

**IN THE ENFORCEMENT COMMITTEE ESTABLISHED IN TERMS OF
SECTION 10(3) OF THE FINANCIAL SERVICES BOARD ACT, 97 OF
1990**

CASE NO: EC 15/2016

In the matter of:

THE REGISTRAR OF LONG-TERM INSURANCE

First Applicant

FINANCIAL SERVICES BOARD

Second Applicant

and

LION OF AFRICA LIFE ASSURANCE COMPANY LTD

Respondent

ORDER

WITH DUE CONSIDERATION to the settlement agreement (attached marked annexure "A") in terms of section 6B (7) (a) of the Financial Institutions (Protection of Funds) Act, No 28 of 2001, I hereby determine that the Respondent contravened Rules 15(a) and 15(b) of the Policyholder Protection Rules (Long-Term Insurance), 2004 and impose a penalty of R200 000 (Two Hundred Thousand Rand) inclusive of costs to be paid by the Respondent within one month from the date of this order.

The remaining terms and conditions of the settlement agreement are incorporated and made an order of the Enforcement Committee.

Signed at **PRETORIA** on the day of **SEPTEMBER 2016**.


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C F Eloff
Chairperson of the Enforcement Committee

IN THE PROCEEDINGS BEFORE THE ENFORCEMENT COMMITTEE
ESTABLISHED IN TERMS OF SECTION 10 (3) OF THE FINANCIAL SERVICES
BOARD ACT, NO. 97 OF 1990

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LION OF AFRICA LIFE ASSURANCE COMPANY LTD

Respondent

SETTLEMENT AGREEMENT IN TERMS OF SECTION 6B (7) (a) OF THE
FINANCIAL INSTITUTIONS (PROTECTION OF FUNDS) ACT, NO 28 OF 2001

PARTIES TO THE AGREEMENT

1. The First Applicant is the Registrar of Long-term Insurance.
2. The Second Applicant is the Financial Services Board (FSB), a juristic person established in terms of section 2 of the Financial Services Board Act, No. 97 of 1990. The functions of the FSB are *inter alia* to supervise and enforce compliance with the laws relating to financial institutions and in particular the conduct of long-term insurance business.



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3. The First and Second Applicants are represented by Mr Jonathan Ian Dixon in his capacity as the Deputy Registrar of Long-term Insurance and as the Deputy Executive Officer for Insurance.

and

4. The Respondent is Lion of Africa Life Assurance Company Ltd a public company registered and incorporated in accordance with the company laws of the Republic of South Africa bearing the registration number 1942/015587/06. The Respondent's registered office is situated at First Floor, Block D, The Boulevard Office Park, Searle Street, Woodstock. Cape Town. The Respondent is herein represented by Mr Paul Myeza, the Chief Executive Officer of the Respondent, who warrants that he is duly authorised by the Respondent to enter into and sign this agreement on its behalf.

WHEREAS

5. The First Applicant is of the opinion that the Respondent contravened Rules 15(a) and 15(b) of the Policyholder Protection Rules (Long-term Insurance), 2004 (hereafter referred to as the PPR Rules).
6. The Respondent wishes to enter into a settlement agreement with the First Applicant as contemplated in section 6B (7) (a) of the Financial Institutions (Protection of Funds) Act, No 28 of 2001 ("the FI Act").

NOW THEREFORE IT IS AGREED AS FOLLOWS

7. The Respondent was at all relevant times registered as a long-term insurance company in terms of the Long-term Insurance Act No. 52 of 1998. It was authorized to provide policy benefits under an assistance policy to a group.
8. During the period 2012 until June 2016 the Respondent cancelled a number of assistance business group schemes without informing the First applicant of the cancellation in contravention of Rule 15(a) of the PPR Rules. The Respondent



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also did not notify the policyholders of such cancellation in contravention of Rule 15(b) of the PPR rules.

9. The mitigating circumstances

9.1. It is also agreed that the following mitigating factors are relevant to the matter:

9.1.1. The Respondent accepted responsibility for the contravention.

9.1.2. The Respondent has previously not been found by the Enforcement Committee to have contravened any law.

9.1.3. The Respondent co-operated with the Applicants with regard to the enforcement action.

9.1.4. The Respondent has undertaken to implement measures to prevent a breach of Rule 15 of the PPR Rules from recurring.

10. The aggravating circumstances

10.1. It is also agreed that the following aggravating factors are relevant to the matter:

10.1.1. The Respondent failed to ensure that its internal controls functioned properly.

10.1.2. The conduct of the Respondent failed to demonstrate sound insurance principles and practice in the interests of the policyholders and in the public interest.

11. In light of the above, the parties have agreed that the Respondent will pay a penalty of R200 000 (Two Hundred Thousand Rand) inclusive of costs within one month of this agreement being made an order of the Enforcement Committee.



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12. **Other conditions**

- 12.1. This agreement is subject to approval by the Enforcement Committee and the parties specifically record that they are aware of the possibility that the Enforcement Committee may not accept the terms of this agreement. If the Enforcement Committee declines to make this agreement an order, then in such event this agreement will be null and void.
- 12.2. If the Respondent does not comply with the terms of this agreement and it is necessary for the Applicants to institute legal proceedings, the Respondent herewith consents to pay all legal costs to the Applicants on the Attorney and Client scale in terms of the High Court Rules inclusive of collection commission and Value Added Tax.
- 12.3. No leniency or postponement given by the Applicants to the Respondent or any amendment to the terms and conditions of this agreement will be binding unless such postponement, leniency or amendment is reduced to writing and signed by the parties. Any leniency or postponement granted by the Applicants or any amendment to this agreement shall not be a novation of the cause of action in terms whereof the Respondent was found to have contravened the Act.
- 12.4. Any receipt of a payment by the Second Applicant after the due date shall be without prejudice to any of the rights of the Applicants.
- 12.5. This agreement constitutes the whole agreement between the parties in respect of the offer to pay a penalty.
- 12.6. This agreement is in full and final settlement only in respect of the Respondent's liability for an administrative sanction to the Applicants arising from this contravention.



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12.7. The parties choose as their domicillum citandi et executandi their respective address set out below for all purposes arising out of or in connection with this agreement at which addresses all processes and notices arising out of or in connection with this agreement, its breach or termination may validly be served upon or delivered to the parties. However the notice contemplated in terms of section 6E of the FI Act may be delivered by electronic email. For the purpose of this agreement the parties' respective addresses shall be:

12.7.1. First and Second Applicants
Financial Services Board:
Block B, Riverwalk Office Park
41 Matroosberg Road
Ashlea Gardens ext. 6
Pretoria
0081

12.7.2 The Respondent:
1st Floor
Block D
The Boulevard Office Park
Searle Street
Woodstock
Cape Town
Email address: Paul.Myeza@lionlife.co.za

13. The parties humbly request that the Honorable Chairperson makes the settlement agreement an order of the Enforcement Committee, as envisaged in section 6B (7) of the FI Act.

Signed at PRETORIA on 7 September 2016 on behalf of the Applicants.

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Mr J T Dixon

Signed at Cape Town on 5 September 2016 on behalf of the Respondent.

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Mr P Myeza



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