

# OPERATIONAL CIRCULAR

28 JULY 2022



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Dear Intermediary

## COMMERCIAL LINES: MOTOR DEFAULT MINIMUM FIRST AMOUNT PAYABLE INCREASES (SOUTH AFRICA)

As recently communicated by Andrew Coutts to our brokers, our commercial lines motor portfolio remains under considerable profitability pressure due to an increased claims frequency trend, adverse weather conditions in many parts of the country, vehicle repair costs that continue to increase by well above inflation and the nature of vehicle thefts that has changed to newer and more expensive vehicles now being stolen.

We will therefore be increasing the first amount payable (FAP) for commercial lines motor covers with effect from 1 August 2022 for new business and for existing business on renewal from 1 November 2022 onwards

The default minimum FAP for damage to the vehicle (basic), theft and hijacking (including limited theft/hijacking) will increase by R1 000. For example, if the FAP is 5%, subject to a minimum of R3 000, it will increase by 5%, subject to a minimum of R4 000. The increase will be applicable to all products for all private type vehicles, light delivery vehicles, light commercial vehicles, heavy commercial vehicles, and buses.

### NOTE:

- Where the insured bought back or reduced his/her FAP, we will not apply the R1 000 increase, as our rating structure will compensate for the change in our default FAP. (PolicyCenter and Mainframe)
- Where the insured selected a flat FAP amount, i.e., removed the percentage FAP, it will remain unchanged, as our rating structure will compensate for the change in our default FAP. (PolicyCenter and Mainframe)
- Where the insured selected a voluntary FAP, the minimum first amount payable will still increase by R1 000 for the item. (Mainframe)

The tables below give a breakdown of the first amount payable changes applicable to commercial lines motor per product, per type of vehicle, and per type of first amount payable.

### PolicyCenter

This is applicable to:

- All Santam South Africa offerings, including the Broker Bespoke offering for Aon Business Select
- Type of Auto
  - 1, 2 – Private type vehicles
  - 3 – Light delivery vehicles

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- 4 - Light commercial vehicles
- 5 - Heavy commercial vehicles
- 20, 21, 22 - Buses
- Damage to the insured vehicle, Theft/Hijacking (including limited Theft/Hijacking).

SYSTEM	PRODUCTS	TYPE OF VEHICLE	FIRST AMOUNT PAYABLE	MINIMUM AMOUNT FROM	MINIMUM AMOUNT TO
PolicyCenter	Agriculture and Wine Industry	Trucks	Damage to the insured vehicle, Theft and Hijacking (including limited Theft/Hijacking)	R1 500.00	R2 500.00
PolicyCenter	Sherriff	Trucks	Damage to the insured vehicle, Theft and Hijacking (including limited Theft/Hijacking)	R 500.00	R1 500.00
PolicyCenter	Sherriff	Private type vehicle, Light Delivery Vehicles, Light Commercial Vehicles	Damage to the insured vehicle, Theft and Hijacking (including limited Theft/Hijacking)	R1 500.00	R2 500.00
PolicyCenter	Sherriff	Buses	Damage to the insured vehicle, Theft and Hijacking (including limited Theft/Hijacking)	R2 000.00	R3 000.00
PolicyCenter	Commercial	Trucks	Damage to the insured vehicle, Theft and Hijacking (including limited Theft/Hijacking)	R3 000.00	R4 000.00
PolicyCenter	Commercial and Agricultural	Private type vehicle, Light Delivery Vehicles, Light Commercial Vehicles and Buses	Damage to the insured vehicle, Theft and Hijacking (including limited Theft/Hijacking)	R3 000.00	R4 000.00
PolicyCenter	Educational and Religious Institutions	Private type vehicle, Light Delivery Vehicles, Light Commercial Vehicles, Buses and Trucks	Damage to the insured vehicle, limited Theft/Hijacking	R 750.00	R1 750.00

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SYSTEM	PRODUCTS	TYPE OF VEHICLE	FIRST AMOUNT PAYABLE	MINIMUM AMOUNT FROM	MINIMUM AMOUNT TO
PolicyCenter	Educational and Religious Institutions	Private type vehicle, Light Delivery Vehicles, Light Commercial Vehicles and Trucks	Theft and Hijacking	R3 000.00	R4 000.00
PolicyCenter	Educational and Religious Institutions	Buses	Theft and Hijacking	R 750.00	R1750.00

