in support of the FSC's Management and Control element objectives.

9.1.2.4 Participating in industry bodies regarding increasing the number of Black professionals in the relevant skill sets.

9.1.2.5 Identifying opportunities to participate in Government initiatives aimed at advancing skills development,

particularly youth such as the Youth Employment Service (YES) Programme and the funding of tertiary education.

- 9.1.3 Support industry commitment to drive transformation of preferential procurement by:
 - 9.1.3.1 Increasing spend with Broad Based Black Economic Empowerment (BBBEE) compliant suppliers and in line with the requirement of the FSC and industry transformation objectives i.e.; support of Black motor and property claims service providers.
 - 9.1.3.2 Identifying opportunities and supporting industry projects to transform the industry value chain.
 - 9.1.3.3 Identifying opportunities to maximise supplier value by aligning procurement strategy with Enterprise and Supplier Development (ESD) strategy and in line with the industry transformation objectives where appropriate.
 - 9.1.3.4 Participating in industry approved ESD projects, by providing the required financial and non-financial support, where appropriate.
- 9.1.4 Support and participate in the sector / industry financial inclusion projects, and in line with the recommendations as contained in Clause 10 below, where appropriate.

10. FINANCIAL INCLUSION - CONSUMER EDUCATION AND ACCESS PRODUCTS

- 10.1 Financial inclusion serves as a critical component in promoting economic growth and sustainability of the financial sector, as the majority of previously disadvantaged individuals are still involuntarily excluded from accessing some of the products and services within the financial sector, negatively impacting the quality of life of an average South African.
- 10.2 Financial inclusion can be achieved through participating in Consumer Education initiatives, which promote consumer knowledge of the financial sector and its products; and developing appropriate access products for the low-income consumer market segment.
- 10.3 Members are therefore encouraged to promote and participate in Consumer Education initiatives and in line with the requirements of the FSC by:
 - 10.3.1 Annually contributing a minimum of 50% of 0.4% of the Net Profit after Tax Consumer Education FSC target, to the SAIA Consumer Education Fund.
 - 10.3.2 Carrying out Member initiatives with the balance of Member Consumer Education contributions to the FSC targets, and in line with the industry Financial Inclusion objectives where possible.
 - 10.3.3 Collaborate within the industry or the sector in support of increased reach and / or impact by Consumer Education initiatives where appropriate.
 - 10.3.4 Consumer Education Guidance Notes are available from the FSTC website (<https://fstc.org.za/guidance-notes.php>).
- 10.4 Members are also encouraged to promote Financial Inclusion by developing appropriate access products for the targeted consumer market segment and in line with the FSC requirements, where appropriate. Access

Standards Guidance Notes are available on the FSTC website (<https://fstc.org.za/guidance-notes.php>).

11. COMMUNICATION WITH CURRENT AND POTENTIAL POLICYHOLDERS

Principle

Members must communicate effectively with current and potential Policyholders throughout the insurance contract lifecycle, as effective communication enables Policyholders to make informed decisions relating to their insurance policies and the subject matter insured.

Standards

- 11.1 Members must adopt best-practice communication strategies, which may include the provision of fact sheets, worked examples and infographics to supplement communications.
- 11.2 Communication to Policyholders must be channelled via the Policyholder's nominated contact method.
- 11.3 Where a contact method has not been nominated by a Policyholder, communication with the Policyholder must be channelled via the most effective method / s of communication.
- 11.4 The terminology and language that are used in communications must be clear and unambiguous.
- 11.5 Disclosures must be user-tested to ensure a minimum level of comprehension by Policyholders.

12. ADVERTISING, MARKETING AND SOLICITING BUSINESS

General Principle

Advertising plays an important role in the non-life insurance industry as potential Policyholders are influenced thereby. Advertisements must fairly and accurately represent the product and its key features and risks, or the nature and scope of the service advertised.

Standards

12.1 Advertising must

- 12.1.1 Be clear, fair and not misleading.
- 12.1.2 Not create unrealistic expectations that can lead to poor financial decisions.
- 12.1.3 Conform to the standards set by the ARB.
- 12.1.4 Consider the best interests of consumers.
- 12.1.5 Not bring the insurance industry into disrepute or cause potential reputational damage to the non-life insurance industry or any part thereof.
- 12.1.6 Be capable of being clearly understood by the audience that might reasonably be expected to see the advertisement.

13. DEALING WITH POTENTIAL POLICYHOLDERS AT UNDERWRITING STAGE

Principle

Underwriting is a critical stage in the insurance lifecycle. Members must treat current and potential Policyholders fairly throughout this stage.

Standards

- 13.1 Only material information required for assessing an application for an insurance policy must be requested.
- 13.2 All material information must be obtained at the time of underwriting and not at claims stage. The practice of verifying information provided at or subsequent to the initial underwriting will, however, be an acceptable practice, provided that only such information provided at or subsequent to the initial underwriting stage may be subsequently verified and considered in the assessment of a claim.
- 13.3 Potential Policyholders must be informed of the legal duty to disclose all material information as well as the potential consequences of material non-disclosure and / or misrepresentation.
- 13.4 The following disclosures must be made by Members at underwriting stage
 - 13.4.1 The Member's contact details.
 - 13.4.2 Important information, such as due dates for premium payments, the consequences of non-payment, and the costs and processes involved in re-submission of debit orders, if applicable.
- 13.5 Potential Policyholders must receive assistance when insuring their assets, including their motor vehicles, for an appropriate value in terms of the policy wording (i.e. replacement / market value etc).
- 13.6 A reasonable attempt must be made to assist the potential Policyholder to understand the insurance policy including, but not limited to, the extent of cover, the key factors that affect the premium charged, the exclusions,

- special terms and conditions, and all relevant aspects of the policy, including excesses, the relevance of regular, nominated drivers and “no claims bonuses”, if applicable.
- 13.7 Copies of any relevant documentation (e.g. reports on structures of buildings, the condition of vehicles) related to an insured asset received at underwriting stage should be provided to the Policyholder if it is reasonable and appropriate to do so and if the Policyholder has requested such documentation. The Policyholder should be invited to respond and / or comment on the documentation provided if it is necessary to do so.
- 13.8 Where the potential Policyholder is denied insurance cover, reasons for the decision must be provided to the Policyholder.
- 13.9 When a full book of business is accepted by a Member without evaluating each individual risk, all insurance risks associated with the entire book of business at the time of taking over the business are deemed to have been accepted.

Principle and Standards specific to motor insurance

In addition to the clauses above, the following principle and standards apply to motor insurance specifically:

Principle

Members offering motor insurance must reassess the basis value of all motor vehicles insured regularly without any prompting from the Policyholder.

Standards

- 13.10 Members must reassess the basis value of motor vehicles at least annually, at renewal or at anniversary date.
- 13.11 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.

- 13.12 This revised value must be considered when recalculating the premium.
- 13.13 Members must take the necessary action in terms of their own specific operational models to ensure that this requirement is met, whether it is by way of an automatic adjustment on their systems or a contractual obligation placed on their Authorised Agents (including intermediaries, administration agents, or any other relevant third party service provider).
- 13.14 Members and / or their Authorised Agents may use any appropriate method to determine the value of the vehicle but must disclose the method used to Policyholders at underwriting stage.
- 13.15 Where the value of a motor vehicle is not readily available (for example in the case of older and / or imported vehicles), the agreed value or valuation method must be disclosed to the Policyholder on a regular basis, i.e. at least annually at renewal or anniversary date.
- 13.16 This requirement applies to motor vehicles insured in terms of personal lines polices, as well as motor vehicles insured in terms of commercial policies, where vehicles are specified with their own sums insured noted, and where this is practically possible.
- 13.17 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.
- 13.18 Members are encouraged to include an explanation of the relevant factors used in the premium calculation in general, in order to ensure that the Policyholder understands why the premium may not have decreased if the total value of the motor vehicle insured has decreased.
- 13.19 Policyholders should be advised / requested in this process to inform the Member should they wish to obtain additional cover for any additional extras that may have an impact on the total value of the motor vehicle.

13.20 Members are encouraged to communicate regularly with Policyholders in order to remind them of the importance of communicating any material changes to the Member in order to ensure that they are appropriately insured in exchange for an appropriate premium.

14. DEALING WITH POLICYHOLDERS AT CLAIMS STAGE

General Principle

The claims management process must be accessible, transparent, expeditious, efficient and designed to accommodate all activities necessary for the proper handling of an insurance.

General Standards

- 14.1 Members must honour valid insurance claims. Accordingly, insurance claims should only be rejected in circumstances permitted by legislation and fairly within the terms of the insurance contract.
- 14.2 Policyholders must be adequately advised of the Member's insurance claim handling processes.
- 14.3 All reasonable steps to investigate the merits of a potential claim must be taken.
- 14.4 Any person dealing with claims must have the necessary training and competence, with a working knowledge of insurance legislation and practice relating to claims management.
- 14.5 Persons dealing with claims must be empowered to make impartial decisions or recommendations.
- 14.6 Members must promptly correct errors or mistakes that may take place when dealing with claims, and advise the Policyholder, if appropriate.
- 14.7 The claims management framework must accommodate the analysis of trends, risks and remedial actions in order to review the product design and disclosures in line with Treating Customers Fairly (TCF) principles.
- 14.8 Appropriate procedures must be in place for the identification and assistance of vulnerable Policyholders who may need assistance throughout the insurance claims process.

Claims Reporting Standards

- 14.9 Members must advise Policyholders of the claims reporting process at underwriting stage and when a claim is lodged.
- 14.10 To ensure that the claims reporting process proceeds as smoothly as possible, the Member must provide the Policyholder with all the information necessary to help them to lodge a claim. Information provided must address the following:
 - 14.10.1 How to minimise loss.
 - 14.10.2 The importance of cooperating in the investigation by providing the Member with all the facts, information and official documents, regarding the loss.
 - 14.10.3 Reporting of the claim in a timely manner as provided for in the policy.
 - 14.10.4 The need to allow the Member to handle inspection and assessment of damage prior to settlement.
 - 14.10.5 The need to understand that Policyholders may be required to cede their rights to the insurer for recovery from the third party (if applicable) after settlement of the claim under the principle of subrogation.
- 14.11 Where it is necessary for the Policyholder to provide specific documents when lodging a claim, the Member must provide the Policyholder with the full list of these documents as soon as possible.

Claims Assessment and Processing Standards

- 14.12 Claims must be assessed based on information or documentation that is material to the assessment of the claim, in terms of the insurance policy and the law.
- 14.13 Claims assessment methods used must be reasonable and coherent.
- 14.14 The Policyholder must be notified where the Member has opted to appoint

a loss assessor, loss adjuster, investigator and/or other service provider to investigate the loss or assess the damage.

- 14.15 Loss adjusters, loss assessors and other service providers used to assess the claim must be competent and qualified to do so.
- 14.16 The Policyholder must regularly be kept informed of the progress of the claim and the Member must respond timeously to routine requests made about the claim, (Guideline: 7 days) to respond.

Standards when Making Decisions regarding Claims

- 14.17 Once all relevant information has been collected and all enquiries have been completed, the Member must decide whether to accept or reject the claim and notify the Policyholder of its decision with reasons where the claim is rejected.

