



Credit Insurers Circular

Number 1 | January 2012

GUIDELINE 001/2012

Guidance and Explanatory Notes for the Submission of information requested in terms of section 16(2)(b) of the National Credit Act 34, of 2005 ("The Act")

Guide for Credit Insurers

SUMMARY

Guideline in respect of submission of information requested in terms of section 16(2)(b) of the National Credit Act, 34 of 2005.

This document constitutes guidelines issued by the National Credit Regulator, in terms of section 16(1)(b)(i), of the National Credit Act No. 34 of 2005.

This guideline is intended for companies who supply credit insurance as defined by the National Credit Act. This document provides guidance and explanatory notes pertaining to the completion Request for Information in terms of Section 16(2)(b) of the Act to be submitted to the National Credit Regulator on a quarterly basis.

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These guidelines may be updated from time to time. Insurance companies will be informed of such changes by e-mail, fax or mail and updated guidelines will be placed on the NCR website.

1. Definitions

Act	The National Credit Act No. 34 of 2005
Combined Cover	Is cover provided under an insurance contract in a combined format that covers two or more forms of credit insurance types in one product. For instance, cover for credit life and loss or damage to moveable property combined in one product.
Cover for Cards, Pins and Similar	Is cover provided under an insurance contract for loss or theft of an access card, personal information number, or similar device; or any loss or theft of credit consequential to a loss or theft of an access card, personal information number, or similar device
Cover for Immovable Property	Is cover provided under an insurance contract for the equivalent of "real property" in common law, that is, land or any permanent feature or structure above or below the surface. This would include cover for fixtures and fittings
Cover for Movable Property	Is cover provided under an insurance contract for any property that can be moved from one location to another. This would include motor vehicles, furniture, and household appliances
Credit Agreement	Means an agreement that meets all the criteria set out in section 8 of the National Credit Act No. 34 of 2005
Credit Insurance	Refer to section 1 of the National Credit Act No. 34 of 2005. Means an agreement between an insurer, on one hand, and a credit provider or a consumer or both, on the other hand, in terms of which the insurer agrees to pay a benefit upon the occurrence of a specified contingency, primarily for the purpose of satisfying all or part of the consumer's liability to the credit provider under a credit agreement as at the time the specified contingency occurs, and includes – (a) a credit life insurance agreement; (b) an agreement covering loss of or damage to property; or (c) an agreement covering – (i) loss or theft of an access card, personal information number or similar device; or (ii) any loss or theft of credit consequential to a loss or theft contemplated in subparagraph (i)
Credit Life Insurance	Refer to section 1 of the National Credit Act No. 34 of 2005. Includes cover payable in the event of a consumer's death, disability, terminal illness, unemployment, or other insurable risk that is likely to impair the consumer's ability to earn an income or meet the obligations under a credit agreement.
Nett Incurred claims	Are claims arising out of events that have occurred during the relevant quarter and have been reported to the company by the quarter end date. These exclude recoveries from reinsurance and exclude claims incurred but not reported

Earned premiums	The proportion of premiums attributable to periods of risk that relate to the current accounting period. It represents written premiums adjusted by the unearned premium provision and portfolio premium adjustment at the beginning and end of the accounting period.
Written Premiums	Are the premiums that an insurer is contractually entitled to receive within the relevant quarter from the insured in relation to an insurance contract. It is the premium income before any premium is ceded to any proportional reinsurance cover. Premium is the monetary Rand value of Premiums Written excluding Value-Added Tax (VAT).
Holding Company	As defined in the Companies Act 71 of 2008
Insurer	A Short-Term insurer as defined in section 1 of the Short-Term Insurance act No.53 of 1998 and a Long-Term insurer as defined by section 1 of the Long-Term Insurance Act No. 52 of 1998
Public Officers	A natural person appointed in terms Section 16(1)(b) of the Short-Term Insurance act No.53 of 1998 and Long-Term Insurance Act No. 52 of 1998
NCR	National Credit Regulator
Optional	Refer to section 106(3) of the National Credit Act No. 34 of 2005. Optional insurance is non-mandatory insurance offered by a credit provider to a consumer, in relation to the obligations of the consumer under a credit agreement or relating to the possession, use, ownership or benefits of the goods or services supplied in terms of a credit agreement
Statutory Return-Request for information	The request for information in terms of Section 16 and 106 of the National Credit Act No. 34 of 2005 and Regulation 72 of the Regulations to the National Credit Act No. 34 of 2005.

