FSCA INS NOTICE [-] OF 2020 – Exemption for direct collection by certain Intermediaries and Short-Term Insurers from section 48 of the Short-Term Insurance Act, 1998 and Regulation 5.1(1) and (2) of the Regulations under the Short-Term Insurance Act, 1998 (Act No. 53 of 1998) (STIA)

FSCA INS NOTICE [-] OF 2020 – Exemption for direct collection by certain Intermediaries and Long-Term Insurers from section 49 of the Long-Term Insurance Act, 1998 and Regulation 3.2(1) and (2) of the Regulations under the Long-Term Insurance Act, 1998 (Act No. 52 of 1998) (LTIA)

Consolidation of Comments and recommendations through public consultation process

OCTOBER 2020

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SECTION A – SHORT-TERM INSURANCE: COMMENTS ON THE DRAFT EXEMPTION FROM COMPLIANCE WITH SECTION 48 OF THE STIA AND REGULATION 5.1(1) AND (2) OF THE STIA REGULATIONS

No	Commentator	Paragraph of the exemption	Issue/Comment/Recommendation	Response to comment
1.	CIB (PTY) LTD	3(a) (i) (ii)	We believe that items i. and ii. should not have the word "and" between them but rather the word "or". The intention is that a broker performing any other intermediary services or binder holder functions should be precluded from this remuneration. This remuneration is only for the likes of collection agencies.	Noted, agreed. Correction made.
		3(b)	Typo. Should read "The independent intermediary must notify the Authority prior to entering into an agreement to facilitate direct collection of premiums or its intention to do so;"	Disagree, the requirement is in terms of a notification prior to, therefore the entity notifies the Authority of its intention to enter into the agreement.
2.	Compliance Monitoring	Definition of "accounting for premium" - General Comment	It is submitted that an independent intermediary does not "account for premium": the independent intermediary "*accounts for premiums*	Definition not used or referenced in respect of the Long- or Short-Term Insurance Acts,1998 or the FAIS Act, 2002. Formulated and defined for the purpose of this exemption.

	Systems CC	Extent and Conditions of Exemption	*payable under a policy*" (STIA and LTIA definition of services as intermediary) or "*accounts for premiums payable by the client to a product supplier in respect of a financial product*" (FAIS definition of intermediary service). This proposed definition includes services, data transfer, recognition of revenue, maintenance of records, provision of system controls and various reports to the insurer. The activities detailed in the proposed definition are all performed exclusively on behalf of the insurer. The entity that provides these services does not account for premium. That entity provides systems and services that enable the insurer to account for premium. Regard must be had to what is meant by "accounting for". Clearly, where an intermediary collects premium into its own bank account, it follows that the intermediary would be required to "account for" such premiums received and held, to the insurer. "Account for" is not defined in the financial sector laws. Accordingly, the ordinary grammatical meaning must apply. The Oxford Dictionary defines "account for" as follows – Phrasal Verbs - *account for* • Give a satisfactory record of (something,	Please be reminded that this exemption was proposed pending the finalization of the broader framework on premium collection alluded to in the position paper. This is therefore only 1 step towards the finalization and the other changes to the subordinate legislation will be given effect to through amendments to the Regulations under the LTIA and STIA. It is therefore not intended to replace the concept for "accounting for premium" as referred to in the definition of "services as intermediary" in the LTIA and STIA Regulations. The definitions in these draft notices must be read for purposes of these notices. Please refer to the detailed Communication published alongside the draft exemption notices FSCA Communication 22 of 2020 (INS) explaining the purpose of these exemptions.

			typically money, that one is responsible for) Examples: *'I had to account for every penny I spent'* *'The court also indicated that the defendants' fiduciary duty included a responsibility to account for property and money entrusted to them.'* • Provide or serve as a satisfactory explanation for. The Black's Law Dictionary defines "accounting for" as "to furnish a good reason or convincing explanation for; to render a reckoning of (funds held especially in trust); to answer for (conduct).[1] With respect, none of the activities that have been included in the proposed definition of "accounting for premiums" fall within any of the above definitions as applied to the entity that provides the services to the insurer. All the activities are performed on behalf of the insurer to whom the premiums are paid and all "accounting for premium" is done by	

[1] *Black's Law Dictionary (10th ed)*

			the insurer by means of the services and systems that are provided by the entity concerned. It is respectfully submitted that the FSCA does not have the power or authority to interpret words in a statute and to then bind regulated entities to such interpretation; more particularly the FSCA does not have the power or authority to limit the definition to a partial wording of an activity which definition is not contemplated in the LTIA, the STIA or in FAIS. It is my submission that the exemption as defined, is not required at all. The services defined as "accounting for premiums" in the proposed exemption do not constitute services as intermediary. In support of my submission, I submit the following: S 45 of the STIA provides, inter alia, that: *No independent intermediary shall receive, hold or in any other manner deal with premiums payable under a short-term policy entered into or to be entered into with a short-term insurer and no such short-term insurer shall permit such independent intermediary to so receive, hold or in any*	

			other manner deal with such premiums— *(a) unless authorised to do so by the short-term insurer concerned as prescribed by regulation; and* *(b) otherwise than in accordance with the regulations.* S45 means in effect that: • no independent intermediary may receive premiums payable under a short-term policy unless authorised to do so by the short-term insurer concerned as prescribed by regulation and otherwise than in accordance with the regulations and ***/or*** • no independent intermediary may hold premiums payable under a short-term policy unless authorised to do so by the short-term insurer concerned as prescribed by regulation and otherwise than in accordance with the regulations; and /or • no independent intermediary may in any other manner deal with premiums payable under a short-term policy unless	

			authorised to do so by the short-term insurer concerned as prescribed by regulation and otherwise than in accordance with the regulations. The essential feature of this requirement is that it deals with "premiums payable" and not merely with "premiums". The authority granted by an insurer to an independent intermediary to deal with premiums payable must be done only as prescribed by regulation. The term "*in any other manner deal with premiums payable . . .*" is, it is submitted subject to the *eiusdem generis* rule and is based on the principle *noscitur a sociis* (words are known by those with which they are associated). This means that the meaning of words is qualified by their relationship to other words. The rule states that the meaning of general words is determined when they are used together with specific words. If a general word or clause is preceded by one or more specific words or clauses the latter is limited by the former; the general word or clause is restricted in meaning to the same class as the specific words which precede it. In **PMB Armature Winders v Pietermaritzburg City Council**[2] the	

[2] *1981 (2) SA 129 (A),*

			Appellate Division stressed the requirement that the *eiusdem generis* rule may be applied only if the 'legislature's intention' supports such a restrictive interpretation. It is my submission that the actual wording of Regulation 4 of the STIA indicates the intention of the legislature to limit the meaning to premiums payable to an insurer that are or have been received and held by an independent intermediary. Regulation 4.1 (**Authorisation**) contains, inter alia, the following specific provisions: *(1) Any authorisation referred to in section 45 provided by an insurer to an independent intermediary to receive, hold or in any other manner deal <u>with a premium payable</u> under a policy of that insurer must be in writing.* *(2) A written authorisation referred to in sub-regulation (1) <u>must</u>, amongst other things* *(d) specify the purposes for <u>which</u> <u>premiums of</u>*	

			<u>the insurer received or held by the independent intermediary</u> may and may not be utilised for by the independent intermediary ; *(3) An insurer may not, for purposes of sub-regulation (2)(d), <u>authorise an independent intermediary to utilise premiums</u> for a purpose that could potentially lead to a significant increase in risk to the insurer.* *(6) An insurer must on an ongoing basis take reasonable steps to monitor whether an independent intermediary authorised under section 45 receives<u>,</u> <u>holds or in any other manner deals with premiums</u> in accordance with the authorisation and in*	

			accordance with this Part. Regulation 4.2 (**Requirements relating to <u>receiving</u> premiums**) provides, inter alia, as follows: *(2) An independent intermediary <u>who receives premiums must account for</u> such premiums properly and promptly and open and maintain one or more separate bank account into which premiums are to be received.* *(3) A separate bank account referred to in sub-regulation (2) may only contain monies collected from policyholders and may not contain any monies or funds of the independent intermediary.* *(4) All <u>premiums received by an independent intermediary</u>:* *a) through electronic means must be received into a bank account*	

			referred to in sub-regulation (2); or *(b) in cash must be deposited into a bank account referred to in sub-regulation (2) within 1 business day after a premium is received.* *(6) An independent intermediary must within a period of 15 days after the end of every month, <u>pay to the insurer concerned</u> the <u>total amount of the premiums received</u> during that month.* Regulation 4.3 **(Returns)** provides as follows: *(1) An independent intermediary who has been authorised under section 45 <u>must</u> in respect of every month in respect of which the authority is in force, furnish the insurer*	

			concerned with returns: *(a) in the form required by that insurer;* *(b) containing information relating to <u>at least the premiums received</u>, the commission payable to that intermediary and the amounts paid to the insurer in respect of the policies concerned; and* *(c) within a period of 15 days after the end of the month concerned.* It is submitted that this Regulation, required in S45 of the STIA, provides exclusively for independent intermediaries who receive or hold premiums payable to an insurer and thereafter, who in any other manner deal with such premiums. The implications of this are that S 45 of	

			the STIA does not apply to entities that assist an insurer to collect premiums directly into that insurer's own bank account. Section 45 refers to an independent intermediary and thus requires that some form of intermediation occurs in relation to the premiums that are payable to an insurer. The term "independent intermediary" is defined in the Regulations to the Act and means a person, other than a representative, who renders services as intermediary; "Services as intermediary" is also defined in the Regulations and means, inter alia, any act performed by a person with a view to collecting or accounting for premium payable under a policy. The role of the independent intermediary is described by reference to premiums payable under a policy – and not simply to "premiums". In order for an intermediary to act in that capacity, there must be some form of intermediation. This function was succinctly described by Nugent JA in the matter of **Tristar Investments (Pty) Ltd and The Chemical Industries National Provident Fund**[3] where the following comments are made:	

[3] *Tristar Investments v The Chemical Industries National Provident Fund (455/12) [2013] ZASCA 59.*

			7 In ordinary language an 'intermediary' is one who 'acts between others; a go-between' and the word has a corresponding meaning when used as an adjective. The Act assigns its own meaning to the term that retains that characteristic. The definition contemplates a person who is interposed between a 'client' (or a group of clients), on the one hand, and a 'product supplier' on the other hand. It is as well to have clarity on what is meant by those terms – *which are also defined - before turning in more detail to the definition of an 'intermediary service'.* In the proposed exemption, the wording specifically states that "direct collection of premium" means accounting for premium performed by a third party <u>on behalf of a short-term insurer</u>, with the purpose of facilitating the collection of a premium from the premium payer directly into the bank account of the short-term insurer, and without the third party receiving or holding such premium or having any authority or rights in respect of the actual premium in the short-term insurer's bank account into which the premium is collected. These activities do not constitute any form of intermediation as so succinctly defined by Nugent JA above.	

3.	Brolink FSP 10834	Section 1	Section 1 defines Accounting for Premiums in terms of certain technology-driven administrative services and list these functions performed. These functions are consistent with the Position Paper which defines 'accounting' in Par 3.2.2 thereof. Proposal F of the RDR is clear that certain conditions must apply before an intermediary may collect premiums. This was confirmed in the December 2019 RDR update which also stated that accounting for premiums will be an intermediary function, but the actual collection of premiums will be an outsourced function.	Noted
		Section 1	Par 3.2.6 of the Position Paper confirms that where premiums are collected by the direct deposit model certain functions in addition to the collection will be performed by the intermediary. Par 3.2.6 also states that in a direct deposit model there is no actual collection of premium, as the monies are taken from the policyholder and paid directly into the account of the insurer. This seems to ignore the fact that collection of a premium requires system development, people interface and other functions that an intermediary must employ or incur in order to facilitate the collection. It also ignores the dictionary meaning of 'collection'. It is our contention that the independent intermediary must	Comment noted. Please be reminded that this exemption was proposed pending the finalization of the broader framework on premium collection alluded to in the position paper. This is therefore only 1 step towards the finalization and the other changes to the subordinate legislation will be given effect to through amendments to the Regulations under the LTIA and STIA. It is therefore not intended to replace the concept for "accounting for premium" as referred to in the definition of "services as intermediary" in the LTIA and STIA Regulations. The definitions in these draft notices must be read for purposes of these notices. Please refer to the detailed Communication published alongside the draft exemption notices FSCA Communication 22 of 2020 (INS).

			be entitled to fair remuneration from performing the function. As stated herein the current model seems to preclude most intermediaries to fair/reasonable compensation for performing the function. The definition of direct collection of premium as accounting for premium does not make sense in terms of what accounting for premium is generally understood as. Collection, in our opinion, is distinctly different from accounting for premium. The STIA and FAIS both currently define collection or accounting for premiums as an intermediary service or service as an intermediary. Although the intention of the Authority to carve out collection of premium from intermediary services and make it an outsourced function, the move to define direct collection as an intermediary service seem to contradict this. We are concerned that this muddies the situation as it may also have the intended/unintended consequence of precluding independent intermediaries that do not harbor conflicts relating to the policies they administer from earning fair remuneration for additionally performing the collection function.	 Please note that the definition is not intended to take on the normal grammatical meaning of the word – it was drafted to accommodate the direct collection of premium and to be used for purposes of interpreting these notices in particular. It cannot be used to interpret other definitions or substantive provisions in subordinate legislation. The extent of the Notice in draft is to exempt intermediaries who accounts for premium performed by a third party on behalf of a short-term insurer, with the purpose of facilitating the collection of a premium from the premium payer directly into the bank account of the short-term insurer, and without the third party receiving or holding such premium or having any authority or rights in respect of the actual premium in the short-term insurer's bank account into which the premium is collected.
		Section 2	Section 2 speaks of intermediaries performing direct collection of premium only which we understand to include intermediaries performing only direct collection of premium and	Intermediaries performing other services or binder functions and traditional collection of premium in respect of policies are remunerated by way of commission and binder fees. They may perform accounting of premium on other policies only and still receive remuneration for direct collection.

			no other form of collection (such as administrators or other NMI's that perform services on a policy – excluding advice) but is unclear as to whether this may relate to intermediaries performing only direct collection of premium and no other service on policies (such as a dedicated collection agency).	
		Section 3	Section 3 however speaks of intermediaries that doesn't hold a binder or perform any other service on the policies collected for so we must assume that Section 2 denotes intermediaries performing no other collection function (as Par 3 of Communication 22 clearly states that the Authority want to allow remuneration in addition to commission) and it is unlikely that a premium collection agency would ever be the 'owner' of the policyholders. We believe that if Section 3(a) is taken to its logical conclusion the section precludes NMI's from earning fair remuneration for the function performed (this is also set out in detail in Section C hereunder). We believe that where the remuneration is fair, and the intermediary is not a commission earner (and therefore cannot manipulate policyholders or policies) that it would not be fair towards a binder holder or other administrator to be precluded from earning fees for performing the service. This Section	When reference is made to in addition, it is meant to mean that intermediaries currently may not earn any other remuneration, this exemption Notice in draft allows for additional or other remuneration besides what is currently prohibited. A distinction should be made between accounting for premium for purposes of the direct collection of premium (where the money flows directly from the policyholder's bank account of the insurer and there is no actual premium collection activity , and where an intermediary performs the collection of premium and intermediates between the policyholder and the insurer for purposes of collecting the premium. In the former instance, these notices are aimed at allowing a transaction-based fee for the activity. In terms of the current framework, an intermediary that actually collects the premium is remunerated by way of commission.

			3 seems inconsistent with the Communication as it would seem to intend to authorize remuneration in addition to commission but then obviates the payment of remuneration to a binder holder. As set out in more detail in Section C we believe this to be unfair towards binder holders and administrators who does not pose the same risk of abuse as a commission earner/adviser does. We believe it more fair should the section be changed to allow a binder holder to earn remuneration on the policies administered IF the binder holder is not registered for advice AND does not have clients other than independent brokers (meaning that it performs no marketing, advisory services or advisory services to the general public). If Section 3(a) is intended to limit remuneration or preclude persons who earn commission AND who at the same time earn a binder fee in respect of the same policies from earning additional remuneration on those policies it should be clearly stated as this seems to be where abuse mainly takes place and the unscrupulous behaviour of some commission earners, that the Authority wants to curb. If Section 3(a) means that a binder holder that earns no other fee and	

			provides no other service other than the binder function and can therefore not manipulate policyholders or control policies we welcome this but would again suggest the Authority makes this intention clear and not leave it cloudy or open to interpretation. The remainder of Section 3 (b to f) sets a set of rules consistent with the objectives with the RDR and Position Paper and we therefore welcome these measures to curb abuse and protect policyholders.	
4.	The Banking Association South Africa ("BASA")	1) "accounting for premium" means the rendering of the following information technology system driven administrative activities on behalf of a short-term insurer: (a) Provision of payment processing services, including payment gateways Consisting of the hosting of one or more gateways and routing of premium payment transactions; (b) financial and data transfer consisting of bank account validation, verification and premium payment tracking; (c) system-based recognition of revenue conducted through the raising and allocation of premium and policyholder communication in relation thereto;	1)We suggest that the first line be amended to state as follows: "accounting for premium" means the rendering of **one or more** of the following information technology system driven administrative activities on behalf of a short-term insurer:" This is to provide clarity that an independent intermediary does not have to prove or be mandated to perform all the listed functions. We note that TPPPs undertake some of the activities in this definition but are excluded from the exemption due to the fact that they are not currently regulated by the FSCA.	Disagree. To allow for only one of these functions would significantly broaden the scope of this and open the exemption up for abuses and potential unfair remuneration practices. The definition sets out what activities constitutes accounting of premium for purposes of interpreting these exemption notices and the extent to which it applies. All of the activities must be performed to make use of this exemption. If the TPPP is an intermediary, which is subject to the limitations in respect of remuneration, the exemption would apply. If the TPPP is not an intermediary, they fall outside of the limitations and the exemption becomes irrelevant.