Claims Rejection Standards

- 14.18 If the claim is rejected, the Member must advise the Policyholder explicitly of the policy provisions, conditions or exclusions on which the rejection is based.
- 14.19 If the amount offered is different from the amount claimed, the Member must explain the reason for this to the Policyholder.
- 14.20 Where the Member is not responsible (by virtue of policy clauses) for meeting all or any part of the claim, it must notify the Policyholder of this fact and explain why.

Claims Settlement Standards

- 14.21 When a final payment or offer of settlement is made, the Member must explain to the Policyholder what the payment or settlement is for and the basis used for arriving at the payment/settlement.
- 14.22 In cases where the interest of any other party, apart from the Policyholder, is noted in the claim, the claim may be settled by payment to the other party

however the Policyholder must be notified of the Member's intention to do so and the basis for doing so. The Policyholder must be afforded an opportunity to make a representation on the issue.

- 14.23 In the case of a claim settlement involving several insurers, indemnification of the Policyholder should be the priority: the claim should be settled in an appropriate time period while potential disputes between the insurers are resolved at a later stage. For the most common insurance claims, related to motor insurance for instance, specific agreements are concluded between insurers to accelerate and simplify claims settlement procedures involving several insured parties.
- 14.24 The Member must not attempt to settle a claim for less than the amount which the Policyholder would be entitled to receive.

Standard in the case of dual/multiple insurance

- 14.25 In the case of dual insurance or multiple insurance for the same risk, and subject to the principle that insurance is not intended to place a person in a better position than before the claim, when a Member becomes aware of the fact that a Policyholder is also insured by another insurer, the Member must:
 - 14.25.1 Pay the full claim and arrange with the other insurer to be reimbursed for its rateable proportion of the loss or arrange with the other insurer for each of them to pay their rateable proportion due to the Policyholder within an agreed time.
 - 14.25.2 OR Refund premiums in accordance with the respective rateable proportion of the risk, where appropriate.

Claims processing timelines and communication standards

- 14.26 Members must keep Policyholders informed of progress during the claims process.

- 14.27 Members must provide information on when payments, repairs or replacements are expected to be made, and, if necessary, explain why additional time is required.
- 14.28 Policyholders must be informed of the acceptance or rejection of a claim within a reasonable period (Guideline: 14 days) after a Member has made the decision to accept or reject the claim.
- 14.29 Members must contact any other company that is involved in the claim within a reasonable period (Guideline: 14 days) and resolve any inter-company claim disputes as quickly as possible.
- 14.30 Where a Policyholder reasonably demonstrates that they are in urgent financial need of the benefits they are entitled to under an insurance policy as a result of the event causing the claim, Members must
- 14.30.1 fast-track the assessment and decision-making process in respect of the Policyholder's claim.
- 14.30.2 make an advance payment under the settlement, where the claim has been accepted, to assist in alleviating the Policyholder's immediate hardship.
- 14.31** Where the timeframes initially communicated to the Policyholder are not practically workable for the Policyholder, Members must reconsider the timelines provided and, where possible, accommodate and agree alternative timelines.

15. DEALING WITH THIRD-PARTY CLAIMS

Principle

Third parties and Policyholders must be made aware of their rights and obligations where third-party claims are concerned.

General Standards

- 15.1 The Member must act in good faith and must deal with third-party claims fairly, promptly and in a transparent manner.
- 15.2 Members must adopt a clear and informative communication process which explains to the Policyholder the procedures and processes in respect of third-party claims and recoveries.
- 15.3 When a Member is informed that a third party wishes to claim in relation to a matter for which the Member is the underwriter, such Member must give the third- party reasonable guidance as to the proper procedure for making a claim.
- 15.4 Where a Member becomes aware of an insurance event that may result in a third-party claim, the Member must handle such event as a claim made by its Policyholder, notwithstanding that such Policyholder has failed to give notice of such claim.
- 15.5 A Member must not refuse to attend to a claim made by a third party based on the failure / refusal of the Policyholder to pay the excess. However, where the claim is valid, the Member is entitled to settle the claim after receipt of the excess from the Policyholder.
- 15.6 If the Member is of the opinion that the third-party liability should be accepted, whether in full or in part, then it must give notice to its Policyholder of its intention to pay the claim and the proposed amount of settlement and the payment of the excess.

- 15.7 Such notice should also include an explanation of the consequences for the Policyholder who objects to such payment.
- 15.8 When a Member settles the claim by paying the third party, the Member should aim to make payment within a reasonable time (Guideline: 14 days) after the Member and the third party have agreed settlement terms, subject to the submission of the relevant receipts and any other requirements specified by the Member or in law, being met by the third party. This does not prevent the Member from paying a claim before the third party has finally agreed settlement terms.
- 15.9 A Member may not delay payment of a claim to a third party on the grounds that premiums are outstanding by its Policyholder, provided that cover existed during the period in which the third-party claim occurred.

Standards that apply between the Member and the Policyholder in respect of third-party claims

- 15.10 Members must adopt clear and informative communication processes, explaining to Policyholders the procedures and processes in respect of third-party claims and recoveries.
- 15.11 After the sale of the insurance policy, the Member must advise the Policyholder that in the event of an insured event involving a third party, the Policyholder must:
 - 15.11.1 not admit liability for any fault or damage
 - 15.11.2 inform the Member as soon as he or she becomes aware of any action against him / her, including summons. The consequences of not doing so should be communicated to the Policyholder
 - 15.11.3 understand that the Member will act on behalf of the Policyholder and that the Policyholder need not refer the matter to other parties to handle, such as their own legal representatives.

15.12 Where a third-party claim is lodged against a Member's Policyholder, the Member must inform the Policyholder of its subrogation rights, all the actions that the Member will take, the nature of the third-party claim and the length of time it could take to finalise the claim. When the Member is informed that a third party wishes to claim in relation to a motor vehicle which is involved in an accident and which may be covered under a motor liability policy issued by such Member, it must give the third party reasonable guidance as to the proper procedure for making a claim.

15.13 Where a Member becomes aware of an insurance event that may result in a claim, the Member must handle such an event as a claim made by its Policyholder, provided that such Policyholder has given notice of such claim.

15.14 The Member must also keep the Policyholder regularly informed of developments in respect of the third-party claim.

Standards that apply between the Member and the Policyholder in respect of third-party recoveries

15.15 The Member must advise the Policyholder as follows:

15.15.1 The approximate length of time it will take to complete the recovery process.

15.15.2 That in terms of the principle of subrogation, if applicable, the Member assumes the rights and responsibilities of the Policyholder once the Member has indemnified the Policyholder by paying or settling a claim and that any decisions regarding recovery and liability will be taken solely at the discretion of the Member.

15.15.3 That the Member will endeavour to recover the Policyholder's excess as well as the Member's own damage in respect of the claim.

15.15.4 Reasons for an unsuccessful or partially successful recovery (including the full or partial recovery of the Policyholder's excess).

Standards that apply between the Member and another Member in respect of third-party recoveries

15.16 The Member must also keep the Policyholder regularly informed of developments in respect of the third-party recovery.

15.17 The Member must communicate the intention to take legal action to the other Member in order to grant the other Member an opportunity to communicate same to its Policyholder to whom the legal action refers.

Standards that apply between the Member and uninsured third parties in respect of third-party recoveries

15.18 Each third-party claim involving an uninsured third party must be dealt with in terms of its own merits and the quantum of such a claim will be determined fairly.

15.19 The Member must advise the uninsured third party as follows:

15.19.1 That the claim will be dealt with in terms of its own merits and the quantum of such claim will be determined fairly.

15.19.2 of the complete list of all material or relevant information required from the uninsured third party for the Member to deal with the claim, as well as the consequences of not submitting such requested information.

15.20 When a decision has been made regarding the claim, the Member must advise the uninsured third party of the reasons for the decision and provide an explanation for the apportionment where there is contributory negligence on the part of the third party, as provided for in the Apportionment of Damages Act, 1956 (Act No 34 of 1956).

- 15.21 In the event that the uninsured third party is not satisfied with the outcome where the Member has followed the standards as set out above and where a dispute arises, such dispute must be dealt with by the Member in terms of its own internal dispute resolution process.
- 15.22 The uninsured third party may complain under this Code where the complaint relates to the procedures followed and the service provided by the Member.

16. DEALING WITH REPAIRS AND WORKMANSHIP

Principle

Members must take accountability for the work of the Service Provider that they appoint and must exercise adequate oversight over the work provided by duly authorised Service Providers.

Standards

- 16.1 Members must appoint appropriately skilled, certified or professionally qualified Service Providers. Where recognised professional bodies exist, the appointment of members of these bodies is preferred.
- 16.2 An assessor and/or service provider must be dispatched to address the Policyholder's claim within a reasonable time period, taking into consideration the circumstances of the claim.
- 16.3 A decision regarding the repair and / or any other action must be made within a reasonable period (Guideline: 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.
- 16.4 Should a Member instruct a Service Provider to authorise a repair or other such action, the Member must honour the authorisation.
- 16.5 The Member may prefer a specific Service Provider, but should the Policyholder request a specific Service Provider, the Member should reasonably consider the request.
- 16.6 Where a Service Provider has been selected and directly authorised by the Member, the Member must:
 - 16.6.1 accept responsibility for the quality of the workmanship and materials
 - 16.6.2 handle any complaint about the quality or timeliness of the work or conduct of the Service Provider accordingly.

17. FRAUD AND DISHONEST CONDUCT

Principle

SAIA is opposed to fraud and dishonest conduct, and encourages Members to identify, verify, investigate and prevent such conduct.

Standards

In order to curb the growth of fraudulent claims, Members must take the following steps in terms of fraud and dishonest conduct:

- 17.1 Participate in combating fraud and dishonest conduct.
- 17.2 Establish systems and controls for detecting and identifying fraud appropriate to Members' exposures and vulnerability.
- 17.3 Discourage fraudulent claims by making Policyholders aware of the consequences of submitting false statements when lodging a claim.
- 17.4 Train employees and Authorised Agents who deal with claims to scrutinize claim documents in order detect dishonesty and possible fraud.
- 17.5 Should a Member cancel an insurance policy due to the Policyholder being found to have acted fraudulently or in a dishonest manner, the following procedure will apply: Members must:
 - 17.5.1 Apply and exhaust their internal mechanisms for detecting, identifying and verifying the fraud.
 - 17.5.2 Inform the affected Policyholder about the cancellation and the options available to the Policyholder;
 - 17.5.3 Inform the Insurance Crime Bureau (ICB) of the cancellation of the contract and the reason for it;
 - 17.5.4 Inform the ICB of employees dismissed as a result of fraud or a financial related crime;
 - 17.5.5 Not disclose or perform anything that is likely to prejudice the criminal investigation and prosecution of any suspects.

18. MEMBERS' EMPLOYEES AND AUTHORISED AGENTS

Principle

Members must exercise appropriate governance and oversight with their employees and Authorised Agents.

