



Notice regarding the publication of the draft Prudential Standard: Insurance application fees

Fees payable for applications made in terms of the Insurance Act, 2017 (Act No. 18 of 2017)

The Prudential Authority (PA) today publishes the draft Prudential Standard: Insurance application fees, made in terms of section 63 read with section 60(2) of the Insurance Act, 2017 (Act No. 18 of 2017) (Insurance Act) and section 105 of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) (FSR Act), for public comment for a period of six weeks. This notice is made in terms of section 98 of the FSR Act.

The FSR Act introduced a number of reforms to the regulation and supervision of the financial sector. On 1 April 2018, the FSR Act established the PA. The PA is responsible for the prudential regulation and supervision of banks, insurers and market infrastructures.

Chapter 16 of the FSR Act provides for a process for the determination of fees for the performance of specific functions by the PA under the FSR Act and financial sector laws. This chapter will only come into effect once the Financial Sector Levies Bill (Levies Bill) is enacted.

At present, due to extensive consultations currently underway, it is unlikely that the Levies Bill will be in operation by 1 April 2019 as was envisaged. Therefore, as an interim solution, the PA proposes the draft Standard to enable the payment of fees for applications made under the Insurance Act and Insurance Prudential Standards. This Standard will continue to operate until the determination of fees has been made in terms of Chapter 16 of the FSR Act, whereupon the Standard will be repealed.

The draft Standard sets out fees payable by all persons, including insurers and controlling companies in respect of applications submitted to the PA in terms of the Insurance Act. In addition, the Standard sets out ancillary details related to the administrative matters pertaining to the fees.

In accordance with section 98 of the FSR Act, the PA hereby invites submissions on the draft Standard. The relevant documentation released for the public consultation process, including the Statement of the need for, expected impact and intended operation of the Standard, can be accessed on the website of the PA at: [Draft Prudential Standard-Insurance Fees](#).

Submissions on the draft Standard, using the comments template attached as Annexure A, must be submitted to PA-Standards@resbank.co.za for the attention of Kalai Naidoo and Stewart Bobo by close of business on 18 April 2019.

Issued by the Prudential Authority

Date: 6 March 2019



Consultation Report

Prudential Standard: Insurance application fees

1. In accordance with section 98 of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) (FSR Act), on 6 March 2019, the Prudential Authority invited submissions on the draft Prudential Standard: Insurance application fees (draft Standard) that was published together with the Statement of the need for, expected impact and intended operation of the Standard and other relevant documents, for a period of 6 weeks.
2. At the close of the public consultation period, the Prudential Authority received submissions from 4 institutions that included insurers, industry representative bodies and the Road Accident Fund. The submissions received were considered in revising the draft Standard which was tabled before Parliament. However, the comments received did not necessitate any material changes to the draft Standard published for consultation.
3. This document is drafted in fulfilment of section 103 of the FSR Act and provides a general account of the issues raised in the submissions and sets out the Prudential Authority's response to the issues raised in the submissions made during the public consultation period.
4. Table 'A' outlines all the comments received as well as the Prudential Authority's responses to the comments.

Table A: Responses to submissions received on the draft Prudential Standard: Insurance application fees

