national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

RESPONSES TO COMMENTS RECEIVED ON THE PROPOSED AMENDMENTS TO THE REGULATIONS MADE UNDER THE LONG-TERM INSURANCE ACT, 1998

#	Commentators	
	Organisation	**Contact Person**
1	**Association of Savings and Investments South Africa (ASISA)**	Anna Rosenberg
2	**AVBOB Mutual Assurance Society (AVBOB)**	Colin van Son
3	**Banking Association of South Africa (BASA)**	Adri Grobler
4	**Clientele Life Assurance Company Limited (Clientele)**	Yurika Pistorius
5	**Direct Marketing Association of South Africa (DMASA)**	Joanna Bromley Gans Fathima Dildar
6	**Hollard Life Assurance Company Ltd**	Tholoana Makhu
7	**Financial Intermediaries Association of Southern Africa (FIA)**	Ronald N King
8	**Masthead Financial Advisors Association (Masthead)**	Nicky Nairn

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PART I INTERPRETATION					
1.	**ASISA**	**3(d)**	Definition of "fund policy"	The reference in (b) of the definition to "long-term insurance business" should be to "life insurance business" as it refers to the Insurance Act and not the Long-term Insurance Act.	Agreed. Amendment made.
2.	**ASISA**	**3(f)**	the insertion in Regulation 1.1 after the definition "health policy" of the following definition…	This should have referred to a "health event" as there is no definition of a "health policy".	Agreed. Amendment made.
PART 3A LIMITATION ON REMUNERATION FOR RENDERING SERVICES AS INTERMEDIARY POLICIES OTHER THAN POLICIES TO WHICH PART 3B APPLIES					
3.	**FIA**	**5(c)(a)**	**Group scheme definition (a)**	Please note that in nosiness insurance a company can take out a policy on the lives of more than 1 person in order to e.g. cover its debt at the death of the first dying of the insured lives. These insured lives may have no insurable interest in each other. This policy should however not fall under the definition of a group scheme	Please note that paragraph (a) of the definition of "group scheme" is the current definition in the Long-term Insurance Act Regulations and we are not amenable to changing the existing definition which has been in existence for an extended period of time. Please also refer to paragraph 2.1 of

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					Annexure E (Statement on the proposed amendments) that was published with the draft Regulations as it explains the changes to "individual" and "group" policies brought about by the Insurance Act.
4.	**FIA**		**Individual policy definition (a)**	See above	See response above.
5.	**FIA**	**5(f)**	**Definition of representative**	Some confusion arises in the use of the same term in the Long-term Insurance Act, the Insurance Act and the Regulations where it refers to employees of an insurer and in the FAIS Act where it refers to employees of Financial Services Providers such as independent intermediaries. Alternate terms should be considered.	Noted. Please note that changes were proposed in the 2016 draft amendments, but these changes were rejected by industry. For this reason the existing definitions were retained, subject to an amendment to the definition of "representative" emanating from the RDR process. Any further alignment of definitions will be considered at the appropriate stage of implementing the RDR adviser categorisation proposals.
6.	**AVBOB**	**Primary commission**	**Regulation 3.3 (1)(b)**	Many funeral policies in the industry provide cashback every five years as a retention mechanism and some	Your concern is not entirely clear. In our opinion all

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				funeral policies have a limited premium payment term (say 15 years or until retirement) but give cover for life which requires a reserve to be built up. While the primary purpose of such policies is to provide a funeral benefit, these policies may not necessarily be classified as Funeral in terms of Table 2 of Schedule 2 of the Insurance Act and could result in a non-level playing field relating to the treatment of primary commission for materially similar funeral policies that are classified differently.	policies that meet the description of the Funeral Class in Schedule 2 of the Insurance Act must be written under that class. Is your concern that the Commission Regulations are ambiguous on whether upfront commission will be allowed for policies written under the Funeral Class? Please note that the Regulations has been amended to clarify the latter position.
7.	**AVBOB**	**Secondary commission**	**Regulation 3.2 (4)**	Many funeral policies in the industry provide cashback every five years as a retention mechanism and some funeral policies have a limited premium payment term (say 15 years or until retirement) but give cover for life which requires a reserve to be built up. While the primary purpose of such policies is to provide a funeral benefit, these policies may not necessarily be classified as Funeral policies in terms of Table 2 of Schedule 2 of the Insurance Act and could result in a non-level playing field relating to the treatment of secondary commission for materially similar funeral policies that are classified differently.	See response to previous comment.
8.	**ASISA**	**5(i)** **5(j)** **5(k)**	**3.2(4)(b)** **3.3(1)(b)(i)** **3.4(1)(b)**	Table 2 also shows a commission cap for micro insurance credit life (item 8(b)(i)(aa)). Therefore, the sub-regulations listed must also refer to item 8(b) of Table 2.	✎ Agreed. Amendment made to include 8(b)(i)(aa).

