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We've got you covered:
Public liability of the Private Security industry in the guarding sector

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PSiRA

Private Security Industry Regulatory Authority

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security industry in the
guarding sector**

ABOUT THE REPORT

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ABBREVIATIONS AND ACRONYMS

FSCA Financial Sector Conduct Authority

FAIS Financial Advisory and Intermediary Services Act

FSP Financial Services Provider

PSI private security industry

PSiRA Private Security Industry Regulatory Authority

SLA Service level agreements



EXECUTIVE SUMMARY

This study focuses on the public liability in the guarding sector. It seeks to define public liability and what it means to the private security industry. The study is limited to the guarding sector as it is one of our biggest sectors within the private security industry in South Africa. The overarching objective of this study is to determine whether private security service providers have public liability cover, and the associated reasons behind this specific public liability insurance. The study highlights that it is not all security companies in South Africa that have public liability insurance, and that they took private liability insurance for various reasons.

The study found that even though security companies may have public liability insurance, what is offered and covered by financial service providers differs from client to client. Each cover is tailored to the needs of the private security company. The needs of that specific security company will dictate the premium to be paid by the security company. The premium plays a significant role in determining whether or not the security company will take the public liability insurance at all. Some security companies have said that they do not have public liability insurance because of the high premiums, while others have maintained that due to the nature of their business, they cannot afford not to have public liability insurance. The study reveals that several factors must be taken into account before a security company can take out insurance. In addition, numerous elements influence the premium, including the geographic location and the nature of the business.

This study unpacks the views of some members of the private security industry on the establishment of a guarantee fund. In terms of the Private Security Industry Regulation Act, PSiRA has a mandate to establish a guarantee fund for the industry. A guarantee fund in this context refers to insurance specifically for the private security industry. The guarantee fund has yet to be established, and PSiRA is striving towards its creation by the financial year 2024/25. Although the study focuses on the guarding sector, it's important to note that the guarantee fund won't be exclusive to this sector alone. Instead, it will serve the entire private security industry. The study underscores factors or issues that PSiRA must address before establishing the guarantee fund.



1. INTRODUCTION

For the purposes of this study, public liability exists in situations where security companies or their officers are negligent while on duty. This study specifically looks at instances of negligence by security service providers in the guarding sector. This negligent conduct must give rise to a financial, or rather damages, for the aggrieved party. It is essentially the way the public can seek compensation from negligent security companies or officers in the guarding sector. In these cases, a security guard might face criminal or civil liability, depending on the nature of the wrongdoing. The courts are seeing more and more cases involving injuries to citizens by private security personnel.¹ Most of these cases arise from actions such as assault, battery, false arrest, and false imprisonment.² However, the facts of the cases clearly reveal a lack of appropriate training of the private security officer involved.³ It has been argued that one way of reducing the liability of security service providers is to improve the training of security officers.

1 [Richter H. Moore, Jr.](https://journals.sagepub.com/doi/abs/10.1177/104398628800400205?journalCode=ccja) Civil Liability for Negligent and Inadequate Training: A Private Security Problem. <https://journals.sagepub.com/doi/abs/10.1177/104398628800400205?journalCode=ccja> (accessed 06 May 2023).

2 As above.

3 As above. <https://journals.sagepub.com/doi/abs/10.1177/104398628800400205?journalCode=ccja> (accessed 06 May 2023).



Public liability insurance means that the insured - being the security service provider - is indemnified in respect of public liability for and/or arising out of injury and/or property damage which resulted from the performance of security services or security duties,⁴ on the premises or property which the security officers or security service providers are guarding at the time.

Section 4(q) of the Private Security Industry Regulation Act 56 of 2001 provides that the Private Security Industry Regulatory Authority (PSiRA) must take steps to achieve its objects with the means at its disposal and may - subject to this Act and any other law, for the purpose of achieving its objects - establish a guarantee fund for the private security industry which is managed in the prescribed manner.⁵ The establishment of a guarantee fund will enable affected and aggrieved persons to claim damages against a private security company. In turn PSiRA would be acting in the interest of the public to ensure that the public has recourse against security companies of their action or inaction.

