



Regulatory Update

- FSR Bill
- Insurance Bill
- Micro Insurance
- Binder Thematic Review
- Other initiatives



copyright compliance UNCOMPROMISED INDEPENDENT

Insurance Bill

- 1 Element of legislative reforms
 - FSR Bill
 - Insurance Bill
 - Affects amendments to LTIA & STIA
 - Special Resolution Bill
 - Conduct of Financial Institutions Bill
 - Repeals STIA, LTIA and FAIS



copyright compliance UNCOMPROMISED INDEPENDENT

Insurance Bill

- Prudential Focus.
- Consolidates LT & ST prudential regulatory framework.
- Changes Long-term Insurance to Life Insurance.
- Changes Short-term Insurance to Non-life Insurance.
- NB Introduces new SAM framework.

MOONSTONE

copyright compliance

UNCOMPROMISED INDEPENDENT

Insurance Bill

New Classes and Sub Classes of Insurance Business

- Non-life Insurance
 1. Motor
 2. Property
 3. Agriculture
 4. Engineering
 5. Marine
 6. Aviation
 7. Transport
 8. Rail

MOONSTONE

copyright compliance

UNCOMPROMISED INDEPENDENT

Insurance Bill

New Classes and Sub Classes of Insurance Business

9. Legal Expense
10. Liability
 - D&O
 - Employer liability
 - Fidelity liability
 - Product liability
 - Professional Indemnity
 - Public Liability
 - Aviation, Engineering, Marine, Motor, Rail, Transport, Personal, Other.
11. Consumer Credit
12. Trade Credit
13. Guarantee

MOONSTONE

copyright compliance

UNCOMPROMISED INDEPENDENT

Insurance Bill
New Classes and Sub Classes of Insurance Business

- 14. Accident & Health
 - Individual (Personal)
 - Individual (Commercial)
 - Group
- 15. Travel
 - Individual (Personal)
 - Individual (Commercial)
 - Group
- 16. Miscellaneous
- 17. Reinsurance



copyright compliance UNCOMPROMISED INDEPENDENT

Insurance Bill
New Classes and Sub Classes of Insurance Business

- Life Insurance
- Risk (Individual & Group)
- Fund Risk
- Credit Life
- Funeral
- Life Annuities
- Individual Investment
- Fund Investment
- Income Drawdown
- Reinsurance



copyright compliance UNCOMPROMISED INDEPENDENT

Insurance Bill
Important Takeaways

- New definition of “Group Policy”
 - Means a policy concluded with:
 - a. An autonomous association of persons united voluntarily to meet their common or shared economic and social needs and aspirations (other than obtaining insurance), which association is democratically controlled.
 - b. an employer.
 - c. a fund.
- Provision for Insurance Groups



copyright compliance UNCOMPROMISED INDEPENDENT

Insurance Bill Important Takeaways

- Cell Captives
 - Requires Cell license (only Cell Captive Insurers may conduct business through Cell structures).
 - No 1st and 3rd party risks in same Cell.
 - Will be limitations on who may be a cell owner (prohibition on intermediaries).
- Key Persons:
 - Director
 - Snr Manager
 - Head of a Control Function
 - Auditor
 - Lloyd's Representative

MOONSTONE

copyright compliance

UNCOMPROMISED INDEPENDENT

Insurance Bill Important Takeaways

- PA approval of certain Key persons.
- Notification of change in Key Persons.
- Progressive re-licensing i.r.o. classes of business.
- Prescribed Governance Framework (proportional).
- Micro Insurance Regulatory Framework.
- NB: SAM

MOONSTONE

copyright compliance

UNCOMPROMISED INDEPENDENT

Micro-Insurance

- Micro-insurer is an insurer licensed to conduct micro-insurance business only.
- Simplified product standards – no exclusions, limited waiting periods, etc.
- Limited to risk products – no cash back / savings.
- Restricted contract terms.
- Benefits provided on a sum assured basis.

MOONSTONE

copyright compliance

UNCOMPROMISED INDEPENDENT

Micro-Insurance

- Maximum R50 000 per insured life.
- Maximum R100 000 per person on assets.
- Maximum R50 000 per insured life for other risk events. (Benefits still under review).
- Prudential Requirements.
 - Full licensing R3 million upfront capital.
 - Provisional licensing R1.5 million capital with 3 years allowance to build up balance.

MOONSTONE

copyright compliance

UNCOMPROMISED INDEPENDENT

Micro-Insurance

- FAIS new category of FSP.
- Code of conduct for MI FSPs.
- No REs for MI Representatives only KI.
- MI must provide product training.

MOONSTONE

copyright compliance

UNCOMPROMISED INDEPENDENT

Binder Thematic Review

- Summary of findings, concerns and future.
- Binder agreements do not comply with requirements as set out in Acts and Regulations.
- Binder agreements do not contain breakdown of fees.
- Binder agreements provide for rendering intermediary services.
- Lack of oversight by insurers.
- Quality of data exchange and data provision are not up to expectations.
- Ownership of client data remains problematic.

MOONSTONE

copyright compliance

UNCOMPROMISED INDEPENDENT

Binder Thematic Review

- Remuneration based on legacy arrangements.
- Very little correlation between fees and actual work being performed.
- Binder fees to NMI's remain problematic ranging from 0% to 100% GWP.
- Regulator could find little or no evidence to justify high fees in niche products.
- Considering prohibition on NMI's concluding binder arrangements i.r.o. commercial lines unless there are compelling reasons.

MOONSTONE

copyright compliance

UNCOMPROMISED INDEPENDENT

Binder Thematic Review

Next steps:

- Regulatory action in respect of non-compliant binder agreements.
- Regulatory action may include prohibition on business.
- Insurers to ensure:
 - Clear conditions & limitations
 - Proper controls
 - Access to comprehensive data
- Some insurers required to undergo independent reviews.
- Prescribed data standards.

MOONSTONE

copyright compliance

UNCOMPROMISED INDEPENDENT

Other Regulatory Initiatives

- Consumer Credit Insurance – request for information.
- Multiple casual event charges investigation.
- Micro-Insurance Consultations and discussion paper.
- Final Demarcation Regulations.
- Finalisation of BN regarding undesirable business practices regarding premiums (Insurer Fee).
- Information letter: Advertisements, brochures and similar communications.

MOONSTONE

copyright compliance

UNCOMPROMISED INDEPENDENT

Other Regulatory Initiatives

- Claims Thematic Review
- Complaints (2014 Thematic Review) follow-up
- Quarterly market conduct meetings
- Conduct of business reporting
- Premium reviews
- Investigations into "bulk" moves of policies
- Travel Insurance review
- VAP review

MOONSTONE

copyright compliance

UNCOMPROMISED INDEPENDENT

Questions?

MOONSTONE

copyright compliance

UNCOMPROMISED INDEPENDENT
