



FSCA COMMUNICATION 14 OF 2021 (INS)

Publication of the proposed amendments to the Policyholder Protection Rules made under section 62 (1) of the Long-term Insurance Act, 1998 (Act No. 52 of 1998) and under section 55 of the Short-term Insurance Act, 1998 for public comment

1. PURPOSE

The purpose of this Communication is to inform stakeholders that the Financial Sector Conduct Authority (“FSCA”) today published the proposed amendments to the Policyholder Protection Rules (Long-term Insurance), 2017 (“LTIA PPRs”) and Policyholder Protection Rules (Short-term Insurance), 2017 (“STIA PPRs”) (collectively referred to as the “2017 PPRs”) on the FSCA’s official website for public comment.

2. BACKGROUND AND OBJECTIVE

- 2.1 The main objective of the draft proposed amendments is to give effect to certain necessary enhancements to the 2017 PPRs, informed by supervisory findings on the implementation of and compliance with the 2017 PPRs and a number of regulatory and supervisory projects undertaken over the past two years.
- 2.2 The proposed changes are consistent with the objective of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) (“FSR Act”), and specifically the mandate of the FSCA to protect financial customers by promoting the fair treatment of financial customers by financial institutions. It comprehensively aligns with the strategic priorities of the FSCA, facilitating the development and maintenance of a robust regulatory framework that promotes fair customer treatment. In its essence, the proposed changes and enhancements are proposed to better protect financial customers.
- 2.3 It is envisaged that these proposed amendments will have a positive impact on the governance and oversight of product development by insurers and the distribution of insurance products. It is further believed that these amendments will enhance the protection of customers through more targeted disclosures around excess structures (in the non-life insurance space), bundled products, and loyalty benefits, which have all in the past proven to be complex and not well understood by policyholders. It will also ensure closer alignment between the STIA PPRs and LTIA PPRs) and make necessary corrections to the legislation while filling gaps identified over the past three (3) years since the replacement of the 2004 Policyholder Protection Rules with the 2017 PPRs. This will ultimately ensure a stronger and less fragmented regulatory framework for the conduct of the business of insurers, and lead to better outcomes for policyholders.
- 2.4 It is proposed that the amendments take effect six (6) months after the publication of the final amendment Notices in the Gazette, following completion of the consultation process in accordance with section 98 of the FSR Act. It is acknowledged that the changes may require certain structural variations to products, processes, and systems of insurers. For this reason, a transitional period is proposed to allow insurers sufficient time to plan and implement the changes in their businesses in order to ensure compliance with the enhanced requirements.

Specific comments are invited from industry stakeholders on the proposed transitional period.

- 2.5 More details on other specific areas where comments are invited, as well as full reasons informing the proposed amendments are set out in the Statement of need, expected impact, and intended operation published alongside the drafts.

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 of amendments to LTIA PPRs July 2021;
- (b) Notice of amendments to STIA PPRs July 2021;
- (c) Statement of need, expected impact, and intended operation of the proposed changes to the PPRs July 2021;
- (d) Tracked version of 2017 LTIA PPRs showing the proposed amendments;
- (e) Tracked version of 2017 STIA PPRs showing the proposed amendments;
- (f) Comments template for the draft amendments to the LTIA PPRs and STIA PPRs.

- 3.2 The above listed documentation is available on the FSCA's website (<https://www.fsca.co.za>) under *Regulatory Frameworks > Documents for Consultation > Insurance > 2021*.

- 3.3 Interested parties are invited to, in writing, submit comments on the proposed amendments, and supporting documents using the comments template available on the FSCA website, on or before **10 September 2021** to FSCA.RFDStandards@fsca.co.za.

4. ENQUIRIES

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



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FINANCIAL SECTOR CONDUCT AUTHORITY

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