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		5(l)	**3.5(2)(a)(i)**		
9.	**ASISA**	**5(k)**	**3.4(1)(c)**	3.4(1) (c) only refers to Scale A and should refer to Scale A in Annexure 2.	Disagree. "Scale A" is already defined in Regulation 3.1 as meaning the scale of commission set out in Annexure 2 .
10.	**DMASA**	**5 (k)**	**Maximum commission payable**	Clarity is sought on whether this is applicable to sales execution only models? The Sales execution only model pertains to low advice simple products which generally has lower premium but higher operational costs.	The commission regulations apply to all distribution models.
11.	**AVBOB**	**Adjustment and refund of commission**	**Regulation 3.5(2)(a)(i) and 3.5(2)(b)**	We could not locate Rule 15.11 and 15.12, this may be a drafting error and should read Rule 15A under the proposed PPR amendments.	✎ Noted. Correct reference to be contained in Regulation 3.5(2)(b) is Rule 15A.2 and 15A.3.
12.	**ASISA**	**5(o)**	**Table 2 - Licensed Insurers**	It is a concern for members that until all insurers are licenced under the Insurance Act there will be an arbitrage opportunity in respect of commission payable on "funeral policies". According to Table 2, commission on "funeral" and "microinsurance" will be uncapped in the same way as "assistance business" is currently, but they will have different benefit limits. The prescribed limit for "assistance business" is R30, 000 and the proposed limit in the Prudential Standards for "funeral" and "microinsurance" is R60, 000. In ASISA's comments on the product standards in the draft amendments to the Policyholder Protection Rules, the firm view of members is that the standards should only apply to microinsurance policies. It is suggested that a separate	Correct, a very temporary arbitrage will exist in respect of commission on funeral policies with sums assured between R30,000 and the prescribed cap for the Funeral Class. The Prudential Authority will attempt to manage this arbitrage through the conversion process as far as possible. Your suggestion of capping commission on the funeral class will, however, also be a deviation from the current

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				set of product standards, as appropriate and where necessary, are formulated to address any market conduct concerns for non microinsurance funeral benefits. On this basis members do not think that it is necessary to have uncapped commission for the funeral class of insurance business.	commission regime to some extent as policies that were previously uncapped (i.e. below R30,00) will now be capped according to your proposal. We believe that the first mentioned approach would have impact on the existing market. With regards to your view on the application of the products standards to funeral policies other than Microinsurance policies, please see the responses to the same concern raised under the PPRs in the response matrix that was published by the Financial Sector Conduct Authority.
PART 3B LIMITATION ON REMUNERATION FOR RENDERING SERVICES AS INTERMEDIARY - INVESTMENT POLICIES THAT STARTED ON OR AFTER 1 JANUARY 2009					
13.	**AVBOB**	**Adjustment and refund of commission**	**Regulation 3.17(6)**	We could not locate Rule 5.11, this may be a drafting error and should read Rule 15A under the proposed PPR amendments.	✎ Noted. Correct reference is Rule 15A.3.
PART 3C LIMITATION ON REMUNERATION FOR BINDER FUNCTIONS					