2. Introduction

The guidance and explanatory notes have been compiled by the National Credit Regulator to provide assistance to those responsible for completing the request for information in terms of Section 16(2)(b) of the National Credit Act No. 34 of 2005.

For the completion of the statutory return, every section that is applicable to the insurer with respect to credit life insurance and other credit insurance must be completed in the required format. All information, however inconsequential it may appear, is essential for the National Credit Regulator to meet its obligations and mandate as set out in Section 16 of the National Credit Act

3. General

The statutory return is a quarterly periodic synoptic report required to be completed by Companies who have a short-term insurance licence and/or long-term insurance licence as granted by the Registrar of the Short-Term Insurance Act No. 53 of 1998 and Long-Term Insurance Act No. 52 of 1998 (as amended) respectively.

A distinction is made between life insurance policies, which are specifically designed and aimed at providing cover in respect of a credit agreement (credit life insurance policies) and other general life insurance policies that do not provide cover for the primary purpose of securing repayment in terms of a credit agreement (general life policies). Insurers offering only the latter general life policies, including those policies that may incidentally be ceded to cover credit agreements, will be exempt from completing and submitting request for information. Where an insurer offers both credit life insurance policies and general life policies, data regarding the general life policies need not be included in the request for information it is required to submit.

Reinsurers that do not sell policies directly to consumers and/or credit providers, and whereby they indemnify another insurer for all or part of the risk of a policy issued and assumed by that other insurer, will be exempt from completing and submitting request for information.

The statutory return is to be completed by each company in aggregate and not by associated licence.

The statutory return signed by the Public Officer will be regarded as the official return to the National Credit Regulator.

3.1 Effective dates and schedule for submission

The statutory return must be submitted by the insurer to the National Credit Regulator within 30 days of the quarter end.

The reporting requirement in terms of Regulation 72 is effective from 1 January 2012. The first statutory return must cover the period from 1 January 2012 until 31 March 2012. Subsequent returns will be required quarterly for the quarters ending March, June, September and December, and submitted within 30 days of the quarter end.

3.2 Submission Procedure and Address

The signed statutory return must be submitted in duplicate, with only one being signed as the original, together with an electronic version of the completed return. The signed copy and duplicate must be sent to:

National Credit Regulator
PO Box 209
Halfway House
1685
E-mail: Form45@ncr.org.za

If applicable, a nil return must be submitted in accordance with the above guidelines and procedures.

3.3 Additional Information

The National Credit Regulator may direct an insurer to furnish additional information and documentation as may be necessary for the purposes of the Act (refer to section 16(2)(b)). Any other documents submitted to the National Credit Regulator, must if it is;

- An original, be accompanied by one copy; and
- A copy, be accompanied by one copy, one of which has been certified as correct by the Public Officer of the insurer.

The additional documentation will be treated as part of the return for signature purposes.

3.4 Company Details

Name of insurance company: registered name in terms the Companies Act No. 71 of 2008.

Company reference number as supplied by CIPC

FSB registration number: unique registration number that is allocated to each insurer at registration by the Financial Services Board. Where the insurer has both a short-term and long-term insurance licence, two FSB registration numbers would need to be indicated.

Start of reporting period: the starting date pertaining to the relevant quarterly reporting period.

End of reporting period: the ending date pertaining to the relevant quarterly reporting period.

Name of contact person: is the Public Officer(s)

Telephone and e-mail contact: telephone and e-mail contact details of the relevant Public Officer(s).

4. *Request for information* *Section 1: Credit Insurance Information per* *Class of Business*

Classes of Credit Insurance Business

1.1 Credit Life: Insurance contracts that provide cover, payable in the event of a consumer's death, disability, terminal illness, unemployment, or other insurable risk that is likely to impair the consumer's ability to earn an income or meet the obligations under a credit agreement.

Mandatory:: refer to section 106(1)(a)(b)(i)(iii) of the National Credit Act.

