

**FINANCIAL SERVICES BOARD
REPUBLIC OF SOUTH AFRICA**

**LONG-TERM INSURANCE ACT, 1998 (ACT 52 OF 1998)
SHORT-TERM INSURANCE ACT, 1998 (ACT 53 OF 1998)**

Addressee:	Long-term and Short-term insurers, and Lloyd's	File:	10.41.1.7.2 and 10.41.2.7.2
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Subject:	BINDER REGULATIONS: GUIDANCE ON ACTIVITIES THAT CONSTITUTE BINDER FUNCTIONS, ACTIVITIES THAT ARE INCIDENTAL TO BINDER FUNCTIONS AND REMUNERATION PAYABLE AS A BINDER FEE		

1. PURPOSE

- 1.1 The purpose of this Information Letter is to provide guidance to insurers¹ on -
- 1.1.1 activities that constitute binder functions and activities that are incidental to binder functions within the meaning of sections 49A of the Long-term Insurance Act No. 52 of 1998 ("LTIA") and 48A of the Short-term Insurance Act No. 53 of 1998 Act ("STIA"), respectively, read with the Binder Regulations²; and
- 1.1.2 remuneration contemplated under Regulation 6.4 of the Binder Regulations payable by the insurer to the binder holder in respect of binder functions performed.
- 1.2 The guidance set out in this Information Letter reflects the manner in which the Registrar of Long-term and Short-term Insurance ("Registrar") will

¹ For purposes of this Information Letter, reference to "insurers" includes a Lloyd's underwriter as defined in section 1 of the Short-term Insurance Act No. 53 of 1998.

² Part 6 of the Regulations made under the LTIA, as published in GN R1492 of 1998 and amended by GN R197 of 2000, GN R164 of 2002, GN R1209 of 2003, GNR.1218 of 2006, GN R186 of 2007, GN R952 of 2008 and GN R1493 of 1998, and substituted by GN R1077 of 2011, and Part 6 of the Regulations made under the STIA, as published in GN R1493 of 1998 and amended by GN R462 of 2008 and substituted by GN R1076 of 2011.

interpret the Binder Regulations for regulatory purposes.

2. BACKGROUND

- 2.1 The Registrar has noted that divergent interpretations have been applied by different industry participants to various functions performed under the Binder Regulations resulting in some instances of unintended application and implementation.
- 2.2 The Registrar is further concerned with the observed wide range of fees that have been negotiated by insurers with binder holders performing similar binder functions, in particular because of the potential for this practice to influence the decisions of binder holders in a way that is in conflict with the interests of policyholders.
- 2.3 Guidance is therefore provided to ensure the consistent interpretation and application of the Binder Regulations and to facilitate and enhance the effective implementation of and compliance with the Binder Regulations in the interests of policyholders.

3. TERMINOLOGY

For purposes of this Information Letter, any word or expression to which a meaning has been assigned in the LTIA or the STIA has the meaning so assigned to it, and “**incidental activity**” means any activity that is necessary or expedient for the achievement of the objectives of the binder agreement and the effective and efficient performance of a binder function.

4. ACTIVITIES THAT CONSTITUTE BINDER FUNCTIONS AND ARE INCIDENTAL TO BINDER FUNCTIONS

4.1 General principles

4.1.1 For purposes of sections 49A of the LTIA and 48A of the STIA, -

4.1.1.1 the activities referred to in column 2 of Annexure A1 and Annexure A2, respectively (collectively referred to as Annexure A), attached to this Information Letter constitute activities that make up the respective binder functions.

4.1.1.2 the activities referred to in column 3 of Annexure A constitute guidance as to what activities constitute incidental activities. The activities listed are not exhaustive, and insurers must apply their minds as to what other activities constitute additional incidental activities. Not all incidental activities will be applicable to all binder functions performed by all binder holders in all instances. For example, some incidental activities will only apply to the more extensive binder activities performed by underwriting managers, or when a more comprehensive binder mandate is granted.

