



IAIS-A2ii-CIMA-conference on mobile insurance regulation
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Accommodating mobile insurance in the broader regulatory framework – South Africa

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Agenda

1. Introduction
2. Regulatory framework
3. Distribution channels
4. Outsourcing
5. Binder functions
6. Outsourcing requirements
7. Mobile Technology:- Key enabler of financial inclusion
8. Challenges: mobile insurance
9. Proposed legislative amendments

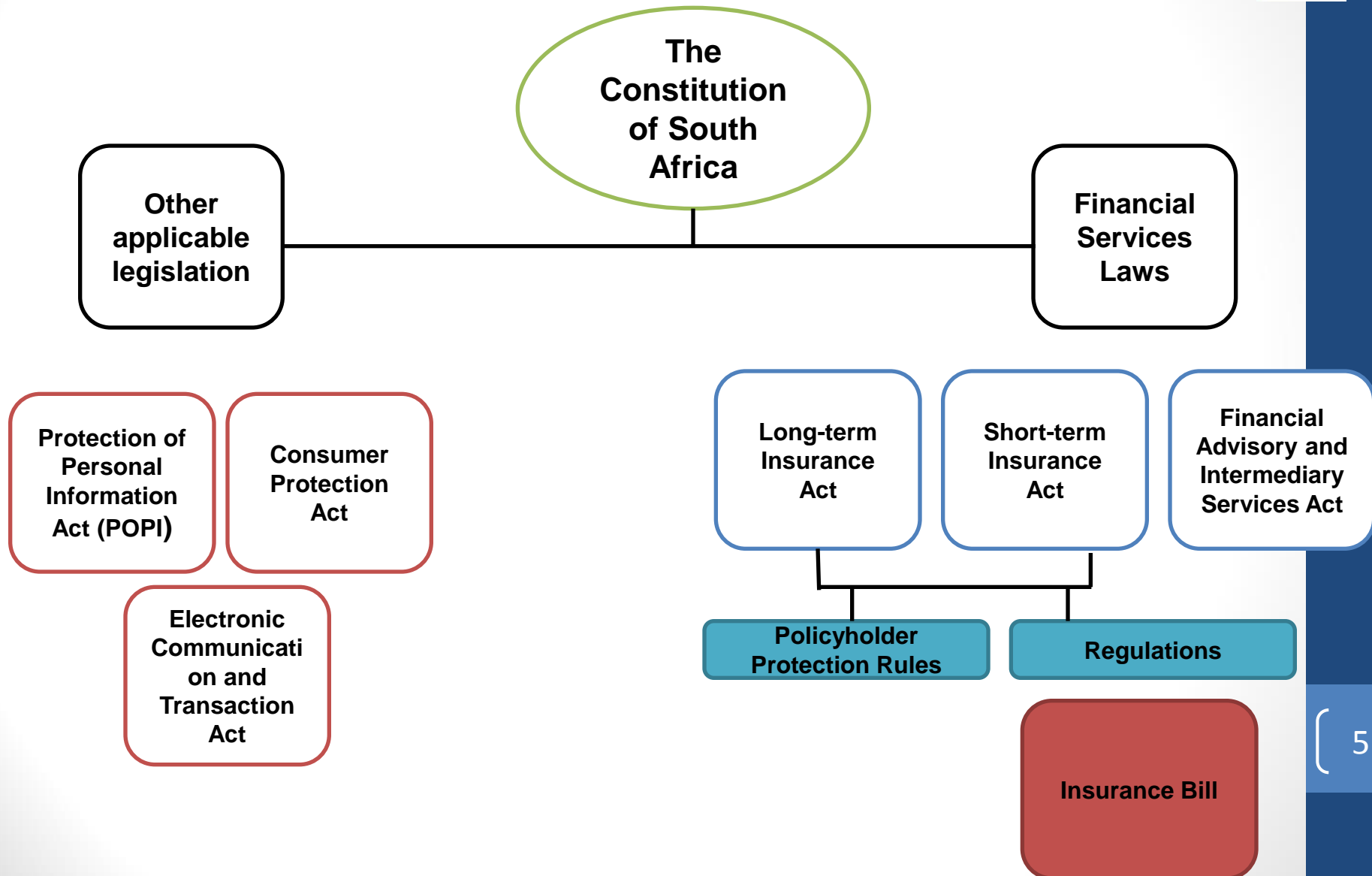
Introduction

- Mobile insurance is supervised in terms of existing Financial Services legislation
(no exclusive m-insurance legislation)
- Insurance providers must be licensed to conduct insurance business.
 - (Currently only one MNO is registered as an insurance provider)
- Distribution, servicing and intermediation of insurance policies is regulated

