
TERMINOLOGY:

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 Long-term Insurance Act. 52 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 descriptions 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 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.

Benefits

Includes primary and additional insurance obligations assumed under a life insurance policy,

excluding rider benefits.

Binder fees

Fees payable by an insurer to a binder holder as remuneration for performing binder functions under a binder agreement in accordance Part 6 of the Regulation made under Section 72 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 72 the Act.

Cancelled - Benefits

Cancellation of a particular benefit or benefits (but not all benefits) under a life insurance policy at the request of a policyholder. 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 life insurance policy at the request of a policyholder or by the insurer. The insurer has no insurance obligations in respect of benefits after the date of cancellation. The insurance policy is terminated in totality.

Policies cancelled for purposes of the return should include policies cancelled in terms of “cooling off” provisions.

Cancelled in terms of “cooling off” provisions

Policies cancelled within the cooling-off period at the specific request of the policyholder, as provided for in the Policyholder Protection Rules issued under section 62 of the Act, or a longer period as provided for in the policy contract, whether the first premium was paid or not.

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.

Claims repudiated

Claims repudiated include all claims declined under a 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.

Commission

Commission as contemplated in Part 3 of the Regulations made under Section 72 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.

Combined Policy

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

Credit life

Lump sum or specified or determinable equal or unequal sums of money payable at specified intervals to satisfy all or part of a financial liability to a credit provider –

- (a) on the happening of a death event, health event or a disability event; or
- (b) in the event of unemployment, or other insurable risk that is likely to impair a person's ability to earn an income or meet credit obligations.

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 under a life insurance policy 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.

Discretionary participation features

Means insurance obligations under a life insurance policy—

- (a) that may be a significant portion of the total insurance obligations under the policy;
- (b) the amount or timing of which are contractually at the discretion of the insurer; and
- (c) that are contractually based on—
 - (i) in full or in part, the performance of a specified pool of policies or a specified type of policy;
 - (ii) realised and unrealised investment returns on a specified pool of assets held by the insurer; or
 - (iii) the profit or loss of the insurer that issues the policy

FSB

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

Functional impairment

A lump sum or income benefit payable in the event of the life assured becoming permanently impaired in accordance with pre-defined criteria relating to a disability event as defined in the Insurance Bill, 2015. As the claim events are not linked to the person's ability to perform their current job, the benefit provided is not income dependent and is not intended to replace lost income.

Fund member policy

An individual policy-

- (a) of which a fund is the policyholder;
- (b) under which a specified member of the fund (or the surviving spouse, children, dependants or nominees of the member) is the life insured; and
- (c) which is entered into by the fund exclusively for the purpose of funding that fund's liability to the member (or the surviving spouse, children, dependants or nominees of the member) in terms of the rules of that fund.

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.

Group

The information requested in the return is at member/employee level of each and every group policy.

Group policy

An insurance policy entered into with—

- (a) an autonomous association of persons united voluntarily to meet their common or shared economic and social needs and aspirations (other than obtaining insurance), which association is democratically-controlled;
- (b) an employer; or

(c) a fund,

where the association, employer or fund holds the insurance policy exclusively for the benefit of a beneficiary.

Health Event

An event relating to the health of the mind or body of a person or an unborn, other than a disability event.

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, rendering services as intermediary².

Individual – individually underwritten

Individual policies which are underwritten on an individual basis. Individual policy means a policy other than a group policy issued to a person.

¹ Defined in Part 3 of the regulations made under section 72 of the Act.

² Defined in Part 3 of the regulations made under section 72 of the Act.

Individual – underwritten on a group basis

Individual policies which are underwritten on a group basis. Underwritten on a group basis means where the risks covered under a policy are rated on the characteristics of a group of people together, as opposed to that of the individual(s) to whom the policy relates.

Insurer

A person licenced to conduct life insurance business under the Insurance Bill, 2015.

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”.

Non-medical expense cover as a result of hospitalisation

A contract in terms of which a person, in return for a premium, undertakes to provide policy benefits on the happening of a health event that results in hospitalisation.

- Policy benefits –

- (a) Are a fixed sum of money which does not exceed R3 000.00 (three thousand Rand) per insured per day or a maximum lump sum amount of R20 000.00 (twenty thousand Rand) per annum irrespective of the number of days in hospital;
- (b) does not require hospitalisation for a period of longer than 3 days before they become payable;

- (c) once it becomes payable, are calculated from day 1 of hospitalisation; and
- (d) may not be paid or ceded to the provider of a relevant health service.

Number of benefits

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

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.

Policies lapsed

A policy in respect of which benefits are cancelled due to:

- (a) non-payment of premiums as stipulated in the policy wording; or
- (b) non-payment of premiums as required within the applicable grace period and the policy has no cash value; or
- (c) the fact that the debt against the policy exceeds the cash value.

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 made paid-up

Policies that remain in force for a specified period, according to the policy terms, after the payment of premiums have stopped.

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, excluding policies “cancelled in terms of ‘cooling off’ provisions”.

Policies surrendered

The early termination of a policy other than through a risk event, in which there is a benefit payable to the policyholder. Policies surrendered:

- excludes policies that are surrendered in part; and
- includes fund member policies in which the benefit is paid on early retirement.

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 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.

The Act

The Long-term Insurance Act, 1998 (Act No. 52 of 1998), including any regulation made, or matter prescribed under this Act.

Transfer

Transfer in terms of section 37 of the Act³, Directives 135 and 135A and, in the case of fund

³To be repealed and replaced by section 46 of the Insurance Bill, 2015.

member policies, section 14 of the Pension Funds Act, 1956 (Act No. 24 of 1956).

Universal policy

Policies (other than fund member policies) where insurance obligations constitute a combination of individual risk and individual investment obligations.

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