

INSURANCE CONDUCT OF BUSINESS RETURNS: STATUS UPDATE AND PROJECT PLAN FEEDBACK

7 JUNE 2018

INTRODUCTION

1. The purpose of this document is to provide:
 - 1.1. A status update in respect of the Insurance Conduct of Business Returns (“CBRs”) that were issued by the Deputy Registrar of Long- and Short-term Insurance in terms of Insurance Notice 3 of 2017 (LT&ST) on 21 April 2017; and
 - 1.2. Feedback on key common¹ queries and concerns that were raised by insurers in the standardised CBR project plans that were required to be submitted to the Financial Services Board (“FSB”) by 28 February 2018.
2. This document must be read together with the *Guide to Questions and Reporting Levels* and the *Explanatory Note* published by the FSB on 15 December 2016 and 21 April 2017 respectively. Both documents contain critical information that addresses a number of queries that continue to be raised by insurers.

STATUS UPDATE

Submission Dates

3. The date of submission for the third CBR containing data for the period January 2017 – June 2017 remains unchanged at **31 August 2018**.
4. The date of submission for the fourth CBR containing data for the period July 2017 – December 2017 remains unchanged at **30 November 2018**.
5. The date of submission for the fifth CBR containing data for the period January 2018 – June 2018 will be **28 February 2019**.
6. As previously communicated, these submissions will require a “best effort” attempt by insurers to complete the return as fully as possible, on an incremental basis, according to current data and systems capabilities. Insurers will be required to submit updated versions of the standardised project plan, together with the above submissions, reflecting progress made over the subsequent reporting periods as improvements are made to data and systems capabilities.

¹ Please note that insurer specific queries and concerns will be discussed directly with each insurer on an individual basis, where required.

Reporting Templates

7. The reporting template remains unchanged for the next round of CBR reporting that is due on 31 August 2018. Insurers are required to continue reporting per the CBR template that was published on 21 April 2017, namely **CBR 1 2017_V2**.
8. Further revisions to the template are still under consideration and are dependent on current engagements with individual insurers based on specific queries and concerns that were raised in the standardised project plans. Any such revisions will be communicated timeously to minimise potential impacts on the systems and resource capabilities of insurers.
9. Industry engagements on the development of CBR templates in respect of long-term group risk, fund member and linked business and short-term commercial lines business are intended to commence during the first quarter of 2019.
10. All insurers that are currently required to complete CBRs² must submit their completed returns and project plan updates on or before the requisite due dates via the Conduct of Business – Data Upload Facility on the FSCA website - <https://www.fsca.co.za/Regulated%20Entities/Pages/ES-Insurer-Micro-Insurer.aspx>
11. Queries relating to the CBRs must be sent to the following e-mail address: FSCA.INSCBRComments@FSCA.co.za.

² This excludes insurers who only offer long-term group risk, fund member and linked policies and short-term commercial lines policies.

PROJECT PLAN FEEDBACK

LT/ST	CBR QUESTION CATEGORY	NO.	CBR QUESTION DESCRIPTION	INSURER QUERY/COMMENT	FSCA RESPONSE
LT	BUSINESS COMPOSITION	1.3	State the total gross written premium for all policies in force at the end of the reporting period.	<i>If we have to report on premiums received, we believe that it will impair comparability over reporting periods as well as between insurers. By way of example, determining average premiums will be impossible as for some policies six premiums will be included while for others only one premium will be included. We request that the definition be changed to the annualised premium of policies written or something similar.</i>	Gross written premium includes annualised premium. <u>See definition in CBR which states:</u> Gross written premium on policies relates to the full premium, including full premium for “annualised new business”, received in respect of the relevant policies during the reporting period. This excludes premiums under inward reinsurance policies.
LT	BUSINESS COMPOSITION	1.5	State the total gross written premium for all new policies issued in the reporting period.	<i>Has been interpreted as including the sum of recurring and single premiums for policies active at reporting period. This includes conversions, but not voluntary increases on previously existing agreements, i.e. net of NTUs.</i>	This amount should include: • increase in premiums on conversions • ad-hoc increases in recurring premiums • index growth (i.e. contractual increases)
LT	BUSINESS COMPOSITION	1.6	State the number of new policies issued in the reporting period as grouped per the insurer's chosen demographic market segmentation.	<i>The FSCA is requested to provide clarity on how to determine demographics.</i>	Segmentation may be done at the insurer's discretion as long as the insurer is able to explain the criteria used as the basis for the segmentation and demonstrate how the particular criteria used supports the suitability and appropriateness of specific products vis a vis the target market.

