

INSURANCE REGULATORY BOULEVARD

Adv. Suzette Olivier

Executive: Governance, Risk, Legal & Compliance

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International

- South Africa does not operate in isolation
- Member of G20, BRICS and more notably from an insurance perspective a member of the IAIS
- G20 objectives

Policy coordination between members

Achieving global economic stability and sustainable growth

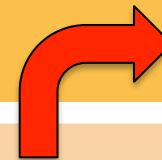
Promoting finance regulations to reduce the risk and prevent future financial crisis

Modernise international financial architecture

International G20

SA - the only African country in the G20

This seat creates opportunities specifically to raise African concerns (*criticism from other African states - some perceive as hegemonic ambitions in the continent*)



South Africa committed itself in 2012 to “explicitly focus on financial stability and systemic crisis resolution according to the Financial Stability principles and to implementing Basel II, Solvency 2 and TCF for banks, insurers and financial service providers”

ROADWORK
AHEAD

International BRICS

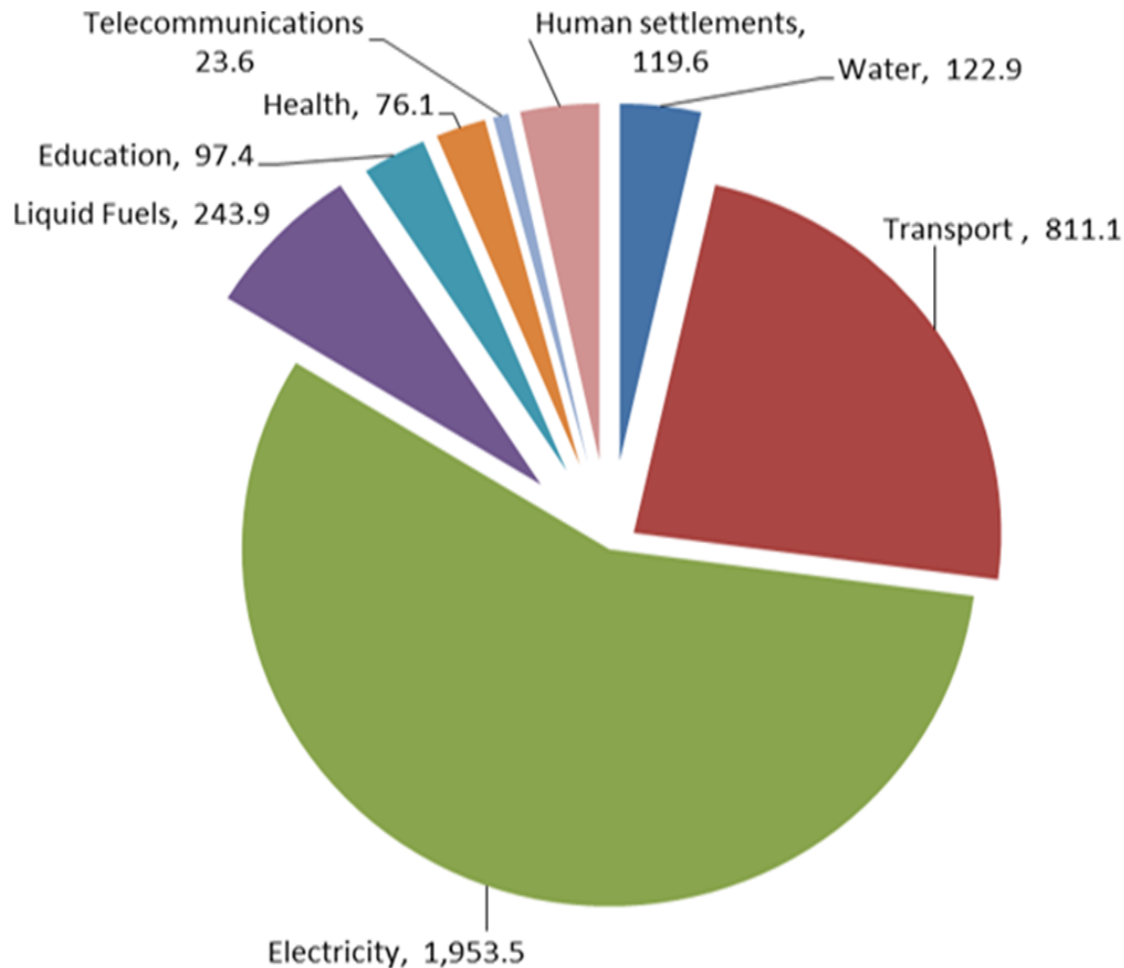
South Africa officially became a member of BRICS on 24 December 2010

