

Hollard comments – DRAFT INSURANCE BILL, 2016

Comments on: DRAFT INSURANCE BILL, 2016

By: Hollard Life Assurance Company Limited (Reg. No. 1993/001405/06); and
The Hollard Insurance Company Limited (Reg. No. 1952/003004/06)
("Hollard")

To: National Treasury

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Hollard has considered the DRAFT INSURANCE Bill, 2016 and hereby submits its comments for consideration.

Section number	Section Wording	Comment
Definitions	<p>“microinsurance business” means insurance business—</p> <p>(a) conducted in respect of any of the following classes and sub-classes of insurance business set out in Schedule 2—</p> <p>(i) life insurance business, classes 1, 3, 4 or 9; and</p> <p>(ii) non-life insurance business, in the sub-class personal lines in—</p> <p>(aa) classes 1, 2, 9, 11, 14 or 17; and</p> <p>(bb) class 10, but only to the extent that the insurance obligations</p>	<p>Part d) aggregation by life insured is more important than aggregation by policyholder, by using policyholder for aggregation a life insured can be significantly over-insured by splitting policies between multiple policyholders</p>

	<p>directly relate to the classes referred to in item (aa); and</p> <p>(b) in the case of life insurance business and class 14 referred to in paragraph (a)(ii)(aa), in respect of which the aggregate value of the insurance obligations relating to each life insured under an insurance policy does not exceed the maximum amounts prescribed; and</p> <p>(c) in the case of non-life insurance business other than class 14 referred to in paragraph (a)(ii)(aa), in respect of which the aggregate value of the insurance obligations under an insurance policy does not exceed the maximum amounts prescribed; and</p> <p><u>(d) in respect of which the aggregate value of the insurance obligations under all insurance policies issued by the same insurer to the same policyholder does not exceed the maximum amounts prescribed under paragraphs (b) and (c);</u></p>	
Chapter 2, Part 2, 5(4)	(4) An insurer may not, without the approval of the Prudential Authority, conduct any business other than insurance business in the Republic, including any insurance business performed on behalf of another person.	An insurer may not conduct any business other than insurance business without approval. Is the administration of insurance policies (with no assumption of risk) on behalf of another insurer considered to be “business other than insurance business”?
Chapter 11	General	Given the demarcation regulations that have been introduced, does this mean that Dread Disease / Critical Illness benefits do not fall into the definition of “business of a medical scheme”? If not does this mean existing dread disease and critical illness products would not be permitted?
Schedule 2	<p>“beneficiary” means—</p> <p>(a) in the case of an insurance policy other than a group insurance policy, the—</p> <p>(i) the person stated in the insurance policy or a person nominated by the policyholder as the person in respect of whom the insurer should meet the insurance obligations; or</p> <p>(b) in the case of a group insurance policy—</p>	For an individual policy is much broader than is applied in current practice and may lead consumers to misunderstand the rights of a beneficiary. A beneficiary only acquires any rights to receive insurance policy proceeds in the instance that the policyholder is deceased at the time of the insurance event. A individual version of the beneficiary definition is not used anywhere in the Schedule.

	<p>(i) a member of the association or fund, or an employee; or</p> <p>(ii) a person nominated by the member referred to in subparagraph (i) in respect of whom the insurer should meet the insurance obligations, which person is not the association, fund or employer;</p>	
Schedule 2	<p>“individual” in respect of the classes of insurance business, relates to an insurance policy entered into with a person (whether individually risk rated or underwritten on a group basis) and—</p> <p>(a) includes—</p> <p>(i) an insurance policy where a credit provider is the policyholder and the person in respect of whom the insurer should meet the insurance obligations, and the persons who are the lives insured under the policy are debtors of that credit provider;</p> <p><u>(ii) an insurance policy where an employer is the policyholder and the person in respect of whom the insurer should meet the insurance obligations, and the persons who are the lives insured under the policy are directors or employees of that employer; but</u></p> <p>(b) excludes—</p> <p>(i) a group insurance policy; and</p> <p>(ii) subject to (a)(i) and (ii), an insurance policy where the persons who are the life insureds under the policy are two or more persons without an insurable interest in each other;</p>	<p>The meaning that it includes insurance policy issued to an employer but excludes a group policy where the policyholder is the employer, seems circular. Clarity is required</p>
Table 1	<p>Individual Death –</p> <p>Lump sum or, specified or determinable equal or unequal sums of money payable at specified intervals</p>	<p>Single sub-class for lump sum and income benefits but disability classes have separate sub-classes for lump sum and income, seems unnecessary to separate sub-classes based on frequency of claim payment. Similar for others e.g. Group disability lump sum and group disability recurring payment etc.</p>

	payable on the happening of a death event	
Table 1	Individual Health – Lump sum or, specified or determinable equal or unequal sums of money payable at specified intervals payable on the happening of a health event, which sum is not linked to the costs or services regulated under the Medical Schemes Act, 1998 (Act No. 131 of 1998), but includes any kind, type or category of contract identified by the Minister in regulations as an insurance policy that may be entered into under this class	Which sum is not linked to the costs or services regulated under the Medical Schemes Act?. Tiered or severity based Critical Illness / Dread Disease policies vary the sum payable based on the severity of the diagnosed condition. Diagnosis is a service regulated under the Medical schemes act, therefore would this definition not prohibit severity based Critical Illness / Dread Disease products as Critical Illness / Dread Disease not included in the allowed products in the current demarcation regulations
Table 1	CREDIT LIFE – Lump sum or, specified or determinable equal or unequal sums of money payable at specified intervals to satisfy all or part of a financial liability to a credit provider— *on the happening of a death event, health event or a disability event; *in the event of unemployment, or other insurable risk that is likely to impair a person’s ability to earn an income or meet credit obligations	Should exclude an individual policy that has been ceded on a collateral basis to the credit provider. Or is it expected that a policy will move classes in the event of a cession to a credit provider? Retrenchment (unemployment) cover is only permissible under the Credit Life class – is this intentional?
Table 1	REINSURANCE a. Proportional in respect of a class or sub-class referred to above b. Non-proportional in respect of a class or sub-class referred to above	Is each class to which reinsurance licencing required applied for? Or is the approval for reinsurance mean approval for reinsurance on each class for which the insurer is licenced?