

**5 June 2018**

*Insurance Alert*

In respect of the implementation and compliance with the next tranche of rules that must be complied with by **15 December 2018**, remember that the PPRs apply to natural persons and juristic persons whose asset value or annual turnover is less than ZAR2 million.

Below are some practical tips for implementation and compliance with this tranche of rules:

<b>Short-term and long-term insurers:</b>	
<p>Rules 1.5 – 1.9 (Requirements for the fair treatment of policyholders)</p>	<p>Insurers must ensure that they are able to identify whether they may engage directly with members of a group scheme. Where an insurer will not be able to do so, it will need to demonstrate why it is not practical to do so. TCF principles therefore extend to members of a group schemes as well.</p> <p>Insurers must ensure that where intermediaries are providing advice on their products they need to take reasonable steps to mitigate incorrect advice being provided to policyholders. A mitigating step will be providing training to intermediaries on the insurer's products.</p>
<p>Rule 4 (Cooling off rights)</p>	<p>Do not forget, policies need to be updated to include the new cooling off rights of the insured.</p>

<p>Rule 11 (except of 11.5.1(i); 11.5.2 – 11.5.4 these are envisaged to come into effect on 1 July 2018)</p> <p>(Disclosure requirements)</p>	<p>Compliance will need to increase on the disclosures made to policyholders.</p> <p>Disclosure is now an ongoing obligation. Insurers must make sure that their processes allow for continual disclosure.</p> <p><i>Note: in terms of the proposed amendments to the PPRs, Rule 11 will come into effect on 15 December 2018. Except for Rules 11.5.1(j); 11.5.2 to 11.5.4, these rules are the adaptation of section 48 of the Long-Term Insurance Act, 1998 and section 47 of the Short-Term Insurance Act, 1998, which will be repealed once the Insurance Act, 2017 comes into effect.</i></p>
<p>Rules 12.2.1 and 12.2.2 (insofar as they relate to existing intermediary agreements)</p> <p>(Arrangements with intermediaries and other persons)</p>	<p>This rule relates to arrangements with intermediaries and other persons. Insurers must have an intermediary agreement with an intermediary. This, however, does not prohibit an insurer from appointing an agent to facilitate the process of entering into such an agreement. The insurer is further required to ensure that they only enter into such an agreement with an intermediary who has the requisite product knowledge when offering a product of the insurer and the insurer must also provide the intermediary with a copy of the agreement. However, in practice, insurers already do due diligence on their intermediaries prior to commencing any commercial relationship.</p>

<p>Rule 12.4 (Arrangements with intermediaries and other persons)</p>	<p>If insurers are facilitating the collection of fees on behalf of the policyholder, they must make sure of the following:</p> <ol style="list-style-type: none"> <li>1) The policyholder has explicitly agreed;</li> <li>2) Fees are for services that are neither intermediary services nor other services for which the insured has already remunerated the intermediary.</li> </ol>
<p>Rule 16 (Record keeping)</p>	<p>Insurers must ensure that they are able to retain and access information in relation to policies for a period of five years from termination.</p>
<p>Rule 17 (except insofar as it relates to group schemes) (Claims management)</p>	<p>Insurers should already have pre-existing claims management processes that have been updated to include TCF principles and any additional requirements mentioned in the rule.</p>
<p>Rule 18 (except insofar as it relates to group schemes) (Complaints management)</p>	<p>Insurers should already have pre-existing complaints management processes that have been updated to include TCF principles and any additional requirements mentioned in the rule.</p>

See our next edition for some practical tips on the implementation of the next tranche of rules.

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