Implementing new BRICS Development Bank

Considering cooperation on insurance



SA Infrastructure spend next 15/20 years



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R3, 4 trillion
Source: National
Treasury South
Africa

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International Association of Insurance Supervisors

IAIS – What does that mean for South Africa



IAIS issues Insurance Core Principles (“ICP’s”), application papers and guidance notes

ICPs provide a globally accepted framework for the supervision of the insurance sector

Considers the domestic context, industry structure, developmental stage of the financial system and overall macro economic condition

Proportionality principle



Top risk internationally - new regulation

- Europe's 40 largest insurers spent as much as \$6.5 billion in 2012 in complying with new regulations (estimated by Deloitte LLP)
- Insurance Banana Skins 2013 report
- 54 countries
- Top risk: burden of new regulation by a wave of regulator reform at international and local levels
- Load industry with costs and distract management from running profitable business



3 Main reforms



Twin Peaks



SAM



RDR



Regulatory interventions



Demarcation Regs
Consumer Credit
Marketing/advertising

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Twin Peaks

- Mechanism to implement
 - ✓ Financial Sector Regulation Bill

- Status

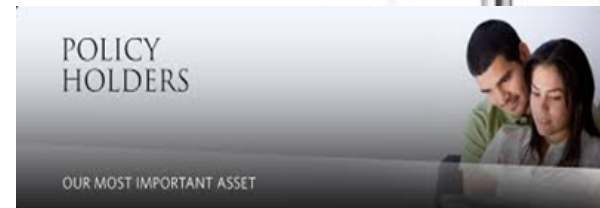


- ✓ *Approved by Cabinet*
 - ✓ *2nd version - published for comment*
 - ✓ *Comments over 400 pages being considered*
- International best practice



Twin Peaks

- Who will it impact?

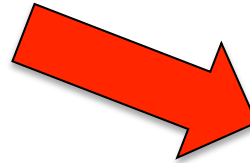
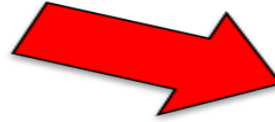


- When?



Prudential standards SAM

- Based (International)
- South Africa started in banks
- Prudential Peak
- Save and financially sound institutions



SAM

- Economic Impact Assessment
- Implementation cost
 - ✓ R2.5 bn.
 - ✓ Ongoing cost of R500 m per annum



SAM Insurance Bill

- Insurance Bill – Comment deadline **29 May 2015**
 - ✓ Licensing - Certain types of insurance business may only be conducted through a separate licensed legal entity namely micro insurance and cell captive