Firstly, this study offers a background that contextualises the phenomenon of public liability in the private security industry. Secondly, it outlines the research aim, objectives, research hypothesis, and questions. Thirdly, the study describes the research methodology and acknowledges its limitations. Fourthly, it conducts a literature review on the subject matter. Fifthly, the study presents its research findings. Sixthly, it provides recommendations based on these findings. Lastly, a conclusion is drawn.

4 One Call SA. Security Liability Insurance. <https://www.onecall-sa.com/security-liability-insurance/> (accessed 09 May 2023).

5 S4(q) of the Private Security Industry Regulation Act 56 of 2001.



2. BACKGROUND

In the case of *Pall South Africa (Pty) Ltd v Group 4 Falck (Pty) Ltd 2010* (North Gauteng High Court, Pretoria), a security guard employed by Group 4 stole certain property from Pall SA, which he was meant to protect. A contract had been concluded in terms of which Group 4's liability was limited for damages "howsoever caused." It was argued on behalf of Pall SA that this clause cannot be interpreted to relate to situations where the security guards themselves steal from the premises, which interpretation would lead to an absurdity. The Court held that a security company should be able to protect itself against liability for damages caused by intentional wrongful acts of its employees and therefore liability could potentially far exceed the value of what the security company receives for providing the service.⁶ It has been argued that the number of claims against security companies are increasing.⁷ At any time, legal action may arise against a security company resulting in costly legal fees and damages. Without adequate security liability coverage, they may be personally liable for legal costs.⁸

6 *Pall South Africa (Pty) Ltd v Group 4 Falck (Pty) Ltd 2010* (North Gauteng High Court, Pretoria).

7 <https://www.camargueum.co.za/steal-and-protect/> (accessed 09 May 2023).

8 One Call SA. SECURITY LIABILITY INSURANCE. <https://www.onecall-sa.com/security-liability-insurance/> (accessed 09 May 2023).

Regrettably, not all companies possess the financial resources readily available to address potential legal actions, amounting to hundreds of thousands or even millions. Within the South African private security sector, a diverse spectrum of companies exists, encompassing large, medium-sized, and small enterprises. However, not every company operating within this industry can afford to procure security insurance. It is imperative to analyse how security service providers have managed matters of public liability, both presently and historically. Several factors have been identified as significant contributors to the escalation of public liability claims against security service providers, including instances of theft by security personnel, unlawful arrests, and deficiencies in training protocols.

According to Wiers, cover provided under liability insurance may be limited in various ways, depending on the identity of the insured, the activity from which the cover sought is to arise, the type of third party loss or the identity of third parties.⁹ The insured may be required to carry as an excess an initial part of the liability incurred or the insurer may set a maximum cover limit which, if exceeded, would be for the insured's own account.¹⁰

9 [Richard Wiers](https://www.mondaq.com/southafrica/insurance-laws-and-products/1261854/legal-liability-insurance-an-overview). South Africa: Legal Liability Insurance: An Overview. Adams & Adams. 16 December 2022. <https://www.mondaq.com/southafrica/insurance-laws-and-products/1261854/legal-liability-insurance-an-overview>. (Accessed 09 May 2023). Also available on Reinecke, MFB, van Niekerk, JP and Nienaber, PM South African Insurance Law Durban Lexis Nexis 2013 538.

10 As above.



3. RESEARCH AIM, OBJECTIVES, RESEARCH HYPOTHESIS AND QUESTIONS

3.1 Research aim and objectives

The overarching aim of this study is to critically discuss public liability of the private security industry with a focus on the guarding sector.

The research objective of this study is four-fold, namely:

- Understand how is public liability currently regulated,
- Understand how will financial service providers be affected should PSiRA establish a public liability fund,
- Identify the legislation that regulates public liability in South Africa, and
- Establish how security service providers currently address matters relating to negligence and public liability.



3.2 Research hypothesis

The research hypothesis is: PSiRA has limited power to regulate matters of public liability of private security service providers.

