South African Reserve Bank
Prudential Authority

Prudential Standard GOI 7

Miscellaneous Regulatory Requirements for Insurers

Objectives and Key Requirements of this Prudential Standard

This Standard sets out various prescriptions and exemptions that are provided for in the Insurance Act, 2017. Matters addressed by the Standard include:

- *The maximum amounts for purposes of the funeral class of life insurance business in Schedule 2, Table 1 of the Act;*
- *Types, kinds or categories of insurance business that are exempted from the application of the Act;*
- *Circumstances under which an insurer may issue or transfer shares in the name of a nominee without prior approval from the Prudential Authority;*
- *Rider benefits that may be provided in respect of specific classes or sub-classes of insurance business;*
- *Circumstances in which an insurer may adjust its share capital by authorising additional shares, converting shares, repurchasing shares, issuing securities other than shares, reducing its share capital, or other transactions the net effect of which is to alter its share capital without prior approval from the Authority;*
- *Circumstances in which an insurer may acquire or dispose of a material asset without prior approval from the Authority.*

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1. Application

1.1. This Standard applies to all insurers licensed under the Insurance Act, 2017 (the Act), other than microinsurers, Lloyd’s and branches of foreign reinsurers.

1.2. Unless otherwise indicated, all references to “insurer” in this Standard can be read as a reference to life insurers, non-life insurers and reinsurers.

2. Roles and Responsibilities

2.1. An insurer’s board of directors is ultimately responsible for ensuring that the insurer complies with the principles and requirements of this Standard.

2.2. An insurer’s auditor must provide assurance to the insurer and the Prudential Authority, if requested, that the insurer complies with the requirements of this Standard.

3. Commencement and Transition Provisions

3.1. This Standard commences on 1 July 2018.

Version Number	Commencement Date
1	1 July 2018

4. Basis of Miscellaneous Regulatory Requirements

4.1. The Act provides for the Prudential Authority to prescribe certain matters with respect to the business of insurers.

4.2. This Standard sets out those prescriptions.

5. Maximum amounts for Certain Types of Insurance Business

5.1. Schedule 2 of Table 1 of the Act requires the Prudential Authority to prescribe the maximum amount payable in respect of the Funeral class of life insurance business in Table 1 of Schedule 2.

5.2. The Prudential Authority prescribes a maximum amount of R 100 000 (hundred thousand Rand) per life insured, escalating annually, from the commencement date of this Prudential Standard, by the Consumer Price Index (CPI) annual inflation rate published by Statistics South Africa, as defined in section 1 of the Statistics Act, 1999.

6. Excluded Business

6.1. Section 5(9)(a)(i) of the Act provides that the Prudential Authority may prescribe that certain types, kinds or categories of insurance business are, subject to any requirements prescribed by the Prudential Authority, exempted from the application of the Act.

6.2. The Prudential Authority prescribes that the insurance business carried out by the following persons may be carried out without the need to be licensed under the Act by the Prudential Authority:

a) a pension fund organisation registered under the Pension Funds Act, 1956, or exempted under section 2(3)(a) of that Act from the requirement to be so registered, provided it acts in accordance with that Act;

b) a friendly society registered under the Friendly Societies Act, 1956, or exempted under section 3(2) of that Act from the requirement to be so registered, provided the value of the policy benefits to be provided under any life or non-life insurance policy issued by it does not exceed R15 000 per member;
c) a fund established in terms of an agreement referred to in section 23 of the Labour Relations Act, 1995, provided it acts in accordance with the provisions of such agreement;
d) a medical scheme registered under the Medical Schemes Act, 1998, provided it acts in accordance with that Act;
e) an agricultural co-operative registered under the Co-operatives Act, 2005, or allowed to continue to operate in terms of section 97 of that Act, provided it, as part of its main objectives, conducts non-life insurance business, and provides benefits, the amount of which is not guaranteed and in respect of which its liability is limited to the amount standing to the credit of a fund specifically maintained for that purpose; and
f) the unemployment insurance fund established by the Unemployment Insurance Act 2001, provided it acts in accordance with that Act.

7. Registration of Shares in the Name of Nominees

7.1. Under section 18(2) of the Act, the Prudential Authority may prescribe circumstances under which an insurer that is a profit company registered under the Companies Act, 2008 need not require prior approval from the Authority in order to allot, issue, or register a transfer of any of its shares, to a person other than the intended holder of a beneficial interest.

7.2. The Prudential Authority prescribes that the requirement for prior approval shall not apply to the allotment, issue or registration of the shares of an insurer:

a) to or in the name of a trustee or custodian of a collective investment scheme as defined in section 1 of the Collective Investments Schemes Control Act, 2002, or a representative of such trustee or custodian appointed in terms of section 68(6)(a) of the Collective Investment Schemes Control Act, 2002;
b) to or in the name of an executor of the estate of a deceased shareholder of a company, a trustee of a shareholder whose estate has been sequestrated or an administrator, curator or guardian of a shareholder who is otherwise under disability;
c) for a period of not more than six months, to or in the name of an authorised user or a nominee as defined in section 1 of the Financial Markets Act, 2012, or to or in the name of a company controlled by an insurer or an employee of the insurer, if it is necessary that the shares be so allotted, issued or registered in order to facilitate delivery to the purchaser or to protect the rights of the beneficiary in respect of those shares; or
d) to or in the name of a participant or nominee as defined in section 1 of the Financial Markets Act, 2012, provided that the participant or nominee concerned is able, on request, to disclose the name of the beneficial shareholder on whose behalf shares are held.

