

FSCA COMMUNICATION 10 OF 2019 (INSURANCE)

Publication of draft exemption notice proposing an exemption of short-term insurers that offer transport policies¹ from certain requirements of Rule 13.4 of the Policyholder Protection Rules (Short-term Insurance), 2017

19 December 2019

1. PURPOSE

The purpose of this Communication is to inform stakeholders that a draft general exemption has been published on the FSCA's website for public comment by **30 January 2020**.

2. BACKGROUND

- 2.1 Rule 13 of the Policyholder Protection Rules (Short-term Insurance), 2017 (PPRs) sets out the data management requirements with which all short-term insurers as defined in the Short-term Insurance Act, 1998 (Act No.53 of 1998) must comply.
- 2.2 In terms of rule 13.4 an insurer must at a minimum, for the purposes of complying with rule 13.3, have access to the names, identity numbers and contact details of all its policyholders.
- 2.3 In instances where goods or property is sent via (for example) courier, it is common that a customer sending the goods can elect to take out insurance cover over the goods or property ("parcel") whilst being couriered. These insurance policies typically cover loss or damage of goods or property while the item is being transported. The cover incept when the parcel is taken into possession by the courier/transportation company and terminates when the parcel is delivered.
- 2.4 A waybill is attached to the parcel which, if the customer elected to take out insurance cover, also serves as confirmation of insurance. The waybill usually includes the policyholder's name, surname and contact number but not the identity number, as this information is not utilised as a unique identifier for a policyholder or in underwriting the risk. Instead the waybill number serves as unique identifier of the policyholder.
- 2.5 A practical challenge exists for insurers that offer transport policies from complying with rule 13.4 insofar as it relates to collecting the identity numbers

¹ Transport policies for purposes of the draft exemption means one or more short-term policy that covers damage or loss resulting from the conveyance, storage, treatment and handling of goods in transit, irrespective of the form of transport.

of policyholders. The FSCA has been approached by insurers that offer this unique type of product to consider the impact of requiring the identity number of such policyholders, especially taking into consideration that these insurers have a unique identifier for a policyholder in the form of a waybill number. What is also of importance is that such personal lines policies usually have a very limited contract period and only offer cover while the parcel is in transit. For purposes of underwriting the risk and identifying the policyholder, the FSCA is of the view that the other information collected by such insurers, coupled with the fact that the insurers are still in a position to identify the policyholder by way of the unique waybill number, suffices for underwriting and client identification purposes. The FSCA believes that there is justification in departing from the requirements of Rule 13.4 in the context of such policies.

- 2.6 As a result, the FSCA is intending to exempt these insurers from Rule 13.4 insofar as it relates to collecting the identity numbers of policyholders.
- 2.7 The FSCA believes that the exemption will not be contrary to public interest nor will it prejudice the achievement of the objects of the PPRs.

3. INVITATION TO COMMENT ON DRAFT EXEMPTION NOTICE

- 3.1 The exemption, to be issued in terms of section 281(1) of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017), is published together with this communication for public comment.
- 3.2 Interested parties are invited to submit comments on the draft Exemption Notice in writing on or before **30 January 2020** to FSCA.RFDStandards@fsca.co.za .

4. CONTACT

For further information regarding this Communication please contact the Regulatory Framework Department of the FSCA by emailing Lezanne Botha at lezanne.botha@fsca.co.za.