

**INSURANCE BILL (B1- 2016)**  
**February 2017**

**Submitted by: Professional Provident Society Insurance Company Limited**  
**Date: 3 February 2017**

CLAUSE	WORDING / PROPOSED WORDING	COMMENT
Please insert the clause number here. Please make sure that it corresponds with the comment	Please insert the wording/proposed wording of each clause in a separate row. Underline proposed insertions and strike-through proposed deletions.	Please insert comments related to each clause in a separate row. Please propose alternative wording or a solution to solve a problem and motivate why the alternative will be more appropriate. Keep the regulatory objective in mind. If you require clarification, please explain the reason for requiring clarification. Specific questions (as opposed to open questions) are more likely to lead to an appropriate regulatory response.
<b>“Outsourcing” definition – page 10</b>	<b>“outsourcing”</b> means an arrangement of any form between an insurer or a controlling company and another person, whether that person is supervised under any law or not, and includes an arrangement whether the other person is – (a) Related or inter-related person of the insurer or controlling company, irrespective of that other person being located outside of the Republic ; or (b) An insurer and the function or activity (such as pricing and actuarial services) it performs for the insurer or controlling company, whether under an insurance policy or not, is not part of the insurance provided to that insurer, but excludes the rendering of a financial service as defined in the Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002), other than binder functions referred to in section 49A(1) of the Long-term Insurance Act, 1998 (Act No. 52 of 1998), or section 48A(1) of the Short-term Insurance Act, 1998 (Act No. 53 of 1998);”	In our view the definition of “outsourcing” should be aligned with the definition of Directive 159 to include control function, management function and material function.
<b>Section 5.4</b>	“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.”	Please clarify to say if rendering of financial services is included or excluded from “insurance business”.
<b>Section 36(2)</b>	“... (2) A controlling company in respect of an insurance group must at all times maintain the insurance group in a financially sound condition, by holding group eligible own funds that are at least equal to the group solvency capital requirement as prescribed.”	In our view section 36(2) must be clearly worded in such a way that it excludes business operating on a mutual model with members as the beneficial owners through a trust. This will mean that the trust itself is excluded from the requirements to hold capital as group eligible own funds to meet any prescribed group solvency capital requirement.

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<b>Schedule 2 -</b>	<u>Schedule 2 does not have products with Discretionary Participation features as risk products only investment or retirement products.</u>	In our view "Discretionary Participation features" should be included under Schedule 2 – Table 1 for insurers operating on a mutual model.