The study has two research questions, namely:

1. Primary research question: Does PSiRA have the mandate to regulate matters relating to public liability of private security service providers and establish a public liability fund?
2. Secondary research questions:
 - How will the private security industry be affected should PSiRA establish a public liability fund?
 - What is the current situation with regards to public liability of private security service providers in the guarding sector?
 - What are financial service providers currently charging for public liability cover?

3.3 Research methodology

In conducting the study, qualitative methodology was used with face-to-face interviews providing the data. This engagement with participants assisted in gaining in-depth insight on the research hypothesis. According to Mohajan, qualitative research methods typically include interviews and observations, but may also include case studies, surveys, and historical and document analyses. Qualitative research is an umbrella term used to refer to the theoretical perspective's designs.¹¹ The preferred qualitative research methodology allowed participants to share their lived experiences. As part of the study, participants had an opportunity to share why they behaved in a certain way including how they conducted their services in a certain manner. Informed by the nature of their work, they also presented recommendations on how PSiRA could improve to allow security service providers to effectively and efficiently conduct and perform their services.

11 Mohajan, H.K., 2018. Qualitative research methodology in social sciences and related subjects. *Journal of economic development, environment and people*, 7(1), pp.23-48.

As part of the research methodology procedures, prior to conducting interviews with participants, a consent form was distributed to all requesting them to sign the form, thereby granting permission for their contributions to be included in the research report. By signing the consent form, participants consented to the publication of their contributions to the report. The sample size included small, medium, and large enterprises within the guarding sector of the private security industry in South Africa.

In addition, interviews were conducted with PSiRA officials and companies that provide public liability cover for private security service providers in the guarding sector across the country. The study used desktop and field research which proved to be excellent tools for data collection. For the field research, among other things, Zoom, Microsoft teams, and telephonic interviews were used only where face-to-face interviews were not possible. On completion of the study, the member checking method was used to ensure the validity and reliability of the data collected.

3.4 Limitation to the study

The main limitation to this study was the lack of literature on public liability focusing specifically on the private security industry in the guarding sector in South Africa. To overcome the highlighted limitations, participants from the industry gave valuable and insightful contributions to enrich this study based on their lived experience. Even though the literature reviewed was largely on general public liability does not mean that the study is not credible.





4. LITERATURE REVIEW

This section examines the views and perspectives of other academics and authors who have written on this important topic. Before discussing the different views on this phenomenon, it is important to look at the various definitions that have been provided relating to public liability insurance. Doing so lays a foundation and provides a broader perspective on the terminology used in this sector. When referring to short term insurance, words such as underwriter, underwritten by, and registered financial service provider are often used. The literature will not only provide definitions for the above terms but also a background on the terminology and language used in public liability.

4.1 What is public liability insurance?

Public liability insurance covers legal and compensatory expenses arising from a situation where a third party is injured, or their property is damaged while they are at a place of business. Sometimes this includes an office or warehouse, and sometimes it includes staff working in homes or other locales.¹² Insurance provides competitive premiums with the probability of an event occurring. The higher the risk associated with a

¹² Business Insurance. <https://businessinsurance.co.za/insurables/public-liability-insurance/> (accessed 15 February 2024).

company, the higher the probability that the insured will pay increased premiums. Public liability insurance aims to cover or protect the insured against claims against their business that occurred as a result of theft, negligence or injury to another person or property.

What is an underwriter?

There are several underwriters depending on the various industries. According to Banton, the term underwriter first emerged in the early days of marine insurance.¹³ Banton further states that, shipowners sought insurance for a ship and its cargo to protect themselves if the boat and its contents were lost.¹⁴ Shipowners would then prepare a document that described their ship and its contents, crew, and destination.¹⁵ Discussion would then ensue regarding the rates and terms and conditions on the insurance to be provided, and an agreed-upon rate and terms would then be set out in the contract.¹⁶ Business people who wished to assume some obligation or risk would sign their name at the bottom and indicate how much exposure they were willing to accept.¹⁷ These business people became known as underwriters.¹⁸ According to Banton, the term underwriter has been defined as any party, usually a member of a financial organisation, that evaluates and assumes another party's risk in mortgages, insurance, loans, or investments for a fee, usually in the form of a commission, premium, spread, or interest.¹⁹ For an insurer to offer or provide insurance, terms and conditions need to be set out by both parties and the parties should agree on these.

