

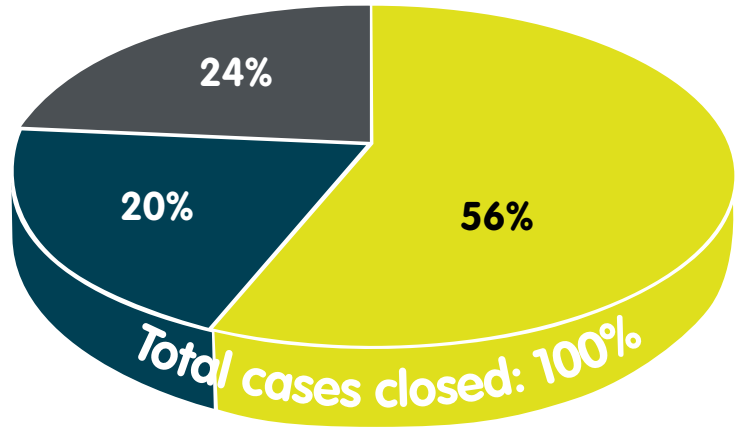


annual report 2019

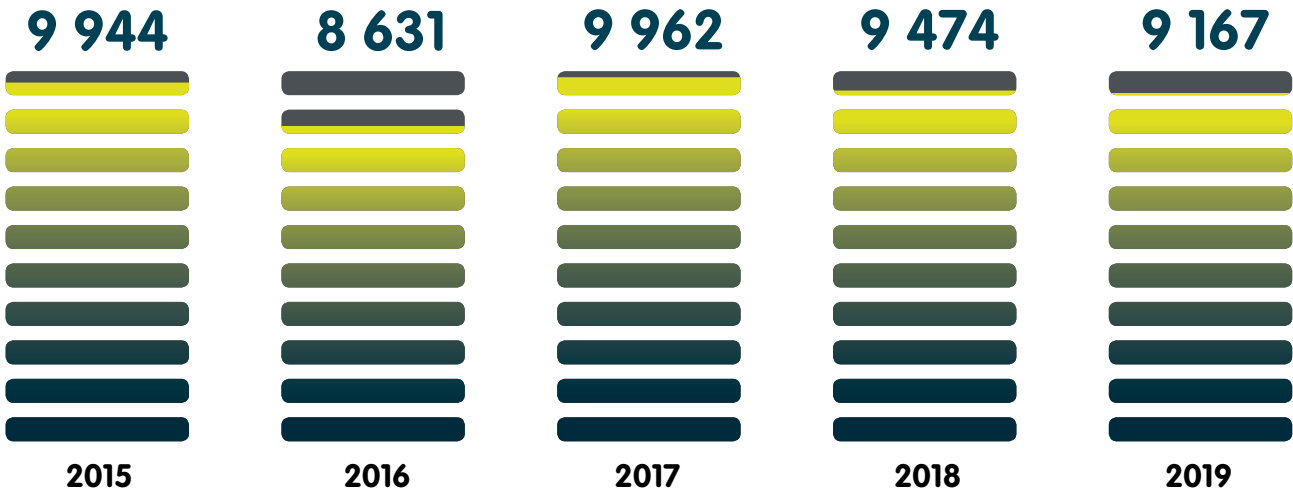
office statistics

Finalisation per period

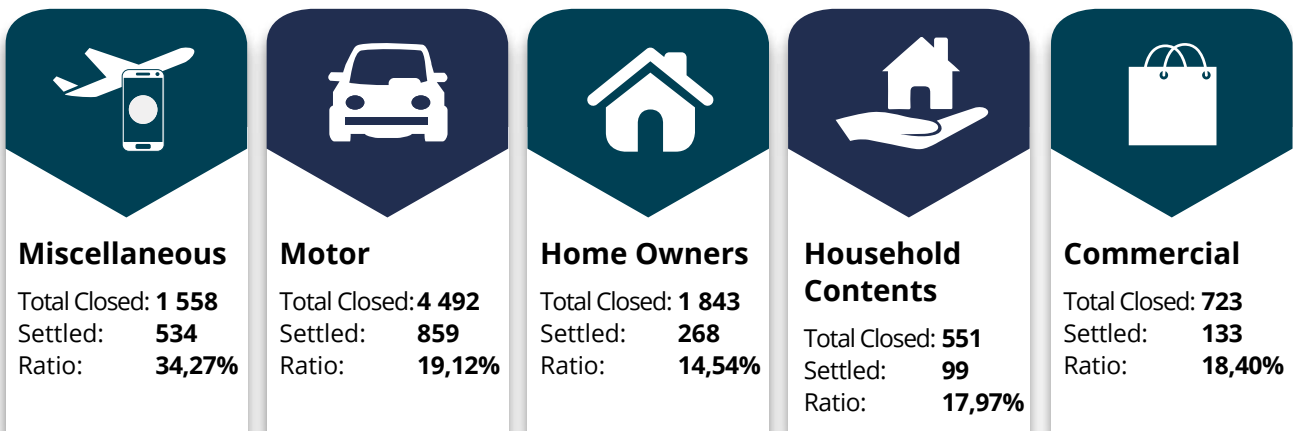
- ◆ Finalised within 4 months
- ◆ Finalised between 4 and 6 months
- ◆ Finalised in over 6 months



