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DEPARTMENT OF TRADE AND INDUSTRY

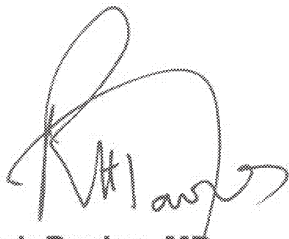
NO. 103

09 FEBRUARY 2017

FINAL CREDIT LIFE INSURANCE REGULATIONS.

I, Dr Rob Davies, Minister of Trade and Industry, in consultation with the Minister of Finance, having published **Notice 1104 of 2015** in **Government Gazette No. 39407** of 13 November 2015 inviting public comments to the draft Credit Life Insurance Regulations, do hereby in terms of Section 171(1) of the National Credit Act, 2005 (Act 34 of 2005), issue and publish the final Credit Life Insurance Regulations.

These Regulations will come into effect six (6) months after the date of publication and will only affect credit agreements entered into on or after the commencement date.



Dr Rob Davies, MP
Minister of Trade and Industry
25 January 2017

GOVERNMENT NOTICE

No.R

2017

FINAL CREDIT LIFE INSURANCE REGULATIONS, 2017

Regulations made in terms of the National Credit Act, 2005
(Act No 34 of 2005), as amended

(MINISTER OF TRADE AND INDUSTRY)

The Minister of Trade and Industry has, under section 171 of the National Credit Act, 2005 (Act No 34 of 2005) as amended, made Regulations in this schedule.

CHAPTER 1

1. Definitions

In these Regulations, any word or expression defined in the National Credit Act, 2005 bears the same meaning as in the Act and –

“**affordable housing mortgage agreement**” means a mortgage agreement under which the principal debt due and payable is not more than R450 000,00 as amended from time to time;

“**deferred amount**” has the same meaning as in regulation 39(1) excluding the cost of credit life insurance;

“**disability**” means that a person becomes so physically or mentally impaired, whether totally or partially, or temporarily or permanently, that the person’s ability to earn an income or meet the obligations under a credit agreement is impaired, and includes, but is not limited to, occupational disability;

“**occupational disability**” means a form of disability where a person’s impaired ability to earn an income or meet the obligations under a credit agreement arises from a physical or mental impairment which renders the person unable to continue his or her employment, own occupation, profession or trade;

“**short term credit transaction**” has the same meaning as in regulation 39(2);

“**underwritten on a group basis**” means where the risk covered under an insurance policy are rated based on the characteristics of a group of people together, as opposed to that of an individual or individuals to whom the policy relates;

2. Application

These Regulations apply to credit providers.

3. Maximum prescribed cost of credit life insurance

- (1) The cost that a credit provider may charge a consumer in relation to credit life insurance referred to in section 106(1)(a), including the cost of any commission, fees or expenses in relation to that insurance, may not exceed the following maximum limits per life insured, which must be calculated either on the deferred amount at the inception of the credit agreement or on the deferred amount from time to time under the credit agreement:

Sub-sector	Maximum prescribed cost per month of credit life insurance
Mortgage agreements (other than affordable housing mortgage agreements)	R2 per R1 000 of the deferred amount
Affordable housing mortgage agreements	R2 per R1 000 of the deferred amount for consumers under the age of 55 years; R2,50 per R1 000 of the deferred amount for consumers above the age of 55 years
Credit facilities	R4,50 per R1 000 of the average utilisation of the credit limit in the billing cycle
Unsecured credit transaction	R4,50 per R1 000 of the deferred amount
Short term credit transaction	R4,50 per R1 000 of the deferred amount
Developmental credit agreements	R4,50 per R1 000 of the deferred amount
Other credit agreements	R4,50 per R1 000 of the deferred amount

- (2) Subject to sub-regulations (3) to (5), the credit life insurance cover must provide for at least the settlement of –
- (a) in the event of the consumer's death or permanent disability, the outstanding balance of the consumer's total obligations under the credit agreement;
 - (b) in the event of the consumer's temporary disability, all the consumer's obligations under the credit agreement that become due and payable –
 - (i) for a period of 12 months;
 - (ii) during the remaining repayment period of the credit agreement; or
 - (iii) until the consumer is no longer disabled,whichever is the shorter period; and
 - (c) in the event of the consumer becoming unemployed or unable to earn an income, other than as a result of permanent or temporary disability, all the consumer's obligations under the credit agreement that become due and payable –
 - (i) for a period of 12 months;
 - (ii) during the remaining repayment period of the credit agreement; or
 - (iii) until the consumer finds employment or is able to earn an income,whichever is the shorter period.
- (3) Subject to sub-regulation (5), where a consumer is not employed on the date that the credit life insurance policy is entered into, no cost relating to the risk of becoming unemployed or being unable to earn an income may be included in the cost of the credit life insurance.
- (4) Where a consumer is a pensioner on the date that the credit life insurance policy is entered into, no cost relating to occupational disability may be included in the cost of the credit life insurance.

