



P O Box 1468
Halfway House
1685
South Africa

Unit 2
Midrand Business Park
Old Pretoria Road
Midrand
Halfway House, Gauteng

Tel: (011) 315 - 3588
Tel: (011) 315 - 3655
Fax: (011) 315 - 3617
E mail: NireshR@vesa.co.za

VEHICLE SECURITY ASSOCIATION OF SOUTH AFRICA

2 March 2006

Chairman's Letter to the Insurance Industry

I would like to make use of this opportunity to thank you for your support over the past years and reinforce our commitment to not only continue with, but expand our service offering to you and your industry in general.

As a point of departure, I wish to introduce the new Board of Directors (BOD) of VESA. Resulting from past history - and an understanding that VESA has to restructure itself to align itself with industry requirements - VESA's board was restructured at the AGM held in June 2005. The Board elected on the AGM is myself, Allen Harington as Chairman, Mr. Sean Staley (Vice Chairman), Mr. Tyrone Hanna, Mr. Jason Finney, Mr. Nick Van Zijl, Mr. Nihal Khan and Ms. Mellony Morelli-Howes. A later addition to the Board is Mr. Theo Tromp who's background is legal (attorney for 38 years) and financial.

During the months that followed our appointment, serious consideration was given by the BOD as to the role and responsibilities of VESA, its structure, methodologies and of course its future as an industry regulator as well as its value proposition it offers to the industries and consumers it services.

As you are aware, serious discussions were pursued to merge VESA with SAIA Approved. It was a true aspiration of the VESA board that these discussions be concluded successfully to the benefit of the industries they service. Unfortunately, as a result of differences in opinion as to the direction this "new" entity should pursue, the talks broke down late 2005.

Fortunately, this did not affect VESA's standing in the industry. On the contrary, this exercise clarified the stature, status and value of VESA and broadened our vision of what VESA can offer. In order for us to offer the true value of the VESA product to the industry, we spent a tremendous amount of time and effort to change the management principles and internal structures to enhance our service delivery.

Some of the facts that were highlighted during this restructuring process were that:

- VESA remains the single largest organisation of its kind in Africa with in excess of 550 members.
- VESA manages the quality, standards, processes and procedures of the largest base of vehicle security products.
- VESA's implemented processes and standards has become an industry norm.
- VESA is widely supported and recognised by the motor industry, financial and insurance sectors, government, municipalities and the private sector in general.
- VESA has the support base and infrastructure to fulfil its mandate and obligation to its "clients" and members alike.

Taking cognisance of these facts, we have a clear understanding of the seriousness of our charter, our product and our obligation to you and our "clientele" in general.



By definition the “product” of VESA is that of being a Risk Management Partner.

Our obligation to you is to ensure that the risk associated with the selection and installation of a vehicle security product in your client’s vehicle will be managed by VESA at no cost to you.

VESA’s infrastructure, processes, procedures and market intelligence gives it the ability and capability to:

- Subject the manufacturers product to stringent testing to ensure that the product conforms to industry standards, is sustainable and delivers the functionality it is designed to;
- Validate the credibility of the supply, manufacture or service company offering these products or services;
- Perform annual re-evaluation of these products and companies to ensure that quality, standards and viability is maintained;
- Enforces, manages and regulates the fitment of these products to ensure that the quality of the product is not compromised.

In conjunction to this, the VESA certification process is designed to also:

- Validate the existence of the vehicle -
 - Validate the condition of the vehicle -
 - Validate the installation of the correct product -
 - Validate the existence of peripheral products – factory fitted -
 - Validate the installation of peripheral products – after sales fitment
- giving you a comprehensive overview and validation of the vehicle that is to be insured as well as the product fitted.

As added surety to you, these functions are performed independent of the product manufacturer, alleviating the possibility of collusion and substandard product supply and/or fitment thereof.

The risk of Fleet Management (FM) systems for the commercial fleet markets and the management of risk associated with these products and service providers were also taken into consideration. In order for VESA to manage these associated risks more effectively, a decision was taken to merge the FM and Stolen Vehicle and Recovery (SVR) committees under the umbrella of Telematics. This has the effect that FM products and service providers now have to adhere to the same stringent requirements traditionally associated with SVR products and service providers.

In order for you to intelligently address your risk exposure, we have created categories that are specific to risk and service provision. These categories are:

- Telematics Category 1 – Stolen Vehicle Recovery.
- Telematics Category 2 – Fleet Management.
- Telematics Category 3 – Products that have a combination of Category 1 and 2.

However all products that fall under the Telematics umbrella must meet the following minimum requirements in its entirety:

- Must have an automated means of performing Health Checks at least once per week.
- A minimum of 1 method of communication is required.
- Bi-Directional Data Communication is required.
- Must be able to detect vehicle movement.
- Battery Back-up, compulsory.



- Must be able to ALARM remotely.
- The UUT must be able to resist a physical tamper proof attack test for a maximum of 60 seconds.
- Must be able to provide location identification information, or Track and Trace functionality to within 100m of street level indication.
- Should have a National area of coverage, however regional systems are acceptable provided that the area of operation is clearly specified.
- Warranty period not less than 12 months from date of installation.

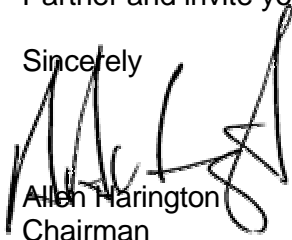
No system will be considered if it does not meet the minimum requirements listed here.

All members of Telematics – SVR and FM inclusive – are required to issue the VESA Certificate, validating that the processes and procedures - traditionally supported by you under the SVR umbrella – have been adhered to. This now gives you the opportunity to expand your risk management criteria to your clients in the commercial fleet operations by insisting on the VESA Certificate for Validation.

Our traditional services such as supplying you with recovery statistics, market related statistics, etc. will continue on a more enhanced basis. However, in order for us to grow our service offering, input and direction from you would be highly appreciated.

In conclusion, I wish to once again confirm our commitment to act in good faith as your Risk Management Partner and invite you to contact us regarding any queries or service requirements.

Sincerely



Allen Harington
Chairman