

FSCA COMMUNICATION 6 OF 2019 (INSURANCE)

Publication of draft exemption notice proposing an exemption of microinsurers that offer credit life microinsurance policies from the requirements of Rule 2A.10.1 of the Policyholder Protection Rules (Long-term Insurance), 2017

24 July 2019

1. PURPOSE

The purpose of this Communication is to inform stakeholders that a draft general exemption has been published on the FSCA's website for public comment by 26 August 2019.

2. BACKGROUND

- 2.1 Rule 2A of the Policyholder Protection Rules (Long-term Insurance), 2017 (PPRs) sets out the microinsurance and funeral policy product standards applicable to microinsurers as defined in the Insurance Act, 2017 (Act No.18 of 2017) (the Insurance Act) and insurers licensed for the funeral class of life insurance business referred to in Table 1 of Schedule 2 to the Insurance Act.
- 2.2 In terms of Rule 2A.10.1 a microinsurance policy or a funeral policy may not prescribe that a policy benefit payable as a sum of money is payable directly to a service provider. The definition of service provider as set out in the PPRs could be interpreted to include a credit provider.
- 2.3 Credit life policies offer policy benefits to satisfy all or part of a financial liability to a credit provider on the happening of a death event, health event or a disability event, in the event of unemployment, or other insurable risk that is likely to impair a person's ability to earn an income or meet credit obligations.¹ Accordingly these policies are often structured to pay all or part of the policy benefits directly to a credit provider.
- 2.4 A practical challenge exists in complying with Rule 2A.10.1 in the context of microinsurance policies underwritten under the credit life class of life insurance business as set out in Table 1 of Schedule 2 to the Insurance Act. The FSCA believes that there is justification in departing from the requirements of Rule 2A.10.1 in the context of such policies.
- 2.5 As a result, the FSCA intends to exempt microinsurers from compliance with Rule 2A.10 insofar as it relates to a microinsurance policy underwritten under

¹ In this regard see the description of "credit life" class of life insurance business as set out in Table 1 of Schedule 2 to the Insurance Act.

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- 2.6 The FSCA believes that the exemption will not be contrary to public interest nor will it prejudice the achievement of the objects of the PPRs.

3. INVITATION TO COMMENT ON DRAFT EXEMPTION NOTICE

- 3.1 The exemption, to be issued in terms of section 281(1) of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017), is published together with this communication for public comment until 21 August 2019.

- 3.2 Interested parties are invited to submit comments on the draft Exemption Notice in writing on or before **21 August 2019** to Lezanne.botha@fsc.co.za.

4. CONTACT

For further information regarding this Communication please contact the Regulatory Framework Department of the FSCA by emailing Lezanne Botha at lezanne.botha@fsc.co.za.