No	Name/ Organisation	Paragraph/ reference	Comment	Prudential Authority's response
1	Liberty	1 Section 5(4)	<p>Will currently registered insurers who are required to convert to a licensed insurer be required to pay for this application in terms of s5(4) when it converts?</p> <p><i>Application by an insurer, other than a microinsurer for approval to conduct any business other than insurance business in the Republic, including any insurance business performed on behalf of another person</i></p>	<p><i>An application fee will not be charged for like to like conversion of licences. Kindly refer to Communication 2 of 2018 in this regard.</i></p>
2	Road Accident Fund	6.4	<p>It is our understanding from this paragraph, that the Prudential Authority (PA) can waive the requirement to pay fees when it deems it appropriate. It is our submission that the waiving of fees can only be done by the PA if there is an empowering provision in the Insurance Act, No. 18 of 2017 ("the Act") that authorises it to do so. It is advised that this paragraph of the Prudential Standard: Insurance Application Fees ("the Standard") stipulates which section of the Act allows for this empowering provision, in order to assess whether the PA is acting beyond the scope of its authority.</p>	<p><i>Paragraph 6.4 is subject to the provisions of paragraphs 6.5 and 6.6. It deals with instances where there is the withdrawal of an application, erroneous submission, etc.</i></p> <p><i>An exemption from fees will be dealt with in terms of section 66(3) of the Insurance Act, as stated in paragraph 6.7 of the draft standard.</i></p>
3	Road Accident Fund	7	<p>The Standard does not contain the abbreviated term for PA.</p>	<p><i>Noted. PA has been written in full in paragraph 7 of the revised draft Standard.</i></p>
	Attachment 1: Fee Schedule			
4	South African Insurance Association (SAIA)	Attachment 1: Fee Schedule Item number 3 and 5	<p>Item number 3 of the Fee Schedule refers to the reorganisation of insurance business whilst item number 5 refers to the restructuring of the insurance group.</p> <p>SAIA requests clarification regarding the difference between "reorganise" and "restructure".</p>	<p><i>Item 3 and item 5 are in reference to two different sections in the Insurance Act, which refer to applications to reorganise its business, and to amend the structure of the insurance group, which are separate issues and require the respective fees to be determined accordingly.</i></p> <p><i>However, the fees for item 3 and 5 have been aligned in the revised draft Standard in order to</i></p>

No	Name/ Organisation	Paragraph/ reference	Comment	Prudential Authority's response
				<i>provide for a consistent approach between fees charged for applications in terms of section 5(7) and 12(1).</i>
5	South African Insurance Association (SAIA)	Attachment 1: Fee Schedule Item number 9	SAIA requests clarification as to whether the R53 186 fee for the licencing of a controlling company will be paid twice where the applicant is a controlling company of more than one insurer within the same group.	<i>The controlling company will only be liable to pay the licensing fee once.</i>
6	Liberty	Attachment 1: Fee Schedule Item number 9 Section 23(1)	Will currently registered insurers who are required to convert to a licensed insurer be required to pay for this application in terms of s23(1) when it converts?	<i>An application fee will not be charged for like to like conversion of licences. Kindly refer to Communication 2 of 2018 in this regard. A fee in terms of section 23(1) will only be applicable for new licenses.</i>
7	Road Accident Fund	Item 15 in Attachment 1: Fee Schedule	Attachment 1: Fee Schedule ("the Schedule"), Item 15 should appear after Item 16 if the numerical sequence in the Act is observed.	<i>Agreed. Change has been effected in the revised draft standard.</i>
8	Road Accident Fund	Item 16 in Attachment 1: Fee Schedule	Item 16 in the Schedule should appear prior to Item 15 if the numerical sequence in the Act is observed.	<i>Agreed. This has been changed in the revised draft standard.</i>
9	Liberty	Item 17 Capital and securities	An application fee of R23 500 is required for an insurer or holding company to repurchase any of its shares or to allow a subsidiary directly or indirectly acquire shares in it. It is proposed than an application is submitted to the Prudential Authority annually after approval is received from the Board.	<i>We have noted the comment, which falls within the supervisory process and the submission of an application annually needs to be discussed, on a case-by-case basis, with the relevant supervisor.</i>
10	Liberty	Item 17 Capital and securities	An application fee of R23 500 is required to conclude a transaction contemplated in section 45 (loans or other financial assistance to directors) of the Companies Act It is proposed than an application is submitted to the Prudential Authority annually after approval is received from the Board.	<i>See response above.</i>
11	South African Insurance	Attachment 1: Fee Schedule	Section 45(3)(a) of the Insurance Act provides that any non-disclosure of appropriate information must	<i>The fee is payable per application submitted in terms of section 45(3)(a) of the Insurance Act.</i>