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14.	**DMASA**		**3.22 (a)**	There are intermediaries who are licensed for advice but only perform intermediary services. How would remuneration work in these circumstances given this table?	Please note that no amendments were proposed to Regulation 3.22(a) and this is therefore not the correct forum to raise this question. That being said, if an intermediary is licensed for advice but does not give advice, then advice should be removed from its licence.
PART 4 LIMITATION ON PROVISIONS OF CERTAIN POLICIES					
15.	**DMASA**	**4.2(1)6**		In terms of section 8(1), the insurer is obliged to oversee any intermediary authorized to collect premium. Collection of premium by the Intermediary is deemed payment of premium to the Insurer. In addition, in terms of s 8.2(1) intermediaries are required to have separate bank accounts for receiving and remitting premiums only. We submit that there is no prejudice to the customer if the Insurer and Intermediary can agree a reasonable date of transfer of premium collected in line with the business collection methodology. For eg. In a business where collection of premium occurs at different days in a month, the requirement of transfer of premium to an insurer's account within 15 days of receipt of a specific premium creates onerous and unnecessary administrative work.	We assume you are referring to the 15 day requirement in Regulation 8.2(4)? Please note that this has been a long-standing requirement under the Short-term Insurance Act Regulations and is deemed to be equally important for purposes of the LTIA Regulations.
PART 5A POLICIES OTHER THAN POLICIES TO WHICH PART 5B APPLIES					

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16.	**AVBOB**	**Actuarial basis**	**Regulation 5.1**	We could not locate Rules 5.9 to 15.12, this may be a drafting error and should read Rule 15A under the proposed PPR amendments.	✎ Noted. Correct reference is Rule 15A.1 to 15A.4.
17.	**AVBOB**	**Excluded policy**	**Regulation 5.1**	Regulation 5.1 (b) defines a licenced insurer as a policy as defined in section 1 of the Insurance Act. This does not make sense and it appears that some wording may be missing. Regulation 5.1 (b)(ii) refers to a whole-life policy written under both the – (aa) Risk, Credit Life or Funeral classes of life insurance business as set out in Table 1 of Schedule 2 of the Insurance Act; and (bb) Life Annuity, Individual Investment or Income Drawdown classes of life insurance business as set out in Table 1 of Schedule 2 of the Insurance Act; and that has an investment value or a materially equivalent value referred to in regulation 5.2(2)(b), and in respect of which policy, immediately before a causal event, the ratio of the aggregate of the sums insured of all basic risk benefits to the monthly basic premium (or the monthly equivalent where recurring premiums are not paid monthly) is greater than the threshold ratio as defined. It is unclear how a whole-life policy can be classified as BOTH a Risk, Credit Life or Funeral class of business AND a Life Annuity, Individual Investment or Income Drawdown class of life insurance.	Disagree. Subsection (b) of the definition of "excluded policy" in Regulation 5.1 must be read with paragraphs (i) to (iii). Put otherwise, an excluded policy in respect of a licensed insurer is a policy as defined in section 1 of the Insurance Act that meets the requirements in paragraphs (i) to (iii). A whole-life policy that is an excluded policy according to the existing regulations contains both a life- and investment component. A

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					whole-life policy that is an excluded policy would therefore, for purposes of the Insurance Act segmentation, constitute a policy consisting of one of the life risk classes and one of the investment classes (i.e. combined policy).
18.	**AVBOB**	**Values**	**Regulation 5.1**	We could not locate Rules 5.9 to 15.12, this may be a drafting error and should read Rule 15A under the proposed PPR amendments.	✎ Noted. Correct reference is Rule 15A.1 to 15A.4.
PART 5B INVESTMENT POLICIES THAT STARTED ON OR AFTER 1 JANUARY 2009					
-	-	-	-	-	-
PART 6 BINDER AGREEMENTS					
19.	**ASISA**	8 (d)	6.3(1)(qA)	• It is not clear whether this requirement is intended to apply to existing binder agreements. If so a transitional period is requested as discussions will need to be held between insurers and binder holders, and existing binder agreements will need to be updated. An 18 month transitional period is requested for existing agreements and 6 months for agreements entered into after the effective date. • Delete “must” - this is duplication as (1) already states this.	The transitional periods requested are too long and not justified in the context of the amendment. The requirement will apply to new binder agreements. However, a transitional period to convert existing binder agreement to the new requirements will be provided for until 1 January 2019. The requirement will apply to all new binder

