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# GOVERNMENT NOTICE

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## NATIONAL TREASURY

No. 327

20 April 2015

### REQUEST FOR PUBLIC COMMENTS ON THE DRAFT INSURANCE BILL, 2015

The National Treasury ("NT") and the Financial Services Board ("FSB") publishes the draft Insurance Laws Bill, 2015 ("the Bill") for public comment, as approved by Cabinet at its meeting of 15 April 2015.

#### Purpose and Objectives of the Bill

The Bill provides a consolidated legal framework for the prudential supervision of the insurance sector that is consistent with international standards for insurance regulation and supervision. It also seeks to replace and consolidate substantial parts of the Long-term Insurance Act, 1998 (Act No. 52 of 1998) and the Short-term Insurance Act, 1998 (Act No. 53 of 1998) relating to prudential supervision.

The Bill deals with regulatory gaps identified by the IMF/World Bank's Financial Sector Assessment Program evaluation of South Africa, and seeks to promote the maintenance of a fair, safe and stable insurance market by establishing a legal framework for insurers that –

- enhances financial soundness and oversight through higher prudential standards, group supervision and stronger reinsurance arrangements;
- increases access to insurance through a dedicated micro-insurance framework;
- strengthens the regulatory requirements in respect of governance, risk management and internal controls for insurers; and
- aligns with international standards and in accordance with South Africa's G20 commitments.

#### SAM Economic Impact

A SAM Economic Impact Study was carried out to consider the potential economic impact of the implementation of SAM. The study broadly finds that SAM is likely to lead to better risk management which in turn is expected to lead to a safer insurance industry and ultimately a more stable financial system given the highly inter-connectedness nature of the South African financial sector. The implementation of SAM will result in direct costs to insurers that are small when seen in context of the size of the South African insurance industry. The study also indicates that SAM will facilitate positive social outcomes by enabling affordable insurance to low income households.

#### Microinsurance Framework

The Bill gives effect to the NT's Micro-insurance Policy Document released in July 2011 (available at [www.treasury.gov.za](http://www.treasury.gov.za)). It supports the development of an inclusive insurance sector through providing affordable insurance, while also having proportionate and appropriate regulation and supervision of micro-insurance.

#### Available documents

In addition to the Bill ("**Annexure A**"), the NT and FSB are also releasing:

- a memorandum on the objects of the Bill ("**Annexure B**"); and
- a summary of the SAM Economic Impact study ("**Annexure C**").

The Bill and accompanying documents are available on the NT ([www.treasury.gov.za](http://www.treasury.gov.za)) and FSB ([www.fsb.co.za](http://www.fsb.co.za)) websites.

The FSB will also be releasing a Reinsurance Regulatory Review Discussion Paper by end of April 2015 to provide clarity on existing reinsurance arrangements.

#### Process

Comments on the Bill are invited and should be sent to Ms Reshma Sheoraj at [insurancebill@treasury.gov.za](mailto:insurancebill@treasury.gov.za) or faxed to 012 315 5206 by **29 May 2015**. The NT and FSB will be convening meetings and workshops with interested stakeholders. If there are no substantive changes arising from the public comment process, it is anticipated that the Bill will be tabled in Parliament by June 2015. Parliament will also publish details in the press regarding its consultations.

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