Standards

18.1 Members' employees and Authorised Agents must:

- 18.1.1 At all times act fairly, professionally, honestly, transparently and with due skill, care and diligence.
- 18.1.2 Not harass, intimidate, mislead or threaten Policyholders and / or potential Policyholders.
- 18.1.3 Be competent and provide services which match their expertise.
- 18.1.4 Be advised of this Code.

18.2 Members must:

- 18.2.1 Ensure that contractual arrangements with employees and Authorised Agents address the matters stipulated above.
- 18.2.2 Provide their employees and Authorised Agents with the requisite training in respect of services they perform on behalf of the Member. Such training must include awareness of this Code to correct identified performance shortcomings.
- 18.2.3 Request their Authorised Agents to notify them of any complaints received against them while acting on the Member's behalf.
- 18.2.4 Have appropriate controls in place to ensure the robust identification, assessment, measurement and management of any risks associated with the outsourcing of activities to Authorised Agents.

19. COMPLAINTS

Principle

Members must have an effective complaints management framework.

For purposes of this section:

A complainant is a person who lodges a complaint in respect of the service and / or products of a Member. Such complaint could be made directly to the Member or to the Member's employees and / or Authorised Agents.

Standards for Internal Complaints Handling

- 19.1 The complaints management process must be accessible to complainants.
- 19.2 The complaints management process must be conducted fairly and in a timely manner.
- 19.3 Members must inform the complainant of all the relevant or material information required from the complainant, for the Member to deal effectively with the complaint.
- 19.4 Before the complaint is finalised, the Member must provide the complainant with an opportunity to rectify any incorrect information provided. In the event that the incorrect information would have had a material impact on an underwriting decision or a subsequent claim, the correction will only be applied prospectively from the date of correction and will not influence the outcome of the current complaint.
- 19.5 The complainant must be informed of the time it will take to decide on the complaint. Should the Member not respond to the complainant within the time frames previously communicated to the complainant, the Member must inform the complainant of the causes of the delay as well as the revised timeframes.
- 19.6 The complainant must be kept adequately and regularly informed of the progress of the complaint.

- 19.7 When a decision has been made, the Member must convey it to the complainant in writing, electronically or in a form and manner such that it can be conveniently be provided to a complainant, giving:
 - 19.7.1 The reasons for the decision.
 - 19.7.2 Information about how the complainant can access external dispute resolution or other recourse mechanisms.
 - 19.7.3 Timeframes within which the complainant can lodge internal dispute against the decision.
- 19.8 Where the complaint is upheld, the Member must implement remedial action within a reasonable period (Guideline: without delay).
- 19.9 Members must, in contractual agreements with authorised representatives, require such authorised representatives to inform them of any complaints received against the authorised representatives in the course of acting on behalf of the Member.
- 19.10 The Member must keep a record of all complaints in order to monitor and analyse the complaints and any trends.

Internal Escalation and Review Process Standards

The following standards apply where a complainant wishes to have a decision regarding a complaint reviewed:

- 19.11 The Member must follow an internal escalation and review process. Such process must be balanced and impartial.
- 19.12 The complaint must be reviewed by a person with the appropriate experience, knowledge and authority. The Member must inform the complainant of the contact details of the person to whom the complaint has been escalated for review.
- 19.13 When a decision has been made, the Member must convey it to the complainant in writing, giving:

- 19.13.1 Reasons for the decision
- 19.13.2 Information about how the complainant can access external dispute resolution or other recourse mechanisms

External Dispute Resolution Standards

- 19.14 All Members are required to subscribe to the Insurance Ombud scheme.
- 19.14.1 Members must provide complainants with information on how to access the Insurance Ombud scheme and the FAIS Ombud. Such information must be included in Disclosures documentation and documentation related to the rejection of claims.

Standards in respect of complaints lodged with SAIA

Complaints in respect of this Code shall be in writing and addressed to:

SAIA
PO Box 5098
Weltevreden Park
1715
[info@saia.co.za \(email\)](mailto:info@saia.co.za)
011 726 5381 (phone)
086 647 2275 (fax)

Complaints lodged with SAIA under this Code against a Member will be dealt with in two stages, in general.

Standards for stage one

- 19.15 SAIA will deal with complaints against a Member where such complaints:
 - 19.15.1 Have not been resolved by the Member's internal processes; and
 - 19.15.2 Do not fall under the jurisdiction of the Insurance Ombud scheme.
 - 19.15.3 Have been lodged with SAIA within 180 days of the date on which the event or action giving rise to the complaint occurred;
 - 19.15.4 Relate to non-compliance with this Code;

- 19.16 SAIA will follow a facilitation and mediation process to resolve the complaint.
- 19.17 SAIA will deal with the complaint fairly, timeously, transparently and in accordance with its internal processes.
- 19.18 If the facilitation and mediation process followed by SAIA to resolve the complaint fails, SAIA has the right to take the complaint to the SAIA Code of Conduct Complaints Committee, as provided in stage two.

Standards for stage two

- 19.19 The Complaints Committee shall comprise of a senior representative from the Insurance Ombud scheme, a person nominated by the Board of the relevant Insurance Ombud scheme, a senior representative of the Financial Sector Conduct Authority (“FSCA”), a consumer representative and a person nominated by the SAIA Board, in order to avoid any potential conflicts of interest.
- 19.20 The Complaints Committee may co-opt a specialist in the appropriate field onto the Committee, if it deems this necessary.
- 19.21 The Complaints Committee must:
 - 19.21.1 Elect a chairperson, who shall have a casting vote in the event of a deadlock.
 - 19.21.2 Make decisions by way of a majority vote.
 - 19.21.3 Address the complaint timeously, especially where the complainant may continue to suffer prejudice while the complaint is being dealt with.
 - 19.21.4 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.
- 19.22 The Complaints Committee has the following powers:

- 19.22.1 To receive complaints regarding alleged non-compliance with this Code, and investigate such allegations;
 - 19.22.2 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 may be represented.
 - 19.22.3 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.
 - 19.22.4 To consider any information submitted by the Member and other relevant parties, before making its decision.
 - 19.22.5 To dismiss complaints where the complaint is found to have no merit.
 - 19.22.6 To make determinations where a Member has been found to have breached this Code.
 - 19.22.7 To impose sanctions should this be deemed appropriate after considering all relevant and material factors and the guidelines set out below.
 - 19.22.8 To receive any requests for leave to appeal against determinations made by the Complaints Committee and to consider whether an appeal will be permitted.
- 19.23 When dealing with complaints, the Complaints Committee will consider the following:
- 19.23.1 The objectives of this Code.
 - 19.23.2 The severity of the non-compliance with this Code and its effect.
 - 19.23.3 The potential impact of the non-compliance on the image and reputation of the non-life insurance industry.

- 19.23.4 The appropriate sanction to be imposed should the Committee deem it necessary to impose a sanction.
- 19.24 The decision of the Complaints Committee is binding on all Members.

Standards for Investigations

- 19.25 SAIA may:
- 19.25.1 Identify and investigate potential non-compliance with this Code in the absence of a formal complaint, including any liaison with any recognised Ombud Schemes.
- 19.25.2 Assist the Complaints Committee in its investigations where necessary.
- 19.25.3 Convey decisions of the Complaints Committee to Members and/or the complainants.
- 19.25.4 Monitor any required corrective measures.
- 19.25.5 Report any failure to correct non-compliance as decided by the Complaints Committee to the Complaints Committee within 21 days after the required period allowed for corrective measures has expired.
- 19.25.6 SAIA must acknowledge receipt of the complaint to both the complainant and the Member in writing within 7 days of receipt of the complaint and keep the complainant and the Member informed as to the progress of the complaint's consideration.

Guidelines for the imposition of sanctions

The guidelines below are neither exhaustive nor prescriptive.

- 19.26 Sanctions imposed should act as a deterrent to such behaviour or actions in the future, and should be appropriate, fit the contravention and consider the following factors:

- 19.26.1 The nature and severity of the contravention, including whether it was a repeat contravention.
 - 19.26.2 The impact of the contravention on the complainant and any other affected person and any restorative measures that may be appropriate.
 - 19.26.3 The mitigating or corrective actions taken by the offending Member after receipt of the complaint.
 - 19.26.4 The quantum of any benefit or gain to the Member arising out of the contravention.
 - 19.26.5 Whether the contravention may be a contravention of legislation or regulation and whether the referral of the outcome to an appropriate regulatory Authority is warranted.
 - 19.26.6 Whether the sanction imposed should be restricted to the contravention or be applied to the contravening Member's business in general.
 - 19.26.7 The reputational impact of the offending conduct on the industry.
 - 19.26.8 The financial impact of a fine on the Member.
 - 19.26.9 The appropriateness of imposing a suspended sanction/s.
 - 19.26.10 The timeframe within which to effect corrective measures.
 - 19.26.11 The impact and/or effect on the contravening Member of publishing the findings.
- 19.27 The Complaints Committee may impose one or more of the following sanctions on Members and must stipulate the timeframe within which any sanction imposed is to be implemented:
 - 19.27.1 A written reprimand or warning.
 - 19.27.2 Rectifying measures to be undertaken.

- 19.27.3 A requirement that a compliance audit be undertaken by an appropriate service provider, with the costs thereof to be borne by the affected Member.
 - 19.27.4 In the case of a complaint relating to advertising, that corrective advertising be implemented utilising specified media types. The Complaints Committee may recommend that a complaint relating to advertising standards be referred to the Advertising Regulatory Board.
 - 19.27.5 A requirement for publication of the contravention in specified media.
 - 19.27.6 A monetary fine not exceeding an amount of R 500,000 (five hundred thousand Rand).
 - 19.27.7 An order relating to the payment of costs incurred by SAIA in respect of the hearing.
 - 19.27.8 A recommendation to SAIA regarding the suspension or expulsion of the Member from SAIA.
 - 19.27.9 Referral of the matter to the appropriate regulatory Authority (including a regulator or Ombud scheme).
- 19.28 Fines imposed by the Complaints Committee must be paid within 30 days of finalisation of the complaint and, in line with the principle of consumer restitution, will be contributed to SAIA's Consumer Education programme funds.

Standards for Appeals

- 19.29 Any request for leave to appeal against a decision of the Complaints Committee must be lodged in writing with SAIA within 21 days after the Complaints Committee's decision has been communicated to the parties.

SAIA shall then immediately notify the Complaints Committee of the request for leave to appeal.

- 19.30 The Complaints Committee must notify SAIA in writing within 7 days of the outcome of the request for leave to appeal, and SAIA shall then notify the parties to the complaint within a reasonable period not exceeding 14 days thereafter of the Complaints Committee's decision if the Complaints Committee has not communicated the decision to the parties directly. The Complaints Committee should copy SAIA on its decision.
- 19.31 The appeal must be lodged with SAIA in writing within 21 days after the decision by the Complaints Committee has been communicated to the parties.
- 19.32 The implementation of any sanctions imposed by the Complaints Committee shall be suspended pending finalisation of the outcome of the appeal.
- 19.33 The appellant and the Complaints Committee (the respondent) must within 7 days of the granting of leave to appeal, agree on the identity of the person or persons to deal with the appeal from a list of candidates provided by the Complaints Committee.