Regulatory framework

- Traditionally, insurance value chain cannot be completed on an entirely mobile platform
Due to statutory requirements on disclosures, policy documents, policyholder notifications etc (Under discussion)
- A range of services can still be provided through mobile platform as long as they are carried out in compliance with legislation

Regulatory framework

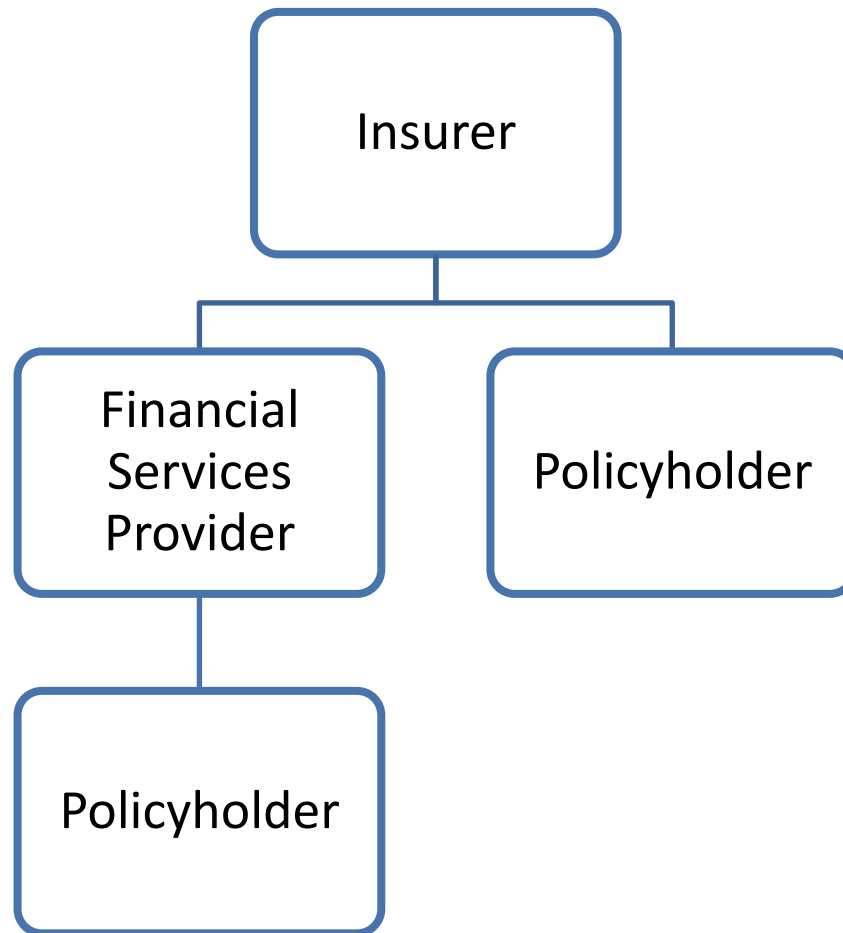


Regulatory framework

- **The Constitution of South Africa**
 - Supreme law of the country
 - no provision in law may be in conflict with the Constitution
 - Sets out the rights and duties of its citizens
 - **Section 14 – Right to privacy**
- **The POPI Act**
 - Its purpose: protection of personal information
 - Imposes requirements relating to, amongst other things, the processing of personal information and its impact on direct marketing
- **Electronic Communications and Transaction Act**
 - Governs electronic transactions

Distribution channels

Sales and intermediation process



Distribution channels

- **Direct marketing**
 - Through mobile platform, internal call centre agents (employed by the insurer), retail shops, etc.
 - Ordinarily policies serviced by the insurer for the entire value chain
 - Remuneration model usually a combination of basic salary and commission