No	Name/ Organisation	Paragraph/ reference	Comment	Prudential Authority's response
	Association (SAIA)	Item number 22	<p>first be applied for and approved by the Prudential Authority.</p> <p>SAIA requests clarity as to whether the fee of R37 500 will be charged:</p> <p>a) as a once off annual payment (i.e.; one payment of R37 500 per annual disclosure); or</p> <p>b) per non-disclosure application (i.e.; every information for which non-disclosure is applied for carries its own fee resulting in R37 500 x number of non-disclosure applications in any one annual disclosure).</p> <p>If the charge is payable per non-disclosure application (see b) above), how will it apply for multiple non-disclosure applications.</p>	<p><i>The application can include multiple non-disclosures for the relevant period.</i></p>
12	Liberty	Item 28 Transfer, fundamental transaction or change of institutional form	<p>An application fee of R129 300 is required by an insurer or a controlling company for approval to participate in any fundamental transaction or compromise contemplated in Part A of Chapter 5 (i.e. Fundamental transactions, takeovers and offers) or section 155 of the Companies Act (Compromise between company and creditor); or convert from one type of company to another, convert from a co-operative to a company, or in any other way change the type of person it was on the date that it was licensed as an insurer or controlling company.</p> <p>The fee is excessive per application and may not be commensurate with the amount of work required to participate in the contemplated transactions. Thus a lower fee should be proposed.</p> <p>Further, the time and resources utilised for the tasks listed differ (the work involved for a merger could be significantly less than the work involved in changing the type of company Thus a fee structure that is commensurate with the time and resources required could be more appropriate.</p>	<p><i>Agree. This has been changed in the revised draft standard by setting a lower fee for approval to convert from one type of company to another while the fee for approvals to participate in a fundamental transaction has been maintained as initially set.</i></p>

No	Name/ Organisation	Paragraph/ reference	Comment	Prudential Authority's response
			<p>This fee is significantly higher than the application fee of R37 500 for an insurer or controlling company to make a material acquisition or disposal.</p>	
13	South African Insurance Association (SAIA)	Attachment 1: Fee Schedule Item number 35	<p>The Companies Act, No. 71 of 2008 (Companies Act) sets out specific requirements in respect of business rescue practitioners. Section 138(1) of the Companies Act states that a person can only be appointed as a business rescue practitioner of a company provided such person meets certain requirements. One of these requirements is that such person must be licenced as such by the Companies and Intellectual Property Commission.</p> <p>SAIA requests clarification regarding the rationale behind the added requirement for the approval of the business rescue practitioner by the Prudential Authority, if this is already provided for in the Companies Act.</p>	<p><i>The Insurance Act under section 56(4) states that: Despite the provisions of the Companies Act, the following acts are subject to the approval of the Prudential Authority:</i></p> <p><i>(a) The appointment of a business rescue practitioner; and</i></p> <p><i>(b) the adoption of a business rescue plan.</i></p>
14	Liberty	Item 41 Exemptions	<p>An application fee of R21 050 by an insurer or controlling company from a provision of this Act for a period and on conditions determined by the Prudential Authority.</p> <p>It is assumed that this fee will not be payable in addition to the fee applicable to item 52 (Application fee of R70 350) when applying for a transitional alternate method for non-SA insurers.</p>	<p><i>The application for exemption (item 41) is different from an application to use an alternate method (item 52). Insurers will be expected to pay one application fee depending on the type of application submitted in respect of item 41 or item 52.</i></p>
15	Liberty	Item 48 Insurance Groups, FSG2 Section 4.3	<p>An application fee of R37 500 is payable by an insurer group for approval to use alternative method to calculate the solvency capital requirement in respect of non-regulated entities.</p> <p>It is assumed that this fee is paid-once off and the approval to use the alternate method will not need to be renewed annually.</p>	<p><i>Agreed. This will be a once-off fee, however, should the insurer change the approved methodology, an appropriate new application must be submitted in accordance with the relevant section of the Insurance Act and standards. Furthermore the approval will be granted for a specific timeframe and on expiration of this defined timeframe the insurer need to make a new application in order to use the alternative method.</i></p>
16	Liberty	Item 49 Insurance Groups,	<p>An application fee of R37 500 is payable by an insurer group for approval to use an alternative</p>	<p><i>See response above.</i></p>