Where the parties are unable to reach such agreement, by default the Complaints Committee shall decide on and appoint an appropriate person or persons to deal with the appeal.
- 19.34 Any appeal should, wherever possible, be disposed of within 90 days of the leave to appeal being granted.
- 19.35 The person(s) hearing the appeal may:
 - 19.35.1 Decide on the rules and procedures for dealing with any complaint, including the question of legal representation for the parties.

- 19.35.2 Choose to hear the matter *de novo* if they believe that this is in the best interests of the parties;
- 19.35.3 Confirm, vary or reverse any sanction(s) imposed by the Complaints Committee, subject to the provisions of 19.25 and 19.26.
- 19.35.4 Make any order as to the costs of the appeal and who should bear such costs as they deem fit.

20. MONITORING COMPLIANCE WITH THIS CODE

Standards

- 20.1 On a periodic basis, SAIA will:
- 20.1.1 Create awareness of this Code.
 - 20.1.2 Monitor compliance with this Code.
 - 20.1.3 Request Members to attest their compliance with this Code.
Members will be required to submit evidence which clearly demonstrates compliance with this Code.
 - 20.1.4 Members who satisfy compliance with this Code will receive a compliance certificate.
- 20.2 Where a Member's compliance with this Code is unsatisfactory or requires improvement, such Member will be requested by SAIA to implement measures to realise / improve compliance with the Code. Such measures will be monitored by SAIA.
- 20.3 As part of its monitoring, SAIA may provide recommendations to Members in respect of controls to adopt in order to realise / improve compliance with this Code.

21. REVIEW OF THIS CODE

- 21.1 This Code will be reviewed by SAIA regularly, and at least every three years, or on an *ad hoc* basis when and if deemed necessary.
- 21.2 The review process will take account of any changes in the Code's objectives, having regard to changes in the non-life insurance environment and legislation at the time of review.
- 21.3 SAIA will consult its Members, consumer and industry representatives, relevant Regulators and other stakeholders in the ongoing periodic review of this Code.
- 21.4 Any material amendments to this Code or any revised or new Code will be approved and adopted by the SAIA Board.

#150658

ANNEXURE 1 - THE CODE OF MOTOR SALVAGE

THE “CODE OF MOTOR SALVAGE”

Agreed to by
the South African Insurance Association (“SAIA”); and

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

When in this Code of Motor Salvage (“Code”) reference is made to banks it includes all vehicle and asset finance institutions.

1. THE PURPOSE OF THE CODE

The purpose of The Code of Motor Salvage 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. In addition, The Code of Motor Salvage also aims at ensuring that customers are treated fairly with regards to the processes followed and decisions made related to accident damaged and/or stolen recovered vehicles.

Insurers have a moral duty to the customer 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 and/or unroadworthy 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.

The Code of Motor Salvage and compliance to the requirements of this Code is a commitment by SAIA and their members to do everything in their power to combat motor vehicle crime and address road safety.

Furthermore, The Code of Motor Salvage 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; and

- 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 customers' expectations.

The Code of Motor Salvage reflects the responsible approach taken by the short-term insurance industry in combating crime in South Africa. Recognised by the relevant authorities, and therefore making it unnecessary for short-term insurers that are governed by The Code of Motor Salvage to be legislated by the *Second-Hand Goods Act, 2009*.

The principles entrenched in The Code of Motor Salvage 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, and/or money lenders in order to limit the trade in stolen goods and promote ethical standards in the second-hand goods trade.

The principles entrenched in The Code of Motor Salvage also considers Treating Customers Fairly.

Over and above the duties of insurers as well as other relevant role players, The Code of Motor Salvage also establishes best practice in salvage management which will benefit all participants in this process, especially insurers and their customers. Insurers will benefit by following these processes in many 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 Motor Salvage forms part of The SAIA Code of Conduct for SAIA motor insurance members, and as such is compulsory 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 of Motor Salvage. Details are provided in Section 11: Enforcement of this Code.

2. ACRONYMS AND DEFINITIONS

2.1 Acronyms

- FIA: Financial Intermediary Association
- HPI: Hire purchase information check
- IDS: Insurance Data System
- MIB: Manufacturer, Importers and Builders
- NaTIS: National Traffic Information System (the only recognised computerised register of government)
- NCO: Notification of Change of Ownership
- SABS: South African Bureau of Standards
- SAIA: South African Insurance Association
- SAPS: South African Police Service
- SAPVIN: South African Police Vehicle Identification Number
- TCF: Treating Customers Fairly
- VAT: Value-Added Tax
- VIN: Vehicle Identification Number
- VSD: Vehicle Salvage Database

2.2 Definitions and Explanations

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

a. Acts and Regulation

The acts and regulations mentioned in this Code refers to the following:

- “the Act” means the *National Road Traffic Act, 1996 (Act No.93 of 1996)*
- “the Regulation” means a regulation under this Act
- “legislation” means any law under the *National Road Traffic Act, 1996 (Act No.93 of 1996)* and its regulations.

b. Salvage Agent

For the purpose of this code a salvage agent will refer to an entity disposing of salvage on behalf of an insurer and includes:

- “*auction house*” means a company or other juristic person which from time to time conducts auctions as part of its business; or
- “*auctioneer*” means the person conducting an auction, irrespective of whether he or she is doing so for his or her own account or as employee of or agent for an auction house or other person; or
- “*dealer*” accredited and defined in terms of the *Second-Hand Goods Act, 2009 (Act 6 of 2009)* (scrapyard); or
- “*scrap metal dealer*” or “*recycler*” as defined in terms of the *Second-Hand Goods, 2009 (Act 6 of 2009)*.
- “proxy” an agent legally authorised to act on behalf of another party.

c. Dealer Stock

This is when motor vehicles are exempt from licensing and registered in the name of the insurer or the salvage agent as the title holder of the motor vehicle. Compulsory dealer stocking must take place per the indications in the relevant sections of this Code.

d. 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.

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

e. Status Codes and Legislation

The Act and the Regulations do not define the “status codes” they define life cycle statuses. The so-called codes 1, 2, 3, 3A and 4, that are widely used by the insurance industry are in fact vehicle industry specific codes 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 of 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 NaTIS system.

f. Monocoque Frame

A monocoque frame is a structure which integrates body and chassis together to form a composite structure.

g. Ladder Chassis Frame

A ladder chassis frame is when the body of a vehicle is mounted to a separate frame or chassis.

h. SAPVIN and Unique Number

The SAPVIN is required in accordance with the Act under the following circumstances:

- If a motor vehicle has no chassis and/or engine number(s);
- If the chassis number of a motor vehicle is a duplicate of the chassis number of another motor vehicle 3;
- If the chassis and/or engine number(s) of a motor vehicle has been tampered with.

The unique number is the case number which preceded the investigation prior to the issuing of a SAPVIN.

3. SALVAGE CODES

Rules for Determining Write-off Motor Vehicles.

The Code of Motor 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, 2009*.

Written-off motor vehicles are motor vehicles where the insurance company decided not to repair the motor vehicle (e.g. where the damage exceeds a certain percentage of the value of the motor vehicle which could differ from insurer to insurer in accordance of their internal procedures in the best interest of policyholders and/or under other relevant circumstances). These motor vehicles are classified into a number of status codes.

The following terminology and salvage codes will be used in all correspondence between insurers and other role players. The five life cycle status codes for a motor vehicle in the insurance industry are:

3.1 Code 1 – New

A motor vehicle will have a life cycle status of “New” regulation 13 (4A) (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.

3.2 Code 2 – Used

A motor vehicle will have a life cycle status of “Used” regulation 13 (5) (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 deregistration;
- c) If such motor vehicle was deregistered 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 deregistration.

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

3.2.1. General rules

Motor vehicles that, according to the motor assessor:

- a) Are uneconomical to repair (*e.g. damage exceeds a certain percentage of the value of the motor vehicle which could differ from insurer to insurer in accordance with their internal procedures in the best interest of their policyholders and/or because of other relevant reasons*) and the insurance company decides not to repair the motor vehicle;
- b) Have structural damage that can be repaired according to manufacturers specification;
- c) Can be repaired to a safe and roadworthy state, can be declared a code 2; and
- d) When the ladder chassis frame of an uneconomical to repair vehicle is replaced from the manufacturer then, it will remain a code 2:
 - i. If the VIN does not appear on the original ladder chassis frame then no SAPVIN will be required; and
 - ii. If the VIN does appear on the original ladder chassis frame and the replacement ladder chassis frame does not have a VIN then SAPVIN will be required.

The SAIA motor members must provide their vehicle salvage data directly to the Insurance Crime Bureau who hosts and manages the VSD system. The vehicle salvage data can be submitted via the salvage agent or by the member directly. It remains the member’s responsibility to supply the data for the VSD system.

The insurer must follow the processes set out in Section 7.2 of this Code if the insurance company's procedures make provision for the disposal of salvage to the policyholder.

3.2.2. Definition of Code 2 Structural Damage

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

- a) Can be repaired to its original state according to manufacturers specifications and in a roadworthy condition by using manufacturer or equivalent/similar replacement parts;
- b) Has repairable major structural damage;
- c) Has repairable monocoque frame structural damage that can be repaired or replaced according to manufacturer's specification; and
- d) Has repairable ladder chassis frame structural damage that can be repaired or replaced according to manufacturer specification.

3.2.3. Legislation and NaTIS Requirements

It is compulsory that these motor vehicles be registered, and dealer stocked in the name of the insurer or the salvage agent as per legislation and the contract in place.

Once the salvage agent is contracted to dispose of the motor vehicle, the insurer must follow the following process:

- i. Request from the title holder the original registration certificate, a signed NCO, copy of the title holders identity document and all keys for the vehicle;
- ii. the insurer must complete the NCO with it's details and hand over to the salvage agent with the rest of the documentation and keys to;
- iii. dealer stock the motor vehicle in its name, or in the name of the insurer, as per the contract in place;
- iv. it is compulsory for the salvage agent to complete an NCO with the buyer's and new owner details and request a copy of the identity document once the vehicle is sold and; and
- v. such NCO must be submitted to the applicable registration authority within 21days from sale of the motor vehicle to update the NaTIS system with the buyer's and/or new owners details.

3.2.4. Further Requirements

It is compulsory that the following details be recorded by the insurer within 60 days after settlement of a claim, on:

- a) The electronic and physical registers of the insurer; and
- b) The VSD system – the fields marked with an asterisk (*) are compulsory to be recorded by the insurer or salvage agent (*The information recorded will be shared with The Insurance Crime Bureau*).

- i. * License (Registration) Number
- ii. * Chassis/VIN Number
- iii. * Engine Number
- iv. Vehicle Register Number
- v. Vehicle Make
- vi. Vehicle Model
- vii. Vehicle Colour
- viii. Photographs of Vehicle 360°
 - Exterior details of Vehicle
 - Interior details of Vehicle
- ix. Odometer Reading
- x. * Vehicle Life Cycle Status Code
- xi. Demolished Status
- xii. * Salvage Agent
- xiii. Salvage Location
- xiv. * Insurance Company
- xv. * Date of Loss
- xvi. * Insurer Policy/Claim Number

3.3 Code 3 – Built-up

Code 3 motor vehicles are Code 1 or 2 motor vehicles involved in an accident, 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 as set out in the legislation. A motor vehicle is “built-up/ permanently unfit for use”, when the extent of the damage includes structural defects that require substantial rebuilding. The vehicle being rebuilt would not conform to the manufacturer’s specification, however, can be put back to a roadworthy status.