The terms and conditions are then documented in what is referred to as a policy or policy document. In essence this is an agreement or contract detailing what the insured is covered for, and to what extent it will include policy exclusions, meaning what the insured will not be covered for and will not have a right to claim. Underwriters are tasked

13 [Banton C, Underwriter in Finance: What Do They Do, What Are Different Types?](https://www.investopedia.com/terms/u/underwriter.asp) Updated May 01, 2023. <https://www.investopedia.com/terms/u/underwriter.asp>. (Accessed 01 August 2023).

14 As above.

15 As above.

16 As above.

17 As above.

18 As above.

19 As above.



with determining the level of risk involved in a transaction or other kind of business decision.²⁰

Anderson *at el* argues that the underwriting process consists of three important steps; focusing on obtaining the relevant information about the risk, deciding whether and to which extent the risk will be covered by the insurer, and setting the suitable insurance premium which the insured will have to pay.²¹

4.2 Important underwriting factors

Public Liability insurance falls under the category of short-term insurance. Underwriting factors are factors which the insurer considers in order to determine the risk associated with their business. The premium increases in correlation with the level of associated risk or estimated risk. Complaints and issues relating to short term insurance can be referred to the Ombudsman for short-term insurance. According to Anderson *at el*, the physical address of the insured's business is important as it provides an indication of the geographical location of the premises and the risks associated with the neighbourhood.²² Unsafe vicinities may have a higher risk level and may therefore result in a higher premium if the risk is eventually covered by the short-term insurer.²³

Further, the nature and particulars of the liability exposures for which the applicant and the members of his/her household or business want to cover are also an important underwriting factor in liability insurance.²⁴ The level of the premium should be adjusted according to the level of risk related to the various types of products on the premises of the applicant.²⁵ Particulars of previous convictions of the applicant and the members of his/her household or business applying for liability insurance are also considered.²⁶

20 As above.

21 Anderson S E, Mostert F J, Mostert J H, 'The Underwriting Process of Liability Insurance in South Africa'. *Risk Governance & Control: Financial Markets & Institutions*, 4(1), pp.46-55. 2014. http://www.virtusinterpress.org/IMG/pdf/10-22495_rgc4i1art5.pdf. (Accessed 01 August 2023).

22 As above.

23 As above.

24 As above.

25 As above.

26 As above.



4.3 Who is a financial service provider?

It is important to note that not all risks are avoidable and short-term insurers therefore provide financial assistance to businesses, professional enterprises and individuals.²⁷ The Financial Sector Conduct Authority (FSCA) and Financial Advisory and Intermediary Services Act (FAIS) require that every Financial Services Provider (FSP) be registered with the FSCA before they may legally conduct business.²⁸

4.4 Public liability insurance

According to Van Jaarsveld *et al*, public liability insurance covers claims from the general public against a business which are not covered under more specific liability policies.²⁹ Although it is the insured who pays the monthly premium for public liability insurance, public liability insurance exists to protect the public (third party). The protection provided to the policy holder focuses on claims from third parties for damage to property and/or bodily injury to people.³⁰ It was argued that coverage is usually provided only for unpredictable negligent acts during the operation of the business or by an individual.³¹ When material information is not duly reported to a short-term insurer, the underwriter could reject a claim as a breach of contract may have occurred.³² Van Jaarsveld *et al* argues that the short-term insurer will also determine whether the proximate cause of the loss is covered under the particular insurance policy.³³ A policyholder should also file a claim within the stipulated time frame specified in the insurance policy.³⁴

27 As above.

28 <https://www.masthead.co.za/> (Accessed 01 August 2023).

