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GENERAL NOTICE

NOTICE 563 OF 2013

NATIONAL TREASURY

PUBLICATION OF EXPLANATORY SUMMARY OF THE INSURANCE LAWS AMENDMENT BILL, 2013

The Minister of Finance intends tabling the Insurance Laws Amendment Bill, 2013 ("the Bill"), in the National Assembly. The explanatory summary of the Bill is hereby published in accordance with Rule 241(1)(c) of the Rules of the National Assembly.

The Bill proposes amendments to the Long-term Insurance Act No. 52 of 1998 ("the LTIA") and the Short-term Insurance Act No. 53 of 1998 ("the STIA"), to address current shortcomings in the insurance sector in respect of appropriate requirements on corporate governance, risk management and internal controls.

The Bill further deals with regulatory gaps identified by the IMF/World Bank's Financial Sector Assessment Program ("FSAP") evaluation of South Africa's adherence to international financial regulatory principles. The major shortcomings of the current regulatory and supervisory regime for the insurance sector, as noted in the 2010 FSAP, is the lack of a group-wide supervisory framework and regulatory requirements relating to governance, risk management and internal controls for all insurers.

Lastly, the Bill also seeks to align the LTIA and the STIA to the International Association of Insurance Supervisors ("IAIS") Insurance Core Principles ("ICP"), which establish the fundamental requirements for group-wide supervision, governance, risk management and internal controls.

In summary, the primary objective of the Bill is to ensure a sound and well regulated insurance sector and to promote financial stability by:

- strengthening the regulatory requirements in respect of governance, risk management and internal controls for all insurers;
- enhancing the Financial Services Board's ("FSB") ability to appropriately supervise insurance groups; and
- effecting technical amendments to clarify the intent and purpose of certain provisions and addressing gaps in the legislative framework.

These amendments are interim measures. A full review of the LTIA and STIA is currently underway to give effect to the Solvency Assessment and Management Project ("SAM") framework for the insurance sector. SAM will introduce a new, risk-based solvency and management regime for the South African long and short-term insurance sector. It is based on the principles of the European Union Solvency II Directive, but adapted to South African circumstances where necessary. It is envisaged that the SAM framework will be fully implemented in 2016. The SAM regime will further enhance the financial soundness and oversight of South African insurers, as well as enhance their participation in the global insurance market. The draft Bill was subject to consultation within the SAM implementation structures, namely the SAM Steering Committee and respective working groups. Further public comments on this Bill will be sought during the Parliamentary consultation process.

A copy of the Bill will be available on the National Treasury and Financial Services Board websites at <http://www.treasury.gov.za> and <https://www.fsb.co.za> after the introduction of the Bill in Parliament, and also by contacting:

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