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 one of 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” (so called status 3);
- 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 the status of “built-up” (so called status 3).

Regulation 13 is clear when a motor vehicle will have the status of “built-up” (so called status 3) 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**. If the motor vehicle was previously deregistered as permanently unfit for use, it will have the 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 deregistered 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” (so called status 3), it will retain this status.

3.3.1 General Rules

Motor vehicles that, according to the motor assessor:

- a) Have repairable structural damage;
- b) Can be repaired to a safe and roadworthy state;
- c) Cannot be repaired to the manufacturers specification must be declared a code 3;
- d) When the ladder chassis frame of a built-up vehicle is replaced then, It will remain a code 3:
 - i. If the VIN number does not appear on the original ladder chassis frame then no SAPVIN will be required; and
 - ii. If the VIN number does appear on the original ladder chassis frame and the replacement ladder chassis frame does not have a VIN number then SAPVIN will be required.

The SAIA motor members must provide their vehicle salvage data directly to the Insurance Crime Bureau who hosts and manages the VSD system. The vehicle salvage data can be submitted via the salvage agent or by the member directly. It remains the member’s responsibility to supply the data for the VSD system.

The insurer must follow the processes set out in Section 7.2 of this Code if the insurance company’s procedures make provision for the disposal of salvage to the policyholder.

3.3.2 Definition of Code 3 Repairable Structural Damage

The following should be considered by the motor 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 ladder chassis frames or body shells together; and
- b) When the motor vehicle has sustained severe structural damage requiring extensive repairs to the ladder chassis frame and/or the monocoque frame and cannot be repaired according to manufacturer specifications.

3.3.3 Legislation and NaTIS Requirements

Once the salvage agent is contracted to dispose of the motor vehicle, the insurer must follow the following process:

- i. Request from the title holder the original registration certificate, a signed NCO, copy of the title holders identity document and all keys for the vehicle;

- ii. the insurer must complete the NCO with its details and hand over to the salvage agent with the rest of the documentation and keys to; and
- iii. dealer stock the motor vehicle in its name, or in the name of the insurer, as per the contract in place;
- vi. 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 and be deregistered as a ‘built-up’ code 3 (so called status 3) motor vehicle;
- iv. it is compulsory for the salvage agent to complete an NCO with the buyer’s and new owner details and request a copy of the identity document once the vehicle is sold and; and
- v. such NCO must be submitted to the applicable registration authority within 21 days from sale of the motor vehicle to update the NaTIS system with the buyer’s and/or new owners details.

3.3.4 Further Requirements

It is compulsory that the following details be recorded by the insurer within 60 days after settlement of a claim on:

- a) The electronic and physical registers of the insurer; and
- b) The VSD system – the fields marked with an asterisk (*) are compulsory to be recorded by the insurer or salvage agent (*The information recorded will be shared with The Insurance Crime Bureau*).
 - i. * License (Registration) Number
 - ii. * Chassis/VIN Number
 - iii. * Engine Number
 - iv. Vehicle Register Number
 - v. Vehicle Make
 - vi. Vehicle Model
 - vii. Vehicle Colour
 - viii. Photographs of Vehicle 360°
 - Exterior details of Vehicle
 - Interior details of Vehicle
 - ix. Odometer Reading
 - x. * Vehicle Life Cycle Status Code
 - xi. Demolished Status
 - xii. * Salvage Agent
 - xiii. Salvage Location
 - xiv. * Insurance Company
 - xv. * Date of Loss
 - xvi. * Insurer Policy/Claim Number

3.4 Code 3A – Spare Parts Only

Permanently unfit for use/ to be reported to The Insurance Crime Bureau

Code 3A – Spare Parts Only; vehicles to be reported to The Insurance Crime Bureau (itcrowd@saicb.co.za) are code 1, 2 and 3 motor vehicles involved in an accident, and subsequently being declared unfit for use as a motor vehicle.

Such motor vehicles cannot achieve roadworthy status due to impaired structural integrity of the motor vehicle but can be stripped for spares only.

Thus, a motor vehicle is “Permanently unfit for use” if it is not physically possible to repair the motor vehicle to a state where it can be made roadworthy.

These motor vehicles must **not be built-up** however, will forever reflect as code 3A allowing the usable vehicle parts to be sold.

The motor vehicle will be deregistered, and the vehicle's deregistration document will be retained by the insurer and the vehicle shall never be registered again. The certificate of deregistration in respect of a motor vehicle will forever reflect “Scrapped” and Code 3A (Example: Annexure A): the details must be reported to The Insurance Crime Bureau (itcrowd@saicb.co.za) in order for measures to be taken to prevent the record from being registered again.

A motor vehicle will have the status of **Permanently unfit for use/ vehicle not to be re-registered** (so called status 3A) after deregistering the motor vehicle as being permanently unfit for use.

3.4.1 General Rules

Motor vehicles that, according to the motor assessor:

- a) **Have irreparable structural damage;**
- b) **Cannot be repaired to a safe and roadworthy state;**
- c) **Cannot be repaired to the specifications of the original manufacturer; and;**
- d) **Parts on the vehicle can be sold** to the second-hand market may be declared a code 3A: permanently unfit for use/ to be reported to The Insurance Crime Bureau.

It is compulsory that vehicles deemed to be a code 3A can only be sold to a dealer accredited and defined in terms of the Second-Hand Goods Act, Act 6 of 2009 and without access to the deregistration document.

It is compulsory for the accredited scrap metal dealer or recycler to destroy all parts containing the manufacturer/police stamped/engraved VIN number and/or VIN tags once all salvageable parts have been removed. The unsalvageable parts must be safely and in accordance with all legislations be destroyed.

In terms of Regulation 55(2) (e) of the *National Road Traffic Act, 1996*, the “certification of demolition” must contain the details of:

- i. *where the vehicle was demolished;*
- ii. *the date when the vehicle was demolished; and*
- iii. *the name and address of the body that operates the demolition equipment.*

The SAIA motor members must provide their vehicle salvage data directly to the Insurance Crime Bureau who hosts and manages the VSD

system. The vehicle salvage data can be submitted via the salvage agent or by the member directly. It remains the member's responsibility to supply the data for the VSD system.

3.4.2 Definition of Code 3A Irreparable Structural Damage

The following should be considered by the motor assessor to determine when a motor vehicle has **irreparable** structural damage.

Irreparable structural damage is:

- a) Where the motor vehicle is damaged to such *an extent that the motor vehicle concerned and/or any part thereof cannot be made roadworthy and the chassis cannot be used to build a motor vehicle*;
- b) When the complete ladder chassis frame or monocoque frame is ripped, torn or twisted beyond repairs and 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;(SANS 10047 (par.5.4 p13) under Road wheels and hubs; towing bracket; coupling ball and tow bar and others indicate the vehicle roadworthiness must be rejected if certificate of registered welder is not available); and
- d) When the motor vehicle has sustained severe irreparable structural damage and a vehicle cannot be rebuilt due to the damage to the ladder chassis frame and monocoque frame.

3.4.3 Legislation and NaTIS Requirements

It is compulsory that these motor vehicles be registered, and dealer stocked in the name of the insurer or the salvage agent as per legislation and the contract in place.

The insurer should ensure that these motor vehicles are deregistered as **"permanently unfit for use/ to be reported to The Insurance Crime Bureau**, and the vehicle shall not be re-registered.

The certificate of deregistration must be defaced, and the control number and barcode must be blocked out (Example: Annexure A) and kept on file by only the insurer according to legislation.

Although vehicles deregistered as code 3A (**permanently unfit for use/ to be reported to The Insurance Crime Bureau**) can be re-registered in terms of Regulation 13 (4), and such a motor vehicle will have the status of "built-up" (so called status 3) after registering the motor vehicle as being liable for licensing, it is the intention that code 3A vehicles are not to be re-registered.

In terms of Regulation 13(4) a motor vehicle with the status of "built-up" by default must successfully pass a SAPS Vehicle Clearance and Roadworthy Test before it can be re-registered and/or licensed.

The following additional measures will be adhered to in terms of this Code:

- a) Vehicles coded as code 3A can only be sold to a accredited scrap metal dealer or recycler;
 - i. Who must be compliant with all legislation e.g. VAT, SHGA); and
 - ii. These contracted scrap metal dealers need to be vetted on a regular basis by The Insurance Crime Bureau. The salvage agent is obliged to supply the detailed information to The Insurance Crime Bureau.
- b) The deregistration certificate of such a vehicle may not be made available to the purchaser and must be kept securely by the insurer. The control number and barcode on such documents may not be visible on any system either of the insurer or the salvage agent; and
- c) Salvage agents selling such a vehicle, code 3A, must ensure that the purchaser is informed in writing that the vehicle is sold as is, not to be re-registered and that no deregistration certificate or copy thereof will be available for the vehicle. A copy of such written communication must be available as part of the record at the salvage agent. In addition the information will be shared with The Insurance Crime Bureau who may take any suitable actions to prevent the re-registration of such a vehicle.

3.4.4 Further Requirements

It is compulsory that the following details be recorded by the insurer within 60 days after settlement of a claim on:

- a) The electronic and physical registers of the insurer; and
- b) The VSD system – the fields marked with an asterisk (*) are compulsory to be recorded by the insurer or salvage agent (*The information recorded will be shared with The Insurance Crime Bureau*).
 - i. * License (Registration) Number
 - ii. * Chassis/VIN Number
 - iii. * Engine Number
 - iv. Vehicle Register Number
 - v. Vehicle Make
 - vi. Vehicle Model
 - vii. Vehicle Colour
 - viii. Photographs of Vehicle 360°
 - Exterior details of Vehicle
 - Interior details of Vehicle
 - ix. Odometer Reading
 - x. * Vehicle Life Cycle Status Code
 - xi. Demolished Status
 - xii. * Salvage Agent
 - xiii. Salvage Location
 - xiv. * Insurance Company
 - xv. * Date of Loss
 - xvi. * Insurer Policy/Claim Number

3.5 Code 4 – Permanently Demolished

A motor vehicle is recorded as **permanently demolished** (so called status 4) if such motor vehicle was **deregistered** 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. (Roadworthy is descriptive of a vehicle that complies with the relevant provisions of the *National Road Traffic Act, 1996* and its standard (SANS Code), and that is otherwise in a fit condition to be operated on a public road).

Regulation 13A determines that: *A motor vehicle which was deregistered in terms of Regulation 55 as permanently demolished, shall not be registered and its parts shall not be used to build or repair any motor vehicle.”*

3.5.1. General Rules

Motor vehicles that, according to the motor assessor:

- a) Have irreparable major structural damage; and/or
- b) Cannot be repaired to the specifications of the original manufacturer; and/or
- c) Cannot be repaired to a safe and roadworthy state; and no salvageable mechanical/major components are usable must be declared a code 4.