## Mainframe (Web-e) and Outsourced Business

This is applicable to:

- South Africa
- Non-CPM – Policies not yet migrated and all CPM policies, including all Broker Bespoke products.
- Category and Class of Use
  - Private type vehicles and Light delivery vehicles – A1, A2, A3, A7, B17, B26
  - Agri Trucks – B17, B18, B19, B20, B21, B22
  - Commercial Trucks – B26, B27, B28, B29, B30, B31, B32, B33, B34, B35, B36, B37
  - Buses – F1, F2, F3, F4, F5, F6, F8, F10
- Damage to the insured vehicle (Basic), Normal Theft/Hijacking risks and High Theft/Hijacking risks.

PRODUCTS	CATEGORY / CLASS OF USE	FIRST AMOUNT PAYABLE	MINIMUM AMOUNT FROM	MINIMUM AMOUNT TO
Agricultural (including Broker Bespoke products)	Buses	Damage to the insured vehicle (Basic)	R3 000	R4 000
Agricultural (including Broker Bespoke products)	Agri Trucks	Damage to the insured vehicle (Basic)	R1 500	R2 500
Agricultural (including Broker Bespoke products)	Agri Trucks	Theft/Hijacking	R3 000	R4 000
Commercial (including Broker Bespoke products)	Buses	Damage to the insured vehicle (Basic)	R3 000	R4 000
Commercial (including Broker Bespoke products)	Commercial Trucks	Damage to the insured vehicle (Basic)	R3 000	R4 000

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PRODUCTS	CATEGORY / CLASS OF USE	FIRST AMOUNT PAYABLE	MINIMUM AMOUNT FROM	MINIMUM AMOUNT TO
Commercial (including Broker Bespoke products)	Commercial Trucks	Theft/Hijacking	R5 000	R6 000
All Products (including Broker Bespoke products)	Private Type Vehicles	Damage to the insured vehicle (Basic)	R3 000	R4 000
All Products (including Broker Bespoke products)	Buses	Theft/Hijacking	R3 000	R4 000
All Products (including Broker Bespoke products)	Private Type and Light Delivery Vehicles	Theft/Hijacking	R3 000	R4 000
Religious Institutions (Policy type 636 and 678)	Buses	Damage to the insured vehicle (Basic)	R 750	R1750
Religious Institutions (Policy type 636 and 678)	Commercial Trucks	Damage to the insured vehicle (Basic)	R 750	R1750
Religious Institutions (Policy type 636 and 678)	Buses	Theft/Hijacking	R3 000	R4 000
Religious Institutions (Policy type 636 and 678)	Commercial Trucks	Theft/Hijacking	R3 000	R4 000
Educational Institutions (Policy type 637 and 677)	Private Type and Light Delivery Vehicles	Damage to the insured vehicle (Basic)	R 750	R1750
Educational Institutions (Policy type 637 and 677)	Private Type and Light Delivery Vehicles	Theft/Hijacking	R3 000	R4 000
Educational Institutions (Policy type 637 and 677)	Buses	Damage to the insured vehicle (Basic)	R3 000	R4 000
Educational Institutions (Policy type 637 and 677)	Buses	Theft/Hijacking	R3 000	R4 000

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## New Business Quotations for Outsourced Business

For all policies administered on a Third-party administration system where any one of the following quotation systems are used:

- **Web-e:** Will quote the new default minimum first amount payable effective from 1 August 2022 for all products.
- **Premium Calculator:** Does not quote first amount payables and the new default first amount payable must be applied manually.
- **Agri Offline Quote tool:** Will be updated, but from 1 August 2022 the new default first amount payable must be applied manually until such time as the tool has been updated with the new default values.
- **Any other authorised method:** New default first amount payable must be applied manually.

## Renewal of Policies for Outsourced Business

- The new minimum first amount must be updated manually per vehicle item from 1 November 2022 renewals.
- Governance processes will be implemented by the CPM CoE to check the renewal schedules received from brokers to ensure the new minimum first amount payable is applied.

Should you have any questions regarding this, please contact your Relationship Manager or the Commercial Contact Centre.