Formal complaints closed



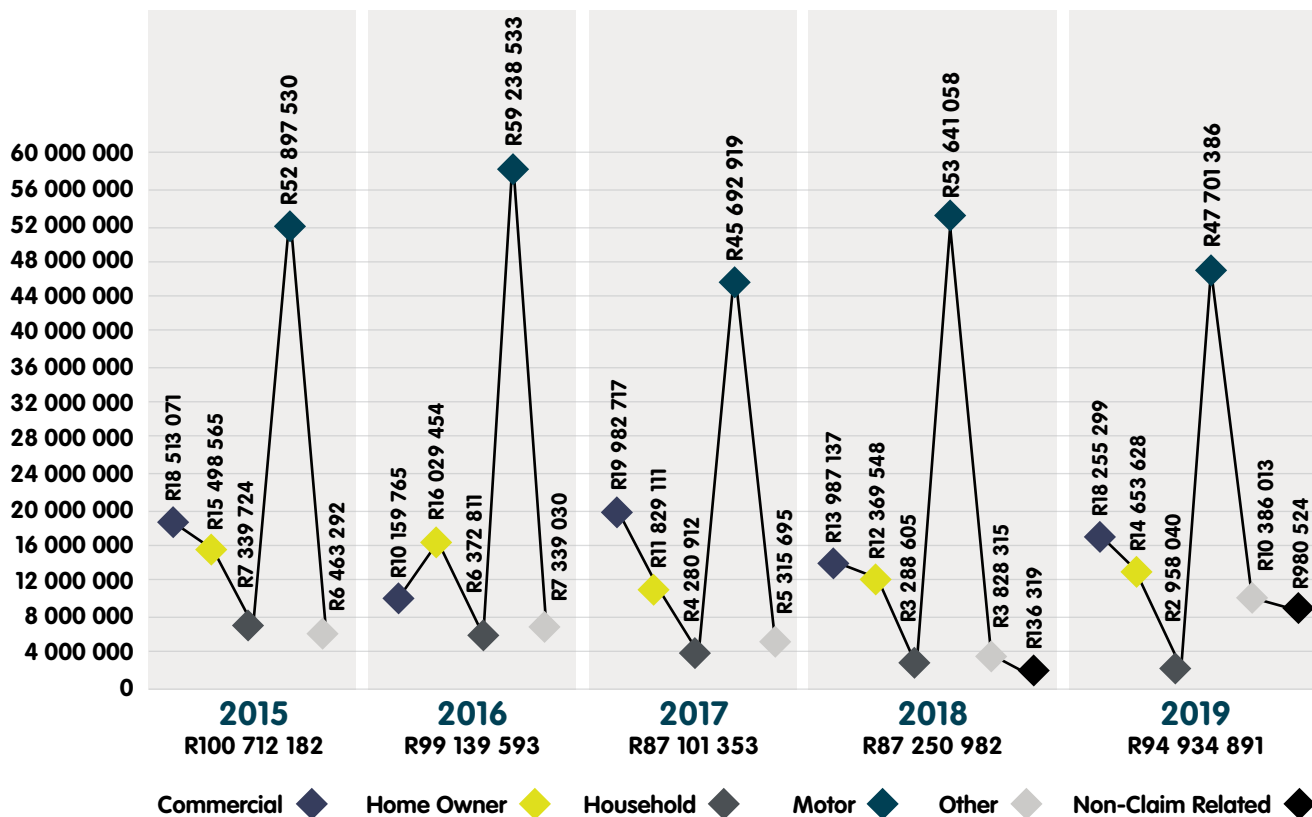
Claim types resolved ratio - 2019



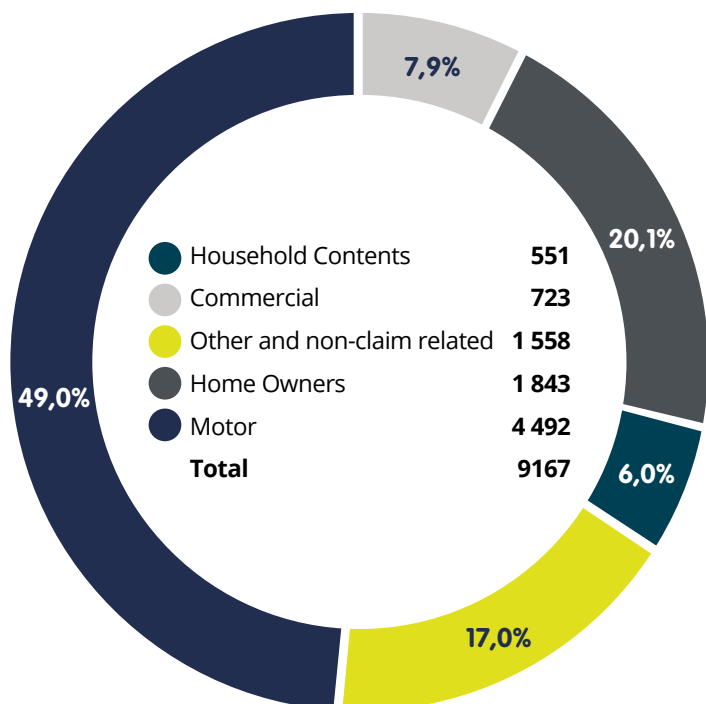
Formal rulings against insurers - 2019

CP TimberTransport/ New National Assurance Company Limited (C456/18)

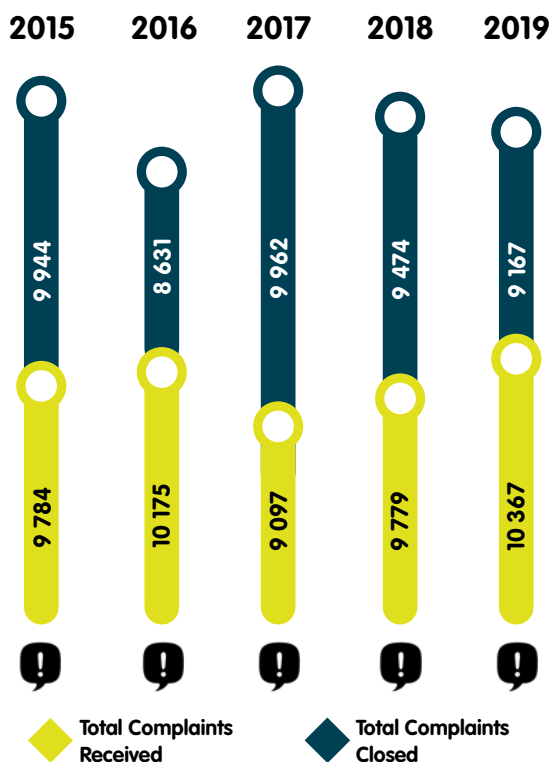
Rand value of complaints resolved in favour of insured - Claim type



Types of complaints by cases (on matters received for 2019)



Total Complaints Received and Total Complaints Closed



a statistical analysis of matters closed by OSTI in 2019

Ayanda Mazwi

Senior Assistant Ombudsman

During 2019, OSTI finalized a total of



9 167 formal complaints.

The majority were in respect of **motor vehicle** claims at **49%** followed by **homeowners/building** claims at **20%**, **commercial** claims at **8%** and **household content** claims at **6%**, with the balance of **17%** of complaints being **non-claim related** or related to other types of cover.

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Motor vehicle claims at **49%**.



Followed by **homeowners/building claims** at **20%**.



Commercial claims at **8%**.



Household content claims at **6%**.




With the balance at **17%** of complaints being **non-claim related** or related to other types of cover.

“So what concerning these categories did people complain about the most?”

Motor vehicle claims

The **majority** of these **complaints**, at **73%**, were for **accidental damage**. Warranty and mechanical breakdown claims comprised 8%. Theft and hijack claims also comprised 8%. This trend remains consistent with previous years.