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					agreements entered into after the effective date. ✎ Agreed. Amendment made.
20.	**FIA**	**8(d)**	**6.3(1)(qA)**	There are some concern that the wording implies that mechanisms and measurers implemented by the binder holder will benefit the insurer and not count for the binder holder itself. More clarity is required in the wording to ensure it will count for the binder holder as well.	The intention is to ensure insurers actively pursue meeting procurement, enterprise and supplier development targets relating to transformation. There is no reason why the binder holder cannot take measures to also meet its targets.
PART 8 AUTHORISATION OF AND REQUIREMENTS FOR COLLECTION OF PREMIUMS BY INTERMEDIARIES (SECTION 47A)					
21.	**FIA**	9	Part 8	We wish to refer you to the details comments made in our submission with regards to short term insurance on premium collection	Noted. See responses under the Short-term Insurance Act Regulations matrix.
22.	**ASISA**	9	Part 8	ASISA members support the regulatory objective of this new part 8 to achieve minimum standards and protection for members and align the legislative framework governing premium collection across the Long Term Insurance Act and the Short Term Insurance Act. However as recognised in the National Treasury Statement on the Proposed Amendments to the regulations it will have cost implications and the transition is likely to be quite significant. The points below provide an indication	Noted. Appropriate transitional provisions have been provided for. We note your indication of cost implications but we question the accuracy thereof. In addition, the estimation is based on the assumption that a whole new oversight structure will need

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				of the cost implications and time needed for implementation: • Some members who have a number of these arrangements with independent intermediaries ("intermediary") will require additional resources for compliance, risk, legal and servicing functions to implement and fulfil the requirements of Part 8. A high level estimate is that it would require 4 people at an average annual salary per person of R500 000. In order to allow for overhead costs such as rent etc. and management time, legal costs and contingency plans this will amount to no less than R4 million per year. These costs need to be planned and budgeted for. • Every intermediary agreement for premium collection will have to be updated and re-contracted with these new terms and this can only be done after a due diligence process of that intermediary, that would include the setting up of new separate bank accounts and the ability to monitor the overall process as 8.1(5) requires. • If an insurer will require insurance, guarantees or security, time is needed in order to agree this with the intermediaries, and give them time to implement or raise the funds, depending on how this is done. • Consideration needs to be given to the number of premium collection agreements in place, the weeks of work to inform the parties involved, carry out due diligence, implement new processes, and then re-contract.	to be set up within the insurer to deal specifically with these types of arrangements, and we question whether this is the case.

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				ASISA members therefore request a 24 month period transitional period.	
23.	**Masthead**		8.1	Section (1)(b)(ii) of Regulation 6.2A requires an insurer to satisfy itself of the "fitness and propriety, …" of the binder holder. We recommend that this also be made a specific requirement under section (4) of Regulation 8.1. No reference is made in Regulation 8.1 to the termination of the authorisation. We recommend that the written authorisation specify the process to be followed in the event of the authorisation being terminated.	✎ Agreed. Amendment made to include a requirement relating to fitness and propriety. ✎ Agreed. Amendment made to include a requirement relating to the termination of the authorisation.
24.	**ASISA**	9	8.1.3	This provision creates complexity within the funeral policy environment as there are often 2 independent intermediaries involved- • the funeral parlour who collects premiums and pays it across to the administrator, • the administrator collates the premiums and pays it across to the insurer. ASISA members are unsure of the reason for this limitation as the insurer is accountable whether there is one intermediary involved or two and in light of the complexity it introduces it is requested that it be deleted.	✎ Agreed, the requirement has been deleted. The insurer will, however, still have to authorise each intermediary collecting premiums and the deeming provision (section 47(3) of the LTIA) will apply when the first intermediary collections the premium. Where practical considerations still exist, this can be dealt with through an exemption mechanism which has been provided for in the Regulations.

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25.	**ASISA**	**9**	**8.1(5)**	It seems that the insurer would either need to have access to the intermediaries' bank account or the intermediary must provide bank statements to the insurer, and this may be met with some resistance by the intermediary concerned. Having a designated bank account as per our suggested wording for 8.2(1) should assist in this regard.	In our opinion obtaining actual bank statements is not the only way to monitor that the intermediary has used the account as per the authorisation. Notwithstanding, we have slightly amended the requirement to state that the insurer must take "reasonable steps" to monitor compliance. We believe that this should address your concern.
26.	**AVBOB**	**Requirements relating to receiving premiums**	**Regulation 8.2**	Regulation 8.2(5)(a) and (b) provides that (a) and (b) must be present in order for the premium to be reduced. It should not be joined by and (making it conditional on each other) but be detailed as two points followed by a full stop**.**	We do not agree with your interpretation. In the context of the sentence preceding the paragraphs, "and" does not make paragraphs (a) and (b) conditional on each other. An intermediary may reduce the amount in terms of paragraph (a) and an intermediary may reduce the amount in terms of paragraph (b). Notwithstanding, as removing the word "and" will, in our opinion, have no