- 4.1.2 A binder holder may not receive an additional fee from an insurer for performance of incidental activities, related to the binder function performed by that binder holder, on behalf of the insurer (i.e. an outsource fee) over and above the binder fee.
- 4.1.3 Where a binder function is performed by a binder holder in relation to certain insurance business, an insurer cannot outsource incidental activities related to that binder function to another person. However, the insurer under the binder agreement may authorise a binder holder to sub-outsource these incidental activities³, subject to Directive 159.A.i (LT&ST)⁴. Where the binder agreement authorises the binder holder to sub-outsource incidental activities, and the binder holder chooses to do so, the binder holder must remunerate the third party for the performance of these sub-outsourced functions from the binder fee received (i.e. no additional fee or costs may be recovered from the insurer for the sub-outsourcing of these activities)⁵.
- 4.1.4 Where no binder function is performed in relation to certain insurance business, the activities referred to in column 3 of Annexure A will no longer be activities that are incidental to a binder function. Rather, they will be insurer functions that the insurer will either perform itself or may choose to outsource to a third party⁶, subject to Directive 159.A.i (LT&ST)⁷.
- 4.1.5 It is anticipated that the range of activities performed under a binder agreement will tend to vary. In some cases a person may be granted the mandate to enter into or vary policies on behalf of the insurer, but without any discretion at all with respect to the risk factors, underwriting criteria or ratings methodology to be applied (for example, where the policy wording is prescribed and the policy premium and benefits are pre-determined according to a “black box” system⁸). In other cases, the binder holder may be granted an

³ The Binder Regulations state that binder functions may not be delegated, assigned or subcontracted. However, incidental activities may be sub-outsourced as long as the core binder function is still performed by the binder holder.

⁴ Directive 159.A.i (LT&ST) sets out the general and overarching requirements that an insurer must comply with when outsourcing (or authorising the sub-outsourcing of) any aspect of its insurance business (including binder functions). This means that it applies in addition to the existing regulatory framework. An insurer must therefore, in addition to the Binder Regulations, comply with Directive 159.A.i (LT&ST). Paragraph 6.5 of Directive 159.A.i (LT & ST) provides that the principles referred to under paragraphs 6.1 to 6.4 of the Directive also apply to any sub-outsourcing of an outsourcing by another person, where that other person is authorised to sub-outsource.

⁵ The remuneration must be consistent with Directive 159.A.i (LT&ST), specifically the principle that remuneration must be reasonable and commensurate with the actual function or activity outsourced.

⁶ It is possible that this third party may be a binder holder for another insurer, or a binder holder in relation to other business of the same insurer, or a binder holder in relation to other binder functions for the same business for the same insurer.

⁷ Directive 159.A.i (LT&ST) states that, where an insurer function is outsourced, the insurer may remunerate the third party for the activities performed on its behalf by means of a fee (i.e. an outsource fee) provided that this activity does not constitute “rendering services as intermediary” as defined in Part 3A of the Regulations issued under section 72 of the LTIA or “services as intermediary” as defined in section 1 of the STIA for which remuneration by means of commission is payable.

⁸ It should be noted that it is the Registrar’s view that this type of “mechanical entering into” of a policy (i.e. where the parameters are predetermined by the insurer, without any discretion regarding the rating that should be applied to the policy) may be remunerated by an insignificant binder fee only, in line with the

additional mandate to vary the policy wording, premium or benefits, with varying degrees of discretion. In the former case, the binder activities would be limited to subsection (a) of Annexure A⁹, while in the latter case the binder functions would also include some of the activities (depending on the level of discretion) referred to in subsections (b) to (d) of Annexure A.

4.2 Enter into, vary or renew a policy

4.2.1 For purposes of sections 49A of the LTIA and 48A of the STIA read with the Binder Regulations, the activities envisaged in column 2 of subsection (a) of Annexure A constitute the binder function of entering into, varying or renewing a long-term or short-term policy on behalf of an insurer.