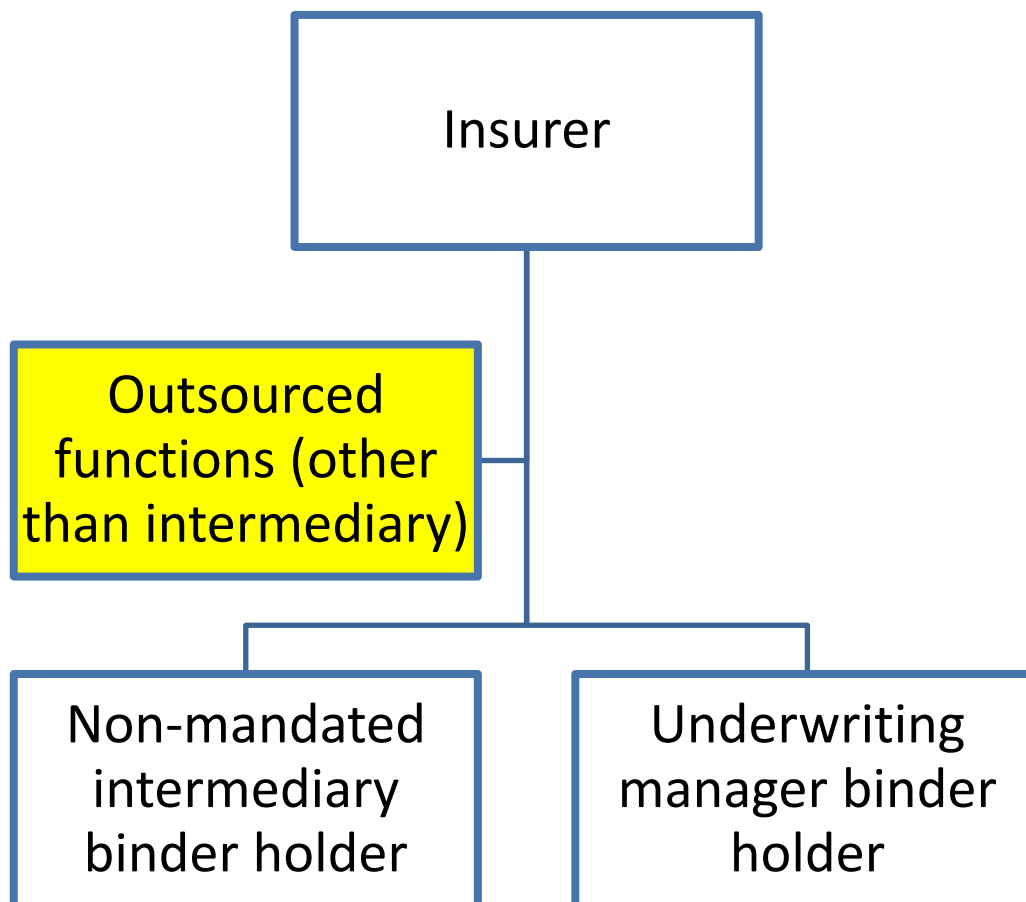
Distribution channel

- **Financial Services Providers**
 - Must be authorised in terms of the FAIS Act to perform advice and intermediary services as defined in the Act.
 - Insurer can mandate an FSP to perform such functions on its behalf.
 - Remuneration – commission regulated in terms of the LTIA. In the assistance business space (as well as MI proposals) commission is uncapped however it has to be commensurate to the functions performed.
 - MNO can only perform intermediary functions if properly authorised to do so

Outsourcing



Policy administration process



Binder functions

- Insurer can also mandate FSP to perform policy administration functions and make binding decisions as if they were the insurer when interacting with policyholders.
- These functions are regulated in terms of Binder Regulations and defined as the actual:-
 - **entering into, varying or renewing of policies**
 - **determination of policy wordings**
 - **determination of premiums**
 - **determination of the value of policy benefits**
 - **settlement of claims,**
where insurer only becomes aware of the policy or decision taken, after the fact.
- MNO performing such functions must be an authorised FSP and must enter into a prescribed written agreement with an insurer, to perform these functions.
- Remuneration – not prescribed, but should be reasonable, commensurate to services rendered and not linked to value of claims