No	Name/ Organisation	Paragraph/ reference	Comment	Prudential Authority's response
		FSG2 Section 5.5	<p>method for the elimination of intra-group transactions.</p> <p>It is assumed that this fee is paid-once off and the approval to use the alternate method will not need to be renewed annually.</p>	
17	Liberty	Item 50 Insurance Groups, FSG2 Section 5.8	<p>An application fee of R37 500 is payable by an insurer group for approval of other forms of own funds to be regarded as non-fungible and/or non-transferable other than specified in section 5.8.</p> <p>It is understood that if the funds are non-fungible and/or non-transferable as per FSG2 sections 5.8 and 5.9 (referenced in FSG2, section 5.8), no application should be submitted or an application should be submitted and no fee will apply.</p>	Agreed. An insurer is only required to submit an application if it wants to regard the relevant own funds mentioned in section 5.8 as fungible.
18	Liberty	Item 51 Insurance Groups, FSG2 Attachment 1 Section 1: <i>All insurance participations of a controlling company will be required to be included in the scope of group capital adequacy calculations regardless of materiality, unless approved by the Prudential Authority to be excluded.</i>	<p>An application fee of R37 500 is payable by an insurer group for approval for the exclusion of insurance participations from a non-equivalent jurisdiction of a controlling company in the scope of group capital adequacy calculations. However it could just position not to exclude.</p> <p>It is assumed that the approval of this application will enable an insurer in a non-equivalent jurisdiction set their SCR to zero and their OF to zero. This method could be reasonable for the smaller non-SA insurance subsidiaries.</p> <p>It is assumed that this fee is paid-once off and the approval to use the alternate method will not need to be renewed annually.</p> <p>It is not clear whether a transitional arrangement will be required between the insurance group and PA for these entities to comply with the FSI requirements at a later stage.</p>	<p><i>This will depend on the conditions of the application. If the substance of the application changes the PA need to review it and therefore will attract a fee.</i></p> <p><i>When an insurer group is scoped and the controlling company is licensed then group supervision will be applicable – the communication is clear – at that stage the approvals need to be sought.</i></p>
19	Liberty	Item 52 Insurance Groups, FSG2 Attachment 1 Section 3	<p>An application fee of R70 350 is payable by an insurer group for approval to use alternative method to meet the requirements of the Financial Soundness Standards, for its insurance participations in non-equivalent jurisdictions.</p>	<i>The impact of an alternative method is material for the consideration of the financial soundness of a group, and thus the fee is commensurate to the consideration involved.</i>

No	Name/ Organisation	Paragraph/ reference	Comment	Prudential Authority's response
			<p>SA insurers may have numerous non-SA insurers and providing a fee of R70 350 per application is excessive given that the alternate proposal is consistent for long-term insurers and consistent for short-term insurers.</p> <p>This fee is also high for small insurers in non-equivalent jurisdictions that may not have sufficient resources to maintain their in-country capital requirement and to comply with the South African capital requirements. In this instance, it is assumed that approval to exclude the entity from the group solvency calculation may be more appropriate. Further it is assumed that in African insurers, domiciled outside of South Africa, would not have to pay a fee of R70 350 to use an alternate method and a fee of R37 500 if the alternate method is to exclude the participation from the scope of group capital adequacy calculations.</p> <p>The regulations mention that Prudential Authority will agree with the insurance group an appropriate transitional plan to satisfy compliance with the group adequacy calculations as well as the solo OF and the solo SCR as per FSIs (and applying the specified simplifications, where applicable) for those insurance participations that are not assessed using equivalent solo insurer requirements to South Africa. It is unclear how often the application fee will be paid during the transitional period and whether a fee is paid per insurance entity.</p>	<p><i>Only one application needs to be submitted to consider all the non-SA insurers. As always, a later application or change in methodology will attract a new application fee.</i></p> <p><i>These matters will be dealt with as part of the supervisory process.</i></p>
General comments received				
20	Road Accident Fund	General comment	Financial supervision of the Road Accident Fund (RAF) was, until 1 April 2018, performed by the Financial Services Board (FSB) in terms of the Financial Supervision of the Road Accident Fund Act, No. 8 of 1993 (FSRAF Act) and having regard to the Directive 1 (RAF) issued by the FSB on 15	<i>Noted. The PA will address this issue separately as this matter is not related to the draft Prudential Standard on application fees.</i>