4.2.2 The test of whether or not a person performs the binder function of entering into, varying or renewing a policy on behalf of an insurer rests on whether or not such person has the authority to bind the insurer (i.e. to create or vary a policyholder liability on behalf of the insurer):

- If the acceptance or variation of the policyholder liability remains the decision of the insurer (for instance if an intermediary merely captures information directly onto an insurer's system), this is not a binder function¹⁰;
- If the acceptance or variation of the policyholder liability is the decision of the person¹¹ (i.e. an insurer becomes aware of its policyholder liability only after the person has already entered into or varied the policy on its behalf), this is a binder function.

4.2.3 Questions have been raised in respect of whether the issuing of policies (where this refers to the printing of policy wordings, policy schedules and the mailing thereof or the electronic dispatching of the policy wording and/or policy schedule to policyholders) constitutes an activity that is part of the binder function of entering into, varying or renewing a policy on behalf of an insurer. The issuing of policies, by the binder holder, is incidental to the activity of concluding new contracts with policyholders or concluding policy renewals or endorsements, and hence cannot be separated from the binder function, nor may it be separately remunerated when performed under a binder

principles of being reasonably commensurate. Further guidance on this will be provided once the technical work referred to in paragraph 5.2 has been completed.

⁹ Unless the binder holder also has a mandate to settle claims, in which case subsection (e) of Annexure A will also apply.

¹⁰ Rather, the capturing of information directly onto an insurer's system can be considered an outsourced function of the insurer and may be remunerated by way of an outsourced fee subject to Directive 159.A.i (LT&ST). Note that this outsourced function refers specifically to the capturing of information on the insurer's system in a way that enables the insurer to directly enter into the policy; it does not refer to the capturing of information on a quoting system, which is an activity "towards entering into" a policy, and hence forms part of the definition of intermediary services.

¹¹ An example would be a so-called "black box" that sits on the system of a non-mandated intermediary or underwriting manager and is not linked to an insurer's system, whereby the non-mandated intermediary or underwriting manager has the authority to bind the insurer (with either no discretion according to predetermined parameters or else varying possible degrees of discretion as regards rating or underwriting).

agreement.¹²

4.3 Determine the wording of a policy

For purposes of sections 49A of the LTIA and 48A of the STIA read with the Binder Regulations, the activities envisaged in column 2 of subsection (b) of Annexure A constitute the binder function of determining the wording of a long-term or short-term policy. The description of the activities constituting the binder function recognises that an insurer may grant a binder holder varying degrees of discretion with respect to the risks that may be indemnified and/or benefits provided and/or other factors.

4.4 Determine premiums under a policy

For purposes of sections 49A of the LTIA and 48A of the STIA read with the Binder Regulations, the activities envisaged in column 2 of subsection (c) of Annexure A constitute the binder function of determining premiums under a long-term or short-term policy. The description of the activities constituting the binder function recognises that an insurer may grant a binder holder varying degrees of discretion with respect to the underwriting criteria, rating methodology, client segmentation and actuarial pricing.

4.5 Determine the value of policy benefits under a policy

For purposes of sections 49A of the LTIA and 48A of the STIA read with the Binder Regulations, the activities envisaged in column 2 of subsection (d) of Annexure A constitute the binder function of determining the value of policy benefits under a long-term or short-term policy. The description of the activities constituting the binder function recognises that an insurer may grant a binder holder varying degrees of discretion with respect to the underwriting criteria, rating methodology, client segmentation and actuarial pricing.

4.6 Settling claims under a policy

For purposes of sections 49A of the LTIA and 48A of the STIA read with the Binder Regulations, the activities envisaged in column 2 of subsection (e) of Annexure A constitute the binder function of settling claims under a long-term or short-term policy. The various activities are all deemed to constitute the binder function of settling claims under a policy, although it is recognised that the range of activities may vary.

