



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA



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## **MEDIA STATEMENT**

### **TABLING OF THE INSURANCE BILL, 2016**

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The Minister of Finance has tabled the Insurance Bill, 2016 ("the Bill") in Parliament on 28 January 2016. The Bill was approved by Cabinet at its meeting of 4 November 2015.

The Bill forms part of the Twin Peaks reforms, which seeks to significantly enhance South Africa's financial regulatory and supervisory framework. The Bill provides a consolidated legal framework for the prudential supervision of the insurance sector that is consistent with international standards for insurance regulation and supervision. It also seeks to replace and consolidate substantial parts of the Long-term Insurance Act, No. 52 of 1998 and the Short-term Insurance Act, No. 53 of 1998 relating to prudential supervision.

The Bill seeks to promote the maintenance of a fair, safe and stable insurance market by establishing a legal framework for insurers that –

- enhances financial soundness and oversight through higher prudential standards, insurance group supervision and stronger reinsurance arrangements;
- increases access to insurance through a dedicated micro-insurance framework;
- strengthens the regulatory requirements in respect of governance, risk management and internal controls for insurers; and
- aligns with international standards.

The Bill will give effect to the outcomes of a number of policy projects undertaken over the past few years such as the Solvency Assessment and Management ("SAM") framework. SAM is a risk-based prudential supervisory framework which seeks to improve policyholder protection and contribute to financial stability through aligning insurers' regulatory capital requirements with the underlying risks of the insurer. It also gives effect to the National Treasury's Micro-insurance Policy Document.

The Bill was first approved by Cabinet on 15 April 2015 and published for public comment on 17 April 2015. (The previous media statement is available at [www.treasury.gov.za](http://www.treasury.gov.za))

A total of 32 comments were received during the public consultation period on the Bill. A number of changes informed by the consideration of these comments were made to the Bill as tabled. The changes include (but are not limited to) the following:

- **General alignment with the Financial Sector Regulation Bill ("FSR Bill"):** The FSR Bill will give effect to the Twin Peaks model of financial regulation in South Africa. The FSR Bill is currently under consideration by Parliament. All provisions in the Bill that are similar to or linked to provisions contained in the FSR Bill have been aligned.
- **Linked insurers:** The provisions that linked investment insurance may only be conducted by a dedicated linked insurer, and that linked insurers may not reinsure their investment business, have been removed. These provisions have been deferred to allow for a broader review of the regulatory framework for linked insurance business.

- **Reinsurers:** Professional reinsurers will be allowed to have composite licences (i.e. may conduct both life and non-life insurance business under the same licence) in respect of risk business. This includes allowing for a composite foreign branch licence.
- **Financial soundness:** The provisions dealing with regulatory intervention following a failure to meet financial soundness requirements have been clarified and enhanced.
- **Resolution:** The provision dealing with preferred claims of policyholders in the winding-up of an insurer has been removed; further policy research will be conducted as part of the broader resolution framework.

### **Available documents**

In addition to the Bill ("**Annexure A**"), the National Treasury ("NT") and Financial Services Board ("FSB") are also releasing:

- a detailed comments matrix ("**Annexure B**") responding to public comments submitted;
- a summary of significant changes to the Bill ("**Annexure C**"); and
- the previous media statement – 17 April 2015 ("**Annexure D**").

The Bill and accompanying documents are available on the NT ([www.treasury.gov.za](http://www.treasury.gov.za)) and FSB ([www.fsb.co.za](http://www.fsb.co.za)) websites.

### **Process**

The Bill will be considered by the Standing Committee on Finance in Parliament, which is anticipated to invite public comments and submissions on the Bill.

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