		(d) maintenance of records including record keeping of debit order mandates; (e) provision of system controls including: (i) fraud detection through data analytics (including identification of any Warning or "red flag" indicators, such as a substantial increase in cash Premium payments from foreign countries); and (ii) reconciliation of premiums including confirmation of bordereaux for Payment and query resolution; and (f) reporting to the short-term insurer by way of- (i) e-mailing reports to the short-term insurer and /or allowing access to the systems of the independent intermediary to provide for downloading relevant reports; (ii) pre-validation systems and reporting on banks' rejection codes; and (iii) notifications of internal data or payment rejections. **"direct collection of premium"** means accounting for premium performed by a third party on behalf of a short-term insurer, with the purpose of facilitating the collection of a premium from the *policyholder or premium payer* directly into the bank account of the short-term insurer, and without the third party receiving or holding	 1)We note that the definition states that the third party facilitates the collection of a premium from the premium payer whereas under the definition of "payment gateway" reference is made to payment transactions from the policyholder. We recommend that since premiums can be collected from a policyholder	

		such premium or having any authority or rights in respect of the actual premium in the short-term insurer's bank account into which the premium is collected;	or a premium payer, that both types of payers are included, defined and that both terms are used in this definition and throughout the document where applicable.	
		1) “payment gateway” means an e-commerce system that securely creates an electronic connection to enable online payment transactions from the bank account of a policyholder or premium payer into the bank account of a short-term insurer in order to support the transfer of premium;	The additional proposed wording for this definition is marked in green.	Noted. Agreed.
		1) Par 3. The exemption referred to in paragraph 2 is subject to the following conditions: (a) The independent intermediary does not – (i) perform any other service as intermediary in respect of the policies to which the direct collection of premium relates; and (ii) act as a binder holder of the short-term insurer in respect of the policies to which the direct collection of premium relates. (b) The independent intermediary must notify the Authority prior to entering into an agreement to facilitate direct collection of premiums of its intention to do so;	1)Kindly refer to the comments made at number 2 above. 1)We request clarity as to why intermediaries performing other functions have been excluded. We recommend that all intermediaries and binder-holders should be included and given the benefit of this exemption if they choose to perform the function according to the conditions herein.	Noted. Please be reminded that this exemption was proposed pending the finalization of the broader framework on premium collection alluded to in the position paper. This is therefore only 1 step towards the finalization and the other changes to the subordinate legislation will be given effect to through amendments to the Regulations under the LTIA and STIA. It is therefore not intended to replace the concept for “accounting for premium” as referred to in the definition of “services as intermediary” in the LTIA and STIA Regulations. The definitions in these draft notices must be read for purposes of these notices. Please refer to the detailed Communication published alongside the draft exemption notices FSCA Communication 22 of 2020 (INS). The scope of the exemption has been revisited and widened consequently. Intermediaries and binder-holders can make use of the exemption if all the activities are provided as specified in the definition of accounting of premium and all conditions are complied with.
		2) Par (c) The notification referred to in sub-paragraph (b) must –		

		(iii) be submitted to the Authority in the form and manner as may be Determined by the Authority.	2)We request clarity as to whether the Authority will provide a prescribed form on the effective date of this exemption? If not, what information will be required by the Authority for this notification?	A form will be published for this purpose.
5.	Guardrisk Insurance Company Limited	"accounting for premium" means the rendering of the following information technology system driven administrative activities on behalf of a long-term insurer: (a) Provision of payment processing services, including payment gateways consisting of the hosting of one or more gateways and routing of premium payment transactions; (b) financial and data transfer consisting of bank account validation and verification and premium payment tracking; (c) system-based recognition of revenue conducted through the raising and allocation of premium which includes annualized or single premium and policyholder communication in relation thereto; (d) maintenance of records including record keeping of debit order mandates; (e) provision of controls including: (i) fraud detection through data analytics (including identification of any warning or "red flag" indicators, such as a substantial increase in	It is our observation that accounting for premium definition has not taken into the activities preceding the deducting the premium from the account of the premium payer, such as raising a request for premium. Kindly confirm if this consideration may be included in sub-section (a) of the definition. If not, we propose that this is included. Additionally, we point out that in terms of subsection e(ii) accounting for premium includes reconciliation of premiums including confirmation of bordereaux for payment and query resolution. We submit that it ought to be considered the to what extent of query resolution is implied and the follow through process and resources required for a complete query resolution. In light of the aforementioned, we propose that the definition is extended to insert the words "full" query resolution.	The definition of "accounting for premium" includes system-based recognition of revenue through the raising and allocation of premium is included. Furthermore, provisioning of payment processing services is deliberately wide. We are of the view that reference to "query resolution" suffices.

		cash premium payments from foreign countries); and (ii) reconciliation of premiums including confirmation of bordereaux for payment and query resolution; and (f) reporting to the short-term insurer by way of- (i) e-mailing reports to the long-term insurer and /or allowing access to the systems of the independent intermediary to provide for downloading relevant reports; (ii) pre-validation systems and reporting on banks' rejection codes; and (iii) notifications of internal data or payment rejections. "direct collection of premium" means accounting for premium performed by a third party on behalf of a short-term insurer, with the purpose of facilitating the collection of a premium from the premium payer directly into the bank account of the short-term insurer, and without the third party receiving or holding such premium or having any authority or rights in respect of the actual premium in the short-term insurer's bank account into which the premium is collected; "payment gateway" means an e-commerce system that securely creates an electronic connection to enable online payment transactions from the bank account of a policyholder into the		

		bank account of a short-term insurer in order to support the transfer of premium; Extent and Conditions of Exemption 2. Any independent intermediary authorised under section 45 of the Act that performs the service of direct collection of premium only, and any short-term insurer that authorises such an independent intermediary, is hereby exempted from section 48 of the Act and Regulation 5.2(1) and (2) of the Regulations. 3. The exemption referred to in paragraph 2 is subject to the following conditions: (a) The independent intermediary does not – (i) perform any other service as intermediary in respect of the policies to which the direct collection of premium relates; and (ii) act as a binder holder of the short-term insurer in respect of the policies to which the direct collection of premium relates. f) A short-term insurer must before entering into an agreement for direct collection of premium and at all times thereafter - (i) have the necessary resources and ability to exercise effective oversight over the independent intermediary performing the direct collection of premium services on an ongoing basis; (ii) satisfy itself of the adequacy of the independent	Would the requirement be separate and additional from the written mandate as per Section 45 of the Short -Term Insurance Act and Regulation 4.1 issued by an insurer to an Independent Intermediary to hold, receive and in manner deal with the premium. For the sake of consistency and interpretation, “bank account of a policyholder” ought to read “bank account of premium payer” as described under the definition of direct collection of premium. Extent and Conditions of Exemption 2. Any independent intermediary authorised under section 45 of the Act that performs the service of direct collection of premium only, and any short-term insurer that authorises Reference to regulations has been incorrectly cited. Should read 5.1.(1) and (2) of the Regulations.	Section 2 of the Notice cross refences to the requirements in section 45 of the STIA, so there is no additional / separate requirement. Agreed, premium payer added. Agreed, reference error corrected.

		intermediary's governance, risk management and internal control framework, including the intermediary's ability to comply with applicable laws; and (iii) have documented controls in place to ensure the validity, accuracy, completeness and security of any information provided by the independent intermediary performing the direct collection of premium.	It is our view that the independent intermediary and/or binder holder should be not be excluded from receiving the fee as discussed in the notice. The reason for such a view is that we cannot identify what the perceived conflict of interest or prejudice to the policyholder would be as the insurer would still receive the interest and thus would be in a position to remunerate the mentioned parties accordingly. We ask that for clarification and/or elaboration. In addition, reference is also made to the following statement in the FSCA Communication 22 of 2020. Paragraph 2.2 of the aforementioned notice reads as follows. "The exemption would therefore enable the payment of additional remuneration over and above commission for the direct collection of premium." The inclusion of the para 3(a) and (b) of the draft notice contradicts this statement. Please provide clarity on whether the direct collection premium agreement is the same as the mandate to receive, hold or in any manger deal with premium as referred in Section 45 of the Short Term Insurance Act and Regulation 4.1 thereto or is this an agreement over and about the said regulation.	The scope of the exemption has been revisited and widened consequently. Intermediaries and binder-holders can make use of the exemption if all the activities are provided as specified in the definition of accounting of premium and all conditions are complied with. Please see comment above. Not an additional requirement.
6.	SAIA		The following comments were submitted by members:	

		Definition of "accounting for premium"	See **comment 1** under the definition of "direct collection of premium". Similarly, it is recommended that the definition of payment gateway be extended to refer to both the policyholder and the premium payer.	Agreed. Amendment accordingly.
		Paragraph 2	The correct reference should be to section 5.1 (1) and (2) of the Regulations and not section 5.2 (1) and (2). The following comments were submitted by members: **Comment 1**	Agreed. Reference error corrected.
		Paragraph 3(a)	The FSCA is requested to clarify the entity to whom the exemption is applicable as there appear to be differences in interpretation across the industry in respect thereof. Some members are of the view that the exemption applies to entities that perform premium collection only and others are of the view that the exemption applies to independent intermediaries on condition that does not perform any other intermediary function in respect of the book of business to which it collects premium directly. **Comment 2**	See change to the final notices. The scope of the exemption has been revisited and clarified consequently. Only intermediaries and binder holders that perform all the activities as referred to in the definition of "accounting for premium" and meet all the conditions in the exemption will be so exempted.
			The FSCA is requested to provide reasons for the conditions/limitations imposed in 3(a) [i.e.; limiting the exemption to independent intermediaries who perform do not –	The scope of the exemption has been revisited and widened consequently. Intermediaries and binder-holders can make use of the exemption if all the activities are provided as specified in the definition of accounting of premium and all conditions are complied with.

		Definition of "payment gateway"	perform any other service as an intermediary in respect of the policies to which the direct collection of premium relates; and (ii) act as a binder holder of the short-term insurer in respect of the policies to which the direct collection of premium relates.]	
		Paragraph 3(b)	As the role and responsibility of the insurer in respect of the notification to the FSCA before entering into an agreement concerning direct collection of premiums is not outlined, it is suggested that the FSCA either outlines the insurer's responsibilities in respect thereof (e.g.; requiring insurer sign-off in respect of the notification) or require that the notification to the FSCA be completed by the insurer altogether.	Disagree, In the exemption Notice it is the intermediary that is being exempted, therefore it must be the intermediary that is responsible for the notification. Please note that a notification form will be published.
		Paragraph 3(c)(iii)	The FSCA is requested to outline the information that will be required for the notification.	Form containing the information required will be published.
		Paragraph 3(d)(ii)	The following comments were submitted by members: **Comment 1** The FSCA is requested to qualify or define the term “per transaction”. For example, does a successful debit order collection or return debit (and the activities to be performed in relation to thereto) constitute one or two transactions? **Comment 2**	It was decided to remove “per transaction” from the Notice.

			The FSCA is requested to advise the rationale for proposing a fixed fee as opposed to caps or a percentage of gross written premiums.	Please see above.
			Comment 3	
			The FSCA is requested to advise if the collection agency will be allowed to subcontract services to the broker and remunerate the broker for services provided to ensure that the premium can be collected by the collection agency. If so, what will be the rules of such subcontracting?	The Exemption as an interim step for a very specific purpose to incentivise the move to direct collection of premium. The remuneration allowed for is for performing the activities provided for in the definition of "accounting for premium". The party earning this specific remuneration should be performing these activities accordingly. Also see Regulation 4.1(4) which prohibits an independent intermediary delegating an authorisation that has been granted to it in accordance with section 47A. The status quo will therefore be maintained regarding sub-contracting.
		Paragraph 3(e)	The FSCA is requested to consider the following additional conditions to be adhered to by the independent intermediary: - Requiring that premium collected on behalf of the insurer be segregated and secure;	Noted, and agreed. It might not serve the purpose for this interim exemption but will consider these alternatively suggestions for enhancements to the future premium collection framework.
			- Requiring that premium relating to multiple insurers be split upon collection and collected directly into the respective insurers' bank account;	
			- Creating a capability for the insurer to review its premium data within the independent intermediary system; and	See paragraph (f) (i) of the definition of "accounting for premium" that accommodates this.
			- Allowing access to the insurer to the debit order collection file and return debit files (unless this is implied).	This is implied as part of paragraph (f) on reporting to the insurer.

		Paragraph 3(f)	The FSCA is requested to clarify the extent of the integration capability requirement (i.e.; is integration into the core system of insurer inferred)?	Noted, in essence it refers to the usability of data without the need for further conversion of the data sets. It means "integration" as defined in the Regulations issued under the Short-term Insurance Act.
7.	CIBA	Definitions: "direct collection of premium"	We are equally supportive of both the direct and the third-party collection model. As mentioned, CIBA members currently function in one or the other or both collection models and have for many years. A Service Operator (SO) and a Third-Party Payments (TPPP) model are recognized and established collection models as per Directive 1 & 2 of 2007 of the South African Reserve Bank (SARB) and regulated by the appointed Payment System Management Body (PASA), therefore highly regulated. The imposition of appropriate operational and system capabilities and requirements can be mitigated by way of contractual agreements between insurers and third-party collecting agents and direct collections. There will be operational and system capability requirements for third party collecting agents, and oversight will be available for insurers who make use of third-party agents. It also needs to be taken into account that different market sectors prefer a third-party collection model due to the cost implication of other collection methods.	The detailed submission and the various topics touched on in your submission is noted. However, for purposes of this response document we will only respond to comments that relates specifically to the exemption notices. Please be reminded that this exemption was proposed pending the finalization of the broader framework on premium collection alluded to in the position paper. This is therefore only 1 step towards the finalization and the other changes to the subordinate legislation will be given effect to through amendments to the Regulations under the LTIA and STIA. It is therefore not intended to replace the concept for "accounting for premium" as referred to in the definition of "services as intermediary" in the LTIA and STIA Regulations. The definitions in these draft notices must be read for purposes of these notices. Please refer to the detailed Communication published alongside the draft exemption notices FSCA Communication 22 of 2020 (INS) explaining the purpose of these exemptions.

		"Independent Intermediary" (Premium collection in the context of the Short-and Long-term Insurance Acts)	There is recognition that specific activities related to premium collection (both for direct and third party collection models) should be carved out of the definition of "services as intermediary" This will prevent the onerous requirement for dual regulation where third party collecting agents (e.g. SO's and TPPP's) must also register as intermediaries in terms of the Long and / or Short-Term Insurance Act. The SARB is the primary overseer in the NPS and therefore it is strongly suggested that the conduct standards are issued by the SARB in concurrence with the FSCA. It needs to ensure that these standards are fit for purpose, not onerous, nor a duplication of requirements.	Please note that it remains the intention of the FSCA to accommodate for remuneration of premium collection separately in respect of the limitations in the commission regulations as has also been consistently been communicated through the RDR project.
		"services as intermediary"	There is concern regarding the definition of premium collection as part of "intermediary services" within the FAIS ACT, because it requires the "third party collecting agent" to register as an "authorised FSP" or "representative of the FSP", and must therefore comply with the requirements of the FAIS ACT, although the "third party collecting agent" is merely providing "processes and systems" and specifically does not provide any advice. Our view is enabling of greater participation with fit-for-purpose legislation and level playing fields amongst participants.	Noted. However, this comment relates to the proposed amendments to the FAIS Act and is not directly related to the draft exemption. We will therefore not respond this in detail for purposes of the draft exemption notices and recommend that this be engaged on separately.

		Paragraph 3(d)	We are also of the view that pricing should remain in the competitive space that gives effect to enabling regulation and financial inclusion and attempting to regulate remuneration or pricing of various collection models is counterproductive and derogates from the competitive nature of the market. We advocate that collecting agents should provide services on a "per transaction basis", because then it will not be required of the regulator to provide any directive on pricing or so-called pricing caps, and therefore the regulator will also not be required to enter the fray of regulating or limiting the competitive landscape by way of pricing caps. Experience in other industries has clearly indicated that when collection models are based on a "per transaction" basis, then pricing is transparent, and then pricing is not conflated with other issues such as interest nor the value of the premiums, and clear and transparent pricing that is not conflated with other issues promotes competition, which in turn introduces efficiencies, and eventually reduces the price paid for collecting premiums, ultimately benefiting consumers.	After further consideration, per transaction fee was removed from Notice.
		Paragraph 3(f)(ii)	There is concern regarding the definition of premium collection as part of "intermediary services" within	

			the FAIS ACT, because it requires the “third party collecting agent” to register as an “authorised FSP” or “representative of the FSP”, and must therefore comply with the requirements of the FAIS ACT, although the “third party collecting agent” is merely providing “processes and systems” and specifically does not provide any advice. Given the above, we reiterate the stance to “comply with relevant requirements and applicable laws.” Currently the requirements for registered FSP’s for intermediary services is beyond the collection of premium collections. In addition to the NPS Act, there are also immense compliance requirements to adhere to in the Industry, with specific reference to PASA User Debit Order Abuse (UDOA), ensuring that Users introduced by direct collection model (SO’s) and third party providers (TPPP’s) are compliant in the Industry. Currently there is no nexus between the requirements of an FSP in terms FAIS and the requirements of a Service Operator (direct collection) and third-party providers (TPPP’s) in the NPS for the processing of premium collections. There has been an on-going engagement with the previous FSB for several years regarding the conflict established by the current FAIS ACT when conflating the requirement for registration when	

			providing "advice" on the one hand, as opposed to "collecting premiums as a third party agent" (for example, when acting as a SO or TPPP in terms of Directives 1 & 2 of 2007 of the SARB). There has also been lengthy engagements with the old FSB, PASA and the SARB collectively regarding this conflict, with many recommendations made and requests for clarity, and / or amendment, and / or exemption to be provided (at least on an interim, case-by-case basis) in order to remedy the obvious conflict between the respective regulations.	
8.	VAPS Consultancy & Claassen Compliance Practice	Definition of direct collection of premiums 2(a)(i)	What are the criteria for this third party? Seeing that the point 3(a) exclude independent intermediary does not – '(i) perform any other service as an intermediary in respect of the policies to which the direct collection of premium relates', the third party is thus not an intermediary? As the definition of accounting for premium is based on an information technology system, could this be any company with the necessary information technology system? Must such a third party be registered as a Financial Services Provider? There should be more clarity on 'any other service as intermediary' is, as this is a condition to be met. The intermediaries that have intermediary agreements entered into these agreements with insurers for	Third party would be the independent intermediary that does the accounting for premium on behalf of the short-term insurer, the other two parties are the insurer and the policyholder. Please however note that the scope has been widened to allow for other services to be performed. If the company meets the definitions and the conditions in the exemption notice, they would qualify. If the third party performs the functions as a financial service provider as defined in the FAIS Act it is required to be registered as such under that Act. It is a factual question and goes to the activities being performed. The exemption notices are aimed at allowing an independent intermediary (as defined in the STIA) that facilitates the direct collection of premium to earn a fee for the activity, i.e. to exempt them for the limitations in the commission regs. It does not aim to declare specific activities as financial services or not.

			commercial reasons, i.e. to sell the products of the insurer(s). Part of these agreements was the collection premiums. Thus, the intermediaries have been performing the function (accounting for premiums) all along (as per definition of intermediary services) and it does make sense to remove this function from the intermediaries. This means that the intermediaries must either create an additional company to become its intermediary for the outsourcing of accounting for premiums or outsource this function. This does not make business sense and it will add additional level costs that cannot be justified. The controls put in place and mentioned in points 2(e) and (f) provide sufficient control and governance to ensure compliance in this regard. It is unclear as to why the Regulator will not allow an intermediary that performs 'any other services as an intermediary' to perform the function of accounting for premiums – if that is the intent. Is it the intent that the function of accounting for premiums is the only function of that particular intermediary? By way of an example: Group structures often have an FSP with other companies as juristic representatives. In providing intermediary services the FSP also accounts for premium for products	Please take note that following further consideration, the scope has been widened to allow for other services to be performed. However, all the activities listed under the definition of accounting of premium must be performed to utilise this exemption. The definition on independent intermediary in the regulations issued under the Short-term Insurance Act, 1998 does not include representatives. This exemption in draft relates to independent intermediaries who performs direct collection of premium.

