

Default Insurance Programme (DIP) scheme for BSP Southern Africa (The Republic of South Africa, Botswana, Lesotho, Namibia and Swaziland)

Frequently Asked Questions

1. What is a DIP?

A Default Insurance Programme is an insurance policy that covers multiple declared agents with a maximum coverage for all agents as defined in the policy. The DIP Provider is an independent third party entity other than a bank that guarantees payment to Members or Airlines through the policy in the event of a payment default by an agent.

2. Can any Insurance Company offer the DIP in the market?

IATA has established criteria for consistent evaluation and approval of providers and provider products. No provider or provider products will be accepted for the purpose of an Agent meeting the Local Financial Criteria (LFC) unless such Provider or Provider Product has been approved by IATA in accordance to Resolution 850p.

IATA will conduct an annual review of the provider and product to ensure continued adherence of the current requirements.

3. Who is the approved Provider of the DIP in BSP ZA?

Insurer:

Lloyd's of London

DIP Local Representative:

Jack & Seach (Pty) Ltd – Jack & Seach Insurance Brokers are a Licensed Financial Service Provider 8260.

4. Who can join the DIP scheme?

Any active Accredited Travel Agent participating in the BSP Southern Africa (The Republic of South Africa, Botswana, Lesotho, Namibia and Swaziland) can apply to join the DIP scheme. The insurance company as a third party has specific requirements for acceptance / rejection of an Agents application subject to compliance with the insurance terms and conditions.

5. How do I apply to join the DIP scheme?

You need to contact:

Mrs C. Brogden on 011 658 1676 or charmaine@jackandseach.co.za of Jack and Seach Brokers (Pty) Limited.

6. How will the Premiums be billed and collected?

The premiums will be collected by the Insurance Company, please contact the Insurance Company for all details related to premiums collection and billing.

IATA will provide Jack & Seach with the monthly cash ticket sales. These figures will be available to Jack & Seach by no later than the 10th of the new month.

Jack & Seach do not have direct access to any BSP information.

7. What would IATA require from me should I Join the scheme?

Jack & Seach will provide IATA with a Membership Certificate once the Agency's cover is approved under DIP scheme in order to update our records and confirm fulfilment of the requirement for submission of Financial Security.

8. What should I do if I wish to stop using the DIP and revert back to a Bank Guarantee?

You need to raise a query through the IATA Customer Service Portal (<http://www.iata.org/customer-portal/Pages/index.aspx>) to indicate your wish to replace the DIP with a Bank Guarantee. This will also include the confirmation of IATA requirement of the Financial Security amount requested.

The Hub will confirm the required amount of Financial Security as per the Local Financial Criteria. Once the hub receives the original Bank Guarantee, we will update the records on the system and we will send a notification to the DIP provider confirming the agents' decision of suspension of using the DIP in order to stop the premium collection.

9. What is the difference between the DIP and Bank Guarantee?

A Default Insurance Programme means one insurance policy to cover multiple declared agents with a maximum coverage for all agents as defined in the policy.

A Bank Guarantee means a guarantee issued by a bank ensuring that the liabilities of the agent will be met in case of a default; limit sum (BG amount) defined.

The agent has a choice between the approved two types of Financial Security currently available in BSP Southern Africa.

10. Can I provide IATA with two different types of Financial Security (DIP and Bank Guarantee)?

IATA will send you the total amount of the required Financial Security as per the published Local Financial Criteria.

Agents have the option to provide a DIP, or a Bank Guarantee, or a combination of both – subject to ensuring that the total amount of the provided Financial Security covers the Financial Security required by IATA.

11. What is the cost of the DIP?

The DIP cost is R11,00 per cash ticket sold (cash/EFT/Debit Card). The DIP does not cover credit card sales. The DIP does not attract VAT.

12. What is the benefit of the DIP?

The main benefit is that without a bank guarantee your balance sheet is not encumbered. The bank guarantee will be held indefinitely with IATA, whereas the aim of the DIP is to do away with bank guarantees entirely based on the success of the scheme.

