

Treasury berates short-term insurance sector

By [Colleen Goko and Phakamisa Ndzamela](#)

20 Jun 2012

The Treasury has launched a scathing attack on the short-term insurance sector, charging that some of its practices smack of poor market conduct.

The Treasury called for reform of the sector and said that its regulators needed to be tougher. Deputy director-general Ismail Momoniat said authorities needed to

push the industry to disclose important information, which included claims received and rejected by the industry.

In a presentation at an insurance gathering at Sun City last week, Momoniat said the sector was behind the curve due to its focus on the fair treatment of

customers, and said the industry had some dubious practices. He also said the Treasury believed the short-term industry ombudsman was not sufficiently

independent to deal with issues.

Momoniat said the number of complaints going to the ombudsman reflected the failure of companies' internal complaints procedures. The short-term insurance

ombudsman's office received 8969 complaints last year, according to its 2011 annual report, 2% more than 2010.

'Happy to be proved wrong'

"What I raised at the conference was to pose the challenges facing the short-term insurance industry, particularly related to market conduct practices and a greater

focus on their customers," Momoniat said yesterday. "I called on the industry to engage with the Treasury and regulators on the challenges that I posed.

"I would be happy to be proved to be wrong," he said.

"If you look at the short-term industry practices on insuring motor cars, there is the lazy approach of not automatically adjusting premiums annually to cover lower

market values on a depreciating asset. Such adjustments only occur if prompted by the customer."

However, Auto & General CEO Leon Vermaak said some of Momoniat's "were off the mark", especially the talk of poor conduct practices and a lack of

transformation and innovation.

"Our industry is regulated by the Financial Services Board, a world-class supervisor which ensures that the industry is regulated to international standards," he said.

"Auto & General has a strong culture of service excellence that has been entrenched with our service charter for customers and brokers. The company also has an

internal initiative in place, which measures our customer satisfaction on a daily basis. Our score is above international benchmarks and the initiative receives

continual focus."

Ombudsman disagrees with Treasury

Newly appointed short-term insurance ombudsman Dennis Jooste said he disagreed with the Treasury's views that his office was not sufficiently independent.

He added that in order to "draw any generalised conclusions about alleged poor internal controls" one needed to know the percentage of claims submitted by

insurers that went to the ombudsman's office.

The South African Insurance Association said it had initiated actions to discuss the issues raised by the Treasury.

Discovery Insure, the short-term insurer of Discovery Holdings, said it supported the need for transparency. "In our view this starts with a clear policy wording, written

in plain language with minimum jargon," said CEO Anton Ossip.

Willem Roos, CEO of leading direct insurer OUTsurance said: "OUTsurance regards its reputation for giving awesome service to clients, particularly at claims stage,

as the most important thing we do."

Source: *Business Day* via I-Net Bridge