			(policies) sold via the juristic representatives. Would such an FSP thus not qualify for the exemption? If so, it does not make business sense. Would it be acceptable if one of the juristic representatives of the group performs the accounting for premium function? Intermediaries often strive to perform functions to ensure control of efficiency in the value chain of the product. Thus, to exclude this function from the intermediary's role will to potentially less efficient processes and influence the TCF delivery. If the groups' structure wished to register a new FSP to be the intermediary to perform the function of accounting for premium, it must be taken into account that FSCA intends to not allow Group structures to have an FSP license for the same categories. This is not a longterm solution.	If the FSP facilitates the direct collection of premium they would qualify for the exemption. It is not clear what is meant by the comment "it does not make business sense" that the exemption should not apply. If the intermediary performs the activities as described in the Notice which constitutes 'direct collection of premium' then they would qualify for the exemption. This should not be seen as a potential additional income stream for intermediaries that does traditional collection of premium or accounting for premium. Yes, if the FSP only perform the activities in relation to accounting of premiums and subject to the conditions and authorised in terms of section 45.
		2(a)(ii)	It is thus proposed that this exclusion be removed from the Notice, or re-phrased to exclude intermediaries that 1) do not account for premium, or 2) does not have the ability to account for premiums. Many intermediaries have binder functions in place as it forms part of the services provided by that intermediary and approved and appointed by the insurer for the	The exemption is not aimed to be a long term solution. Please be reminded that this exemption was proposed pending the finalization of the broader framework on premium collection alluded to in the position paper. This is therefore only 1 step towards the finalization and the other changes to the subordinate legislation will be given effect to through amendments to the Regulations under the LTIA and STIA. It is therefore not intended to replace the concept for "accounting for premium" as referred to in the definition of "services as intermediary" in the LTIA and STIA Regulations. The definitions in these draft notices must be read for purposes of these notices.

		2(c)	function. Often intermediaries that are selling financial services product and in a position to full the binder function of 'enter into'. Linked to the 'enter into' function is always the confirmation of payment of the policy, which links to the intermediary's ability to account for premium. It will complicate the values and the intermediaries' delivery in terms of TCF to outsource these functions. It is proposed that the binder function 'enter into' be removed from this exclusion. Will there be a transitional phase? There are many FSP's that currently collect premiums and will require some time to changes systems and processes.	Please refer to the detailed Communication published alongside the draft exemption notices FSCA Communication 22 of 2020 (INS) explaining the purpose of these exemptions. Please note that the scope has been widened. This is only an interim step. The Exemption in draft do not prohibit any current remuneration paid, only provides for this specific remuneration for an intermediary performing direct collection only by way of system driven administrative service. It is clear that the intention of the exemption not understood. The intention is to allow for a fee, if it creates efficiencies and mitigates risks by directly collecting premium into the insurer's bank account. No transitional period is needed, as whenever an intermediary has the system and does the actual direct collection and related accounting, they qualify for the exemption.
9.	PSG Short-Term Administration	Paragraph 2	**Issue & Recommendation: Application** • This document only makes provision for the direct collection of premiums by independent intermediaries who do not perform intermediary or binder functions. This is a very narrow view and we should make provision for	Please take note that following further consideration the scope has been widened to allow for other services to be provided. However to utilise this exemption all the activities as stipulated under the definition of accounting of premium must be performed.

			brokers who perform those types of functions. • Brokers should be able to earn a fee where the services are performed when collecting directly. • Independent Intermediaries, such as a collection agent, will not be able to perform their function without the critical role the broker plays.	
		Paragraph 3 (d)	**Issue: Fee structure** • The document proposes a fixed fee per transaction. • This would be difficult to implement, given that various other costs follow a % of premium. • As an example: The system that is being used to administer the policies and premium allocation on behalf of Insurers are also charged as a % to premium. • Should a fee be earned as % of premium, with an outsource agreement, this will follow a similar approach as all other services being performed such as intermediary functions, binder functions etc.	Per transaction fee removed from Notice.
			Issue: Functions performed by broker • System to administer premium: o In order to collect premium, the broker needs to have an insurance administration system o This system needs have all the governance & controls as stipulated in the binder & outsource agreements of insurers which include	Please be reminded that this exemption was proposed pending the finalization of the broader framework on premium collection alluded to in the position paper. This is therefore only 1 step towards the finalization and the other changes to the subordinate legislation will be given effect to through amendments to the Regulations under the LTIA and STIA. It is therefore not intended to replace the concept for “accounting for premium” as referred to in the definition of “services as intermediary” in the LTIA and STIA Regulations.

			protection of client information, back-up, disaster recovery etc. o The necessary number of staff to ensure proper segregation of duties o Proper record keeping of all insurance transactions • Insurance transactions per policy such as endorsements, new business and cancellations will happen during the month – As part of binder functions. • Premium collection specific functions performed by the broker: o As part of month-end the financial transactions are raised, the premium balancing is completed on the insurance system and the month-end run is completed. o The premium collection files are created on the insurance system o The premium collection files are submitted to the collection agent (for collection facilitation directly with the insurer), or it is submitted directly the bank account where the collection is done with an Insurer directly. o The pre-bank rejections are received and dealt with o Collection is debited based on the collection dates selected by the client and as indicated on the insurance system o All return debits are imported in the insurance system o All cash collections are allocated on the system o The refund payment process is managed on the insurance system	

			o Reports are drawn iro the bank account transactions and balanced with the insurance accounting system o All financial transactions are updated and balanced throughout the month o The bank reconciliation is completed per bank account and submitted to the Insurer by the reporting date o The process then starts again The collection agent in this instance above is purely acting as the collection gate way, as well as providing the broker with reports. All other functions are performed by the broker as detailed above.	
10	Absa	3 (c) The notification referred to in sub-paragraph (b) must – (i) be submitted to the Authority at least 30 days prior to entering into the agreement referred to in subparagraph (b); 3 (d) The fee or remuneration that the independent intermediary receives for performing direct collection of premium – (i) must	Absa proposes that the regulator include the word calendar days to avoid confusion on this condition. Often times it causes unnecessary confusion if the days of notifications referred to are not explained as to whether they are 30 working days or 30 calendar days Revised section will now read as follows: 3 (c) The notification referred to in sub-paragraph (b) must – (i) be submitted to the Authority at least 30 calendar days prior to entering into the agreement referred to in subparagraph (b); The standard for reasonableness can be subjective or objective, and we would therefore appreciate it if the Regulator can define or provide	Please note that the meaning of days should be read in the context of section 4 of the Interpretation Act 33 of 1957, which aligns to the approach taken in the insurance subordinate legislation. Specifying calendar days is not necessary. The intention is to steer away from being too prescriptive and rather be principle based. Reasonable and commensurate are being used in relation to outsourced activities already.

		be reasonable and commensurate with the actual cost of performing the service, taking into consideration the nature of the function and the systems required to perform it;	guidance on what will be deemed as 'reasonable'.	
11	Financial Intermediaries Association of Southern Africa (FIA)	1.(b) 2. 3.(a) (i) and (ii)	Add in "processes" after "financial" Reference to the Act should read 5.1(1) and (2) The proposed exemption conditions only extend to the collection of premiums directly into insurer bank accounts by Premium Collection Agencies (PCA's) or similar type operations who play no other role in the intermediary services value chain other than the actual collection, handling and transmission of premiums. In order for the PCA to enable the collection of the premiums, the PCA is dependent on another independent intermediary (not the same entity as described in 3(a)(i) and (ii)) who performs all the other services as intermediary in respect of the affected clients' policies and client facing premium collection management (the underlying intermediary), for the provision of numerous administrative functions pre and post collection. Without such functions being performed, the direct collect services	Noted, agreed. Agreed, correction made. The Exemption as an interim step for a very specific purpose to incentivise the move to direct collection of premium. The remuneration allowed for is for performing the activities provided for in the definition of "accounting for premium". The party earning this specific remuneration should be performing these activities accordingly. Also see Regulation 4.1(4) which prohibits an independent intermediary delegating an authorisation that has been granted to it in accordance with section 47A. The status quo will therefore be maintained regarding sub-contracting

			would not be able to be performed or managed by the PCA. At present these collection support functions are outsourced by PCA's to such "underlying intermediaries" who are remunerated accordingly by the PCA. We submit that this be allowed to continue and envisaged in the exemption. In addition to such "direct collect" premiums being collected by PCA's there are a number of independent intermediaries that collect premiums directly into an insurer bank account and that perform the same administrative and processing functions as referred to above. In these instances, there is no PCA in the value chain. We request that consideration be given to including this model in the Exemption and being subject to the conditions 3(d) (remuneration), (e) (systems, business continuity, segregation and access controls and record keeping) and (f) (resources, governance and controls). Attached find Annexure A which details the activities performed by the independent intermediary in facilitating the premium collection and management process for both the PCA and independent intermediary collect direct models. In this regard we also refer you to our submission of May 2019 in respect of the Future of	Please note that the scope has been broadened after further consideration to allow other services to be performed by intermediaries and binder holders. However to benefit from this exemption all activities must be performed under the definition of accounting for premium.

		3(b) 3(d)(ii) and (iii)	Premium Collection where the full premium collection process was described in detail, particularly the process flows for "debit order" type collection that we attach hereto as Annexure B for ease of reference. We submit that this is the responsibility of the Insurer as premium collection is a core function of the Insurer and the entity which should authorise any outsourcing of the premium collection function. The implementation of a transactional fee would be logistically difficult to implement and is not consistent with the remuneration of all other services performed, i.e. commission, binder fees and outsource fees which are based on a percentage of the premium and for which administration systems are set up and geared to calculate on this basis. In terms of common industry practice, the percentage of Gross Written Premium is the favoured and consistent method of determining remuneration. Under this traditional model the rand value determined by the application of the agreed percentage to the total premium needs to be sufficient to remunerate the intermediary on a reasonable basis commensurate with the cost of the intermediary performing the function during that period – it equalises and spreads the cost and is simple to administer. In the case of	The intermediary is being exempted in this Notice, therefore notification must be provided by the intermediary. Please take note that the transactional fee requirement has been removed.

			very low premiums that are not compensated for with a mix of higher premiums, the rand amount is likely to be insufficient and either the percentage would need to be set higher or a flat fee could be agreed. The principle of "reasonable and commensurate with the actual cost of performing the service" will ensure a fair and equitable reward for services rendered. Annexure B - Premium collection fl Annexure A - Section A 5(a)(i) and (	
12	Fulcrum Collections (Pty) Ltd	Definitions 1 "accounting for premium"	1.Fulcrum notes the expanded definition of accounting for premium to incorporate those activities aimed at achieving the "direct" method of collecting premium onto the insurer's balance sheet. Fulcrum supports this expanded definition provided that entities falling within the ambit of the definition are excluded – and continue to be excluded - from the operation of the Commission Regulations until the final legislation is drafted to carve the services constituting "accounting for premium" out of intermediary services and to move these to outsourcing services under the Conduct of Financial Institutions (COFI) Bill. We understand this to be the intention of the Authority. 2.We further note the reference at 2.4 on page 2 of the FSCA	Noted This will be given effect through amendments to the Regulations under the LTIA and STIA Acts, not only through the COFI Bill. The FSCA remains of the view to provide for premium collection separately in respect of the limitations in the commission Regulations.

			Communication which states "The Authority's intention remains to change the regulatory framework to reflect the enhanced requirements as alluded to in the position paper. However, as the change to the framework will take time, the intention is also still to, in the interim, enable remuneration for the direct collection of premium." (our emphasis).	
			a. This is capable of being read to also mean that the ability to earn remuneration is merely an interim measure of limited duration and that the ability to earn remuneration will ultimately be removed in the final regulatory framework.	Interim in this context means pending the amendments to the premium collection framework in the Regulation sunder the LTI And STI Acts, as set out in the position paper of April 2019.
			We understand this not to be the intention of the Authority and therefore suggest that, to avoid misunderstanding, the Authority may wish to clarify the language to more accurately reflect its true intention.	
			3. In our view, the Authority's intended objective could be more easily and elegantly achieved by retaining the definition of "direct collection of premium" and deleting the expanded definition of "accounting for premium". This would achieve the desired outcome of allowing certain independent intermediaries to continue receiving remuneration for the direct collection services rendered.	Noted but the alternative proposal is not clear. The intention is to allow for an exemption for intermediaries that does direct collection from the commission regulations. If the definition of accounting for premium is deleted then the definition of direct collection of premium would take on the normal grammatical meaning of "accounting for premium" which is not what we aim to do.
				Agreed, referencing error corrected.

		Extent and Conditions of Exemption 2.	1.Fulcrum draws the FSCA's notice to a possible referencing error in paragraph 2 on page 3 – in our view the intention may have been to exempt relevant intermediaries from Regulations 5.1(1) and (2), and not from 5.2(1) and 5.2(2). 2.It may be necessary to exempt specialist premium collection agency intermediaries from 5.1(3) as well.	Further clarity is required as to why Reg 5.1(3) and why specialist premium collection agencies only.
		Extent and Conditions of Exemption 3.(a) (i) and (ii)	1.Fulcrum supports the proposal to confine the ability to earn remuneration for direct collections to specialist premium collection agencies only. Fulcrum has always viewed the direct collection of premium as a specialist role that operates as a "switch" between policyholder, insurer and intermediary, facilitating the seamless and transparent flow of relevant and timely information between the parties. It is a role that requires an ongoing focus on – and investment in - technology and on exploring ways to leverage transformative fintech to improve efficiency and to reduce risks faced by the industry. This focus can only be achieved by specialists in fintech thought-leadership. Fulcrum's track-record in this regard illustrates this point well: •Fulcrum pioneered the CollectDirectTM and the	

			AirCollectTM methodologies that fundamentally changed the premium collection landscape for the better, becoming the first agency to effectively derisk the insurance collection process for insurers; •These innovative technologies were the result of a conscious programme of self-disruption and were made possible by a single-minded focus on solving the problem without affecting any party negatively. In our view, a composite entity that is a premium collection agency and also an intermediary, cannot simultaneously maintain the necessary level of innovation and focus on technological innovation, especially in the current challenging environment. 2.Fulcrum's view of the role of the premium collection agency needing to be a specialist role is underpinned by Fulcrum also being independent of policyholder, insurer and intermediary. a.In our view, the independence of the specialist premium collection agency is the strongest guarantee against the specialist premium collection agency acting in a manner that only considers the business interests of certain intermediaries and/or certain insurer/s. By being both specialist and independent, the specialist collection agency serves the intermediary and the insurer	

			market impartially and equally, thereby avoiding the potential for conflicts of interest that may exist in other scenarios where the premium collection agency is also part of an intermediary structure. 3.We believe that independent intermediaries/binder holders that already perform services as intermediary/binders are, or could become, conflicted if they were to be remunerated over and above statutory commission/binder fees for premium collection services and for this reason the prohibition contemplated in clause 3(a) is appropriate and should, in our view, be implemented. 4.The proposal does not deal with the important aspect of the specialist premium collection agency's ability to pay the independent intermediary/binder holder for services rendered to the premium collection agency. a.We propose that the Exemption recognizes that all specialist premium collection agencies are either System Operators (SO)/Third Party Payment Providers (TPPP) whose SO/TPPP status is a necessary pre-condition to their access to the National Payments System. As SO/TPPPs, they are accountable for compliance with PASA thresholds relating to unpaid ratios and to disputed transaction	After further consideration the scope has been widened to allow for other services to be rendered. The initial narrow scope was not about possible conflict of interest, but in respect to perceived risks. Even though the scope is widened, the exemption is only available where all activities are performed as ste out in the definition of accounting of premium. The Exemption as an interim step for a very specific purpose to incentivise the move to direct collection of premium. The remuneration allowed for is for performing the activities provided for in the definition of "accounting for premium". The party earning this specific remuneration should be performing these activities accordingly. Also see Regulation 4.1(4) which prohibits an independent intermediary delegating an authorisation that has been granted to it in accordance with section 47A. The status quo will therefore be maintained regarding sub-contracting

			ratios. Penalties and fines can be – and are – imposed by PASA and, in the event of habitual non-compliance, PASA can revoke the SO/TPPP licence. Despite being accountable for PASA compliance, a specialist premium collection agency cannot itself directly control either unpaid or dispute ratios. This can only be done by the intermediary. The reason for this is that it is the intermediary that obtains, manages and retains the debit order mandate, which is fundamental to PASA compliance. Specialist premium collection agencies do not interact with policyholders concerning their insurance policies and therefore do not obtain, manage or retain the debit order mandate. This is a function that the intermediary, and only the intermediary, performs. In recognition of this service (which is critical to the SO/TPPP specialist premium collection agency's continued accreditation as a SO/TPPP), the specialist premium collection agency has customarily paid the intermediary for services and functions relating to the debit order mandate itself. In addition to the intermediary's role in the specialist premium collection agency's PASA threshold compliance, the specialist premium	

			collection agency also relies on the intermediary to submit the collection file in the correct format in a manner that complies with the specialist premium collection agency's system. The specialist premium collection agency has no access to the intermediary's policy administration system (e.g. Tial, Flexi, CIMS, MMX etc). It also therefore has no access to the policyholder's personal, policy or account details. It is entirely dependent on the intermediary providing it with the necessary information at the correct time in order to effect a collection, to ensure that the relevant insurer/s is/are paid and that any refunds etc are processed correctly. Without this information, the collection of premium cannot take place, either through the direct collection method or at all. If the intermediary were to decline to send the information to the specialist premium collection agency, then this would have to be provided by the insurer. It is our experience that insurers mostly do not have this information and would not be able to provide it to the specialist premium collection agency. 5.Fulcrum therefore proposes that the Authority carefully consider the interconnectedness and co-dependency of the insurer-intermediary-specialist premium collection agency and specifically	Noted.

			recognize that there is a continuous flow of information and a provision of services between the parties on an ongoing basis. This complex inter-relationship is not easily reducible to a simplistic, mechanistic or one-dimensional analysis.	
		Extent and Conditions of Exemption 3(b)	1.Currently the insurer notifies the Prudential Authority of an outsource arrangement. We would suggest that a streamlined approach between the FSCA and the PA be adopted where notification is not duplicated. 2.As the collection of premium is viewed as a core insurer function capable of being outsourced, it would also be more appropriate for the insurer to perform the notification function. This is consistent with current legislation that recognizes that premium collection functionality by a third party must be authorised by the insurer and that the insurer is required to impose various restrictions and conditions on the premium collection functionality.	Noted. However, the intention here is not to replace the outsourcing notification to the PA. The exemption is not aimed to be a long-term solution. Please be reminded that this exemption was proposed pending the finalization of the broader framework on premium collection alluded to in the position paper. This is therefore only 1 step towards the finalization and the other changes to the subordinate legislation will be given effect to through amendments to the Regulations under the LTIA and STIA. It is therefore not intended to replace the concept for "accounting for premium" as referred to in the definition of "services as intermediary" in the LTIA and STIA Regulations, and it is not stating that premium collection and accounting for premium does not fall within the definition of services as intermediary. That requires a change in the legislation. The intermediary is being exempted in this Notice, and therefore the notification must be done by the intermediary.
		Extent and Conditions of Exemption 3(d)(ii) and (iii)	The Draft Exemption proposes that the amount earned for a direct collection of premium must be a fixed fee per transaction and that it may not be based on a percentage of the total premium amount received by the insurer. 1.This proposed requirement is at odds with the way in which insurers' businesses are measured,	Per transaction requirement removed from Notice.

			run and regulated (currently and historically), both in South Africa and globally. For instance, the following metrics are all measured in terms of a percentage of Gross Written Premiums: •Loss ratios; •Profitability; •expense ratios; •commissions; •fees, including binder fees and outsource fees; •investment income; •reserves, provisions and other ratios reportable to the PA. Insurers use the percentage-of-GWP approach because, inter alia, it is the most commonly used modality of reporting to both the PA and the FSCA, is universally used by the investor community, is used to measure and manage broker performance, is a fundamental and universal measure of insurer profitability, and for reasons of ease of comparison. This principle is recognized in the Policyholder Protection Rules (PPR) which also require that all policyholder-facing information disclose and display prescribed kinds of information, including remuneration and fees. It is also the current practice for consumers of insurance to receive disclosures concerning remuneration in percentage-of-GWP terms. This	The fees here are however not linked to the performance of the entity facilitating the direct collection. It is linked to an activity should be commensurate the actual cost of performing the activity.

			makes it easier for consumers to make meaningful comparisons. It is clearly a system that has worked and continues to work effectively. This makes the proposal that the fee to be earned by specialist premium collection agencies depart from this norm all the more unusual, especially as the Draft Exemption does not explain the reason for the departure from the industry norm. 2.Fulcrum's costs comprise essentially two types of cost components: a.banking transaction costs; b.other costs. The banking transaction costs are unitised and are expressed as a flat fee per transaction. These, however, are just one component that make up Fulcrum's totality of costs. Our other costs such as staff, systems, governance requirements and investments in the overall control environment, are less capable of being unitised or expressed as a flat fee. The proposal contained in the Draft Exemption therefore ignores the fact that it is only one relatively small part of a specialist premium collection agency's cost base that is expressed on, and can be reduced to, a flat-fee, per-transaction basis.	Please see comments above explaining the argument and the linked to being reasonable and commensurate. Merely saying that it has always worked this way is not sufficient reason to not change the approach. What is not clear from the commentators' view is why a higher premium would increase these other costs such as staff, systems, governance requirements and investments in the overall control environment. One could argue that these operational costs remain the same regardless of the amount being accounted for, which only strengthens our view that a %of premium does not seem justified. However the per transaction reference has been removed from the Notice. Per transaction requirement removed from Notice.

