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## Regulatory Update

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

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## 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

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## 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.

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## 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

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## 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

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## 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

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## 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

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## 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

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## Insurance Bill Important Takeaways

- Cell Captives
  - Requires Cell license (only Cell Captive Insurers may conduct business through Cell structures).
  - No 1<sup>st</sup> and 3<sup>rd</sup> 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

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## 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

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## 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.

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### 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.

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### 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.

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### 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.

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### 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.

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### 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.

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### 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.

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## 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

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Questions?

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