

## FINANCIAL SERVICES BOARD



### FINANCIAL ADVISORY AND INTERMEDIARY SERVICES ACT, 2002 (“FAIS ACT”)

#### FAIS CIRCULAR 5/2010

DATE: 11 June 2010

#### Circular on Long-term Insurance Category B as defined Board Notice 60 of 2010.

#### 1. Background

Long-term Insurance subcategory B was defined as “*long-term insurance policies as defined in the Long-term Insurance Act, 1998, which have the following features:*”

- (a) *Risk policies which provide cover in respect of death, disability and health events, and which are not marketed as investment policies, as defined in the Regulations to the Long-term Insurance Act, 1998, or savings policies;*
- (b) *investment policies (excluding fund member policies), as defined in the Regulations to the Long-term Insurance Act, 1998, and savings policies which guarantee a minimum return of capital invested at a specified future date or dates, and where such minimum is ascertainable in Rand terms at inception;*
- (c) *annuities which guarantee a minimum annuity for the term of the policy which is ascertainable in Rand terms at inception; and*
- (d) *any policy which combines the policy features included in paragraphs (a), (b) or (c),*

*but excludes policies mentioned in Long-term Insurance subcategory A and C”*

This definition originally included risk and savings insurance products, and this caused difficulty in especially the retail industry, as representatives within this industry dealt with risk related insurance products only, but would have been required to complete the regulatory examination relating to both risk and savings insurance products.

As a result, the definition of Long-term Insurance subcategory B was amended.

In terms of the amendment to the Determination of Fit and Proper Requirements for Financial Services Providers and Representatives, 2008 (Board Notice 60 of 2010), the product sub-category "Long-term Insurance Category B" will now be defined as follows:

*" **Long-term Insurance subcategory B1**" means disability, health and life policies as defined in section 1(1) of the Long-term Insurance Act, 1998, which provide only risk benefits as contemplated in the Regulations under the Long-term Insurance Act, 1998, but excludes fund policies as defined in section 1(1) of the Long-term Insurance Act, 1998, fund member policies, investment policies as defined in Part 5B of the Regulations under the Long-term Insurance Act, 1998, and policies referred to in the definitions of Long-term Insurance subcategories A, B2 and C;*

*"**Long-term Insurance subcategory B2**" means long-term policies as defined in section 1 of the Long-term Insurance Act, 1998, which are-*

- (a) investment policies as defined in Part 5B of the Regulations under the Long-term Insurance Act, 1998, which guarantee a minimum return of any premium paid at a specified future date or dates, and where such minimum is ascertainable in Rand terms at inception;*
- (b) disability, health and life policies that provide risk benefits as contemplated in the Regulations under the Long-term Insurance Act, 1998, and have a guaranteed investment value or a materially equivalent value;*
- (c) annuities which guarantee a minimum annuity for the term of the policy which annuity is ascertainable in Rand terms at inception; or*
- (d) any policy which combines the policy features included in paragraphs (a) to (c),*

*but excludes fund policies, fund member policies and policies referred to in the definitions of Long-term Insurance subcategories A, B1 and C."*

These changes affect FSPs of license categories I, II and III.

## **2. Automatic update of licence**

In order to implement this amendment effectively, the licences of all FSPs that are currently authorised to provide advice and/or render intermediary services in relation to Long-term Insurance Category B, will automatically be updated to render financial services for both Long-term Insurance subcategories B1 and B2.

## **3. Profile change required**

Should an FSP prefer **not to be authorised** for both Long-term Insurance subcategories B1 and B2 then the FSP concerned should notify the Registrar which subcategory should be removed from its license. The process of notifying the Registrar is set out below under item number 4.

**PLEASE NOTE:**

This profile change does not apply to FSPs that are NOT currently authorised to give advice and/or render intermediary services in relation to Long-term Insurance Category B. Only FSPs that are currently authorised to give advice and/or render intermediary services in relation to Long-term Insurance Category B are affected by this amendment.

**4. Procedure to notify the Registrar where an FSP prefer not to be authorised for both Long-term Insurance subcategories B1 and B2**

FSPs that are currently authorised to give advice and/or render intermediary services in relation to Long-term Insurance Category B, who prefer ***not to be authorised*** for **both** Long-term Insurance subcategories B1 and B2 should send a notification to Isaac Lebesa instructing the Registrar to remove either subcategory B1 or B2 from its license. The notification can be send via:

- a) E-mail to [isaacl@fsb.co.za](mailto:isaacl@fsb.co.za) or
- b) Fax to (012) 422-2973 for attention Isaac Lebesa

No proof of experience is required in order for the Office of the Registrar to process this request.

**5. Updating of Representative Register**

The central Representative Register will be updated automatically on 15 July 2010 to reflect both Long-term Insurance Category B1 and Long-term Insurance Category B2 for all representatives that previously could render financial services for Long-term Insurance Category B products.

Should you wish to make changes, please submit an updated representative register to the Registrar.

**REGISTRAR OF FINANCIAL SERVICES PROVIDERS**