			We believe that this may have skewed/biased the approach taken and that it has ignored the other much more significant components of the cost base. 3.Unintended Consequences Another aspect of the possible bias towards reducing the cost-profile of a premium collection capability to a flat-fee, per-transaction basis is that there are unintended consequences to this approach. Example For instance, a flat fee might seem small in relation to the average monthly policy premium, however, in relation to a small policy with a low premium value, the flat fee would appear disproportionately large. This would have the effect that insurers might elect not to develop products and services if they perceive the flat fee as being high relative to the cost of the policy. This would operate as a disincentive to service this sector of the market, which we view as unfortunate. It would also run counter to the intention, and the national imperative, to service the lower income and under-served segments of the market that are in need of meaningful access to financial services. It is our understanding of the National Treasury's commitment to the	Example noted, however this does not explain how the percentage based fee is then commensurate with actual cost of performing the activity, as it implies that the higher the premium the higher the fee even though it essentially exactly the same activity being performed, regardless of the amount of premium being collected.

			Microinsurance initiative as the primary way in which to bring financial services to under-served and lower income communities, that the better approach would be for the current pricing approach (a percentage based fee) to remain as it encourages insurers and intermediaries to develop products and services for this market. 4.Proposal – the development of a sound remuneration framework and related principles The current requirement for all remuneration to be reasonable and commensurate with the services rendered provides a useful framework for the further development of principles that align with that framework. Other important considerations informing the development of remuneration principles related to specialist premium collection functions might include: • The utility and efficiency (including the mitigation of risk) of the direct collection service; • The cost of complying with the data and reporting requirements of each insurer; • Data security and privacy; • PASA registration and compliance; • Compliance with global IT and IS standards;	

			• The governance and audit requirements around the internal control environment; • The need to encourage innovation and best practice in this sector of the market. This is not intended to be an exhaustive list and care should be taken to ensure that, in developing appropriate remuneration principles, the framework is as flexible and future-proof as possible, taking into account the ever-evolving nature of the technology underpinning any direct collection capability. 5.Avoiding structural conflicts of interest We believe that the remuneration framework should distinguish between activities performed by a customer-facing intermediary (where conduct risk and conflicts of interest can arise) and activities performed by parties that are not customer-facing. In our view, different risks and therefore different considerations would apply to each of these situations. Where potential for conduct risks and conflicts of interest exist, it may be appropriate to cap remuneration. However, where this is not a consideration due to an intermediary or service provider not being customer-facing, the remuneration framework should be flexible and	Noted. Presumably these cost form part of the operational considerations of the entity and will not directly be transferred to policyholders. It relates to and forms part of the cost of doing business. Views on limitations for remuneration and further refinement of the premium collection framework noted. For purposes of the exemption notices no caps/ maximum per transaction were proposed. Presumably the comment relates to the future framework where premium collection will be accommodated in respect of the commission Regulations.

			responsive enough to accommodate – and compensate - the solution provider's investment in technology, research and development, best practice, good governance and related investments to make the solutions in question effective, viable and sustainable in the long term. The failure to enact a suitably enabling remuneration framework as outlined above could unintentionally contribute to the direct collection model not keeping up with the requisite technological and other benchmarks and evolving industry expectation. We are therefore of the view that a more nuanced approach needs to be developed that takes the above, longer-term factors into account.	
13	Masthead Financial Advisor Association and Masthead (Pty) Ltd	1 2 3(a)(i)	We have no comments in relation to the definitions. We think that this section should reference exemption from Regulation 5.1(1) and (2) of the Regulations rather than 5.2(1) and (2). If this condition means that a financial services provider that has been authorised by the insurer to collect premiums can only make use of this	 Agreed, referencing error corrected. The scope of the exemption has been broadened to allow for other services to be rendered. However, all activities must be performed under the definition of accounting of premium to benefit from this exemption.

			exemption if they don't perform any other intermediary service in relation to those particular policies, then we question whether these intermediaries will be encouraged to shift to direct premium collection. It is not entirely clear to us why an independent intermediary that currently renders a financial service in relation to a policy and also collects the premium in respect of that policy, should not be able to make use of this exemption. Is it not these types of independent intermediaries that should be encouraged to shift to the direct collection of premium model, as sometimes the collection of premiums is secondary to the financial services provided in terms of their FAIS licence? Further to this, the explanation and background provided in FSCA Communication 22 of 2020 states that the "exemption would … enable the payment of additional remuneration over and above commission for the direct collection of premium". If this is the case, then it appears that the regulator's intent is for independent intermediaries who provide other financial services to be remunerated for premium collection too.	Nothing precludes any independent intermediary to rely on the exemption when performing the functions as describe in the exemption. The exemption is not aimed to be a long-term solution. Please be reminded that this exemption was proposed pending the finalization of the broader framework on premium collection alluded to in the position paper. This is therefore only 1 step towards the finalization and the other changes to the subordinate legislation will be given effect to through amendments to the Regulations under the LTIA and STIA. It is therefore not intended to replace the concept for "accounting for premium" as referred to in the definition of "services as intermediary" in the LTIA and STIA. It is also not to support additional income streams for intermediaries that collect premiums in the traditional sense of the term. The context provided in the communication seems to have been misunderstood. The intention is not to support additional income streams for intermediaries that collect premiums in the traditional sense of the term i.e. that act as 3rd party collectors of premium. The intention is to allow for a fee for the services of facilitating the direct payment of premium from the account of the policyholder / premium payer into the account of the insurer.
		3(b)	Although we don't strongly object to the independent intermediary being required to notify the FSCA of an agreement to facilitate direct collection of premiums, if it is the	In this Notice the intermediary is being exempted, therefore it follows that it must be intermediary in respect of the notification.

			responsibility of the insurer to authorise an independent intermediary to collect premiums in the first instance (in terms of s45 of the Act) it would make more sense for us that the responsibility to inform the FSCA of a change in the agreement relating to the collection of premiums is that of the insurers. Regulation 5.11 places the responsibility to notify the Authority of any arrangement where remuneration is paid for services not included in the definition of "services as intermediary" on the insurer and, although "accounting for premium", in our view, still falls into the definition of "services as intermediary", the principle of requiring the insurer to notify the Authority of any change in arrangement, should in our view apply to this proposed Exemption, particularly as the regulator was looking to carve out the collection of premiums from "services as intermediary" and to rather be classified as an outsourced activity.	Whether the fee is reasonable and commensurate to the actual activity being performed will be a factual question, which will be monitored through supervision and the assessment of the notifications to the Authority.
		3(c)		As with other outsourcing arrangements, remuneration is to be reasonable and commensurate. The intention is to not be too prescriptive and more principle based. Monitoring is done when among other things notifications of new arrangements are sent to the Authority.
		3(d)(i)	We have no comment in respect of this section, except to repeat our comment above, that this notification, in our opinion, should be undertaken by the insurer.	As stated above, the intermediary is being exempted and therefore the requirement to notify is on the intermediary.

		3(d)(ii) & (iii)	While the principle of remuneration being reasonable and commensurate is fine, practically we question how this is determined and, perhaps more importantly, who determines what is reasonable or commensurate with the cost of performing the service? While we believe that it is easy enough to do some benchmarks as to what is a market rate, this does not necessarily mean that it is commensurate. We are not sure how and who would monitor or decide whether a fee is reasonable or commensurate.	Noted. We do not want to prescribe a minimum base fee. We have removed the requirement of per transaction fee from the Notice.
		3(d)(iv)	If we are reading this correctly, then we have some concern that the only fee that can be charged or earned by an independent intermediary is a fixed fee per transaction. We think that there are certain fixed costs that will be incurred irrespective of the number of transactions performed. We suggest, therefore, that it would be preferable to have a fixed or base fee together with an additional or variable fee per transaction to ensure that at least a minimum fee will be paid. If the aim of the proposed exemption is to encourage a shift to a direct collection of premium model, then we don't see this being taken up unless the accompanying terms and conditions are viable, financially and/or administratively. We think our point about minimum fixed cost is illustrated and substantiated when one looks at the requirements placed	Yes, intent is not to be remunerated twice in respect of the same function in relation to a particular policy.

		3(e)(i) 3(e)(ii)	on an intermediary in terms of clause 3(e). If this means that the independent intermediary cannot be remunerated for the same function in relation to a particular policy, then we have no objection. Put another way, if the intent is to prevent double-dipping, we support that, subject to the qualification below. The draft wording states that an intermediary may not be "remunerated more than once for performing a similar function on behalf of the short-term insurer". A "similar" function is different to the "same" function. If the functions performed by the intermediary are similar but not the same, then we see no reason why the FSP could not be paid for each function. We would suggest that the word "similar be replaced with "same". We support the requirement for independent intermediaries to have appropriate systems etc. in place. However, we are not sure how practical it is for the insurer to have access to relevant data "at any given time" unless the intention is that the insurer has uninterrupted, direct access to the systems of the independent intermediary. If this is not what is envisaged, then providing for a reasonable time period subject to a maximum allowable time may be more realistic.	Noted. This is in line with the binder requirements. The intention is to ensure that the relevant insurer is readily able to access any relevant data in respect of any direct collection of premiums on behalf of the relevant insurer at any given time.

			To address this concern, we suggest that this clause 3(e)(i) could be reworded as follows: "appropriate systems and data integration capability to ensure that the relevant short-term insurer is readily able to access any relevant data in respect of any direct collection of premiums on behalf of the relevant short- term insurer at any given time".	
		3(e)(iii) & (iv)	We support the requirement for independent intermediaries to have robust business continuity and disaster recovery plans in place to address potential risks.	Noted
		3(f)(i) - (iii)	We have no objections and no further comments in relation to these sections.	Noted. This would not be appropriate behaviour on the part of the insurer. The commentator is welcome to refer specific examples of this behaviour to the Authority for investigation.
			We agree with these requirements, as long as it is clear that the requirement that an insurer satisfies itself of the adequacy of the independent intermediary's governance, risk management and internal control framework, including the intermediary's ability to comply with applicable laws is an obligation on the insurer and is not seen to be the responsibility of a third party, unless the insurer engages or contracts directly with that third party. Where there are similar regulatory oversight requirements placed on financial institutions (including insurers), we have seen many examples of them simply	

			diverting their oversight responsibility back to the intermediary. For example, they compile a standard letter/certificate and say to the intermediary "get your auditor or compliance officer to sign this". The consequence of it not being signed is that the financial institution threatens to cancel the agreement.	

SECTION B - LONG-TERM INSURANCE: COMMENTS ON THE DRAFT EXEMPTION FROM COMPLIANCE WITH SECTION 49 OF THE LTIA AND REGULATION 3.2(1) AND (2) OF THE LTIA REGULATIONS

No	Commentator	Paragraph of the exemption	Issue/Comment/Recommendation	Response
1.	Thusano Help U cc (Thusano Funerals Policies Tombstones)	Paragraph 2.2 The position paper confirmed that the Authority strongly encourages a shift towards direct collections becoming the default rather than the exception.	*How would this affect the funeral industry?* **A. PUBLIC CHALLENGES** 1. Insurance companies does not have client offices in every small town and because clients want a personal relation with a reputable funeral parlour, they prefer to be served in person by a local funeral parlour. 1.1 Whenever clients want to do amendments, new applications, and payments on their policies they also prefer to deal with the people they know in person at the parlour. 1.2 Clients do not want the be treated as a number at a large company, they want personal attention. 1.3 The fact that the policies are underwritten by an insurance company are most of the time only a formality to the clients, but	It is not envisaged that the funeral industry would be affected in any detrimental way by this exemption Notice in draft. The Notices, in draft, provides for an exemption for intermediaries that performs the service of direct collection of premium. The nature of an exemption is not to prohibit a current practice or impose new rules on regulated entities that collect premium in the traditional sense of the term. The intention is to facilitate the payment of a fee where the premium is collected form the account of a policyholder directly into the account of the insurer, subject to the conditions of a current provision in the regulatory framework.

No	Commen tator	Paragraph of the exemption	Issue/Comment/Recommendation	Response
			they do not want to deal directly with the insurance companies, as they do not know the people from the insurance company. 1.4 Clients prefer by far to be served by people that they are familiar with and whom they trust. 1.5 They also do not prefer to make payments directly to the insurance companies (because they are not familiar with the insurance company) as they prefer to make payments to the funeral parlour where they opened the policy. 1.6 The personal relationship that the clients have with the parlours are priceless and a monthly visit "to do their business" is part of their lifestyle. 1.7 At the foundation or lower end of the market clients prefer personal service and they prefer to work with local (physical) people at an office. 1.8 Funeral parlours are conveniently sending in claim documents on behalf of the clients as clients do not have their own office machines to send and receive claim documentation. This is one of the vital functions funeral undertakers are playing to also make things easier for the bereavingclients. 2. There are many employees in the formal and informal sector who still receives weekly or fortnightly wages in cash and those members of the public cannot necessarily afford the upkeep of bank accounts. 2.1 Many of these clients are either "casual workers" or cleaners at smaller businesses or farms so their earnings come in smaller amounts. 2.2 Once again these are the type of clients that will also prefer to pay in cash in person at their local funeral parlour. 3. SASSA and Q-link only facilitate one deduction per funeral policy. Although we can understand the reason for the fact that SASSA/Q-Link only facilitates one deduction (to prevent too many deductions) this will limit the options to a client should they prefer to have more than one funeral policy for whatever reason. 4. Rural members cannot get to the offices of funeral parlours, so they rely on parlours to visit them for premium collections.	The draft notices does not in any way impede on the intermediaries' relationship with the policyholder or *vice versa.* Furthermore, the commission in respect of policies written under the funeral class of life insurance business as set out in Table 1 of Schedule 2 of the Insurance Act, 2017 is uncapped and therefore not impacted by this. All other concerns raised by the commentators are noted, however we will not respond to each and every comment as it does not directly relate to the draft exemption notices.

No	Commen tator	Paragraph of the exemption	Issue/Comment/Recommendation	Response
			4.1 There are many instances in the deeper rural areas where clients are not very close the any banks and pensions/grants get delivered by cash intransit companies with mobile ATM-like machines where these people can access their grants. 4.2 In these cases, many local funeral parlours also provide mobile pay points where these clients can make their premium payments in person. 4.3 Many clients also prefer to receive a monthly visit from their local parlour to collect their premiums as distances and transport costs makes things difficult for these clients. 4.4 Are the people who make these laws aware that there are even towns which does not have a single bank branch or ATM? Some of the rural villages does not even have any businesses as they are only residential villages. 5. Reluctance to pay at outlets (PEP, Checkers, PnP, etc.) due to 4.3 above. 5.1 Although there are payment systems like Easypay or Pay@ and also other methods, you still have these clients in rural areas that cannot get to those kinds of outlets because of transport and distance issues. 5.2 There are also many small towns or villages that does not have any outlet (PEP, Checkers, PnP, etc.) that can accept Easypay or Pay@ payments. **B. CHALLENGES TO UNDERTAKERS/FUNERAL PARLOURS** 1. It is part of the business model of a funeral parlour to have a funeral policy book as these go hand in hand and provides a convenient solution for clients when they are grieving. People need a policy to afford a funeral and that is why it is convenient to do both at a local funeral parlour. 2. Funeral parlours engage in big efforts to market funeral policies and this is indeed a very good way for insurance companies to get their products to the end users at ground level. This means that funeral parlours are doing a lot for the insurance	Concerns noted, however we do not agree with the view that the legislation proposes to take anything away from funeral parlours. On the contrary it will likely not influence the business of funeral parlour at all. This is only an interim step. The Exemption in draft does not prohibit any current remuneration paid, only provides for this specific remuneration for an intermediary performing direct collection only by way of system driven administrative service.

No	Commentator	Paragraph of the exemption	Issue/Comment/Recommendation	Response
			companies to grow in the market. The proposed legislation actually wants to sweep away these good marketing people (funeral parlours) who does a great job to market funeral products on behalf of insurers at ground level. 3. If clients are forced to pay directly to insurance companies, a funeral parlour will have trouble to know whether a policy is up to date or not before they can assist in removing a body of a deceased. As things are now, funeral parlours have systems in place and knows immediately whether a potential funeral client has an up to date policy or not. This will increase the risk to funeral parlours because when a body needs to be removed, there are not always many hours available to wait for authorisation/confirmation that a client does have an up to date policy. 4. This will also put an extra burden on insurance companies to constantly provide information to clients or funeral parlours about the status of a client's policy as stated in point 3 above. 5. There are also situations where a funeral parlour makes use of more than one underwriter/insurer and everything will be more complicated should their clients have to deal with different insurance companies. 6. Parlours form a relationship with their administrators/underwriters, and should they be called out to do a removal they rely on past experiences with that administrator/underwriter so that they know that their claims will be paid out and that they can continue with night removals and prepare bodies, register the death, and book grave sites. All of these functions are usually performed even before the claim documents are gathered, because as undertakers we want to make things easy and quick for the family. 7. Having said the above in point number 6, the undertaker has no way of knowing whether the member who suffered a loss and	It seems that the intention with draft exemption notices were misunderstood. The challenges highlighted in the comment does not seem to relate to the wording in the draft notices, therefore for purposes of this matrix we cannot respond in detail.

