

FSCA COMMUNICATION 3 OF 2019 (INSURANCE)

Position Paper – Proposals on the future regulatory framework for the collection of insurance premiums

9 April 2019

1. PURPOSE

The purpose of this Communication is to:

- inform stakeholders that a Position Paper containing proposals on the future regulatory framework for the collection of insurance premiums has been published on the FSCA's website;
- provide a high level overview of the Position Paper;
- invite interested parties to submit written comments on the proposals contained in the Position Paper.

2. BACKGROUND

- 2.1. On 14 December 2018, the Financial Sector Conduct Authority (FSCA) published *FSCA Communication 2 of 2018: Update on the future of the premium collection regulatory framework under the Short- and Long-term Insurance Acts* (the Communication).
- 2.2. The Communication highlighted the various regulatory interventions being considered to address specific risks inherent in third party premium collection business models and confirmed that further industry engagements would be held during early 2019 to help inform the FSCA's policy position on the future of the premium collection regulatory framework.
- 2.3. Based on these industry engagements the FSCA has formulated a number of proposals to address the specific risks identified to date with a view to eliciting more detailed industry inputs in order to confirm its policy position on the future of the premium collection regulatory framework.

3. OVERVIEW OF PAPER

- 3.1. The Position Paper confirms the FSCA's current thinking on a future regulatory model for the collection of insurance premiums in South Africa within the context of key regulatory and industry developments to date.

- 3.2. In addition, the Position Paper highlights the FSCA's recent supervisory experiences in respect of prevailing premium collection practices across the industry.
- 3.3. In order to address key risks inherent in third party premium collection models and to ensure that the regulatory framework keeps pace with the evolving third party payments landscape, the Position Paper puts forward a number of regulatory proposals focusing on the following:
- identification and classification of premium collection related activities and the determination of appropriate remuneration for such activities;
 - criteria for qualifying intermediaries who wish to collect premiums on behalf of insurers;
 - treatment of premiums as trust monies;
 - reduction in the allowable period for the remittance of premiums by third parties; and
 - interim remuneration arrangements for intermediaries who perform premium collection related activities in direct collection models.
- 3.4. The Position Paper seeks to elicit further industry input on the appropriateness, sustainability, effectiveness and practical implementation of the proposals set out above in the context of the various distribution and payment models prevalent in the industry.

4. CONTACT

- 4.1. Interested parties are requested to submit written comments on the proposals outlined in the Position Paper by **10 May 2019** to the following email address: FSCA.RFDPremiumCollectionPaper@fsca.co.za.
- 4.2. For further information regarding this Communication and the contents of the Position Paper please contact the Regulatory Framework Department of the FSCA by emailing Eugene du Toit at eugene.dutoit@fsca.co.za.