¹² The activity of issuing of policies is not viewed by the Registrar as constituting “rendering services as intermediary” as defined in Part 3A of the Regulations issued under section 72 of the LTIA or “services as intermediary” as defined in section 1 of the STIA. Therefore, the activity of issuing of policies is either an incidental activity where a binder function is performed in relation to that particular business (and accordingly paragraphs 4.1.2 to 4.1.3 apply), or it is an outsourced activity where no binder function is performed in relation to that business (and accordingly paragraph 4.1.4 applies). Any outsource fee payable where paragraph 4.1.4 applies must be consistent with Directive 159.A.i (LT&ST), specifically the principle that remuneration must be reasonable and commensurate with the costs of the actual function or activity outsourced. The Registrar views these costs as being insignificant and expects remuneration to be accordingly aligned.

5. ACTIVITY-BASED FEE MODEL

To address concerns with respect to the observed wide range of fees that have been negotiated by insurers with binder holders performing similar binder functions, the following implementation measures are necessitated:

- 5.1 The introduction of a standardised activity-based fee model and reporting format:
 - 5.1.1 The standard activity-based reporting format for remuneration attached as Annexure B (Annexure B1 applies to long-term insurers and Annexure B2 applies to short-term insurers) to this Information Letter must be used by insurers when reporting to the Registrar regarding the agreed fees paid to binder holders for performing various binder functions. This will enable comparability and facilitate the monitoring of binder fees by the office of the Registrar to ensure that fees are reasonably commensurate with the actual costs of performing the functions.
 - 5.1.2 Reporting will initially be on an “as and when requested” basis, but will over time become part of regular quarterly reporting.
 - 5.1.3 The format outlined in Annexure B should either be used in the binder agreements concluded with binder holders or else it should be clear how the remuneration contracted with binder holders in the binder agreements map to the information provided in Annexure B in order for the Registrar to ensure that fees are reasonably commensurate with the actual costs of performing the functions. The format will also be used for the purposes of on-going reporting by insurers to the Registrar in order to monitor the various binder fees being paid.
 - 5.1.4 The binder fees may be expressed as either a percentage of gross premium, a fixed Rand amount, or an alternative measure, provided that the binder fee is reasonably commensurate with the actual costs of the binder holder associated with rendering the services under the binder agreement, with allowance for a reasonable rate of return for the binder holder. The binder fee reported must include remuneration for all applicable incidental activities.
- 5.2 Further technical work on what amounts to a reasonable fee for the rendering of binder functions:
 - 5.2.1 Regulation 6.4 states that a binder fee must be reasonably commensurate with the actual costs of the binder holder associated with rendering the services under the binder agreement, with allowance for a reasonable rate of return for the binder holder. The office of the Registrar intends to undertake further technical work during the course of 2013 to determine the average costs and rates of return associated with performance of the various activities under the various binder functions, to serve as a benchmark for the reasonableness of binder fees when monitoring compliance with the Binder Regulations. The required information on binder fees to be reported by

insurers to the Registrar for monitoring purposes will also be used to identify instances where there is an apparent divergence from the principle of reasonableness that requires further interrogation.

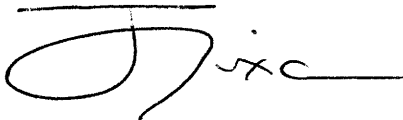
- 5.2.2 It is accepted that a standardised activity-based fee model may be more appropriate for binder holders who are non-mandated intermediaries, due to the greater potential for conflict of interest and the relatively standard nature of the binder functions performed. For underwriting managers, the potential conflicts of interest are fewer¹³ and the range of binder functions performed is likely to be broader and more complex. It is therefore accepted that the binder fees payable to underwriting managers may vary more, due to the specialised field of skill and expertise and the extent of the binder functions performed.

6. ALIGNMENT OF BINDER AGREEMENTS WITH THIS INFORMATION LETTER

- 6.1 Insurers must ensure that all existing binder agreements are aligned with this Information Letter by no later than 90 days after the issue date of the Information Letter. See paragraph 1.2 in this regard.
- 6.2 An insurer that is not able to align its binder agreements with this Information Letter within the period referred to in paragraph 6.1, must notify the Registrar accordingly. A notification must be submitted electronically to the Registrar, at INS.AlignBinders@FSB.co.za.

