



13 December 2011

ATT: Mr. Amit Khilosia

RE: Treatment of Lloyd's in terms of B-BBEE Procurement

1.) Introduction

Empowerdex (Pty) Ltd (hereafter referred to as Empowerdex) was requested to provide a statement of the treatment of Lloyd's, specifically Lloyd's Underwriters and Lloyd's Managing Agents, in respect of B-BBEE procurement in the context of the various insurance markets in South Africa, specifically relating to its treatment under the Broad-Based Black Economic Empowerment Codes of Good Practice and related Sector Codes. An opinion to this effect is provided below and is based on the current experience of Empowerdex and information submitted to Empowerdex by Lloyd's.

2.) Lloyd's in South Africa

Lloyd's does not have procurement agreements with any entities operating in South Africa. In order to understand this, it is important to grasp the conceptual nature of Lloyd's as it currently stands. Lloyd's is a statutory body incorporated under Lloyd's Act 1871 and has the statutory responsibility of managing and supervising the Lloyd's market, as well as power to regulate and direct the business of insurance at Lloyd's. Lloyd's oversees and supports the underwriting activity of its members but does not provide insurance of any kind itself. Lloyd's South Africa (Pty) Ltd is a representative office of Lloyd's and also does not provide any insurance of any kind. The Lloyd's market operates as an interface between underwriting members, managing agents, independent approved Lloyd's brokers and other intermediaries. These are the entities that actually undertake commercial insurance transactions under the Lloyd's banner.

3.) Legislative context

The generic Codes of Good Practice, in Code 500, Statement 500, Clause 6.6, state that Measured Entities may exclude the following purchases from their Total Measured Procurement:

6.6 Imports: the following imported goods and services:

6.6.1 imported capital goods or components for value-added production in South Africa provided that:

6.6.1.1 there is no existing local production of such capital goods or components; and

6.6.1.2 importing those capital goods or components promotes further value-added production within South Africa;

6.6.2 imported goods and services other than those listed in paragraph 6.6.1 if there is no local production of those goods or services including, but not limited to, imported goods or services that –

6.6.2.1 carry a brand different to the locally produced goods or services; or

6.6.2.2 have different technical specifications to the locally produced goods or services.



In addition, all of the currently gazetted Sector Codes have aligned to the generic Codes of Good Practice in terms of this aspect of the Preferential Procurement element of B-BBEE.

4.) Conclusions

The procurement of services provided by Lloyd's constitutes procurement of imported services as per the generic Codes of Good Practice as well as the following Sector Codes:

- Integrated Transport Sector Codes
- Forest Sector Code
- Construction Sector Code
- Tourism Sector Code
- Chartered Accountancy Sector Code

As a result, the value of all such procurement can be excluded from the Total Measured Procurement of a Measured Entity for the purposes of calculating its Preferential Procurement score in terms of the generic Codes of Good Practice and the above-mentioned Sector Codes.

For the reasons outlined above, Lloyd's would not be required to submit any B-BBEE verification certificate to any organisation for the purposes of calculating that organisation's Preferential Procurement score.

Please feel free to contact me for any further information.

Yours Sincerely,

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