Optional: Refer to section 106(3) of the National Credit Act. Optional insurance is non-mandatory insurance offered by a credit provider to a consumer, in relation to the obligations of the consumer under a credit agreement or relating to the possession, use, ownership or benefits of the goods or services supplied in terms of a credit agreement.

1.2 Cover for Immoveable Property: It is cover provided under an insurance contract for the equivalent of "real property" in common law, that is, it is land or any permanent feature or structure above or below the surface. This would include cover for fixtures and fittings.

1.3. Cover for Moveable Property: It is cover provided under an insurance contract for any property that can be moved from one location to another. This would include motor vehicles, furniture and household appliances.

1.4. Cover for Cards, Pins and Similar: It is cover provided under an insurance contract for loss or theft of an access card, personal information number, or similar device; or any loss or theft of credit consequential to a loss or theft of an access card, personal information number, or similar device.

1.5. Combined Cover: It is cover provided for the combination of more than one of the above-mentioned classes of credit insurance. Any entries into this class must not be duplicated within the other classes.

Column entries

Column – Gross Commission paid

Commission is the Gross Acquisition Costs (EA) which are the costs incurred to get the policy on the books of the insurer. For example, insurers utilising intermediaries, Gross Acquisition Costs relate to the total commissions accrued during the relevant quarter. In the case where insurers adopt a direct writing distribution channel, Gross Acquisition Costs would relate to the marketing costs incurred to get the policy on the books of the insurer. Commission is the monetary Rand value of Gross Acquisition Costs excluding Value-Added Tax (VAT).

Column –Claims received(R value)

Claims received (R Value) represents the Rand monetary value of claims received during the relevant quarter within the applicable class of business, which relates to Claims received (Number). Claims received excludes Value-Added Tax (VAT).

Column –Claims received(Number)

Claims received (number) represents the number of claims received during the relevant quarter within the applicable class of business, which relates to Claims received (R value).

Column – Claims Rejected (R Value)

Claims Rejected (R Value) represents the Rand monetary value of claims rejected during the relevant quarter within the applicable class of business, which relates to Claims Rejected (Number). Claims Rejected and) excludes Value-Added Tax (VAT).

Column – Claims Rejected (Number)

Claims Rejected (Number) represents the total number of claims rejected during the relevant quarter within the applicable class of business relating to the rejections in the Quarter (R value).

5. Request for information **Section 2: Analysis of NCA - Related Claims**

Column Entries

Sub-Section 2.1 – Analysis of the movement in policies for the reporting period

Column A - Number of policies - Indicate the number of policies that are in force for the reporting period

Column A - Annual premium - Indicate the rand value of the monthly premium enough though the policy is for a period of 12 months.

Column B - Number of policies - Indicate the number of new policies sold during the period.

Column B - Annual premium - Indicate the rand value of the monthly premium enough though the policy is for a period of 12 months.

Column C - Number of policies - Indicate the number of claims settled for the reporting period

Column C - Annual premium - Indicate the rand value of the claims settled for the reporting period.

Column D - Number of policies - Indicate the number of policies that have lapsed for the reporting period

Column D - Annual premium - Indicate the rand value of the policies that have lapsed for the reporting period.

Column E - Number of policies - Indicate the number of policies that have been terminated or reinstated for the reporting period

Column E - Annual premium - Indicate the rand value of the policies that have been terminated or reinstated during the reporting period. .

Sub Section 2.2 – Primary reasons for gross claims reported(indicate number)

Indicate the primary reasons for the gross claims reported by inserting the number of claims reported under the different columns for the reporting period.

Sub-Section 2.3 – Primary Reasons for Rejecting Claims (Indicate number)

Indicate descriptively the primary reasons for rejecting claims.

- Required documentation not submitted
- Criteria for insured event not met (e.g. the insured is not “disabled” as defined etc.)
- Waiting period not expired.
- Exclusion applies
- Fraud
- Non-disclosure or misrepresentation
- Other

6. *Request for information – Declaration*

The Public Officer(s) is responsible to sign off the request for information as an accurate reflection and truthful account of the content disclosed to the National Credit Regulator.

7. *Further information*

For further information please contact the research and statistics department of the National Credit Regulator on (011) 554 2600.