LT/ ST	CBR QUESTION CATEGORY	NO.	CBR QUESTION DESCRIPTION	INSURER QUERY/COMMENT	FSCA RESPONSE
					See detailed explanation of “demographic market segmentation” in the terminology section of the CBR.
LT	BUSINESS COMPOSITION	1.20	State the number of policies surrendered in the reporting period as per the breakdown below.	<i>For in-force policies being surrendered, intermediary splits can either be provided based on the intermediary that initially sold the policy or the current intermediary on record. However, we are of the opinion that there might be another intermediary responsible for the surrender or no intermediary at all, i.e. client initiated. We are not clear what information is to be captured here as we do not understand the purpose of this specific reporting requirement.</i>	This information is required for the purposes of determining whether certain channels pose a higher level of risk to customers based on surrender levels.
LT	ADVERTISING & MARKETING SPEND	3.1	Please state the total advertising and marketing expenses paid to all other parties in the reporting period as per the breakdown below.	<i>Should VAT be included in this amount?</i>	All amounts requested should be inclusive of VAT.
LT	COMPLAINTS HANDLING	4.2	State the number of complaints received in the reporting period as per the breakdown below.	<i>Should all complaints be reported in this section?</i>	The categorisation of complaints is only applicable to <u>reportable</u> complaints, as defined.
LT	ADD-ON BENEFITS	5.1	Do you offer any of the following benefits as add-on benefits to the policies?	<i>We kindly request that the FSCA expand on the requirement of an add-on benefit in particular whether or not it is deemed to be an add-on if it is optional or included with the policy benefits. In addition does it extend to</i>	Add-on benefits include benefits that are optional. The definition refers to benefits under a “life insurance policy” – this implies insurance benefits only.

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				<i>policy benefits only or does it extend to non-insurance benefits as well?</i>	<u>See definition in CBR which states:</u> <i>Means an additional benefit under a life insurance policy, which benefit is ancillary to the primary insurance obligations assumed under that policy, and does not form part of the main benefit that the policyholder is entitled to under the policy.</i>
LT	ADD-ON BENEFITS	5.1.2	Emergency evacuation/transport	<i>Emergency evacuation / transport may need to be defined.</i>	<u>See definition in the Demarcation Regulations which states:</u> <i>A contract-</i> <i>(a) in terms of which a person, in return for a premium, undertakes to provide policy benefits upon a health event;</i> <i>and</i> <i>(b) the purpose of which is to –</i> <i>(i) cover the costs of or provide emergency evacuation or transport to a medical treatment facility; or</i> <i>(ii) cover the cost of emergency medical treatment.</i>
ST	CLAIMS MANAGEMENT	2.6	State the number of claims that were repudiated in the reporting period.	<i>Is repudiated intended to mean the whole claim or part of it?</i>	“Repudiate” means any action by which an insurer rejects or refuses to pay a claim <u>or any part</u> of a claim.

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ST	COMPLAINTS HANDLING	3.1.2	Complaints relating to policy performance (including but not limited to investment performance).	<i>Please clarify the reference to investments. We have interpreted "performance", as insurance product performance, and not related to any investment performance.</i>	The reference to "investment performance" in the ST CBR was an error and will be deleted during future revisions of the template. Future revisions of the template will also include an update to the categories of complaints listed to ensure full alignment with the categories listed in the Policyholder Protection Rules.
ST	COMPLAINTS HANDLING	4.2.8	Complaints relating to insurance risk claims, including non-payment of claims.	<i>We request clarity on whether OSTI referrals are to be included in the risk claims complaints as the statistics on these referrals are reported separately.</i>	Referrals to Ombudsman schemes must be included. Future revisions of the template may include a separate category of questions relating to Ombudsman complaints. This is still under consideration.