No	Commentator	Paragraph of the exemption	Issue/Comment/Recommendation	Response
			requires an immediate removal has a policy which is in force. How will this be dealt with during the night when a removal needs to be done? The undertaker would then presumably have to wait for operational hours of the insurer to establish whether the premiums are paid up to date and also whether all policy conditions, like waiting periods have been met and that the claim will be valid. Collecting bodies of the deceased will constantly be a risky operation as one will always be unsure whether you will be paid for your services as you have no idea about the status of a person's policy. 8. Many funeral parlour consultants will lose their jobs because the policy administration roll and premium receiving jobs will no longer exist. Do we need more job losses in this economy? This can easily be one to four staff members per parlour outlet that won't have employment if insurers take over this role. **C. CHALLENGES TO PRODUCT SUPPLIERS** 1. No Product Supplier / Insurer is able to receive "cash" premiums (where a vast majority of the public pay premiums in cash and deposit into their funeral parlour's bank account and then send off a list of payees. 2. Product Suppliers are not able to pay out claims in cash as clients are keen to receive claims in cash at their funeral parlour. It is a one-stop solution for our clients and also where there are no banks in a town. 3. It happens that clients comes with claim documents to a parlour on a Wednesday or Thursday and it might be a case that must be buried immediately. If the funeral parlour is administrating such policy, they can immediately give a "pre-approval" to the client (based on the status of the policy and premium payment details). This will give a client comfort and the funeral undertaker can immediately start with the funeral	

No	Commentator	Paragraph of the exemption	Issue/Comment/Recommendation	Response
			arrangements and does not need to first wait for the insurance company to give feedback. Funeral parlours are HANDS-ON if they administer the policies themselves and can provide instant information to their clients. 4. If all these verifications and confirmations first needs to be done with the insurers it will cause an extra workload for insurers and the reconciling of premiums paid by individual members will cause an even bigger workload because they must try to identify which members belong to which funeral scheme. 5. Claim settlements goes hand in hand with premium collections. Will insurers be able to cope with direct payments to the clients? Bank accounts of clients will have to be verified by the insurer. What about those clients that do not have bank accounts? 6. These challenges will cause long delays in burials and no undertaker will proceed with any removals, grave reservations and registering of deaths if payments are made to the beneficiaries, as there is no guarantee that the undertaker will be paid for the services rendered. 7. The Insurers will be taking on the functions of administrators and intermediaries and they will have to engage more staff. 8. Product suppliers will have to be available 24/7 to deal with claims. **D. REMARKS** 1. The funeral industry is regulated under the long-term act. Many of the regulations are outside of the scope of funeral parlours and these stringent regulations as set out in the FAIS Act, cannot be complied with, given the market we are in. 2. Overregulating the industry will certainly force some parlours to operate underground and this is inevitable. Clients on ground	

No	Commentator	Paragraph of the exemption	Issue/Comment/Recommendation	Response
			level trust local businesses with whom they can do face to face business. When they have complaints or issues they want to be served by a real person at a local office. With existing funeral parlours in place, these facilities already exist, and clients are happy that they can face their service provider in person. 3. Funeral parlours does all the ground work and spends money in marketing of policies, paying runners to bring clients and to sell policies, but if the insurers eventually takes "ownership" of the clients, all the work that parlours do to get more clients goes to the sole benefit of the insurer as the parlour might never see those clients again. 4. Insurance companies are mega companies and they sit with all our clients' data so eventually nothing stops them to hijack all our clients and do direct marketing to our clients, after we did all the footwork. 5. Unlike the Short Term, Medical Aid and Pension Fund arena, the funeral environment is not as sophisticated and the element of premiums and claim payments are still largely dependent and done on a cash basis and is still and will be a noticeable factor for many years to come. 6. While there are already strict regulations in place which we adopted to, there are still other parlours out there ignoring any regulations and doing as they please. FSCA should rather focus on eradicating such role players in the industry instead of overregulating the registered FSP's.	
2.	Barolong funerals		The draft will bring poverty to the people as some are employed by the Undertakers (who are field workers looking for clients on the field) and Administrators. In the very same time our government says it will bring more job but other regulations trying and planning to cut jobs. As undertakers we at times offer free CSI services where family members cannot afford to bury their loved ones. We have running costs that we need to pay as	It is not envisaged that the funeral industry would be affected in any detrimental way by this exemption Notice in draft. The Notices, in draft, provides for an exemption for intermediaries that performs the service of direct collection of premium, and does not receive commission or other remuneration. The nature of an exemption is not to prohibit a current practice or impose new rules on regulated entities that collect

No	Commentator	Paragraph of the exemption	Issue/Comment/Recommendation	Response
			a company, insurances of both stock(s) and cars. We have built a relationship with our clients and we have gain trust with them.	premium in the traditional sense of the term. The intention is to facilitate the payment of a fee where the premium is collected form the account of a policyholder directly into the account of the insurer, subject to the conditions of a current provision in the regulatory framework. The draft notices do not in any way impede on the intermediaries' relationship with the policyholder or vice versa. Furthermore, the commission in respect of policies written under the funeral class of life insurance business as set out in Table 1 of Schedule 2 of the Insurance Act, 2017 is uncapped and therefore not impacted by this. The concerns raised by the commentator noted, however we will not respond as it does not directly relate to the draft exemption notices.
3.	Pioneer Funeral Administrators FSP 41507		How are insurers going to collect from funeral societies? This will result in more funeral societies and groups collecting on their own to protect the society scheme. This will result in creating a bigger non-compliant culture.This will result in taking away jobs, this is not the solution for Funeral Assistance business. The solution is simple, Funeral Assistance must fall under a completely different law with their own rules, with set standards.	It is not envisaged that the funeral industry would be affected in any detrimental way by this exemption Notice in draft. The Notices, in draft, provides for an exemption for intermediaries that performs the service of direct collection of premium. The nature of an exemption is not to prohibit a current practice or impose new rules on regulated entities that collect premium in the traditional sense of the term. The intention is to facilitate the payment of a fee where the premium is collected form the account of a policyholder directly into the account of the insurer, subject to the conditions of a current provision in the regulatory framework.

No	Commentator	Paragraph of the exemption	Issue/Comment/Recommendation	Response
				The draft notices do not in any way impede on the intermediaries' relationship with the policyholder or vice versa. Furthermore, the commission in respect of policies written under the funeral class of life insurance business as set out in Table 1 of Schedule 2 of the Insurance Act, 2017 is uncapped and therefore not impacted by this. The concerns raised by the commentator noted, however we will not respond as it does not directly relate to the draft exemption notices.
4.	The Banking Association South Africa ("BASA")	1) "accounting for premium" means the rendering of the following information technology system driven administrative activities on behalf of a short-term insurer: (a) Provision of payment processing services, including payment gateways Consisting of the hosting of one or more gateways and routing of premium payment transactions; (b) financial and data transfer consisting of bank account validation, verification and premium payment tracking; (c) system-based recognition of revenue conducted through the raising and allocation of premium and	1)We note that Third Party Payment Providers undertake some of the activities in this definition but are excluded from the exemption due to the fact that they are not currently regulated by the Authority	TPPPs are not specifically excluded. Any person performing intermediary services in the FAIS Act requires to be an FSP.

No	Commentator	Paragraph of the exemption	Issue/Comment/Recommendation	Response
		policyholder communication in relation thereto; (d) maintenance of records including record keeping of debit order mandates; (e) provision of system controls including: (i) fraud detection through data analytics (including identification of any Warning or "red flag" indicators, such as a substantial increase in Cash Premium payments from foreign countries); and (ii) reconciliation of premiums including confirmation of bordereaux for Payment and query resolution; and (f) reporting to the short-term insurer by way of- (i) e-mailing reports to the short-term insurer and /or allowing access to the systems of the independent intermediary to provide for downloading relevant reports; (ii) pre-validation systems and reporting on banks' rejection codes; and (iii) notifications of internal data or payment rejections.		
5.	Guardrisk Life Limited	"accounting for premium" means the rendering of the following information	It is our observation that accounting for premium definition has not taken into the activities preceding the deducting the premium from the account of the premium payer, such as raising a request	The definition of "accounting for premium" includes system based recognition of revenue through the raising and allocation of premium is included.

No	Commentator	Paragraph of the exemption	Issue/Comment/Recommendation	Response
		technology system driven administrative activities on behalf of a long-term insurer: (a) Provision of payment processing services, including payment gateways consisting of the hosting of one or more gateways and routing of premium payment transactions; (b) financial and data transfer consisting of bank account validation and verification and premium payment tracking; (c) system-based recognition of revenue conducted through the raising and allocation of premium which includes annualized or single premium and policyholder communication in relation thereto; (d) maintenance of records including record keeping of debit order mandates; (e) provision of controls including: (i) fraud detection through data analytics (including identification of any warning or "red flag" indicators, such as a substantial increase in cash premium payments from foreign countries); and (ii) reconciliation of premiums including confirmation of bordereaux for payment and query resolution; and (f) reporting to the short-term	for premium. Kindly confirm if this consideration may be included in sub-section (a) of the definition. If not, we propose that this is included. Additionally, we point out that in terms of subsection e(ii) accounting for premium includes reconciliation of premiums including confirmation of bordereaux for payment and query resolution. We submit that it ought to be considered the to what extent of query resolution is implied and the follow through process and resources required for a complete query resolution. In light of the aforementioned, we propose that the definition is extended to insert the words "full" query resolution.	Furthermore, provisioning of payment processing services is deliberately wide. We are of the view that the reference to 'query resolution ' suffice.

No	Commentator	Paragraph of the exemption	Issue/Comment/Recommendation	Response
		insurer by way of - (i) e-mailing reports to the long-term insurer and /or allowing access to the systems of the independent intermediary to provide for downloading relevant reports; (ii) pre-validation systems and reporting on banks' rejection codes; and (iii) notifications of internal data or payment rejections. "direct collection of premium" means accounting for premium performed by a third party on behalf of a short-term insurer, with the purpose of facilitating the collection of a premium from the premium payer directly into the bank account of the short-term insurer, and without the third party receiving or holding such premium or having any authority or rights in respect of the actual premium in the short-term insurer's bank account into which the premium is collected; "payment gateway" means an e-commerce system that securely creates an electronic connection to enable online payment transactions from the bank account of a policyholder into the bank account of a short-term insurer in order to	Would the requirement be separate and additional from the written mandate as per Section 47A of the Long Term Insurance Act and Regulation 3.1 issued by an insurer to an Independent Intermediary to hold, receive and in manner deal with the premium.	No additional requirement introduced.

No	Commentator	Paragraph of the exemption	Issue/Comment/Recommendation	Response
		support the transfer of premium; 3. The exemption referred to in paragraph 2 is subject to the following conditions: (a) The independent intermediary does not – (i) perform any other service as intermediary in respect of the policies to which the direct collection of premium relates; and (ii) act as a binder holder of the short-term insurer in respect of the policies to which the direct collection of premium relates.	For the sake of consistency and interpretation, “bank account of a policyholder” ought to read “bank account of premium payer” as described under the definition of direct collection of premium.	Noted, premium payer will be included.
		3(f) A long-term insurer must before entering into an agreement for direct collection of premium and at all times thereafter - (i) have the necessary resources and ability to exercise effective oversight over the independent intermediary performing the direct collection of premium services on an ongoing basis; (ii) satisfy itself of the adequacy of the independent intermediary’s governance, risk management and internal control framework, including the intermediary’s ability to comply with applicable laws; and (iii) have documented controls in place to ensure the	It is our view that the independent intermediary and/or binder holder should be not be excluded from receiving the fee as discussed in the notice. The reason for such a view is that we cannot identify what the perceived conflict of interest or prejudice to the policyholder would be as the insurer would still receive the interest and thus would be in a position to remunerate the mentioned parties accordingly. We ask that for clarification and/or elaboration. In addition, reference is also made to the following statement in the FSCA Communication 22 of 2020. Paragraph 2.2 of the aforementioned notice reads as follows. “The exemption would therefore enable the payment of additional remuneration over and above commission for the direct collection of premium.” The inclusion of the para 3 (a) and (b) of the draft notice thus contradicts this statement.	After further consideration the scope has been widened to provide for our services to be provided and still utilise the exemption. However it must be noted that all the activities listed under the definition of accounting for premium must be done to qualify, subject to the other conditions.

No	Commentator	Paragraph of the exemption	Issue/Comment/Recommendation	Response
		validity, accuracy,completeness and security of any information provided by the independent intermediary performing the direct collection of premium.	Please provide clarity on whether the direct collection premium agreement is the same as the mandate to receive, hold or in any manger deal with premium as referred in Section 47A of the Long-Term Insurance Act and Regulation 3.1 thereto or is this an agreement over and about the said regulation.	No additional agreement, the activities contained in the agreement.
6.	Hollard	Extent and Conditions of Exemption 3 (a) (i) & (ii)	There may be difficulties in applying this exemption to all our intermediaries due to the fact that the majority of them perform additional intermediary functions in addition to the premium collection function. **Questions to FSCA:** 1. In instances where an intermediary was performing other intermediary functions together with premium collection in accordance with an intermediary agreement that is in place, but the book has since fallen into run off and the intermediary now only performs premium collection, would this exemption apply to such an intermediary? 2. is it the intention of the regulator to, at some point, apply such exemption to intermediaries that perform other intermediary functions in addition to premium collection? if so, would the same conditions apply? 3. What is the regulator's intended future approach for independent intermediaries that currently do not fall under caps by the commission regulations as it is unlikely that such independent intermediaries would be encouraged to make the shift towards direct collection of premiums?	The intention seems to have been misunderstood. The questions raised are not in respect of the draft notices, but in respect of the broader framework developments. The exemption notice in draft are aimed at supporting the move to direct collection of premium and not to offer an additional income stream for typical intermediaries that performs services as intermediary and gets remunerated through commission for such services. The intention is to allow for a fee, if it creates efficiencies and mitigates risks by directly collecting premium into the insurer's bank account. **Question 1:** The aim is not to facilitate an additional fee for premium collection in the transitional sense. What is not clear is if the intermediary in the hypothetical question is performing the service of direct collection only in respect of the policies as is defined in the notice. The principle is as follows: if the independent intermediary performs the activity of direct collection of premium, and meets the conditions in the exemption notices, they would qualify for the exemption and be able to earn a fee. **Question 2**: The exemption is not aimed to be a long term solution. Please be reminded that this exemption was proposed pending the finalization of the broader framework on premium collection alluded to in the position paper. This is therefore only 1 step towards the finalization and the other changes to the subordinate legislation will be given effect to through

No	Commentator	Paragraph of the exemption	Issue/Comment/Recommendation	Response
				amendments to the Regulations under the LTIA and STIA. It is therefore not intended to replace the concept for "accounting for premium" as referred to in the definition of "services as intermediary" in the LTIA and STIA Regulations. Please refer to the detailed Communication published alongside the draft exemption notices FSCA Communication 22 of 2020 (INS) explaining the purpose of these exemptions. **Question 3:** Please refer to the details in the position paper published in April 2019 which will inform the proposed amendments to the premium collection framework that will be published for comment towards the end of 2020 / beginning of 2021.
		Extent and Conditions of Exemption 1. Failure by a long-term insurer or independent intermediary to comply with the conditions referred to in paragraph 3 will result in the exemption no longer being applicable to that long-term insurer and the independent intermediary.	**Questions to the FSCA:** 1. Does this mean that if the exemption no longer becomes applicable, the commission regulations would immediately apply to such intermediary and insurer? 2. Would the exemption be granted again on the same conditions once non-compliance issues have been resolved?	**Question 1:** Yes – they would no longer be exempted and therefore will have to comply with the Regulations. **Question 2:** This is a subjective hypothetical question. Non-compliance would depend on the situation and the facts at hand. It is impossible to say whether or not an exemption would or would not be granted without having any facts around the initial non-compliance. Question is therefore not clearly understood.

No	Commentator	Paragraph of the exemption	Issue/Comment/Recommendation	Response
7.	ASISA member A	"accounting for premium"	It is important to note that Third Party Payment Providers (TPPP's) were clearly distinguished from third parties that collect premium in Proposal 2(a) of the FSCA Position Paper: Proposals on the future regulatory framework for the collection of insurance premiums dated 9 April 2019 as follows: "It is proposed that a third party that collects premiums must comply with the relevant requirements applicable to Third Party Payment Providers (TPPP) as set out in the South African Reserve Bank's Directive No. 1 of 2007, including notification of its status as a TPPP to the Payments Association of South Africa (PASA)." TPPP's are not regulated by the FSCA but are regulated by the National Payment System Act and by Directives issued by the Reserve Bank. The draft exemption now defines "accounting for premium" which includes a number of activities which brings into focus a lot of circumstances which was not previously considered, such as the fact that TPPP's are already collecting premiums on a direct basis for insurers and therefore perform some of the activities listed in the definition of "accounting for premium". Currently, the wording of the exemption implies that a person that performs the service of direct collection of premium only (which includes "accounting for premium"), can only be an independent intermediary authorised under section 47A of the Long-term Insurance Act, 1998. If TPPP's are deemed to be rendering intermediary activities (i.e. accounting for premium), the unintended consequences of this exemption would be that TPPP's would need to apply for authorisation to be licenced as FSP's by the FSCA. This would mean that current direct collection agreements between insurers and TPPP's would be in contravention of the Policyholder Protection Rules (12.2.1(a)) which states that an insurer may	If the TPPP is an intermediary, which is subject to the limitations in respect of remuneration, the exemption would apply. If the TPPP is not an intermediary, they fall outside of the limitations and the exemption becomes irrelevant. If a TPPP performs activities related to "accounting for premium", then in terms of the definition of 'rendering services as intermediary' they are required to be authorised by the in terms of s47A of the LTIA. The TPPP would therefore per definition be an independent intermediary as defined in the LTIA Regs. This is not correct. It is not what the wording of the exemption implies, it is according to the LTIA Regulations. If a person, other than a representative, perform any act towards rendering services as an intermediary, they are an independent intermediary. The TPPP are not deemed to be performing these activities. They either are or they are not. If a TPPP is not performing services as intermediary / is not an independent intermediary, it is not clear why

No	Commentator	Paragraph of the exemption	Issue/Comment/Recommendation	Response
			only enter into an intermediary agreement with an independent intermediary where that person has been licensed as an FSP. It is therefore important for assurance to be provided that the FSCA did not intend for TPPP's to register with the FSCA as FSP's on this basis.	they should they be exempted from the commission regulations.
		"direct collection of premium"	We seek confirmation that TPPP's are not included in the scope of the definition of "accounting for premium" despite the fact that they are performing some of the activities listed in that definition. **Recommendation:** We suggest that the first line of the definition be amended to state as follows:	Please refer to the definition of 'intermediary services" in the FAIS Act, 2002 and specifically (b)(ii) of that definition. If a person collects or accounts for premium in respect of a financial product as defined they are required to be registered as a Financial Services Provider in terms of the FAIS Act.
		"payment gateway" 3(a)	"accounting for premium" means the rendering of one or more of the following information technology system driven administrative activities on behalf of a short-term insurer:" This is to provide clarity that an independent intermediary does not have to prove or be mandated to perform all the listed functions.	Disagree. To allow for only one of these functions would significantly broaden the scope of this and open the exemption up for abuses and potential unfair remuneration practices. The definition sets out what activities constitutes accounting of premium for purposes of interpreting these exemption notices and the extent to which it applies.
	ASISA member B	3(b)	The definition states that the third party facilitates the collection of a premium from the premium payer whereas under the definition of "payment gateway" reference is made to payment transactions from the policyholder.	
	ASISA member A	3(c)(iii) 3(d)	**Recommendation:** As premium can be collected from a policyholder or a premium payer, we recommend that both types of payers are included; defined; and that both terms are used in this definition and throughout the document where applicable.	
	ASISA member B	3(f)	Please refer to the comments above about including policyholder or premium payer.	