29 Van Jaarsveld, J., Mostert, F. and Mostert, J. The claims handling process of liability insurance in South Africa. *RISK GOVERNANCE & CONTROL: Financial markets and institutions*, p.133. 2015. https://virtusinterpress.org/IMG/pdf/10-22495_rgc5i1c1art6.pdf. Accessed 01 August 2023.

30 As above.

31 As above.

32 As above.

33 As above.

34 As above.





5. FINDINGS

This section will focus on the findings and contributions made by the participants. Further, this section will provide in-depth insight on the current situation on public liability in the private sector security industry and more information on the guarantee fund.

5.1 Types of public liability cover

Public liability coverage within the private security industry varies. While there are numerous types of public liability insurance products available, this section of the research focuses solely on the products identified by this study.

One type of cover identified is public liability cover, which shields the employer from criminal acts committed by their own employees. In the event of a claim, the insured party must provide all necessary supporting documentation to the insurer.

The second type of public liability is where the general public has been aggrieved by the conduct of the security officer on duty. An example of this is the assault of a student by a security officer during public protest. Another example, is wherein a member of the public is accused

of shoplifting, is detained in the stockroom of a shop and is subsequently assaulted by a security officer. This is why it is important to make the general public aware of the different recourse that can be taken against such security officers and security companies. If the incident involves an assault, which is a criminal matter, the victim may choose to file a criminal case. For purposes of this study, the findings will only be limited to damages and not the criminal aspects.

In the scenarios described above, victims of assault may opt to pursue a civil case against the private security company, which is where public liability cover becomes relevant. If the security company possesses public liability insurance, they can then involve their insurer in addressing the matter. Some public liability insurance providers offer legal assistance, providing policyholders with legal representation and covering the associated costs. Additionally, certain public liability insurance companies maintain a panel of legal representatives for this purpose.

5.2 Guarantee fund

In terms of the PSiR Act, the Authority is mandated to establish a guarantee fund. In 2019, PSiRA conducted a study on the requirements of a guarantee fund. This study was conducted by an external service provider. Fast forward to 2023, the guarantee fund has not yet been established. This project was paused based on a need for more extensive information to enable PSiRA to comprehensively meet the requirements of the industry as a whole. The Authority aims to have a fully operational guarantee fund by end of 2024.

The objective of the guarantee fund is to offer public liability cover to the private security industry. However, before establishing such a fund, PSiRA must consider several factors. One such consideration is PSiRA's statutory mandate to create a guarantee fund, raising the question of whether PSiRA will make it mandatory for each service provider to obtain public liability cover. PSiRA aims to provide coverage to all sectors within the private security industry. As for whether it will be mandatory for the entire industry, consultations are still ongoing to address this question.



5.3 Premium and insurance form

Before determining any premium, PSiRA must consider several factors. As we are aware, the private security industry encompasses small, medium, and large companies, which is one factor taken into account. Various other factors play a role in determining the appropriate premium. These include the geographic location of the company, the level of risk associated with its operations, the types of services provided, the size of the company's personnel, the training received by employees before rendering services, and the annual turnover of the company.

The guarding sector comprises various subsectors. When seeking public liability insurance, security companies must complete an insurance application form listing their subsector. Security insurance costs vary based on company profile and liability nature. Additionally, companies are required to disclose their previous turnover.³⁵

In addition, security companies must specify the industries in which they provide security services, such as mining, retail, cash-in-transit, and railway, while also outlining the associated risks. Insurers will request documentation of annual turnover, and higher turnovers typically correlate with greater risk and higher premiums. It's essential to understand that the list of industries mentioned is not exhaustive. When calculating premiums, various factors are taken into consideration, and premiums may vary based on the company's status and requirements.

The study found that most insurers offer a comprehensive package. For example the security company will be covered for general insurance, public liability insurance as well as legal advice and legal representation should the matter be referred to court. Despite comprehensive cover, companies are still liable for their own excess. It was established that a public liability insurance premium can range from R2 000 to R50 000 depending on the factors highlighted above.

35 As above.

5.4 Why do security companies take public liability cover?

Public liability insurance is a compulsory requirement for security companies when they bid for a government contract, regardless of the number of security officers appointed.³⁶ However, the study found that most security companies take public liability insurance to avoid or mitigate against risk.

