



Financial Sector
Conduct Authority

FSCA INS Notice 20 of 2020

FINANCIAL SECTOR REGULATION ACT, 2017 (ACT NO. 9 OF 2017)

**EXEMPTION FOR DIRECT COLLECTION OF PREMIUMS BY CERTAIN
INDEPENDENT INTERMEDIARIES AND LONG-TERM INSURERS UNDER THE
LONG-TERM INSURANCE ACT, 1998 AND REGULATION 3.2(1) AND (2) OF THE
REGULATIONS UNDER THE LONG-TERM INSURANCE ACT, 1998**

The Financial Sector Conduct Authority hereby under section 281(1) of the Financial Sector Regulation Act, 2017 exempts certain intermediaries and long-term insurers from section 49 of the Long-term Insurance Act, 1998 and Regulation 3.2 (1) and (2) of the Regulations under the Long-term Insurance Act, 1998, to the extent set out in the Schedule to this Notice.

A handwritten signature in black ink, appearing to read 'CD DA SILVA', is positioned above the printed name and title.

**CD DA SILVA
FOR THE FINANCIAL SECTOR CONDUCT AUTHORITY
Date of Publication: 30 October 2020**

SCHEDULE

EXEMPTION FOR DIRECT COLLECTION OF PREMIUMS BY INDEPENDENT INTERMEDIARIES AND CERTAIN LONG-TERM INSURERS FROM SECTION 49 OF THE LONG-TERM INSURANCE ACT, 1998 AND REGULATION 3.2(1) AND (2) OF THE REGULATIONS UNDER THE LONG-TERM INSURANCE ACT, 1998

1. Definitions

In this Schedule “**the Act**” means the Long-term Insurance Act, 1998 (Act No. 52 of 1998), and any word or expression to which a meaning is assigned in the Act bears, subject to context, that meaning unless otherwise defined, and –

“**accounting for premium**” means the rendering of all of the following information technology system driven administrative activities on behalf of a long-term insurer:

- (a) Provision of payment processing services, including payment gateways consisting of the hosting of one or more gateways and routing of premium payment transactions;
- (b) financial processes and data transfer consisting of bank account validation and verification and premium payment tracking;
- (c) system-based recognition of revenue conducted through the raising and allocation of premium which includes annualized or single premium and policyholder communication in relation thereto;
- (d) maintenance of records including record keeping of debit order mandates;
- (e) provision of controls including:
 - (i) Fraud detection through data analytics (including identification of any warning or “red flag” indicators, such as a substantial increase in cash premium payments from foreign countries); and
 - (ii) reconciliation of premiums including confirmation of bordereaux for payment and query resolution; and
- (f) reporting to the long-term insurer by way of-
 - (i) e-mailing reports to the long-term insurer and /or allowing access to the systems of the independent intermediary to provide for downloading relevant reports;
 - (ii) pre-validation systems and reporting on banks’ rejection codes; and
 - (iii) notifications of internal data or payment rejections.

“**binder holder**” has the meaning assigned to it in Part 6 of the Regulations;

“**direct collection of premium**” means accounting for premium performed by a third party on behalf of a long-term insurer, with the purpose of facilitating the collection of a premium from the premium payer directly into the bank account of the long-term insurer, and without the third party receiving or holding such premium or having any authority or rights in respect of the actual premium in the long-term insurer’s bank account into which the premium is collected;

“**independent intermediary**” has the meaning assigned to it in Part 3A of the Regulations;

“**payment gateway**” means an e-commerce system that securely creates an electronic connection to enable online payment transactions from the bank account of a policyholder or premium payer into the bank account of a long-term insurer in order to support the transfer of premium.

“Regulations” means the Regulations made under section 72 of the Act promulgated by GN R.1492 in *Government Gazette* 19495 of 27 November 1998 and amended from time to time; and

“rendering services as intermediary” has the meaning assigned to it in Part 3A of the Regulations.

2. Extent and Conditions of Exemption

- (1) An independent intermediary authorised under section 47A of the Act that performs direct collection of premium only is hereby exempted from section 49 of the Act and Regulation 3.2(1) and (2) of the Regulations insofar as it relates to accepting consideration for performing direct collection of premiums.
- (2) The exemption referred to in sub-paragraph (1) is subject to the following conditions:
 - (a) The independent intermediary must notify the Authority prior to entering into an agreement to perform direct collection of premiums of its intention to do so;
 - (b) the notification referred to in sub-paragraph (a) must –
 - (i) be submitted to the Authority at least 30 days prior to entering into the agreement referred to in subparagraph (a);
 - (ii) contain details of the fee or remuneration payable to the independent intermediary for performing direct collection of premium and
 - (iii) be submitted to the Authority in the form and manner as may be determined by the Authority.
 - (c) the consideration that the independent intermediary accepts for performing direct collection of premium –
 - (i) must be reasonable and commensurate with the services being performed, also taking into consideration the nature of the function and the systems required to perform it;
 - (ii) may not be based on a percentage of the total premium amount payable to or received by the long-term insurer; and
 - (iii) may not result in the independent intermediary being remunerated more than once for performing a similar function in respect of the same policy on behalf of the long-term insurer.
 - (d) The independent intermediary must at all times have –
 - (i) appropriate systems and data integration capability to ensure that the relevant long-term insurer is readily able to access any relevant data in respect of any direct collection of premiums on behalf of the relevant long-term insurer at any given time;
 - (ii) appropriate and regularly tested business continuity and disaster recovery plans to mitigate risks arising from potential failures in its direct collection of premium administration infrastructure;
 - (iii) clearly defined segregation and access controls between functions related to the provision of direct collection of premiums for multiple short-term -and/or long-term insurers; and
 - (iv) proper record keeping procedures to document and retain details of every premium processed.

- (3) A long-term insurer who authorised an independent intermediary under section 47A of the Act to perform direct collection of premium is hereby exempted from section 49 of the Act and Regulation 3.2 (1) and (2) of the Regulations insofar as it relates to offering or providing consideration to such independent intermediary for rendering direct collection of premiums.
- (4) The exemption referred to in subparagraph (3) is subject to the following conditions:
 - (a) The long-term insurer must before entering into an agreement for direct collection of premium and at all times thereafter -
 - (i) have the necessary resources and ability to exercise effective oversight over the independent intermediary performing the direct collection of premium services on an ongoing basis; and
 - (ii) satisfy itself of the adequacy of the independent intermediary's governance, risk management and internal control framework, including the intermediary's ability to comply with applicable laws; and
 - (iii) have documented controls in place to ensure the validity, accuracy, completeness and security of any information provided by the independent intermediary performing the direct collection of premium.
 - (b) the consideration that a long-term insurer offers or provides to an independent intermediary or performing direct collection of premium must meet the criteria contained in subparagraph (2)(c)(i) – (iii).
- (5) Failure by an independent intermediary to comply with the conditions referred to in subparagraph (2) or a long-term insurer to comply with the conditions referred to in subparagraph (4), will result in the exemption no longer being applicable to that independent intermediary or long-term insurer, as the case may be.

3. Amendment and withdrawal of Exemption

This Exemption is subject to –

- (a) amendment thereof published by the Authority by notice on the website of the Authority; and
- (b) withdrawal in a like manner.

4. Short title and commencement

This Notice is called the Exemption for direct collection of premiums by certain independent intermediaries and long-term insurers, 2020 and comes into effect on the date of publication.