No	Commentator	Paragraph of the exemption	Issue/Comment/Recommendation	Response
	ASISA member C	3(d) iv	Clarity is sought as to why intermediaries performing other functions have been excluded. **Recommendation:** That all intermediaries and binder-holders be included and given the benefit of this exemption if they choose to perform the function according the conditions herein.	Noted. Reference to premium payer has been added. The grammatical meaning of the word would apply so no need to define the term.
			Does this provision apply retrospectively? Do independent intermediaries need to notify the Authority, of agreements relating to direct collection of premiums by independent intermediaries that were already entered into before publication of the draft exemption notice? Will the Authority provide a prescribed form on the effective date of this exemption? If not, what information will be required by the Authority for this notification? This paragraph deals with fees or remunerations that the independent intermediary must receive for performing direct collection of premiums. The draft notice is however silent on how remuneration to existing contracts must be structured. Does this provision necessitate drafting the new contracts to cater for this requirement or does the existing clause in the contract continue to stand? This provision addresses the oversight function that must be carried out by the long term insurer. Is this in terms of GOI5, looking into the fact that the function of collection of premiums has been outsourced to the independent intermediary?	The FSCA initially took a narrow approach, however after further consideration the scope has been widened to allow for other services to be perfomed. However, it must be noted that all the activities must be performed to benefit from this exemption. All intermediaries that qualify and want to enter into these agreements needs to notify the FSCA. The FSCA will publish a notification form to be used for these notifications. All intermediaries that qualify and want to enter into these agreements needs to notify the FSCA.

No	Commentator	Paragraph of the exemption	Issue/Comment/Recommendation	Response
			A fixed fee may not be appropriate as opposed to a percentage of premium. If fee is too low, for example - benchmarking against bank fees may be too low. Alternatively, it may be too high and thus endanger the entire arrangement. Different fees would have to be set over time to ensure adherence to the principle of 'reasonable and commensurate'. The costs of processing these deductions, and the associated administration will vary based on the respective remuneration systems, personnel, transaction volume and number of FSPs they are dealing with. This will be challenging with respect to 3(d)(i). The percentage basis provides a fair basis for all parties.	The intention here is not to replace the outsourcing notification to the PA in terms of GOI5. Please be reminded that this exemption was proposed pending the finalization of the broader framework on premium collection alluded to in the position paper. This is therefore only 1 step towards the finalization and the other changes to the subordinate legislation will be given effect to through amendments to the Regulations under the LTIA and STIA. It is therefore not intended to replace the concept for "accounting for premium" as referred to in the definition of "rendering services as intermediary" Regulations. The exemption is not stating that premium collection and accounting for premium now suddenly constitutes outsourcing, and no longer fall within the definition of rendering services as intermediary. That requires a change in the legislation. The requirement in respect of a transactional fee has been removed. Our view remain that the fee must be reasonable and commensurate with the actual costs involved of performing the activity, and in our view, it is the same activity and the same costs involved in performing the activity, regardless of the premium amount. No substantive arguments have been made why a higher premium warrants a higher fee which would be the case if the fee is % of premium.
8.	CIBA	"Independent Intermediary"	There is recognition that specific activities related to premium collection (both for direct and third party collection models) should be carved out of the definition of "services as intermediary"	If a TPPP performs the activity of accounting for premium, then in terms of the definition of 'rendering services as intermediary' they are required to be authorised by the in terms of s47A of the LTIA. The

No	Commen tator	Paragraph of the exemption	Issue/Comment/Recommendation	Response
			This will prevent the onerous requirement for dual regulation where third party collecting agents (e.g. SO's and TPPP's) must also register as intermediaries in terms of the Long and / or Short-Term Insurance Act. The SARB is the primary overseer in the NPS and therefore it is strongly suggested that the conduct standards are issued by the SARB in concurrence with the FSCA. It needs to ensure that these standards are fit for purpose, not onerous, nor a duplication of requirements.	TPPP would therefore be an independent intermediary as defined. We do not agree with the commentator that this is what the wording of the exemption implies – these premium collection related activities must be performed in accordance with the LTIA Regulations and is an existing requirement. There is no "registration as intermediary' under the LTIA or STIA. In considering the activities related to collection of premium consideration has to be given to the FAIS Act and the requirements to be registered as a financial services provider. In addition if a person performs activities that fall within the definition of "rendering services as an intermediary" under the LTIA that person would by definition either be an independent intermediary or a representative and will have to comply with the requirements in this regard.
9.	Absa	3 (d) The fee or remuneration that the independent intermediary receives for performing direct collection of premium – (i) must be reasonable and commensurate with the actual cost of performing the service, taking into consideration the nature of the function and the systems required to perform it; 3 (e) The independent intermediary must at all times have – (iii) appropriate systems and data integration capability to ensure that the relevant long-term insurer is readily able to access any	The standard for reasonableness can be subjective or objective, and we would therefore appreciate it if the Regulator can define or provide guidance on what will be deemed as 'reasonable'. We appreciate if the Regulator clarifies or provides guidance on what are the appropriate systems as the wording may have different interpretations.	The concept of reasonable and commensurate is common in insurance and the same as the remuneration principle is used in outsourcing. To understand the meaning of the requirement it has to be read as a whole concepts as follows: *The fee or remuneration that the independent intermediary receives for performing direct collection of premium must be reasonable and commensurate with the actual cost of performing the service, taking into consideration the nature of the function and the systems required to perform it.* Again, the requirement must be read in its totality to be correctly interpreted: Appropriate system would [paraphrased for easier understanding] be a system where there is data integration capability and the insurer is readily able to access any relevant data in respect of any direct

No	Commentator	Paragraph of the exemption	Issue/Comment/Recommendation	Response
		relevant data in respect of any direct collection of premiums on behalf of the relevant long term insurer at any given time;		collection of premiums on behalf of the relevant short-term insurer at any given time. . Our intention is not to be prescriptive in this respect. The objective is to ensure that the relevant long-term insurer is readily able to access any relevant data in respect of any direct collection of premiums on behalf of the relevant long-term insurer at any given time
10.	Financial Intermediaries Association of Southern Africa		We provide no comment as this is not a model that FIA member intermediaries are familiar with.	Noted
11.	Fulcrum Collections (Pty) Ltd		Our views regarding the Long-term Insurance Act's Regulations are identical to the submission made above in respect of the Short-term Insurance Act and its Regulations	Noted, please see response on short-term.
12.	Q LINK Holdings (PTY) Ltd (Q LINK)	1. Definitions "accounting for premium"	With the wording read as it currently is, one cannot define whether you will be classified as an Independent intermediary should you supply only one of these services, or whether you need to supply ALL of these services for your service offering to be defined as an Independent Intermediary. Should the idea of the FSCA be that the rendering of any of these services define the provider as an Independent intermediary, it is suggested that the wording be changed to: "…the rendering of any of the following information technology…." The addition will give clarity on the question of whether the service providers falls under the definition of Independent Intermediary should they only offer one of the services or not Alternatively, should the idea of the FSCA be that the provider needs to offer ALL of these services to qualify as an Independent Intermediary, it should ready "….the rendering of all of the following information technology…"	Noted, see changes to the definition to reflect the intention.

No	Commentator	Paragraph of the exemption	Issue/Comment/Recommendation	Response
			Since the definition of "accounting for premium" is so broad, clarity is needed on whether additional fees are allowed for services that will not necessarily be included in the collection of premiums, i.e. Account verification. Some of the individuals in our company is of the opinion that the services of offering Account Verification, or record keeping of debit order mandates, should disqualify a participant from being exempted.	Reporting from pre-validation services are included in definition. 1(b) includes bank account validation and verification and premium payment tracking.1(d) maintenance of records including record keeping of debit order mandates. Accordingly, no additional fees should be charged over and above this as it per definition forms part of accounting for premium.
		2. The exemption referred to in paragraph 2 is subject to the following conditions: (a)(i) Perform any other service as intermediary in respect of the policies to which the direct collection of premium relates.	Reasonable is very broad, suggest the Authority publishes a scale for remuneration related to the various services as a guideline. This will prevent unnecessary to and with regards to the fees presented in the Agreement to be submitted as per sub paragraph (b)	Noted, however the concept of reasonable and commensurate is common in insurance and the same as the remuneration principle is used in outsourcing. To understand the meaning of the requirement it must be read concepts as follows: *The fee or remuneration that the independent intermediary receives for performing direct collection of premium must be* *__reasonable and commensurate with the actual cost of performing the service, taking into consideration the nature of the function and the systems required to perform it. [our emphasis]__*
		3. (d) The fee or remuneration that the independent intermediary receives for performing direct collection of premium – (i) must be reasonable 3. (d)(ii) must be a fixed fee per transaction performed; 3. (d)(iii) may not be based on a percentage of the total premium amount received by	Clarity is needed on how the FSCA defines "fee". Will their definition include a % of each premium collected as a fee, meaning the % charged for each transaction needs to be fixed? Should the definition of fee not include/allow for the charging of a % of each premium, please see comment made in regard to 3.(d)(iii)	The grammatical meaning of the term 'fee' will apply. The notice refers to fee or remuneration. i.e. any form of payment. Our view is that the fee must be reasonable and commensurate with the actual costs involved of performing the activity, and in our view, it is the *same activity* and the *same costs* involved in performing the activity, regardless of the amount of the premium amount. No substantive arguments have been made why a higher premium warrants a higher fee, which would be the case if it links to the % of the premium.

No	Commentator	Paragraph of the exemption	Issue/Comment/Recommendation	Response
		the long-term insurer; and 3. (d)(iv) may not result in the independent intermediary being remunerated more than once for performing a similar function on behalf of the long-term insurer. 3.(e) The independent intermediary must at all times have –	Since life and funeral policies with a monthly premium payable can be claimed at any time, this restriction should only be applicable to a once of premium payment. Seeing as the collection of the premium will be a continued service until the policy laps or pays out. With the definition of “accounting for premium” being very broad, we suggest that the intermediary be allowed to charge for each “service” as defined in said definition. Suggest that the FSCA considers a requirement be added that the Intermediary be ISO and SABS certified to address the Protection of Personal Information of the insured.	Disagree. Argument that this should be liked to a once off premium payment is not understood. Disagree. There is no context provided to the suggestion that the intermediary must be able to charge for every single service performed, but on the face of it the suggestion seems to be open for significant abuse. The intention is not to create an additional income stream for intermediaries. Proposal noted. The suggestion will not be affected for purposes of this exemption but will be considered as part of broader policy considerations.
13.	Masthead Financial Advisor Association and Masthead (Pty) Ltd	1 2 3(a)(i)	We have no comments in relation to the definitions. We have no comments in relation to the definitions. If this condition means that a financial services provider that has been authorised by the insurer to collect premiums can only make use of this exemption if they don’t perform any other intermediary service in relation to those particular policies, then we question whether these intermediaries will be encouraged to shift to direct premium collection. It is not entirely clear to us why an independent intermediary that currently renders a financial service in relation to a policy and also collects the premium in respect of that policy, should not be able to make use of this exemption. Is it not these types of independent intermediaries that should be encouraged to shift to the direct collection of	Noted. Noted. The exemption Notice in draft provide remuneration, in the interim to Intermediaries performing direct collection. Interim solution to allow for remuneration outside of the scope of commission. The scope has been broadened following further consideration to allow for other services to be rendered.

No	Commentator	Paragraph of the exemption	Issue/Comment/Recommendation	Response
			premium model, as sometimes the collection of premiums is secondary to the financial services provided in terms of their FAIS licence?	
			Further to this, the explanation and background provided in FSCA Communication 22 of 2020 states that the "exemption would … enable the payment of additional remuneration over and above commission for the direct collection of premium". If this is the case, then it appears that the regulator's intent is for independent intermediaries who provide other financial services to be remunerated for premium collection too.	Scope has been widened. The intention is to allow for a fee for the services of facilitating the direct payment of premium from the account of the policyholder / premium payer into the account of the insurer.
		3(b)	Although we don't strongly object to the independent intermediary being required to notify the FSCA of an agreement to facilitate direct collection of premiums, if it is the responsibility of the insurer to authorise an independent intermediary to collect premiums in the first instance (in terms of s47A of the Act) it would make more sense for us that the responsibility to inform the FSCA of a change in the agreement relating to the collection of premiums is that of the insurers. Regulation 3.24 places the responsibility to notify the Authority of any arrangement where remuneration is paid for services not included in the definition of "services as intermediary" on the insurer and, although "accounting for premium", in our view, still falls into the definition of "services as intermediary", the principle of requiring the insurer to notify the Authority of any change in arrangement, should in our view apply to this proposed Exemption, particularly as the regulator was looking to carve out the collection of premiums from "services as intermediary" and to rather be classified as an outsourced activity. We have no comment in respect of this section, except to repeat our comment above, that this notification, in our opinion, should be undertaken by the insurer.	The exemption Notice is constructed narrowly and the wording "additional remuneration" is meant to mean additional to what is allowed in the framework. In this Notice the intermediary is being exempted, therefore it follows that it must be intermediary in respect of the notification.

No	Commentator	Paragraph of the exemption	Issue/Comment/Recommendation	Response
		3(c)	While the principle of remuneration being reasonable and commensurate is fine, practically we question how this is determined and, perhaps more importantly, who determines what is reasonable or commensurate with the cost of performing the service? While we believe that it is easy enough to do some benchmarks as to what a market rate is, this does not necessarily mean that it is commensurate. We are not sure how and who would monitor or decide whether a fee is reasonable or commensurate.	
		3(d)(i)	If we are reading this correctly, then we have some concern that the only fee that can be charged or earned by an independent intermediary is a fixed fee per transaction. We think that there are certain fixed costs that will be incurred irrespective of the number of transactions performed. We suggest, therefore, that it would be preferable to have a fixed or base fee together with an additional or variable fee per transaction to ensure that at least a minimum fee will be paid. If the aim of the proposed exemption is to encourage a shift to a direct collection of premium model, then we don't see this being taken up unless the accompanying terms and conditions are viable, financially and/or administratively. We think our point about minimum fixed cost is illustrated and substantiated when one looks at the requirements placed on an intermediary in terms of clause 3(e).	Disagree, the wording is aligned with the general principles found in the regulations issued under the Short- and Long-term Insurance Acts.
		3(d)(ii) & (iii)	If this means that the independent intermediary cannot be remunerated for the same function in relation to a particular policy, then we have no objection. Put another way, if the intent is to prevent double-dipping, we support that, subject to the qualification below. The draft wording states that an intermediary may not be "remunerated more than once for performing a similar function on behalf of the short-term insurer". A "similar" function is different to the "same" function. If the functions performed by the intermediary are similar but not the same, then we see no reason why the FSP could not be paid for each function. We would suggest that the word "similar be replaced with "same".	The wording id consistent with the wording in the regulations.

No	Commentator	Paragraph of the exemption	Issue/Comment/Recommendation	Response
			We think that the numbering of this section is incorrect and should be 3(e)(i)-(iv) instead of 3(e)(iii)-(vi).	Noted, corrected.
		3(d)(iv)	We support the requirement for independent intermediaries to have appropriate systems etc. in place. However, we are not sure how practical it is for the insurer to have access to relevant data "at any given time" unless the intention is that the insurer has uninterrupted, direct access to the systems of the independent intermediary. If this is not what is envisaged, then providing for a reasonable time period subject to a maximum allowable time may be more realistic. To address this concern, we suggest that this clause, which should be 3(e)(i), could be reworded as follows: "appropriate systems and data integration capability to ensure that the relevant short-term insurer is readily able to access any relevant data in respect of any direct collection of premiums on behalf of the relevant short- term insurer at any given time".	The intention of access to data is to require the same integration that is being required for binder holders in terms of the Regulations under the LTIA and STIA This is why the word integration is used in the draft exemption. Integration is defined in the regulation issued under the LTIA and STIA and means policy and policyholder data is in a format that is readily recognisable and capable of being meaningfully utilised immediately by the core insurance systems and applications of the insurer. We are therefore of the view that having a similar requirement in the exemption notices are appropriate.
		3(e)	We support the requirement for independent intermediaries to have robust business continuity and disaster recovery plans in place to address potential risks.	
		3(e)(iii) 3(e)(iv) 3(e)(v) & (vi)	We have no objections and no further comments in relation to these sections.	Noted.
		3(f)(i) - (iii)	We agree with these requirements, as long as it is clear that the requirement that an insurer satisfies itself of the adequacy of the independent intermediary's governance, risk management and internal control framework, including the intermediary's ability to comply with applicable laws is an obligation on the insurer and is not seen to be the responsibility of a third party, unless the insurer engages or contracts directly with that third party. Where there are similar regulatory oversight requirements placed on financial institutions (including insurers), we have seen many examples of them simply diverting their oversight responsibility	3(f) under extent and conditions of the exemption states that the insurer must satisfy itself of the adequacy of the independent intermediary's governance frameworks. The accountability for this is with the insurer.

No	Commen tator	Paragraph of the exemption	Issue/Comment/Recommendation	Response
			back to the intermediary. For example, they compile a standard letter/certificate and say to the intermediary "get your auditor or compliance officer to sign this". The consequence of it not being signed is that the financial institution threatens to cancel the agreement.	

SECTION C - GENERAL COMMENTS

No	Commentator	Comment/Recommendation	Response
1.	Barolong funerals	The draft will bring poverty to the people as some are employed by the Undertakers (who are field workers looking for clients on the field) and Administrators. In the very same time our government says it will bring more job but other regulations trying and planning to cut jobs. As undertakers we at times offer free CSI services where family members cannot afford to bury their loved ones. We have running costs that we need to pay as a company, insurances of both stock(s) and cars. We have built a relationship with our clients and we have gain trust with them.	It is not envisaged that the funeral industry would be affected in any detrimental way by this exemption Notice in draft. The Notices, in draft, provides for an exemption for intermediaries that performs the service of direct collection of premium. The nature of an exemption is not to prohibit a current practice or impose new rules on regulated entities that collect premium in the traditional sense of the term. The intention is to facilitate the payment of a fee where the premium is collected form the account of a policyholder directly into the account of the insurer, subject to the conditions of a current provision in the regulatory framework. The draft notices do not in any way impede on the intermediaries' relationship with the policyholder or vice versa. Furthermore, the commission in respect of policies written under the funeral class of life insurance business as set out in Table 1 of Schedule 2 of the Insurance Act, 2017 is uncapped and therefore not impacted by this.

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			The concerns raised by the commentator noted, however we will not respond as it does not directly relate to the draft exemption notices
2.	Pioneer Funeral Administrators FSP 41507	How are insurers going to collect from funeral societies? This will result in more funeral societies and groups collecting on their own to protect the society scheme. This will result in creating a bigger non-compliant culture. This will result in taking away jobs, this is not the solution for Funeral Assistance business. The solution is simple, Funeral Assistance must fall under a completely different law with their own rules, with set standards.	It is not envisaged that the funeral industry would be affected in any detrimental way by this exemption Notice in draft. The Notices, in draft, provides for an exemption for intermediaries that performs the service of direct collection of premium. The nature of an exemption is not to prohibit a current practice or impose new rules on regulated entities that collect premium in the traditional sense of the term. The intention is to facilitate the payment of a fee where the premium is collected form the account of a policyholder directly into the account of the insurer, subject to the conditions of a current provision in the regulatory framework. The draft notices do not in any way impede on the intermediaries' relationship with the policyholder or vice versa. Furthermore, the commission in respect of policies written under the funeral class of life insurance business as set out in Table 1 of Schedule 2 of the Insurance Act, 2017 is uncapped and therefore not impacted by this. The concerns raised by the commentator noted, however we will not respond as it does not directly relate to the draft exemption notices
3.	Brolink FSP 10834	Par 2.2 of Communication 22 explains that, in line with the Position Paper of April 2019, the Authority wants to grant an exemption on an interim basis to insurers and intermediaries from the commission regulations for collection of premium into an insurer's bank account. It would therefore appear that the Authority recognises that intermediaries may perform this function and earn 'remuneration over and above commission' giving the	The scope has been widened to allow for other services to be rendered.

