



MEDIA STATEMENT

ALTERNATIVE MEASURES TO REPLACE THE INSURANCE LAWS AMENDMENT BILL, 2013

The Insurance Laws Amendment Bill, 2013 (“the Bill”) was tabled in Parliament on 21 June 2013. Given the busy workload of the Standing Committee on Finance in Parliament, the Bill was not passed, and (like all such outstanding Bills) will automatically lapse now that Parliament’s term will be expiring. Generally lapsed Bills are required to be revived by a motion of Parliament once the new Parliament convenes after the elections.

The Bill proposed amendments to the Long-term Insurance Act No. 52 of 1998 (“the LTIA”) and the Short-term Insurance Act No. 53 of 1998 (“the STIA”) to:

- introduce insurance group supervision pending the finalisation of the broader review of the Insurance Laws and the Solvency Assessment and Management (“SAM”) project;
- strengthen the governance, risk management and internal controls of insurers; and
- address regulatory gaps in South Africa’s adherence to international financial regulatory principles and standards in respect of insurance, as identified by the IMF/World Bank Financial Sector Assessment Program (“FSAP”) evaluation.

Given that the Bill has not been passed by Parliament, the Minister of Finance has requested that the Bill be withdrawn (in terms of Rule 299 of the National Assembly Rules), pending acknowledgement by Parliament. The National Treasury (“NT”) and Financial Services Board (“FSB”) are considering alternative interim measures (via Board Notice or other Bills below) to give effect to the intention of the Bill:

Insurance group supervision

- **Use of Twin Peaks process:** The first draft of the Financial Sector Regulation Bill (“Twin Peaks Bill”) was published for comment in December 2013. A revised second draft Twin Peaks Bill will be published after the elections. A formal framework for insurance group supervision will be provided for through the Twin Peaks process.
- The effective date of implementation of the formal framework for group-wide supervision will be announced later in 2014.

Governance and risk management framework

- **Use of Board Notice:** Enhanced governance and risk management framework requirements will be introduced through a Board Notice to be issued by the Registrar of Insurance (“Registrar”) under section 12 of the LTIA and STIA. Section 12 was amended through the Financial Services Laws General Amendment Act No. 45 of 2013, which came into effect on 28 February 2014, to provide that the Registrar may prescribe such requirements. The draft Board Notice will be released for public comment by June 2014 and a final Board Notice published by November 2014 for implementation by 1 January 2015.

Other critical insurance amendments

- The Bill provided for various other critical amendments to the LTIA and STIA, such as enhancing licensing requirements. It is proposed that these critical amendments will also be provided for through consequential amendments to the LTIA and STIA, via the revised second draft Twin Peaks Bill, and further consulted on as part of the latter Bill's public comment period.
- The envisaged effective date of these other critical amendments is 1 January 2015.

Amendment to the Financial Advisory and Intermediary Services Act

- The proposed amendment to the Financial Advisory and Intermediary Services Act No. 37 of 2002 ("FAIS Act") section 1(3)(b)(ii), which seeks to bring product suppliers rendering intermediary services within the ambit of the FAIS Act, may be given effect through either a consequential amendment in a schedule to be published in the revised second draft Twin Peaks Bill or through a separate Financial Services Omnibus Bill.

The Board Notice on governance and risk management requirements, amendments to give effect to group supervision and other critical insurance matters, as well as the proposed amendments to the FAIS Act, will take into account the public comments submitted to the NT on the Bill last year. The NT and the FSB also convened meetings and workshops with key affected stakeholders to discuss these public comments. A response to public comments received on the Bill is attached as **Annexure A**. The Board Notice and consequential amendments will reflect key areas of agreement reached on changes to the Bill.

Issued by: National Treasury

Date: 29 April 2014