

Prudential Communication 8 of 2021

Insurance Act, 2017

Matters related to the licence conversion process

Objective of this Prudential Communication

To clarify the Prudential Authority's (PA) approach to representations made by insurers on matters connected to the licence conversion process concluded on 30 June 2020.

To permit insurers a period of time wherein the PA will consider final representations connected to the licence conversion process.

1. Application

- 1.1 This Prudential Communication is applicable to all licensed insurers that were converted from registered insurers under the Long-term Insurance Act, 1998 (Act No. 52 of 1998) and the Short-term Insurance Act, 1998 (Act No. 53 of 1998) to a license to conduct insurance business under the Insurance Act, 2017 (Act No. 18 of 2017) (the Act).

2. Purpose

- 2.1 The purpose of this Prudential Communication is to: -
- confirm the PA's approach to representations made by insurers on matters connected to the licence conversion process, concluded on 30 June 2020; and
 - to permit insurers a limited time period to make final representations for consideration by the PA on matters connected to the licence conversion process.

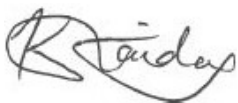
3. Representation on conversion matters

- 3.1 Item 6(2) of Schedule 3 (Transitional Arrangements) of the Act directed the PA to convert the registration of all previously registered insurers to a license to conduct insurance business, within a period of two years after the effective date of the Act.

- 3.2 Sub-item 6(4)(a) states that:

The Prudential Authority must convert the registration of a previously registered insurer to a license to conduct a class and sub-class of life insurance business or non-life insurance business referred to in Schedule 2 to the Act if the previously registered insurer, immediately prior to the effective date, were actively and prudently conducting insurance business similar to that class or sub-class of insurance business.

- 3.3 The PA, after consultation and engagement with insurers as per the conversion process, converted all previously registered insurers by 30 June 2020. The PA issued conversion letters and licence certificates confirming the classes and sub-classes of business that insurers were actively and prudently conducting prior to the effective date of the Act and also highlighting certain licencing conditions where applicable.
- 3.4 The licence conversion process therefore concluded with finality on 30 June 2020 with limited scope for representations on conversion related matters by insurers. The PA has however received and continues to receive representations from insurers post the conclusion of the licensing conversion process on various licensing matters and more particularly on the classes and sub-classes of insurance business that insurers were licensed for in terms of Schedule 2 of the Act.
- 3.5 The PA observed that certain insurers have not fully analysed and matched certain of the business they were conducting prior to the effective date with classes and sub-classes set out in Schedule 2 of the Act. The PA also observed that there are certain insurers that are licenced to conduct non-life insurance business but still have insurance products with a life component wrapped up in some of the comprehensive policies like Accident and Disability benefits.
- 3.6 The PA has therefore decided that it will permit a period of 30 days from date of this Prudential communication for insurers to make final representations on outstanding licensing matters. The PA will not consider any further representations in this regard upon the expiry of this period. The PA therefore urges all insurers to thoroughly analyse all their insurance obligations to ensure that they are licenced for the appropriate classes and sub-classes of business.
- 3.7 The PA confirms that after the 30 days period permitted has lapsed, insurers conducting insurance business in any class or sub-class of insurance business in terms of Schedule 2 to the Act, for which they are not licenced, shall be in contravention of section 25(4) of the Act. The PA will take appropriate regulatory action against any insurer found to be in contravention of any provision of this Act.



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