

FSCA COMMUNICATION 24 OF 2020 (INS)

Update on the further developments and the reporting frequency in relation to the Conduct of Business Returns (CBRs) for insurers

13 May 2020

1. PURPOSE

The purpose of this Communication is to:

- 1.1 Notify insurers that the FSCA today published, on its website, FSCA INS Notice 10 of 2020 and FSCA INS Notice 11 of 2020 determining the conduct of business returns to be submitted by short - and long-term insurers, and the frequency of such submissions;
- 1.2 Confirm which insurers are required to submit the CBRs and in relation to which classes of insurance business; and
- 1.3 Provide an update on the developments related to a 'Extensible Markup Language' (XML) format submission.

2. BACKGROUND

- 2.1 The implementation of CBRs have been under development for a number of years with the first version of the CBRs being prescribed¹ by the then Financial Services Board (FSB) for the reporting period January 2016 to June 2016 (submission date of 30 April 2017). Since then the CBRs was submitted on a best effort basis in a phase-in approach which continued until 28 February 2020. The period up until 28 February 2020 provided for a three-year transitional period in which the insurers had the opportunity to make improvements to their data and systems requirements.
- 2.2 As from 28 February 2020, it is expected that these improvements have been finalised and that good quality data is available to inform all responses, at a sufficiently granular level, for purposes of the next submission cycle. The next round of CBR submissions were due by the end of April 2020 for the reporting period January 2020 to March 2020.

¹ The first versions of the CBRs were prescribed in FSB Insurance Notice (LT) 7 of 2016 and Insurance Notice (ST) 7 of 2016. There have been 2 further notices each replacing the previous notices and versions of the CBR reporting templates, one in 2017 and one in 2019. All notices are available on the FSCA Website at www.fsc.co.za under the following path Home > Regulatory Frameworks > Notices > Insurer / Micro Insurer.

- 2.3 However, due to the Covid-19 pandemic and the nationwide lockdown, the FSCA gave a one-month extension for submission of CBRs due at the end of April 2020 until 31 May 2020. This extension was granted by way of FSCA General Notice 1 of 2020, published on 3 April 2020.²

3. CURRENT CBR SUBMISSION REQUIREMENTS

- 3.1. To date, the submissions of the CBRs were only prescribed for life- and non-life insurers that offer individual policies. No submissions were required by re-insurers, captive insurers and insurers who offer only life group risk, fund member policies, linked policies or non-life commercial lines policies.
- 3.2. Reporting requirements on re-insurers, captive insurers, insurers that conduct group risk insurance business, insurers that offer fund member policies, fund policies and linked policies and those insurers that conduct commercial lines insurance business is under consideration as part of the development of a broader, cross-sectoral CBR intended to harmonise reporting to the FSCA by regulated entities.
- 3.3. This will facilitate more efficient regulatory reporting whilst avoiding unnecessary duplication for these entities by aligning and reducing the various submissions of reports with overlapping information. Further to this, it will allow the FSCA to develop a more complete view of the entities it regulates, the participants in various sectors and the flow of funds. This supervisory project will develop over the next 2 to 3 years and it is anticipated that the first version of this return will be published for comment in the first half of 2021.

4. UPDATE ON THE MOVE TO AN EXTENSIBLE MARKUP LANGUAGE (XML)-FORMAT OF SUBMISSION OF THE CURRENT CBRs

- 4.1 The development of the CBRs for submission in a XML-format is still underway. It is expected that the updated version of the CBRs with a few additional questions regarding binder, cell captive and outsourcing agreements, additional distribution channels to select from and clarification of certain descriptions and other minor amendments in the XML-format will be made available with the aim to replace the current template used for submissions towards the end of 2020. These minor amendments were informed by the feedback received during the CBR workshops held in 2019 with 92 of the 114 licenses currently submitting the CBRs. The first submission of the CBRs in the XML-format is expected to be the July 2021 submission.

² Available on the FSCA website under the following path Home > Regulatory Frameworks > Notices > FSCA Compliance Extension of bly clicking on the following link
<https://www.fsca.co.za/Notices/FSCA%20GENERAL%20Notice%202%20of%202020.pdf>

- 4.2 The XML-format will allow insurers to export the data directly into the XML format for the CBRs from the insurers' system and streamline the submission process to assist with minimising the manual inputs, thereby ensuring that good quality data can be submitted by insurer within a month after the end of the calendar quarter. The new manner of submission will allow for various additional validations and will not allow incomplete or incorrect submissions to be submitted, thereby enhancing supervisory efficiency.
- 4.3 It is anticipated that the new manner of submission will assist in the overall quality and completeness of the data and allow for measurable and reliable data, which can be used for supervisory trend analysis and can inform planned future supervisory publications by the FSCA.
- 4.4 Substantial improvement has already been noted in returns by insurers, following the workshops with these insurers. The individual workshops with insurers will continue, if requested by an insurer or where the FSCA considers it necessary to provide individual guidance in the form of a workshop based on the CBR submission of the particular insurer.

5. CONFIRMATION OF REPORTING FREQUENCY

- 5.1 As prescribed in FSCA INS Notice 10 of 2020 and FSCA INS 11 of 2020, going forward all submissions are due a month after the end of each calendar quarter, save for the specific extension granted for the CBR submissions due by 30 April 2020.
- 5.2 All insurers that are currently required to complete CBRs must submit their completed returns via the Conduct of Business – Data Upload Facility on the FSCA website - <https://www.fsca.co.za/Regulated%20Entities/Pages/ES-InsurerMicro-Insurer.aspx>
- 5.3 Queries relating to the CBRs must be sent to the following e-mail address: FSCA.INSCBRComments@FSCA.co.za