

FSCA COMMUNICATION 1 OF 2019 (INSURANCE)

Update on the implementation of the Insurance Conduct of Business Returns (“CBRs”)

1. APPLICATION

This Communication applies to all insurers, excluding re-insurers, captive insurers and insurers who only offer life group risk, fund member and linked policies and non-life commercial lines policies.

2. PURPOSE

The purpose of this Communication is to:

- 2.1. Notify insurers that the FSCA today published, on its website, an updated version of the Conduct of Business Return (CBR 2019_V1) in terms of Insurance Notices 1 of 2019 (LT&ST);
- 2.2. Provide a status update on the implementation of the CBRs;
- 2.3. Give specific guidance relating to the completion of the CBRs; and
- 2.4. Confirm the CBR reporting periods and submission dates for 2019.

3. BACKGROUND

- 3.1. The previous version of the CBRs was published by the former Deputy Registrar of Long- and Short-term Insurance in terms of Insurance Notices 3 of 2017 (LT&ST) on 21 April 2017.
- 3.2. As previously communicated, insurers were expected to complete and submit the CBRs on a “best effort” attempt, on an incremental basis, according to their evolving data and systems capabilities during a two-year transitional period. In addition, insurers were required to submit updated versions of a standardised project plan, together with their CBR submissions, reflecting progress made during the transitional period as improvements are made to their data and systems capabilities.
- 3.3. It was envisaged that insurers would reach an adequate state of readiness for full and complete submission of CBRs by the end of 2018.

4. UPDATE ON THE TWO-YEAR TRANSITIONAL PERIOD

- 4.1. An analysis of the CBRs and the updated project plans submitted to the FSCA at the end of 2018 indicated that all but one insurer have sufficiently progressed with the development of data and systems capabilities to be able to submit complete and accurate returns by the third calendar quarter of 2019.
- 4.2. In light of the above, the transitional period has been extended until the end of 2019. It is the expectation of the FSCA that all applicable insurers will submit complete and accurate returns during the first quarter of 2020. Failure to do so may result in regulatory action being taken against offending insurers. The transitional period will not be further extended.
- 4.3. Insurers are urged to ensure that all required system developments are completed timeously to enable the submission of accurate and good quality data at a granular level by the first quarter of 2020.
- 4.4. Updated versions of individual project plans reflecting progress made since the previous reporting period must be submitted together with each CBR submission during 2019. The standardised project plan template published on 15 December 2017 should be used for this purpose.

5. SPECIFIC GUIDANCE RELATING TO THE COMPLETION OF THE CBRs

- 5.1. Through various supervisory engagements with insurers it has become evident that further guidance is required on a number of specific matters relating to the completion of the CBRs.
- 5.2. Please note the following when completing the CBRs:
 - a) One completed CBR must be submitted for each applicable insurance license.
 - b) Third party cell captive insurers must submit individual CBRs for each third party cell captive arrangement.
 - c) The CBRs are restricted for editing and no modifications are allowed. Each worksheet is password protected. If the CBR is not submitted in its original format, it will be rejected.
 - d) The selected classes of business for purposes of the CBR should align to the classes of business reported on to the Prudential Authority in the annual and quarterly returns prescribed under section 44 of the Insurance Act 18 of 2017.
 - e) All data must be rounded off to the nearest thousand Rand, as with the returns submitted to the Prudential Authority. Practically, this means that each amount should be divided by 1000.

- f) Market segmentation as required in the CBRs should distinguish between at least 3 categories, using the criteria chosen by the insurer. On the “Terminology” sheet in the CBRs, examples of possible criteria are given, but these are simply examples and are not mandatory to be used by insurers. The insurer may use different methodologies for market segmentation, but must clearly indicate the criteria that is used for each segmentation category in the “Comments” section of the “Policy Level Questions” worksheet.
- g) Whenever the option of “Other” is chosen in the CBR, a clear description must be provided in the “Comments” section of the relevant worksheet to accurately explain what is included under “Other”. Merely selecting “Other” will not suffice as a complete response.
- h) Repudiated claims are not being accurately reported. As per the definition provided in the CBRs on the “Terminology” sheet, “Claims repudiated” include all claims declined under a policy for any reason, including but not limited to instances where claimants lodge claims but have no cover for the particular risk or incident, as well as instances where claims are not honoured due to non-payment of premium. This includes claims “rejected”, “cancelled” or “closed”.
- i) For purposes of reporting on individual investment policies, a “claim” refers to when a benefit is paid or becomes payable under the policy.

6. NEXT STEPS

- 6.1. The amended CBR template will be available on the FSCA’s website as “CBR 2019_V1”. The amendments to this version of the template are primarily editorial in nature to ensure alignment with terminology in prevailing legislation.
- 6.2. Furthermore, the signature of the Public Officer will no longer be required on the Declaration sheet. The updated version of the CBRs will require the signatures of the contact person nominated by the insurer as the liaison with the FSCA and a Director. Kindly note that the CBR will be regarded as a “non-submission” if the Declaration is not signed by both individuals.
- 6.3. The timelines and reporting periods for the submission of CBRs until February 2020 is as follows:
 - a) Submissions for the reporting period January – June 2018 are due on **28 February 2019**.
 - b) Submissions for the reporting period July – December 2018 are due on **31 May 2019**.
 - c) Submissions for the reporting period January – June 2019 are due on **30 August 2019**.

- d) Submissions for the reporting period July –September 2019 are due on **29 November 2019**.
 - e) Submissions for the reporting period October – December 2019 are due on **28 February 2020**.
- 6.4. Following the above periods, CBR reporting will be done on a quarterly basis and will need to be submitted within a month after the end of each calendar quarter.
- 6.5. Industry engagements on the development of CBR templates in respect of life group risk, fund member and linked business and non-life commercial lines business will take place during 2019. Details of these engagements will be communicated in due course.
- 6.6. All insurers that are currently required to complete CBRs must submit their completed returns and project plan updates on or before the requisite due dates via the Conduct of Business – Data Upload Facility on the FSCA website - <https://www.fsca.co.za/Regulated%20Entities/Pages/ES-Insurer-Micro-Insurer.aspx>
- 6.7. Queries relating to the CBRs must be sent to the following e-mail address: FSCA.INSCBRComments@FSCA.co.za

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