



FSCA COMMUNICATION 44 OF 2020 (INS)

Publication of Draft Conduct Standard [-] of 2020 – Requirements relating to third party cell captive insurance business

1. PURPOSE

The purpose of this Communication is to inform stakeholders that the Financial Sector Conduct Authority (“FSCA”) today published on the FSCA’s official website for public comment a revised draft Conduct Standard setting out requirements relating to third party cell captive insurance business, to be made in terms of section 106(1) of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017).

2. BACKGROUND

- 2.1 The main objective of the draft Conduct Standard is to prescribe the requirements that cell captive insurers need to comply with in order to address certain market conduct risks around the third-party cell captive insurance business model and the particular risks that have been identified from a regulatory and a supervisory perspective.
- 2.2 Enhancements to the regulatory framework for third-party cell captive insurance business has been under consideration for a number of years. Since 2009 the Financial Services Board and in more recently years the FSCA, as its successor, consistently raised concerns around the third-party cell captive insurance business model and particular risks that have been identified from a regulatory and a supervisory perspective.
- 2.3 In 2018, a licensing framework and prudential requirements for cell captive insurance business was introduced by way of the Insurance Act, 2017 (Act No. 18 of 2017) (Insurance Act). Shortly after the enactment of the Insurance Act, the FSCA published for public comment the first draft of the Conduct Standard setting requirements for the conduct of cell captive insurance business in relation to third party risks.
- 2.4 Full reasons informing the proposed publication of the revised Conduct Standard and a second round of public consultation in respect thereof is set out in the Statement of need, expected impact and intended operation of the Conduct Standard hereto attached as Annexure B.

3. PUBLIC CONSULTATION

- 3.1 The following documents are published on the FSCA’s website to inform the objective of the above regulatory development:
 - (a) Notice regarding the publication of draft Conduct Standard [-] of 2020 (INS) – Requirements relating to third party Cell captive insurance business (Annexure A);
 - (b) A Statement of need expected impact and intended operation of the Conduct Standard (Annexure B);
 - (c) Comments template for the draft Conduct Standard for Cell captive insurance business (Annexure C).

- 3.2 The draft Conduct Standard, together with the above listed supporting documentation is available on the FSCA's website (<https://www.fsca.co.za>) under *Regulatory Frameworks > Documents for Consultation > Insurance*.
- 3.3 Interested parties are invited to, in writing, submit comments on the draft Conduct Standard, and supporting documents using the comments template attached as Annexure C available on the FSCA website, on or before **22 September 2020** to FSCA.RFDStandards@fsca.co.za.

4. ENQUIRIES

For more information regarding this Communication contact the Regulatory Framework Department of the Authority at Johann.Vanderlith@fsca.co.za.



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