7. AVAILABILITY AND INFORMATION SHARING

This Information Letter is available on the website (www.fsb.co.za) of the Financial Services Board. Insurers must bring this Information Letter to the attention of their appointed auditors and statutory actuaries where applicable.



REGISTRAR OF LONG- AND SHORT-TERM INSURANCE

¹³ The Binder Regulations provide that an underwriting manager acts solely as an agent of the insurer and may not conduct business with a mandated or non-mandated intermediary, a representative of a mandated or non-mandated intermediary, or an administrative FSP that is an associate of that underwriting manager unless exempted under Regulation 6.5 of the Binder Regulations.

ANNEXURE A

ANNEXURE A1 (LONG-TERM INSURANCE BUSINESS)

ACTIVITIES FALLING UNDER THE VARIOUS BINDER FUNCTIONS:		
BINDER FUNCTION	ACTIVITY/IES THAT MAKE UP THE BINDER FUNCTION	INCIDENTAL ACTIVITIES
(a) Enter into, vary or renew a long-term policy, other than a long-term reinsurance policy, on behalf of that insurer	- Conclude a new policy contract with policyholders - Conclude a renewal policy contract with policyholders - Vary a policy by way of endorsement - Vary insurer liabilities under a group policy by varying the extent of risks or number of policyholders covered In addition, underwriting managers may undertake the following activities: - Cancel a policy - Declare a policy void - Refuse to renew a policy	- Issuing of policy wording to policyholders - Maintenance of accurate accounts, books, ledgers, financial and other records in relation to the policies entered into, varied or renewed - Reconciliation of all premiums received from intermediaries during a month - Maintaining an appropriate policy management system - Keeping of records of all policyholder information for policies entered into, varied or renewed - Updating the insurer's data with policyholder details - Having an appropriate risk management system and controls in place to support the adequate management and administration of the policies entered into, varied or renewed, including maintaining

		of software service contracts, SLA's and licensing, maintenance of back-ups, formulating a disaster recovery plan and performing testing on a regular basis • Advertising, marketing and any other documentation used in managing and conducting the authorised business
(b) Determine the wording of a long-term policy	Determine the wording or material amendments to the wording of a policy, either subject to limits prescribed by the insurer with respect to the risks that may be indemnified and/or benefits provided and/or other factors, or with full discretion	• Ensuring that legal requirements are met • Ensuring alignment with any limitations on discretion pertaining to risk or other factors • Facilitating training material and programs in relation to the policy wording developed
(c) Determine premiums under a long-term policy	Determine the premiums under a policy, either using the underwriting criteria and rating methodology determined by the insurer, or with discretion with respect to the client segmentation and actuarial pricing	• Consideration of financial soundness of business and policies, as well as the fair treatment of customers, in the setting of the actuarial pricing • Ensuring alignment with any limitations on discretion pertaining to underwriting • Policy screening actions • Sign-off and record keeping of underwriting exceptions • Performing ITC scoring of new business

		• Performing client life time value scoring of existing business • Development of remedial measures for the management of unprofitable policyholders • Managing unprofitable clients through various screening techniques and underwriting interventions
(d) Determine the value of policy benefits under a long-term policy	Determine the value of benefits under a policy, either using the underwriting criteria and benefit limits determined by the insurer, or with discretion with respect to the client segmentation and actuarial pricing.	• Consideration of financial soundness and sustainability of insurance products and associated policies, as well as the fair treatment of customers, in the determination of policy benefits • Ensuring alignment with any limitations on discretion pertaining to policy benefits • Policy screening actions • Sign-off and record keeping of underwriting exceptions • Performing ITC scoring of new business • Performing client life time value scoring of existing business • Managing unprofitable clients through various screening techniques and underwriting interventions

