

**FSCA Press Release**

**8 November 2019**

**FSCA fines Channel Life Limited a total of R550 000 and orders compensation to affected policyholders**

The Financial Sector Conduct Authority (FSCA) imposed an administrative penalty of R300 000 on Channel Life Limited (Channel Life) for contravening section 53 (2) of the Long-term Insurance Act, 52 of 1998 (LTIA) and R250 000 for a contravention of Rule 5.1 (a) (i) of the Policyholder Protection Rules, read with sections 7 (3), (13 (2) (b) and 13 (3) of the Financial Advisory and Intermediary Services Act, 37 of 2002 (FAIS Act)

The FSCA found that Channel Life concluded agreements with 168 individuals (referred to as runners) who collected insurance premiums on its behalf. These runners were not registered as representatives of Channel Life as required by the FAIS Act. Channel Life conducted financial services business with individuals who were not lawfully authorised in terms of the FAIS Act, therefore breaching section 7 (3) of the FAIS Act.

Channel Life also breached section 13 (3) of the FAIS Act which required it to maintain a register of its representatives which must be updated from time to time as well as section 13 (2) (b) of the FAIS Act which required it to ensure its representatives complied with the applicable codes of conduct and laws on conduct of business.

The agreements between Channel Life and the runners were not compliant with rule 5 (1) (a) (i) of the Policyholder Protection Rules which required such agreements to be concluded with intermediaries that have been authorised in terms of the FAIS Act.

When deciding on the R250 000 penalty, the Authority considered amongst other factors that approximately R6.4 million in premiums was collected by the runners, that Channel Life ceased using the runners following the Authority's investigation and that the Authority had no information at its disposal pointing to actual prejudice as a result of the contraventions. Channel Life co-operated during the entire enforcement process.

Between 2009 and 2017, Channel Life failed to pay 33 policy holders' monetary amounts equal to the value of their policy benefits in breach of section 53 (2) of the LTIA.

In arriving at a penalty of R300 000 for the breach of section 53 (2) of the LTIA, the Authority considered amongst other factors that Channel Life undertook to compensate the affected policyholders by paying the difference between the actual amounts paid and the value of

the policy benefits. Moreover, Channel Life undertook to rectify the breach by amending relevant policy wording in line with the relevant provisions.

A copy of the order is available [here](#).

## **ENDS**

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### **Transitional Management Committee:**

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