OSTI considered **4492** motor vehicle claim disputes in 2019. The **primary cause** for complaints related to **claims settlement calculations**. The type of disputes falling under this category vary. Our office wishes however to highlight that the predominance of these disputes related to vehicle credit short-fall and uninsured accessories. Standard comprehensive motor vehicle insurance will not necessarily cover the total amount owed to the bank in respect of a financed vehicle. Vehicle credit shortfall is the gap between the vehicle's insured value (covered under comprehensive motor vehicle insurance) and the amount owing to the finance house. Should a vehicle be stolen or written off in an accident, the vehicle's credit shortfall can be crippling as the consumer is left owing money on a motor vehicle that he/she no longer has. Consumers must, therefore, ensure that their policies include cover for the credit short-fall and any financed accessories which have been added to the insured motor vehicle.



These cover options are in most cases offered at an additional premium and administered under their own terms, conditions and exclusions.

The **secondary cause** for complaints was rejections based on the insured's alleged **non-disclosure or misrepresentation of underwriting details at the sales stage**. In 2018, OSTI saw a **22% decrease** in the number of these complaints when compared to the previous year. In 2019, there was a further **20% decrease**. OSTI always highlights in its engagements with consumers and the public at large, the importance of providing truthful and accurate information to the insurer during the underwriting of the policy, as well as the insurer's obligation to conduct the sales process by agreed industry codes of practice and the Policyholder Protection Rules.

238 complaints relating to rejections on the ground that the insured was **driving under the influence of alcohol** (DUI) were considered by OSTI in 2019. In 2018, we recorded a **15% decrease** when compared to the previous year. The statistics in 2019 indicate a further **13% decrease**. This is encouraging as it displays an improvement in consumer responsible conduct, such as using e-hailing services, and the positive influence of measures taken by insurers in this area, such as providing their customers with chauffeured services. OSTI has always cautioned consumers that a DUI rejection may be justified on circumstantial evidence alone, despite the driver not having been tested for alcohol by way of a breathalyzer or blood test, or having been convicted of a criminal offense concerning the incident. In previous years, some insurers relied

on insufficient circumstantial evidence to justify these rejections, in which case OSTI would overturn the insurers' decisions. Perhaps these statistics also indicate that insurers are validating DUI claims in a fairer manner.

In 2019, **19%** of motor vehicle claim disputes were resolved in favor of the insured's claim, and OSTI put **R47 701 385,68** back into the pockets of the insured.

Homeowners insurance claims

54% of complaints considered by OSTI under homeowner's insurance related to claims for damage caused by **acts of nature**, largely storm-related. This figure dropped from **58%** recorded in **2018**.

OSTI considered **1843** homeowners' insurance claim disputes. The primary cause for complaints, at **30%**, was the rejection of claims on **wear and tear, gradual deterioration and lack of building maintenance** being the proximate cause of the damage. While this cause for complaint declined by **18%** when compared to **2018**, this rejection reason continues to be the main basis for consumer dissatisfaction in homeowner's insurance coverage. If the damage claimed is attributed to the poor condition of the property, the policy may not respond - even if an insured event did occur. In general, OSTI bases its assessment of these matters on the information contained in expert reports and photographs submitted by the parties. The evidentiary burden of proof lies with the insurer if it rejects the claim on an exclusion and the insurer must establish a causal connection between the condition of the property and the damage.



The **secondary cause** for complaints related to rejections based on **no insured event having operated**. The insurer is only liable if the claim made falls within the scope of cover provided, in other words, if an insured event as stated in the policy terms and conditions is proven by the insured as being the cause of the damage. Here, the burden of proof is on the insured, who must provide evidence and demonstrate that the effective cause of the loss is an insured event.

15% of homeowner's insurance disputes were resolved in favor of the insureds' complaint, with a **recovery of R14 653 628,32**.

Household content insurance claims

Theft and burglary claims comprised **67%** of complaints considered by OSTI under this category, a **4%** decline compared to last year's figure.

Claims settlement calculations remain the **primary cause** for complaints, as in the previous year. The disputes mainly related to issues of underinsurance, replacement values and proof of ownership in respect of the claimed items.

The **secondary cause** for complaints was rejections where the insurer's **underwriting criteria for the insured event were not met**. Examples include minimum security requirements, such as a

burglar alarm with armed response, burglar bars, and burglar gates not being complied with by the insured. Consumers are advised to review their policy documents and ensure compliance with their insurers' conditions of cover.