- (5) Where a consumer is self-employed in the formal or informal sector, or employed in the informal sector on the date the credit life insurance policy is entered into, the credit life insurance policy may include the cost relating to the risk of the consumer being unable to earn an income other than as a result of retrenchment or occupational disability.
- (6) A credit provider, at the request of the National Credit Regulator, must demonstrate that the cost of credit life insurance charged to a consumer complies with sub-regulations (3), (4) and (5).
- (7) The cost of credit life insurance must be determined having regard to the actual risk and liabilities associated with the credit agreement, including the risk of the event/s insured against occurring, whether such risk is determined with reference to the life insured's individual risk profile or underwritten on a group basis.
- (8) A credit provider that increases its credit life insurance premiums to the maximum prescribed cost of credit life insurance referred to in sub-regulation (1) must, at the request of the National Credit Regulator, demonstrate that the cost of credit life insurance complies with sub-regulation (7).

4. Exclusions and limitations of cover

- (1) The credit life insurance may exclude or limit cover in relation to different covered events only in the circumstances set out in the table below -

Covered event	Permitted exclusions and limitations
Death	Death or disability resulting from:
Disability	<ul style="list-style-type: none"> i) The abuse of alcohol, drugs or narcotics; ii) Willful self-inflicted injury or suicide; iii) Active participation in war, invasion, acts of foreign enemies, hostilities, warlike operations (whether war be declared or not), civil war, insurrection, rebellion revolution, civil commotion or uprisings, military power;

	<ul style="list-style-type: none"> iv) The use of nuclear, biological or chemical weapons, or any radioactive contamination; v) Participation in criminal activities; vi) Participation in hazardous activities such as mountain climbing, bungee jumping and speed racing; vii) Any pre-existing condition the consumer was aware of that affected the consumer in the 12 months preceding the commencement of cover under that credit life policy, provided that where a specific pre-existing condition is disclosed by the consumer prior to the commencement of cover, the condition may only be excluded if the consumer is clearly informed of such specific exclusion.
<p>Unemployment</p> <p>Inability to earn an income (other than due to disability)</p>	<p>Unemployment or inability to earn an income resulting from:</p> <ul style="list-style-type: none"> i) Retrenchment or termination of employment within the first 3 months after the commencement of cover under that credit life policy, on where the term of the credit agreement is more than 6 months; ii) Lawful dismissal, including dismissal as a result of willful misconduct that is a violation of some established, definite rule of conduct, a forbidden act, willful dereliction of duty or misconduct; iii) Voluntary forfeiture of salary, wages, or other employment income; iv) Voluntary retrenchment or termination of employment; v) Resignation; vi) Retirement; vii) Participation in an unprotected strike; and viii) Retrenchment of which the consumer was aware or received notice of during the 3 months preceding the date on which cover under that credit life policy commenced.

- (2) The exclusions and limitations referred to in sub-regulation (1) included in a credit life insurance policy must be explained to the consumer on the date that the credit agreement is entered into and communicated to the consumer at regular intervals thereafter.
- (3) The credit provider may apply a waiting period of up to 3 months for disability benefits under a credit life insurance policy only where the term of the credit agreement is more than 6 months.
- (4) Notwithstanding sub-regulations (1) and (3), no waiting period may be applied for any benefits under a credit life insurance policy for a short term credit transaction with a term of 1 month or less.

5. Benefits in addition to the minimum benefits

- (1) If the credit life insurance provides for the settlement of the consumer's total obligations under a credit agreement in the event of temporary disability and the consumer being unable to earn an income, the maximum cost of credit life insurance as provided for in regulation 3 may be increased by R1,00 per R1000 for both benefits.
- (2) The credit provider may not compel the consumer to take out insurance cover for the benefits in sub-regulation (1).

6. Annual charging of credit life insurance

- (1) Where the cost of credit life insurance is charged annually, the maximum limit is the following:
 - (a) The monthly limit set out in regulation 3, multiplied by 12; and
 - (b) Where the period for which the cost of credit life insurance is levied is less than 12 months, the monthly limit multiplied by the number of months in such a period.

7. Substitution of credit life insurance policy

- (1) The consumer may exercise the right in terms of section 106(4)(a) to substitute a credit life insurance policy of the consumer's choice at any time after the credit agreement is entered into and the credit provider must accept such substitution, provided that the new policy provides at least the benefits referred to in regulation 3.
- (2) The consumer must provide the credit provider with details of the insurer under the new policy within 5 business days of taking up the new policy.

8. Guidelines

- (1) The credit provider must comply with the guidelines issued by the National Credit Regulator in respect of credit life insurance.

9. Implementation

- (1) These regulations apply to credit agreements entered into on and after the date of implementation.