No	Name/ Organisation	Paragraph/ reference	Comment	Prudential Authority's response
			<p>February 2011.</p> <p>Recently completed legislative reforms such as the Financial Sector Regulation Act, No. 9 of 2017 and the Insurance Act, No. 18 of 2017, as well as ongoing legislative reforms such as the Conduct of Financial Institutions Bill, 2018 have resulted in substantial and material amendments to the legislative framework. The Directive 1 (RAF) has therefore been overtaken by recent and ongoing legislative reforms.</p> <p>For purposes of clarity and to facilitate compliance by the RAF, it is submitted that the Directive 1 (RAF) is in need of urgent review and substitution.</p>	
21	Liberty	General	<p>In respect of the fees for new applications and notifications, which were not applicable under the previous Act, how were these amounts derived - is it activity based?</p>	<p><i>Fees for new applications were determined based on similar application types that were captured under the Long Term and Short Term Insurance Acts' fees schedules.</i></p> <p><i>Some of the applications were extrapolated based on the time and effort needed to adjudicate the application(s), using the above-mentioned fees structure as the basis.</i></p>
22	Liberty	General	<p>The Insurance Act does not provide for a time period by when the PA will process the approval or notification request. We therefore request that a time limit be added to this Standard to make it clear by when the Authority must approve or refuse the application.</p>	<p><i>The Insurance Act does not specify a time period within which the Prudential Authority must process an approval or notification request. A time period is, however, applicable to licensing applications.</i></p> <p><i>The Prudential Authority will endeavour to finalise applications within a reasonable time period, provided that all the requisite information is provided by the applicant. The Prudential Authority will endeavour to publish guidance on processes and turnaround times.</i></p> <p><i>The Prudential Authority is working on a framework that will provide further guidance on the processes and timelines within which the Prudential Authority will operate.</i></p>

No	Name/ Organisation	Paragraph/ reference	Comment	Prudential Authority's response
23	Hollard Life Assurance Company Limited	General	<p>While it is clear that the fees have been kept unchanged between the fees under the old and new legislations, we are of the view that some of the charges seem very high for approval items under the Prudential standards. These include an application to use Technical Provisions that include risk margins in the SCR calculation (R70 350) and approval to use insurer specific parameters for determining premium and reserve risk in the SCR calculation (R70 350). It seems that the new standards will introduce significant additional costs to insurers.</p> <p>The fee structure is also not always clear on whether the charges apply to a single incidence of an application or to what extent an application will incur multiples of the fee. For example, there is a fee for application for approval to use alternative solvency measures for insurance participations in non-equivalent jurisdictions. It is not clear whether a group with multiple participations will be charged the fee for each participation. Please clarify.</p>	<p><i>These applications result in material changes and require significant resources, effort and time to conduct an in-depth analysis.</i></p>



South African Reserve Bank

Prudential Authority

Statement of the need for, intended operation and expected impact of the proposed Prudential Standard: Insurance application fees

June 2019

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1. Introduction

1.1 The Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) (FSR Act) became effective on 1 April 2018, with the implementation of the Twin Peaks regulatory framework which saw the establishment of the Prudential Authority (PA). The PA is responsible for the prudential regulation and supervision of banks, co-operative financial institutions, insurers and market infrastructures. The Insurance Act, 2017 (Act No. 18 of 2017) (Insurance Act) commenced with effect from 1 July 2018 and sets out a new regulatory framework for insurers.

1.2 The intention under the Twin Peaks model, is for fees payable by financial institutions for performance of specific functions by the PA under the FSR Act and financial sector laws, to be determined under Chapter 16 of the FSR Act¹. However, the commencement of Chapter 16 is dependent upon the enactment of the Financial Sector Levies Bill (Levies Bill). Once enacted, the Levies Bill will enable the PA, to levy financial institutions to cover the cost of regulation and supervision of financial institutions in addition to the said fees.