The SAIA motor members must provide their vehicle salvage data directly to the Insurance Crime Bureau who hosts and manages the VSD system. The vehicle salvage data can be submitted via the salvage agent or by the member directly. It remains the member's responsibility to supply the data for the VSD system.

3.5.2. Definition of Code 4 Irreparable Major Structural Damage

The following should be considered by the motor assessor to determine when a motor vehicle **has been damaged to such an extent that the motor vehicle concerned cannot be made roadworthy and the chassis or any part of it cannot be used to build a motor vehicle:**

- a) In the case of a monocoque frame motor vehicle:
 - i. The monocoque frame is completely twisted in its entirety;

- ii. The dome is completely crushed from overturning; and
 - iii. in the process the roof pillars are completely crushed. Which in turn crushed the firewall or rear cab panel, and the monocoque frame panels around the motor vehicle were damaged and/or no salvageable mechanical/major components are usable.
- b) In the case of a ladder chassis frame motor vehicle:
- i. The complete body as well as the complete chassis are severely damaged; and
 - ii. The chassis is damaged beyond repair and/or no salvageable mechanical/major components are usable.
- c) The motor vehicle was totally burned out and/or melted.

3.5.3. Legislation and NaTIS Requirements

It is compulsory that these motor vehicles be registered, and dealer stocked in the name of the insurer or the salvage agent as per legislation and the contract in place.

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 and its parts shall not be used to build or repair any motor vehicle.*”

Furthermore:

- a) It is the responsibility of the insurance company, through the motor assessor, to determine in writing with supporting documents when a motor vehicle should be coded as permanently demolished.
- b) Insurers should apply the legal and NaTIS requirements, as well as the requirements of this Code strictly in order to restrict incorrect coding of motor vehicles that should fall into this category.
- c) Insurers must 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 details 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, which should be securely stored by the insurer.
- e) Vehicles deregistered as Demolished in terms of Regulation 55 must be destroyed through controlled compacting or shredding process and no parts of such deregistered (Demolished) vehicle may be used to repair any vehicle. The following must be followed:
 - i. The insurer will keep all documents related to code 4 motor vehicles, i.e. they will not hand over the registration 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 insurer’s possession, the certificate of deregistration must be defaced, and the control number and barcode must be blocked out

(Example: Annexure A) and kept on file by only the insurer according to legislation.

In terms of Regulation 55(2) (e) of the *National Road Traffic Act, 1996*, the “certification of demolition” must contain the details of:

- i. where the vehicle was demolished;
- ii. the date when the vehicle was demolished; and
- iii. the name and address of the body that operates the demolition equipment.

- f) When the insurance company instructs a salvage agent, the salvage agents must safely and in accordance with all legislations 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 the NaTIS system as permanently demolished by the title holder (insurer/bank/owner), i.e. the chassis number must be cancelled. Insurers must use the agreed terminology as per this Code in the instruction to the title holder/owner. A pro forma wording for such an instruction is attached to this Code as Annexure D.
- h) The insurer must note the code 4 status of the motor vehicle, as well as the fact and manner of the chassis disposal on all other (apart from NaTIS) appropriate records, i.e. the electronic and physical registers/operational systems of the insurer.
- i) The insurer must inform all other relevant role players, such as salvage agents, of the status of the motor vehicle.

3.5.4. Further Requirements

It is compulsory that the following details be recorded by the insurer within 60 days after settlement of a claim on:

- a) The electronic and physical registers of the insurer; and
- b) The VSD system – the fields marked with an asterisk (*) are compulsory to be recorded by the insurer or salvage agent (*The information recorded will be shared with The Insurance Crime Bureau*).
 - i. * License (Registration) Number
 - ii. * Chassis/VIN Number
 - iii. * Engine Number
 - iv. Vehicle Register Number
 - v. Vehicle Make
 - vi. Vehicle Model
 - vii. Vehicle Colour
 - viii. Photographs of Vehicle 360°
 - Exterior details of Vehicle
 - Interior details of Vehicle
 - ix. Odometer Reading
 - x. * Vehicle Life Cycle Status Code
 - xi. Demolished Status
 - xii. * Salvage Agent
 - xiii. Salvage Location
 - xiv. * Insurance Company
 - xv. * Date of Loss

4 STOLEN AND RECOVERED 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. The life cycle status of a vehicle is not affected when a SA Police Service Vehicle Identification Number (SAPVIN) is allocated to a stolen recovered vehicle

If the status of the motor vehicle was “**built-up**” (so called status 3) before the theft, it will retain this status.

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.

4.4 Determining the Code of a Stolen and Recovered vehicle

4.1.1. Code 2

- a) If there is no major damage or accident damage to the vehicle, as described in the code 2 definition of this document, will be subject to a code 2 classification and the vehicle to be sold accordingly subject to the vehicle status was “New” or “Used” prior to the theft.
- b) The vehicle record must be recorded on the VSD system.
- c) The allocation of SAPVIN will not have any effect on the vehicle status code.

4.1.2. Code 3

- a) A partially stripped or accident damage vehicle, as described in the code 3 discription of this document, will be subject to a code 3 classification and the vehicle to be sold accordingly.
- b) The vehicle record must be recorded on the VSD system.
- c) The allocation of SAPVIN will not have any effect on the vehicle status code and therefore the vehicle must be deregistered accordingly as per the correct code.

4.1.3. Code 3A

- a) A stripped vehicle with salvageable parts or accident damage to the vehicle, as described in the code 3A definition of this document, will be subject to a code 3A classification and the vehicle to be sold accordingly.
- b) This vehicle’s certificate of deregistration must be defaced and the control number and barcode must be blocked out (Example: Annexure A) and kept in safe keeping in the prescribed way and period of time as described in this document for code 3A vehicles.
- c) This vehicle record must be recorded on the VSD system and reported to The Insurance Crime Bureau.

- d) The allocation of SAPVIN will not have any effect on the vehicle status code and the vehicle must be deregistered accordingly.
- e) If no SAPVIN was issued on the vehicle, record of the SAPS Unique number must be kept.

4.1.4. Code 4

- a) If the Stolen and Recovered vehicle is burnt out, totally stripped without salvageable parts or accident damage without salvagable parts available, code 4 will apply to this vehicle. In this instance a salvage forfeit letter (Example: Annexure B) must be sent to the SAPS in order for them to add a “Compact” mark on the NaTIS system and compact the vehicle.
- b) This vehicle’s certificate of deregistration must be defaced and the control number and barcode must be blocked out (Example: Annexure A) and kept in safe keeping in the prescribed way and period of time as described in this document for code 4 vehicles.
- c) This vehicle record must be recorded on the VSD system and reported to The Insurance Crime Bureau.

4.1 Legislation and NaTIS Requirements

Once the salvage agent is contracted to dispose of the motor vehicle, the insurer must follow the following process, including subsections a) to f):

- i. Request from the title holder the original registration/deregistration certificate, a signed NCO, copy of the title holders identity document and all keys for the vehicle;
 - ii. the insurer must complete the NCO with it's details and hand over to the salvage agent with the rest of the documentation and keys to;
 - iii. dealer stock the motor vehicle in its name, or in the name of the insurer, as per the contract in place;
 - iv. It is compulsory for the salvage agent to complete an NCO with the buyer's and new owner details and request a copy of the identity document once the vehicle is sold and; and
 - v. such NCO must be submitted to the applicable registration authority within 21days from sale of the motor vehicle to update the NaTIS system with the buyer's and/or new owners details.
- a) Insurers must confirm with the vehicle owner that the license fees for the stolen vehicle are current and paid up before it is deregistered as stolen.
 - i. Should the vehicle be recovered after settlement of the claim, the insurance will have to pay the outstanding transaction fees before registration;
 - ii. If a recovered vehicle with an outstanding transaction is somehow registered, the vehicle status on the NaTIS system will read “Limited and Exempt Owner” which will block the Insurance from any further transaction.
 - b) The insurer must ensure that the title holder/owner deregister the motor vehicle as stolen on the NaTIS system. Insurers must use the agreed terminology as per this Code in the instruction to deregister to the title holder/owner.

- c) If a stolen motor vehicle is recovered before claim settlement and the salvage becomes the property of the insurer after the settlement, the insurer must dealer stock the vehicle.
- d) 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.
- e) When a vehicle is presented for a SA Police Service vehicle clearance, a copy of the certificate of registration or deregistration is not compulsory. However, if such a copy is demanded, on all copies of the certificate of registration or deregistration handed over to SAPS and/or Microdotting Companies, the control number and barcode must be blocked out. If any official demands the control number during the upliftment and/or clearance process it must immediately be reported to The Insurance Crime Bureau.
- f) 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.
 - i. The certificate of deregistration must be kept secure with the insurer.
 - ii. Where the certificate of deregistration is saved on an electronic platform the bar code and control number must be blocked out.

4.2 Further Requirements

Although Insurers are exempted from the *Second-Hand Goods Act, 2009*, insurers must keep record of all stolen and recovered vehicles.

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 NCO with the buyer's detail and identity document at a licensing authority to update the NaTIS system with the buyer's detail.

5 INTERNAL PROCESSES

5.1 Insurance Companies

- a) 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 motor assessors will make this decision and the insurer or appointed salvage agent will register and/or deregister vehicles accordingly.
 - b) In terms of the SAIA Code of Conduct, as well as this Code, the insurer is responsible for the actions of all contracted parties. 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 must be expected by insurers to follow this Code.
 - c) Registration, deregistration and dealer stocking will be dealt with according to this Code, as well as any other legal requirements.
- The principle of dealer stocking is accepted, and the following is agreed:

- i. The insurance company takes the responsibility for dealer stocking.
 - ii. 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.
 - iii. The insurance company will decide whether the dealer stocking will take place in the name of the insurer or the salvage agent, as per relevant legislation and Regulation and contracts in place.
 - iv. The insurance company will contract the salvage agent according to the above-mentioned decisions.
 - v. The insurance company will undertake regular audits to ensure that the actions agreed to in the contract with the salvage agent are being implemented.
 - vi. The insurance company will ensure that the correct audit trail exists.
- d) 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, deregistration and dealer stocking, clearance by the South African Police Services (“SAPS”), or any other relevant processes.
- e) It is recommended that at underwriting stage, the insurer will endeavour to obtain and capture the details of the motor vehicle and the title holder/owner. The insurer will also, if appropriate and possible, verify such information against available databases, or through inspections and/or any other appropriate methods.
- f) At claims stage, the insurer must obtain and verify the details of the motor vehicle, and the title holder/owner.
- g) 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.
- h) In addition, at claims stage, all the required details need to be entered onto the VSD system.
- i) 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.
- j) Safeguarding of relevant documents and keys will be dealt with according to this Code.
- k) 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.
- l) Appropriate audit procedures will be put in place by insurers for all salvage management activities, including electronic audit trails on electronic registers/operational systems.
- m) 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 Insurance Crime Bureau and/or any relevant authorities as required.
- n) 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.
- o) Insurers will report the following to The Insurance Crime Bureau:
- i. When motor vehicles are identified as clones.
 - ii. When motor vehicles are deregistered as Codes 4.
 - iii. When the motor vehicles are identified as Code 3A.