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					effect on the substance, we agree to delete the word. ✎
27.	**ASISA**	9	8.2 (1)	*(1) An independent intermediary who receives premiums must account for such premiums properly and promptly and open and maintain one or more separate bank accounts designated for receiving and remitting premiums only in respect of the policy/ies subject to the authorisation.* The additional wording as shown is suggested in order to make it clear that an intermediary must have a premium collection bank account for each insurer that they collect premiums for.	Disagree. We do not wish to be overly restrictive in this regard. If an insurer authorises an intermediary to collect premiums it is still within its power to require the intermediary to have a separate bank account for that specific insurer.
28.	**DMASA**		**8.2(1)**	Clarity is sought on whether a separate bank account is required for each insurer? Or is it sufficient to have a separate bank account for premium collection vs a business account?	See response above as well as the amendment to Regulation 8.2(1). The intention is not to prescribe that there must be a bank account per insurer, but to ensure that the premium collection account is not used for the independent intermediary's general operational purposes.
29.	**Hollard**	9	**8.2(1)**	**1.** On the VAPS the current process with the banks is one debit order that includes the vehicle finance agreement instalment as well as any insurance premiums. Premiums are therefore not received and accounted for in a separate bank account.	✎ Agreed. Please see amendment to Regulation 8.2(1) which now allows other collections (in addition to premium).

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				2. The requirement for the intermediary to collect premiums into a separate account: a. This will result in a separate debit order for the customer as well as additional costs for the customer. b. Will result increased costs for the bank in respect of system changes to split the vehicle instalment and insurance premium. **c.** The range of controls, checks and balances already in existence in respect of the current process where the vehicle instalments and premiums are collected via one debit order, already provides for fair outcomes to customers.	
30.	**Clientèle Life**		**8.2 (5)**	In order to simplify and streamline the insurer's payment of fees to binder holders and outsource partners, and in an effort to save on bank charges / costs, we recommend that the following sub-regulation be added to Rule 8.2(5): *"(c) any other consideration payable by the insurer, to third parties, in connection with binder and/or outsource services rendered in relation to the policy in terms of written binder and/or outsource agreements."*	Disagree. This is an existing requirement in the STIA Regulations and was inserted into the STIA Regulations at the relevant time to address a specific concern. In our opinion this requirement should apply in the same manner to the LTIA Regulations. Widening the requirement as proposed could open the door for abuse.
31.	**ASISA**	9	8.2(5)(a)	*(5) Despite subregulation (4), an independent intermediary may, subject to the insurer's authorisation, prior to paying the total amount of the premiums received to the insurer reduce that amount by the value of –*	✎ Agree in principle. Amendment made.

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				(a) any refund of premiums due and payable by the insurer to any policyholder or prospective policyholder represented by such independent intermediary and which policy is subject to the authorisation granted by the insurer; and This clause needs to be restricted to refund of premiums in respect of policyholders for whom the intermediary collected premiums. It currently reads that they could deduct this for any premiums due from any policyholder represented by the intermediary. Please see suggested wording.	
32.	**ASISA**	9	8.2(5)	*(5) Despite subregulation (4), an independent intermediary may, subject to the insurer's authorisation, prior to paying the total amount of the premiums received to the insurer reduce that amount by the value of –* *(a) any refund of premiums due and payable by the insurer to any policyholder or prospective policyholder represented by such independent intermediary; and* *(b) any consideration payable to that independent intermediary by the insurer for rendering services as intermediary in respect of the policies concerned* *(c) any consideration payable to an independent intermediary by the insurer for rendering services as intermediary in respect of the policies concerned* *(d) any consideration payable to that independent intermediary by the insurer for rendering binder functions in respect of the polices concerned* It is requested that (c) and (d) are included because:	Disagree. See response to comment number 26 above.