5.5 Scepticism from the industry

There is some scepticism from the industry regarding the establishment of the guarantee fund. The question posed by the industry was, “is PSiRA not trying to reinvent the wheel?”. Put simpler, is PSiRA not trying to offer a product that already exists?³⁷ Public liability insurance is currently offered by private insurance companies.

The study found that public liability insurance is said to be expensive and not all security companies can afford it.³⁸ At the same time there are not many insurance companies that offer packages tailored to the private security industry such as cash-in transit cover.³⁹ Furthermore, it was suggested that PSiRA needs to clarify what will happen to the monies not spent at the end of each financial year.

5.6 Does PSiRA have capacity to establish and operate a guarantee fund?

One of PSiRA’s mandates is to effectively regulate the private security industry. Concerns have been raised regarding the current enforcement and regulatory practices of PSiRA within the industry. It has been argued that there are still unregistered and undocumented nationals operating within the private security industry (PSI). During this study, various compliance-related issues were raised by industry stakeholders. While the industry acknowledges the value of establishing a guarantee fund by PSiRA, some argue that PSiRA’s focus should be on regulating the PSI rather than intervening in insurance-related matters, as insurance is a separate industry. There was concern about PSiRA’s capacity to

36 Carl. Xhobani Security. 2023.

37 As above.

38 As above.

39 As above.



manage a guarantee fund, leading to questions such as: Where will the claim process occur? Where should claimants submit their claims?

5.7 Types of prevalent claims

Participants noted that while they are covered for public liability insurance, the more common occurrences involve incidents such as a phone going missing while a security officer is on duty, resulting in the security company having to replace the phone. Additionally, there have been isolated incidents of vehicle theft, although this is not a regular issue. Another infrequent incident reported was an alleged assault or attack on a student during a protest action. However, it was emphasised that these are not frequent occurrences.

Proposed operation of the guarantee fund

Upon analysing the data and consulting with industry members, it is important to highlight that there is a draft report which was populated by an external service provider.⁴⁰ The aim of that report was to give guidance on how to go about establishing the guarantee fund. The 2019 draft report recommended that PSiRA establish a company under the Companies Act that would be solely responsible for the guarantee fund. This recommendation cannot be supported. Instead PSiRA could consider appointing an existing insurance company who is already in the market and who has the necessary experience of providing liability insurance. This should be done through the tender bidding process. PSiRA should also make it compulsory for security service providers to be members of the guarantee fund. Those companies that already have public liability currently with other insurance companies, must produce proof of insurance annually and during inspections. The inspectors must verify that all companies are either registered with the guarantee fund or have public liability insurance. Any failure to take up public liability cover, may result in PSiRA suspending the company's membership.

40 Guarantee Fund Concept Design Discussion Document 30 June 2019.

5.8 Seeking insurance during bidding process: Letter of intent

During the bidding process where a security company is trying to procure work or a contract, security companies will approach insurance companies for cover. However, the common practice among insurance companies is to furnish the security companies with a letter of intent as opposed to providing cover. The insurance company will ask security companies if they have been awarded the contract, are still at the bidding stage and how much liability insurance the company wants.⁴¹ It is important to mention that the policy provides cover for all activities, rather than specific sites, as it is an overall policy that protects the security company. Furthermore, where the security company has not been awarded the contract within six months, for example for a government contract, then the security company can cancel the insurance. The letter of intent basically states that the insurance company will provide cover which the bidding company then submits as part of the tender process.⁴²

5.9 Admitting liability before the loss occurs

One of the challenges when it comes to public liability insurance for the private security industry is that, there are security companies that sign a contract with their client whereby they admit liability before the loss occurs.⁴³ What this means is that, the security company will agree to a clause in the service level agreement stating that the security company accepts liability for loss that occurs where that security company has a security officer stationed on those specific premises.⁴⁴ For example the contract that states a security company will be held liable should loss or damage occur.⁴⁵ Contracts should instead state that a security company should have public liability cover up to a certain amount for the duration of the contract.⁴⁶ Some insurance companies find this problematic and prejudicial because it denies the insurance company the opportunity to conduct it's own investigation.⁴⁷