- iv. When the licensing authorities are not complying with regulations.
 - v. When the salvage agent does not comply with the Code.
- p) Insurers will follow good judgement and extreme care during the process of disposal of salvage to policyholders, and will follow the requirements and guidelines set out in this Code with regards to such transactions, as per this Code.

5.2 Insurers and Accident Damaged Motor Vehicles

An insured motor vehicle, involved in an accident, is always assessed by an insurer's appointed 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 title holder of the status of the claim relating to the motor vehicle finance account using pro forma letters (Example: Annexure D). They will also notify the title holder of the decision not to repair the motor vehicle based on the motor assessor's findings.
- b) Any expected action and/or documentation will be requested from the title holder in writing by the insurer using the pro forma letters (Example: Annexure D), after which the title holder must 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 title holder and the insurer and settle the claim.
- d) Should the insurer be required to implement any actions, that is the registration, 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 (Example: Annexure D) 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 assessors. The motor assessor's 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 assessor 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 assessor determines the safety of any possible repair beyond a shadow of doubt, according to the manufacturer and SABS safety standards.

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 “built-up”. Moreover, that the public might be endangered if the required process is not followed.

Insurers must ensure that motor assessors 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.

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 title holder, to deregister the motor vehicle as stolen. The licensing authorities will require an additional letter from the title holder stating the reason for deregistration. The insurer’s instruction to the title holder will serve as this letter. This instruction will use the terminology in this Code. A pro forma letter is attached to this Code as Annexure D.

It is compulsory that the insurer dealer stock the stolen not recovered motor vehicle.

5.4 Insurers and Contractors

In terms of the SAIA Code of Conduct, as well as this Code, the insurer is responsible for the actions of all contracted parties. This includes, insurance brokers, underwriting managers, salvage agents and any other relevant third parties in the salvage management process.

Insurers must always have formal agreements/contracts in place with contractors and the following requirements must be included in their agreement/contracts:

- a) The requirement that the, procedures and requirements of the Code must be adhered to.
- b) Specific requirements regarding registration, deregistration and dealer stocking.
- c) Requirements, as per the Code, regarding uploading information onto the VSD system.
- d) A requirement for salvage agents to be registered as a second-hand goods dealer, in terms of the *Second-Hand Goods Act, 2009*.
- e) A requirement to keep electronic and physical records of all salvage.
- f) A requirement to safeguard documents and keys as per the Code.

- g) A requirement to keep audit trails, as per the Code.
- h) The requirement that the relevant staff members of the contractors will be made aware of the content of the Code.
- i) The requirement that the relevant staff members will be trained to perform their duties according to the Code.
- j) Insurers must create awareness about this Code with its contracted parties through:
 - vi. Workshops;
 - vii. Letters/mandates/contracts;
 - viii. Audits by insurers with penalties for non-compliance;
 - ix. Should insurers find consistent non-compliance by insurance brokers, UMA (Underwriting Management Agency), it should be taken up with FIA (Financial Intermediary Association); and
 - x. Should constant non-compliance occur, the insurer should cancel the contract with the salvage agent.

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 title holder/owner.

In addition, it is recommended that the insurer endeavours to verify any details against any possible databases, 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 and captured are provided in order to encourage a uniform approach:

- a) Information related to the motor vehicle:
 - i. License (Registration) Number
 - ii. Chassis/VIN Number
 - iii. Engine Number
 - iv. Vehicle Register Number
 - v. Vehicle Make
 - vi. Vehicle Model
 - vii. Vehicle Colour
 - viii. Previous damage and condition of the vehicle per inspection report, when applicable
 - ix. Odometer Reading
- b) Information related to owner:
 - i. Personal lines:
 - Identity number and type
 - Date of birth
 - Address and contact number/s
 - ii. Commercial lines:
 - Name of business
 - 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 the NaTIS system.

5.6 Claims stage

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

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

- i. License (Registration) Number
- ii. Chassis/VIN Number
- iii. Engine Number
- iv. Vehicle Register Number
- v. Vehicle Make
- vi. Vehicle Model
- vii. Vehicle Colour
- viii. Previous damage and condition of the vehicle per inspection report, when applicable
- ix. Odometer Reading
- x. Photograph of motor vehicle

The insurer will require the title holder/owner to complete deregistration and any other relevant licensing procedures before settling the claim.

5.7 Repudiations

When a vehicle is deemed a write-off in terms of the salvage code, but the claim is repudiated the following procedure needs to apply:

- a) Client will be informed;
- b) Client will be obliged to inform the title holder;
- c) Insurers must put processes in place for when a claim is repudiated by the insurer after the accident damaged vehicle has been uplifted by the insurer's contracted salvage agent that will assist with the handing over of the vehicle to the policyholder. Such processes must limit the potential exposure of such salvage to the exploitation of criminal elements. Such processes should include **written explanation of the processes to be followed by the policyholder**; and
- d) In the event that the vehicle claim was repudiated for fraud and or dishonesty, the vehicle must be reported to the insurance crime bureau to mitigate risk and or for crime combating purposes for the financial sector

The fields marked with an asterisk (*) are compulsory to be recorded by the insurer.

- i. *License (Registration) Number
- ii. *Chassis/VIN Number
- iii. *Engine Number
- iv. Vehicle Register Number
- v. Vehicle Make
- vi. Vehicle Model
- vii. Vehicle Colour
- viii. Photographs of Vehicle 360°
 - Exterior details of Vehicle
 - Interior details of Vehicle

- ix. Odometer Reading
- x. *Write-off repudiation must be indicated instead of Vehicle Life Cycle Status Code
- xi. Demolished Status
- xii. Salvage Agent
- xiii. Salvage Location
- xiv. *Insurance Company
- xv. *Date of Loss
- xvi. Insurer Policy/Claim Number

5.8 Third Party Salvage

When a third party's vehicle is deemed a write-off in terms of the salvage code, the following procedure needs to apply:

- a) If the third party is insured with a SAIA member company the salvage will be dealt with in terms of the salvage code.
- b) In the event that the vehicle claim is not honoured in terms of fraud and or dishonesty, the vehicle must be reported to the insurance crime bureau to mitigate risk and or for crime combating purposes for the financial sector

The fields marked with an asterisk (*) are compulsory to be recorded by the insurer or salvage agent (*The information recorded will be shared with The Insurance Crime Bureau*).

- i. *License (Registration) Number
- ii. *Chassis/VIN Number
- iii. *Engine Number
- iv. Vehicle Register Number
- v. Vehicle Make
- vi. Vehicle Model
- vii. Vehicle Colour
- viii. Photographs of Vehicle 360°
 - Exterior details of Vehicle
 - Interior details of Vehicle
- ix. Odometer Reading
- x. *Write-off third party must be indicated instead of Vehicle Life Cycle Status Code
- xi. Demolished Status
- xii. Salvage Agent
- xiii. Salvage Location
- xiv. *Insurance Company
- xv. *Date of Loss
- xvi. Insurer Policy/claim number

6 INSURERS CONTROL/PROCESS OVER SALVAGE RECORDS

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

6.1 Documents include:

- a) Notice of change of ownership forms

- b) Deregistration and registration certificates (NaTIS documents)
- c) Letters and identification details of proxy

- 6.1.1.** 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.
- 6.1.2.** Insurers will keep a register of physical documents and/or items, with procedures that will facilitate an audit trail.
- 6.1.3.** 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.
- 6.1.4.** 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.
- 6.1.5.** Documents related to stolen unrecovered motor vehicles must 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.

6.2 Vehicle Salvage Database

It is compulsory for insurers and their salvage agents to provide their vehicle salvage data as listed in further requirements under all codes in this document. Vehicles that are deemed to be code 3A – Spares parts only must be noted on the report to be admin marked by the insurance crime bureau

7 INSURERS AND POLICYHOLDER

Insurers must be mindful of the fact that accident vehicles may be declared 'uneconomical to repair' and consider the rights of the customer in this regard. The following processes must be followed to ensure that customers are treated fairly in the event this happens to them.

7.1 Insurance Company Elects not to Repair a Vehicle

Once an insurer makes the decision not to repair a vehicle (**not applicable to assessed code 3, 3A and 4 vehicles**) the insurer must follow the following processes:

- a) Inform the policyholder that the decision was made not to repair the vehicle.

- b) The definition of uneconomical to repair according to this Code.
- c) Inform the policyholder that the decision was made with due regard to
- d) the interests of all relevant stakeholders, including the financier of the
- e) vehicle should the vehicle be financed.
- f) Give the policyholder the reasons for the decision.
- g) Give the policyholder information regarding his/her options.
- h) During the conversation with the policyholder, provide the policyholder with the relevant information to make an informed decision, including:
 - i. The amount payable to the policyholder, including a breakdown of the amount
 - ii. The estimate received by the insurer for the cost of the repairs.
 - iii. The insured value of the vehicle prior to the accident.
 - iv. Any other relevant information which may for example include the expected estimated salvage value, the estimated time of repairs and/or waiting periods for parts if applicable.
- i) Should the policyholder wish to not accept the decision, consider the policyholder's request on non-financed vehicles
- j) Make the final decision, in consultation with the policyholder and where applicable with the title holder and inform the policyholder of the decision.

7.2 Disposal of Salvage to Policyholder

At all stages, insurers must follow the principles of “Treating Customers Fairly.”

Sometimes, insurers are requested to sell an accident damaged vehicle that was declared uneconomical to repair to the policyholder. As this is not deemed best practice, insurers will deal with such requests as follows:

- a) Insurers will consider such an action only at the request of a policyholder.
- b) Insurers will consider each case by its own merits if such a request is received and will use their discretion in the decision-making process.
- c) Vehicles which are financed by a bank/finance house must not be considered for sale to a policyholder.
- d) Such sales to policyholders will be controlled through an appropriate contract which will prescribe the conditions of the sale. The conditions of the sale must follow the requirements of this Code, as well as all applicable legislative requirements.
- e) In line with Treating Customers Fairly, and with a view to assist in the fight against vehicle crime, insurers will assist policyholders in writing with regards to the processes they must follow after the sale is concluded.
- f) The insurer will keep a full audit trail, as per the requirements of this Code, of the transaction with the policyholder.
- g) The insurer's record/audit trail will include verifiable documents including the motor assessor's report, as well as the agreement with the policyholder.
- h) The insurer will follow all the normal processes as required by this Code, and especially with regard to **the correct coding of the vehicle**.

7.3 Internal Processes When Selling a Vehicle

Over and above the aforementioned, the following requirements will be applicable to insurers:

7.3.1 Code 2 Vehicles:

Insurers must follow all the relevant requirements of this Code, and specifically all its sub-sections.

7.3.2 Code 3 Vehicles:

- a) Code 3 vehicles should not be considered for sale to policy holders, unless there are exceptional circumstances, in which case insurers must treat such cases with extreme care and follow due process which will include keeping a record of such cases and circumstances. Insurers must follow all the relevant requirements of this Code, and all its sub-sections;
- b) 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 and should be deregistered as a ‘built-up’ motor vehicle (Code 3);
- c) These motor vehicles should be dealer stocked in the name of the insurer or the salvage agent as per the contract in place;
- d) It is the insurer’s responsibility to advise the policyholder of the following:
 - i. The process he/she will have to follow in order to get the vehicle reregistered after repairs have been finalised to the code 3 vehicle with a view to ensure that the policyholder fully understands the administrative and financial implications of his request to buy the code 3 salvage;
 - ii. The following requirements:
 - Police clearance;
 - Microdotting;
 - A roadworthy certificate;
 - Re-registration.
- e) If a disclaimer is applicable, the insurer must advise the policyholder accordingly.