13. How does the Agent recover the cost of the DIP?

The Agent passes the cost of the DIP to his client at R11,00 per cash ticket sold. The Agent cannot process it on as a premium payment but as an admin cost.

14. How long does it take to join the DIP?

The Agent completes the application form and emails it to charmaine@jackandseach.co.za. The information is sent to IATA for verification. Once verification confirmed the Agent will receive a Membership Certificate from Jack & Seach confirming Agent's membership. Jack & Seach will notify IATA of Agent's membership.

15. Why is there mention of a renewal date of 1 October in the Membership Certificate?

IATA is the Insured of the Lloyd's Policy and not the Agent. October is the renewal date of the policy between IATA and Lloyds. This is purely administrative and has no impact on the Agent.

16. Why must the Agent carry a Bank Guarantee and DIP?

In the case where the Bank Guarantee value exceeds the ZAR 5M cover, IATA will request the balance to be carried in the form of a bank guarantee.

17. What are the Lloyds Registration details?

BRIT is the Underwriter who forms part of the Lloyd's Syndicate. Lloyds is not a registered company but a syndicate of companies.

18. Is the Lloyds Bank Guarantee an international guarantee?

Harrison's Attorneys was appointed as the local custodian of the bank guarantee. The bank guarantee will be paid out in South Africa in ZAR. There is no foreign payment made.

19. Who is the beneficiary of the Bank Guarantee?

Brit Lloyd's Syndicate No. 2987 is the beneficiary of the bank guarantee. This is a replacement / performance guarantee which replace the previous guarantee held in favour of IATA.

20. Is "special wording" needed for the application of the Bank Guarantee?

We have templates available to assist the bank with the drawing up of the bank guarantee.

21. What is the time frame of the Bank Guarantee?

The bank needs to validate the guarantee for a 12 month period.

22. What happens after 12 months?

The idea of the DIP is to do away with the bank guarantee entirely. However, the performance of the scheme is very much dependent on the success of the first year and the build-up of funds in the scheme. The scheme will be reviewed by the Underwriter after 12 months.

23. Do we replace our current Bank Guarantee with the DIP

No, all bank guarantees already in place will need to remain in place with the exception of the change of beneficiary to Brit Lloyd's Syndicate No. 2987.

24. How does the DIP work?

The DIP is an insurance put in place by IATA to protect itself from any form of default by the Travel Agent. The Agent pays the premium based on the amount of cash tickets sold. The Agency will be covered for R5,000,000.00.

25. What are the Travel Agents options with choosing the DIP scheme as their financial security type?

There are 2 options available to the Agent in the form of a bank guarantee and/or DIP insurance.

26. If the travel agent does not already have an existing Bank Guarantee how does one get approval to join the DIP scheme?

Complete the application form by emailing charmaine@jackandseach.co.za

27. What are the requirements & details needed from the travel agent to join the DIP?

The Agent must be an accredited IATA agent currently active on the BSP ZA.

28. Will there be a quotation given to the travel agent to cover financial security?

The cost is R11,00 per cash ticket sold. IATA will provide Jack and Seach with the monthly cash ticket figures.

29. What happens to the current Bank Guarantee in place if agent joins the DIP scheme?

Once the Agent is confirmed on the DIP scheme, IATA will release the bank guarantee back to the Agent. The Agent must return the bank guarantee to the bank and ask for a replacement guarantee in favour of Brit Lloyd's Syndicate No. 2987.

30. If the travel agent signs up for the DIP programme, will they be invoiced and debited at the end of each month an amount of R11 excl VAT per cash air ticket issued on their BSP, and any existing guarantee that IATA has will remain in force for the first year 2016.

The bank guarantee must be re-issued in favour of Brit Lloyd's syndicate No. 2987

31. Should the DIP be successful after the first year and a suitable fund be established for the ZA BSP area, then the DIP will likely continue and take the place of IATA guarantees completely.

Correct.