41 As above.

42 As above.

43 As above.

44 As above.

45 As above.

46 As above.

47 As above.



When a security company obtains public liability insurance, a provision in the contract typically entails the security company signing over its rights to the insurance company, a process known as subrogation. Subrogation refers to the rights held by your insurance company over your policy. As a result, a security company cannot admit any liability until it refers the matter to its insurer.⁴⁸

Claim process

Section 4(r) of the Act, provides that PSiRA shall receive, process, refer or deal with complaints regarding the quality of service rendered by security service providers.⁴⁹ Currently, this section makes reference to the lodging of complaints to PSiRA. The question that follows is, should this section also be interpreted to include the lodging of public liability claims by the public against a security service provider? PSiRA has a complaints office, however with regards to the guarantee fee, it is not clear whether the same complaints office will be responsible for the guarantee fund claims. Section 4(q) also states that the establishment of a guarantee fund for the private security industry which is managed in the prescribed manner. Again, the prescribed manner is not provided for.

48 As above.

49 Section 4 of Private Security Industry Regulation Act 2001.



6. RECOMMENDATIONS

This section seeks to make recommendations to the Authority. These are recommendations derived from the industry or recommendations that arose as a result of a gap that was identified while conducting this research.

6.1 Public participation

It is recommended that prior to PSiRA making any final decisions, it is advisable for the Authority to engage with the industry on a broader scale, extending beyond the scope of these findings. A notice should be issued inviting the public to provide input on the establishment of a guarantee fund. Effective consultation with the industry is essential for determining an appropriate premium.

6.2 Awareness

The industry has never heard of the term 'guarantee fund' insofar as it relates to PSiRA. The public participation that was recommended above needs to go beyond requesting the public to comment to raising awareness as to what a guarantee fund is. Public liability cover not only protects or covers the insured security company but also covers the general public.



6.3 Industry circular and public notice

It is recommended that after public participation has taken place, an industry circular needs to be issued, informing the PSI that the public liability insurance premium will be paid together with annual fees upon renewal of the PSiRA. The circular needs to explain the extent to which a security company will be covered.

6.4 Guarantee Fund

It is recommended that, PSiRA issue an industry circular detailing what 'managed in prescribed manner' will entail and detail how the guarantee fund will be managed. Further, a step-by-step process needs to be set out on how the public and the industry will go about lodging a claim. In addition, the general public needs to be informed of the office and address where claims should be submitted.

6.5 Mandatory membership of guarantee fund

Should the Authority make it mandatory for all security service providers to be members of the guarantee fund, it is recommended that PSiRA also make it mandatory for all service level agreements (SLAs) that are concluded to make it compulsory for a security service provider to have public liability cover.





7. CONCLUSION

Public liability insurance claims can be lodged by the general public against a security company, or by the client of the security company against the security company it has appointed or contracted, for loss or damage to property or bodily injuries. This provides comfort to the general public.

The study revealed a concerning trend: Not all security companies within the private security industry (PSI) possess public liability insurance. This lack of coverage is troubling considering that security companies work closely with the public, necessitating protection from potential mishaps in service provision. While some security companies opt for public liability insurance due to the inherent risks associated with their operations (such as cash-in-transit services), it is regrettable that the majority obtain this insurance solely to secure contracts from private or government entities.

While the PSiRA Act mentions the guarantee fund, many in the industry are unfamiliar with its specifics. However, when discussing public liability insurance, they have a clearer understanding. Some stakeholders view the establishment of the guarantee fund as a positive step by PSiRA. Nevertheless, there's a sentiment within the private security industry that PSiRA might be overextending itself prematurely. Many believe that PSiRA should prioritise addressing more pressing issues, such as compliance and law enforcement. Despite this, establishing the guarantee fund is a legal obligation outlined in the Private Security Industry Regulation Act, which establishes PSiRA.



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