7.3.1 Code 4 Vehicles:

Code 4 vehicles do not apply to this section as they must not be sold to policy holders.

8 INSURERS AND TITLE HOLDERS

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

8.1 Registration Procedures

Members will follow registration and deregistration procedures as per legal requirements including dealer stock and deregistration in line with the code

of motor salvage and legislation.

8.2 Status Coding

Status coding of motor vehicles is the responsibility of the insurer and not the current title holder.

8.3 Procedure 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 in line with service level agreements in place.
- d) The bank and insurer both need to 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.

9 INSURERS AND SALVAGE AGENTS

9.1 Protocols of Responsible Salvage Management

Refer to section 5.1.(b) (c) specifically the requirements regarding contracted parties in the salvage management process.

The following are relevant to salvage agents and as such must be included by the insurer in its agreement/contract with the salvage agent:

- a) Salvage agents must 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 must comply with all other relevant legislation in South Africa.
- c) Salvage agents must:
 - 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. It is compulsory to notify SAIA in writing should regular non-compliance with the Code become apparent for whatever reason, in order for SAIA to investigate the problem and to address it in whatever way necessary.
- vi. Register, deregister and 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.

9.2 Registration and Deregistration Process

Salvage agents must comply with the registration and/or change of ownership notification as per the requirements of the law when selling salvage, including:

- a) The title holder (salvage agent/insurer) must Complete the change of ownership form with their own details, the buyer's details and vehicle details and hand this over with the correct documentation to the licence department.
- b) This ensures the buyer is then forced to register the salvage in his/her name before he/she can resell the motor vehicle.
- c) It is compulsory that the salvage agent instruct the new owner in writing to register the motor vehicle before handing over the motor vehicle.
- d) Keep detailed record of the new owner on their physical and electronic data base

9.3 Safeguarding

- a) Salvage agents must:
 - i. Safeguard the salvage/asset.
 - ii. Safeguard documentation and other relevant items.
 - iii. Keep registers, physical and electronic, of salvage under their control.
 - iv. Keep audit trails regarding salvage under their control.
 - v. Vet and monitor staff with a view to minimise the risk of staff members acting in a negligent or illegal manner.
- b) 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:
 - i. Notice of change of ownership forms.
 - ii. Deregistration and registration certificates (NaTIS documents).
- c) 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.

9.4 Process of Auditing System

- a) Salvage agents will keep a register of physical documents and/or items, with procedures that will facilitate an audit trail.
- b) Enter the details of the salvage under their control, other than that already uploaded to this database by the insurer, into the VSD system as per the requirements set in this Code. 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.
- c) 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.
 - d) Access control as well as security restrictions will be in place for the
 - e) 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.

9.5 Stolen Documentation

Documents related to stolen unrecovered motor vehicles must 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.

10 TRAINING AND AWARENESS

Insurers

- a) Insurers have the responsibility to create awareness regarding the Code and its contents. The insurers should keep record of activities in this regard, and report on these activities.
- b) Insurers will ensure that all relevant staff members, including motor assessors and all other relevant personnel, are aware of and receive regular training on the Code and its contents.
- c) 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.
- d) Insurers will ensure that motor assessors are aware of and trained on the Code and its contents, especially with regards to status coding, and follow these rules strictly.
- e) Insurers will ensure that third parties who are contracted to manage any aspect of the salvage management process, including insurance brokers and salvage agents, are aware of and trained on the Code and its contents and requirements.
- f) 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.

11 ENFORCEMENT

SAIA is committed to do everything in their power to facilitate compliance with this Code 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 Code of Motor Salvage forms part of The SAIA Code of Conduct for the motor insurance members, and as such compliance with this 'Code of Conduct' 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 Motor Salvage as are applicable to the SAIA Code of Conduct. The SAIA Code of Conduct is attached to this Code as Annexure C, refer to section 12 for the details in this regard.

12 CONCLUSION

SAIA and its members are committed to deal with motor vehicle salvage in a responsible manner, to the benefit of all parties involved. In addition, responsible salvage management will assist in combating motor vehicle crime and unacceptable road safety levels in South Africa.

SAIA and its members, through this Code and its strict implementation, honour their duties in the above-mentioned regard.

The SAIA, and its 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, the motor vehicle manufacturers, NAAMSA, the South African Police Service, financial institutions, vehicle and rental industry and any other relevant role player.

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

13 SIGNATORIES

SIGNATORIES

South African Insurance Association are committed to do everything in their power to facilitate compliance with The Code of Motor Salvage by their members.

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

For: South African Insurance Association

Name: _____

Capacity: _____

Signed at _____ on this _____ day of _____ 20____.

22. ANNEXURE A – DEFACED DEREGISTRATION DOCUMENT

- The certificate must reflect the following:
- Reason for deregistration – Scrapped / Gesloop
- Transaction – Deregistration / Deregistrasie

23. ANNEXURE B – EXAMPLE FORFEITURE LETTER

To:

VOCISI(2006/02)		VDC
 Republic of South Africa Republiek van Suid-Afrika		
CERTIFICATE OF DERRIGISTRATION IN RESPECT OF MOTOR VEHICLE (National Road Traffic Act, 1998)		SERTIFIKAAT VAN DERRIGISTRASIE TEN OPSIGTE VAN MOTORYDERTUIG (Nasionale Padverkeerswet, 1998)
Registering authority	Johannesburg	
Vehicle register number		
Vehicle identification number (VIN)		
Engine number		
Make	VOLKSWAGEN	
Series name	VM SW400 VI	
Vehicle category	Light passenger vehicle (up to 8 persons)	
Driven	Self-propelled / Aangedrewe	
Vehicle description	Passenger car / Luukrug	
Tare (T) weight	1014	
Date of first licensing	2011-09-26	
Vehicle use	Debriuk	
Date of deregistration	2019-06-27	
Reason for deregistration	Scrapped / Gesloop	
Last 3 licence numbers (most recent first, if available)		
CANCELLED		
CODE 3A - SPARE PARTS ONLY		
TITLE HOLDER		
Type of identification	Business reg certif / Besigheid reg sertif	
Identification number		
Country of issue	South Africa / Suid-Afrika	
Name	TELESURE GROUP SERVICES	
Control number		
Issue number	01	
Date of issue	2019-07-04	
Registering authority at which deregistered	Johannesburg	
RECEIPT		
Receipt number		
Transaction	<u>Deregistration / Deregistrasie</u>	
Total amount received	R0.00	
Date	2019-07-04	
Received by		
Method of payment	Multiple adding / Veelvoudige optelling	
Number		
4024	2019-07-04 12:04:17	
BL 5135308		
ISSUED WITHOUT ANY ALTERATIONS OR ERASURES		UITGEREIK SONDER ENIGE VERANDERINGS OF UTHAKAPPINGS

From:

Date:

Reference No.

RE: FORFEITURE OF THE BELOW MOTOR VEHICLE TO THE STATE

The below vehicle is insured by _____, who is administrated by _____.
We hereby give permission to forfeit the following motor vehicle
and all its parts to the state and for it to be destroyed.

- Date
- MAKE
- MODEL
- REG NUMBER
- CHASSIS/VIN
- ENGINE NUMBER
- POLICY/CLAIM NUMBER
- POUND
- SAP13

Kind regards,

Signed By: _____

Name & Surname: _____

24. ANNEXURE C – PRO FORMA LETTERS

Communication between Insurer and Bank – Code 2 Accidents – Recommended wording

To: The Manager

From:

Date:

Your reference:

VIN:

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 settled the claim and have received the following documentation:

1. **Please urgently** send the original NaTIS Registration Certificate for my attention in an agreed secure manner;
1. Settlement Letter reflecting amount without penalties for early settlement, or as otherwise agreed (Please forward this to me upon receipt of this communication);
2. Signed Notification of Change of Ownership form;
3. Certified copy of Proxy ID.

Please note: Payment cannot be made without the original registration NaTIS documentation. 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 – Elected not to Repair by the
Insurer

To: The Manager

From:

Date:

Your reference:

VIN:

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. We have **elected not to repair** the vehicle in question. The vehicle remains to be fit 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 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 settled the claim and have received the following documentation:

1. **Please urgently** send the original NaTIS Registration Certificate for my attention in an agreed secure manner;
2. Settlement Letter reflecting amount without penalties for early settlement, or as otherwise agreed (Please forward this to me upon receipt of this communication);
3. Signed Notification of Change of Ownership form;
4. Certified copy of Proxy ID.

Please note: Payment cannot be made without the original registration NaTIS documentation. 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 3 Accidents

To: The Manager

From:

Date:

Your reference:

VIN:

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 NaTIS 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 settled the claim and have received the following documentation:

1. **Please urgently** send the original NaTIS Registration Certificate for my attention in an agreed secure manner;
2. Settlement Letter reflecting amount without penalties for early settlement, or as otherwise agreed (Please forward this to me upon receipt of this communication);
3. Signed Notification of Change of Ownership form;
4. Certified copy of Proxy ID.

Please note: Payment cannot be made without the original registration NaTIS documentation. 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 4 Accidents

To: The Manager

From:

Date:

Your reference:

VIN:

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 must be **permanently demolished**, which means that the chassis of the motor vehicle has either 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. The vehicle should therefore be **deregistered as demolished**, and the vehicle status changed to a **code 4** on the NaTIS system as specified in The Code of Motor Salvage between members of SAIA and Banking Association.

The original registration document ("new" or "used") must be forwarded to _____ [insurance company name] who undertakes to **dealer stock** the vehicle in the interim, unless otherwise agreed between parties. The request to deregister the vehicle as code 4 will be processed as soon as possible.

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 settled the claim and have received the following documentation:

1. **Please urgently** send the original NaTIS Registration Certificate for my attention in an agreed secure manner;
2. Settlement Letter reflecting amount without penalties for early settlement, or as otherwise agreed (Please forward this to me upon receipt of this communication);
3. Signed Notification of Change of Ownership form;
4. Certified copy of Proxy ID.

Please note: Payment cannot be made without the original registration NaTIS documentation. 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 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 **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 or hijack occurred on _____ [date].

The theft or hijack was reported to the SAPS _____ [Station] under case number _____ [case number, AR number]

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

1. **Please urgently** send the original NaTIS Registration Certificate for my attention in an agreed secure manner;
2. Settlement Letter reflecting amount without penalties for early settlement, or as otherwise agreed (Please forward this to me upon receipt of this communication);
3. Signed Notification of Change of Ownership form;
4. Certified copy of Proxy ID.

Please note: Payment cannot be made without the original registration NaTIS documentation. Should you have any queries in this regard, please do not hesitate to contact the writer.

Kind regards,

_____ [Insurer authorised incumbent]