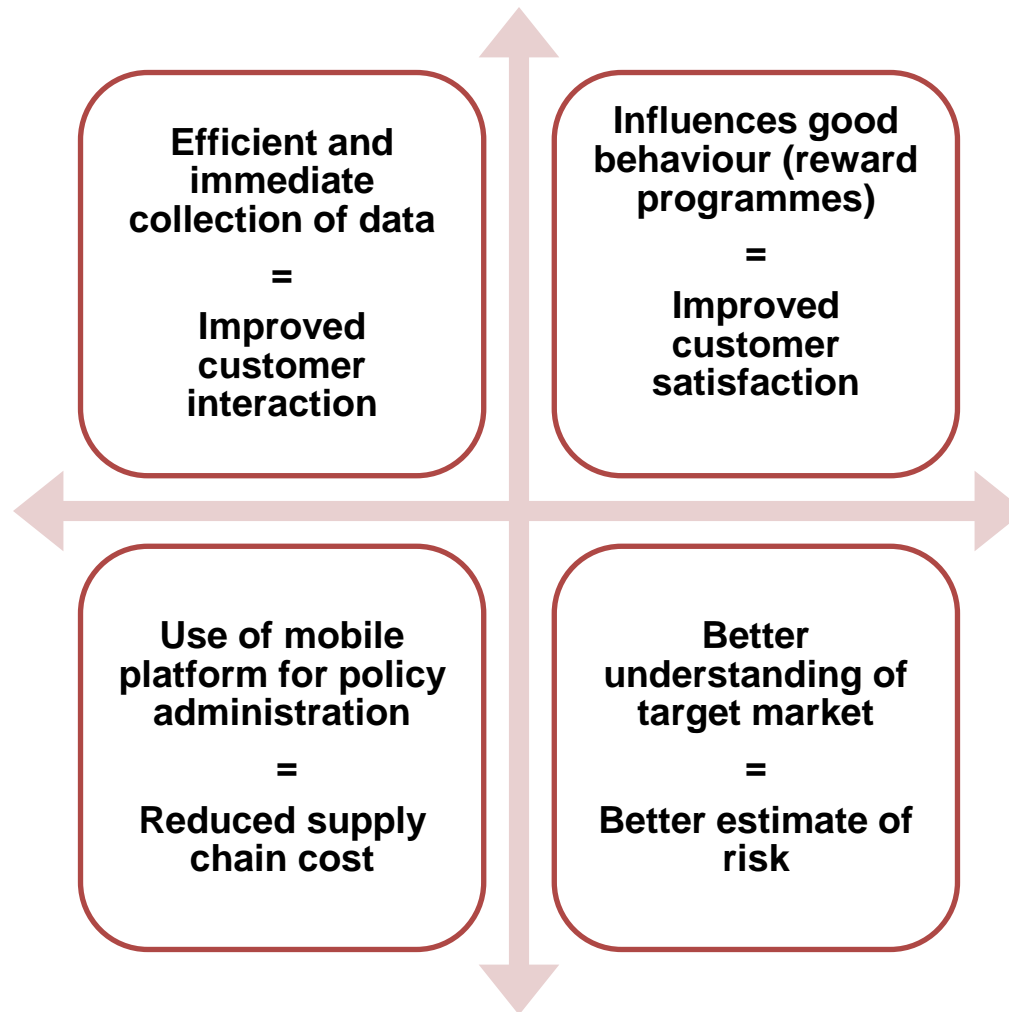
Outsourcing requirements

- Insurer can also outsource some of its functions to 3rd parties
- Outsourcing defined as - an arrangement of any form between **an insurer and another person** in terms of which that party performs a function or activity, whether directly or by sub-outsourcing, which otherwise would have been performed by the insurer itself.
- Applicable to the outsource of **all business process** (except intermediary services)
- Insurer is required to have an outsourcing policy – approved by its board of directors

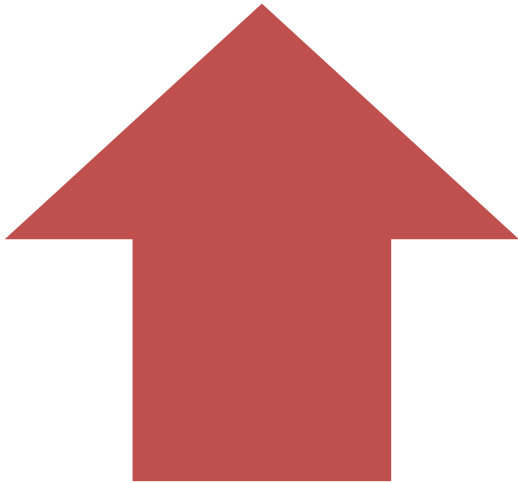
Outsourcing requirements

- Outsourcing agreements must be in writing
- Agreement must, amongst other things, address:- governance, oversight and record keeping requirements
- Insurer has to decide whether the outsourced function constitutes:-
 - Control
 - Management or
 - Material
- **Remuneration** - reasonable, commensurate to services rendered and not linked to value of claims

Mobile technology: Key enabler of financial inclusion



Challenges: mobile insurance business



Regulatory concerns

- Lack of oversight
- Poor customer outcomes
- Inadequate internal processes
- Misleading marketing practices



Industry concerns

- Increased cost of distribution
- Regulatory Arbitrage
- Disproportionate legislation
- Increased fraud risk

Proposed legislative amendments

- **General principles on fair treatment of policyholders**
 - communication, premiums, complaints management, claims management
- **Integration of IT systems (data management)**
 - insurer must have continuous access to accurate, up-to-date, complete and secure policy and policyholder data
- **Product design and monitoring**
 - products should meet the needs of the target market

Proposed legislative amendments

- **Simplified advice process**
 - sales execution standards are being considered
- **Proportionate** supervision
- **Advertising**
 - prohibition on misleading marketing
- Limitation on **remuneration**
 - commission restructure and capped binder fees
- **Insurance Bill**
 - gives effect to MI framework and consolidates insurance legislation

THANK YOU