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				(c) caters for the situation where the intermediary also has authority to deduct and pay across commission to another independent intermediary who renders intermediary services in respect of the policy e.g. an administrator who pays the commission to the funeral parlour. (d) caters for the situation where the intermediary is also a binder holder. They should also be permitted to deduct the binder fee, which is not an intermediary service but a binder function.	
33.	**Hollard**	**9**	**8.5**	Does this mean that only commission and refunds to policyholders will be allowed to be deducted from the premiums collected by an Intermediary before the Intermediary pays over the total amount of premiums collected over to the insurer? Will re-insurance commission or binder fees not be allowed?	We assume you are referring to Regulation 8.2(5)? According to the current wording commission in general cannot be deducted, only commission payable to the independent intermediary that is collecting the premiums can be deducted. Reinsurance commission and binder fees may not be deducted. In respect of other proposed deductions, please see our response to comment number 26 above.
34.	**ASISA**	**9**	**8.3(1)(b)**	*(1) An independent intermediary who has been authorised under section 47A must in respect of every month in*	✎ Agreed.

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				respect of which the authority is in force, furnish the insurer concerned with returns – *(b) containing information relating to at least the premiums received, the commission payable to that intermediary and the amounts paid to the insurer in respect of the policies concerned; and* • The additional wording, as shown, is suggested to provide certainty that the information relates to the relevant policies only.	
PART 9 TITLE AND COMMENCEMENT					
35.	**FIA**			Due to the significant changes required in premium collection systems read together with all the other system changes required by Legislative and Regulatory changes (such as the VAT change) we fear a systemic failure in the industry if these changes are pushed through. We therefore request an implementation date of 12 motnhs in the future as an absolute minimum.	Agreed. A transitional period of 12 months has been provide for all new premium collection requirements , except for the following requirements: • that the authorisation must be in writing; and • Regulation 8.1(4).
36.	**Masthead**		**Part 9**	We suggest that a minimum of 6 months from the effective date of the amendments as set out in 9.2 should be afforded to insurers and intermediaries to whom the collection of premiums has been outsourced to ensure that (1) an insurer is able to perform the required due diligence to establish whether the intermediary meets the requirements and to ensure adequate time to draft and negotiate the necessary agreement, (2) the intermediary is	Please see response directly above.

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				provided with a period of time to make changes, if necessary, to bring their processes into line with the new requirements, and (3) if, based on the new requirements, the arrangement cannot continue, there is adequate time for the collection of the premiums to be passed back to the insurer.	
37.	**AVBOB**	**Commencement date**	**Regulation 9.2**	The commencement date of the Regulations is noted as Monday 2 July 2018. Many other sources in the industry refer to the commencement date of the Regulations as Sunday 1 July 2018. Whilst not material, this may cause uncertainty.	Agreed. Please note that the effective date will be 1 July 2018.
38.	**ASISA**	10	9.2	This should reference subregulation 9.3, not 8.3.	Agreed. Amendment made.
39.	**ASISA**	10	9.3	This should reference sub regulation 9.2, not 8.2.	Agreed. Amendment made.
40.	**ASISA**	10	9.3(b)	The word "date" has been omitted at the end and needs to be added.	Agreed. Amendment made.
41.	**Clientèle Life**	**10 (9.3)**	**9 (3)**	Due to the time delays associated with having to renegotiate with intermediaries and to subsequently update and/or amend in-force intermediary mandates in order to ensure compliance with the new Part 8, we recommend a 12 month transition period for Part 8 to take effect and accordingly propose the following addition to Rule 9.3: • "*(g) the amendment of Part 8 takes effect 12 months after the effective date.*"	Agreed. Please see response to comment number 31 above.

GENERAL COMMENTS

No.	Commentator	Issue	Comments/inputs	Response
42.	ASISA	Transition periods	It will not be possible for members to comply with all the proposed amendments from the effective date (2 July 2018) as proposed. A longer period of time has been requested in our comments in respect of the new requirement for binder agreements as well as the new regulations on premiums collections in Part 8.	✎ Agreed. Please note that proposals on transitional provisions were specifically requested during the consultation process. Please see response to comment number 31 above.
43.	**BASA**	**Licensing transition period starts when?**	It is not clear when the license transition must start. In other words will it start when the Regulations Tranche 2 are published or when the Insurance Act comes into effect on 1 July 2018.	The process to start converting existing licenses to licenses under the Insurance Act will start once the Insurance Act becomes effective. According to item 6 of Schedule 3 of the Insurance Act the conversion process must be completed within a period of 2 years. The PA will communicate with insurers regarding the conversion process.