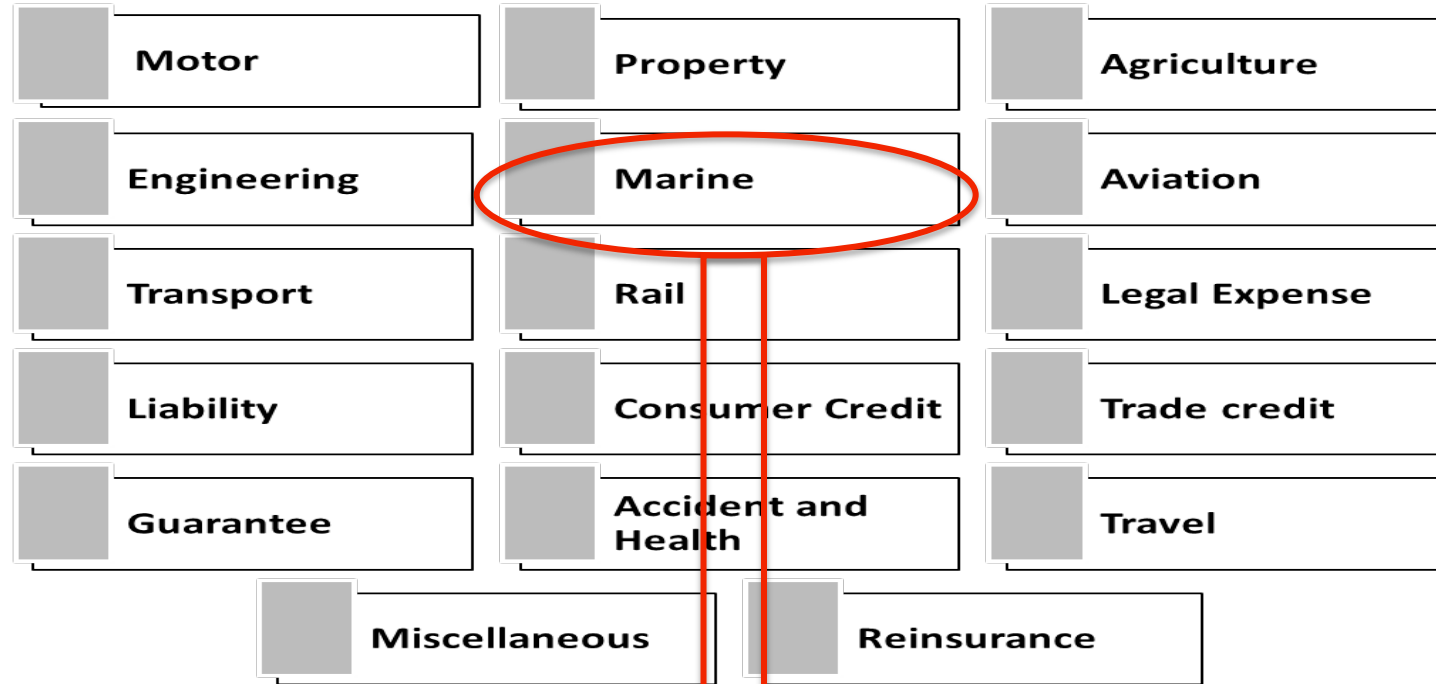
| Current licence | Future licence |
|-------------------------|-----------------|
| Short-term | Non-life |
| Life | Life |
| Reinsurance (composite) | Micro insurance |
| | Cell captive |



- ✓ New authorisation classes

SAM Insurance Bill

✓ New authorisation classes (non-life)



Covers damage or loss resulting from the possession, use or ownership of vessels used on a river, canal, dam, lake or sea

Transitional periods in Insurance Bill

- ✓ Previously registered insurers will continue to exist for a period of two years
- ✓ Registrar must within the 2 years require all previously registered insurers to apply for a license in accordance with the new Act
- ✓ Guidance to be issued within 2 months from the effective date