(e) Settle claims under a long-term policy	• Determine and accept liability for claims In addition, underwriting managers may undertake the following activity: • Reject claims • Repudiate liability under a policy	• Receive claims from intermediary • Categorise claims • Assess merits / determine liability of the insurer and quantum of claims (the degree of discretion may vary) • Attend to all administration regarding settlement of claims • Payment of settled claims (this does not relate to the actual transfer of funds by a bank pursuant to the decision to settle) • Facilitate <i>ex gratia</i> payments (if mandated) • Revise claims estimates • Maintaining a claims register • Submission of claims bordereaux • Managing the claims float • Payment of all relevant service providers • Calculation and management of data and ratios • Adequate record keeping • Ensuring adequate controls and governance over claims handling process
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ANNEXURE A

ANNEXURE A2 (SHORT-TERM INSURANCE BUSINESS)

ACTIVITIES FALLING UNDER THE VARIOUS BINDER FUNCTIONS:		
BINDER FUNCTION	ACTIVITY/IES THAT MAKE UP THE BINDER FUNCTION	INCIDENTAL ACTIVITIES
(a) Enter into, vary or renew a short-term policy, other than a short-term reinsurance policy, on behalf of that insurer	- Conclude a new policy contract with policyholders - Conclude a renewal policy contract with policyholders - Vary a policy by way of endorsement - Vary insurer liabilities under a group policy by varying the extent of risks or number of policyholders covered In addition, underwriting managers may undertake the following activities: - Cancel a policy - Declare a policy void - Refuse to renew a policy	- Issuing of policy wording to policyholders - Maintenance of accurate accounts, books, ledgers, financial and other records in relation to the policies entered into, varied or renewed - Reconciliation of all premiums received from intermediaries during a month - Maintaining an appropriate policy management system - Keeping of records of all policyholder information for policies entered into, varied or renewed - Updating the insurer's data with policyholder details - Having an appropriate risk management system and controls in place to support the adequate management and administration of the policies entered into, varied or renewed, including maintaining of software

		service contracts, SLA's and licensing, maintenance of back-ups, formulating a disaster recovery plan and performing testing on a regular basis • Advertising, marketing and any other documentation used in managing and conducting the authorised business
(b) Determine the wording of a short-term policy	Determine the wording or amendments to the wording of a policy, either subject to limits prescribed by the insurer with respect to the risks that may be indemnified and/or benefits provided and/or other factors, or with full discretion	• Ensuring that legal requirements are met • Ensuring alignment with any limitations on discretion pertaining to risk or other factors • Facilitating training material and programs in relation to the policy wording developed
(c) Determine premiums under a short-term policy	Determine the premiums under a policy, either using the underwriting criteria and rating methodology determined by the insurer, or with discretion with respect to the client segmentation and actuarial pricing	• Consideration of financial soundness of business and policies, as well as the fair treatment of customers, in the setting of the actuarial pricing • Ensuring alignment with any limitations on discretion pertaining to underwriting • Policy screening actions • Sign-off and record keeping of underwriting exceptions • Performing ITC scoring of new business

		• Performing client life time value scoring of existing business • Development of remedial measures for the management of unprofitable policyholders • Managing unprofitable clients through various screening techniques and underwriting interventions
(d) Determine the value of policy benefits under a short-term policy	Determine the value of benefits under a policy, either using the underwriting criteria and benefit limits determined by the insurer, or with discretion with respect to the client segmentation and actuarial pricing	• Consideration of financial soundness and sustainability of insurance products and associated policies, as well as the fair treatment of customers, in the determination of policy benefits • Ensuring alignment with any limitations on discretion pertaining to policy benefits • Policy screening actions • Sign-off and record keeping of underwriting exceptions • Performing ITC scoring of new business • Performing client lifetime value scoring of existing business • Managing unprofitable clients through various screening techniques and underwriting interventions

