

ASISH

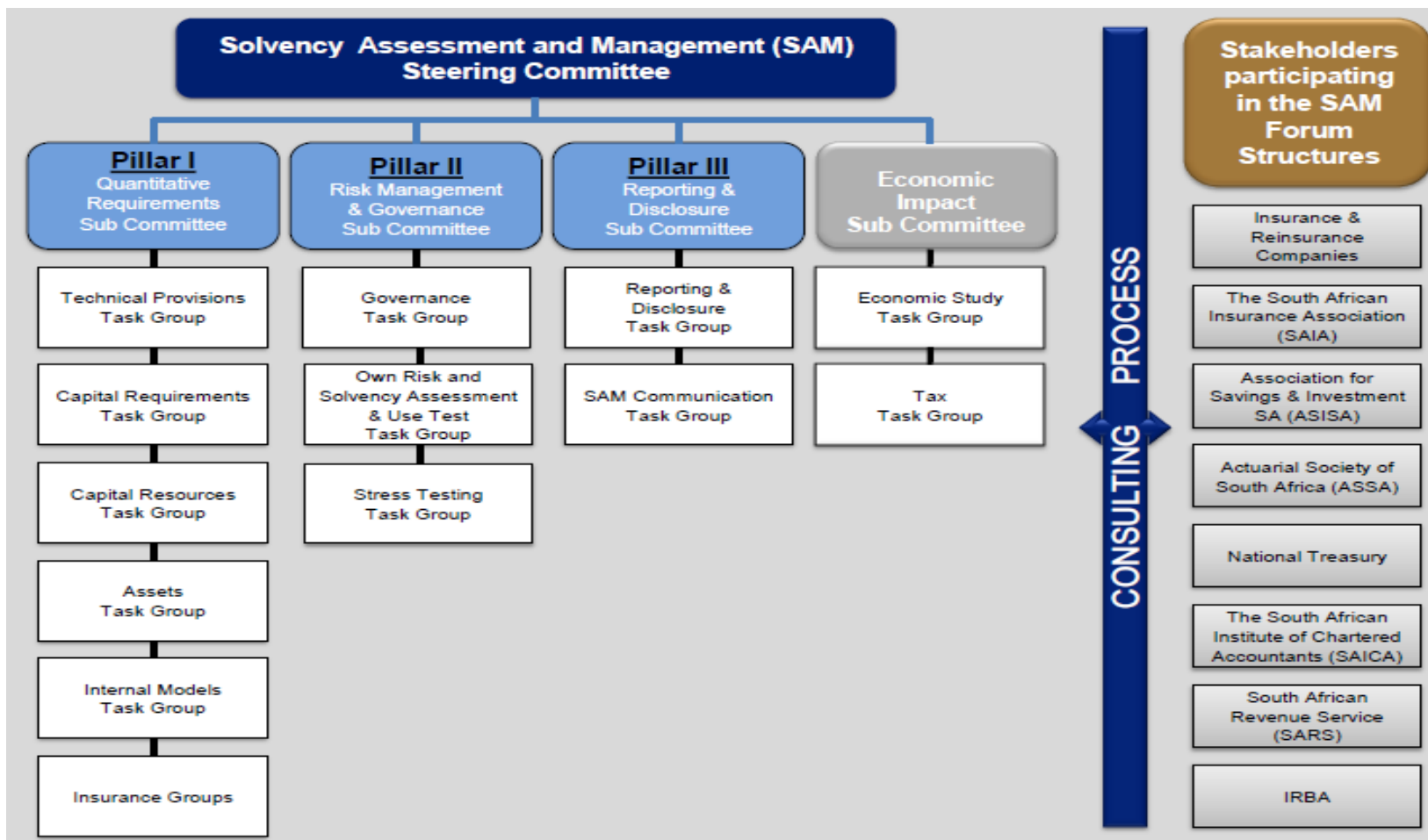
ASSOCIATION FOR SAVINGS & INVESTMENT SA

Long-term Insurance

FSB led project based on EU Solvency II - aim to achieve third party equivalence (Banks are aligning with Basel III)

“The primary purpose of the regime is the protection of policyholders and beneficiaries, with additional objectives being to align capital requirements with the underlying risks of an insurer, provide incentives to insurers to adopt more sophisticated risk monitoring and risk management tools and to help maintain financial stability.”*

*National Treasury-A Safer Financial Sector to Serve South Africa Better



- ❑ 160 insurers have appointed SAM Coordinators (149 individuals - some represent more than one insurer)
- ❑ 4 Pillar Sub-Committees, 13 Task Groups and 49 working groups have been established
- ❑ 181 SAM Sub-Committee and Task Group meetings are scheduled for 2011
- ❑ Over 400 principal members participate in Task Groups and working groups
- ❑ Over 800 people from insurers, reinsurers and industry stakeholders are involved in the SAM governance structures (including alternates, correspondent members, working group members, etc.)
- ❑ 13 SAM Discussion Documents have already been approved by the SAM Steering Committee for publication for public comment - over 50 more are currently in the pipeline and expected to be published for comment in the coming months.

- ❑ ASISA members and ASISA staff participating in SAM structures
- ❑ SAM is focus area for Life & Risk Board Committee and there is a work group on linked insurance
- ❑ South African Quantitative Impact Study (SA QIS1) to be completed by 16 September 2011. EU is on QIS5
- ❑ Internal models approval process
- ❑ Discussion documents for comment on on-going basis. Interim measures for Insurance Groups and Interim requirements for Governance, Risk Management and Internal Controls out soon
- ❑ Interim measures workshops - October 2011

Review of the Long-term and Short-term Insurance Acts

Comprehensive review is being undertaken by the FSB- it has 4 elements:

- ❑ Requirements for SAM (draft Insurance Bill is being used within the SAM structures as a means to communicate and consult)
- ❑ TCF and other general market conduct best practices

ASISA and its members are involved in both of these through the FSB structures

The other 2 elements are below and will be consulted on with ASISA as proposals are developed

- ❑ Intl developments e.g. recent revision of the IAIS Core Principles
- ❑ Identifying gaps and addressing SA specific industry developments and trends

Timing- aim is to have legislation for Parliament in 2013

- ❑ Having a regulatory framework for Micro-insurance is one of the initiatives to support NT's policy priority of expanding access through financial inclusion to lower income families in SA
- ❑ Policy Document issued by National Treasury on 28 July 2011

Policy framework includes:

- ❑ Specific product features and standards e.g. risk only, max R50 000 for life cover
- ❑ Product review - submit to FSB on 'file and use' basis
- ❑ Lower prudential risk - minimum capital adequacy requirements (3 million) - excluded from SAM
- ❑ Special dispensation for micro-insurance within the FAIS framework e.g. dedicated FAIS Code of Conduct

- ❑ No new comment period on the policy paper but NT and the FSB will engage to increase awareness of the proposals and support the transition process
- ❑ Draft legislation and regulations will now be prepared for comment by 2012 and for tabling in Parliament by 2013
- ❑ ASISA has set up a Micro-insurance WG and this is also a focus area for the Life & Risk board committee. Mandate will include:
 - Building up knowledge base
 - Developing shared understanding of the new framework
 - Participating in consultative process