

TERMINOLOGY:

Non-life Insurance Quarterly Conduct of Business
Return (CBR 2015)



Terminology used in the return

In this return any word or expression to which a meaning has been assigned in the Short-term Insurance Act 53 of 1998 or the Insurance Bill, 2015, has the same meaning, unless the context indicates otherwise.

This guideline reflects the manner in which the Deputy Registrar of Long- and Short-term Insurance will interpret the CBR's, and to clarify to the person completing the return the information that is required.

The intention of this guideline is not to be a legalistic list of definitions, but rather to qualify the terms in the CBR's to create an understanding of the type and extent of the information required, in order to ensure consistent reporting by all insurers.

Descriptions used in the CBR's:

Affinity scheme

Comprises the marketing of insurance products that are directly connected to the product / service / membership provided by an entity other than the insurer as part of its primary or main business.

Aggregator and/or lead generator

Any website portal, web-based search utility, call centre or any other similar medium that enables the public to obtain and/or compare insurance quotes, or to request to be contacted by one or more insurer/s or its agent/s.

Aggregation fees

Fees payable by an insurer to an aggregator or lead generator as remuneration for services rendered by the aggregator or lead generator.

Bancassurance

Comprises the marketing of insurance products in terms of an arrangement between a bank and an insurer which also includes the marketing of bank products.

Binder fees

Fees payable by an insurer to a binder holder as remuneration for performing binder functions under a binder agreement in accordance with Part 6 of the Regulation made under Section 70 of the Act.

Binder holder

A person with whom an insurer has concluded a binder agreement in accordance with Part 6 of the Regulations made under Section 70 of the Act.

Cancelled - cover type

Cancellation of a particular type or types of cover (but not cancellation of all cover) under a non-life insurance policy. The insurer has no insurance obligations in respect of a particular benefit or benefits after the date of cancellation. The insurance policy however is not terminated.

Cancelled - Policies

Cancellation of all benefits under a non-life insurance policy. This includes the termination of a policy and the non-renewal of a policy. The insurer has no insurance obligations in respect of the policy after the date of cancellation. The insurance policy is terminated in totality.

Claims outstanding

Claims outstanding are claims reported to the insurer at any time (whether during the quarter or not) that have not been paid/settled or repudiated as at the end of the quarter. This should include own damages of policyholders and third party claims.

Claims repudiated

Claims repudiated include all claims declined under a non-life policy, in terms of which the insurer has refused to pay the claim or any part of the claim.

This includes claims repudiated or rejected for any reason, including but not limited to instances where policyholders lodge claims but have no cover for the particular risk or incident and claims not honoured due to premiums not paid.

Commercial lines

Non-life insurance business other than in respect of personal lines.

Commission

Commission as contemplated in Part 5 of the Regulations made under Section 70 of the Act.

Complaint

An expression of dissatisfaction by a complainant, relating to a product or service provided or offered by an insurer, or to an agreement with the insurer in respect of its products or services and indicating that -

- (a) the insurer or its service provider has contravened or failed to comply with an agreement, a law, a rule, or a code of conduct which is binding on the insurer or to which it subscribes;
 - (b) the insurer or its service provider's maladministration or wilful or negligent action or failure to act, has caused the complainant harm, prejudice, distress or substantial inconvenience; or
 - (c) the insurer or its service provider has treated the complainant unfairly;
- and regardless of whether such an expression of dissatisfaction is submitted together with or in relation to a customer query.

Complainant

A person who has submitted a specific complaint to an insurer or, to the knowledge of the insurer, to the insurer's service provider and who –

- (a) is a customer or potential customer of the insurer concerned and has a direct interest in the agreement, product or service to which the complaint relates; or
- (b) has submitted the complaint on behalf of a person mentioned in (a), provided that a potential customer will only be regarded as a complainant to the extent that the complaint relates to the potential customer's dissatisfaction in relation to the application, approach, solicitation or advertising or marketing material.

Consumer credit

Lump sum payable to satisfy all or part of a financial liability to a credit provider in the event of loss resulting from the possession, use, ownership or benefits of the goods or services supplied in terms of the credit agreement.

Cover type/s

Includes primary and additional insurance obligations assumed under a non-life insurance policy, excluding rider benefits.

Credit Shortfall

Covers the difference between the settlement and the amount owed to the credit provider. The cover can be added as an optional extension under an existing policy, or purchased under a separate policy.

Direct Marketing via internet

Comprises the marketing, selling and/or distributing of insurance products by means of applications ("apps"), websites or other similar mediums through the use of the Internet.

Director

A member of a board of directors and any alternate of such a member.

Disability

Benefits in a non-life insurance policy under the class of Accident and Health for a disability event, as defined.

Disability event

The event of a person becoming so physically or mentally impaired, whether totally or partially, or temporarily or permanently, that the person is unable to —

- (a) continue his or her employment or own occupation, profession or trade;
- (b) participate in any employment, occupation, profession or trade that is reasonably suitable for that person given, amongst other matters, his or her education, skills, experience or age; or
- (c) fully carry on the functions required for normal activities of life, including as a result of losing a limb or sense organ, or the use thereof.

