

Financial Sector Regulation Act, 2017

Joint Communication 5 of 2021

Publication of draft Joint Standard on Outsourcing by Insurers

The Financial Sector Conduct Authority (FSCA) and the Prudential Authority (PA) today publish the draft Joint Standard on Outsourcing by Insurers, for public consultation for a period of six weeks.

The main objective of the draft Joint Standard is to set out the minimum requirements to be complied with by an insurer when outsourcing material business functions and activities to third-party service providers, to ensure that outsourcing does not impair the prudent management of an insurer's business. If not properly managed, outsourcing material business functions can have adverse effects on the strategic objectives of the insurer which in turn can lead to poor policyholder outcomes.

The draft Joint Standard is to be made under section 107, read with sections 105, 106 and 108 of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) (FSR Act) and is intended to apply to all insurers, including microinsurers, licensed under the Insurance Act, other than Lloyd's and branches of foreign reinsurers.

The process employed by the PA and the FSCA in making a regulatory instrument follows the prescripts of section 98 of the FSR Act. In compliance with section 98 of the FSR Act, kindly find attached hereto the following documents:

1. a Notice inviting submissions in relation to the draft Joint Standard, stating where, how and by when submissions are to be made – Annexure A;
2. a draft Statement explaining the need for and intended operation of the draft Joint Standard, and a Statement of its expected impact – Annexure B;
3. the draft Joint Standard: Outsourcing by Insurers – Annexure C;
4. a comments submission template – Annexure D; and
5. questionnaire - Joint Standard on Outsourcing by Insurers – Annexure E.

Written submissions on the attached documentation must be made by **26 October 2021** using the comment template attached hereto. Please e-mail submissions to PA-Standards@resbank.co.za for the attention of Mr. Ashendran Padayachee.

Requests for further information about the Joint Communication or Joint Standard may be submitted via e-mail to FSCA.RFDStandards@fsc.co.za for the attention of Mr Andile Mjadu and to PA-Standards@resbank.co.za for the attention of Mr. Ashendran Padayachee.



UNATHI KAMLANA
COMMISSIONER
FINANCIAL SECTOR CONDUCT AUTHORITY

DATE: 8/9/2021



KUBEN NAIDOO
CHIEF EXECUTIVE OFFICER
PRUDENTIAL AUTHORITY