
GENERAL NOTICES • ALGEMENE KENNISGEWINGS

NATIONAL TREASURY

NOTICE 1070 OF 2015

PUBLICATION OF EXPLANATORY SUMMARY OF INSURANCE BILL, 2015

The Minister of Finance intends introducing the Insurance Bill, 2015 ("the Bill") in the National Assembly shortly. 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 seeks to promote the maintenance of a fair, safe and stable insurance market by establishing a legal framework for insurers and insurance groups that -

- facilitates the monitoring and preserving of the safety and soundness of insurers;
- enhances the protection of policyholders and potential policyholders;
- increases access to insurance for all South Africans;
- contributes to the stability of the financial system in general.

The Bill gives effect to important national government policy objectives by enhancing—

- access to insurance through the introduction of a micro-insurance regulatory framework;
- the financial soundness of insurers and the financial services sector, and the protection of policyholders through—
 - introducing a new Solvency Assessment and Management (SAM) regime;
 - introducing a framework for insurance group supervision; and
 - enhancing reinsurance arrangements; and
- alignment with international standards (adapted to South African circumstances) in accordance with South Africa's G20 commitments.

The Bill provides a consolidated legal framework for the prudential supervision of the insurance sector. It will 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).

The Bill deals with regulatory gaps identified by the IMF/World Bank's Financial Sector Assessment Program ("FSAP") evaluation in 2014 of South Africa's adherence to international financial regulatory principles and standards. The major shortcomings of the current regulatory and supervisory regime for the insurance sector are the lack of a group-wide supervisory framework and regulatory requirements relating to governance, risk management and internal controls for all insurers. The Bill aligns the insurance legislation to the International Insurance Association Insurance Core Principles.

The Bill provides an enabling framework for micro-insurance, to facilitate financial inclusion with commensurate customer protection. The Bill facilitates a seamless transition into the Twin Peaks model of financial regulation that is envisaged in the Financial Sector Regulation Bill in respect of prudential supervision.

After its introduction in the National Assembly, a copy of the Bill will be obtainable from the National Treasury's website at <http://www.treasury.gov.za>, and also from the Government Printers, Cape Town (phone nr 021 465 7531), and:

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