Complaints relating to damage caused by **power surge** increased from **3%** in 2018 to **6%** in 2019. This may be attributed to load-shedding and power failures experienced in the year. Damage caused by power surge is excluded in some household content insurance policies. Consumers must read through their policy terms and conditions and consult with their insurers or brokers to ensure that there is cover in place to repair or replace their valuables in this event.

18% of household content insurance disputes were resolved in favor of the insureds' complaint, with a **recovery of R2 958 039.99**.

Commercial insurance claims

The **majority** of commercial complaints considered by OSTI related to **motor vehicle (32%)** and **building (23%)** claims. OSTI considered **723** commercial complaints in 2019. Overall, the **primary cause** for the complaints was rejections based on **gradual deterioration, wear, and tear and lack of maintenance**. The secondary



cause for complaints was the **claims settlement calculations** followed by rejections on the ground that the insurer's specific **conditions of cover were not met**, such as a valid professional driver's license, a vehicle's roadworthiness, alarm warranties and fire safety measures.

18% of commercial insurance disputes were resolved in favor of the insureds' complaint, and OSTI **recovered R18 255 299.01**.

'Other' & non-claim related policy complaints

The remaining complaints relate to various insurance products - including personal accident, water loss, travel insurance, all risks, mobile device cover, legal expenses, hospital, and medical gap cover. General policy-related disputes include policy amendments/endorsements, policy cancellations/lapses, premium increases/rebates, and service-related complaints. We often find that the **primary cause** for complaints under this category is **the quality of the communications** that take place between the insurer and the insured during underwriting and over the operation of the policy.

This category, overall, comprised **17%** of the formal complaints considered by OSTI in 2019. **34%** of these

disputes were resolved in favour of the insureds' complaint. Overall, OSTI recovered **R11 366 537.68** for insureds in this category of complaints.

OSTI's Customer Experience

In 2018, OSTI reported that 60% of complainants who completed our customer experience surveys indicated that they were satisfied with our service, processes, and communications.

In January 2019, OSTI adopted, as part of its commitment to developing a better understanding of its relationship with customers, a stronger customer-centric approach. We introduced insurer surveys in the evaluation of OSTI's overall delivery of service and quality outcomes.

In relation to the number of complaints finalized in 2019, 22% of complainants and 25% of insurers completed surveys. Out of these, **75% were satisfied with our service, processes, and communications**.

Customer experience, in the content of OSTI, entails, at its core, delivering high quality and efficient complaint resolutions and customer experience therefore remains an integral part of our business strategy.

Ayanda Mazwi
Senior Assistant Ombudsman

explanatory notes and insurer statistics

Explanatory notes

1. The data must be understood in the correct context and it is therefore necessary to record some words of explanation in relation to these statistics.
2. The office of the Ombudsman has limited jurisdiction over commercial lines policies and, in any event, has jurisdiction for personal lines business only up to R3.5 million, save for home owner claims where the jurisdictional limit is R6.5 million. The statistics therefore focus only on personal lines claims (statistics provided by the Financial Sector Conduct Authority ("FSCA")) and personal lines complaints received by this office. Commercial lines complaints, which are not reflected in the statistics, represent about 8.0% of the total complaints to the office of the Ombudsman.
3. Also excluded from the insurer statistics are those complaints resolved "on transfer". In terms of the complaints handling process that came into effect on 1 January 2019, an insurer is given an opportunity to resolve a complaint directly with the insured where the insured lodged a complaint with OSTI before first approaching his/her insurer to resolve the complaint. This process is referred to as the "on transfer" process. If the insurer resolves the complaint to the satisfaction of the insured, then the decision of the insurer is not recorded as an overturn against the insurer in these statistics but is included in the overall office statistics. Further comments on the overturn rate appear below.
4. No adverse conclusions should be drawn against any insurer based purely on the number of complaints against them received by this office. Larger insurers issue proportionately more policies which cannot form the basis of a complaint to this office due to our jurisdictional limits. Thus, for example, when considering the percentage of complaints received by this office against a large insurer, the large insurer, upon a superficial analysis, therefore appears to attract a relatively low number of complaints. What is the more important statistic is the proportion of personal lines complaints relative to an insurer's share of the total personal lines claims reported to the FSCA. The clearest indicator of this is column 5, being the number of complaints to this office per thousand claims received by an insurer. Where an insurer receives a high number



of complaints to this office per thousand claims, this may be an indicator that claims are dealt with unfairly by the insurer. However, this statistic should be considered in conjunction with columns 8 and 9, being the share of matters resolved through conciliation by the parties/enforcement by OSTI. The overturn rate is an indicator that the decision of the insurer with respect to a complaint was changed in some respect by this office with some additional benefit to the insured. Further comments on the overturn rate appear below.