RDR

- International best practice

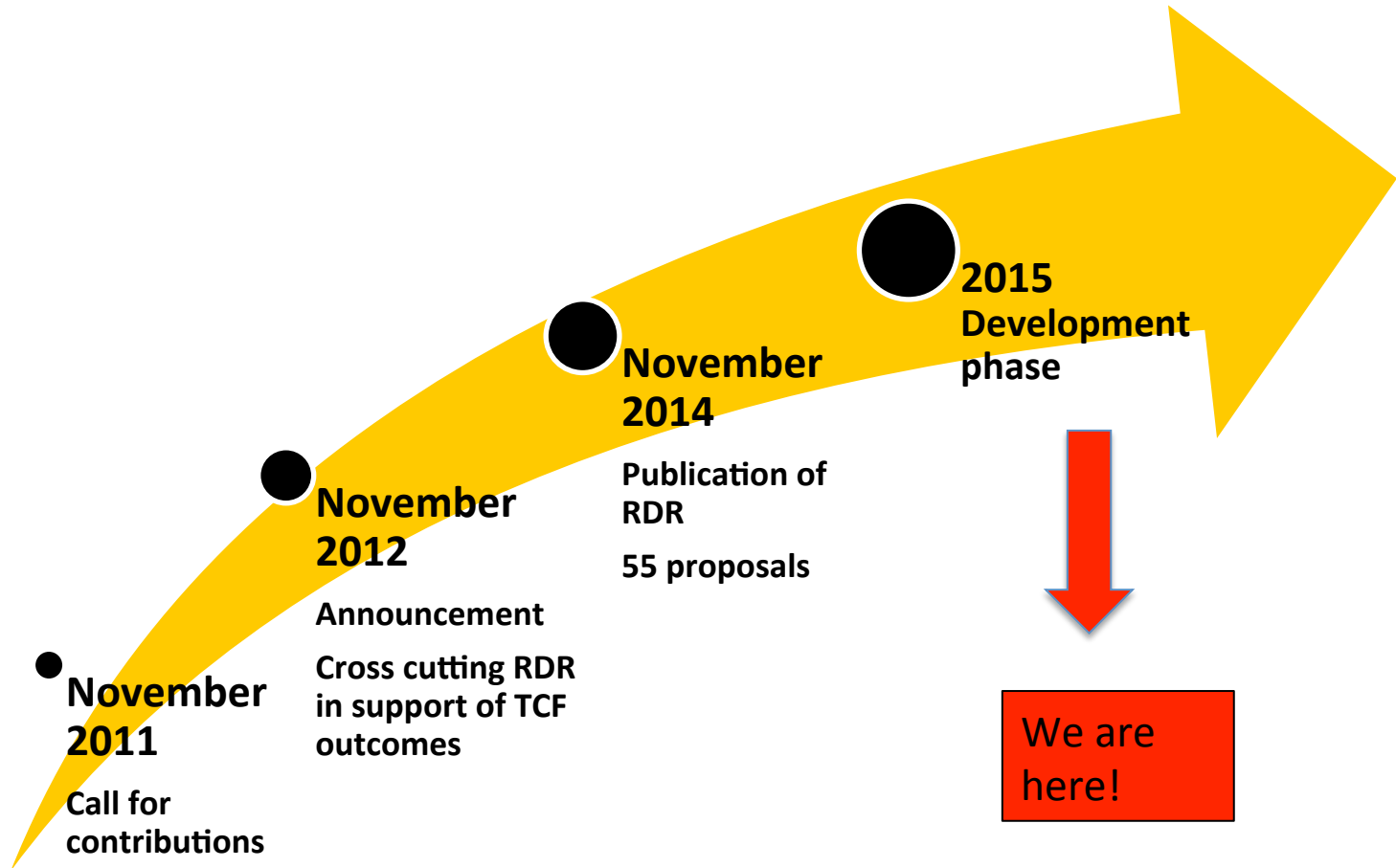


RDR Lessons learnt in other countries

- ✓ *Determining fee for advice problematic*
- ✓ *Timing and sequencing important*
- ✓ *Retail v Wholesale application*
- ✓ *Enhanced partnership with advisors*
- ✓ *Move to digital more prevalent – move to online and direct*
- ✓ *Customers not willing to pay more*
- ✓ *Sustainability of advisers - Reduction in advisers (-43% Dec 2011 to Dec 2013 in UK)*

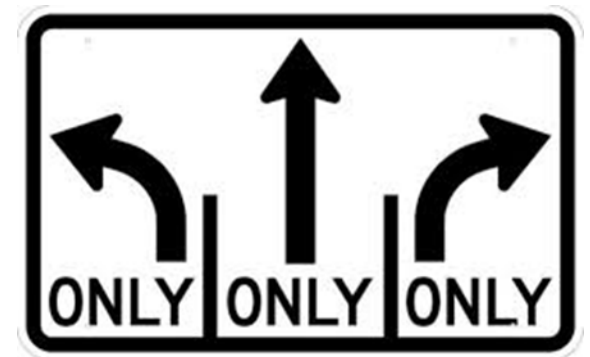


Background RDR in South Africa



RDR

- Main proposals impacting the industry
 - ✓ *Carving out of advice from intermediary services and remunerating separately*
 - ✓ *Adviser types and adviser fee (S8(5) of STIA)*
 - ✓ *Collection of premiums*
 - ✓ *Capping of binder fees*
 - ✓ *Juristic intermediary model*