2. Statement of the need — Context and definition of policy problem

2.1 In terms of section 60 of the Insurance Act, applications submitted to the PA by an insurer or a controlling company for the granting of a licence, other approvals, or any determination, decision, exemption or for the performance of any other act required from the PA under the Insurance Act, must be accompanied by the prescribed fees.

2.2 Since the commencement of the Insurance Act on 1 July 2018, the PA has not charged fees in relation to applications submitted by insurers in terms of the Insurance Act and the related Insurance Prudential Standards. The commencement of the Insurance Act on 1 July 2018 and the projected commencement of Chapter 16 of the FSR Act on 1 April 2019, resulted in the PA not being able to charge fees for applications by insurers until 1 April 2019.

¹ Chapter 16 of the FSR Act deals with Fees, Levies and Finances of the regulators.

- 2.3 It was envisaged that after the commencement of Chapter 16, the PA would have been able to determine the fees for insurers and other regulated entities. Owing to extensive consultations currently underway, the PA does not foresee that the Levies Bill and Chapter 16 of the FSR Act will be in operation by 1 April 2019 as was envisaged.
- 2.4 The provisions of financial sector laws such as the Banks Act, 1990 (Act No. 94 of 1990) and the Mutual Banks Act, 1993 (Act No. 124 of 1993) enable the PA to charge fees for the performance of specific functions. No provision has been made under the Insurance Act for fees payable. Therefore, insurers are currently not paying any fees for specific functions performed by the PA under the Insurance Act and related standards.
- 2.5 In order to address the gap with the insurers, the PA has considered prescribing² fees for insurers in terms of the Insurance Act, through a Prudential Standard (Standard), as an interim solution. When Chapter 16 of the FSR Act and the Levies Bill become effective, a new prescribed process for the determination of fees for all PA regulated entities including insurers and controlling companies, will apply.

3. Objective of the proposed Standard

- 3.1 The proposed Standard applies to all persons, including insurers and controlling companies of insurers, making an application to the PA in terms of the Insurance Act.
- 3.2 The overall purpose of the proposed Standard is to prescribe fees for different applications submitted to the PA for any approval, determination, decision, exemption or performance of any other act required from the PA under the Insurance Act and the relevant Prudential Standards for insurers and controlling companies.

² Section 1 of the Insurance Act defines 'prescribed' as meaning prescribed by the PA in a Prudential Standard. The reference to prescribed fees under section 60(2) enables the PA to prescribe fees in a Prudential Standard for applications made under the Insurance Act.

3.3 In addition, the Standard sets out ancillary details related to the administration of the fees, such as timing of a fee payment, consideration of an application, treatment of Value-Added Tax (VAT), refunds as well as exemptions from fees.

4. Salient features of the proposed Standard

4.1 The proposed Standard is divided in two parts, the first part deals with matters pertaining to the application of the Standard, definitions and interpretation, roles and responsibilities for compliance with the Standard as well as other administrative matters.

4.2 The second part of the proposed Standard is a schedule tabulating all types of applications that may be submitted to the PA by an applicant in terms of the Insurance Act and the relevant Prudential Standards applicable to insurers and controlling companies. The schedule references the relevant sections of the Insurance Act or relevant Prudential Standards for insurers and controlling companies, a description of the application and the applicable fee for each of the referenced applications.

4.3 In line with the objects of the FSR Act that seek to promote financial inclusion and the transformation of the financial sector, a different fee structure is proposed for microinsurers, that is lower than the proposed fees structure for other insurers. This is also aimed at ensuring that there is proportionality in the fees structure between microinsurers and other insurers and controlling companies.

5. Statement of expected impact — Costs, benefits of proposed Standard

5.1 Under the Long-term Insurance Act, 1998 (Act No. 52 of 1998) and the Short-term Insurance Act, 1998 (Act No. 53 of 1998) (LT and ST Insurance Acts), fees for applications in terms of the LT and ST Insurance Acts were last determined through the Insurance (LT) Notice 1 of 2018 and Insurance (ST) Notice 2 of 2018 (Insurance Notices). The fees came into operation on 1 April 2018 and in respect of provisions in the LT and ST Insurance Acts that were repealed by the Insurance Act, applied until 1 July 2018 when the Insurance Act came into operation.