5. Please note that a claim can be received by an insurer in year one and a complaint in respect of that claim may be received by OSTI only in year two – hence the number in column 1 may be greater than the number in column 3. The statistics record the numbers received by insurers and the OSTI respectively during 2019.
6. Also note that under column 1, certain insurers may be shown by the FSCA statistics as having received no claims during 2019. This may be explained on the basis of either the company issuing only commercial lines policies or that the company is dormant. We repeat that only personal lines statistics are included in the table as this is what has been received from

the FSCA. (columns 1 and 2)

7. The overturn rate per insurer as shown in the table is for personal lines claims only. It excludes commercial lines claims and complaints resolved on transfer (see point 3 above). If a high overturn rate is registered, this may, but not necessarily, indicate that the insurer is not treating its customers as fairly as it should. However, the overturn rate should be treated with considerable caution as a high overturn rate can also be indicative of a high degree of co-operation being received by the Ombudsman's office from a particular insurer in resolving a complaint to the satisfaction of the customer. The Ombudsman takes into account the following two circumstances in determining the Overturn Rate:
 - a) The decision of the insurer is overturned by the Ombudsman by way of a recommendation which is accepted or by way of a Final Ruling.
 - b) A resolution of the dispute has been mediated by the Ombudsman with the insured receiving a benefit which he/she would not have received without the involvement of the Ombudsman.
8. Any media queries in relation to the insurer statistics should be directed to the particular insurer.



insurer statistics

	1	2	3	4	5	6	7	8	9
Name of Insurer*	Claims received by Insurers (FSCA statistics)	Share of claims received by the particular insurer (FSCA statistics)	Complaints received by OSTI	Share of the total number of complaints received by OSTI	Number of Complaints received by OSTI per thousand Claims received by Insurer	Complaints finalised by OSTI	Complaints finalised with some benefit to the insured	Share of matters resolved through conciliation by parties	Share of matters resolved through enforcement by OSTI
Abacus	4 972	0,13%	10	0,11%	2,011/1000	8	5	50,00%	12,50%
Absa	133 805	3,55%	604	6,46%	4,514 /1000	609	112	16,91%	1,48%
AIG Insurance	9 805	0,26%	32	0,34%	3,264 /1000	28	8	25,00%	3,57%
Alexander Forbes	55 790	1,48%	166	1,78%	2,975 /1000	158	23	13,92%	0,63%
Allianz	857	0,02%	4	0,04%	0/1000	3	0	0,00%	0,00%
Auto & General	240 254	6,38%	400	4,28%	1,665/1000	319	42	11,29%	1,88%
Bidvest	24 410	0,65%	80	0,86%	3,277 /1000	68	8	8,82%	2,94%
Bryte	153 062	4,07%	163	1,74%	1,065/1000	134	48	33,58%	2,24%
Budget	78 687	2,09%	374	4,00%	4,753/1000	330	35	9,09%	1,52%
Centriq	37 567	1,00%	147	1,57%	3,913/1000	148	53	31,76%	4,05%
Chubb	1 432	0,04%	5	0,05%	3,492/1000	4	0	0,00%	0,00%
Compass	10 501	0,28%	57	0,61%	5,428/1000	128	6	4,69%	0,00%
Constantia	55 441	1,47%	271	2,90%	4,888/1000	203	59	27,09%	1,97%
Dial Direct	34 277	0,91%	192	2,05%	5,601/1000	142	18	10,56%	2,11%
Discovery	198 979	5,29%	312	3,34%	1,568/1000	297	48	14,48%	1,68%
First for Women	45 405	1,21%	174	1,86%	3,832/1000	142	13	7,04%	2,11%
First Rand Short-term	14 437	0,38%	2	0,02%	0,139/1000	1	1	0,00%	100,00%
Genric	53 526	1,42%	45	0,48%	0,841/1000	59	11	15,25%	3,39%
Guardrisk	270 230	7,18%	544	5,82%	2,013/1000	509	128	22,59%	2,55%
Hollard	313 522	8,33%	497	5,32%	1,585/1000	534	125	22,10%	1,31%
Hollard Specialist Insurance Limited	32 859	0,87%	76	0,81%	2,313/1000	86	26	29,07%	1,16%
Indequity	2 619	0,07%	4	0,04%	1,527/1000	6	2	16,67%	16,67%
Infiniti	30 216	0,80%	57	0,61%	1,886 /1000	53	4	7,55%	0,00%
King Price	112 182	2,98%	501	5,36%	4,466/1000	405	48	10,12%	1,73%
Legal Expenses	24 443	0,65%	109	1,17%	4,459/1000	70	12	17,14%	0,00%
Lion of Africa \$	898	0,02%	90	0,96%	0/1000	138	54	38,41%	0,72%
Lloyd's	199	0,01%	2	0,02%	0/1000	6	1	16,67%	0,00%
Lombard	17 855	0,47%	69	0,74%	3,864/1000	59	11	16,95%	1,69%
MiWay	118 948	3,16%	432	4,62%	3,632/1000	437	32	5,72%	1,60%