(e) Settle claims under a short-term policy	• Determine and accept liability for claims In addition, underwriting managers may undertake the following activity: • Reject claims • Repudiate liability under a policy	• Receive claims from intermediary • Categorise claims • Appoint loss adjusters and investigators • Assess merits / determine liability of the insurer and quantum of claims (the degree of discretion may vary) • Attend to all administration regarding settlement of claims (e.g. adjustment of estimates, applying excesses and finalising agreement of loss) • Consideration of contributory negligence in third party claims and third party recoveries • Payment of settled claims (this does not relate to the actual transfer of funds by a bank pursuant to the decision to settle) • Facilitate <i>ex gratia</i> payments (if mandated) • Revise claims estimates • Manage motor and non-motor salvage • Manage third party recoveries • Recovery of any paid amounts to which the insurer is entitled • Manage or handle third party claims • Maintaining a claims register
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		• Submission of claims bordereaux • Managing the claims float • Ensuring that repairs or replacements are authorised • Payment of all assessors and service providers • Ensuring that excesses, deductibles and recoveries are effectively accounted for in the final quantum • Calculation and management of data and ratios • Adequate record keeping • Ensuring adequate controls and governance over claims handling process
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ANNEXURE B

ANNEXURE B1 (LONG-TERM INSURANCE BUSINESS)

Activities falling under the various binder functions:	Fee	Profit share (UMs)
a) Enter into, vary or renew a long-term policy, other than a long-term reinsurance policy, on behalf of that insurer		
- Conclude a new policy contract or renewal policy contract with policyholders, or vary a policy by way of endorsement; and/or - Vary insurer liabilities under a group policy by varying the extent of risks or number of policyholders covered; and/or - Cancel a policy, declare a policy void and/or refuse to renew a policy (Underwriting managers only)		☐ ☐ ☐
b) Determine the wording of a long-term policy		
- Determine the wording or material amendments to the wording of a policy, subject to limits prescribed by the insurer with respect to the risks that may be indemnified and/or benefits provided and/or other factors; or - Determine the wording or amendments to the wording of a policy, with full discretion		☐ ☐
c) Determine premiums under a long-term policy		
- Determine the premiums under a policy using the underwriting criteria and rating methodology determined by the insurer; or - Determine the premiums under a policy with full discretion with respect to the client segmentation and actuarial pricing		☐ ☐

d) Determine the value of policy benefits under a long-term policy		
• Determine the value of benefits under a policy using the underwriting criteria and benefit limits determined by the insurer; or • Determine the value of benefits under a policy with full discretion with respect to the client segmentation and actuarial pricing	☐	☐
e) Settle claims under a long-term policy		
• Determine and accept liability for claims; and/or Please list below all incidental activities performed in relation to the settlement of claims binder function:	☐	☐
• Reject claims or repudiate liability under a policy (Underwriting managers only)		

ANNEXURE B2 (SHORT-TERM INSURANCE BUSINESS)

Activities falling under the various binder functions:	Fee		Profit share (UMs)	
	Personal	Commercial	Personal	Commercial
a) Enter into, vary or renew a short-term policy, other than a short-term reinsurance policy, on behalf of that insurer				
- Conclude a new policy contract or renewal policy contract with policyholders, or vary a policy by way of endorsement; and/or - Vary insurer liabilities under a group policy by varying the extent of risks or number of policyholders covered; and/or - Cancel a policy, declare a policy void and/or refuse to renew a policy (Underwriting managers only)			☐	☐
b) Determine the wording of a short-term policy				
- Determine the wording or material amendments to the wording of a policy, subject to limits prescribed by the insurer with respect to the risks that may be indemnified and/or benefits provided and/or other factors; or - Determine the wording or amendments to the wording of a policy, with full discretion			☐	☐
c) Determine premiums under a short-term policy				
- Determine the premiums under a policy using the underwriting criteria and rating methodology determined by the insurer; or - Determine the premiums under a policy with full discretion with respect to the client segmentation and actuarial pricing			☐	☐

d) Determine the value of policy benefits under a short-term policy				
- Determine the value of benefits under a policy using the underwriting criteria and benefit limits determined by the insurer; or - Determine the value of benefits under a policy with full discretion with respect to the client segmentation and actuarial pricing	☐	☐		
e) Settle claims under a short-term policy				
Determine and accept liability for claims; and/or Please list below all incidental activities performed in relation to the settlement of claims binder function:	☐			
Reject claims or repudiate liability under a policy (Underwriting managers only)	☐			