

Changes add complexity, cost

The new Insurance Act was enacted on January 18 2017 after going through several iterations based on industry consultation.

The act aims to provide a prudential legislative framework for insurers and further strengthen policyholder protection. The proposed implementation on July 1 2018 of the new Insurance Act will finally introduce “Twin Peaks” financial sector regulations to SA. This will see the establishment of a dedicated prudential regulatory authority in the South African Reserve Bank and a new Financial Sector Conduct Authority (FSCA), which took over the role of the FSB effective April 1 2018. The FSCA will now take responsibility for regulating how financial services providers conduct their business, design and price their products and treat customers.

“These regulations were

promulgated a while ago, which means insurers have spent considerable time and resources implementing the new regulatory frameworks to comply,” says Walter van der Merwe, CEO at Fedgroup Life.

However, on March 23 2018 draft amendments to the regulations of the Long-Term Insurance Act were published by National Treasury and the FSB to better align sector regulations with the Insurance Act.

“While the intention of these amendments is to ensure better industry compliance and protection for policyholders, when considered in the context of all the other regulatory changes insurers are dealing with, these additional requirements add to an already onerous administrative burden,” he says “One needs to question if amending legislation at this stage of the process is prudent, particularly the addition of



Walter van der Merwe ... time.

cumbersome requirements, such as the need for insurers to reapply for licences.”

According to the notice published by Treasury in the Government Gazette, the Insurance Act introduces new authorisation classes of insurance business. These authorisation classes are

significantly more granular than the current “classes” or types of policies provided for under the Long-Term Insurance Act. The new act subsequently provides for a two-year period during which existing registrations under the Long-Term Insurance Act will be converted to licences under the Insurance Act in a phased manner.

Van der Merwe questions whether these proposed changes will ultimately benefit policyholders. “Reapplying for licences will be a rigorous process, which diverts resources and distracts insurers from their core business and their efforts to grow the market. It also adds additional layers of administrative complexity, which makes providing insurance more expensive.

“This process creates more costs that will need to be passed through to consumers, to their ultimate detriment.”