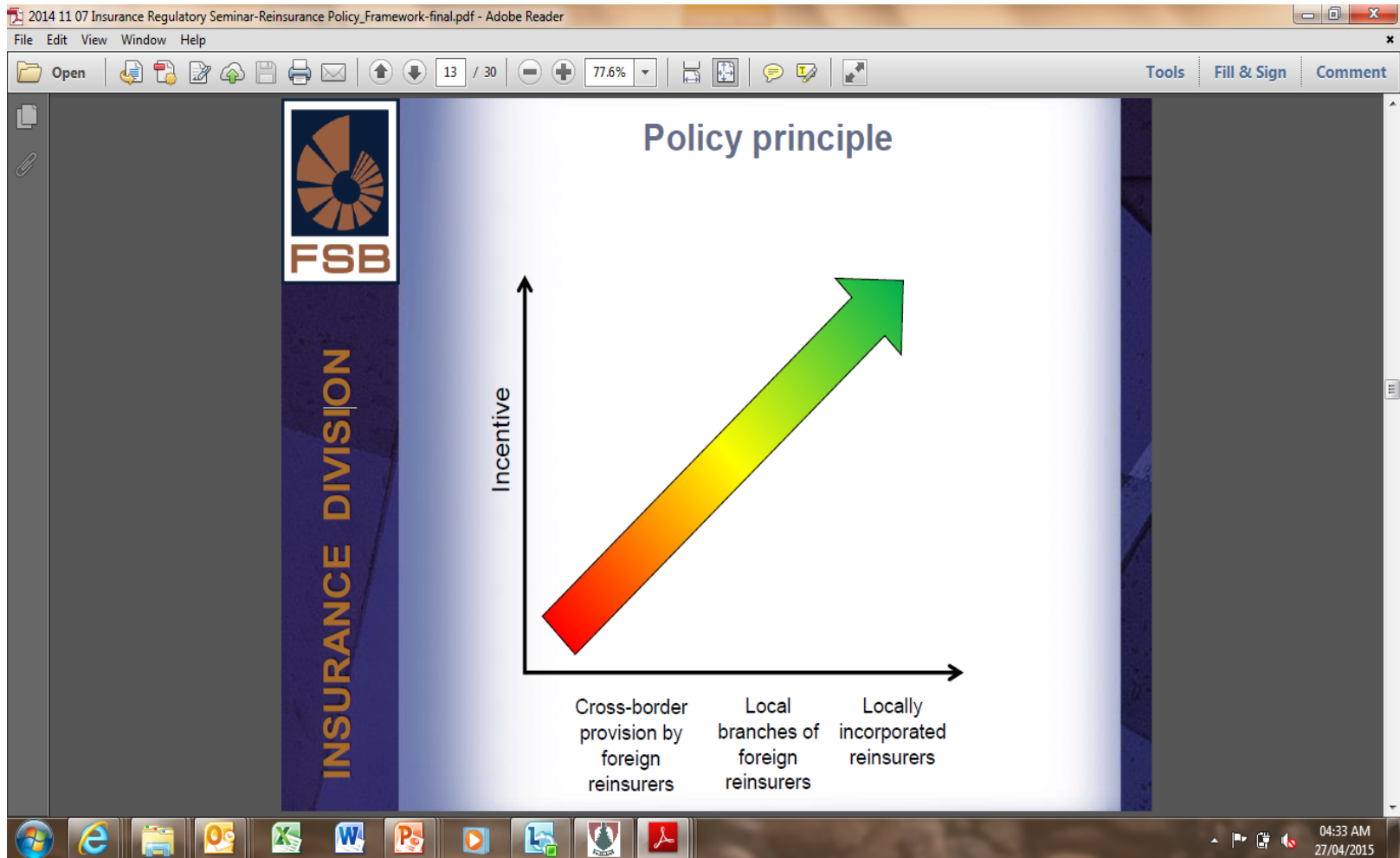
Other legislative developments

- Reinsurance Review paper



- ✓ Foreign reinsurer may establish a branch, if licensed
- ✓ Lloyd's may conduct business – deemed to be licensed
- ✓ Subject to requirements including trusts, Rep offices
- ✓ All requirements of Insurance Bill apply, unless specifically stated otherwise
- ✓ Specific provisions regarding claims against branches & Lloyd's underwriters
- ✓ Existing composite reinsurers will be required to convert into separate life and non-life reinsurers, and required authorisation class

Reinsurance



Other Bills

- Special Money Bill (funding of Twin Peaks)
- Tax amendment Bill (SAM Tax related matters)
- Conduct of Financial Institutions (CoFI) Bill
- Review of FAIS Act as part of Twin Peaks







THANK
YOU.