8. Rider benefits that may be provided in respect of specific classes and Sub-classes of Insurance Business

8.1. Under section 25(3) of the Act, an insurer that is licensed to conduct a specific class or sub-class of insurance business may provide rider benefits[1] as may be prescribed by the Prudential Authority in respect of that class or sub-class of insurance business.

8.2. An insurer licensed to conduct life insurance business may in respect of the specific classes or sub-classes of insurance business that it is licensed to conduct provide rider benefits relating to any of the classes or sub-classes of life insurance business referred to in Table 1 of Schedule 2 of the Act without the need to be specifically licensed to conduct those classes or sub-classes of life insurance business if the additional insurance obligation that is ancillary to the primary insurance obligations assumed under a policy provides for:

a) the acceleration of the date on which the primary insurance obligations assumed under a policy is to be met on the happening of a life event, health event, disability event or death event;
b) the meeting of an insurance obligation in addition to the primary insurance obligations assumed under a policy on the happening of a life event, health event, disability event or death event, which obligation, alone or together with any other additional insurance obligation assumed under a policy, does not exceed 20% of the total primary insurance obligations assumed under a policy; or
c) a waiver of the premium or a part thereof payable under a policy after the happening of a life event, health event, disability event or death event.

8.3. An insurer licensed to conduct non-life insurance business may in respect of the specific classes or sub-classes of insurance business that it is licensed to conduct provide rider benefits relating to any of the classes or sub-classes of non-life insurance business referred to in Table 2 of Schedule 2 without the need to be specifically licensed to conduct those classes or sub-classes of non-life insurance business if the additional insurance obligation that is ancillary to the primary insurance obligations assumed under a policy provides for:

a) the acceleration of the date on which the primary insurance obligations assumed under a policy is to be met on the happening of a health event, or a disability event or death event resulting from an accident;
b) the meeting of an insurance obligation that fully or partially indemnifies loss on the happening of an unplanned or uncertain event in addition to the primary insurance obligations assumed under a policy, which obligation, alone or together with any other additional insurance obligation assumed under a policy, does not exceed 20% of the total primary insurance obligations assumed under a policy; or
c) a waiver of the premium or a part thereof payable under a policy after the happening of a disability event or death event resulting from an accident.

9. Capital and Securities

9.1. Section 38(2) of the Act enables the Prudential Authority to prescribe the circumstances in which its approval under subsection 38(1) of the Act is not required for an insurer that is a profit company, or an insurer that is a co-operative whose constitution provides for membership shares to be issued to members, to adjust its share capital by authorising additional shares, converting shares, repurchasing shares, issuing securities other than shares, reducing its share capital, or other transactions the net effect of which is to alter its share capital.

[1] The Act defines a "rider benefit" as an additional insurance obligation under a life insurance policy or a non-life insurance policy, which obligation is ancillary to the primary insurance obligations assumed under that policy.

9.2. The Prudential Authority prescribes the following circumstances under which the Authority's approval is not required:

a) cell captive insurers that issue shares or change the capital structure of their company are not required to seek the approval of the Prudential Authority under section 38(1) of the Act, provided that such issue or change is done in accordance with the licensing conditions of the cell captive insurer, and the cell captive insurer complies with any reporting obligations imposed by the Prudential Authority.

10. Material Acquisitions or Disposals of Assets

10.1. Section 51(1) of the Act requires an insurer to obtain the approval of the Prudential Authority prior to making a material acquisition or disposal of an asset. The purpose of requiring approval is the risk such a transaction may pose to policyholders.

10.2. Section 51(2) of the Act requires the Prudential Authority to prescribe what constitutes 'material' for the purposes of establishing transactions involving the acquisition or disposal of an asset that require the Authority's approval.

10.3. The Prudential Authority prescribes that a material acquisition or disposal is an acquisition or disposal that materially:

a) impacts the risk profile of the insurer;
b) impacts the profitability of the insurer;
c) impacts on the quality of the operational soundness framework of the insurer, including the insurer's ability to manage its risks and meet its legal and regulatory obligations;
d) increases the risk to policyholders; or
e) impacts the ability of the Prudential Authority to monitor the insurer's compliance with its regulatory obligations.

10.4. In addition to 10.3, the Prudential Authority prescribes that the acquiring or disposal of any of the following constitutes a material acquisition or disposal:

a) another insurer or any other financial institution[2] that is subject to prudential requirements;
b) any entity with assets in excess of 5% of the total assets of the insurer;
c) any entity with net income after tax in excess of 5% of the total net income after tax of the insurer, at acquisition or disposal or within the projected business plan period; or
d) any entity that will result in an intra-group exposure with the insurer in excess of 10% of the total amount of intra-group exposures of all the entities owned by the insurer.

[2] Financial institution means a financial institution as defined in section 1 of the Financial Sector Regulation Act, 2017, or an entity which would have been a financial institution in terms of that Act if it were incorporated in South Africa and which entity is regulated by a designated authority as defined in section 250 of that Act.