FSB

The Financial Services Board established by section 2 of the Financial Services Board Act 97 of 1990.

Gross written premium (“GWP”)

Gross written premium on policies relates to the full premium, including full premium for “annualised new business”, received in respect of the relevant policies during the quarter. This excludes premiums under inward reinsurance policies.

Income group breakdown

This is required in order to establish the broad demographic segments of the customers purchasing a specific insurer’s products. The expectation is not that insurers must carry out detailed segmentation analysis at individual customer level, but that the wider demographic segmentation of customers purchasing their products should be identifiable. Therefore estimated breakdown using low, medium and upper income as proxy is acceptable.

As an example, the ranges below are approximate indicators of the respective segments:

- Low income:

Total household income of less than R 15 000 per month, or LSM 1 to 5

- Middle income:

Total household income of between R 15 000 and R 30 000 per month, or LSM 6 to 8

- Upper income:

Total household income in excess of R 30 000 per month, or LSM 9 and 10

Use of the above Rand amounts to classify “low”, “middle” and “upper” income is not mandatory.

Insurers may use different methods to distinguish between these three income levels, subject thereto that the insurer sets out the details of how the segmentation was done in the “Comments” section on the “General” sheet of the return.

Independent intermediary

A person, other than a representative¹, who renders services as intermediary² and includes a Lloyd’s correspondent.

Insurer

A person licensed to conduct insurance business under the Insurance Act 2015, and includes, unless specifically otherwise provided for in the return Lloyd’s, and a Lloyd’s underwriter.

Juristic representatives

Authorised financial services providers must identify juristic representatives from the register of representatives and key individuals of such representatives that is maintained under section 13 of the Financial Advisory and Intermediaries Services Act, 2002 (Act No. 37 of 2002).

Loyalty benefits

Benefits provided for in a policy document that entitles a policyholder to the advantage of a determined or determinable benefit under specified circumstances such as discount with partners and other benefits.

Mandatory

Section 106 of the National Credit Act 34 of 2005 provides that a credit provider may require that a consumer maintain consumer credit insurance cover during the term of the credit agreement as a pre-condition for granting credit to consumers. This is therefore a “mandatory” requirement imposed on the consumer.

New policies

Policies in which the date of the start of the policy falls within the quarter being reported on. For reporting purposes, new policies must include “policies not taken up”.

Number of cover types

When calculating the number of cover types for reporting purposes, each different cover type within each active policy should be counted, and the number of cover types indicated as per the required breakdown in the return.

¹ Defined in section 1 of the Act.

² Defined in section 1 of the Act.

Number of policies

When calculating the number of policies for reporting purposes, each active policy should be counted, and the number of active policies indicated as per the required breakdown in the return.

Optional

In addition to mandatory insurance allowed for in Section 106 of the National Credit Act 34 of 2005, Section 106(3) of that Act provides that credit provider may offer a consumer optional insurance in relation to the obligations of the consumer under the credit agreement or relating to the possession, use, ownership or benefits of the goods or services supplied in terms of the credit agreement.

Outsourcing fees

Fees payable by an insurer to another person as remuneration for a function or service outsourced in accordance with Directive 159.A.i (LT&ST) and/or the Insurance Bill, 2015 excluding Binder fees as defined.

Personal lines

Means non-life insurance business where the policyholder is a natural person, acting otherwise than solely for the purposes of the person's own business.

Policies lapsed

A policy in respect of which cover is cancelled due to non-payment of premiums, as stipulated in the policy wording or as required within the applicable grace period.

A policy will count as a "lapse" if it lapsed during the quarter without being reinstated during the same quarter. Conversely, if a policy lapsed and is reinstated during the same quarter, that policy should not be reflected as a lapse.

A policy that lapsed and reported as such in a previous quarter, which is reinstated during the current quarter, must be reflected as a new policy in the current quarter.

Policies not taken up

A policy that has been applied for and/or is issued to the potential policyholder but where the policy does not come into force or is terminated due to the first premium not being paid.

Policy with multiple cover types

An insurance policy that combines more than one component of cover or class or sub-class of non-life insurance business under a single policy document, covering multiple risks and/or perils for the persons for whom cover is provided by the policy.

Representative

Has the meaning assigned to it in the Financial Advisory and Intermediaries Services Act, 2002.

Rider benefit

Means an additional insurance obligation under a non-life insurance policy, which obligation is ancillary to the primary insurance obligations assumed under that policy.

Social media

Refers to the means of collective online communication and social interactions among people including the exchange information and ideas in virtual communities and on social networks.

Start of the policy

The date on which an insurance policy is entered into between an insurer and a policyholder.

Specified items

These items are specifically listed items of financial value covered in the policy and can include high value items such as jewellery, cell phones, laptops, electronic goods and sports equipment not included in any "all risks" limit specified in the policy.

The Act

The Short-term Insurance Act, 1998 (Act No. 53 of 1998), including any regulation made, or matter prescribed under this Act.