- 5.2 Some of the applications that existed under the LT and ST Insurance Acts have been maintained under the Insurance Act in one way or the other. Where applications that existed under the LT and ST Insurance Acts were maintained under the Insurance Act, the corresponding fees previously determined under the respective Insurance Notices have also been maintained. No inflationary adjustments were made to the fees.
- 5.3 In respect of new applications in terms of the Insurance Act, which did not exist under the LT and ST Insurance Acts, the fees for known applications were used as a basis for determining the fees for new applications.
- 5.4 In light of the above, the proposed fees for insurers have largely been kept at the same levels as previously determined under the LT and ST Insurance Acts. Against this background, it is the PA's view that the expected impact of the proposed Standard on the industry will not have any additional material costs to the fees structure that existed before the Insurance Act. The overall impact is expected to be minimal.
- 5.5 In fact, the PA will be recovering slightly reduced fees given that a portion of the fees will be paid over to the South African Revenue Services as Value-Added Tax (VAT). Under the then Financial Services Board (FSB), no VAT was charged to insurers, as the FSB was not a VAT vendor unlike the PA and the South African Reserve Bank.
- 5.6 Given that the proposed fees will only be charged to insurers as and when they submit applications for consideration by the PA, the impact of the proposed fees will affect the regulated entities differently.
- 5.7 Insurers submitting a large number of applications to the PA will be impacted more than insurers submitting a small number of applications or no applications at all.
- 5.8 For the period 1 July 2018 to 31 December 2018, the PA received 239 applications from insurers and controlling companies for processing, in terms of the Insurance Act. The composition of the applications is shown in Table 1.

Table 1: Composition of applications received in terms of the Insurance Act (1 July 2018 to 31 December 2018)

Description of application	No. of applications received	% of total applications
Approval of key persons	130	54.39%
Approval of ancillary own funds	23	9.62%
Approval of single ORSA for Insurance Group	12	5.02%
Approval of changes in Control	10	4.18%
Approval of asset Encumbrance	6	2.51%
Authorisation of additional Shares	6	2.51%
Approval of chairperson or non-independent director	6	2.51%
Approval for combination of control functions	6	2.51%
Approval of transfer of assets and liabilities	5	2.09%
Approval to issue Securities other than Shares	5	2.09%
Approval of material acquisitions and disposals	4	1.67%
Alternative risk and remuneration committee arrangements	4	1.67%
Approval of iterative risk margin calculation method	3	1.26%
Application for licence	3	1.26%
Approval of exemptions	3	1.26%
Approve conduct business outside SA	2	0.84%
Approve insurance terms use	2	0.84%
Other (various)	9	3.77%
Total	239	100%

5.9 Applications received in terms of the Insurance Act for the period under review were dominated by applications for the approval of key persons (54%), followed by approval of ancillary own funds (9.6%). Applications dealing with approvals of own risk and solvency assessment (ORSA) as well as change in control accounted for 5% and 4.2% respectively.

5.10 In light of the proposed application fee structure and having considered the nature and number of applications that were received during the 6 month period, a combined total of R6 million would have been paid to the PA in application fees by the all insurers. Assuming a similar trend for an extended period of 12 months, annual fees can be estimated at R12 million for the insurance industry. This amount, relative to the size of the insurance sector, measured by the total gross premiums of R636 billion (in 2017), is insignificant.

6. Statement of intended operation — Implementation and evaluation

6.1 This Standard applies to all insurers and controlling companies, and the board of directors of the insurer or controlling company is ultimately responsible for ensuring that the insurer complies with the requirements of this Standard.

- 6.2 The detailed process to be followed by an insurer or controlling company when making a fee payment has not entirely been incorporated into the Standard but will be published separately by the PA.
- 6.3 The Standard will be repealed when the process envisaged in Chapter 16 of the FSR Act comes into operation.

7. Conclusion

The Standard and this Statement are prepared in terms of section 98(1) of the FSR Act and published in terms of the requirements of section 98(2) of the FSR Act and take into consideration all submissions that were received during the public consultation process.