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		impression that intermediaries will be entitled to be fairly compensated for providing a service (that has a cost component as well as a savings benefit for and insurer). This impression is strengthened in Par 3.3 that states that the Authority must be enabled to monitor 'agreements in terms of which any remuneration in addition to commission is being offered to an independent intermediary for the performance of 'accounting for premiums' in the direct collection model'. From these two paragraphs it therefore flows that an independent intermediary may earn commission as well as remuneration for accounting for premiums. This is of course subject to certain limitations as well as conditions, which we welcome as the collection of premiums must be free from conflicts of interest, manipulating policies and policyholders and fee structures that is to the disadvantage of the policyholder. Par 3.3 goes further to confirm that remuneration will be payable from the interest portion the insurer gains as a result of direct debit collection and the 'additional remuneration' payable will not be passed on to the policyholder.	
		Our first comment on the Draft Exemption is that it must be clear and unambiguous as to meaning and intent. The basis of issuing legislation is to use plain language, making it understandable for someone other than a lawyer. It should not be open to interpretation or manipulation. The draft exemption is, with respect, ambiguous. We debated it in the industry and there are as many interpretations as there are persons reading it. We therefore recommend the Authority redraft the document in a manner that sets out its intention – if this is to curb abuses by commission earners then it should clearly state that. The conflicts in the industry does not lie mainly with binder holders – it lies mainly with binder holders that also are commission earners – and therefore that should be clear in Section 3(a). We should appreciate the opportunity to again submit comments on a re-draft of the exemption from which the intention of the Authority is stated without any ambiguity. We believe, as active participants in an economy which is currently under severe strain, it is important that we understand if and how our income might be affected. There are currently the following direct collecting entities who might be affected by the conditions in section 3a: NMI's who perform intermediary services (including advice) only and no binder functions; NMI's who	The intention of the exemption is not to limit any remuneration currently earned that falls within the regulatory framework. The FSCA published Communication 22 of 2020 together with the draft exemption to position the exemption and provide context to the proposed exemption The nature of an exemption is to relieve a person (subject to conditions) of a requirement in legislation and not to impose new legislative provisions. The communication itself does not have a legal power, and if somehow considered in contradiction of the draft notices, the provisions of the notices should take precendent.

No	Commentator	Comment/Recommendation	Response
		perform services as intermediary as well as binder functions; Collection Bureaus (such as IGM); UMA's Entities (such as ourselves) that conducted business as "administrators" prior to the introduction of the Binder Regulations, who continued thereafter as NMI's but who do not provide advice.	
		Which of the above entities is intended to be prohibited from earning additional fees for direct collections? It is our contention that the wording of Communication 22 is inconsistent with the Draft Exemption as the Draft Exemption limits the payment of remuneration to such an extent that a person earning commission or any other form of remuneration will not be able to earn a fee for performing the service. Even though the wording in Section 2 of the Draft Exemption limits the applicability of the Exemption to intermediaries performing direct collection only, the Exemption in its current format would, for reasons provided in the comments under Section A, read with the comments under Section C, also preclude intermediaries holding a binder and administering policies only, from earning additional remuneration for direct premium collection, even though such intermediaries do not control where policies are placed, cannot manipulate policyholders, does not have an inherent conflict of interest relating to the policyholders and can be limited to earn a fee commensurate with the service provided.	The wording in paragraph 3 (a) (i) and (ii) has been removed and therefore the scope widened to allow for other services to be rendered.
		The aforementioned is patently unfair as the insurer would gain by the interest saving as well as not having to employ people and systems to perform the collection, whilst the intermediary would lose out as it cannot earn the fee for providing a service (against incurring a cost in terms of system development, personnel, etc.). This is also inconsistent with the RDR proposal, the Position Paper and Communication 22, all, which consistently provides for additional remuneration for intermediaries. As stated before there should be sufficient controls in place to avoid conflicts situations and abuse, such as notification of contracts, no fees if an intermediary holds a commission agreement, limitation on fees, fees may not be expressed as a percentage of premium, etc. These controls are welcomed and will achieve the objectives of the Authority without the Authority making it virtually impossible for a binder holder or administrator that is not registered for advice or earns commission, to earn the additional income. We therefore respectfully request the Authority to revisit this issue	

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		and strengthen controls without precluding intermediaries from earning these (reasonable) fees.	
4.	The Banking Association South Africa ("BASA")	We note that this exemption only applies to future agreements between an insurer and independent intermediary. **Clarity:** We would appreciate clarity as to whether independent intermediaries and/or insurers with existing agreements in place, that comply or are able to comply with the conditions of this exemption, have to formally apply for a similar exemption in order to have the benefit afforded under this proposed exemption.	All intermediaries who want to make use of this exemption must notify the FSCA. The Exemption once published becomes effective on the commencement date. All intermediaries performing direct collection of premium services, subject to the conditions, will be able to receive the remuneration provided for.
5.	Guardrisk	A principle distinction must be established between monthly premiums and annual premiums (invoiced) also refer FSCA comment recommendation monthly premiums should only be direct collect method into insurer bank account while, annual may be outsourced to third party; Consideration of instances where are multiple insurers. Which insurer would be responsible for the oversight in respect of the agreement to collect premium? In respect of the proposal paper Future Premium Collection Framework, we comment that it is simply not practical for business to apply to FSCA the latter are not geared for volumes of applications. We submit that we need to appreciate that FSCA the commercial considerations, speed to market for insurer and that the collecting party for the purpose of business efficiency. We caution that should the requirement for approval to FSCA (as per proposal 2 of the Proposal paper) is likely to frustrate business efficiency and similarly impact the intention of financial inclusion and impede the fair treatment to policyholder. We instead propose a Notification to the FSCA instead of a approval.	Noted, the differentiation between "invoiced" business and monthly premiums is under consideration for future framework, whoever it makes no sense that the Authority must limit direct collection to only monthly premiums. The motivation for this comment is not understood. Each insurer is responsible for the oversight in respect of its own policies. The exemption in draft, 3(c) provides for a notification process currently and approval is not required.
6.	Hollard	1. As is, the exemption applies to entities which are collecting premiums and not performing any other intermediary service.	Comment noted. The exemption was drafted in a specific way to achieve a very particular outcome

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		However, it is important to note that some intermediaries also perform tasks such as switching premiums from the policyholder's account and directly into the bank account of the Insurer. The intermediary agreement would clearly stipulate that the services rendered are not the collection of premium but the provision and operation of the information technology system that allows the entity to debit the premium and place it into the Insurer's account. There are no accounting functions executed and the insurer performs all the accounting functions. Therefore, we submit that the exemption should clearly stipulate that it will only apply to premium collectors and not where an FSP is assisting with an IT system to switch premiums from the policyholder's account to the Insurer's account. It is only where there is specific accounting or reconciliations done where the exemption should be applicable. 2. We also do not agree with the approach of not allowing other intermediaries the option of applying for this exemption if it can be shown that the extra fee is only for this function and no other function. This activity should be an activity remunerated over and above all other intermediary services to encourage this model even where accounting for premium may be done.	- it is set out to provide interim relief for entities that perform direct collection of premium by allowing them to earn a fee for these activities, which is not commission. This is in line with the message from the FSCA that supports the move to direct collection of premium to avoid the risks prevalent where an intermediary collect and holds the premium on behalf of an insurer. After further consideration the scope was widened to allow for other services to be rendered, however all activities as stated in the definition of accounting of premium must be performed to benefit from this exemption. The draft exemption provides a specific definition of "accounting of premium" in the context of direct collection of premium and detail the activities it consists of in respect of direct collection. Please note that the definition is not intended to take on the normal grammatical meaning of the word – it was drafted to accommodate the direct collection of premium and to be used for purposes of interpreting these notices in particular. We are therefore of the view that the definitions of accounting of premium and the activities thereunder is specifically set out in the exemption is appropriate for achieving the aim as explained. .
7.	SAIA	Clarity is sought as to whether independent intermediaries and/or insurers with existing agreements in place, that comply or are able to comply with the conditions of this exemption, have to formally apply for a similar exemption in order to have the benefit afforded under this proposed exemption.	Once the Exemption is published (effective date), all intermediaries performing direct collection of premium, subject to the conditions, may be remunerated as provided for in the Exemption. The independent intermediary must notify the FSCA as required by 3(b) and benefit from the exemption.

No	Commentator	Comment/Recommendation	Response
		The FSCA is requested to circulate the comments to the FSCA Position Paper on future Insurance Premiums Collection Framework of 9 April 2019 as well as the FSCA's response thereto.	The position paper set out the proposals on the future framework for premium collection. It is not a regulatory instrument and typically the FSCA would not do a detailed consultation report on the responses on a position paper. The intention is that the proposals and comments received thereon will inform proposed amendments to the Regulations. When these draft amendments to the legislation are published for public comment, there will be an opportunity for public comment and the process for making Regulatory instruments as prescribed in terms of section 98 the Financial Sector Regulation Act, 2017 will be followed.
8.	ASISA Member A Member B	It appears that this exemption only applies to future agreements between an insurer and independent intermediary. Clarity is sought as to whether independent intermediaries and/or insurers with existing agreements in place, that comply or are able to comply with the conditions of this exemption, have to formally apply for a similar exemption in order to have the benefit afforded under this proposed exemption. Is this draft proposal not in conflict with the recently published exemption to regulation 8.2 regarding maintaining of separate bank accounts by independent intermediaries? Or will Regulation 8.2 be repealed as the proposed regulation takes effect? Will this regulation apply to all the long term-insurers and their independent intermediaries on publication and compliance become mandatory or will the insurers have the option to continue to apply current regulations where Section 49 applies?	From the effective date of the agreement, all intermediaries that performs direct collection in respect of a policy can be remunerated for this, subject to the conditions. All the intermediaries who wishes to make use of this exemption must notify the FSCA. The exemption does not relate to typical activity of collection of premium, where the intermediary receives the premium on behalf of the insurer. It only relates to where the premium flow directly from the policyholder's bank account into the insurer's bank account (commonly referred to as direct collection of premium). No, physical collection is being done in respect of direct collection of premium only, no conflict established.

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			The exemption, once final and published will come into effect on date of publication. The exemption does not prohibit any current remuneration practices allowed within the regulatory framework, It merely facilitates an allowance for remuneration if very specific functions are being performed in respect of direct collection, subject to the conditions imposed. Normal commission for rendering services as intermediary, or binder functions is not affected.
9.	Absa	PROPOSAL 1: Identification of premium collection related activities and principles for remuneration for collection of premiums. a) It is proposed that the physical collection of premiums is carved out from the definition of "services as intermediary" and re-classified as an outsourced activity for which an outsourcing fee may be paid. Absa supports this proposal. PROPOSAL 1: Identification of premium collection related activities and principles for remuneration for collection of premiums. Absa supports this proposal.	Noted
10.	Masthead Financial Advisor Association and Masthead (Pty) Ltd	As Financial Services Providers that collect premiums are also subject to requirements set out in FAIS Act legislation, we ask that guidance in relation to this proposed Exemption is provided insofar as it will impact the FSPs obligation under the FAIS Act.	The exemption relates to the commission requirements in the LTIA Regulations and the STIA Regulations. It will not impact the obligations under the FAIS Act, 2002. The collection of premiums and the activity of accounting for premium is not carved out of the definition of intermediary services by this exemption. This is an interim relief to allow remuneration for direct collection only.
11.	Funeral Federation of South-Africa	➢ Obtaining the application for a death certificate ➢ Registration of the death ➢ Negotiations with cemeteries and crematoriums	It is not envisaged that the funeral industry would be affected in any detrimental way by this exemption Notice in draft. The Notices, in draft, provides for an exemption for intermediaries that performs the service of direct collection, and does

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		➢ Making arrangements with churches and halls, ministers, priests, and other parties related to families' specific customs and religion ➢ Preparing the grave with the necessary equipment ➢ Arrange or supply tents, chairs etc. 1. BACKGROUND WHO IS THE FUNERAL INDUSTRY? 1.1 FUNERAL DIRECTORS Some people portray a funeral director as the pale guy in the striped suit who drives the hearse and hands out funeral programs while measuring people's length in his mind with his eyes. Some people think that a funeral director is just another word for a glorified garbage collector. People do not realize that there is much more going on in a funeral director's business than just collecting bodies and lowering them into the ground. In some cultures and communities the funeral director is respected the same way that people respect their church leaders like ministers, pastors etc. It is the person that sometimes must advise between a funeral and a cremation. He is the person some people go to, to ask for advice relating to family matters or anything else because you trust him. He is the person that was there for them when they stood naked before the realities of life and death. A funeral director is a counsellor, a comforter, a preacher and as such he leads communities to God. The result is that the funeral director is fully trusted by the community they practise in. These are the characteristics people see in a funeral director and there are a lot of variations in between. 1.2 FUNERAL BUSINESS There is much more going on in a funeral director's business than meets the eye or what people see and believe. It is a place where most of the funeral related activities come together and are co-ordinated from. The funeral industry can be seen as event co-ordinators for a specialized event: The Funeral. The industry also renders some of these very necessary integrated services and helps families through the following process: ➢ Making arrangements for the flowers, wreaths, etc.	not receive commission or other remuneration. The nature of an exemption is not to prohibit a current practice or impose new rules on regulated entities that collect premium in the traditional sense of the term. The intention is to facilitate the payment of a fee where the premium is collected form the account of a policyholder directly into the account of the insurer, subject to the conditions of a current provision in the regulatory framework. The draft notices do not in any way impede on the intermediaries' relationship with the policyholder or vice versa. Furthermore, the commission in respect of policies written under the funeral class of life insurance business as set out in Table 1 of Schedule 2 of the Insurance Act, 2017 is uncapped and therefore not impacted by this. The concerns raised by the commentator noted, however we will not respond as it does not directly relate to the draft exemption notices

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		➢ Collecting all the details for the programs ➢ Printing or arranging with printers for the programs ➢ Supply of hearses and family vehicles (which in itself is a major financial burden) ➢ Negotiations with catering companies ➢ Supplying funeral packages to cover all of the above ➢ Coffin manufacturers ➢ Wreath manufacturers ➢ Tombstone manufacturers ➢ Equipment manufacturers ➢ Crematoriums ➢ Florists ➢ Event companies that supply tents, chairs, and other equipment ➢ Catering companies ➢ Vehicle convertors ➢ Funeral insurance companies and administrators ➢ Informal vendors who sell a number of consumer products, especially at the SASSA paypoints where the grant payments are conducted by the government appointed grant distributing agencies. 1.3 THE NEED FOR THIS INDUSTRY There are two things in life that are certain: death and taxes. While government collects taxes, we are at the coalface of death and death related services. When there is death in a family people do not want to run around. They want to go to someone that can help them with everything. This is a once in a lifetime service and you need to get it right the first time, there will not be a second chance. You need to give this responsibility to someone you trust and have a relationship with. You cannot give this to a stranger, and families do not want to be treated as just another number. You can entrust this task to someone you have built a relationship with: your funeral director and your funeral services company. The existence of the funeral industry is also part of job creation. Allied to the funeral industry there are several other businesses that form part of the supply chain:	

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		1.4 ROLEPLAYERS The Funeral Industry consists of a huge number of formal and informal operators. Some of them are registered and some of them are unregistered and operate under the radar. The registered operators are those who must bear the burden for the whole industry. Every time that there is a new law or a new regulation, they are the ones that pay the price for adherence. New laws and regulations never affect the unregistered operators. The registered operators are those who make an effort to comply with the law, but they are the ones that are going to be mostly affected by this regulation as referred to in FSCA Communication 22 of 2020. 1.5 FUNERAL INDUSTRY BUSINESS RELATED TO INSURANCE INDUSTRY Part of the funeral industry's everyday operation is to sell funeral policies so that the consumer is able to pay for the funeral and services that they prefer. Why is the funeral industry in the funeral insurance market? It is quite clear that law-enforcement agencies (FSCA) do not recognize the role and function of the funeral industry at all. It only sees the insurance industry and although the insurance industry plays a vital role in the funeral industry it does not recognize the two industries as complimentary to each other and that they need each other to survive and render services to the public. In fact, this change proposed in Communication 22 of 2020 is nothing more than to legalize the hostile and immoral takeover of the funeral industry by the insurance industry. It is clear that this hostile takeover of the funeral industry as spelt out in this newly proposed regulation is being assisted by the FSCA directly. Let us start by asking the question: **Why do the products of the funeral industry still survive and grow if there are so many insurance companies, banks, retail outlets and supermarkets that provide funeral insurance at a much cheaper rate direct to the public?** The reason is that this is what the end user wants! (Also see an objective view later) Insurance companies, banks, retail outlets and supermarkets have the benefit of:	

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		✓ A much larger footprint than the majority part of the funeral industry ✓ Marketing budgets ✓ Specialized distribution channels ✓ Bargaining power ✓ Dedicated registered teams ✓ Analysts & strategists But still most consumers choose the sometimes more expensive funeral package from the funeral industry. That is a consumer decision, that is not an industry or government decision. The insurance companies have tried for years now to penetrate the funeral insurance market with mixed success and they have realized that there is only one way to penetrate that market, and that is to take it over. The strategy is to drive legislation that will criminalize the funeral industry in its current form. Why do the consumers still go to the funeral homes for their financial services for funeral policies? The reasons are very clear and these are: Sense of identifying with a local operator who is part of the same community, the local funeral operator. Trust that has been developed over generations as most funeral operators' businesses are second or third generation businesses. The FSCA is now threatening to destroy these relationships and transferring them to the deep pockets of the fully established insurers. The funeral industry operators are nationally represented all over the country, especially in smaller towns making it easily accessible and affordable to the poorest of the poorest, especially the old and poor citizens of our country. Reversal of the financial inclusion to the financial services industry by taking these critical financial services out of the hands of the funeral parlours/ directors. Funeral directors are some of the major job creators in the local economies, especially in the smaller and rural towns where there are no jobs at all. 2. THE REASON FOR LATE PARTICIPATION	

No	Commentator	Comment/Recommendation	Response
		2.1 MISPLACED TRUST IN INSURANCE COMPANIES The sad and painful truth is that the Funeral Industry trusted the Insurance Industry far too much. Those who chose to take the registered route and to get underwriting were the ones who were misled by an industry whom they have thought would be their equal partner in this mutually beneficial joint venture. The role of the funeral industry was to grow the book and to sell funeral policies. In return for that, the insurance industry provided underwriting, and supplied registered and compliance departments free of charge to make sure that the funeral industry, encompassing all those small businesses who are trying to make a living, put food on the table, complied with the law and are compliant within the law. This relationship was intended to be mutually beneficial. What a rude awakening it is now to discover that all the insurance industry is interested in is the cannibalization of the funeral industry. One of the underlying reasons the Funeral Industry did not participate in any process over the last couple of years was because our "trusted" partners in the insurance industry, the underwriters and their administrators made the Funeral Industry believe that they have everything under control in terms of legislation and that the Funeral Industry has nothing to worry about. They lulled us into a false sense of security by assuring us that they would inform the Funeral Industry on a continuous basis if there was anything intrinsically relevant to the law in the Funeral Industry's business.	
		2.2 TRUST IN THE FSCA These Insurance Industry product suppliers are all registered with the FSCA and the Prudential Authority. The FSCA and relevant authorities expect us to abide by policy protection rules and fair treatment of the customers; but the funeral industry is also a customer, but was not treated fairly at all by those who now seek to be recognized as the only owners of the Insurance products, in particular the Funeral Insurance products. Products by the way which we helped develop through years of industry experience and dealing directly with consumer needs. We believe that this public participation is only red tape and that you have already made your decision on this regulation. The funeral industry gave their response on the COFI Bill more than a year ago and up till now has not received any response from the FSCA. It feels as though the FSCA and	We do not agree with the claims made in this paragraph. The comment made that the funeral industry is 'also a customer' is not understood, as for purposes of the FSCA's mandate a "financial customer" has a defined meaning in the Financial Sector Regulation Act, 2017 (FSRA), as follows: *"financial customer" means a person to, or for, whom a financial product, a financial instrument, a financial service or a service provided by a market infrastructure is offered or provided, in whatever capacity, and includes: -*