Name of Insurer*	1	2	3	4	5	6	7	8	9
	Claims received by Insurers (FSCA statistics)	Share of claims received by the particular insurer (FSCA statistics)	Complaints received by OSTI	Share of the total number of complaints received by OSTI	Number of Complaints received by OSTI per thousand Claims received by Insurer	Complaints finalised by OSTI	Complaints finalised with some benefit to the insured	Share of matters resolved through conciliation by parties	Share of matters resolved through enforcement by OSTI
Momentum ST	43 549	1,16%	94	1,01%	2,158/1000	81	7	8,64%	0,00%
Monarch	17 438	0,46%	8	0,09%	0,459/1000	5	3	60,00%	0,00%
Nedgroup	70 666	1,88%	312	3,34%	4,415/1000	265	61	21,13%	1,89%
New National	17 595	0,47%	181	1,94%	10,287/1000	191	43	20,42%	2,09%
NMS	111 668	2,97%	2	0,02%	0,018 /1000	3	3	100,00%	0,00%
Oakhurst	64 898	1,72%	332	3,55%	5,116/1000	324	54	14,51%	2,16%
Old Mutual	244 370	6,49%	792	8,47%	3,241 /1000	724	129	16,71%	1,10%
OUTsurance	291 901	7,75%	298	3,19%	1,021/1000	275	22	8,00%	0,00%
PPS	6 184	0,16%	12	0,13%	1,940 /1000	3	2	66,67%	0,00%
Renasa	92 397	2,45%	182	1,95%	1,970 /1000	155	43	27,74%	0,00%
SAFIRE	7 163	0,19%	6	0,06%	0,838/1000	7	0	0,00%	0,00%
SAHL	24 344	0,65%	86	0,92%	3,533/1000	74	6	5,41%	2,70%
Santam Ltd	383 938	10,20%	557	5,96%	1,451/1000	473	73	14,16%	1,27%
Santam Structured	33 982	0,90%	210	2,25%	6,180/1000	183	22	12,02%	0,00%
SASRIA	1 142	0,03%	2	0,02%	1,751/1000	3	3	100,00%	0,00%
Shoprite	17 915	0,48%	3	0,03%	0,167/1000	5	3	60,00%	0,00%
Standard	128 935	3,42%	637	6,81%	4,940/1000	544	76	12,13%	1,84%
Unitrans	4 677	0,12%	5	0,05%	1,069/1000	6	3	50,00%	0,00%
Vodacom	107 177	2,85%	150	1,60%	1,400 /1000	110	67	57,27%	3,64%
Western National	17 646	0,47%	38	0,41%	2,153 /1000	41	12	24,39%	4,88%
Workerslife	15	0,00%	23	0,25%	0/1000	22	8	31,82%	4,55%
Yardrisk Insurance Limited®	0	0,00%	0	0,00%	0/1000	0	0	0,00%	0,00%
TOTAL	3 764 778	100,00%	9349	100%	2,48/1000	8 578	1573	16,72%	1,62%

Please Note:

The Statistics for ABSA Insurance Co Ltd include statistics for ABSA Idirect and ABSA Insurance Risk Management Services Limited.

The Statistics for Old Mutual Insure include statistics for Iwyze and Mutual & Federal Risk Financing.

FSCA Legend

@ New license

\$ Run-off of business