No	Commentator	Comment/Recommendation	Response
		other relevant authorities is ignoring us as the funeral industry. The constant moving of goal posts is also discouraging people to engage with the FSCA. 2.3 UNITY IN THE FUNERAL INDUSTRY It is not a secret that the funeral industry has failed to speak with one voice over the years and maybe this fragmentation is being used as a deliberate ploy to exclude and marginalize the industry. We would like to put it on record that the unification of the industry is now firmly on the agenda and that the days of divide and conquer are numbered. We are the first to admit that there are operators within the industry that flout the laws of the country and this needs to stop. As reasonable and law-abiding citizenry, we would like to join hands with government and the relevant authorities such as the FSCA and others to ➢ Who pays our marketers? We, as funeral industry. ➢ Who designs the products that we sell? We, the funeral industry. ➢ Who pays for the software to keep record? We, the funeral industry. ensure that this practice is rooted out. We all want to operate in an environment where every participant feels safe to do business and where consumers are not only protected but also properly serviced in their hour of need. 3.THE PROBLEM WITH FSCA COMMUNICATION 22 OF 2020 3.1 THE FUNERAL INDUSTRY IS NOT JUST INTERMEDIARIES The notice mentions the following: Qualifying intermediary – will this also be an **interim** arrangement? Interim Exemption - Why only an interim exemption? How many complaints did the ombud receive from the Funeral Industry? Not from corporate funeral insurance, but from Funeral Insurance sold by the Funeral Industry (registered and registered entities)? The Funeral Industry is still not recognized within the Long-Term Insurance market by the relevant authorities. We are not just "Intermediaries" like the law describes us, we are product developers whose offerings are	*(a) a successor in title of the person; and* *(b) the beneficiary of the product, instrument or service;* In our view the funeral industry acts in numerous capacities in relation to funeral insurance policies but being a customer of such policies is not one of these capacities. Please note that the FSCA has a very specific mandate conferred on it by Parliament and through the in terms of section 57 of the FSRA the objective of the FSCA is to, inter alia protect financial customers by promoting fair treatment of financial customers by financial institutions. We reject the suggestion that the FSCA is not acting as a transparent and responsible regulator. This was also confirmed in the workshop held with the funeral industry participants on 25 June 2020 during which the aim and the impact of this exemption was discussed in detail. Regarding the comments on the Conduct of Financial Institutions Bill (COFI), as was also mentioned during the above workshop, commentators are reminder that this is a project of the National Treasury and it is not of the FSCA to respond to the comments made on the draft COFI Bill, The comments in this regards should best be directed to the National Treasury as the policy maker. For purposes of this comments matrix we did not respond to each and every comment made, and kept responses limited to relevant comments to the actual draft notices.

No	Commentator	Comment/Recommendation	Response
		underwritten by Insurance Companies. These product offerings and the service we render are vital to the success of the Funeral Insurance sub-section. The underwriting of the policy is only an ingredient of the package that we sell and there is no way that the Insurer can claim ownership thereof. Can the FSCA please recognize our Industry and the role we play? Stop referring to us as intermediaries and give us our own definition. If the FSCA does not recognize the Funeral Industry for what it is, the Funeral Industry will probably decide to distance themselves from the Insurance Industry. **The unfairness of this approach** The document mentions "appropriate remuneration". Everything shows that there is going to a commission cap with a lot of rules and restrictions, but: ➢ Who pays for the infrastructure that surely helps selling the product? We, the funeral industry. ➢ Intermediaries must have certain skills and must adhere to stricter regulations every day which becomes expensive. (Appointment as FSP and Compliance) ➢ **There are a lot of intermediary responsibilities but not much insurer responsibilities except for controlling and enslaving of the funeral industry.** ➢ Why remuneration arrangements? What about free market economy? ➢ We only get a capped commission while we have to do ALL the work and development of policy structure and packages. How appropriate is this? ➢ How will the products be sold to the consumers in future as there is no clarity of who will be paying for the marketing of the products? ➢ Will funeral directors now have to write the RE5 exam to operate as representative for insurance industry and who will cover the costs of these exams and learning material? 3.2 THE PURPOSE OF FSCA LICENSES	

No	Commentator	Comment/Recommendation	Response
		Why did the FSCA encourage the funeral industry to apply for licenses if the FSCA does not trust the Funeral Industry anymore and want to take the functions out of our hands and give it only to a selected few. We would like the FSCA to explain to us what the purpose of our licenses will be in future. If the funeral industry is not the owner of the funeral policies and if the funeral industry cannot earn a decent commission from the collection of premiums then the funeral industry will not be willing to jump through all the hoops to have a FSCA license. The insurance industry can sell all their own funeral policies and the funeral industry will use other ways to fund the funerals even if these can be categorized as "unregulated" at the behest of the funeral industry. **Need for dedicated Funeral Industry regulator:** Part of the funeral industry submissions in the Cofi Bill was to recommend that this industry needs its own dedicated regulator who will have time, capacity and professional approach to understand the funeral industry broadly and in depth. This dedicated regulatory body can work directly with all the parlours and their associations in helping to get all funeral parlours to be registered according to the financial services regulations that will need to be promulgated and be relevant to the specific funeral industry needs. Most funeral associations are in full agreement with this deep need of regulating the funeral industry. 3.3 SOCIO-ECONOMIC REASONS: WHERE IS THE MIDDLE? Government is trying to close the gap between rich and poor. That is something that has not been very successful in the past decades. The rich are getting richer and the poor are getting poorer and there is no middle. This exact same pattern also reflects in the way that the FSCA and Prudential authority is handling the Insurance Act at this moment. The already rich insurance companies will only get richer with these regulations and the unregulated market in the funeral industry and funeral insurance industry will boom. The registered operators in the middle who are trying to be compliant with the law will vanish. Most of them will join the unregulated section of the industry. Until now the relevant authorities did not have the teeth to show to these unregulated operators yet, we are not sure if they will have the teeth in future, but many are willing to take the chance.	As commented above, proposals as such and comments on the draft COFI Bill is best directed at the National Treasury, as it does not relate to the draft exemption notices.

No	Commentator	Comment/Recommendation	Response
		If you take out the middle rungs of a ladder, how will you be able to get from the bottom to the top? This is exactly what happens with this law and regulation now. There is no way for a startup business to get from the bottom to the top. There are no progressive requirements in the middle. Those who are already at the top will stay at the top. Those who are at the bottom will stay at the bottom. There is no way for an entry level business to grow gradually into a national giant within the law. 3.4 ADMINISTRATION COST & COMMISSION STRUCTURE How does the FSCA anticipate a fair commission structure will work? Now we get a percentage of each premium whether it is 20% or 70%. Commission is payable if and when a premium is paid. If our role will change so that Funeral Directors will only sell policies, how will the commission structure work? Will it be the same as other life policies? On a R100 premium you get R300 once-off, and if the policy lapses within 24 months there will be a commission claw back. Who is going to administer all that and what will the administration cost be? How are insurers going to deal with the claw backs? And what if the intermediary decides to stop his operation? Where are they going to find him/her to claim their claw back? There is much to say about the lucrative funeral industry but somehow there must be some kind of incentive for the funeral industry to participate in these structures as it would not have grown to the extent that it has being growing over the past decade. With the inclusion of the funeral industry, the funeral insurance industry will also grow. If the funeral industry does not grow, the funeral insurance industry will not grow to the same extent it is growing now. 3.5 PUBLIC INTEREST In what sense have you determined what the public interest is? Do you have any factual figures in terms of surveys conducted in the public interest and what was the basis and size of the sample? The regulator needs to take in the fact that it is not the insurer that actually deals with the client but the funeral industry per se. The relationship exists between an accessible funeral director and the client and not a client and a call centre of an insurer. One needs to acknowledge the reality of trying to access an insurer during normal working hours which is tedious in itself	

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		to resolve an urgent issue such as death and the removal of a corpse from the place of death on an immediate basis only to get through to a call centre operator who at best is incompetent in most circumstances and will not escalate the matter to a superior because of their protocols, needless to say what happens outside normal business hours. When a client who has a relationship with a funeral director has a problem, they are able to contact the funeral director's business on a 24/7 basis with immediate service and availability. One fails to see how this benefits the public interest in terms of immediate and complete service. 3.6 COLLECTION OF PREMIUMS BY INSURERS The insurers are purely underwriting the risk for the funeral business. The risk is therefore vested with the actual funeral director business in that they have to honour the claim by rendering the service. The collection of premiums by the insurer is surely inconsistent in that they have not actually sold a policy or funeral package to the end user and therefore are not entitled to the proceeds of the sale or the intellectual property vested in the development of the policy. On the point of collections, the end user (policy holder) is largely from the unbanked sector and mostly pay premiums at conveniently located offices or pay points arranged by the Funeral Directors. This is not available from the insurance companies. The costs of them paying by debit orders, electronic pay points (PayAt etc) is an added expense which they are loathe to pay. The bank charges applicable when there are no funds in the account is another factor which affects the preferred method of payment. The clients do not want to deal with a faceless, unknown entity but with someone who is visible, available and on call. People name the Funeral Director when asked who they have a policy with and not the underwriter. Furthermore, the insurer is unable to sell a complete funeral package (i.e. the actual services provided by the funeral director business – removal, storage, coffin, and all other ancillary services). They can only provide the monetary portion of the claim which was written by the Funeral Director.	

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		Based on this point how can they claim to have ownership of the funds collected as they are not providing any of the services related to the actual type of policy sold except for the monetary portion? This concern was also raised with the FSCA during the COFI Bill but up to now no answer has been forthcoming. 3.7 REGULATION The regulator needs to show us how they police their policy. It is only the registered funeral directors that are underwritten who are subject to regulation, compliance, fees, etc. because they are on record. What is happening to all the unregulated operators that are neither registered with COC's for basic operations related to funerals or infrastructure? These parlours are under the radar and are not affected by a regulation that should be including all entities that trade in the funeral and insurance space. Furthermore, the regulators need to show how many inconsistencies there are in terms of claims not being honoured by the Funeral Directors (registered service providers) in terms of overall claims over a fixed period in time as compared to the Insurance Industry. It cannot be correct that funeral directors' marketing policies and packages fall under the rules being proposed. The sale of these policies is the sole creation of the funeral industry and should be their intellectual property as this was never conceived by the underwriters. Therefore, the collection of premiums should be in the hands of the actual seller as they are the actual body that created the product and concluded the sale. It seems quite irresponsible that the creators and sellers of these products must give up their rights of ownership to an insurer when they have created, sold and now maintain a product that is theirs in its uniqueness. Surely, we cannot hand over a client base to a third party whose only interest would be the collection of the risk premium. And once again it is only the current registered operator that must pay the price of this law and regulation. For the unregistered operators it will still be business as usual and unregulated. Where is the sense in this and what is being done by the FSCA and government to alleviate this inequity?	

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		4.THE UNINTENDED CONSEQUENCES 4.1 THE WIPEOUT AND MONOPOLISATION OF AN INDUSTRY If this regulation goes through an entire industry will be wiped out and monopolized by a privileged few. Entry into this sector will be impossible. Only those with capital to start up a national operation will be able to enter this industry. The small ones that want to enter will only be slaves that will establish a brand on behalf of an insurance company until it shows success and will then be taken over by the insurance company it is connected with. It creates a barrier to entry and defeats the objective of enabling and empowering small business which is the life-blood of this economy. The Insurance Industry is also going to feel it. The funeral industry is not going to sell funeral insurance anymore because: • • we do not have a chance to build a relationship with a client • • there will be no prospects of a possible funeral in future • • there will be no proper remuneration for selling funeral policies There will be no relationship anymore between the Funeral Industry and the Insurance Industry. 4.2 JOB LOSSES The supply chain might still be there but how long until the Insurance Industry decides that they should have that too? The current registered portion of the funeral industry will have only two options: either to lay off some employees or to redeploy them in unregistered schemes. 4.3 CULTURE & COMMUNITY PRACTISES Destroy culture to fit a vanilla kind of funeral approach – because funerals will be standardized by national companies to fit all cultures into a basic generic type of service. 4.4 COST OF FUNERALS A substantial increase in the cost of funerals. To maintain the same kind of service without the commission income from funeral policies we will have to increase the cost of funerals dramatically. Expect the cost of funerals to increase between 400 – 800% to maintain the same standards. 4.5 UNREGISTERED MARKET IS GOING TO GROW	

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		If the FSCA thinks that they are going to remove the rotten part from the funeral industry by imposing this type of regulation, they should think again. ➢ The underground market is going to thrive. (The same way the tobacco industry is operating now during Level 5 and 4 of lockdown and will continue during Level 3) ➢ The "vultures" from the industry are the only ones that will benefit because clients will not have a relationship with a funeral director anymore whom they know, and because a funeral is a once in a lifetime event the client will be clueless as to who they are dealing with. Because the funeral director will not have a relationship anymore with families, or some kind of responsibility towards them you will get the "vultures" that will somehow get hold of the body and keep the family at ransom for extraordinary amounts of money while rendering substandard service. Will that be in the public interest? 5.THE STATE OF MIND PEOPLE ARE IN WHEN SOMEONE DIES A funeral is a very personal and emotional issue. How is the Funeral Industry going to build a relationship with the clients if the only way that they will make contact will be: 1. When the funeral director sells the funeral policy. (Which they are going to stop doing) 2. When the funeral director is lucky to get the funeral. Currently people choose to buy a funeral policy from the company that they trust, and that they have a relationship with. It is much better to shop for the correct funeral policy and funeral products while you are not emotional. If you take the collection of premiums out of the funeral industry's hands then all funeral insurance will be out of the hands of the funeral industry. When a death occurs, that family will not necessarily have a relationship with a funeral director which means that they will have to use anyone that approaches them. The vultures of the industry will prey on people's emotions at that time. Therefore, we believe as an industry that it is much better for a person to choose the funeral director and the funeral package with all the products that they want at a stage when they can think straight and when they are not emotional. There will be many more undesirable practices when you take the funeral policy out of the hands of the funeral industry.	

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		6.MARKET RESEARCH – OBJECTIVE VIEW 6.1 Finmark Lesego Mashigo is a *Financial Inclusion Specialist.* To quote from his Finmark report named "**SOUTH AFRICA'S INFORMAL SAVINGS MARKET THRIVES DESPITE HIGH FINANCIAL INCLUSION LEVELS"** "…. Post-apartheid this market is still in existence and thriving with annual savings of approximately R44 billion, collectively saved in approximately 820,000 stokvels. These take different forms such as Burial Societies, Investment Clubs, Umgalelo Clubs[2]and Youth Clubs. **Post-apartheid this [informal savings] market is still in existence and thriving with annual savings of approximately R44 billion, collectively saved in approximately 820,000 stokvels.** Although financial inclusion levels in South Africa are relatively high at 80 percent in 2018, these self-help initiatives still have a role in communities as their existence generally goes beyond what the formal financial services industry can provide. The SA FinScope 2019 survey shows an increase in informal savings from 18 percent in 2018 to 24 percent in 2019.This indicates a rise in the number of individuals who belong to stokvels supporting the notion that stokvels go beyond meeting financial needs and goals. Over and above supporting savings they provide moral and social support during times of bereavement, socialising platforms for communities, collateral through group surety when one of their members needs such surety, and are agile in decision making and resolutions amongst other. It thus goes without saying that savings groups, regardless of what they are termed or where they are found, are able to not only provide for their members' needs with their financial services needs, but also to provide social security and allow for communities through the pool of funds to reach goals they wouldn't have been able to reach on their own. Beyond financial needs and goals, people have moral/social support needs and general social security needs. What better way to meet all these needs than through one platform – savings groups. Even with the financial services industry doing more to serve low-income earners, the use of the	

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		savings group models does not look like it will be replaced. They exist not purely for financial needs and goals but go way beyond this!" The Funeral Industry supplies that moral and social support within our communities but yet the FSCA wants to impose regulations that will destroy that relationship. 6.2 Bank Industry It is also clear that other industries are making a U-turn now on previous over-regulated regulations. To quote from another Finmark Report: "Recently we have seen a number of banking providers (including a large commercial bank) start to offer bank accounts that do not require proof of address to open the account. While non-banking financial services such as remittances have been available without the requirement to provide verifiable proof of address, the move to offer banking services without proof of address heralds a new exciting chapter for financial inclusion in South Africa. **Finmark Report - LOWER DOCUMENTATION REQUIREMENTS; DRIVING GREATER FINANCIAL INCLUSION IN AFRICA (2019)"** In the Bank Industry the FSCA allows a reduction of regulations to be more financially inclusive but on the Funeral Industry side more and more regulations are imposed that will end up in financial exclusion and/or alternative properly unregistered activities. 7.THE WAY FORWARD 7.1 STOP W**e need to stop this process and new regulations with immediate effect.** In the spirit of inclusivity, we need to sit down in meetings and include all role-players, also those who don't have access to technology and virtual meetings. Many role-players in the industry only have the basics, and if the objective is to get rid of the unregistered practices, we need these people's input and participation to get them involved in the registered structure. 7.2 RECOGNITION	

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		The funeral industry must find their space within the act and be recognized as relevant role- players. We cannot continue imposing laws and regulations on people if they do not recognize themselves in the law. Once again, the funeral industry members are not only intermediaries, we are product developers and we play a very significant role in the success of the funeral insurance industry. Government cannot just go on as if the funeral industry does not exist, this industry needs to be included. 7.3 INSURANCE INDUSTRY We always had good relationships with the insurance industry, but you cannot manipulate processes, laws, and regulations to create a monopoly. 7.4 OUR REQUEST **We need to stop this process until all parties affected by this regulation have been included and have participated in a consultative process. An Indaba with all participants involved should be arranged. That will include different associations from the funeral industry, the insurance industry, the FSCA, The Prudential authority and National Treasury.** 8.CONCLUSION With all due respect – it seems like the FSCA has been captured by the Long-Term Insurance Companies. We have empathy with the goal, but the negative consequences will have a large impact not only on the funeral industry but mostly on the consumer. It isn't possible to determine whether the consequences are unintended because we believe that this a deliberate strategy from Insurance Companies, but which the FSCA, which should be an objective body, is blind to. The registered and registered Funeral Director must now pay the price for the FSCA's incompetence. 18	Your request is duly noted and was discussed in detail at the workshop between the FSCA and the funeral industry on 25 June 2020. We reiterate that the funeral industry will not be affected in any detrimental way by these exemptions as it does not change any of the existing remuneration structures. The nature of an exemption is not to prohibit any current practice or impose new rules on regulated entities that collect premium in the traditional sense of the term. The intention is to facilitate the payment of a fee where the premium is collected form the account of a policyholder directly into the account of the insurer, subject to the conditions of a current provision in the regulatory framework.

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			We will not in detail respond to claims that the FSCA is not acting as a responsible and objective regulator, and the baseless, unfounded and unsubstantiated accusations of incompetence is rejected with disappointment following the constructive workshop with this sector.